

Corporate Social Responsibility (CSR) in Peru: Financial Performance of Social Responsible Companies

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Abstract

The purpose of this paper is twofold: First, it aims at reviewing CSR in Peruvian corporations, and second, it seeks to analyze the Corporate Financial Performance (CFP) of Peruvian companies that have received CSR awards, and are thus considered to be socially responsible.

The paper is divided into two parts. In the first part a comprehensive analysis of CSR in Peru is presented, based on a review of the existing literature. In the second part an analysis of the financial performance of socially responsible Peruvian companies is analyzed, based on two studies that were conducted for this research.

The first study aimed to analyze and compare the financial performance of companies deemed 'socially oriented,' and those considered 'not-very socially oriented.' This study used figures from the Osiris database, as well as data from the 'Peru 2021' website. In order to classify the companies as 'socially oriented,' and 'not-very socially oriented' a unique (not-KLD) approach was taken. Companies were classified based on an objective measure: the CSR awards the companies received. The greater the amount of CSR awards a company received, the higher it was ranked for CSR performance (CSP). The study concluded that there is a high correlation between CSP and CFP and that 'socially responsible companies' have better financial performance than 'not-very socially responsible companies.'

The goal of the second study was to assess whether socially responsible companies generated positive abnormal earnings after they were awarded with CSR awards by 'Peru 2021.' Peru 2021 is the representative institution of the World Business Council for Sustainable Development (WBCSD) and a registered organizational stakeholder of the Global Reporting Initiative (GRI). For this study the event study methodology was selected to measure the effects of CSR award announcements on stock prices of CSR companies. Moreover, official data from the Lima Stock Exchange and the CSR awards given by Peru 2021 were used. The study found that over the three-year period analyzed, on average the market reacted in a positive way when it learned that a company was granted a CSR Award.

The conclusion that this paper draws is that despite considerable improvements in the CSR system in Peru in recent decades, Peru can still be said to be in a developing stage with regards to CSR activity. A more proactive participation of the governmental institutions, with the involvement of NGOs, universities and other civil organizations, could contribute to further development. The main contribution of this research is its originality, since no research regarding CSP and CFP has been done in Peru to date. However, this study has also some limitations. First, the time frame of the research is only three years. A longer period would be preferred to reach a stronger conclusion. Second, it would be preferable to have data from a greater number of companies in the sample.

Keywords: CSR, CFP, not-KLD, event study, Peru.