

## The Interactive Impact of Investor Attention and Company Performance on Corporate Social Responsibility Reporting<sup>1</sup>

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Research Paper

### INTRODUCTION

In the current situation, the allocation of a part of the company's profit to implement activities related to social responsibility has been given more attention. Paying attention to this issue not only improves the professional and social dimensions of companies' activities but also affects the financial performance of companies by increasing their attractiveness to retail and institutional investors. For this reason, the increase in investor's attention and sensitivity to the company's performance will increase accountability and, as a result, address the issues related to social responsibility and its reporting by the company. Investors and external users consider social responsibility reports as an important source of communication with the company.

With the development of the economy, lack of resources, environmental pollution, etc., investors began to pay attention to environmental protection in investment choices, and social responsibility gradually. Social responsibility, as a kind of investment idea about the harmonious development of the environment, society, and government, deals with the issue that the company should seek the unity of social and economic value (Gao et al., 2023). Companies cannot achieve their goals apart from society. Even if they can attract the investor's attention by not paying their social responsibility, in the long run, they will lose the investor's trust due to insufficient attention to social responsibility. The investor's attention and the fulfillment of social responsibilities by the company is a two-way relationship. In the framework of the quality of financial reporting, the

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complexity of disclosure is one of the most important issues that can be addressed. Research has shown that managers, in the shadow of corporate social responsibility, take activities to protect the interests of the beneficiaries or vice versa their interests (Garkaz & Haghdadi, 2021).

## **MATERIALS AND METHODS**

This research, to measure the investor's attention from the Google search volume of the company's symbol and to measure the degree of social responsibility reporting from the analytical method of the content test using the criteria considered in the checklist designed by Hassas Yeganeh and Barzegar (2014) was used. Also, to calculate the performance of the company, the return on assets ratio was used. The data examined in the research are related to 175 companies admitted to the Tehran Stock Exchange from 2015 to 2014. To test the research hypotheses, multivariate regression was used.

In this research, the systematic removal method was used to select the statistical sample. Due to the existence of some inconsistencies among the members of the society, the following conditions were considered for the selection of the statistical sample:

1. The fiscal year of the company ends at the end of March every year and they have not changed the fiscal year.
2. The Sample should not be among banks and financial institutions, investment companies, insurance, financial mediation, holding, and leasing companies.
3. Companies must be admitted to the Tehran Stock Exchange before 2015 and their membership should continue until 2015.
4. The company's symbol should not have a similar vocabulary to other words.
5. The financial information needed to calculate the research variables about those companies should be available during the research period.

## **RESULTS AND DISCUSSION**

This research deals with the mentality of investors regarding financial performance and their sensitivity and attention to the social responsibility of the company. In general, companies should pay attention to creating an external communication platform and strengthening information disclosure so that all investors can fully understand the specific situation of the company through internet searches. In addition to strengthening people's long-term vision for investment, this issue will increase investors' trust in the company and make them invest in the company with confidence.

Increasing the level of social responsibility disclosure, in addition to increasing transparency and reducing information asymmetry, conveys to investors that the company has sufficient ability to address the rights of all stakeholders because their activities lead to harm to other stakeholders.

On the other hand, since the proper financial performance of the company leads to an increase in the attention of investors, to maintain the satisfaction of investors, the company increases its level of reporting regarding social responsibility, and in the long run, due to the strengthening of accountability in the company, this issue can lead to better performance and maintain the reputation of companies.

So, the research hypotheses are:

1. There is a significant relationship between the degree of social responsibility reporting and investor attention.
2. There is a significant relationship between the degree of social responsibility reporting and company performance.
3. The efficiency of the company's performance has a significant effect on the relationship between investor attention and the degree of social responsibility reporting.

According to the analyses that were done through regression and correlation tests, the result indicated that the investor's attention has a positive and significant relationship with social responsibility reporting in companies.

## **CONCLUSION**

In general, increasing the level of investor attention will increase the company's disclosure level about social responsibility.

Considering the confirmation of a significant positive relationship between the variable of investor attention and the degree of social responsibility reporting, as well as the interactive effect of the company's financial performance on the relationship between investor attention and the degree of social responsibility reporting, it is suggested to regulatory bodies, including the Stock Exchange and Securities Organization, companies are ranked based on the components of different dimensions of social responsibilities and this information is available to the public for decision making. This issue, in addition to the transparency of information, will gradually cause companies to address issues such as the environment, business ethics, responsible investment, etc. to maintain their position in the competitive market.

On the other hand, because the disclosure of the issue of social responsibility does not have a uniform procedure so far and its accuracy has not been checked by auditors and supervisory institutions, it is suggested to the Stock Exchange and Securities Organization that due to

the impact of this information on investors' decision-making, a unified instruction to be specially prepared. For this purpose, sustainability reporting standards in Europe draft can be used.

Addressing the issue of investor sensitivity and attention can lead companies to improve the mechanisms designed to act on social responsibility, and as a result, improve high quality and create attractiveness for investors.

**Keywords:** Investor Attention, Corporate Social Responsibility Reporting, Company Performance.

**JEL Classification:** E01, Q56, G19.

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