



Corporate Social Responsibility and Corporate Bonds Coupon Rate

Ting-Wei Hu,¹ Ting-Hua Lin,¹ Yun-Chen Yu,¹ Yuan Chang^{1,#}

1. Department of Finance, National Changhua University of Education, Taiwan

Accepted December 2022

ABSTRACT

This study uses corporate bonds issued by nonfinancial listed firms from 2007 to 2013 as the research sample to examine whether a firm's corporate social responsibility (CSR) performance affects the cost of corporate bonds, using the coupon rate as a proxy measurement. Existing research on CSR has indicated that firms can achieve better performance, value, reputation, lower funding costs and financing constraints by investing resources in stakeholder management. However, there is relative lack of research on whether CSR performance affects the coupon rate of corporate bonds, which motivates this research. This study collects the issuing data (including bond specification, issuance conditions, financial characteristics and corporate governance condition of issuers) of sample firms on the Taiwan Economics Journal (TEJ). The data on CSR performance is constructed and quantified based on the annual CSR-award winner lists from the *Common Wealth* and the *Global Views Monthly*, as well as the inclusion standards of the Shanghai Stock Exchange's Social Responsibility Index constituents, i.e., social contribution value, social returns on assets and social contribution value per share. Empirical results from correlation analysis and regression estimation show that, while the evidence of CSR performance negatively correlated with coupon rate is weak, firms with lower coupon rate are more significantly and economically negatively affected by better CSR performance, implying that firms with better issuance conditions tend to benefit from CSR engagement.

Keywords: Corporate Social Responsibility, Coupon Rate

Corresponding author, Department of Finance, National Changhua University of Education, No.2, Shi-Da Road, Changhua City, Taiwan, R.O.C. Tel.: 047-232105 ext. 7350; Fax: 047-211290; e-mail: ychang@cc.ncue.edu.tw