Faculty of Commerce

Accounting Department

The Impact of Corporate Social Responsibility Disclosure on Investment Efficiency and stock Price Crash Risk

Empirical Study

A Thesis submitted for the degree of Doctor of philosophy in Accounting

By

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Summary

Research objective:

To determine the impact of corporate social responsibility disclosure on investment efficiency and stock price crash risk, in addition to determining the impact of corporate social responsibility disclosure on stock price Crash risk for over-and under-investment companies, in light of the theories explaining the motives for social responsibility disclosure addressed by accounting literature and the extent to which the research results agree with these theories.

Design and methodology:

The research relied on the applied study by applying it to a sample representing (34) companies listed on the EGX 100 index, which were selected according to a set of determinants with a total number of (170) observations and distributed over a group of sectors for the period from 2017-2021.

The research relied on measuring the independent variable: Corporate social responsibility disclosure based on the (ESG Score) obtained by each of the sample companies for the three dimensions of environmental, social and governance, and to measure the dependent variables: investment efficiency according to the study model of Biddle et al. (2009), and stock price crash risk according to the negative skewness coefficient of returns (NCSKEW) and the volatility of returns from the bottom up (DUVOL), and the control variables (company size, financial leverage, return on assets, market value of book value, operating cash flows) based on the content analysis approach of the financial statements and supplementary explanations and reports available on the companies' websites or some other websites, and to test the research hypotheses, a set of statistical methods was relied upon, such as Pearson's correlation coefficient and multiple linear regression models.

Research Results:

- There is a statistically significant positive (negative) effect of corporate social responsibility disclosure on investment efficiency (inefficiency investment) and a statistically significant negative effect of corporate social responsibility disclosure on over- and under-investment, which is consistent with the perspective of the signaling and stakeholder theories.
- There is a positive and significant correlation between corporate social responsibility disclosure and the risk of stock price crash, which is consistent with the perspective of the agency theory, and there is a statistically significant positive effect of corporate social responsibility disclosure and the risk of stock price crash for over- and under-investment

companies, and the positive relationship was more evident for under-investment companies.

Research Recommendations:

- The Capital Market Authority should oblige companies listed on the Egyptian Stock Exchange to disclose social responsibility, whether in annual reports or in a separate report, and direct companies’ attention to enhancing their social responsibility by providing more incentives for investments in the areas and activities of social responsibility and disclosing them..
- improving the quality of social responsibility disclosure for companies listed on the stock exchange in general and companies listed on the EGX 100 index in particular, and enhancing companies' awareness of increasing the transparency of social responsibility information and reports and reducing the concealment of negative news and information so that investors can properly evaluate this information and avoid bias and exaggeration in reactions to negative information, which affects stock returns and reduces their volatility, and thus has an impact on stock prices and the stability of the capital market, and requiring internal and external audit of information disclosure and report of social responsibility.
- Directing companies' attention to measuring and evaluating the possibility of their stock prices being exposed to the risk of crash based on stock price crash risk measures through corporate risk management to reduce the possibility of exposure to this risk and its results that negatively affect these companies
- Activating the role of the investment committee in companies and supervising investment decisions and evaluating investment opportunities proposed by the company's management and following up on the implementation of investment projects to reduce over- and under-investment.

Keywords: corporate social responsibility disclosure, investment efficiency, over- and under-investment, stock price crash risk