

The Relationship between Foreign Direct Investments and Corporate Social Responsibility Considering Varieties of Market Economies - Evidence from Listed Firms in Taiwan

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摘 要

This study collects data from listed companies in Taiwan to establish Corporate Social Responsibility (CSR) indices and examines the impact of CSR on foreign direct investment. The foreign investments in this study are categorized into liberal market economies (LME) in the UK and the US, coordinated market economies (CME) in Europe, and market economies in China and other regions. The empirical results show that companies with better CSR performance tend to decrease their investment proportions in the Chinese market, while significantly impacting other market economies. This inference is related to the financial disclosure information of listed companies in Taiwan.

Keywords: Foreign Direct Investment (FDI), Corporate Social Responsibility (CSR), Varieties of Capitalism (VoC), Multinational enterprise (MNE), Liberal Market Economies (LME), Coordinated Market Economies (CME)

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1. Introduction

Foreign direct investment (FDI) in multinational enterprise (MNE) activity has grown at a faster rate than most other international transactions, particularly trade flows between countries. These trends in trade have led to substantial recent interest in investigating the fundamental factors that drive FDI behavior in the international economics literature. The principal question about FDI activities is why a corporation chooses to serve a potential foreign market through subsidiary production over other options, such as exporting or franchise planning. The answers show the existence of intangible assets that are unique to the company, such as technology and management skills. This testing is complex because the firm-specific elements that drive FDI decisions are diverse. In previous literature, advertising intensity and R&D expenses have been considered parameters for the presence of intangible assets and control variables for explaining the firm-level data. Some studies on the determinants of FDI have stated that corporate governance factors might affect FDI decisions; however, few studies have examined CSR.

By focusing on the characteristics of the home country's company, we know that valuable intangible assets such as CSR performance can improve MNEs in a competitively internationalized market. This valuable asset can help promote a firm's external legitimacy and eliminate its obstacles when seeking to expand internationally through FDI activities. Liu, Marshall and McColgan (2021) also indicate that successful CSR strategies can offer MNEs a crucial intangible asset to cooperate with stakeholders in new markets and improve their external reputations through the FDI process.

The key issue is whether a company's CSR performance influences its FDI decision. The evidence in this research supports the influence of CSR on FDI and focuses on the propensity of different market economies to pursue FDI. The research indicates the home country as the country in which the investing corporation's head offices are located, whereas the host country mentions the foreign country in which the corporation invests. This study assumed that managers' decisions regarding CSR performance may have a positive effect on the external reputation of the firm in the potential FDI market. CSR can be recognized as a crucial intangible asset for companies engaged in FDI. Prior research suggests that similar to other intangible assets that are valuable to firms, the host country market cannot fully accept CSR activities as a mechanism for reducing FDI costs. MNEs with high CSR performance not only

improve their legitimacy through famous reputations and strong stakeholder relationships but also engage in FDI more frequently. This study assumes that a firm's CSR strengths promote internationalization by demonstrating its quality or reputation and by providing legitimacy to consumers, regulators and employees in the host country.

After roughly explaining the internal, firm-particular elements that facilitate corporations to become MNEs, the research then discusses how the external elements may be decision factors related to the environment and the scope of FDI activities by MNEs. In these studies, how exogenous macroeconomic factors influence a firm's FDI determinants is typically examined, focusing on changes in exchange rates, taxes, and legal and economic environments. MNEs always search for countries that can offer benefits to attract sustainable investment plans, and research shows that MNEs with high CSR performance carry out good practices through their global planning activities (Dadush, 2013). The study uses different market economies to test the relationship between CSR performance and FDI percentages. Then, the research assumes that the benefits of CSR are greater for firms in liberal market countries. Our view of the benefits of CSR is congruous with the stakeholder maximization view of other theoretical benefits of engaging in CSR activities. CSR activities can act as an image to support a firm's social promise to potential market customers and thus increase the firm's external legality (Campbell, Eden and Miller 2012). This activity can be hospitable to the host country's potential customers or stakeholders. This study also highlights the positive aspects of CSR in an international marketplace. CSR can support stronger stakeholder engagement, reduce information asymmetry and help MNEs establish trustworthy and longer-lasting relationships with important stakeholders in any host country (Cheng, Ioannou, and Serafeim 2014).

However, additional evidence shows that additional costs obstruct MNEs from making FDI decisions (Wu and Salomon 2016 ; Zaheer 2002). Firms with better CSR reputations might be afraid to undertake FDI in potential markets due to damage to their reputations. The better the firm's CSR reputation is, the greater the cost of managing and maintaining it in potential foreign markets.

The empirical results support CSR's ability to offer external justifiability to FDI and allow MNEs to undertake more FDI activities. The study finds a significant positive relationship between CSR performance and the propensity of firms to engage in FDI. Our

evidence implies that a firm's CSR reputation can be recognized as a majority of intangible assets that reduce barriers to entry encountered in FDI and provide the advantage of entering new markets leveraging its reputation and resources. Furthermore, the evidence shows that FDI in different market economies is affected by CSR performance. This study supports stakeholder theory, and stakeholders recognize CSR activities as intangible reputations. Moreover, MNEs with better CSR will experience lower barriers to entry into potential market economies, which provides evidence for evaluating FDI activity decisions by the board of directors.

The rest of this study is organized as follows. Section 2.1 discusses the influence of FDI. Section 2.2 summarizes the institutional background of Taiwan's CSR on FDI flows and describes the development of the hypotheses. Section 2.3 reviews the literature on the impact of varieties of capital on FDI flows and develops the hypotheses. Section 3 discusses the data used to estimate the model and specifies the empirical model and estimation methodology. Section 4 presents and discusses the empirical results. Section 5 concludes this study.

2. Literature Review

2.1 Foreign Direct Investment (FDI)

According to the Organisation for Economic Co-operation and Development (OECD) and International Monetary Fund (IMF) definitions, FDI reflects the aim of gaining lasting interest from a resident corporation of one economy (direct investor) in a corporation (direct investment corporation) resident in another economy. A lasting interest indicates the condition of a long-term relationship between the direct investor and the direct investment corporation, and this interest is regarded as a considerable degree of effect on the strategic management of the corporation. The OECD and the IMF define direct investors and direct investment enterprises as follows. A direct investor can be an individual, an incorporated or unincorporated private or public enterprise, a government, a group of related individuals, or a group of related incorporated and/or unincorporated enterprises that have a direct investment enterprise operating in a country other than the country of residence of the direct investor. A direct investment enterprise is an incorporated or unincorporated enterprise in which a foreign

investor owns 10% or more of the ordinary shares or voting power of an incorporated corporation or the equivalent of an unincorporated corporation. Direct investment enterprises may be subsidiaries, associates, or branches. A subsidiary is an incorporated enterprise in which the foreign investor controls directly or indirectly (through another subsidiary) more than 50% of shareholders' voting power. An associate is an enterprise in which the direct investor and its subsidiaries control between 10% and 50% of the voting shares. A branch is a wholly or jointly owned unincorporated enterprise (Duce and España 2003). In this study, we assume that a direct investment enterprise is defined as a subsidiary or associate in a host country.

The two main strands of International Business (IB) literature—internationalization theory and the resource-based view—have rarely discussed how CSR factors might affect FDI decisions (Juhl 1984; Peteraf 1993). The former view FDI as an approach to reducing transaction costs by coordinating activities across national boundaries, whereas the latter suggests that firms may create value by entering foreign markets.

A majority of the literature that examines the decision factors of FDI starts with an empirical analysis of the firm-level framework based on industrial specifications and finance. While earlier studies have typically used country- or industry-level data to test these hypotheses, more recent studies have used firm-level data to more appropriately match firm-level theories.

Previous research has assumed that the impact of exchange rates on FDI is symmetric and proportional to the extent of exchange rate changes. During and after the currency crisis, evidence comparing the performance of U.S. foreign subsidiaries with that of local firms shows that U.S. foreign subsidiaries experience significantly greater increases in investments, sales, and assets than do local firms (Desai, Foley and Forbes 2008).

International and public economists have been interested in the influence of taxation on FDI. As some papers have noted, the impact of taxation on FDI can vary greatly depending on the type of taxation, the measurement of FDI activity, and the tax treatment of the host and home countries. Another important issue is the potential for multinational corporations to face taxation in both host and home countries. Countries have different approaches to this double taxation problem, further complicating the expected impact of taxation on FDI. Desai, Foley

and Hines (2004) find that indirect business taxes have an effect on FDI that is in the same range as the effect of corporate income taxes.

For various reasons, the quality of institutions may be an important determinant of FDI activity, especially for less developed countries. Survey responses from officials or businessmen familiar with a country show that most measures are composite indices of that country's political, legal and economic institutions.

In another study on trade effects, Blonigen (2001) considered that trade flows may be a substitute for finished products produced in the same country/region by the MNE subsidiary. Therefore, an increase in trade volume may reduce FDI activity. The former situation suggests a negative correlation between trade and FDI, whereas the latter sees a positive association between the two. Blonigen also studies product-level trade and FDI data and shows that new FDI in the US by Japanese firms increases Japanese exports of related intermediate inputs for these products and that new FDI reduces Japanese exports of the same finished products. This evidence shows that relationships among firms (such as suppliers of inputs to assemblers) have the power to affect FDI percentages.

A majority of the literature has been dedicated to determining the distinguished advantages of firms possessed by corporations that undertake production abroad, most of which have concentrated on firms from developed market economies. These scholars use firm-level variables, such as R&D intensity, advertising intensity, board or control characteristics, etc., as proxies to test FDI percentages. In this body of literature, the effects of governance factors on the decision to undertake FDI have been investigated (Lien, Piesse, Strange, and Filatotchev, 2005). Makino and Beamish (1998) suggest that the governance mechanism is considered to influence FDI performance and the choice of entry potential market mode; however, most related research has concentrated on the governance mechanism specification of international corporations. Antonetti and Maklan (2016) also show that corporate irresponsibility affects a company's reputation. Better corporate governance can reduce the scope for increasing shareholder value and thus discourage M&A FDI inflows (Wang, Alba, and Park 2012). Prior studies have suggested that CSR can be considered a critical intangible asset for firms performing FDI activities (Hawn and Ioannou, 2016). Thus, this study suggests that firms with better CSR performance as an intangible asset influence FDI decisions. Hypothesis 1 is as follows:

H1. The FDI percentage is significantly influenced by CSR performance.

2.2 Corporate Social Responsibility (CSR)

Many CSR definitions were developed by researchers in the past based on the social, economic, political, and environmental context of the period since the 1950s. No unique definition has emerged in the last few decades of history of CSR that can be used for all purposes. We obtained some definitions from scholars who have been in this field of research for several decades. Heald (1957), a CSR expert in the contemporary period, defined CSR as a part of the management of obligation to achieve not only humane and constructive social policies but also maximum economic performance. Frederick (1960) suggested his fundamental definition of social responsibility because businesspeople should oversee the operation of an economic system that fulfills public expectations. This means that the economy's means of production should be employed in such a way that production and distribution should enhance total socioeconomic welfare. Carroll (1979) also offers the definition that the social responsibility of business includes the ethical, legal, economic, and discretionary expectations that society has of organizations at a specific point in time. Epstein (1987) defines CSR as being related primarily to achieving outcomes from organizational decisions concerning specific issues or problems that (by some normative standard) have beneficial rather than adverse effects on pertinent corporate stakeholders. Khoury, Rostami, and Turnbull (1999) define CSR as the overall relationship of a corporation with all of its stakeholders, including customers, employees, communities, owners/investors, the government, suppliers and competitors. The 21st century represents the era of the emerging CSR industry. The European Commission (2002) describes CSR as a concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders on a voluntary basis. We find that the definition of CSR from the 1990s to 2010s emphasizes stakeholders and their interactions with society as a whole and with the environment, which influences corporations' reputation.

The reputation literature is used in our theory of development and combines insights from evidence on negative biases and recent views (e.g., irresponsible CSR). Previous researchers have examined the impact of compliance and noncompliance with CS regulations (Doh, Howton and Siegel 2010). An important way for firms to stand out from the crowd is to engage in CSR activities that go beyond government regulations, defined by McWilliams and Siegel

(2001) as CSR. Miller, Eden, and Li (2020) examine the relationship between a firm's financial performance and changes in its CSR reputation. The evidence shows that changes in a firm's CSR activities are visible to stakeholders and affect the firm's CSR reputation, which in turn affects firm performance. There are several positive effects on firm performance. Reputations can arise from being viewed by stakeholders as socially responsive firms. Social responsibility can attract more investors and enable superior CSR performers to increase firm value (Jeong, Jeong, Lee and Bae 2018). Nardella, Brammer, and Surdu (2020) also connected CSR investment and building reputational assets. In one paper, the relationship between internationalization strategies and CSR activities is examined (Bondy and Starkey, 2014). Thus, this study explores the linkages between CSR activities and FDI.

Hoi, Wu, and Zhang (2013) provide important results on the empirical relationship between irresponsible CSR activities and aggressive tax avoidance practices. Consistent with theories on corporate culture (Kreps 1990), in this research, CSR can be regarded as a shared belief within the corporation. In this situation, CSR is the belief in the right action that considers both the social environment and the economy and other external influences on the action of the company. This evidence shows that companies with extremely irresponsible CSR activities are likely active in tax avoidance, confirming the notion that corporation culture affects tax avoidance. On the other hand, in this study, stakeholder theory is suggested for analyzing CSR activities, which are firm actions that affect all of a firm's stakeholders, including customers, shareholders, the government, communities, employees, etc. Moreover, CSR activities can also be treated as a risk management strategy that firms use to increase their CSR reputation, protecting them from the risk of regulatory and social sanctions and adverse political effects (Minor and Morgan 2011).

Using data on 41 countries and 12 economic markets from 2002 to 2020, Barros, Matos, Sarmiento, and Vieira (2022) examine whether M&A activities influence firms' environment, social, and governance (ESG) scores. The research results show that M&A trades have a positive influence on firms' ESG scores. Firms engaged in M&A trades take a much greater interest in their ESG scores and how stakeholders give attention to their sustainable actions. ESG scores are used to measure firms' sustainability performance in the environmental (E), social (S), and governance (G) dimensions. Using this method, ESG captures the engagement of firms in CSR. The link between ESG and CSR is documented in the literature. For example, Nirino, Santoro, Miglietta, and Quaglia (2021) find that firms use ESG practices to enhance

financial performance by reducing the negative impact of corporate controversies. Firms with higher CSR engagement and subsequent ESG ratings are expected to have greater reputational and financial performance and are more attractive to potential traders (Maung, Wilson and Yu 2020).

Prior studies have investigated the relationship between CSR and investment efficiency (Benlemlih and Bitar 2018). They have provided obvious evidence that high CSR performance decreases investment inefficiency and, consequently, increases investment efficiency. This finding is consistent with the stakeholder theory that firms with high CSR have low information asymmetry and high stakeholder solidarity. They also suggested that investing in CSR can follow stakeholder maximization theory (Deng, Kang and Low 2013). Consistent with the view of reducing information asymmetry, we suggest that MNEs invest in CSR to develop important reputations, thereby reducing inadequate external information and increasing FDI activities.

Some scholars have suggested that high CSR involvement is associated with greater firm performance and greater firm value (Jo and Harjoto 2011), lower financial risk (Bouslah, Kryzanowski and M'zali 2013), lower information asymmetry, easy access to finance, and lower equity costs; others have suggested that CSR activities are a source of conflict between different stakeholders (Krüger 2015) and reduce a firm's resources because of unnecessary costs. Moreover, shareholder expense theory views CSR activities as a waste of company resources that diverts cash from alternative uses (Borghesi, Houston and Naranjo 2014). MNEs with a strong CSR reputation are reluctant to engage in FDI in other markets that can erode their reputation and legitimacy. The better the MNE's CSR reputation is, the greater the costs of maintaining and protecting it. In general, evidence supporting the shareholder expense view is limited. Research has also suggested that internationalization impacts CSR performance (Symeou, Zygliopoulos and Williamson 2018). The same view in the literature holds that CSR, as an intangible asset, can decrease the cost of entry into international markets. In addition, learning experience theory suggests that MNEs with superior CSR performance have strong corporate governance mechanisms and effective staff training and development (Un, 2016). Thus, the study assumes that CSR performance can help FDI activities by increasing firms' reputation; moreover, as an important intangible asset, CSR has a positive influence on the external recognition of the firm in the host FDI country.

However, few studies have considered the more complex situation of considering changes over time in a firm's compliance with CSR. Changes in CSR reputation can be measured in one of two ways: across different firms at the same point in time or through changes in one firm's CSR reputation over time. Therefore, the study assumes that CSR activities influence FDI percentages in the next period. Hypothesis 2 is as follows:

- H2. There is a lag effect of corporate social responsibility (CSR) on foreign direct investment (FDI).

2.3 Varieties of Capitalism (VoC)

There are two forms of capitalism that differ in terms of degree of coordination, depending on whether they are market or nonmarket forms (Hall and Soskice 2001). In a coordinated market economy, such as Finland, corporations rely relatively on nonmarket relations to coordinate their business with other actors. In liberal market economies, such as Canada and Australia, firms coordinate their business through systemic and competitive market arrangements.

Prior research based on a sample of countries performing in liberal market economies (LMEs) and coordinated market economies (CMEs) has revealed situations in which national institutions influence corporate governance characteristics at the international level (Pucheta-Martínez, Gallego-Álvarez and Bel-Oms 2020). They found that, compared with those in the CME, firms with a greater percentage of females on the board of directors and a greater proportion of corporate governance committees in the LME. However, less research has been conducted on how CSR performance is affected by different economic markets. Favotto, Kollman and Bernhagen (2016) use data on CSR awareness in different types of market economies (VoC) from different regulatory contexts to identify the managerial importance of multinational enterprises (MNEs) in the context of the circular economy (CE). Their study showed that corporations from European coordinated market economies (CMEs) are more substantively involved in labor and human rights issues than are firms operating in liberal market economies (LMEs). This evidence shows that CSR activities are less developed in the LME than in the CME but only supports this result for social CSR issues. The decision on FDI location is crucial to the host country's legal and institutional environment (Kim and Aguilera 2016). Their study aimed to understand changes in MNEs' resource-seeking FDI

strategies by LME/CME difference market economies and suggested that MNEs can apply for the comparative institutional advantage of LME/CME to increase their competitive position by investing in the special foreign strategic factor market that fits the firm's unique strategic resource needs (Cui, Fan, Liu and Li 2017). Thus, by combining the VoC approach with FDI location decisions, they argue that MNEs can strategically pursue comparative institutional advantage.

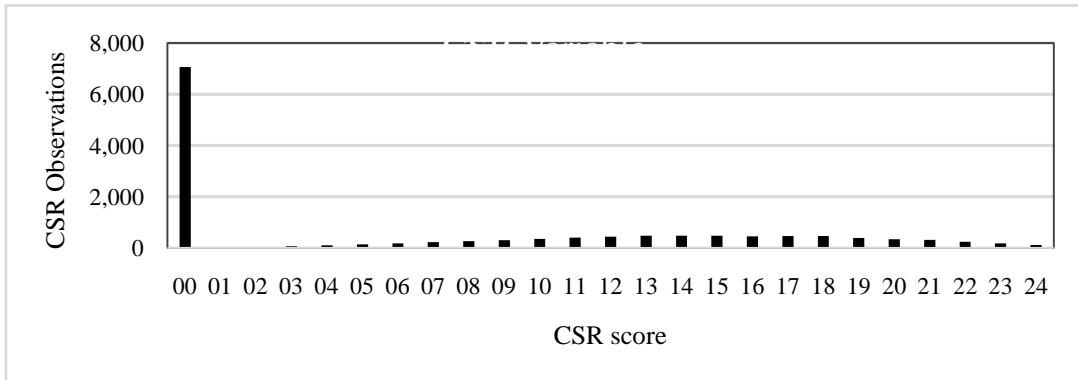
Hall et al. (2001) indicate that the framework theory of the varieties of capitalism (VoC) places corporations in the majority of the political economy. According to this theory, when classifying two market economies (LMEs/CMEs), Jones and Temouri (2016) find that MNEs located in coordinated market economies (CMEs) are less likely to engage in tax haven activity than MNEs located in liberal market economies (LMEs). By using firm-level data, the CSR research experts, Jackson and Apostolakou (2010), also support the evidence that firms included in CMEs score less on the majority of measures of CSR performance, such as environmental and social, than their counterparts from LMEs. Therefore, the study assumes that firms with high CSR scores prefer investing in liberal economies. Hypothesis 3 is as follows:

- H3. The FDI percentage considering varieties of capitalism (VoC) is influenced by CSR performance.
 - H3-1. Firms with better CSR performance increase their investments in the liberal market economy (LME).
 - H3-2. Firms with better CSR performance decrease their investments in the coordinated market economy (CME).
 - H3-3. Firms with better CSR performance decrease their investments in the Chinese market economy.
 - H3-4. Firms with better CSR performance increase their investments in other market economies.

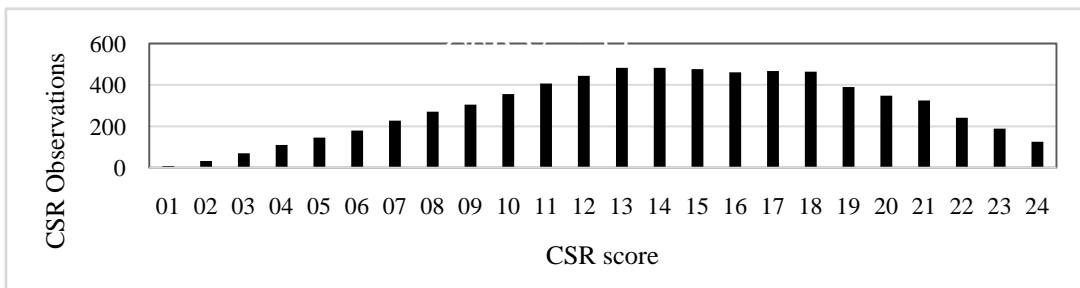
3. Research Methods

3.1 Data Sources and Sample Selection

The Financial Supervisory Commission requires all companies listed on the Taiwan Stock Exchange (TWSE) and Taipei Exchange (TPEX) to submit an annual report before March 31st of the following year. These data make this a reliable and comprehensive source of information and include business plans, performance measures, financial accounting data, and data on FDI to subsidiaries in different countries. The FDI data from the TEJ database record both the amounts invested in individual subsidiaries and where the subsidiaries were located. Data are collected for a sample of 1,699 companies and 14,075 firm-year observations, all of which were listed on the TWSE and the TPEX from 2013 to 2021.



Panel A: The full sample of CSR scores



Panel B: The sample of CSR scores without zero

Figure 1 Distribution of CSR Score

First, this study analyses the CSR variable and finds that the zero scores in CSR include more than 7,000 observations in the full sample, as shown in Panel A of Figure 1. These data show that more than half of the companies do not have CSR performance. Thus, we remove those observations with scores of zero and redraw Panel B of Figure 1. The CSR score follows a normal distribution. In addition, this study also shows the movement of the mean CSR and FDI variables from 2013 to 2021 in Figure 2.

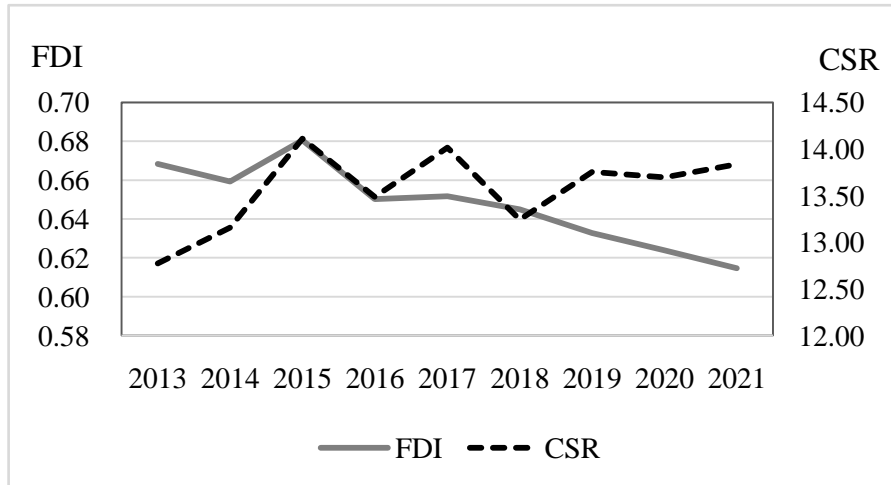


Figure 2 Mean Value of FDI and CSR in Each Year

Second, to understand the CSR score pattern, we classify 3 categories. Panel A of Table 1 shows the firms with CSR scores equal to zero in this period. Panel B of Table 1 shows the firms with CSR scores that are sometimes equal to zero in this period. Panel C of Table 1 shows the firms with CSR scores that are not equal to zero in this period. In this research, we assume that CSR performance impacts FDI percentages; thus, firms without CSR scores in this period are omitted, and finance industry characteristics are considered. We removed the Panel A, Table 1 category (a sample of 6,722 firm-year observations), and the finance industry (a sample of 258 firm-year observations). Finally, the full sample is composed of 7,095 firm-year observations for 855 firms.

Table 1 Descriptive Statistics of Foreign Direct Investment

	Mean	Median	Minimum	Maximum	Std. Dev.	N
Panel A The firms with CSR scores are equal to zero in this period						
FDI	0.7153	0.9466	-23.3502	85.2710	1.1968	6,722
Δ FDI	-0.0140	0.0000	-84.5599	84.4473	1.6475	6,346
Abs Δ FDI	0.1249	0.0020	0.0000	84.5599	1.6428	6,346
Panel B The firms with CSR scores are sometimes equal to zero in this period						
FDI	0.7302	0.9774	-6.6601	7.8103	0.5299	968
Δ FDI	-0.0053	0.0000	-14.4704	10.8888	0.6808	895
Abs Δ FDI	0.0873	0.0005	0.0000	14.4704	0.6752	895
Panel C The firms with CSR scores are not equal to zero in this period						
FDI	0.6165	0.7622	-5.7114	3.7423	0.4020	6,385
Δ FDI	-0.0092	0.0000	-7.4572	6.4449	0.2042	6,293
Abs Δ FDI	0.0472	0.0071	0.0000	7.4572	0.1989	6,293
Panel D The sample combined Panel B and Panel C						
FDI	0.6314	0.8035	-6.6601	7.8103	0.4228	7,353
Δ FDI	-0.0087	0.0000	-14.4704	10.8888	0.3069	7,188
Abs Δ FDI	0.0522	0.0063	0.0000	14.4704	0.3026	7,188

Note: Δ FDI represents the yearly change in FDI. Abs Δ FDI represents the absolute value of yearly change in FDI.

3.1.1 Establishment of Foreign Direct Investment (FDI) Variables

Past studies have discussed how to measure FDI variables, such as M&A events, joint venture events, franchises and cooperation. Based on the financial report data listed in Taiwan, we use the amount of investment from different countries in the consolidated statements in the TEJ database. The parent company measures its profit by the equity method for all the subsidiaries in the host country.

This research developed a regression model based on the standard and firm-level data of the FDI literature that seeks to establish guidelines from IB theory. The dependent variable in the first model measures the importance of overseas investments to company activities. For Hypotheses 1 and 2, we first calculate the FDI for each parent company, defined as the ratio of the amount of foreign direct investment to the parent company's total investments in year t for firm j . These ratios were not normally distributed, with the values for some companies being zero. The FDI percentage is negative, which means the outflow of the amount of foreign direct investment in the host country or the net decrease in the amount of total investment in the year, whereas the FDI percentage is positive, as the inflow of the amount of foreign direct

investment in the host country or the net increase in the amount of total investment in the year. For Hypothesis 3, we recalculate the ratio of FDI for each parent company depending on different business systems (BS), defined as the ratio of the amount of different business system direct investments to the parent company's total investments in year t for firm j . This different business system category was based on the literature discussed in Section 3.3 on foreign direct investment in varieties of market economies, and the variable definitions are provided in Tables 2 and 3.

Table 2 Variable Definition

Variable	Subvariable	Description
FDI_{it}		the ratio of the amount of foreign direct investment to the parent company's total investments in year t for firm i
BS_{kt}		the ratio of the amount of investment in one market economy to the parent company's total investments in year t for firm k
	CME_{kt}	the ratio of the amount of investment in coordinated market economies to the parent company's total investments in year t for firm k
	LME_{kt}	the ratio of the amount of investment in liberal market economies to the parent company's total investments in year t for firm k
	CHN_{kt}	ratio of the amount of investment in China market economies to the parent company's total investments in year t for firm k
	ACE_{kt}	the ratio of the amount of investment in advanced city economies to the parent company's total investments in year t for firm k
	AEE_{kt}	the ratio of the amount of investment in advanced emerging economies to the parent company's total investments in year t for firm k
	AOE_{kt}	ratio of the amount of investment in Arab oil-based economies to the parent company's total investments in year t for firm k
	EE_{kt}	the ratio of the amount of investment in emerging economies to the parent company's total investments in year t for firm k
	EPE_{kt}	the ratio of the amount of investment in European peripheral economies to the parent company's total investments in year t for firm k
	HCE_{kt}	the ratio of the amount of investment in highly coordinated economies to the parent company's total investments in year t for firm k
	SE_{kt}	the ratio of the amount of investment in socialist economies to the parent company's total investments in year t for firm k
	$OTHER_{kt}$	ratio of the amount of investment in the rest of the market economies to the parent company's total investments in year t for firm k

Table 2 Variable Definition

Variable	Subvariable	Description
CSR_{it}		scores for the six categories added together to obtain the total score in year t for firm i
$CSRSI_{it}$		six aspects separately
	$CSRC_{it}$	score in the corporate government of corporate social responsibility at year-end t for firm i
	$CSRE_{it}$	score in the Environment of corporate social responsibility at year-end t for firm i
	$CSRW_{it}$	score in the Welfare of corporate social responsibility at year-end t for firm i
	$CSR D_{it}$	score in the Disclose of corporate social responsibility at year-end t for firm i
	$CSRO_{it}$	score in the Others of corporate social responsibility at year-end t for firm i
	$CSRT_{it}$	score in the Third-party assurance of corporate social responsibility at year-end t for firm i
DR_{it}		ratio of debt to assets at year-end t for firm i
M/B_{it}		ratio of market value to book value at year-end t for firm i
TA_{it}		logarithm of the company's total assets at year-end t for firm i
<i>Exchange</i>		A dummy variable equals 1 if the firm is listed on the Taiwan Stock Exchange Corporation and 0 otherwise.
<i>Year</i>		dummy variable for year
<i>Industry</i>		dummy variable for industry
<i>COVID</i>		A dummy variable equals 1 if the year is 2020 or 2021 and 0 otherwise.

Table 3 Market Economies Category

Variable	Market Economies	Country
<i>LME</i>	Liberal Market Economies	Australia, Canada, Ireland, N. Zealand, UK, and USA
<i>CME</i>	Coordinated Market Economies	Japan, Korea, Austria, Belgium, Finland, Germany, Netherlands, Norway, Sweden, and Switzerland
<i>CME*</i>	Coordinated Market Economies	Austria, Belgium, Denmark, Finland, Germany, Netherlands, Norway, Sweden, and Switzerland
<i>HCE</i>	Highly Coordinated Economies	Japan
<i>EPE</i>	European Peripheral Economies	Czech Rep., France, Greece, Hungary, Italy, Poland, Portugal, Romania, Slovakia, and Spain
<i>AEE</i>	Advanced Emerging Economies	Chile, Israel, Korea, S. Africa, Taiwan, and Turkey
<i>ACE</i>	Advanced City Economies	Hong Kong and Singapore
<i>AOE</i>	Arab Oil-Based Economies	Kuwait, Qatar, S. Arabia, and UAE

Table 3 Market Economies Category

Variable	Market Economies	Country
<i>EE</i>	Emerging Economies	Algeria, Argentina, Bangladesh, Brazil, China, Colombia, Egypt, India, Indonesia, Kazakhstan, Malaysia, Mexico, Morocco, Nigeria, Pakistan, Peru, Philippines, Russia, Thailand, Ukraine, and Vietnam
<i>SE</i>	Socialist Economies	Cuba, and Venezuela
<i>CHN</i>	China market	China
<i>DOM</i>	Home country	Taiwan
<i>OTHER</i>	No mention of those countries (Hall, P.A. and Soskice, D. 2001)	The rest of the countries exclude CHN, DOM, LME, and CME.
<i>OTHER*</i>	No mention of those countries (Witt, et al. 2018)	The rest of the countries exclude CHN, DOM, LME, CME*, HCE, EPE, AEE, ACE, AOE, EE, and SE.

Note: AEE market economies exclude Taiwan. The EE market economies exclude China. The two market economies, LME and CME, are based on varieties of capitalism theory for classification (Hall, P. A., and Soskice, D. 2001). The other classification, 9 business systems, is based on including countries that constitute 93.5% of the 2013 global GDP (Witt, et al. 2018). The 9 business systems are LME, CME*, HCE, EPE, AEE, ACE, AOE, EE, and SE. This study classifies CHNs into one group because firms in Taiwan invest significantly in subsidiaries or factories in China.

3.1.2 Measurement of Corporate Social Responsibility (CSR) Index

The method for establishing CSR variables in this article is based on Chen, Roger, Tang and Hung (2013) and Hung, Wei and Chen (2024) and is constructed according to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies issued by the Taiwan Stock Exchange Corporation (TWSE) and the Taipei Exchange (TPEX).

The six main aspects outlined in the guidelines include promoting corporate governance (CSRC), developing a sustainable environment (CSRE), maintaining social welfare (CSRW), strengthening CSR information disclosure (CSR D), disclosing other CSR activities (CSRO), and determining whether a company's products or CSR reports have been certified by a third party (CSRT). The six categories were further subdivided into detailed scoring items, and the research team manually cross-referenced the items with information disclosed by the companies on their official websites, annual reports, and CSR reports. If a company actually completed the item listed, it received points in that particular category. If the item was not listed or the description was not clear enough, the item received 0 points, and so on. The scores

for each aspect are as follows: 0 to 3 points for the CSRC; 0 to 4 points for the CSRE; 0 to 5 points for the CSRW; 0 to 2 points for the CSRD; 0 to 8 points for the CSRO; and 0 to 2 points for the CSRT. Finally, the scores for the six categories were added together to obtain a total score of 24 points, indicating better CSR performance. The CSR index equation is as follows:

$$CSR_{it} = \sum_{k1=1}^{K1} C_{itk1} + \sum_{k2=1}^{K2} E_{itk2} + \sum_{k3=1}^{K3} W_{itk3} + \sum_{k4=1}^{K4} D_{itk4} + \sum_{k5=1}^{K5} O_{itk5} + \sum_{k6=1}^{K6} T_{itk6} \quad (1)$$

where C_{itk1} is the category of promoting corporate governance (CSRC), E_{itk2} is the category of developing a sustainable environment (CSRE), W_{itk3} is the category of maintaining social welfare (CSRW), D_{itk4} is the category of strengthening CSR information disclosure (CSRDI), O_{itk5} is the category of disclosing other CSR activities (CSRO), and T_{itk6} is the category of whether the CSR report has been certified by a third party (CSRT). For Hypotheses 1 and 2, this study not only tests the overall impact of CSR factors on FDI percentage but also tests the six CSR aspect factors (CSRSI) that separately influence FDI percentage.

3.1.3 Control Variables

In the regression analysis, we include a number of firm-level control variables that affect firms' FDI percentages. Testing these hypotheses is difficult, and the firm-specific factors driving FDI percentages are inherently invisible. Firm size is positively related to the size of the firm's foreign operations. This research uses the natural logarithm of the book value of total assets to control for firm size. Bhaumik, Driffield and Pal (2010) argue that leverage has a positive effect on FDI propensity by providing additional funds for investment. Leverage is defined as the sum of short- and long-term debt divided by the book value of total assets. Akhigbe, Martin, and Whyte (2007) suggest that a firm's market-to-book (M/B) ratio has long been used as a determinant of M&A probability. M/B is defined as the market value of equity divided by the book value of equity. In fact, the inclusion of these variables has become a standard in any firm-level study of FDI percentage.

3.2 The Research Model of FDI and CSR

Our empirical strategy examines whether FDI percentages are significantly influenced by CSR performance. In our baseline testing, we use a least-squares regression model to examine

the relation between FDI percentages and CSR performance. This empirical study applies Equations 2 and 3 to test Hypothesis 1 and yields the following formula:

$$FDI_{it} = \alpha_0 + \alpha_1 CSR_{it} + \sum_{j=1}^J \beta_j CV_{ijt} + Year + Industry + Exchange + \varepsilon_{it} \quad (2)$$

where the dependent variable, the FDI percentage, is between 1 and 0. If the FDI percentage is not equal to 0 in each year, then firms have invested overseas from the past to the present. The independent variable, overall CSR, included six aspects and was scored from 0 to 24. ε is an error term, and the subscripts i and t represent the firm and time period, respectively. The control variables (CVs), including TA, DR, and M/B, are shown in Table 2. The detailed explanations of the model variables are provided in Table 2. *Year*, *Industry*, and *Exchange* are dummy variables that control for the year effect, the industry effect and the exchange market effect. Exchange is a dummy variable used to distinguish different trade markets. It equals 1 if the firm is listed on the Taiwan Stock Exchange Corporation and 0 otherwise. Moreover, this study uses the six CSR aspect factors (CSRSI) as independent variables in regression Equation 3, and the formula is as follows:

$$FDI_{it} = \alpha_0 + \alpha_1 CSRSI_{it} + \sum_{j=1}^J \beta_j CV_{ijt} + Year + Industry + Exchange + \varepsilon_{it} \quad (3)$$

A better CSR performance may influence a firm's decision in the future. In addition, in Hypothesis 2, the research considers that CSR performance may have a lag effect in some periods. The formula is as follows:

$$FDI_{it} = \alpha_0 + \alpha_1 CSR_{it-1} + \sum_{j=1}^J \beta_j CV_{ijt-1} + Year + Industry + Exchange + \varepsilon_{it} \quad (4)$$

where the independent variable CSR score in year t-1 is used to estimate the lag effect. Furthermore, the study tests the lag effect of how the six CSR factors influence the FDI percentage, and the formula is as follows:

$$FDI_{it} = \alpha_0 + \alpha_1 CSR_{it-1} + \sum_{j=1}^J \beta_j CV_{ijt-1} + Year + Industry + Exchange + \varepsilon_{it} \quad (5)$$

The control variables are defined as DR, M/B, and TA. This research considers the year effect, industry effect, and exchange effect under each condition.

3.3 Foreign Direct Investment in Varieties Market Economies

3.3.1 Analysis of FDI Divided into two Market Economies

In brief, we suggest that the theory of varieties of capitalism separates some advanced economies into coordinated and liberal market economies based on the allocative mechanism of profits, risk, and resources. Liberal market economies (LMEs) lean toward shareholders, while coordinated market economies (CMEs) lean toward stakeholders.

As this research differentiates between CMEs and LEMs, corporations from 16 countries composed the sample according to this classification. The countries with CME were Austria, Belgium, Denmark, Finland, Germany, Japan, the Netherlands, Norway, Sweden, and Switzerland, while the LMEs were Australia, Canada, Ireland, New Zealand, the UK, and the US (Hall et al. 2001). Due to area, market, culture, and political factors, we classify China as CHN and the rest of the countries as OTHER. Thus, in Hypothesis 3, we assume that the FDI percentage considering the variety of business systems (BS) is influenced by CSR performance. The formula is as follows:

$$FDIBS_{ikt} = \alpha_0 + \alpha_1 CSR_{it} + \sum_{j=1}^J \beta_j CV_{ijt} + Year + Industry + Exchange + \varepsilon_{it} \quad (6)$$

where the dependent variable BS is defined as LME, CME, CHN, or OTHER business system. The business system categories are listed in Table 3.

3.3.2 Analysis of Reclassifying FDI into nine Types of Business Systems

Due to the variety of capitalism considering only sixteen countries and two market economy types, we cannot present an analysis of a majority of the world economy. We refer to Witt, Kabbach de Castro, Amaeshi, Mahroum, Bohle and Saez (2018) and note that these

countries include more than 90% of the world's GDP. Their study analyzes the institutional structures of 61 major economies, accounting for 93.5% of the 2013 world GDP at purchasing power parity. The authors find nine main types of business systems: (1) highly coordinated economies (Japan); (2) coordinated market economies (Austria, Belgium, Denmark, Finland, Germany, Netherlands, Norway, Sweden, and Switzerland); (3) liberal market economies (Australia, Canada, Ireland, N. Zealand, UK, and USA); (4) European peripheral economies (Czech Republic, France, Greece, Hungary, Italy, Poland, Portugal, Romania, Slovakia, and Spain); (5) advanced emerging economies (Chile, Israel, Korea, Africa, Taiwan, and Turkey); (6) advanced city economies (Hong Kong and Singapore); (7) Arab oil-based economies (Kuwait, Qatar, S. Arabia, and UAE); and (8) emerging economies (Algeria, Argentina, Bangladesh, Brazil, China, Colombia, Egypt, India, Indonesia, Kazakhstan, Malaysia, Mexico, Morocco, Nigeria, Pakistan, Peru, Philippines, Russia, Thailand, Ukraine, and Vietnam); and (9) socialist economies (Cuba and Venezuela). Due to area market economies, culture, and political factors, we classify China as *CHN*, *DOM* as Taiwan and the rest of the countries as *OTHER*.

Because the VoC study includes only sixteen countries, this study considers that it cannot represent most market economies throughout the world. The research also suggests that the FDI percentages of 9 categories, which include 93.5% of 2013 global GDP, are influenced by CSR performance, and the formula is as in Model 6. In this category, the dependent variable *BS* is defined as *LME*, *CME**, *HCE*, *EPE*, *AEE*, *ACE*, *AOE*, *EE*, *SE*, *CHN* and *OTHER** business systems. In addition, because the firm level in Taiwan is used, we exclude Taiwan in *AEE* and exclude China in *EE*. Moreover, the study tests whether FDI in different business systems is influenced by six aspects of CSR performance. The formula is as follows:

$$FDIBS_{ikt} = \alpha_0 + \alpha_1 CSR_{it} + \sum_{j=1}^J \beta_j CV_{ijt} + Year + Industry + Exchange + \varepsilon_{it} \quad (7)$$

where the dependent variable *FDIBS_{ikt}* is defined as *LME*, *CME**, *HCE*, *EPE*, *AEE*, *ACE*, *AOE*, *EE*, *SE*, *CHN*, or *OTHER** business systems. The independent variable *CSR_{it}* is defined as *CSR*, *CSRC*, *CSRE*, *CSRW*, *CSR_D*, *CSRO*, and *CSRT*. The control variables are defined as *DR*, *M/B*, and *TA*. This research considers the year effect, industry effect, and exchange effect under each condition. The definitions of the variables are summarized in Table 2 and Table 3.

In addition, due to the sample period including the COVID-19 event, this study considers the moderating effect of FDI propensity influenced by CSR performance during the COVID-19 period. The research equation is as follows:

$$FDI_{it} = \alpha_0 + \alpha_1 CSRSI_{it} + \alpha_2 COVID + \sum_{j=1}^J \beta_j CV_{ijt} + Industry + Exchange + \varepsilon_{it} \quad (8)$$

$$FDI_{it} = \alpha_0 + \alpha_1 CSRSI_{it} + \alpha_2 COVID + \alpha_3 CSRSI_{it} \times COVID + \sum_{j=1}^J \beta_j CV_{ijt} + Industry + Exchange + \varepsilon_{it} \quad (9)$$

where the dummy variable for COVID-19 equals 1 if the year is 2020 or 2021 and 0 otherwise. The CSRSI_{it} variable is also separately divided into six aspects in the following equation for the empirical test, and the definitions of the variables are the same in Equation 3. The definitions of the variables are summarized in Table 2 and Table 3.

4. Empirical Analysis

4.1 Descriptive Statistics

The two sets of data in Figure 1 and Table 1 show the overall CSR score observations, which are zero for more than half; therefore, in Table 1, we attempt to classify the CSR variable into three categories. The mean FDI values in Table 1 are 0.71 in Panel A, 0.73 in Panel B, and 0.61 in Panel C. This study finds that firms with poor CSR performance invest less overseas. This result supports the findings of previous studies that have shown that having more previous FDI experience does not impact CSR performance. For FDI activities, firms without CSR performance do not consider reducing their CSR reputation. In the Panel C category, the finding that firms with CSR performance have relatively lower FDI activity supports the findings of previous research showing that companies might be reluctant to undertake FDI in markets that could negatively affect their reputation if they incur higher costs to maintain CSR performance. In addition, the study finds that the volatility mean of FDI change in Panel A without CSR performance is 1.64, which is greater than the volatility means

of 0.68 and 0.20 in Panels B and C, respectively. Firms with good CSR performance tend to stabilize their FDI decisions.

Table 4 shows each of the variables of descriptive statistics shown in the following analysis. The data included the mean, median, minimum, maximum, standard deviation, summary, and summary square deviation values for each variable. The study shows the descriptive statistics for each of the variables in the sample of CSR scores without zero in Table 4. The mean overall CSR score is 13.77, and the median is 14. The mean FDI percentage is 0.6314, and the median is 0.8035. Table 5 contains each variable of the correlation matrix and, as shown, indicates no multicollinearity issues. The CHN variable is negatively correlated with the CSR variable and its six aspects variables.

Table 4 Descriptive Statistics for the Sample with a CSR Score without Zero

	Mean	Median	Minimum	Maximum	Std. Dev.	Sum	Sum Sq. Dev.	N
<i>CSR</i>	13.7719	14.0000	0.0000	24.0000	5.8341	101,264.80	250,234.50	7,353
<i>CSRC</i>	2.0398	2.5000	0.0000	3.7500	0.9877	14,998.50	7,172.24	7,353
<i>CSRD</i>	1.1191	1.0000	0.0000	6.0000	0.7788	8,229.00	4,459.64	7,353
<i>CSRE</i>	2.8879	3.0000	0.0000	4.0000	1.2595	21,234.50	11,662.30	7,353
<i>CSRO</i>	3.4415	3.0000	0.0000	8.0000	2.5885	25,305.00	49,261.05	7,353
<i>CSRT</i>	0.3359	0.0000	0.0000	2.0000	0.6172	2,470.00	2,800.28	7,353
<i>CSRW</i>	3.9477	4.5000	0.0000	6.0000	1.3547	29,027.75	13,492.61	7,353
<i>DR</i>	0.1900	0.1695	0.0000	0.8339	0.1616	1,397.01	192.06	7,353
<i>TA</i>	7.0566	6.9276	4.2372	10.0643	0.7188	51,887.26	3,798.46	7,353
<i>M/B</i>	1.7105	1.2348	0.0000	159.7906	2.7865	12,577.35	57,086.71	7,353
<i>FDI</i>	0.6314	0.8035	-6.6601	7.8103	0.4228	4,643.00	1,313.95	7,353
<i>CME</i>	0.0184	0.0000	-4.0034	8.1073	0.1526	135.50	171.16	7,353
<i>CHN</i>	0.0220	0.0000	-2.8542	1.0000	0.1021	162.11	76.63	7,353
<i>DOM</i>	0.3646	0.1917	-6.8103	7.6601	0.4215	2,681.00	1,306.21	7,353
<i>LME</i>	0.1049	0.0000	-6.5502	4.2753	0.2615	771.19	502.74	7,353
<i>OTHER</i>	0.4806	0.4939	-6.6601	7.8103	0.4254	3,533.56	1,330.43	7,353
<i>CME*</i>	0.0079	0.0000	-4.2849	8.6075	0.1264	58.00	117.49	7,353
<i>ACE</i>	0.0957	0.0000	-3.4904	6.9620	0.2180	703.67	349.34	7,353
<i>AEE</i>	0.0026	0.0000	-0.1620	1.0000	0.0396	19.44	11.50	7,353
<i>EPE</i>	0.0020	0.0000	-0.5790	1.2210	0.0281	14.94	5.79	7,353
<i>EE</i>	0.0327	0.0000	-1.1911	1.1797	0.1229	240.45	111.03	7,353
<i>AOE</i>	0.0010	0.0000	-0.0759	0.9450	0.0300	7.60	6.60	7,353
<i>HCE</i>	0.0105	0.0000	-1.7122	3.1167	0.0930	77.41	63.65	7,353
<i>SE</i>	0.0003	0.0000	-0.2387	0.2189	0.0069	2.52	0.35	7,353
<i>OTHER*</i>	0.3461	0.2659	-6.6601	7.8103	0.4007	2,545.04	1,180.49	7,353

Note: These variable definitions are provided in Tables 2 and 3.

4.2 Relationship between CSR Performance and FDI Percentage

Table 6 presents the results from our least squares regressions. We report the estimates for our six CSR measures in Models 1 to 7: overall CSR, governance CSR, disclosure CSR, environmental CSR, others CSR, third-party assurance CSR, and welfare CSR performance. In this table, the evidence reveals a significant positive relationship between a firm's CSR performance and the FDI percentage for overall CSR. These findings support Hypothesis 1, which states that firms with better CSR performance are more likely to undertake FDI. Among the six CSR aspects, only governance CSR, environmental CSR, and welfare CSR performance have positive FDI percentages.

We find that CSR aspects without significant relationships between CSR and FDI, such as CSRD, CSRO, and CSRT, indirectly influence firms' customers, employees, and neighbors of their factories. In particular, MNEs maintaining a better reputation through third-party assurance increase their management cost and are reluctant to invest in a potential new market. On the other hand, CSR activities increase management costs to improve firm performance. In this view, other CSR aspects, such as the CSRC, CSRE, and CSRW, directly affect outside stakeholders and are consistent with the reputation literature. Firms with better CSR performance want to undertake FDI in the host country.

Table 5 Correlation analysis for the sample of CSR scores without zero

Correlation	CSR	CSRC	CSRD	CSRE	CSRO	CSRT	CHN	CME	DOM	FDI	LME	OTHER	DR	TA	M/B
<i>CSR</i>	1.0000														
<i>CSRC</i>	0.7090	1.0000													
<i>CSRD</i>	0.7802	0.5070	1.0000												
<i>CSRE</i>	0.7518	0.4771	0.5007	1.0000											
<i>CSRO</i>	0.8707	0.4845	0.6724	0.4751	1.0000										
<i>CSRT</i>	0.5732	0.3302	0.4943	0.2700	0.5478	1.0000									
<i>CHN</i>	-0.0487	-0.0560	-0.0517	-0.0110	-0.0577	-0.0437	1.0000								
<i>CME</i>	0.0117	0.0053	0.0041	0.0028	0.0178	0.0019	-0.0228	1.0000							
<i>DOM</i>	0.0377	0.0031	0.0514	-0.0168	0.0672	0.0733	-0.1861	-0.0651	1.0000						
<i>FDI</i>	-0.0316	0.0019	-0.0445	0.0190	-0.0621	-0.0691	0.1876	0.0661	-0.9890	1.0000					
<i>LME</i>	0.0380	0.0446	0.0298	0.0299	0.0258	0.0303	-0.0287	-0.3071	-0.2168	0.2199	1.0000				
<i>OTHER</i>	-0.0379	-0.0050	-0.0445	0.0098	-0.0635	-0.0733	-0.0260	-0.1010	-0.7756	0.7839	-0.2778	1.0000			
<i>DR</i>	-0.0726	-0.0657	-0.0545	-0.0529	-0.0599	-0.0330	-0.0374	-0.0442	0.0114	-0.0111	0.0290	-0.0024	1.0000		
<i>TA</i>	0.5346	0.3517	0.4786	0.3237	0.5147	0.4953	-0.0346	-0.0226	0.1382	-0.1305	0.0246	-0.1287	0.0613	1.0000	
<i>M/B</i>	-0.0316	-0.0252	-0.0305	-0.0409	-0.0159	0.0214	-0.0084	0.0288	-0.0582	0.0600	0.0181	0.0393	-0.0635	-0.1181	1.0000

Note: The table presents the correlation matrix of the variables used in our analysis. All the variables are defined in Tables 2 and 3.

Table 6 FDI Results Influenced by CSR Performance

Variable	M1	M2	M3	M4	M5	M6	M7
CSR=	CSR_t	$CSRC_t$	$CSR D_t$	$CSRE_t$	$CSRO_t$	$CSRT_t$	$CSRW_t$
CSR_t	0.0016 * (1.6524)	0.0127 ** (2.5292)	0.0036 (0.5210)	0.0098 ** (2.4472)	0.0000 (0.0156)	-0.0062 (-0.6531)	0.0076 ** (2.1089)
DR_t	0.0627 ** (2.0022)	0.0628 ** (2.0145)	0.0581 * (1.8575)	0.0623 ** (1.9979)	0.0565 * (1.8047)	0.0549 * (1.7585)	0.0609 * (1.9543)
TA_t	-0.0040 (-0.4338)	-0.0029 (-0.3495)	0.0020 (0.2221)	-0.0028 (-0.3396)	0.0042 (0.4655)	0.0072 (0.8041)	-0.0007 (-0.0809)
M/B_t	0.0048 *** (2.9383)	0.0049 *** (2.9834)	0.0048 *** (2.9750)	0.0048 *** (2.9792)	0.0049 *** (2.9885)	0.0050 *** (3.0333)	0.0049 *** (2.9906)
<i>Year</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Industry</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Exchange</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>C</i>	1.17294 *** (10.7638)	1.15855 *** (10.9464)	1.14002 *** (10.4629)	1.15384 *** (10.9196)	1.12544 *** (10.2671)	1.10402 *** (10.0523)	1.14229 *** (10.8441)
Adj-R ²	0.1796	0.1800	0.1793	0.1800	0.1793	0.1793	0.1798
N	7,095	7,095	7,095	7,095	7,095	7,095	7,095

Note: For Hypothesis 1, the Equation 2 result is presented in M1, and the Equation 3 result is presented in M2 to M7. The table presents least-squares regressions of FDI where the dependent variable is FDI percentage. All explanatory variables are measured at the financial year-end. All regressions include year, industry, and exchange fixed effects. The t-statistics are in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively. The variable definitions are provided in Tables 2 and 3.

4.3 The Influence of Lag Effect of CSR Performance on FDI

To better estimate the economic importance of our findings, we use the regression models in Table 6 to calculate the implied probability that a firm undertakes FDI in a subsequent year. In Equation 4 of Table 7, the predicted increase in FDI activities after CSR performance increases is stronger for firms in subsequent periods. In addition, the study separately reports the estimates for our six CSR measures of governance CSR, disclosure CSR, environmental CSR, welfare CSR, third-party CSR, and other CSR performance from 4 and 5 regression models. The research finds that governance CSR, environmental CSR, and welfare CSR performance are significantly positively related to FDI propensity; however, the relationship between third-party CSR performance and FDI decisions is negative. The results show that the positive effect of negative third-party CSR performance appears in firms without better reputations, assuming that firms with weak CSR performance have stronger incentives to keep

up with other industries with regard to their CSR reputation than their counterparts (Hyun 2017). This evidence is consistent with the results of Hypothesis 1. Firms that maintain better CSR reputations need to spend more on management costs that indirectly affect their stakeholders and are reluctant to invest in foreign markets.

The study also finds that the lag effect of environmental CSR is more significantly positive, which shows that a firm with a better reputation for CSR environmental indicators is willing to engage in FDI activities because better environmental CSR performance in the lag period makes the host country welcome new business. This result is the same as that of past studies showing that environmental CSR has a positive effect on corporate reputation and corporate profitability (Khojastehpour and Johns 2014).

Table 7 The Results of the Influence of the Lag Effect of CSR Performance on FDI

Variable	M1	M2	M3	M4	M5	M6	M7
CSR_{t-1}	CSR_{t-1}	$CSRC_{t-1}$	$CSR_{D_{t-1}}$	$CSRE_{t-1}$	$CSRO_{t-1}$	$CSRT_{t-1}$	$CSRW_{t-1}$
CSR_{t-1}	0.0019 *	0.0121 **	0.0047	0.0115 ***	0.0002	-0.0121	0.0095 **
	(1.7998)	(2.3035)	(0.6276)	(2.6608)	(0.0984)	(-1.1430)	(2.5148)
DR_{t-1}	0.0679 **	0.0669 **	0.0627 *	0.0669 **	0.0608 *	0.0575 *	0.0661 **
	(2.0123)	(1.9925)	(1.8625)	(1.9937)	(1.8054)	(1.7134)	(1.9719)
TA_{t-1}	-0.0014	0.0011	0.0052	0.0002	0.0076	0.0135	0.0019
	(-0.1403)	(0.1272)	(0.5374)	(0.0212)	(0.7826)	(1.3966)	(0.2155)
M/B_{t-1}	0.0040 **	0.0041 **	0.0041 **	0.0041 **	0.0041 **	0.0042 **	0.0041 **
	(2.3502)	(2.3944)	(2.3769)	(2.3958)	(2.3880)	(2.4629)	(2.3948)
<i>Year</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Industry</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Exchange</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>C</i>	1.1472 ***	1.1246 ***	1.1125 ***	1.1229 ***	1.0967 ***	1.0555 ***	1.1142 ***
	(9.8212)	(9.8894)	(9.5125)	(9.8993)	(9.3205)	(8.9662)	(9.8429)
Adj-R ²	0.1753	0.1756	0.1749	0.1758	0.1749	0.1750	0.1757
N	6,272	6,272	6,272	6,272	6,272	6,272	6,272

Note: For Hypothesis 2, the Equation 4 result is presented in M1, and the Equation 5 result is presented in M2 to M7. The table presents least-squares regressions of FDI where the dependent variable is FDI percentage. All explanatory variables are measured at the financial year-end. All regressions include year, industry, and exchange fixed effects. The t-statistics are in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively. The variable definitions are provided in Tables 2 and 3.

4.4 CSR Performance affects FDI Percentage in Different Business Systems

Using the results of Hypothesis 3 in Table 8, we explore whether firms with better CSR performance prefer foreign direct investments in LMEs rather than in CMEs. The variable LME is not positively significant, which does not support our predictions, and CME was not statistically significant, which led us to reject Hypotheses 3-1 and 3-2. Regarding Hypothesis 3-3 in this table, the evidence shows that the variable CHN has negative significance, and OTHER has positive significance—consistent with our Hypothesis 3-4. In the economies of socialist countries, stakeholders are not able to choose their demands, and most economic activities are governed by national policies. Therefore, firms with better CSR performance will be reluctant to invest in the Chinese market. In contrast, firms with lower CSR performance want to invest in the Chinese market as long as they have a good relationship with the government. In other categories, still including some free and open market economies, these stakeholders will still give attention to CSR performance. Therefore, firms with better CSR performance want to invest in these market economies.

Since the results of Equation 6 do not support Hypotheses 3-1 or 3-2, as shown in Table 8. We refer to the study of Witt et al. (2018) and reclassify the observations in the Other category into 7 categories; the remaining countries not included in the 7 categories are then placed in the Other* category. The study tests the results of Equation 6 based on 9 classification conditions, as shown in Table 9. In addition, we control for industry, year, and exchange effects and find that CHN still has a significant negative correlation, while Other* reclassified into 7 categories also has a significant positive effect. The result is that AOE has a significant negative correlation. Since Other or Other* have a significant effect on all classifications and 9 categories include more than 90% of the important economies in the world, we consider that Taiwan's firms may indirectly invest in the 9 categories through a paper company that does not effectively reflect the preference of each market economy for FDI. However, the overall effect of the implementation of CSR performance has a positive effect on FDI, and Hypotheses 1 and 2 have a significant effect on both the current and lagged periods.

Table 8 FDI Results for Different Business Systems Influenced by CSR Performance

Variable	Full Sample	LME	CME	CHN	OTHER
CSR_t	0.0016 * (1.6524)	0.0009 (1.4070)	0.0006 (1.5331)	-0.0006 ** (-2.4283)	0.0018 * (1.7885)
DR_t	0.0627 ** (2.0022)	0.0617 *** (2.8719)	-0.0264 ** (-2.0683)	-0.0193 ** (-2.3472)	0.0534 (1.6166)
TA_t	-0.0040 (-0.4338)	0.0265 *** (4.1716)	-0.0046 (-1.2168)	-0.0038 (-1.5741)	-0.0291 *** (-2.9788)
M/B_t	0.0048 *** (2.9383)	0.0010 (0.8514)	0.0009 (1.3919)	-0.0003 (-0.7351)	0.0030 * (1.7539)
<i>Year</i>	Yes	Yes	Yes	Yes	Yes
<i>Industry</i>	Yes	Yes	Yes	Yes	Yes
<i>Exchange</i>	Yes	Yes	Yes	Yes	Yes
C	1.1729 *** (10.7638)	0.2652 * (3.5473)	0.0318 ** (0.7167)	0.0795 ** (2.7741)	0.8430 (7.3359)
Adj-R ²	0.1796	0.0412	0.0123	0.0298	0.1141
N	7,095	7,095	7,095	7,095	7,095

Note: For Hypothesis 3, the table presents least-squares regressions of $FDIBS_{ikt}$ where the dependent variable is FDI, LME, CME, CHN, and the percentage of OTHER. All explanatory variables are measured at the financial year-end. All regressions include year, industry, and exchange fixed effects. The t-statistics are in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively. The variable definitions are provided in Tables 2 and 3.

Table 9 FDI Results for Different Market Economies Influenced by CSR Performance

Variable	Full Sample	LME	CME*	ACE	AEE	AOE	CHN	EE	EPE	HCE	SE	OTHER*
<i>CSR_{it}</i>	0.0016 * (1.6524)	0.0009 (1.4070)	0.0005 (1.5544)	-0.0004 (-0.8268)	0.0000 (0.1846)	-0.0001 * (-1.7409)	-0.0006 ** (-2.4283)	0.0004 (1.1712)	0.0000 (0.1262)	0.0001 (0.3745)	0.0000 (0.9606)	0.0020 ** (2.0405)
<i>DR_{it}</i>	0.0627 ** (2.0022)	0.0617 *** (2.8719)	-0.0091 (-0.8537)	-0.0646 *** (-3.6837)	-0.0010 (-0.2932)	-0.0116 *** (-4.6570)	-0.0193 ** (-2.3472)	-0.0252 *** (-2.5570)	0.0084 *** (3.5914)	-0.0160 ** (-2.0565)	0.0015 *** (2.5148)	0.1446 *** (4.5358)
<i>TA_{it}</i>	-0.0040 (-0.4338)	0.0265 *** (4.1716)	-0.0019 (-0.6092)	0.0128 ** (2.4772)	-0.0007 (-0.6810)	0.0044 *** (6.0146)	-0.0038 (-1.5741)	0.0040 (1.3651)	-0.0005 (-0.7129)	-0.0023 (-1.0150)	0.0002 (1.1522)	-0.0497 *** (-5.2786)
<i>M/B_{it}</i>	0.0048 *** (2.9383)	0.0010 (0.8514)	0.0002 (0.3845)	-0.0008 (-0.8547)	0.0001 (0.4526)	-0.0001 (-0.7059)	-0.0003 (-0.7351)	0.0004 (0.7142)	-0.0001 (-0.6654)	0.0007 * (1.7473)	0.0000 (-1.1512)	0.0036 ** (2.1488)
<i>Year</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Industry</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Exchange</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>C</i>	1.1729 *** (10.7638)	0.2652 *** (3.5473)	0.0352 (0.9519)	0.0771 (1.2633)	0.0015 (0.1304)	-0.0332 *** (-3.8197)	0.0795 *** (2.7741)	-0.0262 (-0.7627)	-0.0008 (-0.1025)	-0.0059 (-0.2187)	-0.0019 (-0.9344)	0.8290 *** (7.4763)
Adj-R ²	0.1796	0.0412	0.0030	0.0528	0.0182	0.0198	0.0298	0.0472	0.0135	0.0183	0.0108	0.0860
<i>N</i>	7,095	7,095	7,095	7,095	7,095	7,095	7,095	7,095	7,095	7,095	7,095	7,095

Note: For Hypothesis 3, the table presents least-squares regressions of $FDIBS_{ikt}$, where the dependent variables are FDI , LME , CME^* , ACE , AEE , AOE , CHN , EE , EPE , HCE , SE , and the percentage of $OTHER^*$. All explanatory variables are measured at the financial year-end. All regressions include year, industry, and exchange fixed effects. The t-statistics are in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively. The variable definitions are provided in Tables 2 and 3.

Table 10 Summary of FDI in Different Market Economies Influenced by CSR Performance on Six Aspects

BS	SE	OTHER*	LME	HCE	EPE	EE	CME*	CHN	AOE	AEE	ACE
<i>CSR_t</i>	0.0000 (0.9606)	0.0020 ** (2.0405)	0.0009 (1.4070)	0.0001 (0.3745)	0.0000 (0.1262)	0.0004 (1.1712)	0.0005 (1.5544)	-0.0006 ** (-2.4283)	-0.0001 * (-1.7409)	0.0000 (0.1846)	-0.0004 (-0.8268)
<i>CSR_C</i>	0.0000 (-0.4829)	0.0135 *** (2.6400)	0.0084 ** (2.4423)	0.0004 (0.3084)	-0.0001 (-0.1349)	0.0053 *** (3.3186)	0.0000 (-0.0227)	-0.0032 ** (-2.4594)	0.0002 (0.3951)	0.0002 (0.4585)	-0.0073 *** (-2.5843)
<i>CSR_D</i>	0.0000 (-0.2863)	0.0100 (1.4151)	0.0038 (0.7871)	-0.0019 (-1.0791)	0.0005 (0.9213)	0.0038 * (1.7070)	0.0043 * (1.8334)	-0.0030 (-1.6142)	-0.0006 (-1.1262)	0.0004 (0.5867)	-0.0074 * (-1.9003)
<i>CSR_E</i>	0.0000 (-0.5271)	0.0091 ** (2.2252)	0.0041 (1.4971)	0.0002 (0.2395)	-0.0004 (-1.2933)	0.0015 (1.1539)	0.0010 (0.7730)	-0.0023 ** (-2.1983)	-0.0001 (-0.4022)	0.0002 (0.4282)	0.0005 (0.2346)
<i>CSR_O</i>	0.0001 ** (2.2460)	0.0029 (1.3281)	0.0006 (0.4119)	0.0008 (1.4654)	0.0000 (0.0385)	0.0004 (0.6565)	0.0009 (1.2975)	-0.0013 ** (-2.2566)	-0.0005 *** (-3.0359)	0.0000 (-0.0006)	-0.0022 * (-1.8604)
<i>CSRT_t</i>	-0.0001 (-0.4593)	-0.0177 * (-1.8476)	0.0003 (0.0460)	0.0001 (0.0429)	0.0015 ** (2.1783)	0.0040 (1.3618)	0.0034 (1.0681)	-0.0004 (-0.1804)	-0.0003 (-0.4219)	0.0003 (0.3087)	0.0057 (1.0791)
<i>CSRW_t</i>	0.0001 (0.9496)	0.0054 (1.4537)	0.0026 (1.0329)	-0.0009 (-0.9747)	0.0001 (0.3628)	-0.0018 (-1.5710)	0.0019 (1.5834)	-0.0006 (-0.6053)	-0.0002 (-0.5588)	-0.0002 (-0.4496)	0.0046 ** (2.2780)

Note: For Hypothesis 3, the results of Equations 6 and 7 are presented for CSR, CSRC, CSRD, CSRE, CSRO, CSRT and CSRW. The table presents least-squares regressions of $FDIBS_{ikt}$, where the dependent variables are SE (socialist economy), OTHER, LME (liberal market economy), HCE (highly coordinated economy), EPE (European peripheral economy), EE (emerging economy), CME*(coordinated market economy), CHN (China), AOE (Arab Oil-Based Economy), AEE (advanced emerging economy), and ACE (advanced city economy). The business system categories are based on Witt et al.'s (2018) definition. All explanatory variables are measured at the financial year-end. All regressions include year, industry, and exchange fixed effects. The t-statistics are in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively. The variable definitions are provided in Tables 2 and 3.

The results of the Equation 6 test reveal the significant effects of overall CSR in the CHN, AOE, and Other* business systems, as shown in Table 9. Next, this paper tests Equation 7; the results of the six aspects of CSR are summarized in Table 10. First, for six aspects of other* business systems, the results show that promoting corporate governance (CSRC) and developing a sustainable environment (CSRE) are also significantly positively related to the FDI percentage of the other* business system, but the relationship in third-party (CSRT) systems is negative. This evidence is consistent with the results for 2 categories, not only for overall CSR but also for the CSRC, CSRE, and CSRT, which are correlated with FDI. In CHN business systems, whether it is promoting corporate governance (CSRC), developing a sustainable environment (CSRE), or disclosing other CSR activities (CSRO), the relationship with FDI is significantly negative. Second, the FDI in the AOE business system also negatively correlates with disclosing other CSR activities (CSRO), although the sample accounted for less than 1%, which means that the summary of the FDI percentage of net investment inflow in this business system is 9 observations. The 2 business systems, CHN and AOE, are dominated by the government, which allows firms with better CSR performance be reluctant to invest in this type of business system.

Finally, the study finds that although overall CSR is not significant in LME, EE, or ACE business systems, the FDI of those systems is still affected by corporate governance (CSRC). We also observe that the relationship between the FDI of ACE business systems and corporate governance (CSRC) is negative. We believe that entrepreneurs in Taiwan prefer to use holding companies in Advanced City Economies, which leads to lower CSR scores in promoting corporate governance (CSRC), strengthening CSR information disclosure (CSRDI), and disclosing other CSR activities (CSRO). Those countries in LME business systems take into account transparency and corporate governance (CSRC); thus, firms with high corporate governance (CSRC) scores will want to directly invest in those countries.

4.5 CSR Performance affects FDI Percentage during COVID-19 period

Due to the inclusion of the sample period from 2013 to 2021, the coronavirus disease 2019 (COVID-19) outbreak has dramatically influenced global economies. Most major market economies had obvious increases in COVID-19 cases beginning in March 2020. Many countries declare domestic lockdown policies to control the spread of the disease. Previous literature also discusses critical risk elements, such as natural disasters, before MNEs enter

potential market economies (Buckley, Chen, Clegg and Voss 2020; Fu, Alleyne and Mu 2021). Thus, this study also considers the COVID-19 event in the sample period, and the regression results are shown in Table 11. We find that the influence of overall CSR has a significant effect on taking COVID-19 into account. In addition, six aspects of CSR performance have a significant effect on more than 5% of the CSRC, CSRE, and CSRW aspects, which is consistent with the results for sets 3 and 5. Moreover, this study tests the moderating effect of FDI influenced by CSR performance during the COVID-19 period, and the regression is shown in Table 12. The evidence reveals that FDI propensity is not related to CSR performance during the COVID-19 period, which means that firms with better CSR performance cannot undertake FDI activities. Governments in different market economies have implemented lockdown policies during the pandemic. In addition to product lists that can be transported to each other, many countries were self-sufficient during this period, which means that the economic activities of FDI also stopped or decreased due to the disruption of normal communication during the COVID-19 period.

Table 11 FDI Influences of CSR Performance Considering the COVID-19 Period.

Variable	M1	M2	M3	M4	M5	M6	M7
$CSR_t =$	CSR_t	$CSRC_t$	$CSR D_t$	$CSRE_t$	$CSRO_t$	$CSRT_t$	$CSRW_t$
CSR_t	0.0016 *	0.0125 **	0.0035	0.0105 ***	-0.0003	-0.0092	0.0086 **
	(1.6997)	(2.5052)	(0.5110)	(2.6996)	(-0.1424)	(-0.9929)	(2.3925)
DR_t	0.0626 **	0.0624 **	0.0577 *	0.0626 **	0.0557 *	0.0539 *	0.0613 **
	(1.9988)	(2.0012)	(1.8470)	(2.0080)	(1.7802)	(1.7274)	(1.9656)
TA_t	-0.0050	-0.0036	0.0013	-0.0040	0.0041	0.0080	-0.0020
	(-0.5441)	(-0.4339)	(0.1424)	(-0.4896)	(0.4580)	(0.8859)	(-0.2423)
M/B_t	0.0047 ***	0.0047 ***	0.0047 ***	0.0047 ***	0.0048 ***	0.0049 ***	0.0048 ***
	(2.8659)	(2.9187)	(2.9067)	(2.9119)	(2.9245)	(2.9921)	(2.9272)
$COVID$	-0.0370 ***	-0.0406 ***	-0.0369 ***	-0.0333 ***	-0.0372 ***	-0.0349 ***	-0.0327 ***
	(-3.4393)	(-3.7507)	(-3.4291)	(-3.0722)	(-3.4577)	(-3.1664)	(-2.9916)
<i>Industry</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Exchange</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
C	1.1661 ***	1.1478 ***	1.1314 ***	1.1522 ***	1.1135 ***	1.0873 ***	1.1375 ***
	(10.7784)	(10.9267)	(10.4991)	(10.9598)	(10.2419)	(9.9924)	(10.8654)
Adj-R ²	0.1794	0.1798	0.1791	0.1800	0.1791	0.1792	0.1798
N	7,095	7,095	7,095	7,095	7,095	7,095	7,095

Note: For Hypothesis 1, the Equation 8 result is presented in M1, and the Equation 8 result is presented in M2 to M7. The table presents least-squares regressions of FDI where the dependent variable is FDI percentage. All explanatory variables are measured at the financial year-end. All regressions include COVID-19 period effects, industry fixed effects, and exchange fixed effects. The t-statistics are in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively. The variable definitions are provided in Tables 2 and 3.

Table 12 The Moderating Effect of FDI Influenced by CSR Performance Considering the COVID-19 Period.

Variable	M1	M2	M3	M4	M5	M6	M7
$CSR_t =$	CSR_t	$CSRC_t$	$CSR D_t$	$CSRE_t$	$CSRO_t$	$CSRT_t$	$CSRW_t$
CSR_t	0.0011 (1.0703)	0.0121 ** (2.3051)	-0.0021 (-0.2776)	0.0092 ** (2.0712)	-0.0016 (-0.6809)	-0.0192 * (-1.6942)	0.0071 * (1.8148)
$COVID * CSR_t$	0.0021 (1.1646)	0.0028 (0.2036)	0.0209 (1.5979)	0.0048 (0.5957)	0.0056 (1.3443)	0.0241 (1.5333)	0.0079 (0.9175)
DR_t	0.0632 ** (2.0178)	0.0626 ** (2.0050)	0.0581 * (1.8598)	0.0629 ** (2.0158)	0.0565 * (1.8075)	0.0541 * (1.7348)	0.0616 ** (1.9760)
TA_t	-0.0054 (-0.5883)	-0.0037 (-0.4448)	0.0012 (0.1354)	-0.0042 (-0.5128)	0.0036 (0.3951)	0.0086 (0.9605)	-0.0024 (-0.2926)
M/B_t	0.0046 *** (2.8360)	0.0047 *** (2.9154)	0.0047 *** (2.8762)	0.0047 *** (2.8964)	0.0047 *** (2.8947)	0.0049 *** (2.9817)	0.0047 *** (2.9166)
$COVID_t$	-0.0657 ** (-2.4408)	-0.0467 (-1.4613)	-0.0593 *** (-3.3586)	-0.0463 * (-1.9006)	-0.0574 *** (-3.1083)	-0.0452 *** (-3.5016)	-0.0613 * (-1.8548)
<i>Industry</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Exchange</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
C	1.1756 *** (10.8356)	1.1493 *** (10.9139)	1.1375 *** (10.5503)	1.1573 *** (10.9716)	1.1209 *** (10.2974)	1.0850 *** (9.9713)	1.1470 *** (10.9028)
Adj-R ²	0.1795	0.1797	0.1793	0.1799	0.1792	0.1794	0.1798
N	7,095	7,095	7,095	7,095	7,095	7,095	7,095

Note: For Hypothesis 1, the Equation 9 result is presented in M1, and the Equation 9 result is presented in M2 to M7. The table presents least-squares regressions of FDI where the dependent variable is FDI percentage. All explanatory variables are measured at the financial year-end. All regressions include COVID-19 period effects, industry fixed effects, and exchange fixed effects. The t-statistics are in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively. The variable definitions are provided in Tables 2 and 3.

5. Conclusion

This study investigates the influence of CSR performance on the outward FDI percentage of firms for the period 2013 to 2021. According to the shareholder expense theory of CSR, MNEs regard CSR activities as a squander of company resources, similar to managerial inefficiency (Deng et al., 2013). In this view, the better the firm's CSR performance is, the

greater the costs of maintaining and protecting it when entering a new potential market; thus, the firm engages less in CSR activities.

In contrast, we suggest that CSR performance is positively related to FDI percentage if CSR performance improves firms' legitimacy and acceptance in the host country, reducing some of the problems related to doing business abroad. Specifically, the research suggests that firms with CSR reputations have renowned reputations, reasonable legitimacy, strong stakeholder relationships, and extensive development experience and staff training; thus, they are more trusted in FDI activities and can undertake FDI at a smoothly changing frequency. The evidence also shows that among the six CSR dimensions, governance CSR, environmental CSR, and welfare CSR performance are significantly and positively related to FDI. Second, in this study, we further discuss whether CSR performance has a lagged response to FDI, which is significantly positively correlated with FDI according to Hypothesis 2. Third, the study considers different market economies for FDI percentage and finds that better CSR performance indicates a lower propensity to invest in CHNs, which supports Hypothesis 3-3. The research shows that CSR reputation has a significant influence on MNEs' FDI percentages in different market economies.

Finally, we reclassify FDI percentages into 9 different categories of market economies. Although the study finds that the FDI percentage in the AOE market has a significant negative effect on CSR performance, the sample accounts for less than 1%, which might create bias. The OTHER* category still accounted for the majority of the foreign direct investment (only the sample size was reduced by 2,110 from the OTHER category).

The main factor in our prediction is that Taiwanese companies mostly invest in paper company countries, such as the BVI and Samoa, and then reinvest in other countries, which cannot truly indicate the impact of FDI percentages in different business systems on CSR performance. This research finds that firms listed on the TWSE and TPEX markets mandatorily disclose in their financial reports the amount of direct investment in China, and the regression results show that firms with better CSR performance have a significantly negative correlation with the CHN percentage.

This paper concludes that CSR performance not only has a significant impact on the proportion of FDI but also has different effects on FDI. On the other hand, according to an analysis of different market economies, CSR performance has different impacts on the

proportion of FDI in different market economies. The results of this empirical analysis can guide decision-makers on MNEs with a reference direction for FDI. In addition, previous studies on FDI have considered the impact of external factors and regulatory systems on FDI, but few studies explain the different impacts of CSR on FDI due to differences in market economies. Future research can analyze whether multinational enterprises with different market economic regulations affect the focus on CSR and thus affect the investment decisions of MNEs.

Several issues remain for future research. Due to limitations in the availability of data, FDI may be measured as more than just a percentage of the amount of direct investment. Using data such as the amount or number of overseas M&As, the number of joint ventures with local companies, and the number of franchises, it is possible to further measure the relationship between the type of FDI and CSR performance and the extent of the impact. Since the data distribution of this study is panel data, which limits the interpretability of the conclusions of this study, there may be endogeneity problems in this case. Endogeneity issues between CSR performance and FDI should be further explored.

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