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The Effect of Corporation Social Responsibilities on Information Asymmetry and Profit Variance (Fluctuation) in the Accepted Corporations in Tehran Stock Exchange

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ABSTRACT

Scandal and downfall news of financial corporations and big institutes such as; Aron, Arthur Anderson, and Verledkam in the beginning of the 21th century indicate unmoral and irresponsible commercial policies observations in term of social dimension. Moreover, the effect of corporations on society has been known as a world problem and beneficiaries' expectances of commercial units roles are increasing. Attention to the corporations' effects in society has caused existence of newfound and important concept in literature policy as social responsibility and corporations consistencies. The research aim is investigating the effect of corporation social responsibilities on information asymmetry and profit variance (fluctuation) in the accepted corporations in Tehran Stock Exchange. Based on the research aim, investigating the effect of corporation social responsibilities on information asymmetry and profit variance (fluctuation), two hypotheses have been introduced to analyze 148 accepted corporations' data of Tehran Stock Exchange by systematic deletion from 2011 to 2015. Research regression model has been tested by paneling data methodology and constant effect policy. Information asymmetry and profit fluctuation are dependent variables and corporation social responsibilities are independent variables. Research methodology is descriptive and measuring, the research is applicational based on its aim and is post eventual in term of its events. Research conclusions express the existence of corporations' social responsibilities meaning effect on information asymmetry for the first hypothesis. Moreover, the existence of this effect on profit fluctuation is confirmed for the research second hypothesis. So, this research is recognized as proving hypotheses in accounting job about positive relationships between corporations' social responsibility and many economic agencies.

Keywords: Corporation Social Responsibility, Information Asymmetry, Profit Fluctuation (Variance)
JEL Classification: M14

1. INTRODUCTION

Corporations' social responsibilities are association and union among organizations' activities and values that include all beneficiaries benefits such as; investors, customers, employees, people. These values are reflected in organizations' politics and performances. In otherwise, organization should know itself part of the society, have responsibility sense for the society, and try to improve public welfare independently from corporation direct benefits (Friend, 1978).

Corporations which own high social performances have more intention for public divulgence of their social activities. High level of information transparency can decrease information asymmetry between corporation and investors, so risk will be decreased (Esmaeili, 2006). One of the important financial decisions is devotion of each share profit into division profit and stored profit. The main aim of corporations' financial management is increase of shareholders' wealth by stock profit receive and stock price. So, corporation should perform in a way to increase its shareholders' wealth to receive best combination of two mentioned profits. Then, corporations should decide based on politic of profit division and amount of cash profit distribution among investors. Finally, based on the mentioned factors, the research main question is, whether corporations' social responsibilities effect on information asymmetry and profit fluctuation or not?

2. REVIEW OF THE RELATED LITERATURE

Bahram (2005), in his research, "investigating relationship between social responsibility transparencies an institutional ownership in the accepted corporations in Tehran Stock Exchange," expressed that there was a negative relationship between social responsibility transparencies an institutional ownership in the accepted corporations in Tehran Stock Exchange. So, investors who were looking for flow and short term profits should choose corporations with less social responsibility transparencies to invest.

Ahmadi (2011), investigated profit fluctuation and its anticipation possibility in their research, the research conclusions indicated reversed relationship between profit fluctuation and its anticipation possibility. At first, historical profits played important roles in future profits anticipations, secondly, profit consistency is a key element in relationship between fluctuation and its anticipation. In the short term view, research observations indicated that profits with less fluctuation had more consistence and anticipation possibility in comparison with profits with more fluctuation. Moreover, ignoring profit fluctuation, real profits in high situations had more anticipation possibility. Profit anticipation possibility in the less fluctuation levels of operational cash flows, had more capabilities of anticipation possibility in relation to full fluctuation levels.

Aflatoni (2013) investigated the effect of social responsibility on corporation value. The research conclusions indicated that there was a meaningful relationship between social responsibilities with corporation value in the corporations that increased their customers' knowledge or individuals' information by advertising. However, there was no meaningful relationship between social responsibilities with corporation value in the corporations that were less known for people in general.

Chen (2014) investigated development of social responsibility on existence corporations in the countries of the Eastern Europe and the Northern America. Research conclusions based on the published social reporting, expressed that European countries had more social answering level in relation to the Northern American countries. In the Eastern Europe qualities of social reporting were different from one country to another one. They owned more descriptive topics in comparison with Northern American countries.

2.1. Research Hypotheses

1. Corporation social responsibilities have positive meaningful effect on information asymmetry.
2. Corporation social responsibilities have positive meaningful effect on profit fluctuation.

3. RESEARCH METHODOLOGY

The research aim is investigating the effect of corporation social responsibilities on information asymmetry and profit variance (fluctuation) in the accepted corporations in Tehran Stock Exchange. Based on the research aim, investigating the effect of corporation social responsibilities on information asymmetry and profit variance (fluctuation), two hypotheses have been introduced to analyze 148 accepted corporations' data of Tehran Stock Exchange by systematic deletion from 2011 to 2015. Research regression model has been tested by paneling data methodology and constant effect policy. Information asymmetry and profit fluctuation are dependent variables and corporation social responsibilities are independent variables. Research methodology is descriptive and measuring, the research is applicational based on its aim and is post eventual in term of its events. This research investigate correlation and relationship between variables and this investigation use while the number of variables are a lot. Moreover, in this method sufficiently relationship between cause and effect will not be known. The main aim is clarifying that which variable has relatively correlated with other variable. Research data gathering is quantitative and its time is past and its performance ration id deductive.

3.1. Research Variables Definitions

Research variables are:
- Information asymmetry
- Profit fluctuation (variance)
- Social responsibilities.

3.1.1. Social responsibilities

In the research social responsibility is independent variable and is used for assistances' indicators of charity and public beneficiary. Operations have been done to decrease energy, management information system of social environment, buy and installation of facilities for prohibition of social environment pollution, education, welfare, security, employees' health and production quality.

3.1.2. Profit fluctuation (variance)

Profit variance is calculated by annual criterion of division profit on profit annual average as follow:

Profit fluctuations =profit standard deviation/profit average

3.1.3. Information asymmetry

Information asymmetry has qualitative effect, different standards have been used to measure it. One of this model is SPREAD that was introduced by Bazrafshan (2010), this model is used to determine suggesting amplitude of stock buy and sell. SPREAD of the criterion is used to divide acknowledged and unacknowledged investors. If calculated amount is high, information asymmetry between acknowledged investors is more (Venkatesh and Chiang, 2014). This model is:

$$\mathrm{SPREAD}_{i,t}=\frac{1}{D_{i,t}}\sum_{d=1}^{D_{i,t}}\frac{(\mathrm{Ask}_{id}-\mathrm{Bid}_{id})}{(\mathrm{Ask}_{id}-\mathrm{Bid}_{id})/2}$$

SPREAD: Suggesting amplitude of stock buy and sale.
t: Investigating year.
i: Investigating i.
Dit: Numbers of days in t year, in these days the last suggesting daily buy and sale have been accessible for the i corporation stock.

(AP) Ask price: The average of sale suggesting price for i corporation in t duration.
(BP) Bid price: The average of buy suggesting price for i corporation in t duration.

Based on the above model, if calculated amount is high, information asymmetry between acknowledged investors is more (Venkatesh and Chiang, 2014).

3.1.4. Corporation size

In this research to determine corporation size, natural logarithm of corporation total assets should be used (Amirkhani, 1997).

Size it: Corporation size of i corporation in t year.

Ln: Natural logarithm (e = 10).

MVAL it: Assets bookkeeping value of i corporation in t year.

Ln (MVAL it) = Size it.

3.1.5. Financial leverage

This ration is division of total liability to total corporation asset.

4. ANALYSIS OF RESEARCH VARIABLES

Statistical analyses of research variables have been used as methodological part to describe research topic, descriptive conclusions descriptions and research hypotheses evaluations. Descriptive indicators describe phenomenon characteristics of the research in the different studied groups and statistical deductions have been done based on the indicators of the observed variables. The research variables have been defined and analyzed based on the statistical indicators of central and distributive attitudes. Totally, methods that process and summarize gathered information are called descriptive statistic. After extra data deletion and rating data, numbers of corporation years of the research variables will be encountered by decrease. Software Eviews 8 is used to estimate research models and research suggested hypotheses have been introduced as multi variables.

4.1. First Research Hypothesis

- H0 and H1 is introduced as follow for the first research hypothesis;
- H0: Corporation social responsibilities do not have positive meaningful effect on information asymmetry;
- H1: Corporation social responsibilities have positive meaningful effect on information asymmetry.

Received conclusions of the first hypothesis are exhibited in Tables 1 and 2 as follow:

The most important aim of the Table 1 is exhibiting statistic for practice goodness measuring, this function is done by determination coefficient. Determination coefficient is a standard to measure relationship between x and y, this amount is 0.31 in the Table 1. This means that 31% of dependent variable changes (information asymmetry) are explained. Continuous correlation between remains means observation effect on each other. In the Table 1, Watson Durbin amount is 1.877, so there is no correlation between data.

After first investigation and total model meaningfulness by accepted F statistic, investigation of coefficient meaningfulness by t-test should be estimated. Based on the research conclusions, there is no relationship between corporation social responsibilities and information asymmetry with 5% error level. Meaningful table of regression model coefficients should be as follow:

Based on the first model test conclusions, meaningful level of F statistic (0.000) is less than accepted error level (0.05), so total regression model is meaningful. Watson Durbin statistic (1.877) is situated from 1.5 to 2.5, so there is no correlation between model error members. Based on high amount of P value t statistic from accepted error level for β1, conclusions express that corporation social responsibilities do not have positive meaningful effect on information asymmetry. Then H0 of the first hypothesis can be rejected by 5% error level. Moreover, the research conclusions indicate entered controlling variables of corporation size and financial leverage in regression model have positive meaningful effect on information asymmetry.

As observed in the Table 2, research conclusions of this hypothesis indicate that corporation social responsibilities do not have positive meaningful effect on information asymmetry, so H0 is rejected and H1 is accepted. Finally, the research conclusions indicate entered controlling variables of corporation size and financial leverage have negative meaningful effect on information asymmetry. Research model and research done is as follow:

SPREAD = 0.865 + 1.782 CSRS + −0.062 SIZE + −0.150 LEV

4.2. Second Research Hypothesis

- H0 and H1 is introduced as follow for the first research hypothesis;
- H0: Corporation social responsibilities do not have positive meaningful effect on profit fluctuation.
- H1: Corporation social responsibilities have positive meaningful effect on profit fluctuation.

Received conclusions of the second hypothesis are exhibited in Tables 3 and 4 as follow:

The most important aim of the Table 3 is exhibiting statistic for practice goodness measuring, this function is done by determination coefficient. Determination coefficient is a standard to measure relationship between x and y, this amount is 0.40 in the Table 3. This means that 40% of dependent variable changes (profit fluctuation) are explained. Continuous correlation between remains means observation effect on each other. In the Table 3, Watson Durbin amount is 1.986, so there is no correlation between data.

After first investigation and total model meaningfulness by accepted F statistic, investigation of coefficient meaningfulness by t-test should be estimated. Based on the research conclusions,

Table 1: Descriptive statistics of the first hypothesis

Model	Determination coefficient	Adjusted determination coefficient	F statistic	Meaningful level	Watson durbin statistic
First	0.35	0.31	18.027	0.000	1.877

Table 2: Conclusions of the first model hypothesis

Variables	Coefficients	Standard deviation	t statistic	Meaningfulness
Constant (fixed) variable	0.865	0.253	3.413	0.000
Corporation social responsibilities	1.782	0.227	7.852	0.1260
Corporation size	−0.062	0.035	−1.759	0.0000
Financial leverage	−0.150	0.067	−2.24	0.0049

Table 3: Descriptive statistics of the second hypothesis

Model	Determination coefficient	Adjusted determination coefficient	F statistic	Meaningful level	Watson Durbin statistic
Second	0.43	0.40	20.124	0.000	1.986

Table 4: Conclusions of the second model hypothesis

Variables	Coefficients	Standard deviation	t statistic	Meaningfulness
Constant (fixed) variable	0.921	0.418	2.204	0.149
Corporation social responsibilities	0.966	0.204	4.740	0.000
Corporation size	−0.070	0.032	−2.161	0.000
Financial leverage	−0.226	0.094	2.399	0.001

there is no relationship between corporation social responsibilities and profit fluctuation with 5% error level. Meaningful table of regression model coefficients should be as follow:

Based on the first model test conclusions, meaningful level of F statistic (0.000) is less than accepted error level (0.05), so total regression model is meaningful. Watson Durbin statistic (1.986) is situated from 1.5 to 2.5, so there is no correlation between model error members. Based on high amount of P value t statistic from accepted error level for β1, conclusions express that corporation social responsibilities do not have positive meaningful effect on information asymmetry. Then H0 of the first hypothesis can be rejected by 5% error level. Moreover, the research conclusions indicate entered controlling variables of corporation size and financial leverage in regression model have positive meaningful effect on information asymmetry.

As observed in the Table 4, research conclusions of this hypothesis indicate that corporation social responsibilities do not have positive meaningful effect on profit fluctuation, so H0 is rejected and H1 is accepted. Finally, the research conclusions indicate entered controlling variables of corporation size and financial leverage have negative meaningful effect on profit fluctuation.

5. CONCLUSIONS

Scandal and downfall news of financial corporations and big institutes such as; Aron, Arthur Anderson, and Verledkam in the beginning of the 21th century indicate unmoral and irresponsible commercial policies observations in term of social dimension. Moreover, the effect of corporations on society has been known as a world problem and beneficiaries' expectances of commercial units roles are increasing. Attention to the corporations' effects in society has caused existence of newfound and important concept in literature policy as social responsibility and corporations consistencies.

Corporations' social responsibilities are association and union among organizations' activities and values that include all beneficiaries benefits such as; investors, customers, employees, people. These values are reflected in organizations' politics and performances. In otherwise, organization should know itself part of the society, have responsibility sense for the society, and try to improve public welfare independently from corporation direct benefits (Armstrong, 2011).

Corporations which own high social performances have more intention for public divulgence of their social activities. High level of information transparency can decrease information asymmetry between corporation and investors, so risk will be decreased (Chen, 2014). One of the important financial decisions is devotion of each share profit into division profit and stored profit. The main aim of corporations' financial management is increase of shareholders' wealth by stock profit receive and stock price. So, corporation should perform in a way to increase its shareholders' wealth to receive best combination of two mentioned profits. Then, corporations should decide based on politic of profit division and amount of cash profit distribution among investors.

Research conclusions of the first hypothesis indicate that corporation social responsibilities do not have positive meaningful effect on information asymmetry, so H0 is rejected and H1 is accepted. Finally, the research conclusions indicate entered controlling variables of corporation size and financial leverage have negative meaningful effect on information asymmetry.

Research conclusions of the second hypothesis indicate that corporation social responsibilities do not have positive meaningful effect on profit fluctuation, so H0 is rejected and H1 is accepted.

Finally, the research conclusions indicate entered controlling variables of corporation size and financial leverage have negative meaningful effect on profit fluctuation.

Following suggestions should be considered based on the research two hypotheses:

- Based on the first test hypothesis test, it is suggested that Tehran Stock Exchange should regulate rules to clarify real amount of corporations' social responsibilities during their active continuous performance years.
- Based on the second test hypothesis, it is suggested to investors especially big institutional investors to consider investing corporations at first that own high level of social responsibilities reporting. So, their expected price fluctuation will be in lower level.

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