

Does Market Competition Motivate Corporate Social Responsibility? Insight from Malaysia

(Adakah Persaingan Pasaran Memotivasikan Tanggungjawab Sosial Korporat? Pengalaman Malaysia)

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ABSTRACT

This study aims to examine the role of product market competition on Corporate Social Responsibility (CSR) by engaging altruism and utilitarianism views. Using dynamic Generalized Method of Moment panel regression for 524 Malaysian non-financial industry listed companies from 2010 to 2016, we find that firms in a more competitive environments increase their CSR activities. We interpret these results as evidence that CSR is strategically chosen by firms not for the societal benefits, but more on business as usual; a support for utilitarianism view, i.e profit maximizations. It explains the rationale that CSR activities are less employed in a more monopolistic or oligarchic industry. Practically, this study suggests that the CSR activities are forced by market competition. Firms in a more competitive market need CSR as their non-market strategies.

Keywords: Product market competition; product differentiation; market size; market concentration; corporate social responsibility

ABSTRAK

Kajian ini bertujuan untuk mengkaji peranan bagi persaingan pasaran produk terhadap Tanggungjawab Sosial Korporat (CSR) dengan melibatkan pandangan altruisme dan pandangan utilitarianisme. Berdasarkan regresi panel Generalized Method of Moment dinamik, melibatkan 524 syarikat industri bukan kewangan tersenarai di Malaysia bagi tempoh 2010 hingga 2016 didapati, aktiviti CSR lebih tertumpu kepada firma dalam persekitaran yang lebih kompetitif. Dapatan ini menjadi bukti terhadap pandangan utilitarianisme, iaitu pemaksimum untung yang mana, aktiviti syarikat memilih CSR sebagai strategi untuk tujuan perniagaan dan bukan untuk kepentingan sosial. Ini jelas menunjukkan bahawa aktiviti CSR kurang dilakukan dalam industri yang bersifat monopolistik atau oligarki. Secara praktikal, kajian ini menunjukkan bahawa aktiviti CSR disebabkan oleh persaingan antara pasaran. Syarikat dalam pasaran yang lebih kompetitif menjadikan aktiviti CSR ini sebagai strategi bukan pemasaran.

Kata Kunci: Persaingan pasaran produk; pembezaan produk; saiz pasaran, penumpuan pasaran; tanggungjawab sosial korporat

INTRODUCTION

Corporate Social Responsibility (CSR) has been traditionally trusted as the bridge between business and society. However, the motive behind it is still the subject of much debate, straddling two schools of thought: altruism and utilitarianism. According to the altruistic view, firms are willing to share their profit proportionally simply because of the good nature of such deeds (Elahuge 2005). Meanwhile, the utilitarian view argues that the

motive behind CSR is profit maximization (Baron 2001). Both perspectives coexist without a clear consensus as to whether firms demonstrate CSR because they want to help communities or because it is profitable.

There are vast empirical findings devoted to the utilitarian view, but none of the results are conclusive or they lack a strong strategic rationale. Margolis and Walsh (2003) provide survey results based on 109 empirical studies concerning the CSR-utilitarian view. The objective is to portray the relationship between