

## The Impact of Corporate Social Responsibility on the Managers' Behaviors in Companies Listed on the Tehran Stock Exchange

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### Abstract

Corporate social responsibility (CSR) is a fundamental factor for the survival of any organization. Companies and institutions are active in a society that provides them various opportunities to earn profits and realize their goals. The increasing importance of corporate social responsibility and the costs required by companies to operate and participate in these issues has led to the purpose of this study to investigate the impact of corporate social responsibility on the managers' behaviors in companies listed on the Tehran Stock Exchange. This study is based on purpose, application and data analysis in the field of causal descriptive studies. In this study, the reflection of managers' myopic and optimistic behaviors is considered as managers' behaviors. Therefore, two hypotheses were developed to investigate this issue, and data from 174 listed companies were analyzed from 2008 to 2018. The regression model of the research was evaluated using a panel data method with a fixed-effects approach and logistic regression method. The result showed that the fulfillment of corporate social responsibility has a significant negative effect on the optimistic behavior of managers and decreases this type of behavior by managers. On the other hand, the results confirmed that accomplishing

corporate social responsibility does not have a significant effect on managers' myopic behavior.

**Keywords:** Corporate Social Responsibility, Managers' Behaviors, Myopic Behavior, Optimistic Behavior

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## **Introduction**

Corporate social responsibility (CSR) is a fundamental factor for the survival of any organization. Companies and institutions are active in a society that provides them various opportunities to earn profits and realize their goals. Against this behavior of society, the mentioned organizations should commit to meeting the community's needs the way that is intended by stakeholders. Social responsibility is a concept presented to define the aforementioned commitment, which is a kind of the responsibility of organizations. Nevertheless, there is still no universally agreed-upon single definition of the concept. In general, social responsibility can be defined as a method used by firms to unify the economic, social, and environmental approaches with values, culture, strategies, decision-making structure, and operational techniques clearly and tangibly. By doing so, more efficient approaches and processes will be used in the organization, which will lead to wealth creation and improvement of society's status (Wuncharoen, 2013).

Today, the concept has been widely accepted and includes areas such as safety, product, and honesty in the advertisement, the salary of employees, environmental sustainability, ethical behavior, and global responsibilities. In addition, it involves a wide range of stakeholders, including employees, customers, communities, environment, competitors, business partners, shareholders, and governments. Moreover, social responsibility is an important and determining issue in the competition of corporations to gain competitive advantages, create value for customers, and receive their satisfaction. In fact, the entities related to quality in the world consider CSR as one of the excellent values and a type of self-assessment for companies (Nicola, Poddi, & Vergalli, 2012). On the other hand, managers operate as the representatives of shareholders (owners) within the framework of agency theory. Managers are appointed with the expectation that they will maximize shareholders' expected values.

Theoretical foundations show that top managers' attitude affects their decision-making. Not all managers act the same way only because they have the same position, and, similar to other society members, they have individual differences, talents, motivations, desires and inclinations, and various attitudes, knowledge levels, and value systems. While these differences may seem minor, they lead to extreme differences and completely different behaviors when they go through the cognitive mediating processes of individuals. Such differences mostly stem from the differences caused by the attitude of each person (Naderian and Amirhosseini, 2008). One of the features of managers is the level of optimistic and myopic behaviors of these individuals, which can be affected by the ethical characteristics of management, such as fulfilling social responsibility. Therefore, the present study aimed to evaluate the effect of CSR on the behavior of managers in companies listed on the Tehran Stock Exchange.

## **Research Background**

### **The Effect of CSR on Optimistic Behavior of Managers**

Over the past decade, the concept of CSR has been turned into a dominant paradigm in the field of corporation management, and large and reputable companies of the world consider the responsibility against society and the social environment as a part of their corporate strategy. The concept has been seriously followed up by all players (e.g., governments, companies, civil society, international organizations, and scientific centers) in developed countries. According to the stakeholder theory of management (Freeman, 1984), corporate social responsibility increases corporate value by balancing the interests of all stakeholders who provide these resources. In fact, companies consider social responsibility as a business strategy, which increases their credibility and market share in a severely competitive environment. Social responsibility is a set of commitments that should be fulfilled by the organization to maintain, care for, and help the community in which it operates.

Optimism is one of the types of a behavioral bias that is well documented in the behavioral financial literature (Heaton, 2002; Melmendir & Tate, 2005; Campbell et al., 2011; Ben Muhammad et al., 2014). Heaton (2002) initiated a discussion on the effect of managerial optimism on investment and its relationship with cash holding. He cites optimism as a psychological error that can lead managers to believe that the market has underestimated their company. An optimistic attitude prevents managers from properly evaluating

their company. They always tend to overestimate the expected returns of their company and investment projects. He theoretically predicted that managerial optimism could influence the company's decision-making. Corporate executives who do CSR cannot underestimate the risks, and certainly, instead of carrying out risky projects, they turn to CSR (Tseng and Demirkan, (2021). This shows that managers who take on CSR cannot be optimistic. Overconfident managers systematically overestimate the likelihood of their results and consequently underestimate the likelihood of bad results from their actions (Heaton, 2002). In fact, managerial overconfidence leads managers to fewer risk management activities to optimally Maximize Shareholders' wealth (Malmendier, et al., 2011; Ben-David, et al., 2013). The more overconfident the CEO, less CSR activities the firm has committed. Managerial overconfidence relates to a wide range of company decisions that leads to investment diversion or non-optimal investment (Malmendier and Tate, 2005).

According to the agency theory of economics (Jensen and Meckling, 1976), CSR is an agency problem. Managers tend to overinvest in corporate social responsibility to achieve their personal reputation using corporate resources. In the other words, CSR activities enhance the company's reputation, which attracts and retains customers and reduces political and financial risks (Aktas, De Bodt, & Cousin, 2011; Bouslah, Kryzanowski, & M'Zali, 2013; Kim, Li, & Li, 2014; Lee & Faff, 2009). This shows that companies are not willing to ruin their reputation with false optimism and try to be more accurate in their estimations.

In general, managers who fulfill CSR at a high level and disclose information correctly consider themselves responsible to society and adhere to ethics, and protecting public interests in the long run. In fact, this group of managers are ethical and will not sacrifice public interests for their own interests. On the other hand, the presence of a transparent information environment and accurate forecasts with no excessive optimism by managers can provide public interests more correctly by reducing risk and distrust. Therefore, it is argued that managers who fulfill CSR correctly and consider themselves responsible for maintaining public interest have a higher ethical score and lower levels of optimism to gain personal interests.

### **The Effect of CSR on Myopic Behavior of Managers**

Most previous studies have shown that CSR affects the value of the company through investment decisions. Two important investments of the company can be an investment in research and development activities and advertising. Companies with high SCR are more likely to have advertising and engage in

R&D activities. Since myopic managers try to cut the R&D and advertising expenditures that envision the long-term vision of the company so that they can identify more profits and manage longer and they can serve institutional investors looking for cash dividends, therefore, companies with high SCR are expected to less likely have myopic managers because the goal of these type of companies is to align the interests of all stakeholders. CSR shows that the performance of an organization, in terms of its effect on society and the environment, is an important factor for assessing the overall organizational performance and ability to continue activities effectively. In addition, the stakeholder theory demonstrates that since CSR can create a better viewpoint toward a corporation's manager by stakeholders, companies' managers who more focus on CSR are expected to make more accurate investment decisions and have higher investment efficiency (Cook, Romi, Sanchez, & Sanchez, 2016). On the other hand, there is an argument that the stronger a company's social performance, the higher the level of ethical standards. This is mainly due to the fact that the managers of companies with a stronger social performance believe in the necessity of social responsibility against the community in order to achieve a corporation's long-term goals (Becchatti, Solferino, & Tessitore, 2016).

As such, improving social responsibility fulfillment in these companies is among corporate managers' beliefs. As a result, since adherence to social responsibilities will get the company close to its economic goals in the long-term, it can be argued that the companies that pay better attention to their social responsibility are more stable and consider long-term benefits in their decisions and estimation of predictions. Therefore, these managers have a lower level of myopic behavior due to the long-term vision and preference of public interests over personal interests in their behaviors and predictions. Furthermore, with regard to social responsibility closure and since a higher disclosure of social responsibility will increase transparency in information and decision-making environment, it is argued that companies with higher levels of social responsibility have already achieved higher levels of accountability through transparency. In addition, their managers adhere to ethics, pay more attention to the long-term benefits of society in their decision, and are less involved in myopic behavior (Ferraira, Din D., & Wongchoti, 2016).

### **Empirical Background**

Habib and Hong (2019) evaluated the sensitivity of cash flows and CSR under the impact of managers' optimistic behaviors during 2009-2018 in China. The scholars applied a multivariate regression model to analyze the research

hypotheses. According to the results, there was a negative relationship between the sensitivity of cash flows affected by managers' optimism and CSR in all samples. In addition, the results were indicative of the important role of the board features in the decrease of cash flow sensitivity of investment in CSR.

Kraft, Rahul, & Mohan (2018) evaluated the effect of the myopic behavior of managers on the quality of financial statements. According to the results, the myopic behavior of managers in the frequency of financial statements decreased the level of future investments. In addition, Ben Mohammad et al. (2017) conducted research entitled the sensitivity of investment cash flow caused by managers' optimism to evaluate investment cash flow sensitivity through panel data of American companies in the period of 1999-2014. According to the results, companies with financial constraints had stronger sensitivity. They also showed that the board characteristics can reduce changes in investment policies.

Benlemlih & Potin (2017) evaluated the effect of CSR on the decrease in financial risks. The sample population included 1169 companies of 25 countries during 2001-2011. According to the results, the high score of corporate governance reduced corporate risk only in countries with a low level of social responsibility. Moreover, the results are indicating the significant and negative effect of the level of social responsibility on the decrease of financial risks.

Arjmandnia et al. (2019) evaluated the effect of creating a social account on the unethical behavior of accountants with the mediating role of lack of adherence to ethics and a feeling of guilt. The research population included 384 students and employees in the profession of accounting at various levels. According to the results, social accounts rejected by stakeholders due to inconsistencies with reality strengthened non-compliance with ethics and weakened the guilt of accountants. Instead, they increased unethical behaviors. In addition, regarding the type of social account, the results indicated that the justification of social accounts by accountants led to more non-adherence to ethics, compared to making excuses, which resulted in less feeling of guilt and more unethical behaviors.

In research, Jamei et al. (2019) evaluated the effect of lifecycle on CSR with regard to the moderating role of organizational financial abilities and resources in companies listed on the Tehran Stock Exchange. The sample population included 777 firm-year observation during 2007-2014 using a multivariate linear regression method. The results showed that in the stages of growth and maturity, companies pay more attention to social responsibility. In

the recession phase, however, no results were found indicating CSR. According to the results, the variables of company size and financial leverage that moderate in the effect of the lifecycle of companies on CSR in the maturity stage were effective, whereas the variables of profitability and cash resources had no impact in this regard. The results were indicative of the investment of companies in social responsibility activities in Iran to create a competitive advantage, gain public trust, and attract the necessary capital and resources in the stages of growth and maturity.

Previous studies examined the impact of CSR on empire building by managers, decisions about mergers and acquisitions (Gul et al, 2020), opportunistic behaviors of managers (Gao et al., 2014; Kim et al., 2012), and firm financial performance (Becchetti et al,2013; Fatemi et al, 2015; Galema et al, 2008; Gao & Zhang, 2015; Huseynov & Klamm, 2012; Jiao, 2010; Kim & Statman,2012; Margolis & Walsh, 2001; Margolis et al, 2009; Roman et al, 1999).

The study contributes to the literature on the impact of CSR on managers' behavior in two distinct ways. First, this study examines the impact of CSR on managers' optimistic behaviors and second, testing the effect of CSR on managers' myopic behaviors.

### **Research Hypotheses**

Concerning the theoretical foundations and previous researches, the research hypotheses were formulated, as follows:

H<sub>1</sub>: Corporate social responsibility affects managers' optimistic behavior.

H<sub>2</sub>: Corporate social responsibility affects managers' myopic behavior.

### **Methodology**

#### **Statistical Population and Sample Selection**

The statistical population included all companies listed on the Tehran Stock Exchange during 2008-2018. The companies that failed to meet the following inclusion criteria were eliminated and other companies were selected for the test:

1. Companies must continue to operate and be active on the stock exchange during the period under study.
2. The statistical sample includes only manufacturing and industrial companies.
3. The companies should not have a negative book value.

4. The financial year of companies should end on March 20<sup>th</sup>.

According to the above conditions, 174 companies were selected for a period of 11 years, including 1914 firm-year observation to test the hypothesis

Table 1. Sample selection method

Companies whose data is available and has continued to operate.	436
Companies whose financial year ends on March 20 <sup>th</sup> .	328
Investment, insurance, and leasing companies, banks, etc.	(97)
Companies with a negative book value of the share	(31)
Companies that had incomplete (outlier) information during the research period	(26)
The remaining companies as sample	174

**Research Models**

In this study, regression models are estimated based on panel data in model one and logistic regression in model two. In the case of such data, the type of model and effects must first be determined before testing the hypotheses. The F-Limer test is used to determine the type of model in model one, the result of which will be either a "panel model" or a "pooled model". If the model is a panel, then the Hausman test must also be conducted to determine whether the effects are fixed or random. The research models were selected as follows to test the hypotheses.

Model (1)

$$\text{Optimism}_{i,t} = \beta_0 + \beta_1 \text{CSR}_{i,t} + \beta_2 \text{Age}_{i,t} + \beta_3 \text{Loss}_{i,t} + \beta_4 \text{MBV}_{i,t} + \beta_5 \text{Size}_{i,t} + \beta_6 \text{Leverage}_{i,t} + \beta_7 \text{CFO}_{i,t} + \beta_8 \text{ROA}_{i,t} + \varepsilon_{i,t}$$

Model (2)

$$\text{Myopic}_{i,t} = \beta_0 + \beta_1 \text{CSR}_{i,t} + \beta_2 \text{Age}_{i,t} + \beta_3 \text{Loss}_{i,t} + \beta_4 \text{MBV}_{i,t} + \beta_5 \text{Size}_{i,t} + \beta_6 \text{Leverage}_{i,t} + \beta_7 \text{CFO}_{i,t} + \beta_8 \text{ROA}_{i,t} + \varepsilon_{i,t}$$

**Research Variables**

**Research Dependent Variables**

**The index of managers' optimism:** the following criteria were used to measure the index of managers' optimism.

- A) Expected sales and sales differences: if the actual sales of the year are less than the predicted sales, it takes the number 1, otherwise it takes the number zero (Salehi et al., 2017).



- B) The difference between earnings per share and the predicted earnings per share: if the earnings per share of the year are less than the predicted earnings per share, it takes the number 1, otherwise it takes the number zero (Lin, Hu, & Chen, 2005).
- C) The difference between the dividend per share and the predicted dividend per share: if the dividend per share of the year is less than the predicted dividend per share, it takes the number 1, otherwise it takes the number zero (Li & Tong, 2012).
- D) Capital expenditures: the difference between the net operating assets in year t and the net operating assets of the previous year plus the depreciation of year t. Given that managers' false confidence is based on managers' investment decisions, capital expenditures are larger in companies with optimistic managers, in a way that if it is larger than the median, it takes a score of 1. Otherwise, it takes a zero score (Li & Tong, 2012).

Ultimately, the managers' optimism index is calculated as follows after determining the number for each firm year.

$$\text{Optimism} = \frac{\sum_{j=1}^m d_j}{\sum_{j=1}^m H_j}$$

Where  $\sum_{j=1}^m d_j$  shows all items that have received a score of one, whereas  $\sum_{j=1}^m H_j$  demonstrated all items that were scored zero. Therefore, the managers' optimism index is measured for each company and is placed in a zero-one range. Since the information of companies was not disclosed in 2018, the actual information of the previous year was used as the expected information of 2018.

**Managers' myopic index:** each company that achieves extraordinary financial success is expected to obtain the necessary resources for investment in future long-term assets. Therefore, companies that simultaneously report returns more than the expected rate and less than the normal cost of marketing and research and development will probably subject to managers' myopic behavior (will have myopic managers). To identify and determine myopic companies, each company should first estimate the expected level of return on assets, marketing costs, and research and development costs in each period. Following Anderson and Hsiao (1982), we used equations 1 to 3:

$$ROA_{i,t} = \beta_0 + \beta_1 ROA_{i,t-1} + \varepsilon_{i,t} \quad (1)$$

$$Mktg_{i,t} = \beta_0 + \beta_1 Mktg_{i,t-1} + \varepsilon_{i,t} \tag{2}$$

$$R\&D_{i,t} = \beta_0 + \beta_1 R\&D_{i,t-1} + \varepsilon_{i,t} \tag{3}$$

Where ROA is the return on assets, Mktg is marketing cost to total sales and R&D is research and development costs to total sales. It is notable that the marketing cost and research and development expenditures were extracted from the explanatory notes of companies. After the estimation of ROA, marketing cost and R&D expenditures by using the models (1), (2) and (3), the predicted values of models were compared with real values, and companies were divided into four main groups based on the forecast error of the three models, as shown in the table below.

Table 2. Measurement of managers' myopic index

Group 1	Group 2	Group 3	Group 4
The difference between the predicted return on assets and the real value/positive	The difference between the predicted return on assets and the real value/positive	The difference between the predicted return on assets and the real value/positive	The difference between the predicted return on assets and the real value/negative
The difference between the predicted R&D expenditures and the real value/negative	Only the difference between one of the predicted marketing and R&D costs with the real value/negative	The difference between the predicted R&D expenditures and the real value/positive	-

Among these groups, group 1 included companies with managers' myopic behavior, where R&D expenditures decreased despite the positive corporate performance and increased ROA (Moradi & Bagheri, 2014).

**Independent Variables of Research**

**Corporate social responsibility (CSR):** there is no census among organizations for assessing this variable. Therefore, first, a large number of theoretical and research sources, standards and related international standards in the field of corporate social responsibility were reviewed to prepare a CSR disclosure checklist. In the end, the final checklist was extracted based on the frequency of the dimensions and components used in previous studies and by combining international guidelines and by considering the environmental conditions of Iran, as shown in Table 3.

Table 3. Measurement of social responsibility index

Dimensions	Indexes
environmental	Air pollution; recycling or waste prevention; conservation of natural resources; receive an award in the field of the environment; compliance with environmental laws and regulations; other cases
Products and services	Product quality, safety, and health; product development. market share; after-sales service; production stop; other cases
Human resources	General information about the workforce (such as age distribution of employees, the gender distribution of employees, level of education); staff training and development program; employee salaries, benefits, and bonuses; sports facilities and staff welfare; staff morale and communication; employee environment (safety, health, hygiene); retirement and termination benefits of employees; other cases
Customers	Meet customer needs; customer complaints/ satisfaction; customer health; other cases
Social	Observance of laws and regulations related to the social dimension; social investment (health, hygiene, etc.) gifts and charitable services (civic institutions); sponsors for social activities (sports, etc.); other cases
Cultural - doctrinal	Cultural-doctrinal investment (education, etc.); sponsors of cultural-doctrinal activities; corruption, bribery, money laundering; other cases
Energy	Energy conservation and saving; development and exploration of new resources; use of new resources; other cases

Afterwards, the content analysis method along with the index approach was exploited to assess the companies' social responsibility ranks (4):

$$CSR = \frac{\text{The number of disclosed items}}{\text{the number of disclosable items}} \quad (4)$$

In the index approach, content analysis deduces results based on the presence or absence of attributes defined in the message. In addition, if an item is disclosed, a score of one is given. Otherwise, a score of zero is allocated. In the present study, if any of the indicators in Table (3) are disclosed in the activity report of the board of directors of the companies that index is assigned the number one, and if it is not disclosed, the number zero is assigned zero. Afterwards, the number of disclosed items to the total number of disclosable items showed the percentage of CSR disclosure in a company (Vourvachis, 2007).

### Control Variables

According to previous literature and the theoretical framework, control variables used in this study are the age of the company, loss dummy variable, market to book value of the company, firm size, financial leverage, operating cash flow and return on assets.

Age of company ( $Age_{i,t}$ ): natural logarithm of the company's age from the

date of incorporation (Andrew et al., 2018).

Loss ( $loss_{i,t}$ ): It is a dummy variable so that if the company incurs a loss in a year, it takes on a value of 1, otherwise it takes on a value of zero. (Andrew, Shuping, Adam & Bin, 2018).

Market value to book value ratio ( $MBV_{i,t}$ ): the ratio of the market value of equity to the book value of the company's equity (Habib and Hong, 2019).

Firm size ( $size_{i,t}$ ): Natural log of the firm's total assets is a proxy for the firm's size (Habib and Hong, 2019). It will be expected managers in larger firms, generally have optimistic and myopic behaviors. According to the literature, larger firms are generally more profitable and their earnings are generally less volatile. Larger firms are generally more diversified with huge total assets and are less prone to bankruptcy (ogden et al. This gives an advantage to managers of larger firms to be more optimistic. On the other hand, shares of larger firms are owned by institutional investors those are expecting cash dividend from the company and it leads to myopic behavior of managers.

Therefore, a positive relationship is expected between firm size and managers' optimistic and myopic behavior in this study.

Financial leverage ( $leverage_{i,t}$ ): the ratio of debt to corporate assets (Habib and Hong, 2019). Debt disciplines managers. So they cannot be optimist, but on the other hand, debt causes managerial myopic behavior because they seek to reduce costs to earn more profits so that they can meet their obligations. Hence we expect a negative relationship between financial leverage and managerial optimism and also a positive relationship between financial leverage and managerial myopic behavior is expected.

Operational cash flow ( $CFO_{i,t}$ ): the operational cash flow of the company adjusted with the total assets of the company (Habib and Hong, 2019). According to Habib and hang (2019) cash flow sensitivity to invest in CSR activities increases with managerial optimism. So it can be guessed that operating cash flow is an effective factor in managerial optimism and myopic behaviors.

Return on assets ( $ROA_{i,t}$ ): the result of dividing the net profit by the book value of the company's assets (Habib and Hong, 2019). The more profitable a company is, the higher its free cash flow. Free cash flow makes an optimistic manager accept projects with a negative NPV (Heaton, 2002).

## Research Findings

### Descriptive Statistics

The descriptive statistics results of the research variables are shown in Table

Table 4. Descriptive statistics of research variables

Variable	Mean	Median	Standard deviation	Max	Min
Managers' optimistic behavior	0.422	0.50	0.302	1	0
Corporate social responsibility	0.216	0.20	0.084	0.85	0.05
Company age	1.528	1.579	0.178	1.806	0.845
The ratio of market value to book value	1.855	1.581	0.839	6.374	1.001
Company size	5.982	5.919	0.650	8.414	4.291
Financial leverage	0.620	0.631	0.197	0.987	0.065
The ratio of operating cash flow to total assets	0.118	0.101	0.127	0.555	-0.282
Return on assets	0.096	0.085	0.130	0.454	-0.339
Descriptive statistics of two-dimensional variables					
Managers' myopic behavior	0.33	0.0	0.179	1	0
Loss	0.120	0	0.325	1	0

According to the results obtained from the descriptive statistics of research variables and given the close values of the mean and median in most variables, it could be concluded that all variables had a suitable distribution. Standard deviation, kurtosis, and skewness statistics, which were also used to evaluate the normality of data distribution, showed the normal distribution of the data related to the dependent and independent variables since the variables had a minimum distance with the value presented for kurtosis. In addition, a mean of 21% was obtained for CSR, which demonstrated the overlooking of the issue by Iranian companies. Furthermore, the loss variable had a mean of 0.12, indicating that about 12% of companies had losses. Concerning the mean financial leverage (0.62), debt played a significant role in the Iranian firms' capital structure. In addition, the variable of ROA had a mean of 0.096, which indicated that the mean return ratio was lower than the inflation rate throughout the research.

### Multicollinearity and Heteroscedasticity Test

Multicollinearity is defined as the presence of a severe relationship between the independent variables, which is assessed by the VIF statistic. In this regard, values below 10 show the lack of multicollinearity among the independent variables. The results showed that for all the obtained values, this value was

less than the allowable limit for the research variables. Therefore, there was no multicollinearity among the research variables. In addition, heteroskedasticity between residuals of the first model was detected using the Breusch-Pagan-Godfrey test (Aflatooni, 2013). The result was indicative of unequal variance between the residuals of the first model, table 6 shows the results of the Breusch-Pagan-Godfrey test for the first model. Therefore, to eliminate the heteroskedasticity and to better estimate, the model parameters, the generalized least squares (GLS) approach is used in the final estimation of the first model (Aflatooni, 2013). The normality of the distribution of regression residuals was also checked, which confirmed the normality of these residuals<sup>1</sup>.

Table 5. Variance Inflation Factor of the first research model

Variable	VIF
Corporate social responsibility	1.049887
Company age	1.043708
The ratio of market value to book value	1.019434
Company age	1.088010
Financial leverage	1.695085
The ratio of operating cash flow to total assets	1.336774
Return on assets	2.609558

Table 6. Breusch-Pagan-Godfrey heteroskedasticity test for the first model

statistics	Statistic value	p-value
F	2.363609	0.015710
Chi-Squared	38.20723	0.000006

### Inferential Statistics

According to the theoretical background, two hypotheses were developed. In this regard, model (1) was tested to assess the first hypothesis. However, the Chow test should be performed before testing the research models to evaluate the use of panel data against the pooled data method for the research sample and in continue Hausman test was applied to evaluate between fixed effect and random effect method (Aflatooni, 2013). Moreover, since the dependent variable in model (2) was two-dimensional, it was assessed based on the logistic regression method, and there was no need for the Chow and Hausman tests. The results of the Chow test for the first model are shown in Table 7.

<sup>1</sup> It should be noted that the tables were not included due to page restrictions.

Table 7. Chow test results for the first research model

Evaluated model	Statistic	P-Value	Accepted method
First research model	4.776	0.000	<b>Fixed effects method</b>

According to the statistics and probability value of the Chow test for the first model of the research, the results were indicative of rejecting the  $H_0$  hypothesis. Therefore, the fixed effects method was the preferred technique. The Hausman test was also performed to select from the pattern of panel data with fixed effects or panel data with random effects. Table 8 illustrates the results of the Hausman test.

Table 8. Hausman test results for the first research model

Evaluated model	Statistic	P-Value	Accepted method
First research model	92.052	0.004	<b>Fixed effects method</b>

According to Table 8, the results were indicative of the preference of the fixed effects method for the first model of the research. Therefore, model 1 was estimated based on the preferred method. To test the first hypothesis of the research, the results of estimating the first model of the research using the fixed effects method are presented in Table (5).

Table 9. Estimation results of the first research model

Variable	coefficient	Standard deviation	T-statistic	P-Value
y-intercept	0.795	0.203	3.904	0.000
Corporate social responsibility	<b>-0.147</b>	0.065	-2.244	0.024
Company age	-0.834	0.176	-4.722	0.000
Loss	0.012	0.023	0.549	0.582
The ratio of market value to book value	0.011	0.007	1.678	0.093
Company age	0.204	0.037	5.462	0.000
Financial leverage	-0.277	0.063	-4.369	0.000
The ratio of operating cash flow to total assets	-0.094	0.061	-1.531	0.125
Return on assets	-1.352	0.094	-14.342	0.000
Coefficient of determination	0.210			
The adjusted coefficient of determination	0.177			
Durbin-Watson test	2.141			
F statistic	2.546			
Probability of F statistic	0.000			

According to the results presented in Table 9 and concerning the obtained F statistic (2.546) and probability value (0.000), it could be stated that the research model was highly significant at the 99% confidence level. In addition, with regard to the adjusted coefficient of determination for the model (17%), it could be stated that generally, independent and control variables explained more than 17% of the dependent variable changes. Moreover, considering the Durbin-Watson statistic (2.141), it could be argued that there was no first-order autocorrelation between the model residuals. Furthermore, the results were indicative of the significant effect of company size, company age, financial leverage, and ROA on managers' optimistic behavior.

In this research, model 2 was applied to test the second hypothesis. The results of the estimation of the model by the logistic regression method are shown in Table 10.

Table 10. Second model's estimation results

<i>Variable</i>	<i>Coefficient</i>	<i>Standard deviation</i>	<i>T- statistic</i>	<i>P-Value</i>
y-intercept	-1.934	0.733	-2.639	0.008
Corporate social responsibility	<b>-0.314</b>	0.707	-0.443	0.657
Company age	-0.478	0.304	-1.569	0.116
Loss	-0.451	0.299	-1.508	0.131
The ratio of market value to book value	0.076	0.060	1.254	0.209
Company age	-0.048	0.097	-0.495	0.620
Financial leverage	1.347	0.425	3.169	0.001
The ratio of operating cash flow to total assets	-0.305	0.510	-0.599	0.548
Return on assets	2.228	0.732	3.044	0.002
McFadden's coefficient of determination	0.144			
LR statistic	25.199			
Probability of LR statistic	0.001			

According to the results provided in Table (10) and based on the LR statistic and its error level for all performance criteria, it could be claimed that the research model had a high significance at the level of 99% confidence. According to the obtained coefficient of determination, it could be declared that in total, the independent and variables explained almost more than 14% of the changes in the dependent variable. Moreover, the results showed that among the control variables, only the variables of financial leverage and ROA of the company had a significant effect on managers' myopic behavior.



### **Results of Testing the First Hypothesis**

In this hypothesis, we evaluated the effect of CSR on managers' optimistic behavior in companies listed on the Tehran Stock Exchange. According to the results shown in Table 9, the variable coefficient of CSR was  $-0.147$  and its probability value is  $0.024$ . Therefore, given the negative coefficient and significance level of the variable, it could be claimed that CSR had a negative and significant effect on managers' optimistic behavior (5% error level). According to the theoretical background, it is argued that managers who accomplish CSR for the public interests accurately and consider themselves accountable to maintaining public interests had a higher ethics score and lower optimism in their behaviors for gaining personal interests. Therefore, higher levels of CSR are expected to decrease managers' optimistic behaviors. As a result, the first research hypothesis was confirmed at a 95% confidence level, which is in line with the results obtained by Habib and Hong (2019).

### **Results of Testing the Second Hypothesis**

According to the theoretical framework, it was argued that companies that focus on their social responsibility were more stable and focused on long-term benefits in making decisions and forecasting. Due to a long-term viewpoint and preferring the public interests over personal interests in their behaviors and predictions, these types of managers had a lower level of myopic behavior. Therefore, a higher level of CSR is expected to decrease managers' myopic behaviors.

In this hypothesis, we assessed the effect of CSR on the myopic behavior of managers in companies listed on the Tehran Stock Exchange. According to Table 10, the CSR coefficient was estimated at  $-0.314$  and the probability value was  $0.657$ . Therefore, it could be concluded that CSR does not have a significant effect on managers' myopic behavior (at a 5% error level). Therefore, the second hypothesis of the research was rejected at a 5% error level. The rejection of the hypothesis, which was also incompatible with the theoretical framework, might be due to three reasons; first, companies pay less attention to spending on R&D due to a lack of a competitive environment in most industries in Iran and the issue of competition for more market share is less pronounced. Second, companies are less able to invest heavily in the use of state-of-the-art technology to maintain long-term benefits and are forced to be somewhat satisfied with the current situation, and third, since most large industries are owned by the government, the selection of managers is not based on a theoretical process and the tenure is subject to political connections. As a result, managers have no choice but to be involved in political relations to keep their position even if they attempt to prioritize the long-

term viewpoint in their management technique.

## **Conclusion and Suggestions**

The present study aimed to evaluate the effect of CSR on managers' behaviors in companies listed on the Tehran Stock Exchange. To this end, hypotheses were defined for the subject and the available information was used to analyze the hypotheses. Overall, the research argued that CSR had an impact on the managers' optimistic behaviors since managers who accomplished CSR at a higher level and disclose it properly, consider themselves accountable to the community and adhere to ethics and safeguarding the public interest in the long run. In fact, this group of managers are ethical people and will not sacrifice the public interests to achieve their personal interests. On the other hand, having a transparent information environment and accurate and far from overly optimistic predictions by managers can better serve these public interests by reducing risk and uncertainty. Therefore, it could be argued that managers who fulfill CSR properly and consider themselves accountable to the public affairs have a higher ethics score and they were less optimistic about earning personal affairs. As a result, a higher level of CSR is expected to decrease managers' optimistic behaviors. Based on this argument, the results of the first hypothesis showed that CSR had a significant and negative effect on managers' optimistic behaviors and decreased them to some extent.

On the other hand, it is argued that companies that focus on their social responsibility to society are more stable and focus on long-term benefits in making decisions and estimating predictions. Therefore, these managers have less myopic behaviors due to a long-term vision and preference for public interest over personal interests. Moreover, given the social responsibility disclosure and since higher disclosure of CSR has increased the transparency of the information environment and decision-making environment, there is an argument that companies with a higher level of social responsibility have already reached a higher level of accountability through transparency, and their managers are committed to maintaining ethics and pay more attention to the long-term interests of the society in making decisions and will be less involved in myopic behaviors. Therefore, according to the mentioned argument, the second hypothesis results demonstrated that CSR does not have a significant impact on managers' myopic behaviors, which was rejected at a 95% confidence level

In line with our findings, the following suggestions are made:

It is recommended that attention be paid to the quality of information and behaviors of managers regarding information disclosure when deciding to buy the share of companies and analyze investments in the stock exchange market by investors. Given their impact on investment value, these factors can help investors make better decisions and more accurate predictions about share cost behavior. In addition, it is suggested that an emphasis be made on factors such as ethics and social responsibilities of the company in information presentation by investors when identifying companies with optimistic and myopic behaviors. Moreover, owners and managers who play an important role in the decisions made in listed companies are advised to have a long-term perspective on decision-making and forecasting, and not to sacrifice the public interest for their short-term interests.

This is mainly due to the fact that these factors can be considered a positive factor of management performance in accomplishing social responsibility by the market considering their effect on the reputation and position of the company in the long run.

Furthermore, regulators and financial policymakers are recommended to prevent disorder and instability in financial markets and capital markets by supporting them. In addition, they should pass laws to increase exemptions for companies that pay more attention to social issues, which will increase companies' motivation to improve their social responsibility.

### **Limitations of the Study**

1. Predicted information was used to measure the variable of managers' optimism, which was only disclosed up to 2017 and not in 2018. Therefore, the real data of 2017 was used to estimate the variable of managers' optimism for 2018.

The variable of R&D expenditures was required to measure the managers' myopic behavior. However, the mentioned variable is not disclosed by all companies in Iran and most of them only mention the variable in the section of the expense note. Nevertheless, our researchers faced challenges in reaching this data..

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