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## NEXUS BETWEEN CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE AND STOCK RETURNS OF RUSSIAN FIRMS

**Purpose:** The objective of this study is to assess whether the quality of sustainability disclosure has any effect on the stock returns of Russian firms.

**Methodology:** This study collects data from the 140 annual and sustainability reports of 23 Russian firms for the period 2013-2019. The study estimates corporate social responsibility (CSR) score based on the content analysis of the reports on the following dimensions: community contribution, environmental impact, employee relations, and provision of social products and services. Descriptive statistics, correlation analysis, and ordinary least squared regression were used to examine the nexus between CSR score and stock returns.

**Findings:** No statically significant relationship was observed between CSR disclosure and stock returns of Russian firms. Though, the study documented a tremendous increase in the volume, as well as the quality of CSR disclosures over the sample period. This finding suggests that Russian firms are driven by other reasons for improving disclosure of sustainability practices other than variation in stock prices. The study also reports a statistically significant relationship of CSR disclosure with other variables utilized in the model, particularly total assets, return on assets (ROA), and leverage.

**Practical Implications:** The study has several practical and theoretical implications. The findings of the study motivate the managers to improve the content of disclosed information, and for policymakers by providing criteria to assess the completeness and quality of disclosures, thereby indirectly enacting more CSR initiatives and bringing social good.

**Originality/value:** The study pictures the evolvement of CSR disclosures over the most recent seven-year period, including the years of the increased popularity of sustainability practices. Russian market presents an interesting case for the research of CSR due to its post-communist background which shaped a unique set of societal values. The study extends and contributes to prior literature in understanding the evolvement of the role of CSR for Russian firms.

**Key words:** CSR, environment, society, community, contribution, stock returns.

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### Корпоративті әлеуметтік жауапкершілікті ашу арасындағы байланыс және ресейлік компаниялардың акцияларының кірістілігі

**Мақсаты:** Тұрақтылық туралы ақпараттың сапасы ресейлік фирмалардың қор қайтарымына қандай да бір әсер ететіндігін бағалау.

**Әдістеме:** Бұл зерттеу 2013-2019 жылдар кезеңінде 23 ресейлік фирманың 140 жылдық және тұрақтылық туралы есептерінен мәліметтер жинайды. Зерттеу есептердің мазмұндық талдауы негізінде корпоративті әлеуметтік жауапкершіліктің (КӘЖ) ұпайын келесі өлшемдер бойынша бағалайды: қоғамдастықтың үлесі, қоршаған ортаға әсері, қызметкерлермен қарым-қатынас және әлеуметтік өнімдер мен қызметтерді ұсыну. Статистикалық статистика, корреляциялық талдау және қарапайым квадраттық регрессия КӘЖ ұпайы мен қор қайтарымы арасындағы байланысты зерттеу үшін пайдаланылды.

**Нәтижелер:** КӘЖ-ны ашу мен ресейлік фирмалардың акцияларының кірістілігі арасында статистикалық маңызды байланыс байқалмады. Зерттеу көлемінің ұлғаюын, сондай-ақ таңдалған кезеңдегі КӘЖ ашылуының сапасын құжаттады. Бұл тұжырым ресейлік фирмаларды акциялар бағасының өзгеруінен басқа, тұрақтылық тәжірибесін ашуды жақсартудың басқа себептері қоздырады деп болжайды. Зерттеу сонымен қатар КӘЖ ашудың модельде қолданылатын басқа айнымалылармен, атап айтқанда жиынтық активтермен, активтердің кірістілігімен (ROA) және левереджмен статистикалық маңызды байланысы туралы хабарлайды.

Практикалық нәтижелері: Зерттеудің бірнеше практикалық және теориялық мәні бар. Зерттеудің нәтижелері менеджерлерді ашылған ақпараттың мазмұнын жақсартуға, ал саясат жасаушылар үшін ашықтықтың толықтығы мен сапасын бағалау критерийлерін ұсыну арқылы ынталандырады, осылайша жанама түрде КӘЖ бастамаларын көбірек қызықтырады және әлеуметтік жақсылық әкеледі.

Түпнұсқалық / құндылық: Зерттеу соңғы жеті жылдық кезеңдегі, соның ішінде тұрақтылық тәжірибесінің танымалдылығы артқан жылдардағы КӘЖ ашылуларының дамуын бейнелейді. Ресей нарығы әлеуметтік құндылықтардың ерекше жиынтығын қалыптастырған посткоммунистік негізге байланысты КӘЖ зерттеуі үшін қызықты жағдай ұсынады. Зерттеу ресейлік фирмалар үшін КӘЖ рөлінің дамуын түсінуге алдыңғы әдебиеттерге үлес қосады.

**Түйін сөздер:** КӘЖ, қоршаған орта, қоғам, қоғамдастық, жарна, қор қайтарымы.

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### **Взаимосвязь между раскрытием корпоративной социальной ответственности и доходностью акций российских компаний**

Цель данного исследования – оценить, влияет ли качество раскрытия информации об устойчивом развитии на доходность акций российских компаний.

Методология: в данном исследовании собраны данные из 140 годовых отчетов и отчетов об устойчивом развитии 23 российских компаний за период 2013–2019 гг. В исследовании дается оценка корпоративной социальной ответственности (КСО) на основе контент-анализа отчетов по следующим параметрам: вклад сообщества, воздействие на окружающую среду, отношения сотрудников и предоставление социальных продуктов и услуг. Описательная статистика, корреляционный анализ и обычная регрессия методом наименьших квадратов использовались для изучения связи между оценкой КСО и доходностью акций.

Результаты. Статистически значимой связи между раскрытием КСО и доходностью акций российских компаний не наблюдается. Тем не менее, исследование зафиксировало значительное увеличение объема, а также качества раскрытия информации о КСО за период выборки. Это наблюдение свидетельствует о том, что российские фирмы руководствуются другими причинами в улучшении раскрытия информации о методах устойчивого развития, помимо колебаний цен на акции. В исследовании также сообщается о статистически значимой взаимосвязи раскрытия информации о КСО с другими переменными, используемыми в модели, в частности, совокупными активами, рентабельностью активов (ROA) и кредитным плечом.

Практическое значение: исследование имеет несколько практических и теоретических значений. Результаты исследования побуждают руководство компании улучшать содержание раскрываемой информации, а законодательство – предоставлять критерии для оценки полноты и качества раскрываемой информации, тем самым косвенно поддерживая больше инициатив КСО и принося общественное благо.

Оригинальность / ценность: исследование описывает эволюцию раскрытия информации о КСО за последний семилетний период, включая годы роста популярности методов устойчивого развития. Российский рынок представляет собой интересный случай для исследования КСО в связи с его посткоммунистическим прошлым, сформировавшим уникальный набор социальных ценностей. Исследование дополняет предшествующую литературу и способствует пониманию развития роли КСО для российских компаний.

**Ключевые слова:** КСО, окружающая среда, общество, сообщество, вклад, доходность акций.

## **Introduction**

Corporate Social Responsibility (CSR) is an important topic in today's global business agenda. With emergence of CSR, rules of business environment are changing by expanding firm's focus from merely shareholder value maximization to bringing social good. CSR encourages firms to go beyond legal and economic requirements and engage in the activities which are beneficial to the

environment and society, while avoiding operations with harmful consequences to external stakeholders (Miska et al., 2013). Growing number of firms globally are now approaching sustainability in the framework of 17 Sustainable Development Goals (SDGs) set by United Nations (UN) in 2015 as part of its 2030 agenda for sustainable development for both developed and developing countries, aimed at decreasing poverty, improving health and education, as well as promoting equality, and economic

growth. Though strengths of CSR initiatives are not uniform around the world, there has been a dramatic shift towards sustainability reporting globally in recent years, with 80% of companies worldwide reporting sustainability according to KPMG Survey of Sustainability Reporting (2020). Increased regulations and laws were named among the drivers of such growth, accompanied by improved understanding of the importance of the power of CSR on corporate performance and value.

This study is aimed to address the call for CSR research on markets beyond Anglo-Saxon economies (e.g. El Ghoul et al., 2011). Developing countries and transitional economies present a compelling case to study CSR due to different perception of the role of the businesses in the society, weaker power of citizens and shorter history of financial markets. As argued by Salaber (2007), country's culture and religion also shape perceptions of CSR. Furthermore, importance of the relationship between businesses and local communities intensifies in poor institutional environment characterized by low social security (Kelchevskaya et al., 2017). Global trends show that CSR is on its way, with increasing number of firms admitting the importance of CSR to business development and survival. In particular, the focus of this study is Russia, world's important economic and political player, a country with unique set of cultural values influenced by unique historical background.

Along with other post-communist countries who experienced transition to market economies, Russian firms faced conflicting pressure regarding their role in the society (Iankova, 2009). While carrying extensive welfare functions during socialism, transition to market economy dictated reduction in social programs. The country entered difficult time of economic transition, where reforming social policies, except for unemployment, was at the bottom of the agenda. However, two decades later, global trend towards increasing sustainable practices makes Russian firms to reconsider delivering social good. As noted by Glebova et al. (2013), the understanding of the importance of CSR practices by Russian firms is growing. This is mainly driven by increased desire by national firms to get foreign investment, regional operations expansion, and the development of powerful corporate entities. Furthermore, the perception of CSR by Russian firms is gradually changing, extending beyond merely satisfying minimum federal requirements.

This study particularly focuses on the quality of the disclosed information in CSR reports. CSR disclosures present an important tool to

communicate firm's CSR initiatives and their impact on stakeholders. Various studies applied different metrics to assess quality of CSR disclosures, though main dimensions such as environment, human resources and social community appear more frequently in the literature (e.g. Jizi et al., 2016; Handiyono et al., 2017). The objective of this study is to assess whether quality of sustainability disclosure has any effect on the stock return of Russian firms. The initial expectation is finding positive relationship between these variables based on the view that increased disclosure contributes to reduced information asymmetry, lower risk and, thereby, higher market valuation.

Contrary to the initial expectation of this study, no statically significant relationship was observed between CSR disclosure and stock returns of Russian firms. Though, this study documented tremendous increase in the volume, as well as the quality of CSR disclosures over sample period. This finding suggests that Russian firms are driven by other reasons for improving disclosure of sustainability practices other than variation in stock prices. The study also reports statistically significant relation of CSR disclosure between other variables under examination, particularly total assets, ROA and leverage.

The study extends and contributes to prior literature by documenting the relationship between CSR disclosure and stock returns through investigating the unique context of Russian market. Most of existing studies have investigated the effect of CSR on other variables such as cost of equity (e.g. Kelchevskaya et al., 2017). In addition, the study explores the evolvement of CSR disclosures over most recent seven-year period, including the years of increased popularity of sustainability practices.

## Literature review

CSR presents an exciting field for modern research, however defining CSR construct is an obstacle, as no uniform definition exists (Barnett, 2007). CSR is a comprehensive concept, taking knowledge from different areas, including sociology and economics (Cini & Ricci, 2018). Furthermore, due to its relative novelty, CSR concept has been evolving during the last decades from its first discussion in Harvard Law Review paper published in 1930s (Malik, 2015). CSR could be defined from the perspective of firm's behavior towards different stakeholders (Cooper, 2004), or from the view of firm's social, environmental, political, economic and ethical actions (Devinney, 2009). CSR has grown on

the foundation that businesses are part of a larger society, thereby having responsibilities extending beyond profit maximization. Furthermore, belief that firms should compensate for causing negative environmental and social impact has fueled growth of CSR popularity (Kolk, 2003).

There is no consensus on the effect of CSR on financial performance as demonstrated by mixed results of previous studies, though positive relationship is found more frequently in the literature. For example, Waddock and Graves (1997) observed “virtuous circle” between corporate social and financial performance, arguing that causation occurs in both ways. In particular, authors suggested that better social performance can improve financial performance, as well as better financial performance can result in higher social performance, or in other words, a firm can do well by doing good and do good by doing well.

Jiao (2010) also supported positive impact of CSR on financial performance. By constructing stakeholder welfare score which quantifies level of meeting expectations of external stakeholders, positive impact was observed on the market value indicators of firm performance. The authors concluded that stakeholder welfare could be viewed as an intangible asset of the firm such as reputation and human capital, thereby contributing to shareholder wealth. This finding is consistent with the results of literature analysis by Beurden and Gössling (2008) and meta-analysis Orlitzky et al. (2003) who documented overall positive relationship.

Jizi et al. (2016) examined the effect of CSR disclosure on stock prices of financial institutions following the years of 2007 financial crisis. The time period of eroded investor trust was selected to assess CSR importance. Interestingly, they found that high quality content of CSR disclosure is appreciated by investors, as demonstrated by improvement of banks’ market prices. This is consistent with the argument of Richardson et al. (1999) that CSR disclosure decreases future cash flow uncertainties and improves market value.

On the contrary, negative link between social performance and UK stock returns was reported by Brammer et al. (2006), supporting the argument that expenditures on CSR activities divert shareholder value. Lower returns were also suggested to be a result of investor altruism, characterized by willingness to forgo returns on morally fulfilling stocks. Another explanation of lower returns was suggested to be a result of penalizing for excessive engagement in some CSR activities. The study

emphasized the importance of examining different dimensions of CSR separately due to their varying impact on corporate performance.

There is a growing number of studies which examined the impact of CSR initiatives on different variables with focus on Russian market. For example, Kelchevskaya et al. (2017) on the basis of 18 Russian firms for the period from 2004-2014 observed that increased CSR disclosures has a positive impact on investment attractiveness through reduction of the cost of equity, with varying degree of this effect from the type of disclosed information. Glebova et al. (2013) analyzed content quality of 7 strategically important Russian companies and determined several attributes inherent to Russian non-financial reporting, including sectorial differences, free-form presentation, lack of supporting figures to evaluate commitments, and gradual expansion of disclosed indicators.

This study contributes to prior literature by evaluating the impact of the quality of CSR disclosure on the stock returns of Russian firms. To our knowledge, existing studies are limited in examining such relationship, especially in Russian context. In addition, they relied on a time horizon which did not capture recent trends of international growth in CSR disclosures. Prior research on other markets showed no conclusive evidence on the link between CSR and firm performance, thereby evoking interest to examine the relationship in case of Russian market. This study takes the view that CSR initiatives enhance shareholder value, which received wide acknowledgment in prior literature, with main hypothesis stated as follows:

*H1: CSR disclosure has a significant effect on the stock returns of Russian firms.*

## Methodology

### Data

The study examined the contents of 140 annual and sustainability reports which were published by 23 Russian firms for the period 2013-2019. The sampled firms represent constituents of the Moscow Exchange Russia Index that is composed from the most liquid stocks of the largest issuers from different sectors of Russian economy. Initial sample of the examination included 40 firms, components of the index, however, due to the unavailability of historical data on financials and lack of disclosure of sustainable practices required for the purpose of this study, the final sample was decreased. It is also believed that selected seven-year period highlights the trend of the development of CSR disclosure

in Russian economy, including capturing modern global shift towards increased CSR reporting and accountability, thereby enhancing understanding of the importance of sustainability practices for firms operating in this country. Financial data of the firms was obtained from Eikon-Refinitiv database, while CSR disclosures were searched for in annual reports or, if available, standalone sustainability reports which were publicly available on the firms' corporate websites.

#### *Model Specification*

This study applied ordinary least squared (OLS) regression model to test the impact on CSR disclosure content on stock returns. This is a common method used in prior studies which investigated impact of non-financial information on different dependent variables such as stock price crash risk, returns and other (see Handiyono *et al.*, 2017; Jizi *et al.*, 2016). To run the regression, EViews statistical software was employed. The equation testing the relationship is specified as follows:

$$CRSD_{it} = a + b_1R_{it} + b_2\ln TA + b_3Lew + b_4ROA + \varepsilon_{it} \quad (1)$$

where  $R_{it}$  stands for period return of  $i$  firm in a  $t$  period,  $CRSD$  is a CRS disclosure score,  $\ln TA$  is a natural logarithm of total assets denoting firm's size,  $Lew$  is a ratio of total debt over total assets,  $ROA$  is calculated as net income over total assets,  $\varepsilon_{it}$  presents an error term.

#### *CSR Score*

The CSR score was estimated by assessing content of CSR reports in the following steps. Firstly, categories and sub-categories for assessment of CSR disclosures were identified. In particular, the following four categories were adopted from Jizi *et al.* (2016): Community contribution, Environment, Employees, Social products and Services. *Community contribution* category includes evaluation of the disclosure of charity activities of the firm as well as firm's contribution to the achievement of sustainable agenda set by UN; *Environment category* refers to the disclosure of the environmental policies in place, pollution from operations and mitigation of hazardous environmental impact; *Employees category* refers to the disclosure of equality in the workplace, professional training, social benefits, health and safety; *Social products and services* refers the disclosure of social investment activities, such as regional infrastructure development and minority support, as well as client service experience. Secondly, key words for each sub-category were defined. Thirdly, the disclosure of sustainability

practices was searched for on the corporate websites. Then, table content of the document containing CSR information was analyzed to identify the placement of CSR categories. Key words were utilized in order to find the mentioning of CSR sub-category, with following careful reading and assessment of the disclosed content on the grading scale described in the following paragraph.

The study applied the following grading scale for estimating CSR score. A maximum of 5 points was given for each of the four categories, giving a total of 20. Three points was granted for presence of detailed discussions, though not supported by real figures. Poor disclosure which included just mentioning the issue in a few sentences was given a half point. In case of quantitative disclosure provided, additional point was awarded, with one additional point given for the period-to-period comparison. Each sub-category was given an equal weight within a category. Total disclosure score was calculated as the sum of the points given for each of the four categories divided by the maximum achievable score.

#### *Stock returns*

This study is concerned whether quality of CRS disclosures has an effect on stock returns. The underlying assumption is that CRS disclosure contributes to reduction of information asymmetry and uncertainty of future cash flows, causing lower risk and improved stock performance (Pava & Krausz, 1996). To calculate stock price change, simple return formula was applied which presents the difference between two consecutive prices divided over initial price (Zhang *et al.*, 2010). Average annual returns are used in the model.

#### *Control Variables*

Fundamental firm characteristics such as firm size, leverage and profitability were applied as control variables to test the hypothesis of this study. In particular, firm size is proxied by natural logarithm of total assets, leverage is measured as a ratio of total debt to book value of assets, and return on assets (ROA) stands for profitability.

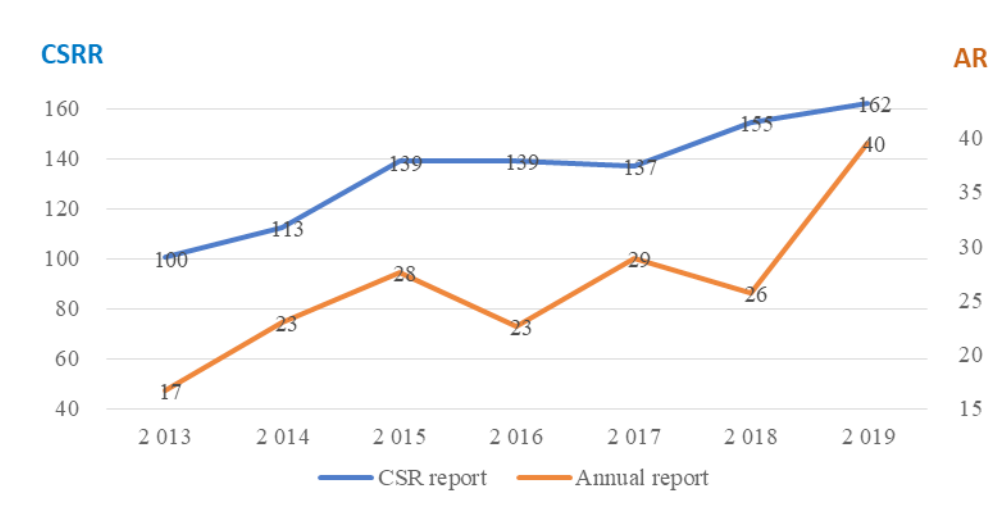
## **Results and Discussion**

### *Content-Analysis and Descriptive statistics*

CRS disclosure was evaluated for the firms which represent different sectors of Russian economy, including: Metals & Mining (7), Oil & Gas (6), Telecommunications (2), Retailing (2), Banking services (2), Chemicals (1), Utilities (1), Machinery (1) and Passenger Transportation (1). Firms have different approaches towards the

disclosure of their sustainability practices. While some firms presented stand-alone CSR reports, others included sustainability disclosure as part of the annual report. In addition, few firms which chose reporting sustainability in the annual report, provided additional documents with disclosure of environmental or social practices, covering environmental or human resource aspects of CSR, respectively. There were also cases when the firm switched from disclosing of CSR activity in the annual report to producing stand-alone sustainability report. Most firms followed global recognized practices in disclosure presentation, with most recent UN agenda of 17 SDGs gradually incorporated by some of them.

Coverage in CSR reports was generally higher compared to sustainability section in annual reports, as could be demonstrated by the average number of pages devoted to CSR. In particular, average CSR report for 2013-2019 period was 134 pages in length, while sustainability section in annual report took on average only 25 pages. However, interesting observation is that in both cases number of pages devoted to CSR experienced tremendous increase over time as shown in Figure 1. In 2019, average number of pages in CSR reports increased from 100 to 162 pages, or by 61% compared to 2013. Sustainability section in annual reports increased from 17 to an average of 40 pages in 2019, which represent an increase of 137% compared to the base year of the examination.



**Figure 1** – Average number of pages of CSR disclosure

Note – compiled by authors

Descriptive statistics for the sample under examination is presented in Table 1. The average CSR score for the period of this study is 0.78 points, with the lowest and highest average scores observed in 2013 and 2019, respectively. This observation implies that recent global trend towards growth in sustainability practices, as well as increased CSR reporting, is also seen in Russian market.

In respect of the other variables, average total assets experienced gradual increase from 2013, reaching 4.5bln in 2019. Average stock return has positive value of 14%, with the highest return observed in 2016, and the lowest one in 2017. Firms also delivered positive average return on assets

during all the years under examination. Leverage measured as a ratio of Debt to Total Assets stayed almost at the same level of 35 through 2013-2019 period.

#### *Correlation matrix and regression results*

Table 2 presents correlation matrix for the variables under examination, with no significant correlation documented, suggesting that multicollinearity of variables is not an issue for the sample of this study. Low collinearity was supported by Variance Inflation Factor (VIF) test, showing coefficients close to 1 (Gujarati, 2003). Heteroskedasticity test was also performed, observing Durban-Watson statistics of 1.012.

**Table 1** – Descriptive Statistics

| Description         | CSR Category |      |      |      | Total CSR Score | Total Assets, in mln RUB | Stock return, % | ROA  | D/A  |
|---------------------|--------------|------|------|------|-----------------|--------------------------|-----------------|------|------|
|                     | CC           | E    | HR   | SI   |                 |                          |                 |      |      |
| Mean                |              |      |      |      |                 |                          |                 |      |      |
| 2013                | 0,73         | 0,91 | 0,63 | 0,62 | 0,72            | 3 055 775                | 4%              | 6,6  | 39,8 |
| 2014                | 0,81         | 0,91 | 0,68 | 0,63 | 0,76            | 3 821 398                | 4%              | 1,4  | 37,7 |
| 2015                | 0,77         | 0,93 | 0,71 | 0,69 | 0,78            | 4 266 499                | 39%             | 6,6  | 39,7 |
| 2016                | 0,77         | 0,94 | 0,75 | 0,68 | 0,79            | 4 020 605                | 41%             | 12,0 | 35,7 |
| 2017                | 0,80         | 0,96 | 0,79 | 0,62 | 0,79            | 4 385 832                | -3%             | 8,4  | 33,0 |
| 2018                | 0,79         | 0,93 | 0,78 | 0,67 | 0,79            | 4 336 369                | 1%              | 8,6  | 34,5 |
| 2019                | 0,84         | 0,95 | 0,79 | 0,72 | 0,83            | 4 507 085                | 12%             | 10,8 | 32,5 |
| Mean 2013-2019      | 0,79         | 0,93 | 0,74 | 0,67 | 0,78            | 4 086 531                | 14%             | 8,0  | 35,9 |
| Max 2013-2019       | 1            | 1    | 1    | 1    | 0,96            | 31 197 500               | 188%            | 55   | 89   |
| Min 2013-2019       | 0            | 0    | 0    | 0    | 0,43            | 126 252                  | -93%            | -9   | 3    |
| Std. Dev. 2013-2019 | 0,18         | 0,15 | 0,15 | 0,23 | 0,12            | 7 024 586                | 0,40            | 9    | 21   |

Note – compiled by authors

**Table 2** – Correlation matrix

| Variables    | VIF   | CSR score | D/A    | Ln TA  | ROA   | Stock Return |
|--------------|-------|-----------|--------|--------|-------|--------------|
| CSR score    | 1.021 | 1         |        |        |       |              |
| D/A          | 1.554 | -0,038    | 1      |        |       |              |
| t-statistics |       | -0,444    |        |        |       |              |
| Ln TA        | 1.564 | 0,329     | -0,552 | 1      |       |              |
| t-statistics |       | 3,094     | -7,779 |        |       |              |
| ROA          | 1.127 | 0,250     | -0,137 | -0,158 | 1     |              |
| t-statistics |       | 3,033     | -1,626 | 1,874  |       |              |
| Stock Return | 1.021 | 0,041     | -0,009 | -0,043 | 0,143 | 1            |
| t-statistics |       | 0,482     | -6,115 | -0,513 | 1,691 |              |

Note – compiled by authors

The regression results are presented in Table 3. Contrary to the initial expectation of the study, the statistical significance of the relationship between stock returns and CSR is not observed. This suggests that there is no award of higher stock prices for the disclosure of sustainability practices in case of Russian market. Though content-analysis presented in previous section showed a substantial growth in CSR disclosure over time, stock prices

cannot be named among the purposes of this trend. This finding is contrary to the base study by Jizi et al. (2016) who observed positive statistically significant relationship of CSR disclosures and stock returns of U.S. based commercial banks. However, prior studies by Alexander and Buchholz (1978) and Murray et al. (2009) failed to observe statistical significance between CSR and stock returns similar to this study.

Interestingly, statistical significance between CSR disclosure was observed between other variables under examination. In particular, CSR exhibits positive statistically significant coefficient with ROA, in line with Simpson and Kohers (2002) who observed positive relationship between CSR and Financial Performance. In addition, statistically significant relationship was observed between CSR and total assets, implying that firms' eagerness to devote efforts

and resources to sustainability practices increases with size. Finally, positive relationship between CSR disclosure and the level of debt was observed. This observation could be explained by the results of the prior study by Kelchevskaya et al. (2017), who reported lower cost of equity for firms with higher quality of CSR disclosure on the basis of Russian market. Our result implies that firms utilize opportunity of lower cost of funds, increasing the level of debt.

**Table 3** – Regression results

| Variables          | Coefficient | Std. error | t-statistics |
|--------------------|-------------|------------|--------------|
| C                  | 0,054       | 0,114      | 0,474        |
| Stock Return       | 0,005       | 0,023      | 0,197        |
| Ln TA              | 0,444*      | 0,007      | 6,246        |
| ROA                | 0,005*      | 0,001      | 4,924        |
| D/A                | 0,002*      | 0,001      | 3,623        |
| R-squared          | 0,273       |            |              |
| Adjusted R-squared | 0,251       |            |              |
| Sum squared resid. | 1,522       |            |              |
| F-statistics       | 12,656      |            |              |

Notes: 1) \* indicates significance at 1% level  
2) compiled by authors

## Conclusion

This study aims to examine whether CSR disclosure contributes to the variation in stock returns. Contrary to initial assumption of the study, no statistically significant relationship was observed on the basis of Russian market. This result is in line with prior studies by Alexander and Buchholz (1978), Murray et al. (2009), however, contrary to the one obtained by Jizi et al. (2016), whose research model was adopted for the purposes of this study. This study suggests that Russian firms are driven by other purposes other than stock prices, for the disclosure of CSR practices. Positive statistically significant coefficients were found between CSR disclosure and financial variables.

In addition to the main objective of this study, several other observations regarding the evolution of the content of CSR reports of Russian firms were made. Firstly, disclosure of CSR activities increased significantly over 7 years periods of examination, as demonstrated by the growth in the number of pages and CSR scores. Environmental aspect is the one which receives the highest coverage in firms' reports, followed by community contribution, human

resources and social investment. Improvement of CSR disclosure of stand-alone firms is vividly seen from the expansion of the aspects disclosed, as well as more detailed disclosures supported by figures and year-to-year comparisons. Firms switching from merely reporting sustainability practices as part of a small section in annual report to producing CSR report wholly devoted to sustainability activities was also documented. Russian firms also construct the reports following the global recognized practices, with most recent UN agenda of 17 SDGs gradually incorporated.

The study is limited to the number of firms available for examination due to unavailability of historical financial data as well as disclosure data. In addition, further research can extend the number of variables used in model specification. Still, the study could present an interest to policymakers and firms' management of Russian firms by bringing additional evidence on the effect of CSR on valuation and firms' financials. In addition, presented content-analysis of the reports opens a curtain for further research to suggest underlying reasons of improved CSR disclosure other than for the purposes of increased stock returns.



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