THE EFFECTS OF CSR REPORTING REGIMES AND FINANCIAL CONDITIONS ON MANAGERS’ WILLINGNESS TO INVEST IN CSR

Authors

Yasheng Chen
Assistant Professor in Accounting

Johnny Jermias
Professor in Accounting

Jamal Nazari*
Assistant Professor in Accounting

Simon Fraser University
Beedie School of Business
8888 University Drive
Burnaby, B.C.
Canada V5A 1S6

*presenting author
THE EFFECTS OF CSR REPORTING REGIMES AND FINANCIAL CONDITIONS ON MANAGERS’ WILLINGNESS TO INVEST IN CSR

Abstract

Previous studies on Corporate Social Responsibility (CSR) have focused their investigations on the impacts of CSR disclosure on decision making of external users of accounting information. We contribute to the existing literature by focusing on the impacts of CSR disclosure on decision making of internal users of accounting information. Specifically, we investigate the impacts of CSR reporting regimes and companies’ financial conditions on managers’ willingness to invest in a CSR project. We hypothesize and find that managers are significantly more willing to invest in a CSR project when companies have the opportunity to disclose their CSR activities in a stand-alone CSR report. We also find that the integrated reporting regime does not have any incremental effect on managers’ willingness to invest in a CSR project relative to the financial statement disclosure regime. Finally, we find that companies’ financial conditions do not affect managers’ likelihood to invest in a CSR project. Our findings are consistent with the prediction of legitimacy theory. Our study contributes to the literature that investigates the impact of various reporting mechanisms on internal decision making.

Key word: Corporate social responsibility, integrated reporting, internal users, investment in CSR project.