Local Crime and ESG

Ben R. Marshall*
Massey Business School
Massey University
b.marshall@massey.ac.nz

Nhut H. Nguyen
Department of Finance
Auckland University of Technology
nhut.nguyen@aut.ac.nz

Quan M.P. Nguyen
Department of Accounting and Finance
University of Sussex
qpm.nguyen@sussex.ac.nz

Cameron Truong
Monash Business School
Monash University
cameron.truong@monash.edu

Nuttawat Visaltanachoti
Massey Business School
Massey University
n.visaltanachoti@massey.ac.nz

Abstract

Using a large FBI dataset of reported crime incidents across the U.S., we examine how local crime near firm headquarters impacts firm ESG outcomes. Based on three identification approaches, our results suggest that higher (lower) crime causes worse (better) ESG performance. This relation is stronger when firms are in the retail industry and have more financial constraints, and weaker when firms face more stakeholder pressure to pursue ESG initiatives and when they are led by CEOs with characteristics such as being more pro-social.

Keywords: Crime, ESG, CEO characteristics, Financial constraints, Stakeholder preferences
This Version: November 2024

Corresponding author: Ben Marshall, School of Economics and Finance, Massey Business School, Massey University, Private Bag 11-222, Palmerston North, New Zealand. Ph: 646 951 7033, E-mail: B.Marshall@Massey.ac.nz. We thank seminar participants at Auckland University of Technology and Massey University for their valuable comments. All errors are our own.