The Relationship between Corporate Social Responsibility and Economic Performance in listed Companies in Tehran Stock Exchange

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Abstract: The purpose of this paper is investigating the relationship between corporate social responsibility and economic performance in listed companies in Tehran Stock Exchange. Corporate social responsibility (CSR) is a sensitive issue and substantial in recent years and a major factor in the survival of any organization. In this study used a sample of 80 companies in the years 2009 until 2013 and social accountability was measured by Tobin's Q. In addition, the research hypothesis was analyzed using multiple regressions. The results show that there is a significant positive relationship between social responsibility and economic performance.

Keywords: Corporate Social Responsibility, Disclosure Social Responsibility, Economic Performance.

Introduction

Neoclassical economists and several management theories considered primary goal in the company is raising profits in the conditions and limited capacity. Main factor in these theories is shareholders. However, follow those different approaches and considerable to increase profits and remain competitive conditions. Including the approaches it can be importance long-term versus short-term objectives, impact moral grounds due to economic corporation decisions adverse outcomes company operations on stakeholders and the importance of shareholders relative to other stakeholders. Research shows a company can to achieve to profit by using business activities in the short term. But, criteria such as social behavior ethical responsibility company and consider the interests of other stakeholders causes are preserved company in the long term and continue to the activities.

Corporate management not only must control responsibility for the performance and company operations but also explain for any action that will expand social problems. They forced take over social responsibility in economic units and social actions their shares on the Stock Exchange. Corporate social performance such as the impact of their activities on the environment, economic well-being of citizens, job creation, improving macroeconomic indicators and understand the needs of consumers is a qualitative criterion that was neglected from them in financial statements such as balance sheet and income statement. Therefore, needed to be aware all stakeholders the firm effects on the environment, life, welfare, employment (Ansari & kareme, 2008). Economic performance is understood in the context of this research as stock market based measures of financial return. Stock market based measures are preferable to accounting based measures, as the latter are more affected by managerial discretion in the utilization of accounting rules or by periods of heightened inflation and are based on past data, whereas stock market based measures are forward-looking in that they are based on future expected performance (Johnson and Kaplan,

1987; Venkatraman and Ramanujam, 1986; Wagner, 2010). So, this research is trying to answer the following question: Is there a relationship between social responsibility and economic performance?

Review of literature

Corporate social responsibility: Literature review. The concept of corporate social responsibility (CSR) has a long history. In 1950, the main focus was on the responsibility of business to society, and to do good for society. In the 1960s, key events, people and ideas have played an important role in characterizing the social changes ushered in during this decade. In the 1970s, business leaders on traditional management functions in matters of corporate social responsibility, in its 1971 publication, Social Responsibilities of Business Corporations, the Committee for Economic Development (CED) noted how the perception of the social contract by society was becoming more liberal and that companies that responded favorably to this would fare well. This was typical of CSR views of the time as Carroll noted that the CED, " is composed of business people and educators and thus reflects an important practitioner view of the changing social contract between business and society and businesses' newly emerging social responsibilities". Carroll correctly places these venerable ideals of corporate behavior in the context of overall social reform for the time period by stating: "It is useful to note that the CED may have been responding to the times in that the late 1960s and early 1970s was a period during which social movements with respect to the environment, worker safety, consumers, and employees were poised to transition from special interest status to government regulation" (Carroll, 1999). In 1980, the business and social interests of the company came closer and become more responsive to their members. In the 1990s, the idea of CSR has become almost universally accepted, CSR also has been associated with the strategy literature, and finally, in the 2000s, CSR has finally become an important strategic issue (Madrakhimova, 2013).

Economic performance: There are several advantages from creating these new measures, which allow us to distinguish the impact of new and established electoral democracies and autocracies on economic development, and also to assess the impact of sustained democratic and autocratic transitions on economic growth. However, they did not test directly for this aspect, which they could have done by interacting R&D expenditure (which they involve as a control variable) of a firm with its environmental performance (Wagner, 2010).

Development of hypothesis

Based on the above study we consider the following hypothesis:
H1. There is a significant positive relationship between social responsibility and economic performance.

Materials and Methods

In terms of goal this research is applied and considering the nature is descriptive research. In this study independent variable is disclosure of corporate social responsibility (DCSR) and the dependent variable economic performance. In addition, return on assets and age is control variables. We use the method to remove systematic for sample selection. In this research to collect data of Tehran Securities Exchange Technology Management Company website and the Tehran Stock Exchange website. However, study sample shall be made with respect to following limitations: (Table 1 shows these limitations).

Table 1. Limitations and Sample selection.

Sample selection	Number
The total number of listed companies in Tehran Stock Exchange at the end of 2013	468
Limitations:	
Listed companies after 2009	(40)
Deleted companies for 2009 to 2013	(106)
Investment and holding companies	(77)
Enterprise that changed the financial year	(46)
Companies that were not fully disclosed.	(119)
Final Sample	80

After restrictions remaining 80 companies.

$$Q_{it} = \beta_0 + \beta_1 CSRD_{it} + \beta_2 SIZE_{it} + \beta_3 ROA_{it} + \beta_4 AGE_{it} + \varepsilon_{it} \quad (1)$$

The method of measuring the variables of this model includes:

Q_{it}: Economic performance firm i in year t,

$CSRD_{it}$: Disclosure of corporate social responsibility firm i in year t,

$SIZE_{it}$: Firm size firm i in year t,

$ROA_{i,t}$: Return on assets firm i in year t,

$AGE_{i,t}$: Age firm i in year t,

$\varepsilon_{i,t}$: Error regression model.

Results

Table 2 shows the descriptive statistics data 80 Firm. The results show that average Tobin's Q is 7.475 and median is 3.52 and standard deviation in this variable is 11.05 and average CSRD is 3.756 and median is 3.00 and standard deviation is 2.668. In addition, average firm size is 13.61 and median is 13.50 and standard deviation is 0.007 and average ROA is 10.09 and median is 7.68 and standard deviation in this variable is 12.98. Also, average AGE is 16.46 and median is 15.00 and standard deviation in this variable is 8.78.

Table 2. Descriptive Statistics.

Statistics	Q	CSRD	SIZE	ROA	AGE
Average	7.475812	3.756410	13.61436	10.09406	16.46581
Median	3.525000	3.000000	13.50500	7.685000	15.00000
Maximum	75.49000	12.00000	18.45000	54.53000	37.00000
Minimum	0.010000	0.000000	10.07000	-34.00000	3.000000
Standard deviation	11.05638	2.668458	1.370852	12.98145	8.787971
Skewness	3.096304	0.699626	1.271004	0.530614	0.942096
Kurtosis	14.07317	3.357249	6.150332	4.792589	3.038346

Table 3 shows the Pearson correlation matrix. The correlation between the variables in level sig ≤ 0.01 and sig ≤ 0.05. According to the results this test there is a positive correlation between the variables of Tobin's Q and CSRD, SIZE at the level of 0.05 and there is a positive correlation between the variables of Tobin's Q and ROA, AGE at the level of 0.01. In addition, there is a positive correlation between the variables of CSRD and SIZE at the level of 0.01. Also, there is a negative correlation between the variables of ROA and AGE at the level of 0.01.

Table 3. Pearson correlation matrix.

		Q	CSRD	SIZE	ROA	AGE
Q	Pearson Correlation	1	-	-	-	-
	Sig. (2-tailed)		-	-	-	-
	N	397	-	-	-	-
CSRD	Pearson Correlation	0.119*	1	-	-	-
	Sig. (2-tailed)	0.015		-	-	-
	N	397	400	-	-	-
SIZE	Pearson Correlation	0.121*	0.268**	1	-	-
	Sig. (2-tailed)	0.016	0.000	-	-	-
	N	397	400	400	-	-
ROA	Pearson Correlation	0.391**	-0.051	0.056	1	-
	Sig. (2-tailed)	0.000	0.309	0.261	-	-
	N	397	400	400	400	-
AGE	Pearson Correlation	0.151**	0.005	0.050	-0.157**	1
	Sig. (2-tailed)	0.003	0.927	0.315	0.002	-
	N	397	400	400	400	400

*Correlation is significant at the 0.05 level (2-tailed).
**Correlation is significant at the 0.01 level (2-tailed)

Chow test applied to panel data set or combination. The results show that (Table 4) in model F-statistic is 12.418, df is 79.314 and p-value is 0.000. Then, the null hypothesis is rejected and data is panel.

Table 4. Chow- Test.

H_0	Model	df	F-statistic	p-value	Result
Pooled data	Model 1	79,314	12.418149	0.000	Rejected

Hausman test will determine use of the fixed effects model or random effect. According to the probability of more than 5%. So the hypothesis H1 (fixed effects model) is rejected. Table 5 shows p-value is 0.005 and x^2 is 12.475 and df is 3. So, the null hypothesis is rejected. So, we used fixed effects model.

Table 5. Husmuns Test.

H_0	Model	p-value	df	X^2	Result
Fixed effects model	Model 1	0.0059	3	12.475181	Rejected

One of the assumptions of the regression model is heterogeneity of variance test. We chose Breusch-Pagan test. The results indicated that the test error is less than 5%. Therefore, there is heterogeneity of variance.

**Table 6.** Heterogeneity of variance test.

H_0	Model	p-value	X^2	Result
The variance is equal	Model 1	0.0000	141.80	Rejected

The estimated coefficient for CSRD, ROA and Age variables are positive economic performance and variables have a significant positive correlation with economic performance. Also, table 7 shows R2 in model is 0.89 and adjusted R-squared is 0.865 and F-statistic is 31.98. So, 89 percent of the dependent variable depends on the following variables and hypothetically accepted. Thus, there is a positive significant relationship between corporate social responsibility and economic performance.

Table 7. Results hypothesis.

Variable	Coefficient	Standard deviation	F-statistic	Sig	VIF
C	-2.138719	0.800775	-2.670811	0.0080	-----
CSRD	0.140540	0.057495	2.444403	0.0151	1.00
ROA	0.179180	0.015193	11.79369	0.0000	1.03
AGE	0.486076	0.054761	8.876374	0.0000	1.03
R-squared	0.893074				
Adjusted R-squared	0.865150				
F-statistic	31.98301				
Sig	0.0000				
Durbin-Watson stat	1.840070				

For greater certainty, we need to test the normality of residuals. As the histogram chart shows the remaining of the normal distribution, and Skewness is 0.182 and Kurtosis is 2.567. Also Jarque-bera is 5.308. So, results show that with certainty remaining of the normal distribution.
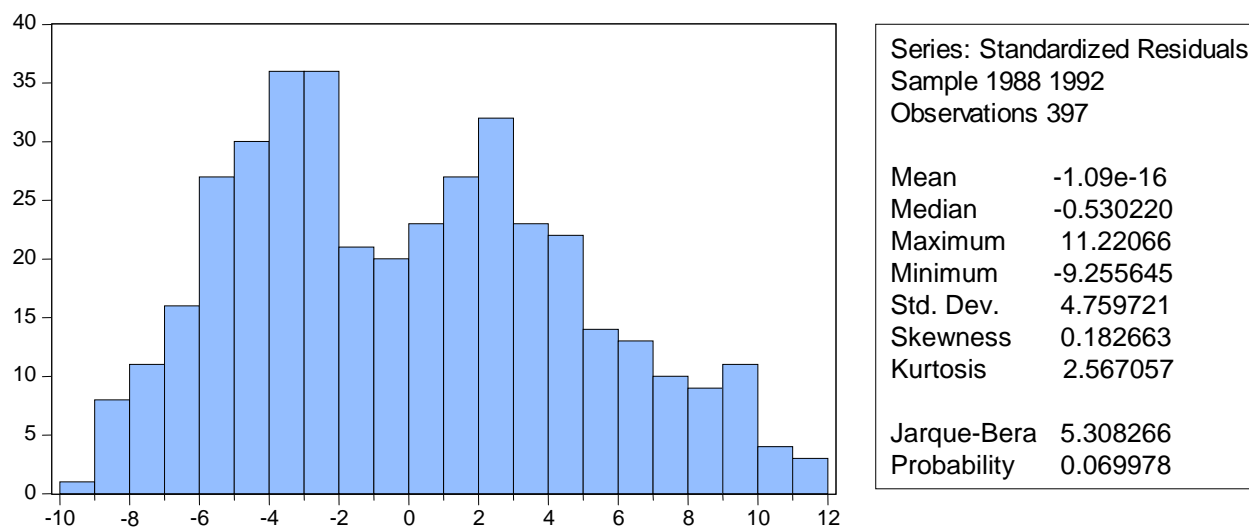
Figure 1. Test results normal distribution of the error components.

Conclusion

In this study mentioned the relationship between corporate social responsibility and economic performance in listed companies in Tehran Stock Exchange during the years 2009-2013. One of the important limitations in this study was special characteristic semi-experimental that is common in the social sciences. In other words some variables are out of control researcher. That is possible effect on results of the study. In addition, the results of this research is limited to companies listed on Tehran Stock Exchange isn't applicable all companies. At the last the following suggestion is addressed for the future studies considering longer time period.

Conflict of interest
The authors declare no conflict of interest

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