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Investor's Reaction to the Disclosure Types of Corporate Social Responsibilities

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Abstract. In recent years, the study of corporate social responsibility has become one of the important fields in academic research specially, in accounting. In this research, in order to investigate the impact of qualitative disclosures of this information on investors' decision-making, we used three variables including social behaviors, financial status and awareness of investor .The findings suggested that social behaviors disclosure types had a significant effect on decision-making. In general, disclosure of undesirable social behaviors had more significant effect rather than positive behaviors. In weak financial status, these behaviors had more significant effect, but in strong financial status investors had more attention to the positive behaviors. These results were the same for sophisticated and non-sophisticated investors.

Keywords: corporate social responsibility, social disclosure, financial performance, investor reaction

1. Introduction

As the world goes to globalization increasingly, companies and organizations can't consider only economic activities and maximizing value of stakeholders and their credit in competitive situation. Changing public expectations within 1960s and 1970 caused to change activities of companies and other expected aspect have been considered perfectly; because to create infrastructures of an effective market and competitive situation in the world, information asymmetry must provide. One of the fundamental grounds in this regard is creating social responsibilities in the firms.

In this research it is intended to introduce brief about social responsibilities of company and it's relation with capital market and investors to companies change their policies to increase their public responsibility.

2. Theoretical literature

2.1. Corporate Social Responsibilities

Investing in the stock exchange begins with purchasing a stock, but this purchase needs to accurate analysis on its current and future situation. There are many factors that impact on probability of a stock purchase on market; it is obvious that the importance of each factor is different with regard to viewpoint of investors. Some of these factors are the content of company, profitability, persistence of profitability, price and macro economic and political factors which effect on return and risk [3]. Although the profit is one of the important factors in economic decisions, but it is not enough, because these information may be biased. Hesti & Ahalic (2010), with a review of previous research, suggest that other data that might be used is social responsibilities disclosures.[6]

In recent years, investment in social issues is also part of the financial measures. Really, the ranking of companies which is based on financial information, in short time or long time may be affected by environmental risks or inefficient corporate governance [7].

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Government, consumers and investors are three factors that require companies to disclose their social responsibilities. So it is considered that financial markets react to it [4]. Belkaoui (1980), also believes that disclosing this information in annual reports is on the rise and influence on decision making [1].

One of the major problems is that social scientists about the science of social phenomena do not provide a single definition [11]. Apart from the issue of social responsibility is not the case.

Smith (2005), believes that the social activities of any company can be defined by the society which it belongs [13]. Lyon (2007), believes that organizations define their responsibilities depended of their stakeholders [10].

2.2. Disclosure of Corporate social behavior

Disclosure of social responsibilities information is providing of financial information and non-financial information related to interactions of a company with it's physical environment and community in annual reports or other reports [12] and it is one of ways to strengthen and further promote social responsibilities[5]. In Iran, disclosure of these information is voluntary [2] and usually it is done in positive activities disclosures; as organizations and companies display themselves positively in public minds.

2.3. The effect of corporate social responsibility on investors and capital markets:

Lacking of social reporting and accounting hides existing facts in companies which these misguide users [8] and non optimal allocation of resources. Investors 's views about social information are different .one group believes that these are additional cost for company which cause the reduction of resources and so they have no significant reaction for these disclosures .but other group have a significant reaction ,because they believe that these cause long time consistency[8].

3. Methodology

Data of this research have been collected by sending questionnaires to investors as professional and non-professional investors. These questionnaires, for analyzing investor's reaction to CSR, include phrases about ambivalent, affirmative, undesirable and avoidant social behaviors disclosures. Positive behaviors include good social activities and negative behaviors include bad social activities of company .ambivalent disclosures include both good and bad social behaviors and avoidant disclosures include no social behavior. For investigating of the importance of CSR in comparison with corporate financial position, we choosed a financial statement and modified it to bad and good position. Each of corporate social disclosures types along with one financial position was sent to CFAs as professional investors and CPAs as non professionals.

The hypothesis under test and statistical was done about it.

H_1: There is no significant relationship between the purchase of shares by investor and disclosure types of social responsibility.

H_2: There is no significant relationship between purchase of shares by investors and the relationship between financial position and the type of behavior of social responsibility.

H_3: there is no significant relationship between awareness of investors and use the social responsibility disclosure in stock.

H_4: there is no significant relationship between the personality characteristics and the usage of corporate social responsibility.

To confirm or reject hypotheses, ANOVA test using SPSS software is used.

The first hypothesis: According to the results of the test, ANOVA, social behavior is substantially important for decision making (P-value <0.001, F = 5.791). Table A shows mean of investment probability in each state for different investors and for better understanding, the behaviors compared with each other in table B. According to table B, bad social behaviors influence significantly; Then the type of disclosure is effective on decision making.

According to table A and table B, elimination of positive behaviors from 1 level (ambivalent) causes more intensive reduction in mean of investment probability than the increase this mefan, if undesirable behaviors eliminate from level1.

The second hypothesis: Under this test, in significant at the 5% level, the interaction between social behavior and financial condition has a significant impact on investment probability. (P-value = 0.055, F = 2.565) .in good financial position, positive behaviors have more significant effect but in bad position ,undesirable behaviors have more significant effect .although ,investors prefer that when the financial position is good ,they use less social information.

The third hypothesis: in this test, awareness of investors was entered. According to table A awareness has not a significant effect on investment probability (p-value=0.681), since, we can not reject hypothesis3.

The relationship of awareness of investors and social behaviors (p-value=0.445) and financial position (p-value=0.361) is not significant. This means that each of four disclosure types and two financial positions is same for two groups of investors. Although the fractions are more considerable between CFAs; it means that they have more important reactions than the other group.

The forth hypothesis : The personality characteristics of each individual entered to ANOVA and the result summarized in table C .This table shows that none of the personality characteristics have no effect on the use of social information.

4. Discussion

Basically, kinds of behaviors of social responsibility of company are important for investor. Since that beneficiary and users of annual reports are different and each of them has particular opinion, so these disclosures can be multifaceted [13].

This research shows that disclosure of non- quantity data of social responsibilities can affect on decision making of investors.

5. Limitations of research

One of the limitation of this study is that it was designed a simple questionnaire, so financial information in this tool was more simple for a real reasonable decision.

The disclosure of information, also were simple phrases with no details; although it is necessary for comprising different investor' reaction.

6. Suggestions for future research

Corporate social responsibility includes many items such as environment, employees, customers and government, so it is recommended for investigating the company responsibilities on each ground in the society. Lancaster (1997) indicates that investor s usage of CSR disclosures can help legislators in preparing of rules which are useful for company and society [9] . In addition, this case can help companies in disclosing more useful information in their annual reports and so, in reduction of unnecessary costs [10].

Table A: Means of investment probability

social behavior	financial position	Certification	Mean	Std. Error
ambivalent	good	CFA	64.667	6.309
		CPA	51.000	7.727
	bad	CFA	33.824	5.926
		CPA	38.750	7.053

affirmative	good	CFA	66.471	5.926
		CPA	60.000	6.108
	bad	CFA	49.118	5.926
		CPA	43.214	6.530
undesirable	good	CFA	36.316	5.606
		CPA	41.875	6.108
	bad	CFA	28.421	5.606
		CPA	38.571	9.235
avoidant	good	CFA	63.684	5.606
		CPA	61.071	6.530
	bad	CFA	32.632	5.606
		CPA	30.000	6.777

Table 2: P-values for mean differences for behavior

	Ambivalent	Affirmative	Undesirable	Avoidant
Ambivalent		0.94	0.019	0.9
Affirmative			0.000	0.11
Undesirable				0.011
avoidant				

Table 3: p-value of personality characteristics

Variable	P-value	F
Sex	0.292	1.113
Education	0.393	1.044
Age	0.581	0.306
Income level	0.617	0.664
Investment experience	0.983	0.000
Social party	0.438	0.603
Economic party	0.709	0.140
Political activity	0.651	0.547

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