

Investigation of the Effect of Profitability, Institutional Ownership and Effective Tax Rate on Social Responsibility of Automobile Manufacturing Companies Listed in Tehran Stock Exchange

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Abstract

Today, the impact of social responsibility on *financial situation of companies* has been proven. This effect varies depending on the community where the company is located and how the company looks at it. In the meantime, the community's viewpoint of the company is of great importance, because companies that do not observe the principles and social rights of the shareholders (such as no harm to the environment, employee salaries, and government rights, such as tax payments) may have problems with investors' willingness to invest. This issue among automobile companies can be of great importance due to the large number of employees and the possibility of environment pollution of the industry. Accordingly, the purpose of this study is to investigate the effect of profitability, institutional ownership and effective tax rate on social responsibility of car manufacturing companies in the Tehran Stock Exchange. The statistical population of the study consisted of a sample of 20 active companies in the automobile industry and automotive parts manufacturing in Tehran Stock Exchange during the period of 1385(2006) to 1394(2015). To assess social responsibility, Carroll model and voluntary responsibility, ethical responsibility, and economic responsibility indicators were used and the final score of each company's liability was calculated using the data envelopment analysis method. Data analysis was performed using panel regression and the econometric software Eviews 10. The results showed that institutional ownership has no significant effect on corporate social responsibility. The effective tax rate has a positive and significant impact on corporate social responsibility. Profitability has a positive and significant impact on corporate social responsibility.

Keywords: China Effective Tax Rate, Social Responsibility, Profitability, Automotive Industry

1. Introduction

One of the factors influencing the tax culture that leads to the receipt of legal taxes by the government is the implementation of social responsibility, which increases the efficiency of the tax system. At the same time, institutional owners can play a major role in controlling the company, and this will have an effect on implementing tax-related social responsibility activities.

Social responsibility has attracted a lot of attention in recent years. Social responsibility can be considered as activities that respond to economics, law, and ethical expectations. Research has shown that corporate investment in social responsibility can increase the profitability of the company. The reason for this is increasing the reputation of the company and a different look at the products from the viewpoint of consumers rather than competitors. But in Iran, compared to developed countries, this issue has not been so much of a concern for companies. The evidence that indicate companies do not care much about social responsibility can be environmental pollution, lack of attention to employees' rights, lack of accountability of companies to the community against product quality. Due to the nature of the industry, automotive companies are of higher importance in terms of social responsibility. Meantime, paying taxes is one of the important ways to engage the company in social issues. In fact, non-payment of taxes is inconsistent with good citizenship behaviors, and if the name of the company is introduced as an escape tax, this can be harmful to the company from the social responsibility point of view. Research by the author also shows that about 90% of listed companies in the stock have institutional ownership within the research period.

1.1 Literature Review (Previous research)

Park & Sang (2017) conducted a research entitled "Corporate Social Responsibility and Systematic Risk" among 321 Chinese companies. The results showed that social responsibility reduces systematic risk in companies.

Matinson & Salzman (2017) conducted a research entitled social responsibility and the cost of shareholders' equity, using the information of 42 companies from 2002 to 2013. The results showed that the existence of corporate social responsibility reduces the costs of equity.

Zhou and Zheng (2016) carried out a study titled Profitability, Institutional Ownership, Effective Tax Rate, and Social Responsibility among the 85 Chinese companies active on the Shanghai Exchange between 2006 and 2010. The results showed that social responsibility is positively related to the company profitability. The existence

of institutional shareholders also contributes positively to corporate social responsibility. In addition, no significant relationship between social responsibility and effective tax rate was observed. , Naragh Branch, Islamic Azad University, Naragh, Iran

Yan, Hao, and Lee (2015) investigated the company social responsibility and financial performance in the restaurant industry. In their research, they examined 408 Australian companies in 2008 and 2009. The results showed that high social responsibility is related to the performance of the company. The results also showed that there is a relationship between the disclosure of information associated with social responsibility and the company's performance, which finally indicated that social responsibility as a part of social responsibility strategies has a positive impact on the company's profits.

Anwar et al. (2014) performed an experimental modeling of the relationship between corporate ownership structure and tax avoidance in Malaysia. They took a closer look at the issue based on the concept of the cost and profit associated with tax avoidance in family firms, government-owned and corporate property structures in Malaysia. For this purpose, they used a generalized torque regression model.

Etemadi (2016) conducted a study entitled *The Ethical Principles of Business, Social Responsibility, and Corporate Performance among 50 Companies*. The results showed that organizations with social responsibility gain more competitive advantage than other rivals. But organizations that do not respect the ethics of business do not gain any competitive advantage over other competitors. Respect for social responsibility leads to legitimacy by society. However, organizations that respect the ethics of the business do not get any legitimacy by the community. In a society with moral decline, organizations with high social responsibilities have a competitive advantage and high social legitimacy, and organizations that adhere to ethics in business gain both competitive advantage and social legitimacy.

Amin (2016) investigated the role of accounting in the fulfillment of citizenship rights as corporate social responsibility. The results of this study showed that, based on Carole's definition of social responsibility, as well as studies that use social responsibility as a corporate citizen benchmark, four aspects of citizenship can be defined for it. These four dimensions of corporate citizenship represent the expectations of the community from companies in their various fields of activity. Each aspect of citizenship is merely part of the company's citizenship responsibility, which collectively together show what expectations the community has from the company. Therefore, the four dimensions mentioned will be helpful in understanding and explaining the reasons for the company's actions and its attention to the ethical and optional considerations, and the social responsibility of the companies from a profitable aspect to a humanitarian view is of global interest.

Hejazi et al. (2015) reviewed social responsibility and corporate tax compliance with a case study of large taxpayers units of Tax administration office during the period from 2008 to 2012. They used a questionnaire to measure corporate social responsibility and a metric based on the difference between corporate declared and definitive taxes in order to measure the corporate tax compliance. They concluded in their research that the more companies engage in activities related to social responsibility, the greater their tax compliance will be.

Didar et al. (2014) examined the relationship between corporate governance mechanisms and tax gap. In their assessment, they investigated the relationship between some of the mechanisms

of corporate governance, including the independence of the board of directors, role duality of the managing director, institutional shareholders, government ownership, internal audit, auditor's opinion, changing the auditor, and transaction with people affiliated with the tax gap. They also considered two control variables of company size and financial leverage for better conclusions. They used multivariate regression with consolidated data during the period from 2006 to 2011. The results of their research indicate that the relationship between the independence of the board of directors, government ownership, the auditor's opinion, auditor change, and financial leverage with the tax gap is negative, and the internal audit and the company size variables have a positive correlation with the tax gap. Also, the role duality of the managing director, institutional shareholders and transaction with affiliated individuals did not have a significant relationship with the tax gap.

Rezaei and Shahsavarzadeh (2013) investigated the inverse relationship between tax avoidance and corporate market value and achieved a reverse and meaningful relationship between tax avoidance and corporate market value. They also showed that the institutional ownership structure affects the tax avoidance and corporate market value.

2. Methodology

2.1. Stationarity Test

After examining the normality of the data, the Levine, Lin and Chu test was used to ensure the stationarity of the data.

When evaluating the stationarity of the data, the null hypothesis is based on the fact that the distribution of data is non-stationary. Therefore, if the test statistic is less than or equal to 0.05, then the assumption 1 is accepted. In other words, the variables will be stationary. For stationarity test, statistical assumptions are set as follows:

H_0 : Data is not stationary.

H₁: Data is stationary.

The results of the Dickey Fuller test for the research variables are presented in Table 1. Also, before the output results of the stationarity test, two example variables are given in Table 2.

Table 1. Dickey Fuller Test Results

Significance level	Variable
0/000	CSR
0/000	ROA
0/000	STA
0/000	ETR
0/000	INV
0/000	FIX
0/000	LEV
0/000	INT

Table 2. Stationarity test output

Panel unit root test: Summary

Series: CSR

Date: 06/14/17 Time: 15:25

Sample: 1385 1394

Exogenous variables: Individual effects

Automatic selection of maximum lags

Automatic lag length selection based on SIC: 0 to 1

Newey-West automatic bandwidth selection and Bartlett kernel

Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-2.85804	0.0021	15	131
Null: Unit root (assumes individual unit root process)				
Im, Pesaran and Shin W-stat	0.15537	0.5617	15	131
ADF - Fisher Chi-square	26.6701	0.6405	15	131
PP - Fisher Chi-square	44.8183	0.0401	15	135

** Probabilities for Fisher tests are computed using an asymptotic Chi-square distribution. All other tests assume asymptotic normality.

Panel unit root test: Summary

Series: ROA

Date: 06/14/17 Time: 15:25

Sample: 1385 1394

Exogenous variables: Individual effects

Automatic selection of maximum lags

Automatic lag length selection based on SIC: 0 to 1

Newey-West automatic bandwidth selection and Bartlett kernel

Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-4.86760	0.0000	20	175
Null: Unit root (assumes individual unit root process)				
Im, Pesaran and Shin W-stat	-1.02236	0.1533	20	175
ADF - Fisher Chi-square	51.0884	0.1124	20	175
PP - Fisher Chi-square	70.1808	0.0022	20	180

** Probabilities for Fisher tests are computed using an asymptotic Chi-square distribution. All other tests assume asymptotic normality.

According to the results of Table 1 and 2 and the significance level for all variables which is less than 0.05, all variables are stationary at the level.

2.2. Convergence Test

In mathematical calculations, sometimes, it is only necessary to recognize the convergence or the divergence of the series, and due to the difficulty of the computations, it may sometimes be impossible to determine the convergence of the series in the usual way and calculate the series result. To overcome this problem and eliminate additional calculations and accelerate the calculations, KAO and Dickey Fuller tests can be used to determine the convergence and divergence of the series. The test results are presented in the following.

Table 3. Convergence test results

Kao Residual Cointegration Test

Series: CSR ROA STA ETR INV FIX LEV INT

Date: 06/14/17 Time: 15:23

Sample: 1385 1394

Included observations: 200

Null Hypothesis: No cointegration

Trend assumption: No deterministic trend

Automatic lag length selection based on SIC with a max lag of 1

Newey-West automatic bandwidth selection and Bartlett kernel

	t-Statistic	Prob.
ADF	-6.522028	0.0000
Residual variance	0.160423	
HAC variance	0.065537	

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(RESID)

Method: Least Squares

Date: 06/14/17 Time: 15:23

Sample (adjusted): 1386 1394

Included observations: 180 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
RESID(-1)	-0.977989	0.075268	-12.99337	0.0000
R-squared	0.484935	Mean dependent var		-0.012161
Adjusted R-squared	0.484935	S.D. dependent var		0.415915
S.E. of regression	0.298494	Akaike info criterion		0.425405
Sum squared resid	15.94864	Schwarz criterion		0.443143
Log likelihood	-37.28641	Hannan-Quinn criter.		0.432597
Durbin-Watson stat	2.166395			

The results of both KAO and Dickey Fuller tests indicate that there is a long-term relationship between template variables, which illustrates the correct and appropriate clarification of the model.

Correlation test (Pearson)

The amount of the correlation coefficient expresses the intensity of the relationship between a variable pair. Table 4 shows the correlation coefficients between each two variables. As can be seen, the relationship between ROA, STA, and ETR variables with CSR is relatively strong and significant, equal to 0.74, very weak and insignificant, equal to 0.0026, and moderate and significant, equal to 0.51, respectively.

Table 4. Correlation matrix
 Covariance Analysis: Ordinary
 Sample: 1385 1394
 Included observations: 200

Probability	Covariance Correlation t-Statistic	CSR	ROA	STA	ETR	INV	FIX	LEV	INT
CSR	0.248400 1.000000								
ROA	0.031740 0.742178 15.58239 0.0000	0.007363 1.000000							
STA	-0.000300 -0.002640 -0.037152 0.9704	-0.001592 -0.081384 -1.148987 0.2519	0.051975 1.000000						
ETR	0.023043 0.511740 8.381429 0.0000	0.003646 0.470263 7.497999 0.0000	-0.000625 -0.030355 -0.427335 0.6696	0.008163 1.000000					
INV	0.001481 0.020570 0.289512 0.7725	0.000912 0.073576 1.038122 0.3005	-0.002604 -0.079064 -1.116028 0.2658	0.001605 0.122974 1.743632 0.0828	0.020878 1.000000				
FIX	0.004698 0.079781 1.126207 0.2614	-0.000431 -0.042502 -0.598594 0.5501	0.003084 0.114507 1.621925 0.1064	0.001255 0.117552 1.665654 0.0974	-0.004698 -0.275203 -4.027978 0.0001	0.013960 1.000000			
LEV	-0.046044 -0.515219 -8.458900 0.0000	-0.010431 -0.677929 -12.97640 0.0000	0.001962 0.047986 0.676007 0.4998	-0.006814 -0.420601 -6.523464 0.0000	-0.005261 -0.203068 -2.918220 0.0039	-0.004051 -0.191201 -2.741006 0.0067	0.032153 1.000000		
INT	0.000514 0.087594 1.237307 0.2174	0.000133 0.131289 1.863533 0.0639	0.000214 0.079699 1.125048 0.2619	2.62E-06 0.002461 0.034632 0.9724	-0.000598 -0.351533 -5.283745 0.0000	5.78E-05 0.041512 0.584627 0.5595	0.0002630.000139 0.1246561.000000 1.767850 0.0786		

2.3. Regression Test

In this section, using multivariate linear regression test in the form of a data panel and the econometric software Eviews 10, the hypotheses have been analyzed.

According to the topic and the problem statement of the study, the hypotheses were formulated as follows:

Hypothesis 1: Institutional ownership has a significant impact on corporate social responsibility.

$$\text{Model 1: } CSR_{it} = I^2_0 + I^2_1 ROA_{it} + I^2_2 STA_{it} + I^2_3 ETR_{it} + I^2_4 INV_{it} + I^2_5 FIX_{it} + I^2_6 LEV_{it} + I^2_7 INT_{it} + I\mu_{it}$$

$$I^2_2 \hat{=} 0$$

Hypothesis 2: The effective tax rate has a significant impact on corporate social responsibility.

$$\text{Model 2: } CSR_{it} = I^2_0 + I^2_1 ROA_{it} + I^2_2 STA_{it} + I^2_3 ETR_{it} + I^2_4 INV_{it} + I^2_5 FIX_{it} + I^2_6 LEV_{it} + I^2_7 INT_{it} + I\mu_{it}$$

$$I^2_3 \hat{=} 0$$

Hypothesis 3: Profitability has a significant effect on corporate social responsibility.

$$\text{Model 1: } CSR_{it} = I^2_0 + I^2_1 ROA_{it} + I^2_2 STA_{it} + I^2_3 ETR_{it} + I^2_4 INV_{it} + I^2_5 FIX_{it} + I^2_6 LEV_{it} + I^2_7 INT_{it} + I\mu_{it}$$

$$I^2_1 \hat{=} 0$$

2.4.F Limer Test

Because the research data is a combination of panel data and time series (time interval from 2006 to 2015), the F Limer test was used in order to select between the panel and monetary data method before estimating the hypothesis patterns. The test consists of two assumptions.

Assumption 0: The monetary data structure

Assumption 1: The panel data structure

The results of the F Limer test for both panel and monetary methods are presented in Table 5.

Table 5. Limer test results

Redundant Fixed Effects Tests

Equation: Untitled

Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.404270	(19,173)	0.1300
Cross-section Chi-square	28.686022	19	0.0711

Redundant Fixed Effects Tests

Equation: Untitled

Test period fixed effects

Effects Test	Statistic	d.f.	Prob.
Period F	1.154901	(9,183)	0.3267
Period Chi-square	11.048794	9	0.2724

Redundant Fixed Effects Tests

Equation: Untitled

Test cross-section and period fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.539550	(19,164)	0.0782
Cross-section Chi-square	32.825144	19	0.0252
Period F	1.437686	(9,164)	0.1758
Period Chi-square	15.187916	9	0.0859
Cross-Section/Period F	1.436708	(28,164)	0.0853
Cross-Section/Period Chi-square	43.873938	28	0.0286

Considering the results of Table 5, the reason that the likelihood of a Chi-square statistic for two cross-sectional and cross-sectional/temporal modes is less than 5% is that the assumption 1 of the Limer test is accepted based on the application of combined data, hence, a synthetic least squares regression model was used.

2.5. Hausman Test

Because the least squares regression model (OLS) is used for the analysis of the hypothesis, therefore, the Hausman test is performed to select between the fixed effects and random effects estimation model. The test consists of two assumptions.

Assumption 0: Random Effects Model

Assumption 1: Two-way Fixed Effects Model

Table 6. Hausman test results
 Correlated Random Effects - Hausman Test
 Equation: Untitled
 Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	9.648961	7	0.2094

Correlated Random Effects - Hausman Test
 Equation: Untitled
 Test period random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period random	12.263557	7	0.0922

Correlated Random Effects - Hausman Test
 Equation: Untitled
 Test cross-section and period random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	8.935436	7	0.2573
Period random	0.000000	7	1.0000
Cross-section and period random	16.486698	7	0.0210

According to the results of Table 6, the reason that the likelihood of a Chi-square statistic for two cross-sectional and cross-sectional/temporal modes of the Hausman test is less than 5% is that the assumption 0 of the test, the random effects model, is rejected. In other words, the model with fixed effects is performed bilaterally.

2.6. Regression Panel Test

As mentioned in the previous section, for testing the first hypothesis, the least squares model and the two-way fixed effects method are used. The test result is given in Table 7.

Table 7. The result of panel regression analysis

Dependent Variable: CSR
 Method: Panel Least Squares
 Date: 06/14/17 Time: 15:03
 Sample: 1385 1394
 Periods included: 10
 Cross-sections included: 20
 Total panel (balanced) observations: 200

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ROA	3.081968	0.559407	5.509351	0.0000
STA	0.043344	0.108309	0.400189	0.6895
ETR	1.065498	0.340429	3.129871	0.0021
INV	-0.087238	0.350234	-0.249084	0.8036
FIX	0.424389	0.343659	1.234914	0.2186
LEV	0.279170	0.322062	0.866822	0.3873
INT	-7.082938	4.304892	-1.645323	0.1018
C	0.069784	0.326171	0.213949	0.8309

Effects Specification

Cross-section fixed (dummy variables)

Period fixed (dummy variables)

R-squared	0.675847	Mean dependent var	0.540000
Adjusted R-squared	0.606667	S.D. dependent var	0.499648
S.E. of regression	0.313360	Akaike info criterion	0.678624
Sum squared resid	16.10395	Schwarz criterion	1.272321
Log likelihood	-31.86240	Hannan-Quinn criter.	0.918884
F-statistic	9.769519	Durbin-Watson stat	1.935631
Prob(F-statistic)	0.000000		

3. Investigating the validity of the remainders

3.1. Autocorrelation

To test this hypothesis, Durbin Watson statistic is used; if the value of this statistic is between 1.5 and 2.5, the assumption of autocorrelation among the remainder terms is rejected. According to the result of the above table, the amount of this statistic is 1.77, thus, there is no autocorrelation between the remainder terms of this regression model.

Examining the validity and power of the pattern

3.2. F Fisher statistic

This statistic is used in order to accept the assumption of the whole model being meaningful, in other words, the existence of a significant linear relationship between the independent and dependent variables of F Fisher test. The zero assumption of this test shows that there is no linear relationship between independent and dependent variables. The results of the table with a significant level of zero (below 5%) indicate the rejection of the zero assumption, with a confidence of 99%, in other words, there is generally a significant linear relationship between independent and dependent variables and the model has the necessary validity for the analysis of the results.

3.3. Coefficient of Determination

The coefficient of determination represents the percentage of the variance in the dependent variable that is explained by the independent variables of the model. In this template, the coefficient of determination is approximately 0.57, which means that the independent variable predicts 57% of the variations of the dependent variable (CSR).

3.4. Modified determination coefficient

The small difference in this coefficient with the coefficient of determination indicates that the independent variables added to the model are correctly selected.

Testing the first hypothesis:

Hypothesis 1: Institutional ownership has a significant impact on corporate social responsibility.

$$\text{Model 1: } CSR_{it} = I^2_0 + I^2_1 ROA_{it} + I^2_2 STA_{it} + I^2_3 ETR_{it} + I^2_4 INV_{it} + I^2_5 FIX_{it} + I^2_6 LEV_{it} + I^2_7 INT_{it} + I\mu_{it}$$

$$I^2_2 \hat{=} 0$$

As can be seen in Table 7,

The t statistic for the explanatory variable STA (with a beta of 0.043) is 0.400 and the probability level is 0.68, which is not statistically significant. Therefore, institutional ownership has no significant effect on corporate social responsibility.

Second hypothesis test:

Hypothesis 2: The effective tax rate has a significant effect on corporate social responsibility.

$$\text{Model 2: } CSR_{it} = I^2_0 + I^2_1 ROA_{it} + I^2_2 STA_{it} + I^2_3 ETR_{it} + I^2_4 INV_{it} + I^2_5 FIX_{it} + I^2_6 LEV_{it} + I^2_7 INT_{it} + I\mu_{it}$$

$$I^2_3 \hat{=} 0$$

As can be seen in Table 7,

The t statistic for the explanatory variable ETR (with a beta of 1.065) is 3.129 and the significance level mentioned variable is equal to 0.0021, which is statistically significant. Therefore, effective tax rate have a positive and significant impact on corporate social responsibility.

Third hypothesis test:

Hypothesis 3: Profitability has a significant effect on corporate social responsibility.

$$\text{Model 1: } CSR_{it} = I^2_0 + I^2_1 ROA_{it} + I^2_2 STA_{it} + I^2_3 ETR_{it} + I^2_4 INV_{it} + I^2_5 FIX_{it} + I^2_6 LEV_{it} + I^2_7 INT_{it} + I\mu_{it}$$

$$I^2_1 \hat{=} 0$$

As shown in Table 7,

The t statistic for the explanatory variable ROA (with a beta of 3.081) is 5.509, and the significance level of the variable is also equal to 0.0000, which is statistically significant. Therefore, profitability has a positive and significant impact on corporate social responsibility.

4. Conclusion

Before interpreting the results, a summary of the results is presented in the table below.

Summary of hypothesis testing results

Result	Hypothesis
rejected	Hypothesis 1: Institutional ownership has a significant impact on corporate social responsibility.
confirmed	Hypothesis 2: The effective tax rate has a positive and significant effect on corporate social responsibility.
confirmed	Hypothesis 3: Profitability has a positive and significant effect on corporate social responsibility.

The present study aimed to investigate the effect of profitability, institutional ownership and effective tax rate on social responsibility of automotive manufacturing companies in the Tehran Stock Exchange. The statistical sample included 20 automobile companies listed in the Tehran Stock Exchange during the period from 2006 to 2015.

Based on the analysis of the first hypothesis, institutional ownership had no significant effect on corporate social responsibility. Institutional investors in Iran are mostly banks and government investment companies. This has caused the concept of social responsibility not to be taken into consideration by these shareholders as it should be. Elderly managers, rent seeking to reach the management position, and the lack of use of specialist staff in the management sector have made such issues as social responsibility unattractive to the institutional investors. Accordingly, the result of this hypothesis was not consistent with (inline with) the result of Zhou and Zheng's (2016) research.

Based on the analysis of the second hypothesis, the effective tax rate has a positive and significant effect on social responsibility of the company. Corporate social responsibility is the firm belief that all its actions (including company taxation policies) affect all stakeholders, including shareholders, employees, society, government, customers, and the others. From this perspective, responsive activities include paying attention to the effects of the company actions and attempting to have a positive influence, and protecting the interests of all stakeholders and irresponsible activities, are defined as actions that have negative effects and are widely damaging to the corporate governance, employees' relations, community, public health, Human rights, the environment and so on (Hejazi et al., 2015).

Accordingly, the result of the second hypothesis was consistent with the results of the research by Hauserdin

and Morris (2013) and Hui et al. (2013).

Based on the results of the analysis of the third hypothesis, the company's profitability has a significant effect on corporate social responsibility. Some studies have argued that doing activities associated with social responsibility would increase the company's income and profitability (Zhou and Zheng, 2016). In these studies, enterprise investment in social responsibility is a strategy through which the company wishes to increase its reputation and products among other competitors. Accordingly, the result of the third hypothesis was consistent with the result of Zhou and Zheng (2013).

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