

Corporate Social Responsibility and its Influence on Trade Credit: An Analysis of China's A-Share Corporate Sector

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Abstract

Objective: This study investigates the relationship between Corporate Social Responsibility (CSR) and trade credit financing, focusing on Chinese A-Share listed firms from 2010 to 2022.

Methodology: This study employs robust econometric techniques, including Panel Estimated Generalized Least Squares (EGLS) and System Generalized Method of Moments (GMM), to provide empirical evidence of an inverse relationship between CSR activities and firms' reliance on trade credit.

Findings: The findings reveal that firms actively engaging in high levels of CSR tend to rely less on trade credit. This reduced dependency is mainly due to the positive impact that socially responsible practices have on fostering trust and building stronger relationships with suppliers. By consistently demonstrating their commitment to ethical, environmental, and social standards, these firms create a reputation for reliability and integrity, strengthening their bonds with suppliers and opening up access to more diverse and favorable financing options beyond trade credit. This shift occurs because the trust built through CSR initiatives makes suppliers more willing to offer flexible payment terms or alternative financial arrangements. At the same time, banks and investors may view these firms as lower-risk and more deserving of credit support.

Implications: The study also offers practical insights for corporate managers and policymakers, emphasizing the importance of integrating CSR into strategic financial planning to mitigate reliance on short-term financing mechanisms.

Novelty: This study offers novel insights by exploring the complex relationship between CSR and trade credit, specifically in the context of Chinese A-share listed firms.

Keywords: Corporate Social Responsibility; Trade Credit; Asset Tangibility; Firm Size; Firm Efficiency

JEL Classification: G30; G32; M14

List of Acronyms

Corporate Social Responsibility	CSR
Trade-Credit	TRC
Debt Financing	DFR
Firm Size	FRS
Asset Tangibility	AST
Firm Efficiency	FEF

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