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Article

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FINANCIAL ECONOMICS | RESEARCH ARTICLE

How does the corporate life cycle influence Vietnamese firms corporate social responsibility?

Luu Bich Thu^{1,2*} and Nguyen Vinh Khuong^{1,2}

Abstract: This study investigates the association between the corporate life cycle and corporate social responsibility (CSR) disclosure in Vietnam. We hypothesize that the ability and motivation of firms to engage in various CSR activities at each stage of the corporate life cycle are different. Data are collected from 218 companies listed on the HOSE and HNX exchanges in Vietnam from 2014 to 2018 to measure the CSR according to the 2016 GRI General Standards, Parts GRI 200, GRI 300, and GRI 400. Using 2SLS estimation, the empirical findings of our study are consistent with our hypothesis. Our findings suggest that the introduction and growth stages are positively associated with CSR disclosure. Firms in the decline and shake-out phases no longer focus much on CSR disclosure, which shows that older firms do not invest in CSR activities as much as young firms. This study has two contributions. First, the research findings help to expand the literature in the Vietnamese context by applying business life cycle theory and aligning CSR with corporate life cycle stages. Second, the results of this study contribute to managerial implications in making CSR dimension decisions.

Subjects: Environmental Economics; Finance; Industry & Industrial Studies

Keywords: Corporate social responsibility; Life cycle; Vietnam

JEL Classification: G12; G32; M14; M40.

1. Introduction

Corporate social responsibility (CSR) has gained global public attention and become one of the major economic forces of the global economy, not only due to a result of consumer awareness, legislation, and corporate governance but also as a factor connected with long-term company success (Hasan and Habib, 2017; Lin et al., 2009; Roberts & Dowling, 2002). The increased interest in CSR activities has highlighted the question of what benefits businesses obtain from increasing their CSR efforts. By investigating various aspects of CSR, empirical studies have sought to satisfy this question. They show that capital allocation efficiency, firm cash holding, cost of corporate bonds capital, cost of corporate bonds, cost of bank loans, financial transparency, variable competitiveness, and increased stakeholder trust, dividend policy, financial risk, and financial performance are all factors related to the benefits derived from CSR (Bhandari & Javakhadze, 2017; Cheung, 2016; Ge & Liu, 2015; Girerd-Potin et al., 2014; Goss & Roberts, 2011; Gregory et al., 2014; Hengboriboon et al., 2022; Wooldridge, 2015). However, according to resource-based theories, firms will differ in their bundle of resources (e.g., financial, physical, human capital, technological, reputational, and organizational resources) and capabilities (Barney et al., 2001; Grant, 1991). These resources are crucial for explaining the firm's performance and growth (Penrose & Penrose, 2009). Therefore, the life cycle theory also implies that as an organization moves through successive stages, its operating activities will undergo systematic changes in terms of investment,

financing, resources, team capacity, risk appetite, and strategies (Helfat & Peteraf, 2003). Recent research revealed that growth and mature firms have higher profitability, greater resource capacity, and lower risk, while young and declining firms have lower capital flows and higher returns and hazards (Dickinson, 2011; Hasan & Habib, 2017). It is thus not unreasonable to expect that CSR activities will differ at each stage of the corporate life cycle.

In Vietnam, the concept of CSR has been introduced by western governments, MNCs, and international and transnational organizations since 2002 (Hamm, 2012). Since the introduction of CSR to Vietnam, many domestic enterprises have been found to mimic, promote, and expand CSR in their policies in order to achieve competitive advantages and access to the global market (Trifkovic et al., 2018). Furthermore, a desire for integration into the global economy, the Vietnamese government is under pressure to participate in global CSR activities since there is a call for greater regulation and supervision of governments on commercial self-interest practices throughout the world (Trifkovic et al., 2018). Therefore, the Vietnamese government encourages firms operating in their territory to voluntarily incorporate CSR into their policies and actively fills in the gaps in the law to comply with the international standards on issues related to labor rights and environmental degradation (Peels et al., 2016). These changes in the law are expected to gradually facilitate the development of CSR among firms in Vietnam. In terms of economics, globalization is the global spread of liberal and capitalist economic ideas, notably the creation of a global market built on free trade (Blowfield & Murray, 2014). The emergence of MNCs in Vietnam, the strong growth and increase in size of SOEs have increased significantly, encouraging the belief that economic growth can be the ultimate guarantee of the public interest through the provision of employment, goods and services, and wealth.

Since Circular 155/2015/TT-BTC was issued by the government, the magnitude of information disclosure has attracted the attention of firms in Vietnam. However, the disclosure of information just stops at voluntary magnitude that is not mandatory, leading to distinct differences among firms in Vietnam. The difference, according to previous research literature, is explained by the influence of firm stages. CSR disclosure is considered as a way for businesses to get finance for development, especially in the early phases. According to life cycle theory, firms in the early stages are often unable to generate positive cash flow, while the most important demands related to the firms' survival are enough capital and good cash flow (Hasan & Habib, 2017). Based on the stakeholders theory, researchers found that external stakeholders, such as customers, governments, and investors, tend to respond positively to corporate CSR activities, resulting in companies getting external finance much more easily (Zhao & Xiao, 2019). Indeed, a positive corporate social image and reputation might strengthen the firm's connection with the government and banks (Lins et al., 2017), especially state-owned banks, allowing it to obtain funding more easily or finance at a lower cost (Goss & Roberts, 2011). The good reputation and relationship with the government or banks resulting is firms' excellent CSR performance (Zhao & Xiao, 2019). Lee and Choi (2018) found that early-stage firms are more likely to disclose CSR in order to attract investors and banks. Firms in the mature stage of life cycle theory frequently focus on maximizing profit (Hsu, 2018). According to Hsu (2018), these businesses have been in operation for a long time and have amassed a significant amount of wealth and reputation; thus, they only want to maximize earnings instead of investing CSR activities. Companies in the shake-out stage are quite like those in the decline stage, their resources are constrained and downgraded, so they focus more on survival strategies. Hence, firms with weak financial performance have the potential to jeopardize shareholders who invest in CSR, even though few companies over the aforementioned period met a minimum threshold of social responsibility (Campbell, 2007). As CSR activities have diminished in the later stages of the business cycle, firms are no longer the focus of CSR disclosure during these times.

Our studies contribute to the literature in several ways. First, the majority of previous research on these topics used Western data, while empirical evidence in the context of Asian nations is limited, mainly concentrated in Japan, South Korea, and China (Chapple & Moon, 2005; Gunawan, 2015; Hasan & Habib, 2017; Kim, 2018; Zhao & Xiao, 2019). The limitation in research on this issue in the remaining countries of Asia motivates us to investigate the impact of the life cycle on CSR in

Vietnam, a country trying to enter an emerging market. Researching a developing market such as Vietnam can avoid multiculturalism and different investment environments to control the model easily and contribute an overview of this topic. Second, current CSR measures in Vietnam are limited to full measurements under GRI 2016, circular 155/2015, and circular 116/2020 on corporate rules promoting non-financial disclosure. I gathered and evaluated data from 218 companies listed on the HOSE and HNX exchanges in Vietnam from 2015 to 2018 and applied a set of subject-specific standards for reporting an organization's economic, environmental, and social impact to measure the CSR according to the 2016 GRI General Standards, Parts GRI 200, GRI 300, and GRI 400. To make our analysis more robust, this study use both DeAngelo et al. (2006) and Dickinson (2011) techniques, which are diverse from two perspectives from cash flow and business contract results. Third, this study finds that firms in introduction, growth (mature, shake-out, decline) stages exhibit more (less) CSR involvement. Following the stakeholder and life cycle theory, that young firms tend to enhance their good financial performance and ethical reputation to attract stakeholders, while older firms focus more on survival strategies. The findings of this study will be part of an extensive contribution to the research literature through the application of life cycle and resource-based theories in the Vietnamese context. The ability to undertake "process-based" CSR research across business life cycle stages will be an intriguing area for future research. Process studies are used to better understand how CSR decisions are made, how they are implemented, and how stakeholders react to such actions (Hasan & Habib, 2017). From there, research on how managers use firm-level financial resources to more effectively implement value-maximizing CSR process decisions would add to the body of CSR research already conducted in Vietnam.

The following is how we plan to organize our paper. The following section provides the literature and formulates hypotheses. The study methodologies, models, and data are presented in section 3. In section 4, we provide our findings, followed by conclusions and some recommendations in section 5.

2. Theoretical background and hypothesis development

2.1. Corporate social responsibility

Corporate social responsibility (CSR) activities have turned into a core part of corporate management practice (Crane et al., 2015). Simultaneously, scientific interest in CSR and its literature's breadth and depth are growing and turning out to be pretty widespread. Previous studies provide a theoretical foundation for CSR by relating it to business ethics (Carroll, 1979; Jensen & Meckling, 1976; Petrenko et al., 2016). For instance, firms should guarantee the safety of investment, obey business ethics in repayment of loans, utilize proper resources, and offer reasonable opportunities for participation of creditors in policy decisions. According to Carroll (1979), that social responsible firms should abide by the law, and they need to be ethical and compelled to report good financial performance. Empirical investigations across multiple research streams have found associations between CSR and various corporate outcomes. For instance, Hao et al. (2018) investigated the impact of CSR on stock price crash risk and its relationship with the role of internal controls in China. Their results found a significantly negative association between stock price crash risk and CSR. Several studies have also investigated the demand for and supply of CSR activities. For example, Waddock and Graves (1997) also documented that statements of cash flows correlate positively with CSR; thus, they claim that the existence of slack resources is a significant supply element in undertaking CSR activities. Cormier and Magnan (1999) also found that the firm size, industry, and regulatory environment explain the change in CSR level. McWilliams and Siegel (2001) showed that customers and stakeholders—consisting of investors, employees, and community members—are the two primary sources of CSR demand. They found that corporate social responsibility depends on its size, diversification level, research and development, and advertising expenses. In addition, capital, materials, services, and labor resources are considered to generate an output that satisfies the demand for CSR. In terms of resources and financial performance, large and mature enterprises are an advantage that enables them to engage in CSR-related activities (Chih et al., 2010; Hull & Rothenberg, 2008).

In the above discussion, many researchers tend to investigate those corporate outcomes affected by CSR, while a few examine the factors that affect CSR. Investigating and understanding the factors affecting CSR is essential for firms to derive values and benefits from CSR strategies (Udayasankar, 2008).

2.2. Corporate life cycle

Previous research literature proposes some measures of the corporate life cycle from firm age to profit ratios. Although age and size can provide several indications about corporate maturity, they have limitations as a good proxy for a corporate life cycle (Faff et al., 2016). Several reasons that Faff et al. (2016) and Dickinson (2011) suggest that the time required for the firms to mature varies across industries. In addition, many firms could sustain in a given corporate life stage longer than others. They argue that a younger company might actually be more mature than an old firm (Dickinson, 2011; Faff et al., 2016). They also indicate that the dataset only shows listed firm age but not actual firm age. It leads to consider that, prior to a company becoming a listed firm, some companies may exist for a longer (or shorter) time than others; thus, the age of listed firms is a misleading measure of their actual age. Similarly, asset growth, size, and cash flow are not proxies for life cycle since they also reflect other firm characteristics (Dickinson, 2011). DeAngelo et al. (2006) argued that the earned capital mix is a logical proxy for the corporate life cycle because it estimates the extent to which the firm is self-financing or reliant on external capital. Dickinson (2011) provided a meticulous corporate-specific life cycle approach using data from the firm's cash flow statement. The combination of operations (OANCF), investment (IVNCF), and financing cash inflows and outflows (FINCF) models provides a corporate life cycle at a given time, such as "introduction", "growth", "mature", "decline", and "shake-out". Empirical studies in accounting and finance investigate the impact of the corporate life cycle on firms' activities. Owen and Yawson (2010) study the impact of the corporate life cycle on mergers and acquisitions. The authors estimate the corporate life cycle using the ratio of retained earning to equity (RE/TE) and total assets (RE/TA) measured at the fiscal year-end before the acquisition announcement. They find a significant positive association between firm life cycle and the likelihood of launching a bid. Anthony and Ramesh (1992) investigated various aspects of accounting performance measures over the life cycle. Their results showed that the growth of sales and capital expenditure are vital factors in the growth stage and that while it shows a positive relationship with market returns, it reduces in the decline stage. Black (1998) compared the usefulness of accounting earnings and cash flow in assessing the value of a firm in each life cycle stage. The paper argues that accounting earnings are more related to value than cash flow in the growth and maturity stages, while cash flow is more value relevant than accounting earnings in the decline stage. Hribar and Yehuda (2007) also found that the cost of capital is lowest in the maturity stage and relatively high in the growth and decline stages.

In summary, the results of the abovementioned studies indicate that the economic circumstances a company faces in each of its life cycle stages are different. This implies that CSR strategies and the motives for investing in CSR may also systematically differ at each stage.

2.3. Association between the corporate life cycle and corporate social responsibility

According to resource-based theories, firms will differ in their bundle of resources (e.g., financial, physical, human capital, technological, reputational, and organizational resources) and capabilities (Barney et al., 2001; Grant, 1991). These resources are crucial for explaining firm performance and growth (Penrose & Penrose, 2009). Therefore, the life cycle theory also implies that as an organization moves through successive stages, its operating activities will undergo systematic changes in terms of investment, financing, resources, team capacity, appetite for risk, and strategy (Helfat & Peteraf, 2003). Recent research revealed that growth and mature firms have higher profitability, greater resource capacity, and lower risk, while young and declining firms have lower capital flows and higher returns and hazards (Dickinson, 2011; Hasan & Habib, 2017). It is thus not unreasonable to expect that CSR activities will differ at each stage of the corporate life cycle.

Prior studies on the association between CSR and the corporate life cycle mostly elaborate from the stakeholder theory. Researchers found that external stakeholders, such as customers, governments, and investors, tend to respond positively to corporate CSR activities, resulting in companies getting external finance much more easily (Zhao & Xiao, 2019). Contradictory claims can be advanced, suggesting that early-stage firms are equally likely to invest in CSR initiatives given the reputational and strategic benefits of doing so. Given their dependence on outside resources, younger companies are more in need of stakeholder assistance (Hasan & Habib, 2017; Hasan et al., 2015; Zhao & Xiao, 2019). Participating in CSR initiatives has benefits that can be considered as a powerful instrument for gaining support. Even though CSR initiatives are costly, young firms may profit more marginally from CSR efforts than mature firms (Hasan & Habib, 2017). The participation of small businesses in CSR initiatives is modeled by Udayasankar (2008) using three corporate attributes: visibility, performance, and organizational complexity. Less well-known companies can use CSR as a legitimate tool to access external resources they have a greater need for than mature companies. Even corporations with limited resources, according to Udayasankar (2008), may profit from CSR initiatives because doing so might give these businesses exclusive access to valuable resources. On the other hand, mature firms have a well-established customer base and focus more on product differentiation strategies. As a strategic response to the threat from competitors, mature enterprises can exploit strategies to create a unique reputation that cannot be imitated easily (McWilliams et al., 2006), and one way of achieving this is to invest in environmental and social reputation (Fombrun & Shanley, 1990).

2.4. Hypotheses development

As discussed, capacities and resources at each different stage affect investment in various CSR initiatives. Firms in the early stages are often unable to generate positive cash flow, while the most important demands related to the firms' survival are enough capital and good cash flow. Meanwhile, a positive corporate social image and reputation might strengthen the firm's connection with the government and banks (Lins et al., 2017), especially state-owned banks, allowing it to obtain funding more easily or finance with a lower cost (Goss & Roberts, 2011). The good reputation and relationship with government or banks resulting is firms' excellent CSR performance (Zhao & Xiao, 2019). Lee and Choi (2018) also show that firms in the introduction stage are positively related to CSR activities. We also agree with their view that under these circumstances, firms often depend more heavily on debt for financing, so they implement the needs of those who can get benefits from CSR for financing. Thus, we propose our first hypothesis as follows:

Hypothesis 1: Introduction stage is positively related to corporate social responsibility.

The firms in the growth stage have overcome the dominant survival concern of the past; instead, these firms in this stage are likely to engage in expansion opportunities (Jawahar & McLaughlin, 2001). At this stage, the source of the growth and expansion funding is not only creditors but also shareholders (Jawahar & McLaughlin, 2001). CSR can be an important driver for transparently traded companies, especially for investors with long strategies, who often prefer to invest in firms with sustainable business models than their competitors. Indeed, Lins et al. (2017) indicated that trust between a firm and stakeholders is built through investments in CSR. In this respect, growth-stage firms require both ethical reputation and good financial performance so a company in the growth stage can improve its reputation to enhance the business performance, which implies that growing firms are expected to undertake CSR activities. Our second hypothesis is as follows:

Hypothesis 2: Growth stage is positively related to corporate social responsibility.

Many researchers have given different results of the investment of CSR activities in the mature stage. For instance, mature firms are positively associated with CSR activities (Hasan & Habib,

2017; Trihermanto & Nainggolan, 2019). They suggested that mature firms, thanks to their good resource base, capabilities, and competitive advantages, should be in a better position to invest in CSR activities. Firms moving from the introduction to the mature stage have more responsible in terms of diversity and environmental awareness, while firms in mature stage are much less concerned with human rights and product safety (Withisuphakorn & Jiraporn, 2016). Lee and Choi (2018) said that firms in the mature stage have more internal resources to invest in CSR activities than firms in other stages, but mature firms are less likely to increase their financial performance opportunistically, for which they will undertake projects that give them returns. However, maintaining corporate ethics is still on the table. Hence, they assumed that the mature stage is not related to CSR activities. In another perspective, Hsu (2018) argued that firms from the introduction stage to the mature stage will increase their investment for CSR activities, while mature firms will reduce investment CSR as they proceed through their life cycle. Therefore, this paper also argues that mature firms have longer business operation than the growth and initial firms, so they have stronger reputation capital accumulations. Meanwhile, their reputation has been an advantage for business from investments in previous CSR activities. Only firms trying to enter this mature stage will increase CSR activities, but mature firms will reduce their CSR activities to focus on maximizing their profits. Our third hypothesis is as follows:

Hypothesis 3: Mature stage is negatively related to corporate social responsibility.

With firms in a decline stage, demand for products and services from these firms often reduces, and managers feel pressure from stakeholders to consider implementing strategies that deal with these problems with risk tolerance. Since this is a survival stage of these firms, involving parties performing CSR could be framed from the context of losses, and firms tend to attempt to conduct restructuring, mergers, and acquisitions rather than CSR activities (Jawahar & McLaughlin, 2001; Lee & Choi, 2018). Indeed, for firms at this stage, implementing CSR is very much secondary to survival; therefore, we expect the demand for CSR activities to be low during this period. Companies in the shake-out stage are quite like the decline stage, and their resources are constrained and downgraded, so they focus more on survival strategies. Hence, firms with weak financial performance have the potential to jeopardize shareholders who invest in CSR even though few companies over the aforementioned period to meet a minimum threshold of social responsibility (Campbell, 2007). Therefore, limited capacity and resources have reduced their CSR projects and commitment. We present the fourth and fifth hypotheses as follows:

Hypothesis 4: Decline stage is negatively related to corporate social responsibility.

Hypothesis 5: Shake-out stage is negatively related to corporate social responsibility

3. Research design

3.1. Measure of the firm life cycle

Evaluating life cycle stages at the company level is difficult because an individual company consists of many overlapping but distinct product life cycle stages (Hasan & Habib, 2017). Additionally, firms can compete across a variety of industries and produce a wide range of goods (Dickinson, 2011). To overcome this estimation problem, Hasan and Habib (2017) also used the methodologies of Dickinson (2011) and DeAngelo et al. (2006) to develop proxies for the firms' stage in the life cycle.

Following DeAngelo et al. (2006), corporate life cycle proxies are retained earnings as a proportion of total equity (RE/TE) and of total assets (RE/TA). Firms with low RE/TE (RE/TA) tend

to be in the capital infusion stage, whereas firms with high RE/TE (RE/TA) tend to be more mature with ample cumulative profits that make them largely self-financing.

In order to examine individual attributes of the life cycle theory, Dickinson (2011) draws on the economics literature, such as production behavior (Jovanovic & MacDonald, 1994; Spence, 1977, 1979; Wernerfelt, 1985a, 1985b), learning/experience (Spence, 1981), investment (Jovanovic & MacDonald, 1994; Spence, 1977, 1979), entry/exit patterns (Caves, 1998), and market share (Wernerfelt, 1985a). Therefore, based on the anticipated behavior of operations, investments, and funding cash flows across several life cycle stages—which are the results of business performance and resource allocation—she creates a parsimonious firm-level life cycle presentation. According to Dickinson, one may use the cash flow from operating (OCF), investing (INVCF), and financing (FINCF) to group firms in life cycle stages, such as “introduction”, “growth”, “mature”, “shake-out”, and “decline”. Cash flows, she claims, indicate distinctions in a firm’s profitability, growth, and risk.

This study uses both methodologies of DeAngelo et al. (2006) and Dickinson, (2011) to classify all sample companies into different life cycle stages based on the following cash flow pattern:

- (1) Introduction: if $OCF < 0$, $ICF < 0$, $FCF > 0$
- (2) Growth: $OCF > 0$, $ICF < 0$, $FCF > 0$
- (3) Mature: $OCF > 0$, $ICF < 0$, $FCF < 0$
- (4) Shake-out: $OCF < 0$, $ICF < 0$, $FCF < 0$ or $OCF > 0$, $ICF > 0$, $FCF > 0$, or $OCF > 0$, $ICF > 0$, $FCF < 0$
- (5) Decline: $OCF < 0$, $ICF > 0$, $FCF > 0$ or $OCF < 0$, $ICF > 0$, $FCF < 0$.

3.2. Measurement of CSR

One of the foundations of CSR is the concept of the “triple performance line” (triple bottom line), which results from the paradigm of sustainable development and is based on the search for balance between the three dimensions: economics, ecology, and ethics (Žak, 2015). The idea of the triple bottom line directs attention to three types of capital: economic, social, and environmental. Hence, this study uses the 2016 GRI General Standards, Parts GRI 200, GRI 300, and GRI 400, including a set of subject-specific Standards for reporting an organization’s economic, environmental, and social impact. As a result, each criterion obtains a value of 1 when analyzing the company’s financial statements, annual reports, and sustainability reports if it appears in the 2016 GRI Standards, Parts GRI 200, GRI 300, and GRI 400; otherwise, it receives a value of 0. The formula for calculating CSR scores for each economic, environmental, and social topic, as well as the overall CSR score, is as follows:

$$CSR_i = \frac{\sum X_i}{n_i} \quad (1)$$

CSR is the overall CSR score, which includes the company’s economic, environmental, and social announcements, $0 \leq CSR_{all} \leq 1$;

If the corporation fits requirement, X_i is set to 1; otherwise, it is set to 0.

where n_i is the estimated number of criteria for the company i , with a value ranging from 1 to 6 for an economic topic (GRI 200), 1 to 8 for an environmental topic (GRI 300), and 1 to 19 for a social theme (GRI 400).

3.3. Empirical model

We obtained and analyzed data from 218 Vietnamese companies listed on the HOSE and HNX markets. This sample could represent the Vietnamese market. Despite the fact that there are 735 firms registered on HOSE and HNX, we have eliminated all banking and insurance enterprises

(more than 100) owing to differences in operating techniques and financial reporting system features (Khuong, Anh, Quyen et al., 2022). Furthermore, we continue to remove firms that are not familiar with research theories. Besides, we only considered businesses with fulfilled financial statements from 2014 to 2018 prior to the Covid-19 outbreak. Although from the period of 2019 until now, the provisions of CSR have not changed, CSR data are not guaranteed because of the nature of the Vietnamese market and the influence of Covid-19. Therefore, there are only 218 businesses divided into 8 specific industry groups as detailed in Table 1.

The following is the model we developed based on the relationship between corporate social responsibility and firm value, with life cycle moderating roles:

$$CSR_{i,t} = \beta_0 + \beta_1 * LC_{i,t} + \beta_2 * ASSETGR_{i,t} + \beta_3 * LEV_{i,t} + \beta_4 * SIZE_{i,t} + \beta_5 * BIG4_{i,t} + \beta_6 * AGE_{i,t} + \varepsilon_{i,t} \quad (2)$$

In the above equation, LC is the life cycle proxies of DeAngelo et al. (2006) and Dickinson (2011). For RE/TA and RE/TE, the first two proxies for CSR of DeAngelo et al. (2006) and Dickinson (2011), we expect a positive and significant coefficient for the LC, while for the last three proxies of Dickinson (2011), we expect a negative and significant for the LC (Equation 2).

Following the prior literature, we include a set of control variables that are likely determinants of firms' CSR involvement. SIZE is the natural logarithm of the book value of total assets at year-end. Firm age (AGE) is the natural log of the firm's age, measured as the year under consideration minus the year that firm starts listing. The "BIG4" indicator is included to control for the auditor-CSR relationship. We add asset growth (ASSETGR) and debt ratio (LEV) to control the impact of financial conditions on CSR decisions.

4. Results and discussion

4.1. Descriptive statistics

Table 2 provides descriptive statistics about the corporate life cycle and CSR, along with the variables used in the regression model. The CSR variables have a range of 0 to 0.939, with an average value of 0.25, indicating that the observations are more evenly distributed on the left side. In other words, Vietnamese businesses' CSR disclosure is still limited. Based on the method applied by DeAngelo et al. (2006), the ratios RE/TA and RE/TE in this paper have mean values of 0.09 and 0.13, respectively. The minimum and maximum of RE/TA are -1.54 and 0.574, respectively, while minimum and maximum of RE/TE are -20.34 and 0.832, indicating that Vietnamese firms focus on the group from first half stage of corporate life cycle. The low and negative values of RE/TE and RE/TA can be explained by the small retained earnings, or even losses in accumulation, of most early-stage firms.

Table 1. Industry-specific research sample for the years 2014–2018

Industry	2014	2015	2016	2017	2018	Grand total
Basic materials	56	56	56	56	56	280
Consumer cyclicals	38	38	38	38	38	190
Consumer non-cyclicals	11	11	11	11	11	55
Energy	7	7	7	7	7	35
Health care	9	9	9	9	9	45
Industrials	72	72	72	72	72	360
Technology	7	7	7	7	7	35
Utilities	18	18	18	18	18	90
Grand total	218	218	218	218	218	1090

Table 2. Descriptive statistics of variables

Variable	Obs	Mean	Std. Dev.	Min	Max
csr_all	1,090	0.2586	0.1454	0.000	0.939
re_ta	1,090	0.0943	0.1365	-1.548	0.573
re_te	1,090	0.1306	0.9143	-20.345	0.832
lc_intro	1,090	0.1486	0.3559	0.000	1.000
lc_grow	1,090	0.2239	0.4170	0.000	1.000
lc_mature	1,090	0.3899	0.4880	0.000	1.000
lc_decline	1,090	0.0780	0.2683	0.000	1.000
lc_shakeout	1,090	0.1596	0.3664	0.000	1.000
assetgr	1,065	0.1484	0.3216	-0.670	2.808
lev	1,090	0.2491	0.1903	0.000	0.736
size	1,090	28.1941	1.2934	23.330	31.991
big4	1,087	0.3910	0.4882	0.000	1.000
age	1,090	2.7743	0.4746	0.693	4.779

However, these values will be improved gradually when firms are profitable. According to Dickinson (2011)'s method, which divides the corporate life cycle of Vietnamese enterprises into small stages for further examination, the mean values of "introduction", "growth," and "mature" are 0.14, 0.22, and 0.38, which are higher than the mean values of "decline" (mean = 0.07) or "shake-out" (mean = 0.15), which proves observations more belong from the introduction to the mature stages.

4.2. Correlation

Table 3 presents the correlation between the variables included in the regression models. The correlation matrix indicates that CSR correlates positively with RE_TA and RE_TE. The correlation between the mature stage and CSR is also positive, while the correlation of CSR with other stages (introduction, growth, decline, and shake-out) is negative. In terms of control variables such as Size, Big4, and Age, they correlate positively with CSR, but Assetgr and Lev have a negative correlation with CSR. The Pearson's correlation between independent variables should not exceed 0.5 to ascertain that there is no serious multicollinearity problem among the variables.

Table 4 shows the regression results for Equation (1), reporting the results of the RE/TA and RE/TE measurements for the company life cycle and CSR. Column (1) of Table 4 reveals that the RE/TA coefficient is positive and significant ($\beta = 0.33$; $p < 0.01$), while the RE/TE coefficient is also positive and significant ($\beta = 0.063$; $p < 0.05$), meaning that the more the retained earnings, the greater the increase in CSR activities. To evaluate theories more closely and analyze more deeply for each period, Table 5 shows the phased regression results of the Dickinson (2011) life cycle measure. Hypotheses 1 and 2 state that CSR is positively associated with firms in introduction and growth stages, respectively. The coefficient in column 1 indicates that the enterprise in the introduction stage is positive and statistically significant ($\beta = 0.172$; $p < 0.1$). Similarly, as shown in Table 5 Model 2, a growth stage is positively associated with CSR ($\beta = 0.116$; $p < 0.05$). The evidence suggests support for Hypotheses 1 and 2. With respect to Hypotheses 3, 4, and 5, we predict a negative association between a CSR and other stages. The results offer support for three hypotheses. As demonstrated in Table 5, shake-out stage is negatively associated with CSR ($\beta = -0.161$; $p < 0.05$). Although the other two models show that mature and decline are not statistically significant, the sign of the coefficient is negative (lc_mature: $\beta = -0.048$; $p > 0.1$, lc_decline: $\beta = -0.217$; $p > 0.1$). Hence, our findings suggest support for the moderation hypotheses.

Table 3. Pearson's correlation coefficient matrix

	1	2	3	4	5	6	7	8	9	10	11	12	13
1. CSR	1.00												
2. RE_TA	0.10	1.00											
3. RE_TE	0.07	0.54	1.00										
4. Introduction	-0.04	-0.11	0.01	1.00									
5. Growth	-0.01	0.00	0.05	-0.22	1.000								
6. Mature	0.11	0.14	0.06	-0.33	-0.43	1.00							
7. Decline	-0.07	-0.10	-0.08	-0.12	-0.15	-0.23	1.00						
8. Shake-out	-0.05	-0.01	-0.10	-0.18	-0.23	-0.24	-0.13	1.00					
9. Asset growth	-0.07	0.05	0.10	0.26	0.30	-0.24	-0.10	-0.20	1.000				
10. Leverage	-0.02	-0.26	-0.05	0.29	0.17	-0.24	-0.01	-0.15	0.09	1.00			
11. Size	0.28	-0.08	-0.02	0.07	0.12	-0.09	-0.01	-0.08	0.05	0.35	1.00		
12. Big4	0.32	-0.06	-0.07	-0.08	0.02	0.04	0.00	0.01	-0.10	-0.00	0.40	1.00	
13. Age	0.10	0.01	0.01	0.03	0.02	-0.00	-0.03	-0.03	-0.04	0.04	-0.02	-0.02	1.00

Table 4. Regression results DeAngelo et al. (2006) life cycle measure (RE/TA and RE/TE)

Variables	Model 6	Model 7
	csr_all	csr_all
Re_ta	0.333*** [2.74]	
Re_te		0.063** [2.35]
Assetgr	−0.034** [−2.29]	−0.042** [−2.53]
Lev	−0.001 [−0.03]	−0.048* [−1.68]
Size	0.023*** [5.27]	0.024*** [5.24]
Big4	0.086*** [7.77]	0.088*** [7.50]
Age	0.022** [2.05]	0.023** [2.09]
_cons	−0.497*** [−3.97]	−0.477*** [−3.72]
Sargan test	0.3482	0.1945
Basman test	0.3519	0.1969
N	841	841
R-sq	0.141	0.094

Note: T statistics in brackets; * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

4.3. Other sensitivity tests

We recognize that endogeneity may exist in our investigation since factors proxying the company life cycle are unlikely to be exogenous random variables. We applied the known instrumental variable (IV) approach to alleviate the issue of endogeneity (Wooldridge, 2009).

Using a 2SLS estimation, to confirm the validity of our instrument, tests of Basman (1960) and over-identification tests of Sargan (1958) were used. The p -value of all models is large, indicating that our instruments are valid, and the instruments are determined to be fine. In the second stage, the independent variables remain significant and, in the expected directions, consistent with our primary analysis. Endogeneity does not appear to be a concern, according to our findings.

4.4. Discussion

This study provides a contribution based on empirical evidence. A substantial body of research demonstrates the relationship between the corporate life cycle and CSR performance. As discussed in the abovementioned literature, surprisingly, little research has examined the relationship between the corporate life cycle and CSR.

In Table 4, the positive effects of RE/TA and RE/TE on CSR demonstrate that when firms want to expand their business, CEOs would disclose more about CSR activities. Table 5 provides further evidence for this claim. Typically, in the first half of the life cycle (introduction and growth stages), firms tend to have more CSR disclosure than in the second half of the life cycle. Indeed, firms in the early stages are often unable to generate positive cash flows, while the most important demands related to the firms' survival are enough capital and good cash flows. Hence, increasing CSR activities become attractive for stakeholders, and it is more profitable for firms in the early stages

(Trihermanto & Nainggolan, 2019). Therefore, CEOs of these companies in the introduction and growth stages tend to focus more on CSR activities disclosure. However, firms in the second half of the life cycle no longer focus on CSR disclosure as in the first stages. Table 5 shows clearly that firms in the second half of the life cycle decrease CSR disclosure and that the shake-out stage is even statistically negative significant. This could be due to CEOs tending to focus more on survival strategies (Campbell, 2007; Lee & Choi, 2018).

On control variables, the positive impact of size and big4 at all stages proves that growing size firms continue to increase CSR. Most notably, CEOs want financial transparency and information to impress stakeholders, so they hire reputable auditing companies and actively disclose corporate information. This correlation is because of the enterprise's efforts to attract stakeholders such as customers, governments, and investors because they are more in need of stakeholder assistance (Hasan & Habib, 2017; Zhao & Xiao, 2019). It is worth noting that in the age variable, only the growing phase has a positive effect, and the other stages have no effect. Thus, the age variable is no longer a factor affecting CSR when firms enter the second half of their life cycle. The negative influence of the lev and asset variables further clarifies this consideration. Table 5 shows that firms at the end of their life cycle reach their peak, so debt and assets have a negative impact on CSR activities. This is evidence that older firms are less concerned with CSR than young firms.

Table 5. Regression results Dickinson (2011) life cycle measure

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
	csr_all	csr_all	csr_all	csr_all	csr_all
Introduction	0.172*				
	[1.86]				
Growth		0.116**			
		[2.18]			
Shake-out			-0.161**		
			[-2.46]		
Mature				-0.048	
				[-0.55]	
Decline					-0.217
					[-0.54]
Assetgr	-0.052*	-0.064***	-0.057***	-0.026	-0.034
	[-1.79]	[-2.75]	[-2.85]	[-0.79]	[-0.73]
Lev	-0.135**	-0.102***	-0.103***	-0.082	-0.035
	[-2.50]	[-3.06]	[-3.15]	[-1.47]	[-0.66]
Size	0.025***	0.021***	0.023***	0.024***	0.025***
	[4.58]	[4.35]	[4.86]	[4.12]	[4.61]
Big4	0.091***	0.076***	0.080***	0.087***	0.087***
	[6.76]	[6.80]	[7.03]	[6.75]	[6.61]
Age	0.006	0.020*	0.018	0.013	0.001
	[0.43]	[1.74]	[1.58]	[1.00]	[0.03]
_cons	-0.449***	-0.385***	-0.383***	-0.403**	-0.413**
	[-2.86]	[-2.83]	[-2.81]	[-2.15]	[-2.29]
Sargan test	0.5772	0.0963	0.2071	0.1043	0.1107
Basman test	0.5812	0.0974	0.2094	0.1058	0.1123
N	626	841	841	626	626
R-sq	0.06	0.061	0.04	0.121	0.087

Note: T statistics in brackets; * p < 0.1, ** p < 0.05, *** p < 0.01

Furthermore, this negative impact of assetgr also demonstrates the trade-off between CSR disclosure and commercial activities of enterprises. On the other hand, the negative correlation of lev can also come from the fact that firms with a lot of debt have less incentive to disclose debts to the public. Thus, investors should pay close attention to the financial data of companies on the stock market, especially those in the introduction and decline stages (Khuong, Anh, Van et al., 2022). Dickinson et al. (2018) also claimed that for growth and mature-stage organizations, investors, and creditors prefer to depend only on analyst coverage, while for introduction and decline-stage firms, value relevance of accounting information becomes more important.

5. Conclusion

CSR disclosure is a strategic initiative – a business model – that requires companies to be more accountable for their impact. It is a communication strategy for a company's entire operations in order to appeal to a larger group of stakeholders, investors, and customers. Participating in CSR or social value can boost a company's reputation and competitive advantage. However, the disclosure of environmental information just stops at voluntary magnitude that is not mandatory, leading to differences among firms in Vietnam. Besides, after 2018, no new regulations on CSR disclosure were issued. Therefore, the research sample is still valid at present to support the announcement of CSR in the enterprise's Environmental, Social and (Corporate) Governance report. Consequently, we conducted this study to explore the association between the corporate life cycle and corporate social responsibility (CSR) in Vietnam. This paper uses the RE/TA and RE/TE methods of DeAngelo et al. (2006) to represent the corporate life cycle. Our results show that increased RE/TA and RE/TE boost CSR activities. Our findings support the hypotheses that CSR disclosure increases when firms move from the introduction stage to the mature stage. To further analyze each stage, the study uses the method of Dickinson (2011). This paper finds that the introduction and growth stage are positively associated with CSR activities, this is strong evidence that supports the hypotheses 1 and 2 and the results of RE/TA and RE/TE. Although the mature stage is not statistically significant, it does have a negative sign. Firms in the decline and shake-out phases no longer focus much on CSR activities, which shows that older firms do not invest in CSR activities as much as young firms, this finding supports the theories. Our results have confirmed that firms engage in CSR disclosure differently, depending on the corporate life cycle. These findings of this study will be part of an extensive contribution to the research literature through the application of life cycle and resource-based theories in the Vietnamese context.

5.1. Recommendation

This study has important implications for decision-makers, investors, managers, and other involved parties:

First, the results indicate that there are obvious differences in CSR investments between stages in the corporate life cycle. Specifically, firms in the second half of the life cycle no longer focus on CSR disclosure as in the first stages. However, according to stakeholder theory, CSR can attract investors and banks, so at any stage, if firms need capital, they can consider promoting CSR activities. Moreover, this result also emphasizes that CEOs need to research the stage of the life cycle in which their organization is positioned before making decisions on which specific CSR aspects to invest in.

Second, the study of the relationship between the corporate life cycle and CSR is essential in the Vietnam context, helping the government to understand more deeply about CSR disclosure at different corporate stages. Implementing CSR activities causes difficulties for young firms, and the government should enact policies to encourage them to engage in CSR activities. The mature firms have enough capacity and resources to carry out CSR activities; however, they tend to focus more on profit than CSR activities. Hence, government can encourage mature firms to voluntarily integrate CSR into their policies. This complies with global standards on issues related to labor rights and environmental degradation, allowing firms to integrate into the global economy, satisfying the profit and capital value expectations of mature firms. Firms in the decline and shake-

out stages often prioritize survival strategies than other stages. The government should pay more attention to these firms and encourage and support them to maintain CSR activities and sustain-able growth in the Vietnamese market.

Third, investors or financial institutions must consider the stage of the firm's life cycle before investing. This report specifically recommends investors to exercise caution when investing in late-stage companies and enforces financial analysts to pay greater attention to financial data, such as accounting information, of listed companies. According to Dickinson et al. (2018) and Khuong, Anh, Van et al. (2022), investors and creditors prefer to rely solely on analyst coverage for growth and mature-stage organizations, while for introduction and decline-stage enterprises, the value relevance of accounting information becomes more crucial.

5.2. Limitation

There are several restrictions of this study, which provide new possible avenues for future research. First, there are obvious differences in operating techniques and financial reporting system features of all banking and insurance enterprises in Vietnam (Khuong, Anh, et al., 2022). Therefore, this study has not studied the association between the life cycle of banks and CSR activities so there is a call for research on issues in the future. Second, the research period in this paper was from 2014 to 2018, the period before Covid-19 occurred. This is also a limitation of this study. Thus, it is necessary to update dataset from 2019 till now. Finally, our study only investigates the Vietnam context; therefore further research should continue with more emerging countries.

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