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Investigating the Moderating Role of Family Ownership on the Relationship between Social Responsibility and Information Asymmetry

Amir Ehsan Chabok*, Farhad Fallahnejad, Raheleh Homayouni Rad

Department of Accounting, Hashtgerd Branch, Islamic Azad University, Hashtgerd, Iran.

***Corresponding Author:**

Email: ae_chabok@yahoo.com

Abstract: *The current study scrutinizes the moderating role of family ownership on the relationship between social responsibility and information asymmetry. The research method is descriptive-correlational and the research design is experimental with ex post facto approach. In order to test the research hypotheses, multivariate linear regression based on combined data has been used and by means of statistical and econometric methods, the relationship between independent variables and the dependent variable has been examined. The research findings indicate that family ownership does not significantly moderate the relationship between social responsibility and information asymmetry. The findings are consistent with the findings of Ferrero et al. (2017).*

Keywords: *Social Responsibility, Information Asymmetry, Family Ownership*

INTRODUCTION

Nowadays, an economic institution is successful in case social demand supports it. Regularly the advancement of an institute is due to the product popularity. As the world moves toward the growth and development, the needs of the past lose their importance, and new needs, demands, and objectives replace them. Consequently, on the one hand, the product of the efforts of an economic institution (whether a single-person business or large corporation) can be attributed to person or persons who the idea of establishing the corporation came to their mind and want to continue its activity. On the other hand, the activity of a company is to maintain sustainable social life and the progression and excellence of culture, thus a firm or business, of any kind, has a universal existence and assets. Organization social responsibility, integration among the organization activities and values mean that the interests of all stakeholders, including shareholders, customers, employees, investors, and the general public, have to be reflected in the organization's policies and performances. On the other hand, industrialization, all over the world, has created significant social responsibilities that inevitably have their own specific financial and non-financial effects. Because of globalization, companies in developing countries want to move towards global markets; hence, in order to be accepted in global markets, they must manifest their social responsibilities. Also, companies must know that different groups of society are an applicant of social accountability information because this information plays an important role in their decision making (Jalili and Qeysari, 2014).

Research Objectives

- ✓ Investigating the moderating role of family ownership on the relationship between social responsibility and information asymmetry.

Research hypotheses

Research hypothesis: Family ownership is the moderator of the relationship between social responsibility and information asymmetry.

An analytical model of research

A regression model to test the research hypothesis

$$GRI_{it} = \alpha_0 + \alpha_1 IA_{it} + \alpha_2 Family_{it} + \alpha_3 GRI_Family_{it} + \alpha_4 FRQ_{it} + \alpha_5 HHI_{it} + \alpha_6 Size_{it} + \alpha_7 Growth_{it} + \alpha_8 Leverage_{it} + \alpha_9 Roa_{it} + \mu_{it}$$

The scope of research

The current research will be conducted in the 10-year period (2007-2016).

Method

With regard to the purpose of the research, the current study is an applied research, in terms of the methodology it is descriptive-causal, and in terms of data collection method, it is a library research.

Statistical population, sampling method, and sample size

In this research, the statistical population is the companies accepted in the Tehran Stock Exchange from the beginning of 2007 to the end of 2016 for ten years. In order to achieve the desired statistical sample, the systematic elimination method has been used and the statistical population has been adjusted by means of the following constraints:

1. Sample companies' ten-year membership (during 2007-2016) in Tehran Stock Exchange.
2. Having a fiscal year ending in March 20th (Esfand 29th)
3. Adequate financial information to measure the defined variables
4. Unchanged fiscal year
5. Inactivity in the banks and other financial institutions, investment and intermediation companies, holding and leasing.

Research background

- ✓ Mahmood Soltani (2017) investigated the effect of social responsibility on stock liquidity in companies admitted to the Tehran Stock Exchange. Finally, it was concluded that providing information on employee relationships, information on social participation and information production have a positive and significant effect on stock liquidity.
- ✓ Hossein Alizadeh (2016) examined the relationship between social responsibility and the level of cash holdings in companies admitted to the Tehran Stock Exchange. The research findings indicated that social responsibility has a positive and significant effect on specific risk and systematic risk, and it has a negative and significant effect on corporate governance.
- ✓ Rahmani (2015) scrutinized the effect of the intellectual capital components optional disclosure of information on the information asymmetry of companies accepted in Tehran Stock Exchange. The results of the research hypothesis testing designated that in the study period, the optional disclosure of intellectual capital information has provided contexts for reducing information asymmetry. Ghasemi and Namdar (2015) explored the effect of the characteristics of the Board of Directors on the quality of financial reporting quality in the case of presence and lack of information asymmetry. They

found that the Board of Directors' characteristics had a positive and significant effect on the quality of financial reporting, and this effect was more noticeable in the absence of information asymmetry.

- ✓ Hashemi et al. (2014) inspected the effect of cost sticks on conditional conservatism and information asymmetry. The results of the research hypotheses exposed that after controlling the effect of cost stickiness, conditional conservatism decreases; it means that that part of the temporal asymmetric pattern of profit is due to cost stickiness.
- ✓ Jalili and Qeysari (2014) surveyed the relationship between earnings quality and social responsibility of listed companies in Tehran Stock Exchange. The research findings displayed a significant negative relationship between disclosure of social responsibility, the disclosure of information about employees' relations, production and the environment with institutional ownership.
- ✓ Maranjory and Alikhani (2014) studied social responsibility and corporate governance. The findings indicated that there was a significant positive relationship between the size of the company and the level of environmental and social data, but there was no significant relationship between environmental and social information level and institutional investors and non-executive director.
- ✓ Shams and Soleimani Ashrafi (2013) inspected the relationship between price fluctuation limit and information asymmetry. The results indicated that there is a significant relationship between price fluctuation limit and information asymmetry as well as transaction value and information asymmetry.
- ✓ Ghorbani and Adili (2012) investigated the relationship between cash holding, company value, and information asymmetry. The research results designated that in the status of information asymmetry, there is a reverse and significant relationship between cash holding and company value.
- ✓ Vakilifard et al. (2011) studied the effect of increasing the information disclosure resulting from the implementation of revised audit standards on information asymmetry. The results of the study designated that the revised audit standards did not affect the information asymmetry.
- ✓ Ferrero et al. (2017) inspected the relationship between social responsibility and information asymmetry in the family-owned firms. The results of the research hypotheses testing indicate that the disclosure of social responsibility information in the studied period has provided the contexts for reducing information asymmetry.
- ✓ Cheung (2016) in a research entitled "Corporate social responsibility and corporate cash holdings" concluded that specific risk, systemic risk, social responsibility, and corporate governance affect cash holdings, and social responsibility affects company's specific risk, social responsibility affects the company's systematic risk and social responsibility affects corporate governance.
- ✓ Sabet and Heaney (2015) in a research inspected the relationship between bid prices, information asymmetry, and the acquisition of oil and gas assets. They found that there was no meaningful relationship between these variables.
- ✓ Petacchi (2015) explores the relationship between information asymmetry and capital structure. He found that information asymmetry is higher in high-level companies.
- ✓ Alvesa et al. (2015) scrutinized the relationship between voluntary disclosure, information asymmetry, and the quality of corporate governance. They found that with increasing discretionary disclosure, information asymmetry would decrease and the quality of corporate governance increased.
- ✓ Ehsan and Kalim (2012) studied the used dimensions to measure corporate social responsibility, including two dimensions of employee and social participation (donations and grants). The findings indicate that Pakistani companies pay attention to the social affairs and improving living standards and better facilities for employee education and environmental protection in the new millennium developments, authors believe that the mentioned fact increases their employees' trust and confidence.

- ✓ Nirwanto et al. (2011) inspected the relationship between social responsibility disclosure and institutional ownership percentage in the wood and paper industry. The results of this research indicate that there is a significant and positive relationship between the percentage of institutional ownership and disclosure of social responsibility and employee relationships.
- ✓ Sai et al. (2008) study the effect of asymmetric information on the three main mechanisms of corporate governance (severity), supervision of the board of directors, and market discipline. They found that companies with more information asymmetry have a tendency to use less board supervision, more market discipline, and higher senior management performance.

Research findings

The descriptive statistics of the research variables are shown in Table 1.

Table 1: Descriptive statistics of the research variables in the study period

Variable symbol	Mean	Median	Maximum	Minimum	SD	Skewness	Elongation	Observations
LEVERAGE	0.628	0.667	0.998	0.025	0.223	-0.777	-0.021	930
ROA	1.109	0.372	8.675	-0.830	1.632	1.996	3.552	930
GROWTH	0.598	0.636	0.893	-0.769	0.214	-2.157	-8.640	930
IA	2.057	2.009	2.490	1.902	0.141	1.297	0.734	930
FRQ	1.882	1.680	10.584	1.130	0.784	6.358	2.120	930
SIZE	13.884	13.663	19.009	9.583	1.599	0.641	0.466	930
HHI	0.148	0.102	0.555	0.002	0.133	1.297	0.734	930
FAMILY	0.086	0.000	1.000	0.000	0.280	2.958	6.762	930
GRI	0.452	0.429	0.929	0.071	0.186	-0.188	-0.664	930
GRI*FAMILY	0.041	0.000	0.857	0.000	1.44	3.635	2.482	930

Testing the normality of the statistical distribution of error sentences in the research hypothesis

The assumption that statistical tests explicate the correct results, it is necessary to ensure that the statistical distribution of statistical errors is normal in the research hypothesis. To examine the normality of errors sentence statistical distribution of the research hypothesis the Jarque–Bera has been used in the Eviews software. The statistical distribution of the mentioned test is as follows:

H₀: Statistical distribution of the research hypothesis error sentences has a normal distribution.

H₁: Statistical distribution of the research hypothesis error sentences does not have a normal distribution.

The results of this test are presented in table 2.

Table 2: The results of the statistical distribution normality test of the research hypothesis error sentences

Variable name	Symbol	Jarque–Bera statistics	The probability of Jarque–Bera statistics
The hypothesis error sentences	RESIDUAL	86.827	0.095

Due to the fact that the probability of the Jarque–Bera statistics is greater than the error level of 5% for the statistical distribution of the research hypothesis error sentences, the hypothesis H₀ is confirmed and approves its statistical distribution normality.

Investigating the reliability of research variables

Reliability means that the variables mean and variance over time and their covariance have been constant over different years. To this end, Levin, Lin, and Chu test has been used, and the results of the mentioned test have been shown in table 3. The statistical distribution of the mentioned test is as follows:

H₀: The variables’ data are not reliable.

H₁: The variables’ data are reliable.

Table 3: Testing the research variables' reliability

Variable	Symbol	Levin, Lin and Chu test	
		Test statistic	Test statistics probability
Information asymmetry	IA	-41.098	0.0000
Social responsibilities	GRI	-45.554	0.0000
Family Ownership	FAMILY	-39.693	0.0000
Interaction of social responsibilities	GRIFAMILY	-23.008	0.0000
Financial reporting quality	FRQ	-26.597	0.0000
Competition in product market	HHI	-28.888	0.0000
Company size	SIZE	-52.145	0.0000
company's growth	GROWTH	-70.554	0.0000
Financial Leverage	LEVERAGE	-36.592	0.0000
Return on assets	ROA	-49.562	0.0000

Based on the obtained results, it was concluded that the study variables were reliable during the research. Because the probability of Levin, Lin and Chu test statistics in all variables was less than the 5% error level.

Investigating the lack of collinearity between independent and control variables

The results of the investigating the lack of collinearity between the research variables are presented in table 4.

Table 4: The results of the examining the lack of collinearity between the research independent and control variables

Independent and control variables		Collinearity statistics	
Variable	Symbol	Tolerance	Variance inflation factor (VIF)
Social responsibilities	GRI	0.486	2.065
Family Ownership	FAMILY	0.407	2.048
Interaction of social responsibilities	GRIFAMILY	0.416	2.065
Financial reporting quality	FRQ	0.453	2.457
Competition in the product market	HHI	0.485	2.064
Company size	SIZE	0.499	2.011
Company's growth	GROWTH	0.488	2.066
Financial Leverage	LEVERAGE	0.445	2.014
Return on assets	ROA	0.444	2.013

Due to the fact that tolerance value in all variables is more than 0.2 and the variance inflation factor is less than five, it can be concluded that there is no collinearity among the research variables.

Heteroskedasticity test

In the current study, to distinguish heteroskedasticity, the White test was used and its results are presented in table 5. The statistical distribution of the mentioned test is as follows:

H₀: Homoscedasticity

H₁: Heteroskedasticity

Table 5: Investigating the research variables' heteroskedasticity

Test name	Hypothesis	Test statistic	df	The probability of the test statistic
White	First	4.184	(5.432)	0.0593

The obtained results indicate that the probability of the above test is more than the error level of 5%; thus, it indicates the homogeneity of variance and it was observed that there is no heteroscedasticity.

Chow and Hausman test

In the first stage, by means of the Chow test, the choice of integrated data against panel data is discussed. The hypotheses of this test are explained as follows:

H₀: Accepting integrated data

H₁: Accepting panel data

The result of the test is shown in table 6.

Table 6: Investigating the results of the Chow test

Test name	Hypothesis	Test statistic	df	The probability of the test statistic
Chow	First	56.198	(166.552)	0.0000

According to the above table data, the probability of the Chow test statistic is less than the 5% error level, to this end in order to select the pattern of constant effects against the random pattern, to perform a combined data regression; the Hausman test has been used. The hypotheses about this test are explained below:

H₀: Using random effects method

H₁: Using fixed effects method

The result of the mentioned test is shown in table 7.

Table 7: Investigating the results of the Hausman test

Test name	Hypothesis	Test statistic	df	The probability of the test statistic
Hausman	First	57.184	11	0.0003

As it is clear, the probability of the Hausman test statistic is less than the 5% error level. Consequently, using the fixed pattern against a random effect pattern in research hypotheses is confirmed.

Research hypothesis test

The regression model of the fixed effects of the mentioned hypothesis is shown in table 8.

Table 8: The regression model of the fixed effects of the research hypothesis

Variables	Statistics	Symbol	Regression coefficients	t statistics	The probability of t statistics
Constant		C	0.0177	0.121	0.9031
Social responsibilities		GRI	-1.978	-12.456	0.0000
Family Ownership		FAMILY	-1.943	-5.150	0.0000
Interaction of social responsibilities and Family Ownership		GRIFAMILY	-0.004	-0.111	0.9112
financial reporting quality		FRQ	17.288	3.647	0.0003
Competition in product market		HHI	0.012	1.132	0.2578
Company size		SIZE	-0.50	-2.414	0.0029
Company's growth		GROWTH	-0.012	-0.260	0.7947
Financial Leverage		LEVERAGE	-0.097	1.322	0.1865
Return on assets		ROA	6.555	7.787	0.0000
Coefficient of determination	Adjusted coefficient of determination	Durbin Watson	F	F probability	
0.189	0.101	2.209	21.008	0.0000	

The results of the above table express the following:

- ❖ Family ownership does not significantly moderate the relationship between social responsibility and information asymmetry. Because at first the regression coefficient of the related variable sign (0.004) is negative and secondly the probability of its t statistical probability (0.9112) is greater than the error level of 5%; consequently, research hypothesis is rejected at 95% confidence level.
- ❖ Based on the adjusted coefficient of determination of the model, about 10% of the variation of the dependent variable, while considering the effect of the control variables can be explained by changes in the explanatory variables which can be predicted in the mentioned model.

- ❖ To investigate the autocorrelation between research variables, the Durbin Watson test has been used. Since its value (2.20) is in the optimal range of 1.5 to 2.5, it can be indicated that the correlation between the variance of the error sentences does not have a significant effect, it is independent, and the hypothesis of autocorrelation between variables is rejected.

To investigate the significance of the model, the F test was used; since the probability of the mentioned test statistic (0.0000) is less than the error level of 5%, the meaningfulness of the fitted regression is confirmed; in other words, the overall regression is reliable in linear mode.

Discussion and Conclusion

The current research hypothesis tries to answer the question of whether family ownership in family-owned companies in the Tehran Stock Exchange is a moderator of the relationship between social responsibility and information asymmetry.

The obtained results of the research hypothesis test designate that family ownership does not significantly moderate the relationship between social responsibility and information asymmetry. Due to the adjusted coefficient of determination (0.10), which is relatively weak and paying attention to the probability of t statistics (0.9112), this relationship is not meaningful.

Organization social responsibilities mean that the integration and unison among the activities and values of the organization should be in a way that the interests of all stakeholders, including shareholders, customers, employees, investors, and the general public, be reflected in the organization's policies and practices. On the other hand, industrialization all over the world has created significant social responsibilities that inadvertently have their specific financial and non-financial effects. As a result of globalization, companies in developing countries have a propensity for moving towards global markets; thus, to be accepted in the global markets they must manifest their conducted social responsibilities. Also, companies must know that different groups of society are an applicant of social accountability information because they play an important role in their decision making. Corporate social responsibility is a novel topic in accounting literature and accounting research and has been considered in various respects by investors, analysts, managers, and researchers. Nowadays, shareholders want to invest in the companies that do social responsibilities in a precise order. The corporate social responsibility means the integration of the activities and values of the organization in such a way that the interests of all stakeholders, including stakeholders, customers, employees, investors, and the general public, are reflected in the organization's policies and practices. Industrialization all over the world has created significant social responsibilities that inadvertently have their specific financial and non-financial effects. As a result of globalization, companies in developing countries have a propensity for moving towards global markets, thus to be accepted in the global markets they must manifest their conducted social responsibilities. Also, companies must know that different groups of society are an applicant of social accountability information because they play an important role in their decision making. Those companies that have less information asymmetry may disclose more information to distinguish themselves from companies that are not economically in a good position. One of the factors that affect the reduction of company information asymmetry is corporate social responsibility. Companies with less information asymmetry will disclose more information about social responsibility because this fact will cost less for specific and non-specific issues.

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