

Impediments to corporate social Responsibility reporting in Iran

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Abstract: The previous research confirms the demand for information about the interrelationship between corporations and the society and also show why various beneficiary groups in business units need this kind of information. Besides the previous research have shown that how this information can promote the interests of corporations and the public. This study analyzes the impediments to corporate social responsibility reporting for corporates accepted in Tehran stock exchange. Some questionnaires distributed among research subjects containing agents and investment corporations, the results of the research indicate that lack of obligations and laws, lack (limitation) of electronic substructures, managers distrust of interests of this reporting and want of necessary awareness of this issue in society are some of the important impediments to development and implementation of corporate social responsibility reporting in Iran.

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Key concepts: social responsibility reporting, General systems theory, Theory of political economy ,legitimacy theory , beneficiary groups theory.

Introduction:

The information needs of those who use financial statements are obviated by means of these statements are obviated by means of this statement which are the original and final product of financial reporting system.

This information helps investors, creditors, and other beneficiaries whom the society is one of them to recognize the strengths and weaknesses of the business unit and to analyze the performance of this unit.

During the specified period. The most important problem and inadequacy of reporting systems is lack of attention social, ethical and environmental factors. Because reports (financial statements) usually dint express the details and impacts of corporate performance on society for beneficiaries.

So corporations were encouraged to use social accounting and social reporting.

For these corporations, the interests resulting from the promotion of confidence which is the outcome of improvement of accountability and honesty exceed the expenses for the implementation of these techniques and it is expected to enhance the corporations interrelation ships and finally promote profitability (Adams and zutshi 2005).

The management under take that within the framework of social responsibilities and through serious and responsible participation, uses the agency resources in accordance with social interests and interests of the other beneficiaries of agency (wiele et al 2001).

The important content of this report is to reflex the impacts of economical activates of the corporation on various social groups and generally on society so that the extreme of reporting exceeds the reflexion of financial outcomes of corporate activities for the share holders which is the outcome of this assumption that nowadays the responsibility of corporations is far more than their easy duty namely maximizing the share holders fortune (Adams and zutshi 2005).

Until now there have been various studies about corporate social responsibility reporting which in these studies the following theories have been used: General systems theory. Legitimacy theory. Theory of political Economy and Theory of beneficiary groups (Frugi et al 2008, Abdi and Aghdam mazraeh 2008, Mathews 1997, Adams 2002,Ogrizek 2002, Deegan 2002, KPMG 2002).

The above theories indicate that if there is no law or obligation to report the corporate social responsibility, the corporations report some of their social activities which show the positive aspects of their activity in order to make a good image of their corporation in the mind of the public. Arbitrary revealing of social responsibilities giver the firms various interests and advantages which are not comparable by means of material measures.

The corporations which arbitrarily have revealed the report of their social responsibilities, their aim has been promoting the reputation and credence of their firm among customers, public authorities and mass media (Adams 2002).

Also these companies in investment market have experienced less investment expenses rate and more

stocks rate and thereby have reduced the threat of boycotting by consumers and other external authorities (Adams 2002). The subject of corporate social responsibility reporting was not considered by the accounting researchers in Iran until now. Frugi and et al (2008) research about managers view on expressing social accounting information in productive companies which are accepted in Tehran stock exchange demonstrated that managers are willing to disclose the information about their social interests and recreational issues of their employees but they don't want to disclose any thing about the social expenses of their agency. This research is the first one which analyzes viewpoints of a agents and companies which participate in Tehran stock exchange on impediments to use corporate social responsibility reporting in Iran. Its necessary to determine the impediments to social responsibility reporting so the results of this research can be beneficial for recognizing the substructures which are necessary for corporate social responsibility reporting in investment market of Iran.

Research literature and collecting hypothesizes:

There has been various studies about the hypothesizes of corporate social responsibilities. Most of these studies have been various studies about the hypothesizes of corporate social responsibilities. Most of these studies have been accomplished in western countries and their results indicate that lack of legal obligations, managers distrust of the interests of this reporting, lack (limitation) of electronic substructures and want of need to this reporting in society have impacts on corporate social responsibility reporting (Adams 2002, Adams and zutshi 2005, KPMG2002, Ogrizek 2002, Deegan and et al 2006) According to General systems theory various groups use these financial reports so it is necessary to develop accounting system and this system must give us more information so that the needs of various beneficiary groups will be obviated(Mathews 1997). For developing the extent of information it is essential to promote the electronic substructures because most of the reports and information of the corporations which has been disclosed, will be presented through web and Internet (Ogrizek 2002).

Political economy theory has been defined by Gray and et al (1996) as following:

Economic , political and social framework in which the life of people has been placed. Political economy theory can be considered from the viewpoint of the middle class.

Classical political economy analyzes the contrary interests, in equality and the role of government as the key issues while political economy of the middle class considers these issues as they are and don't analyzes them. Classical political economy

claims that as disclosing the information about the social impacts of business units activities is arbitrary, the corporation is partly legitimate. So the proponents of this viewpoint are willing to enact compensatory laws for disclosing information. According to this view point government is elected to limit organization and the government is responsible for safeguarding the interests of that group which has no power so that the legitimacy of the system as a whole can be protected (Frugi and et al 2008).

The legitimacy theory which is about the reciprocal effects of organization, society and environment, expresses that organizations have existence as long as the society accepts them as legitimate and gives them legitimacy (Mathew 1993). Violation the social and environmental can make some of the contracts cancelled and the society lose its activity license. This arises when the society recognizes that the corporate expenses are much more than its profits for the public. In contrast organizations and institutions which are in contact with society successfully and act according to the social contract and give the society and environment more profits, have a better financial and social status (Abdi and Aghdam mazreah 2008).

Some of the beneficiary groups in organization are employees, share holders, customers and the public. The beneficiary group is a group which can affect the organization for achieving its goals or experience Impacts from the organization.

The corporations must distinguish those who directly or indirectly have interests in organization and must determine the limits of organization to these groups and the corporation must consider the agreement between the corporation and the beneficiary groups and know the goal of these agreements. The beneficiary groups theory have two branches: ethical (prescribed) and managerial (demonstrative). The ethical branch examines the organizations behaviors toward the beneficiary groups and stresses the organization responsibilities.

In contrast the managerial branch of beneficiary groups theory stresses the for managing the special beneficiary groups (specially those who have control over the essential resources of the organization (Frugi and et al 2008).

Adams (2002) demonstrated lack of essential laws and regulation is the most important impediment to observing environmental, employees and society rights. The other studies have recognized the lack of legal obligations as the key factor affecting the implementation of corporate social reporting (KPMG 2002).

The other factor which is recognized as a motive for suing corporate social responsibility reporting is

managers confidence in interests resulting from this kind of reports. (Adams and zutshi 2005).

So It can be said that if managers don't have confidence in the interests arising from providing these reports, they are not willing to prepare and provide this kind of reports. Frugi and et al (2008) demonstrated that in Iran, corporate managers are willing to disclose information about social interest and recreational issues of their employees but they are not interested to express the information about social expenses arising form corporate activities because they are not confident that disclosing this information will be to their advantage. Another motive for the corporations to provide social responsibility reporting is the need and demand these reports. Deegan and et al (2006) showed that if there is a concern about the social outcomes of corporate activities, managers may publish information regarding the social and environmental performance of their firms.

With reference to the above arguments and research findings is other countries, some factors including lack of legal obligation, managers distrust of interests arising form this reporting, want (limitation) of electronic substructures and lack of need to this reporting in society have been mentioned as the most important impediment to development of corporate social responsibility reporting, so this research provides and examines the following hypothesizes in order to recognize the factors impeding the development of corporate social responsibility reporting.

First hypothesis: lack of legal obligations for impediments to implementing is one of the impediments to implanting social responsibility reporting.

Second hypothesis: managers distrust of interest of social responsibility reporting is one of the Impediments to implementing social responsibility reporting.

Third hypothesis: lack (limitation) of electronic substructures which the corporations need for social responsibility reporting is one of impediments to implementing social responsibility reporting.

Fourth hypothesis: lack of need to social responsibility reporting is one of the impediments to this reporting.

Corporat social responsibility reporting (dependent variable):

New thinking about corporations and social responsibility have emerged since Bowen time (1953) and he mentioned new responsibilities for corporation and managers (Gray and et al 1996). Corporate (agency) social responsibilities have been defined as following:

Merging agency performances and values so as the interests of all beneficiaries including customers,

employees, shareholders, and society be considered in agency policies and behaviour (Smith 2002). In general It can be said that corporate social responsibility examines the techniques that organizations act according to them in their business atmosphere and thereby obviate society expectations, commercial and ethical expectations because organization have great responsibilities regarding social, economical, and environmental aspects to employees, shareholders, customers, government, providers and all their beneficiaries (Adams 2002). The important content of this reporting is to reflex the impacts of corporate political activities on various social groups and the society as a whole. This means that the extreme of reporting exceeds reflexing financial outcomes of corporation activity for share holders, in other word Today corporations have a responsibility beyond the simple duty of maximizing the share holders for tune (Adams and zutshi 2005).

Independent variables:

Lack of legal obligations , managers distrust of interests resulting from this reporting, lack (limitation) of electronic substructures and lack of need to these reports in society are independent variables in this research.

Statistical society:

Statistical society in this research includes investment corporations and agents of Tehran stock exchange. The reasons for this selection are as follow:

1- Investment corporation are specialized firms which are active in collecting corporate information in order to take decisions about investment and It is evident that these corporation as compared with other consumers must pay more attention to corporate social and environ mental performances.

2- In Iran Investment market, since there are no financial analyzers, agents undertake this role. So It is expected that agents consider various aspects of corporate information.

Research method:

In order to gather essential information for examining research hypothesizes, questionnaire was used. Questionnaire items were prepared according the research hypothesizes and for determining the items regarding each hypothesis, first the studies about impediments to corporate social responsibility reporting in other countries (Britain and US) were examined and factors which in these studies have been mentioned as Impediments to CSR were gathered (Adams and zutshi, 2005 , KPMG 2002).

Questionnaire items have been prepared in two groups:

1- General questions (age, working experience, education of the respondents and how much they are acquainted with CSR.2) spetalized questions.

Specialized questions in questionnaire are 19 questions which are prepared according to likert five point model. These questions are close questions which the respondent expresses his agreement or disagreement with the subject presented in the item. Numeral value of answer is a number from 1 to 5. (1=I totally disagree ,2= I disagree 3= I have no idea, 4= I agree ,5= I totally agree).

The information about specialized questions of the questionnaire for each of the research hypothesizes has briefly been presented in table.

Table1: questionnaire items for each hypothesis:

Hypothesis	The number of questions
1. lack of legal obligations is one of the impediments to implementing CSR.	1
2. managers distrust of CSR interest in one of impediments to implements to implementing CSR	2
3. lack (limitation) of electronic substructures is one of the impediments to CSR	3
4. lack of need to CSR need to CSR in society is one of the impediments to CSR.	4

The research questionnaires distributed among investement corporation and stock exchange agents (15 investment corporation and 77 stock agents) of which s65 completed questionnaires were receiver. Two questionnaires were eliminated because all of the questions and not been answered. Finally 63 questionnaires were used for examining hypothesizes and rate of accountability for distributed questioners was73.2 percent.

Research findings:

In this research 90 percent of respondents were 25 to 45 years old and 54 percent of them were men. Also all of the respondents have MA degree and higher education and 68.3 percent have served (working experience) more than ten years and all of them were acquainted with concept of corporate social responsibility reporting(55.5 percent were totally familiar with the concept, 44.5 percent have an average knowledge about the concept).

In order to analyze the questions and research hypothesizes like past research chi square test was used and the results of this lest for the research hypothesizes have been reported in table 2.

Table2: General results of hypothesizes

Hypothesizes	\bar{x}	Sx^2	σ	X^2	Conclusion
First	3.44	1.46	1.21	82.39	Verified
Second	3.25	1.65	1.28	59.01	Verified
Third	3.46	1.58	1.26	133.87	Verified
Fourth	3.32	1.46	1.21	77.24	Verified

According to reports of the above table, the results of chi square test indicate that the statistics of

this test is meaningful for all the research hypothesizes, as the result these hypothesizes are acceptable these hypothesizes means that from the viewpoint of respondents: lack of legal requirements (First hypothesis) distrust of interests resulting from CSR (second hypothesizes), lack (limitation) of electronic substructures (third hypothesizes) and lack of need to CSR reporting in society (fourth hypothesizes) are impediments to corporate social responsibility reporting.

The results of this research are compatible with the result of past studies which have been conducted in other countries about impediments to corporate social responsibility reporting (Adams and zutshi 2005, KPMG 2002,Ogrizek 2002, Deegan and et al 2006, Frugi 2008).

Friedman test:

Friedman test can be used to compare the impediments to CSR. Null hypothesizes and H_1 are as follow:

$$\begin{cases} H_o = P_1 = P_2 = P_s = P_o \\ H_1 = not H_o \end{cases}$$

In which:

H_o : The averages of four impediments that respondents have mentioned are equal.

H_1 : At least of the impediments have different average ranks. The result of fried man test are reported in table 3. The result of this test indicate that there is a meaningful difference between ranks of impediments to CSR form the viewpoint of impediments to CSR from the viewpoint or respondents. So lack (limitation) of electronic substructures which corporation need for corporate social responsibility has average rank of 3.82 and is the most important impediment to CSR.

Table 3. Barriers to the use of CSR in order of importance in terms of respondents'

Impediments to CSR	Average rank
Lack (limitation) of electronic substructures which the corporations need for social responsibility reporting	3.82
Lack of legal obligations for social responsibility reporting	2.36
Lack of need to corporate social responsibility reporting in society	2.28
Managers distrust of interests resulting from social responsibility reporting	1.55

Lack of legal obligations with average rank of 2.36 is the second important impediment to social responsibility reporting lack of need to CSR in social with average rank of 2.28 is the third important impediment and finally managers distrust of interest resulting from social responsibility reporting with average rank of 1.55 is the fourth important impediment to CSR.

Discussion and conclusion:

Corporate social responsibility reporting is a technique for effective management and for accepting social responsibility which corporations represent in order to guarantee the various beneficiaries satisfaction about their general behavior.

Recognizing impediments to corporate social reporting can help managers, corporations, government and the society to remove these impediments and improve corporate social responsibility reporting.

The ideas of agents and investment corporations about Impediments to CSR reporting in corporation accepted in Tehran stock exchange were examined. The research findings indicate that lack (limitation) of electronic substructures for representing corporate reports electronically, lack of legal obligations need for this kind reporting in Iran, lack of demand for information included in these reports. In society and managers distrust of interests resulting from kind of reporting (which can result form lack of need to this information in society) are considered the most important Impediments to development of this kind of reporting.

Suggestions related to research findings:

1- It is suggested that for encouraging the corporations to provide and disclose corporate social responsibility reporting, the stock exchange agency and auditing organization provide firms with guidelines about preparing and representing these reports.

2- promoting electronic substructures specially corporations access to fast internet lines can provide the right atmosphere for preparing corporate financial reports (including CSR reports) effectively and economically.

3- Giving information about advantages of reports related to CSR administering instructional programs and giving information through mass media can lead to demand for these reports.

4- It is recommended to teach the subject of corporate social responsibility reporting during B.A official courses (Accounting, management and other related course) in order to promote the general knowledge about advantages and challenges related to this subject. **Impediments to and limitations of research:**

The findings of this research must be about the following Impediments:

Lack of active database on stock exchange website and sites related to corporations which have an active role in stock exchange, this data base, can be

used to access necessary information about corporate social responsibility reporting.

Since we have used questionnaire to gather data for this research, the inherent limitations of questionnaires must be considered as the original limitation of this research.

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