

CSR AND CORPORATE BORROWING RATES: EVIDENCE FROM TAIWAN ELECTRONIC INDUSTRY

Hsuan-Chu Lin, National Cheng Kung University, Taiwan (R.O.C.)
Wei-Jen Chen, Taishin Bank, Taiwan (R.O.C.)

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ABSTRACT

While the relation between Corporate Social Responsibility (CSR) and firms' financial performance has been widely explored in prior studies, this paper explores the relation between CSR and firms' borrowing costs by using Taiwan electronic industry data from 2004 to 2009. We infer that CSR is a positive signal (reputation) conveyed from firms to banks and therefore develop the hypothesis that firms conducting more CSR activities would enjoy the prestige of lower borrowing rates from banks. Our empirical tests and findings verify the hypothesis that conducting CSR activities helps firms reduce their cost of debt. However, this effect is not intertemporal.

Keywords: *Corporate Social Responsibility (CSR); Cost of Debt; Reputation*