

## Corporate Social Responsibility and Investor Sentiment<sup>1</sup>

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### INTRODUCTION

Given the importance and increasing expansion of capital markets in equipping and raising small individual capital for productive activities, identifying investor behavior and variables affecting stock returns in these markets has become very important. As a result, economic requirements and ethical issues, and participation in economic development will be applied, along with improving the quality of labor, on a larger scale, ie society, and managing their business process in a way that has positive effects on society. But most companies are moving to social responsibility to create and maintain a good image, gain market confidence and prevent stock prices from falling. So that it can be said that whenever the company acts weak to attract and maintain the trust of investors, it will seek to compensate by improving the performance of its social responsibility. Today, business unit managers must consider social and ethical considerations in their strategic goals. Companies that seek to maximize the interests of their stakeholders broadly need to coordinate their social, economic, and business environmental issues. Also, by

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using green intellectual capital, companies can make themselves unique from existing competitors and prevent new competitors from entering the capital market. As a result, strengthening the competitive advantage of companies thereby leads to the consolidation of the company's position in the market. In general, paying attention to the company's obligations to the community is beneficial to both the company itself and the community.

Studies on Investor Feelings on Corporate Social Responsibility of Iranian Stock Companies It seems that no research has been done in Iran so far. Therefore, considering the role and position of social responsibility from the perspective of investors, as well as the simultaneous impact of social responsibility and investors' feelings on each other, the purpose of this study is to answer two questions: Does corporate social responsibility affect investors' feelings and can investors' feelings Is it for corporate social responsibility or not?

## **MATERIALS AND METHODS**

This research is applied in terms of purpose because the results can be used in the decisions of managers and investors. Also, in terms of inference, it is in the group of descriptive correlational research, because regression techniques have been used to discover the relationships between research variables. Selected companies in the research include Tehran Stock Exchange and OTC companies from 2014 to 2019. Using the screening method (systematic) to select the sample, 130 companies listed on the Tehran Stock Exchange were selected to test the hypotheses. A simultaneous equation model has been used to test the research hypotheses. Many relationships can be explained by single equation models. In these models, one variable is considered as a function of one or more other variables, and the causal relationship between the two variables is assumed to be one-way. But there are cases where there is a two-way flow of the causal relationship between the variables; that is, a variable is affected by another variable while affecting it. When the dependent variable in one equation is an explanatory variable in another equation, it is called a pattern or system of simultaneous equations.

## **RESULTS AND DISCUSSION**

The results using the multivariate regression method show that social responsibility activity leads to increased investor sentiment. Therefore, managers identify the demands of investors and respond to them as appropriate, and the capital market, understanding this, shows a positive reaction to the stock value of such companies. Whenever the company realizes that investors are more emotional. They are moving more towards social responsibility. Also, the social responsibility and environmental sustainability information of the business unit, by improving the value of the organization, overshadows the transactional behavior and feelings of the investor and creates a positive attitude towards the business unit. Hence, the social responsibility activities of the business unit lead to a favorable image of its real situation. On the other hand, managers seek to identify and meet the expectations of investors. Under such circumstances and by taking these measures, the capital market and investors react positively to the company. On the other hand, environmental considerations play a key role, and in this way, the organization can gain legitimacy from environmentally sensitive stakeholders by acting voluntarily in the context of global environmental considerations. This creates value for companies.

## **CONCLUSION**

According to the results of the present study, whenever investors' feelings are strong, companies are motivated to improve their social responsibility performance, and when the overall market outlook is negative, investors abandon investing in stocks and choose safer investments. In other words, whenever investors act emotionally, companies will seek redress by improving their social responsibility performance and responding to investors by enhancing their social responsibility activities. On the other hand, if the sentiment is strong for social responsibility activities, companies with high social responsibility are priced at a high level. This is because low-level social responsibility reduces future returns. The results of this research can be useful for the decisions of various stakeholders such as customers, employees, investors, and the community and also for company managers to differentiate themselves from other competing companies, build customer loyalty, improve

their company performance, productivity, attract and retain employees and maximize employees. The value of the company is important.

Based on the findings of the research hypothesis test, based on the positive relationship between social responsibility and investors' feelings, it can be suggested that inspectors and supervisors of the Tehran Stock Exchange in their plans to achieve the main goal, which is to maximize the wealth of shareholders, stakeholders, and society. Examine the focus of social responsibility. Also, due to the importance of indicators of social responsibility, standards formulators and business units should help investors to make appropriate decisions by developing appropriate standards in this area.

**Keywords:** Environmental Issues, Investor Sentiment, Simultaneous Equations, Social Responsibility.

**JEL classification:** C31, M14, L20, E01.

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