



UNIVERSITI TEKNOLOGI MARA

**CORPORATE SOCIAL RESPONSIBILITY AND
STOCK PRICE VOLATILITY: EVIDENCE FROM
MALAYSIAN BANKING SECTOR**

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ABSTRACT

Despite growing recognition of the importance of Corporate Social Responsibility (CSR) on a global scale, there have been limited studies on these topics from the Malaysian banking sector perspectives. Therefore, the study aims at examining the relationship between stock price and Corporate Social Responsibility (CSR) of selected banks in Malaysia from 2010 to 2019 using the static panel regressions namely POLS, FEM and REM. The findings suggest that FE models are generally more favourable than POLS and REM. CSR has a negative and significant association with Malaysian banks' stock price volatility (SPV), and so do the dividend yield and bank size while tax exhibits a positive relationship. Future studies may consider the effects of CSR on business risk in the contexts of Islamic and conventional banks.

Keyword: Corporate Social Responsibility, stock price volatility, POLS, REM, FEM

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

Chapter one discusses the background of the study. Next is the problem statement, research objective, research question and the significance of the study. It is followed by the scope of the study, limitation of the study and definition of key terms.

1.2 BACKGROUND OF THE STUDY

Malaysia banking sectors exist for a long time ago. Banks in Malaysia is regulated by the Government and the Central Bank, Bank Negara Malaysia. All banking and financial institutions in Malaysia are required to follow the Central Bank's rules and regulations. Malaysian financial institutions are authorised and supervised by the Bank Negara Malaysia (BNM) under the Banking and Financial Institutions Act (BAFIA) 1989. There are three types of banks in Malaysia: commercial, investment, and Islamic. The banking institution is the primary source of funds and the primary funding source for Malaysian economic activity (Ismail, Associate, Shabri Abd. Majid, & Rahim, 2013). Banks are institutions of public trust because they are responsible for risk management to obtain returns on the financial capital entrusted to them by depositors (Lui, Zainuldin, Wahidudin, & Foo, 2021).

This study focuses on seven banks namely Alliance Bank Malaysia Berhad, AMMB Holdings Berhad (Ambank), CIMB Group Holdings Berhad, Hong Leong Bank Berhad, Malayan Banking Berhad (Maybank), Public Bank Berhad, RHB Bank Berhad for the following reasons. First, these banks comply with the CSR. Second, there are top ten banks in Malaysia in 2019 (Table 1.1) and lastly, there are the most active banking stocks listed on the stock exchange in 2019 (Table 1.2)

Figure 1.1 displays the performance (measured by total asset) of the selected banks from 2010 to 2019. The performance of Public Bank Berhad was relatively stable as compared to other banks over time. However, other banks tend to exert a downward trend in total asset. On the other hand, CIMB Group Holding Berhad initially exhibited a good performance of total asset ratio at 1.64% in 2010, experienced a large drop from 1.71% in 2011 to 0.88% in 2015 before it recovered in 2016. Overall, it is clearly to suggest a positive performance of the