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CSR and Stock Performance In Merger and Acquisitions (M&A) Context

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ABSTRACT

This study examines the effect of Corporate Social Responsibility (CSR) on short- and long-term stock performance of companies undergoing mergers and acquisitions (M&A) in Southeast Asia. The methode used an event study approach, it analyzes market reactions to M&A announcements. Short-term performance is measured by Cumulative Abnormal Return (CAR), while long-term performance uses Buy and Hold Abnormal Return (BHAR). The sample consists of 240 M&A transactions from 2017 to 2023. Results show that CSR has a significant negative effect on short-term performance (CAR) only in event window model 3.1.2, with no significant impact in other windows. For long-term performance, CSR negatively affects BHAR in models 3.2.2 and 3.2.3, but not in others. Overall, this finding indicates that the market does not respond positively to CSR in the context of M&A, even assessing CSR as a burden or activity that does not directly increase the long-term value of the company.

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1. INTRODUCTION

Corporate social responsibility (CSR) has attracted considerable public attention in relation to environmental issues and the costs involved. A number of studies show that CSR can increase company value and demonstrate stronger stock performance (Ouyang et al., 2024), but CSR initiatives can also potentially have a negative impact on financial performance (Abdullah, 2024). CSR is also beginning to be seen as a factor that can influence corporate behavior in major actions, including mergers and acquisitions (M&A).

Mergers and acquisitions (M&A) are strategies often used by corporations to increase company value amid global economic turmoil (Brunner-kirchmair & Wagner, 2024). In M&A literature, the primary focus is generally on financial factors, synergies, and operational efficiency (Huang et al., 2023; Ouyang et al., 2024). However, recent studies have begun to explore the role of CSR in influencing payment methods, acquisitions, and market reactions (Vo et al., 2024; Qiao et al., 2018; Brunner-Kirchmair & Wagner, 2024).

CSR is also associated with risk assessment in the acquisition process. Previous studies, such as Qiao et al. (2018) found that CSR has a positive influence on long-term M&A performance. The results of the analysis show that companies with better CSR performance tend to have better results in their M&A. On the other hand, Brunner-Kirchmair and Wagner (2024) found evidence that excessive CSR can reflect agency conflict, where managers pursue personal reputation at the expense of business efficiency, including in M&A decisions. The findings also mention the concept of "too much of a good thing," which states that something that is generally considered positive or beneficial—CSR—can also have negative effects if done excessively.

Although several studies have discussed the relationship between CSR and M&A, the Milken Institute states that in Southeast Asia, this M&A trend has only increased since 2017, and according to a report by PwC, 2023 will be a record year in terms of both transaction volume and value at the regional level. Previous studies have also explored CSR and its impact on financial performance by sensitive industry types, but no research has been found in the context of M&A. Therefore, further research is needed to explore how sensitive industry types moderate the relationship between CSR and stock performance in the context of M&A in the region. The purpose of this study is to analyze the relationship between CSR and stock performance— measured in the short and long term — of companies that conducted mergers and acquisitions in Southeast Asia during the period 2017-2023. The objective of this investigation is to investigate the impact of corporate social responsibility (CSR) initiatives on stock performance in merger and acquisition companies. Additionally, it investigates the potential for industries that prioritise environmental and social responsibility to either bolster or undermine the relationship between the independent variable (CSR) and the dependent variable (stock performance).

Agency theory (Jensen & Meckling, 1976) explains the existence of conflicts of interest between managers (agents) and shareholders (principals), particularly in the context of M&A, where managers often act opportunistically for personal gain, such as pursuing power or reputation, rather than to increase shareholder value (Deng et al., 2013; Rani et al., 2020). In this framework, CSR can function as a control mechanism that increases transparency and accountability and suppresses opportunistic behavior by managers, although there is a risk that it will become window dressing if it is done solely for the benefit of management (Wang et al., 2021). Conversely, stakeholder theory (Freeman, 1984) emphasizes the importance of

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companies managing relationships with all stakeholders, where CSR becomes a long-term strategy that strengthens reputation, reduces risk, and creates positive synergies post-M&A (Deng et al., 2013; Arouri et al., 2019; Chen et al., 2023). Thus, CSR can be understood both as a mechanism for controlling agency conflicts and as a means of creating value for stakeholders, which ultimately increases investor confidence and supports the company's stock performance in the short and long term.

CSR is an important aspect for companies, which is reported both voluntarily and due to regulations to provide information about social and environmental activities (Deng et al., 2013). In Southeast Asia, many companies have begun to implement CSR to improve their reputation and attract investors. In addition to adding value to the company, CSR reporting also helps reduce agency conflicts, particularly in the context of mergers and acquisitions (M&A), because companies with strong CSR tend to be more transparent, ethical, and attentive to the long-term interests of stakeholders. Although CSR can increase company value, some parties view CSR as an additional cost that can reduce profits if not accompanied by the right strategy. Ineffective CSR can even be perceived negatively by the market. However, research Deng et al. (2013) shows when acquiring companies with the high CSR earn greater profits because they attract the attention of investors. Similar findings were reported by Cho et al. (2021), who concluded that CSR can increase stock value and provide higher premiums, supporting the stakeholder theory that CSR creates value for all stakeholders and strengthens the company's reputation and sustainability.

Another study discussing the relationship between CSR and acquisition decisions was also performed by Krishnamurti et al. (2019) and found that companies with CSR activities are more likely to be acquired by bidders (acquirers) who are also CSR-oriented, while CSR-oriented companies tend to choose acquisition targets with features such as cash payments, domestic targets, and single offers. Socially responsible companies tend to pay lower bid premiums when making acquisitions, and when CSR-oriented companies announce acquisition decisions in the market, there is an abnormal positive and significant increase in returns. Thus, it can be concluded that the results of this study are in line with the expectations of mergers and acquisitions, which show that CSR-oriented companies make acquisition decisions that are beneficial to both parties, namely shareholders and company stakeholders.

Several studies show mixed results regarding the impact of CSR on company performance in the context of M&A. Jost et al. (2022) and Brunner-Kirchmair and Wagner (2024) found that CSR does not always have a positive impact; in fact, in Europe, CSR tends to have a negative impact on stock performance when M&A announcements are made. This research highlights that investor perceptions of CSR can vary—positive if viewed as a strategic advantage, or negative if seen as an additional cost burden. Deng et al. (2013); Qiao et al. (2018); Yang et al. (2022) found that CSR can enhance short-term market response as it is seen as a signal of responsible management. Based on agency theory, CSR can be used opportunistically by managers for personal gain, but it can also reduce agency conflicts if carried out transparently. Therefore, the impact of CSR on stock performance depends on market perceptions and the managerial intentions behind its implementation. Based on this, the research hypothesis was formulated.

Hypothesis 1: The CSR of the acquiring company has a positive effect on short-term stock performance.

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Previous studies have shown that CSR often provides long-term benefits, such as customer loyalty, stakeholder relations, and operational efficiency (Eccles et al., 2014; Kotsantonis et al., 2016). In the context of M&A, the impact of CSR is only visible after post-acquisition integration, with the potential to enhance the company's reputation and value. Deng et al. (2013) found that acquiring companies with good CSR performance experienced an increase in shareholder value in the long term. Eccles et al. (2014) also showed that companies with a commitment to sustainability have better long-term performance. CSR that is carried out transparently can reduce agency conflicts and encourage strategic decisions that benefit shareholders. Based on these findings, the research hypothesis is formulated as follows:

Hypothesis 2: The CSR of the acquiring company has a positive effect on long-term stock performance.

2. METHODOLOGY

The samples for this study were taken from the Thomson Reuters or Revenitif Eikon database, which has now been replaced by LSEG Workspace. Sampling was based on the reference journal (Brunner-Kirchmair & Wagner, 2024). This study used purposive sampling to collect samples from the data source, taking into account several criteria. These criteria include:

1. Southeast Asia is the location or headquarters of the acquiring corporation.
2. Acquisition agreement between the two companies is valid from January 1, 2017, to December 31, 2023.
3. The agreement between the two companies has been finalized.
4. The acquiring company has acquired a minimum of 50% ownership shares.
5. The acquired company is a public company
6. Complete data for each available variable

The research will be conducted on acquiring companies based in Southeast Asia specifically in Indonesia, Malaysia, Philippines, Singapore, and Thailand from 2017 to 2023 because reports from the Milken Institute and global consulting firm PwC show an increase in company mergers and acquisitions during that period, both in terms of volume and transaction value, with 2023 being a record year for corporate actions in the form of mergers and acquisitions at the global level.

The regression equation model used to test H1 is as follows:

$$CAR = \alpha_0 + \beta 1CSR + \beta 2SIZE + \beta 3LEV + \beta 4FCF + \beta 5IS + \beta 6DIV.INDUSTRY + \beta 7C.BORDER + \beta 8GDP + \beta 9INFLATION + \beta 8MAR + e$$

The regression equation model used to test H2 is as follows:

$$BHAR = \alpha_0 + \beta 1CSR + \beta 2SIZE + \beta 3LEV + \beta 4FCF + \beta 5IS + \beta 6DIV.INDUSTRY + \beta 7C.BORDER + \beta 8GDP + \beta 9INFLATION + \beta 8MAR + e$$

Table 1. Definition of Variable

Variable	Definitions
Corporate social responsibility (CSR)	Corporate Social Responsibility is measured using ESG scores (the ESG score used is the community score taken from the last fiscal year before the M&A date).

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Cumulative abnormal return (CAR)	To calculate Cumulative Abnormal Return by accumulating abnormal returns in the event window based on the specified model (e.g., H-1/H+1), "H" is the transaction announced to the public.
Buy and Hold Abnormal Return (BHAR)	BHAR (Buy and Hold Abnormal Return) is calculated as the difference between the cumulative total return of the stock and the cumulative total return of the benchmark portfolio over the same period.
Size	Size is included to control for differences in performance resulting from different scales of operation.
Leverage	Leverage is controlled to overcome the potential impact caused by the level of debt owned by the company, because high leverage indicates high financial risk as well. The company's debt level is considered high if the debt-to-equity ratio is above 50%.
Free Cash Flow	Free Cash Flow controlled to address existing financial impacts, by ensuring that the analysis focuses more on the influence of dependent and independent variables.
Industry sensitive	Industry sensitive grouped based on corporate sensitivity to the environment with reference to Environmental Sustainability Indicators (ESI). Given a value of 1 if included in the ESI group and a value of 0 if in the non-ESI group ESI.
Diversifikasi industri	To see whether the company conducts M&A in the same or different industries. A value of 1 will be given if the company conducts M&A in different industries and a value of 0 if it is in the same industry.
Inflation	To control the impact of price instability and production costs that can affect a company's profits, expenses, and investment decisions
Cross Border	To control whether the M&A company is conducting business within the same country or across countries, assign a value of 1 if it is cross-border and 0 if it is still within 1 country.
Previous Market-Adjusted Return	Previous Market-Adjusted Return is controlled to reflect the historical stock performance of the company (acquirer) prior to the M&A announcement event.

A. SHORT-TERM STOCK PERFORMANCE

To examine short-term stock performance from the perspective of investors, we analyze the performance of merger and acquisition companies, as well as the market models applied, as described in the reference journal (Brunner-Kirchmair & Wagner, 2024). The study examines reactions from one day before the announcement date to one day after (-1/+1). The results are further elucidated or examined by analysing two additional event windows (-2/+2 and -5.+5) in order to determine their robustness. Stock performance can be seen as good or bad in providing results or returns for investors in a certain period. However, stock performance can also be impacted by broader market fluctuations. To separate and isolate the specific effects of certain events (M&A). What needs to be done to calculate the expected return of a stock on an M&A event in the context of this study is analyzed for each transaction (i) on day (t), which is estimated as follows:

$$E(Ri\ t) = \alpha + \beta i\ Rm\ t + \varepsilon i\ t$$

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To determine αi and βi, this study assumes a linear relationship between market returns and individual stock returns, which are estimated using regression of company returns and market returns.
Next, to calculate abnormal returns, the company's daily returns are subtracted from the company's expected returns (calculation above) in the event window, using the following formula:

$$AR\ it = R\ it - E\ (Rit)$$

Next, abnormal returns are accumulated in the event window to calculate the Cumulative Abnormal Return (CAR) based on the specified model, namely (-1/+1) (- 2/+2) (-5/+5). If the cumulative value of the abnormal return is positive, the transaction is considered favorable by the market and vice versa, if the value is negative, the transaction is considered unfavorable by the market. The formula used is as follows:

$$CAR_{i\,-k,k} = \sum\nolimits^{k}{}_{t=-k} \quad AR_t$$

If the CAR value is positive, the transaction was well-received by the capital market, and conversely, if the CAR value is negative, the transaction is viewed as less profitable by the capital market.

B. LONG-TERM STOCK PERFORMANCE

In measuring long-term stock performance, Buy-And-Hold Abnormal Return (BHAR) is used to reduce the risk of other factors that influence the outcome (Lyon et al., 1999; Mitchell and Stafford, 2000; Kohtari and Warner, 2007). Therefore, 3, 6, and 12 months are necessary to measure stock performance over the long term. BHAR is calculated as follows:

$$BHAR_{i\,K} = \prod_{t=1}^{K} (1 + R_{it}) - \prod_{t=1}^{K} (1 + R_{mt})$$

If the BHAR value is positive, the transaction is considered favorable by the capital market, and conversely, if the BHAR value is negative, the transaction is considered less favorable by the capital market.

3. RESULT AND DISCUSSION

This study was conducted on public companies that conducted M&A in Southeast Asia from 2017 to 2023. First, data was collected for all M&A transactions in each country, then companies that were not listed on their respective stock exchanges were filtered out. After filtering, the next step was to check the completeness of the data from each company that conducted M&A. The overall results of the sample obtained and the filtering process are shown in Table 2:

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Table 2. Sample Selection

Keterangan	2017	2018	2019	2020	2021	2022	2023	Total
M&A activities	603	523	512	406	355	392	268	3.059
Non-public company	(360)	(270)	(299)	(222)	(182)	(213)	(127)	(1.673)
Public company	243	250	213	184	173	179	141	1.383
Incomplete data	(222)	(215)	(188)	(157)	(123)	(139)	(96)	(1.140)
Complete data	21	35	25	27	50	40	45	243
Outlier data	(0)	(0)	(0)	(1)	(0)	(0)	(2)	(3)
Research sample	21	35	25	26	50	40	43	**240**

Based on the sample selection criteria, which looked at M&A activity from 2017 to 2023, there was initial data on 3,059 activities from various companies, which was taken from Refinitiv Eikon. From the 3,059 data points obtained, Refinitiv Eikon combined all merger and acquisition transaction data, along with other information such as M&A transaction numbers, announcement dates, acquirer names, acquirer industries, acquirer countries, target company names, target company industries, target company countries, agreement status, and descriptions of the agreement results. The data obtained was filtered to include only public companies because the data criteria in this study only tested public companies. From this filtering, data on 1,383 public companies was obtained. Next, from the data on public companies that conducted mergers and acquisitions, data was collected from the independent and control variables needed, resulting in only 243 complete data sets. However, in the complete data ready for testing, 3 data were excluded due to outlier indications. Outliers in this study were detected using a statistical approach based on mean and standard deviation. The steps began with calculating the mean and standard deviation of the analyzed variables. Next, the lower and upper limits were determined using the formula: lower limit = mean − (3 × standard deviation), and upper limit = mean + (3 × standard deviation). Data outside this range was considered an outlier because its value deviated extremely from the majority of the data distribution.

DESCRIPTIVE STATISTICAL ANALYSIS

To provide an initial overview of the data ready for testing—after undergoing the winsorization process and removal of outliers—this study presents descriptive statistics processed using Stata software. These statistics include the mean, minimum, maximum, and standard deviation, and are not intended to draw general conclusions.

This study uses 240 observations with a focus on the CAR, BHAR, and CSR variables. The CAR value indicates the market response to M&A transactions, where the results show that some countries, such as Indonesia and Malaysia in certain models, have negative values, while positive values in other countries are relatively small, indicating that the market does not react strongly. Meanwhile, the BHAR variable as a measure of long-term performance shows varying results; the Philippines is consistently positive in all models, indicating returns above market expectations, while other countries show fluctuations between positive and negative. On average, BHAR is negative with small variations, indicating uncertainty in post-M&A stock performance. CSR is measured using the ESG community score from LSEG Workspace with an average score of 60.317 and a fairly wide range (3.395–99.056), indicating significant

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differences between companies. Even so, the comparison between countries is not too contrasting, with the Philippines having the highest average score and Malaysia the lowest. This study also controlled for several financial variables, such as company size, which varied considerably; leverage, with an average of more than half of assets financed by debt but without extreme variation; and free cash flow, which was relatively small but had a wide range, reflecting different company liquidity conditions.

Sensitive industry variables show that 70% of samples come from sensitive companies, while industry diversification shows that 46% of M&A transactions are cross-industry and 35% are cross-border transactions. From a macroeconomic perspective, the average GDP of the five countries was 2.81 with high variation, with Malaysia being the highest and Thailand the lowest, while the average inflation rate was relatively low at 1.99% but varied, with the Philippines being the highest (3.28%) and Thailand the lowest (1.18%). The market-adjusted return (MAR) variable showed a positive average of 0.0404, with Indonesia recording the highest value, indicating that the historical performance of the acquiring company's stock was better than market prior to M&A announcement, reflecting the company's strong condition and the potential for a positive market response to the acquisition.

RESEARCH RESULTS

Hypothesis 1 testing in this study was conducted to examine the impact of CSR on the short-term stock performance (CAR) of acquiring companies using multiple linear regression testing, the results of which are presented in Table 4 in the form of p-values and summarized coefficient values. Basically, the coefficient shows the extent to which the independent variable describes the dependent variable (Ghozali, 2006). The following Table 4 shows results of the regression test conducted:

Table 4. Regession Test Results

Variable	Prediksi	(Model 3.1.1)	(Model 3.1.2)	(Model 3.1.3)
Constant	+	0,03030 (0,179)	0,00157 (0,487)	-0,95193 (0,062)
CSR	+	-0,00007 (0,212)	-0,00019 (0,078)*	-0,00024 (0,344)
Size	+	-0,00099 (0,187)	0,00038 (0,401)	0,02508 (0,113)
Leverage	-	0,02555 (0,066)*	0,03607 (0,051)*	0,10242 (0,295)
Free Cash Flow	+	-0,00580 (0,337)	0,02292 (0,074)*	0,07821 (0,106)
Industry Sensitive	+	-0,00034 (0,476)	0,00600 (0,205)	0,00220 (0,483)
Industry Diversification	+	-0,00034 (0,468)	0,00184 (0,370)	0,04215 (0,046)
Cross Border	+	-0,00319 (0,248)	-0,00671 (0,129)	-0,05066 (0,064)*
GDP	+	-0,00029 (0,305)	0,00001 (0,491)	-0,00047 (0,416)

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Inflation	+	0,00080 (0,263)	0,00138 (0,206)	-0,00082 (0,454)
Market Adjusted Return	+	-0,01599 (0,032)**	-0,02128 (0,032)**	-0,04977 (0,229)
n		240	240	240
Date fixed effect		Yes	Yes	Yes
Country fixed effect		Yes	Yes	Yes
R^2		0,1733	0,2594	0,2800
F statistics		0,0127**	0,0000***	0,0000***

Note: The dependent variable in model 3.1.1 is CAR H-1/H+1, in model 3.1.2 is CAR H-2/H+2, and in model 3.1.3 is CAR H-5/H+5 for M&A companies. The independent variable, CSR (Corporate Social Responsibility), is measured using the ESG social community score.

Hypothesis 2 testing in this study was conducted to examine the impact of CSR on the long-term stock performance of acquiring companies using multiple linear regression testing, the results of which are presented in the form of p-values and summarized coefficient values in Table 5. Basically, the coefficient shows the extent to which the independent variable explains the dependent variable (Ghozali, 2006). Table 5 shows the results of the regression test.

Tabel 5 Hasil Uji Regresi

Variable	Prediksi	(Model 3.2.1)	(Model 3.2.2)	(Model 3.2.3)
Constant	+	0,23045 (0,079)	-0,155394 (0,203)	-0,22722 (0,209)
CSR	+	-0,00030 (0,226)	-0,00097 (0,037)**	-0,00120 (0,064)*
Size	+	-0,00968 (0,036)**	0,00176 (0,399)	0,00328 (0,363)
Leverage	-	0,11576 (0,031)**	0,11361 (0,083)*	0,21618 (0,015)**
Free Cash Flow	+	0,06546 (0,098)*	0,05670 (0,191)	-0,06941 (0,209)
Industry Sensitive	+	0,01269 (0,298)	0,05353 (0,025)**	0,07310 (0,015)**
Industry Diversification	+	0,00865 (0,314)	0,03474 (0,069)**	-0,00320 (0,461)
Cross Border	+	-0,04407 (0,006)***	-0,05394 (0,009)***	-0,12684 (0,000)***
GDP	+	0,00199 (0,176)	0,00445 (0,057)*	0,00820 (0,025)**
Inflation	+	0,00417 (0,181)	0,00229 (0,340)	-0,01486 (0,048)**
Market Adjusted Return	+	-0,03364 (0,192)	-0,02349 (0,276)	-0,00177 (0,491)
n		240	240	240
Month fixed effect		Yes	Yes	Yes
Country fixed effect		Yes	Yes	Yes
R^2		0,1479	0,1370	0,1863
F statistik		0,0697*	0,2060	0,0014**

Note: The dependent variable in model 3.2.1 is BHAR H-1/H+1, in model 3.2.2 is CAR H-2/H+2, and in model 3.2.3 is CAR H-5/H+5. The independent variable, CSR (Corporate Social Responsibility), is measured using the ESG social community score.

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RESULTS DISCUSSION

The results of hypothesis testing 1 in model 3.1.2 show a significant relationship between CSR and CAR. The negative and significant results indicate that the higher CSR score, the lower CAR score obtained by company in M&A events, specifically in the testing of model 3.1.2. Based on the results, it can be assumed that the results of the test of Hypothesis 1 are significantly and negative and indicate that CSR has negative relationship with short-term stock performance in companies conducting M&A.

The results of this study are consistent with previous studies conducted by Walter et al. (2024) for models 3.1.1 and 3.1.3 and Brunner-Kirchmair and Wagner (2024) and Vo et al. (2024) for model 3.1.2, where the results were inconsistent in all three tests. In models 3.1.1 and 3.1.3, the results show no significant positive or negative reaction to companies with CSR, but in models 3.1.2, the results show a significant negative effect, proving that the higher the CSR, the lower the company's stock performance. These results are similar to those found in studies conducted by Brunner-Kirchmair and Wagner (2024) and Vo et al. (2024), which show that there is a significant negative effect of the acquisition company's CSR score on CAR.

The results of this study indicate that investors tend to view CSR activities as a short-term cost burden rather than a strategic investment, so that high CSR in M&A considerations will be interpreted as window dressing or a signal of agency problems. In addition, the main focus of investors during the M&A period is business synergy and efficiency, so that CSR activities are perceived as potentially distracting management from the integration process. In the context of Southeast Asia, where CSR is more about regulatory compliance, high CSR scores are not always interpreted by the market as value creation, but are instead considered negatively in response to short-term stock performance.

The results of testing hypothesis 1 show that CSR has a negative and significant effect on CAR only in certain event windows, namely in models 3.1.2, while in models 3.1.1 and 3.1.3 the results are not significant. These findings indicate that the market's reaction to CSR disclosure in the context of M&A is sensitive to the observation period. This may be related to market efficiency, where in a narrower event window the market reaction is not yet fully reflected, so the effect is not significant, while in a longer window the effect of CSR tends to be reduced by other external factors outside the M&A event. Therefore, the significance that appears in model 3.1.2 can be considered the optimal period in which the market responds to CSR disclosure.

The results of hypothesis testing 2 in model 3.2.1 show that CSR does not significantly affect long-term stock performance (BHAR). These results indicate that although CSR is theoretically considered to improve market perception and corporate reputation, investors do not seem to consider CSR as a major determinant of long-term stock returns in the context of M&A. This may be because CSR is considered to have a greater impact on long-term stakeholder relationships, which is not yet reflected in market returns within three months. This study is in line with previous studies that show no significant relationship between CSR and stock performance in certain contexts. For example, research conducted by Walter et al. (2024) did not consistently provide positive or negative reactions to companies with high CSR levels.

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However, in model 3.2.3 the relationship between CSR and BHAR shows a significant coefficient and probability value of the CSR variable on BHAR, which means that the higher the CSR score the lower BHAR obtained by the company after the acquisition event. This finding contradicts or is opposite to the prediction assumption in the initial hypothesis, which assumes a positive relationship between CSR and stock performance (BHAR). These results indicate that the market may view CSR activities as a burden that reduces the long-term value of the company, or that CSR is used as an image-building tool that does not reflect the company's strong fundamentals. These test results are similar to the results of research by Brunner-Kirchmair and Wagner (2024), which showed that there is a significant and negative effect of the acquisition company's CSR score on CAR, and Walter et al. (2024) showed that ESG scores have no significant relationship with shareholder wealth creation.

The difference in significance between event windows in Hypothesis 2 testing also shows that the effect of CSR on long-term stock performance is not entirely consistent. This result can be explained by differences in observation period sensitivity, where in the short-term window the effect of CSR is not yet reflected, while in the longer window the effect is negative because the market views CSR as a burden or image strategy. This inconsistency also reflects the characteristics of the market in the Southeast Asian region, which is not yet fully semi-strong efficient, so that investor reactions to CSR information only appear in certain periods. Therefore, these results need to be interpreted with caution and form the basis for further research.

4. CONCLUSSION

This study analyzes the effect of CSR on short-term and long-term stock performance in Southeast Asian companies from 2017 to 2023. The results show that CSR has a significant negative effect on CAR in certain event windows, meaning that the higher the CSR score, the lower the short-term return after M&A. Short-term investors tend to view CSR as an irrelevant factor, even considering it an additional cost or a risk signal that depresses return expectations. For long-term performance, CSR also has a significant negative effect on 12-month BHAR post-M&A, indicating that the market focuses more on business strategy and potential synergies than on corporate social activities. The results of the control variable testing show that size has a significant negative effect on BHAR, leverage has a significant positive effect on CAR, free cash flow has a positive effect on CAR and BHAR, industry sensitivity has a positive effect on BHAR, and cross-border M&A has a significant negative effect on BHAR; meanwhile, GDP has a significant positive effect and inflation has a significant negative effect on BHAR, while MAR has a significant negative effect on CAR. Overall, although CSR does not always improve short-term or long-term stock performance, its role remains important in long-term investment strategies related to the sustainability of post-M&A company value.

This study has several limitations, including: CSR measurement that only uses ESG community scores, which does not provide a comprehensive representation; focus on the acquirer's perspective without comparing it to the acquired party; limited variables tested, even though many other factors can affect post-M&A stock performance; use of three different event windows from previous studies, limiting the capture of long-term dynamics; the limitation of the research area to Southeast Asia, making it difficult to generalize to other economic contexts; and inconsistent test results, where CSR is only significant in some

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models, requiring careful interpretation. Based on these limitations, future research should use more diverse CSR measurement methods, such as direct surveys or reputation ratings from official institutions, to broaden the scope of analysis. Research could also compare the impact of CSR from the perspective of the acquirer and the acquired company, add other more relevant variables, and re-use four event windows or robustness tests to improve consistency. In addition, expanding the scope of the research beyond Southeast Asia and considering other external factors is expected to produce more comprehensive findings and provide a more complete picture of the impact of CSR on stock performance in the context of M&A.

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