The Effect of Corporate Social Responsibility Dimensions on Value Creation of the Pharmaceutical and Non-Pharmaceutical Companies Listed on the Tehran Stock Exchange

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Abstract

Introduction: Corporate social responsibility is a strategic tool for increasing the value and sustainability of a company in the long run through establishing positive relationships with the community, complying with the rules and regulations and applying ethical procedures. The purpose of this study is to investigate the short-run and long-run effects of corporate social responsibility dimensions on the value creation of pharmaceutical and non-pharmaceutical companies.

Method: This research is applied in terms of its purpose and by nature, it is ex-post facto study. The data gathered from 27 pharmaceutical companies and 77 non-pharmaceutical companies listed on the Tehran Stock Exchange during 2010-2016 was analyzed. To measure the dimensions of corporate social responsibility Schwartz and Carroll's theory was applied and multivariate linear regression model and panel data method were administrated to test the decimal ranking method based on accounting variables.

Results: Economic, legal and ethical dimensions of corporate social responsibility has a positive and significant effect on the value creation of companies. The corporate social responsibility mostly impacts the companies’ value creation in the long run.

Conclusion: Corporate social responsibility will reduce information asymmetry and respect all stakeholder rights. Applying ethical procedures in preparing financial reports and complying with rules and regulations will increase the quality of information and lead to optimal decision making by investors. As the company’s social performance impacts its economic performance, the companies’ managers commit to take their social responsibly in order to create value, maximize shareholders’ wealth, serve interests of stakeholders, and reduce agency costs.

Keywords: Cash Value Added, Corporate Social Responsibility, Economic Value Added, Value Creation.