This is the published version

Yaftian, Ali, Wise, Victoria, Cooper, Kathie and Mirshekary, Soheila 2012, Social reporting in the annual reports of Iranian listed companies, Corporate ownership and control, vol. 10, no. 1, Fall, pp. 26-33.

Available from Deakin Research Online

http://hdl.handle.net/10536/DRO/DU:30049519

Reproduced with the kind permission of the copyright owner

Copyright: 2012, Virtus Interpress
SECTION 1. ACADEMIC INVESTIGATIONS AND CONCEPTS

BOARD DIVERSITY AND STRUCTURE: WHAT IMPLICATIONS FOR INVESTMENTS IN INNOVATION? EMPIRICAL EVIDENCE FROM ITALIAN CONTEXT

Silvio Bianchi Martini, Antonio Corvini, Alessandra Rigolini

The aim of this paper is to investigate the relationship between the board diversity and the investments in innovation in a sample of companies listed on the Italian Stock Exchange (named Borsa Italiana) and operating in the consumer goods and in the consumer services industry. This sample covers the period from 2006 to 2010 and contains 345 observations. Drawing on the literature review, we pinpointed six hypotheses related to the impact on the investments in innovation of the following independent variables: 1. presence of outside directors; 2. average number of the other positions held by the members of the board; 3. minority shareholder representatives on the board; 4. presence of women on the board of directors; 5. number of committees; 6. frequency of board meetings. Furthermore, on the basis of the previous empirical studies, to measure the investments in innovation (the dependent variable), we chose these accounting ratios: total intangible assets divided by total assets and total R&D costs divided by total sales. From the methodology standpoint, we used both the bivariate statistic (i.e. Pearson Correlations and Anova one way) and the multivariate one (i.e. OLS regression analysis with robust standard errors calculated by the Newey-West, HAC method). Our findings confirm the previous studies and show that, also for the Italian listed companies operating in the industries mentioned earlier, the outsiders as well as the frequency of meetings held by the Strategy Committee assume a relevant role in supporting the investments in innovation. Conversely, the other independent variables concerning board diversity (i.e. women, minority shareholder representatives etc.) are not statistically significant and, as a result, do not influence the investments in innovation.

SOCIAL REPORTING IN THE ANNUAL REPORTS OF IRANIAN LISTED COMPANIES

Ali Yaqtian, Victoria Wise, Kathie Cooper, Soheila Mirshekary

This paper examines corporate social reporting (CSR) in the annual reports of companies listed on the Tehran Stock Exchange (TSE) in Iran. Descriptive analysis and multiple linear regression techniques are used to analyse the extent of CSR disclosure and to test hypotheses regarding the relationships between CSR disclosure and four company characteristics namely size, profitability, financial leverage and industry type. Among five important themes of social disclosure (human resources, environmental performance and policies, community activities, energy consumption, and customer satisfaction and product quality) the human resources theme was found to be the most common type of disclosure made. Only the size of the disclosing company was found to be significantly related to the level of overall CSR disclosure.
SOCIAL REPORTING IN THE ANNUAL REPORTS OF IRANIAN LISTED COMPANIES


Abstract

This paper examines corporate social reporting (CSR) in the annual reports of companies listed on the Tehran Stock Exchange (TSE) in Iran. Descriptive analysis and multiple linear regression techniques are used to analyse the extent of CSR disclosure and to test hypotheses regarding the relationships between CSR disclosure and four company characteristics namely size, profitability, financial leverage and industry type. Among five important themes of social disclosure (human resources, environmental performance and policies, community activities, energy consumption, and customer satisfaction and product quality) the human resources theme was found to be the most common type of disclosure made. Only the size of the disclosing company was found to be significantly related to the level of overall CSR disclosure.

Keywords: Corporate Social Responsibility, CSR in Developing Countries, Iran, Sustainability Reporting

*Deakin Graduate School of Business, Deakin University, Victoria, Australia
Email: ali.yaftian@deakin.edu.au

**Deakin Graduate School of Business, Deakin University, 221 Burwood Highway, Burwood, VIC 3125, Australia
Fax: +61 3 9244 5533
Email: victoria.wise@deakin.edu.au

***School of Accounting and Finance, University of Wollongong, NSW, Australia
Email: kathie.cooper@uow.edu.au

****Deakin Graduate School of Business, Deakin University, Victoria, Australia
Email: soheila.mirshekary@deakin.edu.au

Introduction

In the last few decades, Corporate Social Responsibility (CSR) disclosure has become an important research topic and a number of scholars around the world have investigated different aspects of CSR (Deegan, 2002). Most studies have examined CSR in developed countries; relatively few studies have been undertaken in developing countries. Accordingly Tsang (1998) argues that it is unacceptable to extend and generalise the results of CSR studies in developed countries and compare these results with less developed ones as the level of economic development is likely to be an important factor affecting CSR practices. Moreover, other societal factors such as cultural and national differences are also likely to affect corporate disclosure practices in general and CSR in particular even in countries with similar economic rank (Mathews, 1993; Perera & Mathews, 1990). An acknowledged shortage of CSR research in Iran provides justification for the investigation of this issue in Iran. As a result, the analysis provided in this paper is a step forward enabling Iran to participate more in the global community as far as corporate social commitments and good corporate governance ideas are concerned.

The balance of this paper is organized as follows. In the next section a brief discussion on the concept and definition of CSR is provided. In section three an overview of the literature which has examined CSR is presented. The research methodology is described in section four where a discussion of the data source and the measurement of the dependent variables is provided. This is followed with a discussion of the results of the survey undertaken to collect the data for the study. The paper is concluded with a summary of the implications, study limitations and future research directions.

The Concept and Definition of Corporate Social Reporting

The fundamental problem in the field of CSR has been that there is no generally accepted theory or meaning of CSR that provides a framework or model for the systematic collection, organization and analysis of data relating to this important concept (Clarkson, 1995). Definitions of CSR include "the provision of financial and non-
financial information relating to an organization's interaction with its physical and social environment, as stated in corporate annual reports or separate social reports" (Hackston & Milne 1996, p.78). Gray, Owen, and Adam (1996) argue that though CSR considers a wide range of activities and audiences, it cannot be an open-ended agenda for reporting. They also believe that the social accounting literature tends to assume that the reports are prepared about certain areas of activities—typically those that affect the physical environment, human resources, communities and consumers and products.

In this study the perspective adopted is that all CSR disclosures are about corporate activities in relation to human resources, environmental performance and policies, community activities, energy consumption, and customer satisfaction and product quality. The overall CSR disclosures are examined with no distinction between mandatory and voluntary disclosure. Secondly, the assumptions of legitimacy theory and stakeholder theory provide the theoretical framework for the study.

The targeted social disclosures are the five themes adopted from the Trotman and Bradley (1981) study which are defined broadly as follows:

- **Human resources**: disclosures about corporate activities which ensure the well-being of employees, such as health and safety; the number of disabled employees; and employees' education and training.
- **Environmental performance and policies**: disclosures about corporate activities that impact the environment such as air, water and soil pollution; engagement in anti-litter and conservation campaigns and the utilization of recycling systems.
- **Community activities**: disclosures about corporate activities for the benefit of the community including charitable donations; the sponsorship of social, cultural and sporting activities, and aid for victims of natural disasters.
- **Energy consumption**: disclosures of corporate activities for the efficient and effective use of energy and including efforts to reduce consumption.
- **Customer satisfaction and product quality**: disclosures of corporate activities that enhance customer satisfaction or product quality such as achieving International Standardization Organization (ISO) qualification.

**Overview of Previous Studies**

Most empirical studies of CSR practice have focused on developed countries, particularly English-speaking countries such as the United States (USA), the United Kingdom (UK), Canada, New Zealand and Australia (see for example, Deegan, Rankin & Tobin, 2002; Gray, Kouhy & Lavers, 1995a, Guthrie & Parker, 1989; Hackston & Milne, 1996; O'Dwyer, Uncerman & Bradley, 2005; Trotman & Bradley, 1981; and Zeghal & Ahmad, 1990). By comparison, little work has been done on this issue with a focus on less-developed countries such as Iran.

Social reporting research embraces a wide agenda. The definitions of CSR in the previous section imply that this phenomenon may be explained by the interaction of a number of broad socio-political and economic variables which may include some corporate characteristics. Although many studies have been conducted to evaluate the extent of CSR disclosure in corporate annual reports and which have examined the association between a number of company characteristics and the level of CSR disclosure the results are mixed (see for example, Gray, Kouhy & Lavers, 1995; Hanifi & Cooke, 2005; Purushothaman et al., 2000). Also although almost all studies have used large companies as samples, their number, size and industry type has differed from study to study.

In this study, the Trotman and Bradley (1981) model is adopted as it examines all determinants concerned in Gray, Kouhy and Lavers' (1995a) with the exclusion of the 'country of origin' factor which is irrelevant for this study. Additionally, financial leverage is included as another corporate characteristic.

**Research Method**

**Data source, dependent variable, themes, measurement unit, reliability.**

Theoretically, any form of documentation that provides information about a company can be considered as possibly containing CSR information and could therefore be reviewed in this type of research (Gray, Kouhy & Lavers, 1995a). Past studies indicate that approaching all of these sources, is practically impossible because of practical limitations to the application of this approach (Zeghal & Ahmad, 1990). However, corporate annual reports have been shown to be the preferred place for reporting in that they are produced on a regular basis, are required by legislation, and are produced by all companies thus making comparisons relatively easy (Tilt, 2001). For these reasons, the annual reports of companies have been used as the source of data for this study.

The term 'CSR' as it is used in this study includes monetary information and non-monetary information. This information is found in different sections of annual reports including directors' reports and financial statements. Data regarding the CSR disclosures occurring in all components of the annual reports of Iranian listed companies' have
been collected as they provide readily available information in a usable form.

The Research, Development and Islamic Studies (RDIS) website is one of the main public resource centers for access to electronic PDF files of annual reports of listed companies. The TSE is a relatively small stock exchange with 430 listed companies at the date of the data collection (2008). Using a stratified sampling technique, 103 companies (24 per cent of the total number of listed companies) were chosen as the sample population.

Content analysis is used in this study to measure the dependent variable (quantity of CSR information presented in annual reports) as it is the research method that is most commonly used to investigate the social and environmental disclosures made by organizations (Milne & Adler, 1999). The target social disclosures are the five themes adopted from the Trotman and Bradley (1981) study as these are items that are of common interest and have been included in previous studies (see, for example, Belkoumi & Karpik, 1989; Deegan, Rankin & Tobin, 2002; Gray, Kouhy & Lavers, 1995; Hackston & Milne, 1996; Purushothaman et al., 2000; Tsang, 1998; Zeghal & Ahmad, 1998). The unit applied to analysing and measuring the contents of CSR information is varied. It can consist of words (Deegan & Rankin, 1996), sentences (Hackston & Milne, 1996), or issues (Purushothaman et al., 2000). Consistent with recommendations for this type of research (Zeghal & Ahmad, 1998), words are used as a unit of measurement of CSR because they represent detailed description. In regard to voluntary and mandatory disclosures, it is believed that when the level of mandatory disclosure is very low, such distinction is unhelpful (Adams, Hill & Roberts, 1998). In Iran there are very few CSR disclosure requirements of any kind. Therefore in this study of overall CSR reporting no distinction is made between voluntary and mandatory disclosures.

Previous studies reveal various levels of attempts to test the reliability of collected data. While in some studies there is no sign of conducting reliability tests, in others, the procedures and results of reliability tests have been disclosed to varying degrees (Deegan, Rankin & Tobin, 2002; Tilt, 2001; Deegan & Rankin, 1996; Gray, Kouhy & Lavers, 1995). Both stability (the ability of a coder to code data over time) and reproducibility tests (using two coders' results) have been used, and the reliability of the data was approved by using Krippendorff's (1980) alpha. In this study the Deegan, Rankin and Tobin (2002) procedures have been followed.

Independent (explanatory) variables.

Independent variables have been defined as "(...) the cause variable, or the one that identifies forces or conditions that act on something else" and "(...) the independent variable is independent of prior cause that act on it" (Neuman, 2003, p.149). In this study four commonly used (in previous studies) independent variables have been adopted. These variables and bases of their measurement are as follows:

- Company size - Company size is one of the most commonly identified independent variables in prior studies. While association between company size and CSR has been supported in a number of empirical studies (see, for example, Belkoumi & Karpik, 1989; Hanifi & Cook, 2005; Trotman & Bradley, 1981) other researchers have suggested that the relative size of a company alone is not a sufficient indicator of disclosure amount (see, for example, Hackston & Milne, 1996). As there is no apparent theoretical reason for using a single measure of size (Hackston & Milne, 1996) it has been measured using different bases such as sales volume, total asset value, number of stockholders or an index rank. In this study, both sales and total assets are used as bases for measuring the size of companies. The following specific hypothesis has been formulated to test the size factor.

H1: There is a positive relation between size and the level of CSR disclosure.

- Company profitability - The relationship between CSR and corporate profitability has been postulated to reflect the view that social responsiveness requires the same managerial style as that necessary to make a firm profitable (Bowman & Haire, 1976). CSR reflects an adaptive management approach to dealing with a dynamic, multi-dimensional environment, and an ability to meet social pressure and to respond to social needs. Previous empirical research on the relationship between profitability and CSR practices has produced conflicting results (see for example Bowman and Haire (1976), Hanifi and Cook (2005) and Roberts (1992) results versus Purushothaman et al. (2000) and Patten (1991)). In this study, profitability is measured using return on assets which is viewed as the relevant technique based on its application in other relevant studies involving CSR (Belkoumi & Karpik, 1989; Hackston & Milne, 1996; Purushothaman et al., 2000). In regard to profitability, the following specific hypothesis is formulated to test the factor.
H2: There is a positive relation between company profitability and the level of CSR disclosure.

Financial leverage - It has been argued that financial leverage is an appropriate variable because creditors of a corporation control access to financial resources that may be essential for the continued existence of the business and so creditors are important stakeholders whose influence should be managed (Roberts, 1992). Although stakeholder theory postulates that there is a positive relationship between financial leverage and the level of corporate disclosure, there is no consistency in results of studies concerning the relationship between financial leverage and CSR practice (see for example Roberts (1992) versus Hossain, Tan & Adams (1994)). In regard to the 'no significant relationship' conclusions it is argued that the reason for such results could be that the companies with high gearing ratios may have a closer relationship with their lenders. Therefore, these lenders are able to access the information needs through other ways rather than through the annual reports (Zarzeński, 1996). In previous studies, financial leverage has been measured based on the gearing ratio which is calculated as the ratio of long term debt-to-equity (Hanifi & Cook, 2005; Purushothaman et al., 2000; Robert, 1992). The debt-to-equity ratio seems to be a measure of creditor stakeholder power because it captures the importance of creditors as stakeholders relative to equity investors and it is used in this study to measure the financial leverage of a company. In regard to financial leverage, the following specific hypothesis is formulated to test the factor.

H3: There is a positive relation between financial leverage and the level of CSR disclosure.

Industry type - The amount of disclosure of information and CSR practice may not be identical throughout all sectors of the economy (Cook, 1989). Prior empirical studies have found different relationships and associations between this corporate characteristic and CSR practice (see for example Patten (1991) versus Purushothaman et al. (2000)). As there is no apparent overarching theoretical foundation in the measuring of industry type, in this study the Global Industry Classification Standard (GICS) model is adopted as a practical method to classify industries. The TSE has 37 types of industries and many of these groups have less than 10 companies in their lists. With such a distribution it is not possible to have enough samples for each category to run all necessary statistical tests. Therefore, by using the sector classification model of the GICS the collected samples have been grouped in four sectors: (1) energy and materials; (2) industrials and consumer discretionary; (3) consumer staple and health care and (4) financials, IT & telecommunications. In regard to type of industry, the following specific hypothesis is formulated to test the factor.

H4: There is a positive relationship between type of industry and the level of CSR disclosure, that is companies with greater environmental impacts, would have greater disclosures.

Results and Discussions

Data reliability analysis results

The stability test was conducted through two rounds of coding of the CSR information of the sample companies' annual reports. The alpha rate between the two counts of CSR information was 0.978 which is well above the 0.80 acceptable level of consistency (Fleiss, 2001). Therefore, it has been concluded that the coding of the disclosure by the researchers is statistically reliable.

Aggregated descriptive analyses of CSR information

A statistical descriptive survey of the content analysis is the first step towards exploring CSR practice by Iranian listed companies. The aggregated results of analyses of the CSR measures are presented in Table 1. Presented in this table are various items of information such as the number of disclosing companies, percentage of the disclosing companies to the total sample, number of disclosed words (or equivalent) and disclosed words as a percentage of all disclosed words for each theme. The two right-hand columns in the table provide the CSR disclosure mean and standard deviation for each disclosure item.
Table 1: Aggregated measures of CSR disclosure

<table>
<thead>
<tr>
<th>Theme</th>
<th>Number of companies had disclosure</th>
<th>% of disclosing companies to the total sample</th>
<th>CSR disclosure measured by number of norms</th>
<th>% of disclosure theme to the total CSR disclosure</th>
<th>CSR disclosure mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human resources</td>
<td>103</td>
<td>100</td>
<td>74592.7</td>
<td>67.2</td>
<td>724.19</td>
<td>664.58</td>
</tr>
<tr>
<td>Environmental performance and policies</td>
<td>27</td>
<td>26.2</td>
<td>6,446</td>
<td>5.8</td>
<td>238.74</td>
<td>206.12</td>
</tr>
<tr>
<td>Community activities</td>
<td>25</td>
<td>24.3</td>
<td>4,331</td>
<td>3.9</td>
<td>173.24</td>
<td>185.20</td>
</tr>
<tr>
<td>Energy consumption</td>
<td>13</td>
<td>12.6</td>
<td>2,312</td>
<td>2.1</td>
<td>177.85</td>
<td>142.87</td>
</tr>
<tr>
<td>Customer satisfaction &amp; product quality</td>
<td>62</td>
<td>60.2</td>
<td>23,368</td>
<td>21.0</td>
<td>376.90</td>
<td>544.02</td>
</tr>
</tbody>
</table>

The results summarised in Table 1 indicate that human resources information is reported by 100 per cent of the companies; this is over 67 per cent of the total CSR disclosures observed in the annual reports. This is not surprising given that the current Iranian accounting regulations mandate disclosure of some items of human resources issues. As a result the human resources theme was by far the most frequently disclosed CSR item. The overall significance of the disclosure of this type of CSR information is consistent with the results of most similar studies for both developed and developing countries see for example, Andrew et al. (1998, Malaysia and Singapore); Belal (2001, Bangladesh); Guthrie & Mathews (1985, Australia); Gray, Kouhy & Lavers (1995, UK); Hackston & Milne (1996, New Zealand); Guthrie & Parker (1990, USA, UK and Australia); and Ratanajohnkol et al. (2006, Thailand). The relevant literature does not provide a conclusive explanation for this phenomenon (disclosure of the human resources theme) however, it may be that the reporting corporation might consciously or unconsciously develop a series of subsystems of social disclosures to match the perceived importance of constituents and their relationships (Guthrie & Parker, 1990). Human resources disclosure can also be explained from the perspective of legitimacy theory considering that human resources are perceived as an important community resource. Legitimacy theory suggests that for an organization to maintain its 'license to operate' then it must comply with the expectations of the community in which it operates (Islam, 2009).

Customer satisfaction and product quality represent the second most important theme (disclosed by over 68 per cent; and representing 21 per cent of the total CSR disclosure in the annual reports). These figures indicate a relatively high attention to this theme and are consistent with other studies; see for example Hackston & Milne (1996, New Zealand) and Purushothaman et al. (2000, Singapore). This outcome can be explained from a stakeholder perspective wherein an organization responds to the needs and expectations of their powerful stakeholders such as customer as their needs have a strategic role in the ongoing survival of the corporation in a globalised economy. Despite all political challenges between Iran and Western countries over nuclear and political issues and the consequences of sanction, Iran's economy still is heavily involved in trade with the rest of the world including the West. Therefore all companies, particularly manufacturing companies, are exposed to tight competition and have to try hard to secure their market share.

Table 1 also provides descriptive statistics on the environmental performance and policies, community activities and energy consumption themes (26.2, 24.3, 12.6 per cent respectively). The respective amounts of CSR information are 5.8, 3.9, and 2.1 per cent of the total disclosed CSR information. The degree of significance of descriptive figures for these themes varies in different studies. Hafifi and Cooke (2005, Malaysia); Purushothaman et al. (2000, Singapore); Hackston & Milne (1996, New Zealand); and Deegan and Gordon (1996, Australia) observed that 17 per cent; 11.7 per cent; 23 per cent and 36 per cent of their samples respectively disclosed information dealing with this theme while Gibson and Guthrie (1995, Australia) found that 53 per cent of their sample companies reported environmental issues. While sample size and size of the firm have been offered (Deegan & Rankin, 1999) as reasons for differences in environmental disclosure results, it is quite likely that this is also related to the country of origin of the research. In regard to energy consumption, this study (consistent with some other studies such as Purushothaman et al.,
To avoid the dummy variable trap, one of the dummy variables representing industry type must be excluded from the model. To achieve the strongest test of industry type, an industry type at one extreme of the effects was excluded. As a result of this adjustment, the following equation was drawn:

\[ CSR = a + b_1GR\_EMA + b_2GR\_C SH + b_3GR\_FIT + b_4Tot\_Assets + b_5ROA + b_6Gearing \]

Where:
- \( CSR \) = dependent variable measured by number of CSR disclosures in words
- \( a \) = the constant measure
- \( b = the \text{estimated coefficient} \)
- \( GR\_EMA \) = industry type dummy variable - Energy & materials
- \( GR\_C SH \) = industry type dummy variable - Consumer staple and health care
- \( GR\_FIT \) = industry type dummy variable - Financial, IT and telecommunications
- \( Tot\_Assets \) = total assets value reported in the balance sheet
- \( ROA = rate \text{of return on total assets} \)
- \( Gearing = gearing \text{ratio} \)

Reported distribution of CSR disclosures as shown in Table 2 reveals the existence of differences in the extent and type of disclosure observed. In this study four hypotheses namely \( H_1 \), \( H_2 \), Profitability, \( H_3 \) Financial Leverage and, \( H_4 \) Industry type were used to test the factors affecting differences in disclosure of CSR information. In Table 2 the regression results based on the testable equation (which examines the determinants of CSR disclosures) are provided.

**Table 2. Regression estimates - Determinants of CSR disclosures (all themes)**

<table>
<thead>
<tr>
<th>Explanatory Variables</th>
<th>Coefficients</th>
<th>'T' values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>1215.216***</td>
<td>6.609</td>
</tr>
<tr>
<td>GR_EMA</td>
<td>-156.520</td>
<td>-6.105</td>
</tr>
<tr>
<td>GR_C SH</td>
<td>-328.812</td>
<td>-1.070</td>
</tr>
<tr>
<td>GR_FIT</td>
<td>-458.471</td>
<td>-1.216</td>
</tr>
<tr>
<td>Tot_Assets</td>
<td>2250E-5**</td>
<td>2.535</td>
</tr>
<tr>
<td>ROA</td>
<td>544.281</td>
<td>1.504</td>
</tr>
<tr>
<td>Gearing</td>
<td>-49.916</td>
<td>-1.131</td>
</tr>
<tr>
<td>( R^2 )</td>
<td>0.116</td>
<td></td>
</tr>
<tr>
<td>Adjusted ( R^2 )</td>
<td>0.080</td>
<td></td>
</tr>
</tbody>
</table>

'***' indicates significant coefficients under 1% confidence level, '**' indicates significant coefficients under 5% confidence level.

According to the recorded \( R^2 \) value, the model is able to explain the dependent variable up to the 11.6% level of the overall CSR disclosure. This indicates that there may be some other factors which can affect the overall level of CSR disclosure. Among the independent variables used in this model, the only variable which represented a statistically significant relationship was company size. This relationship is consistent with the legitimacy theory concept as within the legitimacy
theory framework the size of a company is a proxy for public visibility (Patten (1991). Therefore, the larger the company the more scrutiny by the public and as a result more CSR information would be disclosed in order to legitimise or maintain legitimacy of its operations. All other recorded coefficient values are statistically insignificant. Confirming the predicted relationship in H1, the size shows a statistically significant positive relationship with the dependent variable. This result is consistent with results found in a number of other studies (see for example Belkouati & Karpik, 1989; Hackston & Milne, 1996; Hamill & Cooke, 2002; Patten, 1991; Parushothaman et al., 2001; and Trotman & Bradley, 1981).

Implications, Limitations and Future Research Directions

The findings presented in this paper expand the existing knowledge about CSR practices in developing countries, in particular, in the case of Iran. For example, the analysis demonstrates, with the exception of human resources disclosures, only a small percentage of Iranian companies disclose CSR information. There is also a low level of disclosure on the part of companies that are making CSR disclosures. Improving the extent of CSR disclosure may be achieved by government mandate and this is perceived by some Iranian stakeholder groups as socially and environmentally crucial for the long term welfare and sustainability of society and the natural environment. Determining the perceived CSR information needs of Iranian stakeholder groups is an important area for further research.

Studies of this type have certain limitations that should be considered when interpreting the results. In this particular study the data were gathered using the content analysis method which involves reading and interpretation of the content of annual reports. The inherent subjectivity of judgments is a limitation of this type of research. However, procedures were utilized to reduce such risk including clearly defining categories of CSR disclosures and decision rules; and recoding of a test sample of annual reports by a second experienced coder.

This study was devoted to an assessment of the extent of CSR disclosures in annual reports of Iranian companies and the relationships between such disclosure and four specified corporate characteristics. The low R² resulting from the regression analysis provides an opportunity to extend the examination undertaken in this study. Future research could consider other variables which may affect the level of CSR disclosures by Iranian listed companies, for example the legal status of corporate ownership. While the focus of this study was to investigate CSR practice in Iran, an international comparative study across countries such as Iran, Turkey, Pakistan and Arab countries around the Persian Gulf in the Middle East region may provide the focus of future studies.

References

15. Ernst & Ernst (1978) ‘Social responsibility disclosure: Surveys of 500 annual reports’. Ernst & Ernst, Cleveland, OH.


