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The Relationship between the Geographical Proximity of Institutional Owners and Disclosure of Corporate Social Responsibility by Considering the Moderating Role of Corporate Governance Mechanisms

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Abstract

This research aims to investigate the impact of the geographical proximity of institutional owners on corporate social responsibility (CSR) disclosure while considering the moderating role of corporate governance mechanisms. The study examines 105 companies listed on the Tehran Stock Exchange between 2014 and 2020, using financial statements and independent auditor's reports as primary data sources. It adopts a correlational research design, categorizing it as descriptive and post-event due to its longitudinal time horizon and use of historical information. Findings suggest that ownership of local institutional owners alone does not significantly influence CSR disclosure. However, research and development expenditures and the independence and expertise of the audit committee moderate the relationship between the geographical proximity of institutional owners and CSR disclosure. Notably, companies with higher R&D expenditures and independent and specialized audit committees disclose more CSR information with increasing ownership of local institutional owners. Conversely, board independence, audit firm type, and CEO/chairman duality do not significantly affect this relationship. This study is innovative, as no previous research has explored the connection between the geographical proximity of institutional owners and CSR disclosure.

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1. Introduction

Corporate social responsibility has become increasingly important for many companies, especially large ones. Advocates of corporate disclosure argue that it can enhance owners' wealth. Companies implement social responsibility as a business strategy in highly competitive environments to improve their credibility and market share. According to a recent theory, businesses can boost their activities, competitiveness, and innovation by generating wealth, creating employment opportunities, and fulfilling societal obligations. By understanding the potential benefits of social responsibility, companies can achieve high returns on investment. Companies' commitment to social responsibility in all dimensions significantly impacts their financial performance. The trend towards disclosing social responsibility initiatives encourages companies to improve the environment, reduce energy consumption and waste management, and use fewer materials (Sandhu and Kapoor, 2010).

Recently, new stakeholders have emerged in the capital markets among corporate owners, who are referred to as institutional owners in the organizational literature. Institutional owners can be essential in reducing agency problems and increasing the owners' interests. Institutional owners are recognized as a robust corporate governance system that shapes corporate policies, from financial to social policies (Chaganti and Damanpour 1991; Bushee 1998; Hadani et al. 2011; Chang et al. 2016; Coffey and Fryxell 1991). Institutional owners' investment goals and behaviors are not necessarily the same, as they can be quite diverse. Researchers have repeatedly shown that institutional owners influence corporate policies differently because they exert their influence in a way compatible with their different characteristics and interests. (Brickley et al. 1988; Johnson and Greening 1999; Agrawal 2012).

The location of institutional owners has different effects on corporate social responsibility decisions. In other words, geographical distance determines information asymmetry (Coval and Moskowitz 2001). localness of institutional owners leads to less information asymmetry, facilitating the assessment of social performance benefits (Oliver 1991). Geographical proximity can also reduce the cost of analyzing social performance and evaluating local companies' policies, including social responsibility policies (Jensen et al., 2015). Therefore, local institutional ownership is expected to affect social responsibility disclosure differently than their non-local type.

In addition to the effect of the location of institutional ownership on the disclosure of social responsibility, geographical proximity is associated with ease of obtaining and evaluating soft information. Geographical proximity facilitates the collection and evaluation of soft data such as R&D expenditures and intangible assets of local institutions and opens the way for frequent interactions between investors.

Today, because the survival of companies in the long run, in addition to financial issues, depends on social and environmental issues, companies are trying to be accountable for disclosing social responsibility within corporate governance systems (Jamali et al., 2008). According to Choi et al. (2013), managers can strategically use social responsibility disclosure to hide their opportunistic behavior. Accordingly, there needs to be an oversight mechanism, such as an audit committee, to improve the disclosure status of social responsibility. The audit committee is expected to oversee the financial and non-financial reports as a group represented by the company's board of directors and to minimize information asymmetries between management and stakeholders.

Therefore, considering the importance of the issue and the fact that so far, no research has been observed in Iran on this issue, this study examines whether there is a significant relationship between the geographical distance of institutional owners and the disclosure of social responsibility. In addition, this study seeks to answer the question of whether the characteristics of the audit committee, such as the independence and expertise of the committee as well as corporate governance, affect the relationship or not. Since no research on this subject has been observed in Iran so far, so despite this

research gap, such research will be necessary.

2. Literature review

2.1. The effect of institutional ownership on social responsibility

The prevalence of scams and financial scandals in the world's largest corporations has eroded owners' confidence in their financial disclosures. As a result, shareholders are increasingly interested in a company's social responsibility commitments and financial characteristics. Corporate social responsibility involves decision-makers committing to actions that enhance societal welfare while also securing their own interests (Hasas Yeganeh and Barzegar, 2005).

Recently, there have been new stakeholders in the capital markets among the owners of companies, which in the literature on corporate governance are called institutional owners. The existence of institutional owners, according to their percentage of ownership, has attracted the attention of researchers in two different areas; The first part is based on the effect that institutional owners can have in reducing agency problems and increasing the interests of shareholders. The second part deals with the social performance of companies and organizational stakeholders. Most financial institutions and investment firms raise funds by selling their shares and then buying a set of securities and financial assets. It can be said that these institutions represent small and medium-sized owners in the market, which is a kind of representation of specialized people for non-specialists. Therefore, the presence of institutional owners in the financial markets can play two critical roles. The first is to reduce risk by diversifying acquired financial assets and creating the right combination. Small owners do not have this opportunity and play this role at a higher risk. In addition, institutions have more ability to control managers due to having the necessary expertise to critique the activities and performance of corporate managers. Institutional owners are recognized as a robust corporate governance system that shapes corporate policies, from financial policies to social policies (Chaganti and Damanpour 1991; Bushee 1998; Hadani et al. 2011; Chang et al. 2016; Coffey and Fryxell 1991).

Institutional owners increased their dominance to 67% by the end of 2009 and gained more power to influence corporate decisions. Because the potential benefits of social performance are usually long-term, uncertain, and difficult to value, institutional owners with different characteristics evaluate the costs and benefits of social performance differently, thus guiding social performance decisions in different directions.

Numerous studies have documented a significant relationship between institutional ownership and social responsibility. For example, Motta and Uchida (2018) find that institutional ownership is positively related to the probability of subsequent improvements in environment ratings for Japanese firms. Cheng et al. (2022) find that common institutional ownership is negatively associated with the level of CSR. Kordsachia et al. (2021) indicate that sustainable institutional ownership is positively associated with a firm's environmental performance. Further investigations reveal that sustainable institutional investor ownership is positively associated with firms' willingness to respond to the Carbon Disclosure Project. Martínez-Ferrero and Lozano (2021), by examining an international sample composed of 17,318 firm–year observations from the period 2012–18 for 16 emerging countries, our findings reveal that the environmental, social, and governance (ESG) performance of firms located in emerging countries depends on the level of influential institutional ownership, and displays a U-shaped relation, particularly for environmental disclosure. Institutional investors with low ownership are less likely to promote higher ESG performance in emerging countries. However, this effect is attenuated when institutional ownership reaches a significant percentage, constituting a critical mass.

Meanwhile, the geographical proximity of institutional owners leads to less information asymmetry, which facilitates the assessment of social performance benefits (Oliver 1991). Research shows that local institutional owners, compared to their non-local counterparts, are not only shareholders in the company but also shareholders in the community and are more likely to enjoy the benefits of corporate accountability activities, including clean air, energy savings, and satisfied labor.

Local institutional ownership is expected to drive disclosing social responsibility strongly. Geographical distance determines information asymmetry (Coval and Moskowitz 2001), and geographical proximity can change the dynamics of cost-benefit analysis for local economic agents' performance and valuation of corporate policies, including social policy responsibility engagement (Jensen et al. 2015). On the other hand, after establishing an investment relationship, better evaluation of social responsibility information leads institutional owners to move to local companies with positive social responsibility. In other words, institutional owners choose local companies with superior social responsibility. Therefore, local institutional ownership is assumed to affect social responsibility disclosure differently than their non-local type.

Chang et al. (2021) examined the effect of the geographical proximity of institutional owners on the disclosure of social responsibility. Findings showed a significant relationship between the location of institutional owners and the disclosure of social responsibility.

2.2. Geographical proximity and soft information

In addition to the effect of the location of institutional owners on the disclosure of social responsibility, geographical proximity is associated with ease of obtaining and evaluating soft information. Soft information cannot be directly verified by anyone other than the producer. Conversely, hard data is information that is easy to measure and transfer. The strengths of corporate social responsibility include hard but soft information such as changes in consumer perception, improved employee morale, fewer liability lawsuits, wider community support for a diverse workforce, etc. These intangible benefits are not as easily measurable or verifiable, especially from a distance.

Geographical proximity facilitates the collection and evaluation of soft information of local institutions and opens the way for frequent interactions between investors. Kang and Kim (2008) show that institutional owners are more efficient in local transactions because they are more accurate in assessing synergies due to geographical proximity. Likewise, it is argued that having local knowledge by local institutional owners allows them to quickly and directly access corporate social responsibility information, especially corporate social responsibility strengths. For example, a local investment manager who has multiple visits to a firm and has a lot of acquaintances there may understand how diversity mitigates conflicts at the firm and actively pursues a diversity policy. But a non-local investment manager may dismiss the diversity policy as unnecessary. Thus, geographical proximity and long-term investment horizons both help institutional owners assess the value of corporate social responsibility activities. Previous studies have shown that corporate social responsibility activities help build trust between the company and its shareholders and lead to more motivated employees who are proud of their employer. Geographical proximity helps local business owners better appreciate these intangible benefits, especially in companies where soft information is essential.

Chang et al. (2021) study showed that managers operate within corporate governance structures and that institutional ownership is an important corporate governance mechanism that influences managerial decisions. Therefore, managers must recognize that institutional owners with different characteristics have different demands for the disclosure of social responsibility. In addition, geographical proximity is one feature that changes long-term organizational owners' demand to

disclose social responsibility by changing their profit and cost analysis. Local institutional owners emphasize the benefits of disclosing social responsibility because they benefit society. In addition, geographical proximity helps them better evaluate the soft information embedded in social responsibility activities. Their findings also indicate that long-term local institutional owners significantly positively affect corporate social performance compared to their non-local counterparts. They also found that there is a positive relationship between local institutional ownership and disclosure of social responsibility is strong in companies that are more involved in trading soft information (such as those with high levels of research and development expenditures as well as intangible assets) because it is difficult to quantify this information remotely

2.3. The effect of corporate governance on the relationship between institutional ownership and disclosure of social responsibility

Today, companies are trying to be accountable for social responsibility issues within corporate governance systems because the survival of companies in the long run, in addition to financial issues, depends on social and environmental issues (Jamali et al., 2008). However, there are also concerns about the quantity and quality of corporate social responsibility disclosure. In this regard, Ball et al. (2000) argue that managers only use social responsibility disclosure to increase their credibility. In addition, according to Choi et al. (2013), managers can strategically use social responsibility disclosure to disguise their opportunistic behavior. Accordingly, it is necessary that an oversight mechanism, such as an audit committee, be put in place to improve the status of disclosure of social responsibility. The audit committee is expected to monitor financial and non-financial reports and reduce information asymmetries between management and stakeholders to a minimum (Karamanou and Vafeas, 2005). As a strong controlling mechanism to protect owners' interests, the audit committee chooses a searching attitude and questions management judgments due to the asymmetry of information and agency theory. The purpose of forming an audit committee is to assist the board in overseeing and improving its oversight in order to ensure reasonable assurance of the effectiveness of the governance system processes, risk management and internal controls, internal audit effectiveness, financial reporting health, independent auditor independence and independent audit effectiveness, compliance with laws, regulations and requirements. In the reporting field, this committee oversees crucial financial reporting issues, major judgments and estimates, major accounting procedures, how to disclose and select and change each, and disclose transactions with related parties in the company's financial statements. It's also responsible for ensuring reasonable assurance about the health, reliability and timeliness of other reports prepared for extra-organizational people. Although the traditional role of the audit committee has been to focus on mandatory financial reporting disclosures, after the collapse of companies such as WorldCom and Enron in the United States and under pressure from owners, the audit committee focused on voluntary disclosure Be´ dard et al. (2004) believe that the existence of an effective audit committee can affect the level of financial and non-financial disclosure, including disclosure of social responsibility. Choi et al. (2013) state that companies intelligently conceal their opportunistic behaviors through disclosure of social responsibility, so regulatory tools such as the audit committee act must improve the disclosure status of social responsibility. As a company board of directors representative, the audit committee is expected to oversee financial and non-financial reports to reduce agency problems and information asymmetries between the manager and the stakeholder (Karamanou and Vafeas, 2005).

Giannarakis (2014) showed that board size and profitability are directly related to the level of social responsibility, while no significant relationship was found between financial leverage and social responsibility. The financially specialized audit committee can improve the voluntary

disclosure of information, such as social responsibility disclosure and reduce the misuse of corporate assets.

Based on the theoretical foundations, the following hypotheses have been explained to answer the central questions of this research:

Hypothesis 1: There is a significant relationship between the ownership of local institutional owners and the disclosure of social responsibility.

Hypothesis 2: The relationship between the ownership of local institutional owners and the disclosure of social responsibility in companies where the evaluation of soft information is essential is significantly different from other companies.

Hypothesis 3: The board's independence significantly affects the relationship between local institutional owners' ownership and social responsibility disclosure.

Hypothesis 4: The type of audit firm significantly affects the relationship between the ownership of local institutional owners and the disclosure of social responsibility.

Hypothesis 5: The duality of the CEO and the chairman or vice-chairman of the board significantly affects the relationship between the ownership of the local institutional owners and the disclosure of social responsibility.

Hypothesis 6: The independence of the audit committee significantly affects the relationship between the ownership of local institutional owners and the disclosure of social responsibility.

Hypothesis 7: The financial expertise of the audit committee has a significant effect on the relationship between the ownership of local institutional owners and the disclosure of social responsibility.

3. Research Methodology

This research is applied from the point of view of segmentation of research according to the purpose because the purpose of applied research is to develop applied knowledge in a specific field. On the other hand, the data collection method of this research is descriptive (non-experimental). The purpose of descriptive research can be to understand the situation as much as possible or help the decision-making process. Still, according to the different categories of descriptive research, the research is correlational. The present study, because the studied data are collected and reviewed in a period of 7 years and the period of fiscal years 2014 to 2020, in terms of longitudinal time horizon and terms of the nature of the data (due to the use of real and historical information) a post-event is considered. Also, the present study has been done by the deductive-inductive method.

The statistical population of this study includes 105 companies listed in the Tehran Stock Exchange, which have the following conditions.

1- In terms of increasing comparability, the end of the companies' fiscal year is March 20 and they have not changed their fiscal year during the research period.

2- Companies are not members of financial intermediation, holding and banking industries, insurance and investment. This is because such companies differ from other companies in the nature of their operations and the classification of items in their financial statements.

3- Companies have been listed on the Tehran Stock Exchange since 2014.

4- The companies' transactions should not have been completely stopped during the research period.

5- All the data required for the research for those companies should be available during the

research period.

This study used the financial statements of companies and the independent auditor's report to collect data. The data required for this research have been collected through the Rahavard-e-Novin database and referred to the Codal website. Also, research hypotheses have been tested using a multivariate regression model and SPSS software.

In this study, following Chang et al. (2021), model (1) is used to investigate the relationship between the ownership of local institutional owners and the disclosure of social responsibility.

$$CSR_{it} = \alpha_0 + \alpha_1 LII_{t-1} + \alpha_2 logTA_{t-1} + \alpha_3 LEV_{t-1} + \alpha_4 ROA_{t-1} + \alpha_5 Tobin'sQ_{t-1} + \alpha_6 FA/TA_{t-1} + \alpha_7 log\ AGE_{t-1} + Firm\ Fixed\ Effect + Year\ Fixed\ Effect \qquad (1)$$

Social responsibility disclosure (CSR): The dependent variable of this research is the disclosure of corporate social responsibility. Content analysis is commonly used to assess organizations' social and environmental disclosures (Abbott and Manson, 1979). This method uses a checklist tool to encrypt quality information designed in annual reports. The present study calculates corporate social responsibility using the corporate social responsibility checklist. This checklist focuses on the following four:

1. Disclosure of information related to environmental issues

The cases of disclosure of information related to environmental issues are as follows:
The company's strategy towards the environment - energy saving - recovering the device for waste products - participation in environmental protection programs - protection of natural resources - observance of environmental laws and requirements - disposal of waste in an appropriate manner - financing and equipment used in environmental protection - green space - research and development in the direction of the environment.

2. Disclosure of information related to human resources

The cases of disclosure of information related to human resources are as follows:
Human resources development - health care - educational facilities - holidays and vacations - safety in the workplace - establishment of educational centers - recreation Clubs and public libraries (sports and welfare) - employees' wages - employee payments at special interest rates - number of employees - sustainability in the work of workers and the future of the company - company strategy for the package/reward plan - reforms around hiring employees - plan to buy employee shares - retirement plan and end-of-service benefits.

3. Disclosure of information related to community responsibilities

The cases of disclosure of information related to the responsibilities of the community are as follows:
Gifts to charities, artists, and athletes - support for seminars and educational conferences - relationship with the local population - gifts for the hall and public hall - transportation of employees' children - establishment of medical centers - establishment of educational institutions - implementation of projects in weak areas - sponsor of education and research for students - participate in serving community programs - provide job opportunities and improve unemployment reduction - cash rewards - participation and funding in community celebrations - assistance and financial aid.

4. Disclosure of production information

The cases of disclosure of production information are as follows:

Development related to the company's products, including their packaging - product quality - arranging research projects on product improvement - meeting customer needs - the company's role in controlling prices and optimizing profits - compliance with customer protection laws - customer service programs, market, research, product, warranty and customer training about the product sold.

A point is awarded for each of the above. Then the total points are calculated and finally, the total points in each company are divided by the number 48 (all the mentioned criteria). The result of the division indicates the company's social responsibility score.

The geographical proximity of institutional owners (LII): Following the research of Dong and Robinson (2018) to measure the geographical proximity of institutional owners, the geographical coordinates of institutional owners and their distance from the company have been studied. If the distance between the office of the institutional owner and the office of the company is less than 100 km, it is considered a local investor. This variable results from the total shares held by the local institutional owners.

Log TA: is the logarithm of all assets.

LEV: is the result of dividing total liabilities by total assets.

ROA: is the result of dividing net income by total assets.

Q Tobin's: is the result of dividing the market value of assets by the book value of assets. The total book value of debt and the market value of equity is calculated to calculate the market value of assets.

FA / TA: is the result of dividing fixed assets by total assets.

Log AGE: is the logarithm (age of the company+1); the company's age is calculated from entering the stock exchange.

Following Chang et al. (2021), model (2) is used to examine the relationship between the ownership of native institutional owners and the disclosure of social responsibility in companies where the evaluation of soft information is important.

$$CSR_{it} = \alpha_0 + \alpha_1 LII_{t-1} + \alpha_2 SI_{t-1} + \alpha_3 LII_{t-1} * SI_{t-1} + \alpha_4 logTA_{t-1} + \alpha_5 LEV_{t-1} + \alpha_6 ROA_{t-1} + \alpha_7 Tobin'sQ_{t-1} + \alpha_8 FA/TA_{t-1} + \alpha_9 \log AGE_{t-1} + Firm\ Fixed\ Effect + Year\ Fixed\ Effect \qquad (2)$$

SI: Represents companies in which soft information evaluation is critical. Two criteria are used to measure this variable; the first criterion; If the company has R&D expenditures, the number one is otherwise zero. The second criterion; If the company's intangible assets are more than the middle of the observations, the number one is otherwise zero.

Following Chang et al. (2021), model (3) examines the impact of board independence on the relationship between ownership of local institutional owners and disclosure of social responsibility.

$$CSR_{it} = \alpha_0 + \alpha_1 LII_{t-1} + \alpha_2 BI_{t-1} + \alpha_3 LII_{t-1} * BI_{t-1} + \alpha_4 logTA_{t-1} + \alpha_5 LEV_{t-1} + \alpha_6 ROA_{t-1} + \alpha_7 Tobin'sQ_{t-1} + \alpha_8 FA/TA_{t-1} + \alpha_9 \log AGE_{t-1} + Firm\ Fixed\ Effect + Year\ Fixed\ Effect \qquad (3)$$

BI: The board of directors independence results from dividing non-executive members into all members.

Following Chang et al. (2021), model (4) is used to investigate the effect of the type of auditing

firm on the relationship between the ownership of local institutional owners and the disclosure of social responsibility.

$$CSR_{it} = \alpha_0 + \alpha_1 LII_{t-1} + \alpha_2 Audit_{t-1} + \alpha_3 LII_{t-1} * Audit_{t-1} + \alpha_4 logTA_{t-1} + \alpha_5 LEV_{t-1} + \alpha_6 ROA_{t-1} + \alpha_7 Tobin'sQ_{t-1} + \alpha_8 FA/TA_{t-1} + \alpha_9 \log AGE_{t-1} + Firm\ Fixed\ Effect + Year\ Fixed\ Effect \quad (4)$$

Audit: If the auditing organization audits the company, one is one; otherwise, zero.

Following Chang et al. (2021), model (5) is used to examine the effect of the duality of the CEO and the chairman or vice-chairman of the board on the relationship between the ownership of the native institutional owners and the disclosure of social responsibility.

$$CSR_{it} = \alpha_0 + \alpha_1 LII_{t-1} + \alpha_2 DUAL_{t-1} + \alpha_3 LII_{t-1} * DUAL_{t-1} + \alpha_4 logTA_{t-1} + \alpha_5 LEV_{t-1} + \alpha_6 ROA_{t-1} + \alpha_7 Tobin'sQ_{t-1} + \alpha_8 FA/TA_{t-1} + \alpha_9 \log AGE_{t-1} + Firm\ Fixed\ Effect + Year\ Fixed\ Effect \quad (5)$$

DUAL: Dual role of the CEO, if the CEO, Chairman or Vice Chairman of the Board is number one; otherwise, number zero

Following Chang et al. (2021), model (6) is used to examine the effect of the independence of the audit committee on the relationship between the ownership of the native institutional owners and the disclosure of social responsibility.

$$CSR_{it} = \alpha_0 + \alpha_1 LII_{t-1} + \alpha_2 AC - IND_{t-1} + \alpha_3 LII_{t-1} * AC - IND_{t-1} + \alpha_4 logTA_{t-1} + \alpha_5 LEV_{t-1} + \alpha_6 ROA_{t-1} + \alpha_7 Tobin'sQ_{t-1} + \alpha_8 FA/TA_{t-1} + \alpha_9 \log AGE_{t-1} + Firm\ Fixed\ Effect + Year\ Fixed\ Effect \quad (6)$$

AC-IND: is the independence of the audit committee, which is derived from the ratio of independent (non-executive) committee members to the total number of members.

Following Chang et al. (2021), model (7) is used to examine the impact of the audit committee's financial expertise on the relationship between the ownership of local institutional owners and the disclosure of social responsibility.

$$CSR_{it} = \alpha_0 + \alpha_1 LII_{t-1} + \alpha_2 AC - SPE_{t-1} + \alpha_3 LII_{t-1} * AC - SPE_{t-1} + \alpha_4 logTA_{t-1} + \alpha_5 LEV_{t-1} + \alpha_6 ROA_{t-1} + \alpha_7 Tobin'sQ_{t-1} + \alpha_8 FA/TA_{t-1} + \alpha_9 \log AGE_{t-1} + Firm\ Fixed\ Effect + Year\ Fixed\ Effect \quad (7)$$

AC-SPE: The financial expertise of the audit committee is the ratio of the number of members with the financial expertise of the committee to the total membership.

4. Findings
4.1. Descriptive statistics

The descriptive findings of this study, including mean, median, standard deviation, minimum observation and maximum observation, are presented in Table (1). The slight difference between the median and mean variables indicates that the variables are normal. Variables also have a low standard deviation, which confirms the uniform distribution of data.

According to Table (1), the geographical location variable shows that about 15% of the observations have local institutional owners, so their distance from the company's office is less than

100 km. Also, on average, 56% of the assets of the surveyed companies are secured from debts, and the share of fixed assets in the total assets is 24%. In addition, the average return on assets in the sample companies was 13%. Also, on average, 68% of the board members are independent.

Table 1. Descriptive statistics

Variable	Symbol	Mean	Median	Standard deviation	Min	Max
Corporate Social Responsibility	CSR	0.395	0.413	0.127	0.000	0.695
The geographical location of the institutional owners	LII	14.617	0.000	27.310	0.000	95.329
Independence of the board	BI	0.680	0.600	0.170	0.000	1.000
Type of auditor	AUDIT	0.21	0.000	0.405	0.000	1.000
CEO duality	DUAL	0.040	0.000	0.203	0.000	1.000
Independence of the Audit Committee	AC-IND	0.566	1.000	0.332	0.000	1.000
The speciality of the audit committee	AC-SPE	0.741	1.000	0.388	0.000	1.000
Research and development expenditures	SI1	0.160	0.000	0.371	0.000	1.000
Intangible assets	SI2	0.550	1.000	0.498	0.000	1.000
The logarithm of total assets	logTA	6.236	6.195	0.590	4.574	8.765
Debt ratio	LEV	0.565	0.560	0.241	0.036	1.787
Return on assets	ROA	0.130	0.115	0.147	-0.297	0.626
Asset market value to the book value of assets	TobinsQ	2.226	1.361	2.324	0.202	12.947
Fixed assets to total assets	FA/TA	0.241	0.194	0.169	0.011	0.795
Company age logarithm	logAGE	1.317	1.322	0.164	0.845	1.755

According to Table (2), the audit organization audited 21% of the observations. The duality variable of the CEO, with an average of 4%, indicates that the CEO does not play a dual role in most observations. 57% and 74% of the members of the auditing committees are independent financial experts, respectively. The R&D expenditure variable indicates that 16% of observations have R&D expenditures and the intangible assets variable indicates that 55% have high intangible assets.

Table 2. The frequency table of dummy variables

Variable Name	Symbol	Zero	One
Independence of the Audit Committee	AC-IND	0.430	0.570
the speciality of the audit committee	AC-SPE	0.260	0.740
Research and development expenditures	S1	0.840	0.160
Intangible assets	S2	0.450	0.550
Type of audit	AUDIT	0.790	0.210
CEO duality	DUAL	99.960	0.040

4.2. Test results of the first hypothesis

There is a significant relationship between the ownership of local institutional owners and the disclosure of social responsibility.

In order to test the first hypothesis, the model fitting preconditions are first addressed. It is observed that the significant value of Fisher statistic is 0.000 and considering that this value is below the 5% error level, the regression model has a good linear fit. On the other hand, the value of the adjusted coefficient of determination is 0.386; in other words, about 39% of the dependent variables are explained by explanatory variables. Regarding the main independent variable of the research, i.e. the geographical location of the institutional owners, the significance value is 0.449 and considering that this value is more than the 5% error level, the first hypothesis is not confirmed. Therefore, there is no significant relationship between the ownership of local institutional owners and the disclosure of social responsibility.

Table 3. Test results of the first hypothesis

Variable		Coefficient	Standard coefficients	T-statistic	Sig.
Constant	C	0.319	0.062	5.154	0.000
The geographical location of the institutional owners	LII	0.000	0.000	0.769	0.442
The logarithm of total assets	LogTA	0.048	0.008	5.948	0.000
Debt ratio	LEV	-0.092	0.023	-4.021	0.000
Return on assets	ROA	-0.163	0.041	-3.996	0.000
Asset market value to the book value of assets	Tobins'Q	0.006	0.002	2.539	0.011
Fixed assets to total assets	FA/TA	0.016	0.026	0.616	0.538
Company age logarithm	log age	-0.070	0.027	-2.631	0.009
Industry effects	ΣIND		Controlled		
Effects of the year	ΣYEAR		Controlled		
F			17.665		
Sig. F			0.000		
R Square			0.410		
Adjusted R Square			0.386		

In addition, as you can see in Table (3), there is a positive and significant relationship between the logarithm of total assets and the market value of assets to the book value of assets with the disclosure of social responsibility. There is also a negative and significant relationship between debt ratio, return on assets and company age logarithm with the social responsibility disclosure.

4.3. Test results of the second hypothesis

The relationship between the ownership of local institutional owners and the disclosure of social responsibility in companies where the evaluation of soft information is essential is significantly different from other companies.

Table 4. Test results of the second hypothesis

Variable		Coefficient	Standard Coefficients	T-statistic	Sig
Constant	C	0.301	0.062	4.868	0.000
The geographical location of the institutional owners	LII	0.000	0.000	-1.467	0.140
Research and development expenditures	SI1	-0.047	0.014	-3.214	0.001
Interactive effect of R&D expenditure and geographical location of institutional owners	LII*SI1	0.001	0.001	3.985	0.000
The logarithm of total assets	logTA	0.051	0.008	6.297	0.000
Levrage	LEV	-0.098	0.023	-4.323	0.000
Return on assets	ROA	-0.166	0.040	-4.135	0.000
Asset market value to the book value of assets	Tobins'Q	0.006	0.002	2.390	0.017
Fixed assets to total assets	FA/TA	0.013	0.025	0.502	0.016
Company age logarithm	logAGE	-0.063	0.027	-2.382	0.010
Industry effects	ΣIND		Controlled		
Effects of the year	ΣYEAR		Controlled		
F			17.447		
Sig. F			0.000		
R Square			0.424		
Adjusted R Square			0.400		

Two criteria of research and development expenditures and intangible assets have been used to

test the second hypothesis. First, we test the second hypothesis utilizing the research and development expenditures criterion. In this way, the preconditions of model fitting are first addressed. It is observed that the significant value of Fisher statistic is 0.000 and considering that this value is below the 5% error level, the regression model has a suitable linear fit. On the other hand, the adjusted coefficient of determination is 0.400; in other words, about 40% of the dependent variables are explained by explanatory variables. In the case of the primary independent variable of the research, i.e. the interactive effect of research and development expenditures and the geographical location of the institutional owners, the significance value is 0.000 and considering that this value is less than the error level of 5%, the second hypothesis is confirmed, and it can be said that the relationship between the ownership of local institutional owners and the disclosure of social responsibility in companies in which the evaluation of soft information (research and development expenditures) is essential is significantly different from other companies. According to the results in the table, it can be said that in companies with research and development expenditures, there is a positive and significant relationship between the ownership of local institutional owners and the disclosure of social responsibility. We test the second hypothesis using the intangible assets criterion in the following. We first examine the preconditions for model fit. It is observed that the significant value of Fisher statistic is 0.000 and considering that this value is below the 5% error level, the regression model has a suitable linear fit. On the other hand, the value of the adjusted coefficient of determination is 0.388; in other words, about 39% of the dependent variables are explained by explanatory variables. Regarding the main independent variable of the research, i.e. the interactive effect of intangible assets and the geographical location of the institution, the significance value is 0.622, considering that this value is more than the 5% error level. The second hypothesis has not been confirmed and it cannot be said that the relationship between the ownership of local institutional owners and the disclosure of social responsibility in companies where the evaluation of soft information (intangible assets) is necessary is significantly different from other companies.

4.4. Test of the third hypothesis
The board's independence significantly affects the relationship between local institutional owners' ownership and social responsibility disclosure.

Table 5. Test results of the second hypothesis (intangible assets)

Variable		Coefficient	Standard coefficients	T-statistic	Sig
Constant	C	0.301	0.062	4.829	0.000
The geographical location of the institutional owners	LII	8.650	0.010	0.396	0.069
Intangible assets	SI2	-0.021	0.010	-1.987	0.047
The interactive effect of intangible assets and the geographical location of institutional owners	LII*SI2	0.000	0.000	0.494	0.622
The logarithm of total assets	LogTA	0.053	0.008	-6.294	0.000
Levrage	LEV	-0.087	0.023	-3.763	0.000
Return on assets	ROA	-0.161	0.041	-3.966	0.000
Asset market value to the book value of assets	Tobins'Q	0.006	0.002	2.485	0.013
Fixed assets to total assets	FA/TA	0.022	0.026	0.842	0.400
Company age logarithm	log age	-0.073	0.027	-2.698	0.007
Industry effects	ΣIND		Controlled		
Effects of the year	ΣYEAR		Controlled		
F			16.677		
Sig. F			0.000		
R Square			0.413		
Adjusted R Square			0.388		

In order to test the third hypothesis, the preconditions of the model fit first. It is observed that the significant value of Fisher statistic is 0.000 and considering that this value is below the 5% error level, the regression model has a suitable linear fit. On the other hand, the value of the adjusted coefficient of determination is 0.388; in other words, about 39% of the dependent variable is explained by explanatory variables. In the case of the primary independent variable of the research, i.e. the interactive effect of board independence and geographical location of the institutional owners, the significance value is 0.106 and considering that this value is more than the error level 5, the third hypothesis has not been confirmed and it can not be said that the independence of the board has a significant effect on the relationship between the ownership of local institutional owners and the disclosure of social responsibility.

4.5. Test of the fourth hypothesis

The type of audit firm significantly affects the relationship between the ownership of local institutional owners and the disclosure of social responsibility.

In order to test the first fourth hypothesis, the preconditions of model fit are discussed. It is observed that the significant value of Fisher statistic is 0.000 and considering that this value is below the 5% error level, the regression model has a suitable linear fit. On the other hand, the value of the adjusted coefficient of determination is 0.394; in other words, about 39% of the dependent variables are explained by explanatory variables.

In the case of the main independent variable of the research, i.e. the interactive effect of the type of auditor and the geographical location of the institutional owners, the significance value is 0.742, considering that this value is more than a 5% error level. The fourth hypothesis has not been confirmed and it cannot be said that the type of audit firm significantly affects the relationship between the ownership of local institutional owners and the disclosure of social responsibility.

4.6. Test of the fifth hypothesis

The duality of the CEO and the chairman or vice-chairman of the board significantly affects the relationship between the ownership of the local institutional owners and the disclosure of social responsibility.

In order to test the first fifth hypothesis, the preconditions of model fit are discussed. It is observed that the significant value of Fisher statistic is 0.000 and considering that this value is below the 5% error level, the regression model has a suitable linear fit. On the other hand, the value of the adjusted coefficient of determination is 0.389; in other words, about 39% of the dependent variables are explained by explanatory variables.

Table 6. Test results of the third hypothesis

Variable		Coefficient	Standard coefficients	T-statistic	Sig.
Constant	C	0.316	0.068	4.668	0.000
The geographical location of the institutional owners	LII	0.001	0.001	1.751	0.000
Independence of the board	BI	-0.001	0.027	-0.061	0.967
The interactive effect of the independence of the board and the geographical location of institutional owners	LII*BI	-0.002	0.001	-1.616	0.106
The logarithm of total assets	LogTA	0.048	0.008	5.947	0.000
Debt ratio	LEV	-0.095	0.023	-4.119	0.000
Return on assets	ROA	-0.163	0.041	-4.616	0.000
Asset market value to the book value of assets	Tobins'Q	0.006	0.002	2.548	0.011
Fixed assets to total assets	FA/TA	0.014	0.026	0.537	0.591
Company age logarithm	log age	-0.066	0.027	-2.425	0.016
Industry effects	ΣIND	Controlled			
Effects of the year	ΣYEAR	Controlled			
F		16.629			
Sig. F		0.000			
R Square		0.412			
Adjusted R Square		0.388			

Table 7. Test results of the fourth hypothesis

Variable		Coefficient	Standard coefficients	T-statistic	Sig.
Constant	C	0.271	0.063	4.281	0.000
The geographical location of the institutional owners	LII	0.44E-05	0.000	0.474	0.636
Type of auditor	AUDIT	-0.036	0.012	-2.977	0.003
The interactive effect of the type of auditor and the geographical location of institutional owners	LII*AUDIT	0.000	0.000	0.330	0.742
The logarithm of total assets	logTA	0.056	0.008	6.704	0.000
Debt ratio	LEV	-0.092	0.023	-4.034	0.000
Return on assets	ROA	-0.159	0.040	-3.933	0.000
Asset market value to the book value of assets	Tobins'Q	0.006	0.002	2.534	0.011
Fixed assets to total assets	FA/TA	0.004	0.026	0.141	0.888
Company age logarithm	log age	-0.063	0.027	-2.324	0.020
Industry effects	ΣIND	Controlled			
Effects of the year	ΣYEAR	Controlled			
F		17.071			
Sig. F		0.000			
R Square		0.419			
Adjusted R Square		0.394			

Regarding the main independent variable of the research, i.e. the interactive effect of the CEO duality and the institutional owners' geographical location, the significance value is 0.978, considering that this value is more than a 5% error level. The fourth hypothesis has not been confirmed, and it cannot be said that the duality of the CEO and the board chairman significantly affects the relationship between the ownership of local institutional owners and the disclosure of social responsibility.

4.7. Test of the sixth hypothesis

The independence of the audit committee significantly affects the relationship between the ownership of local institutional owners and the disclosure of social responsibility.

In order to test the sixth hypothesis, the first conditions of the model fit. It is observed that the significant value of Fisher statistic is 0.000 and considering that this value is below the 5% error level, the regression model has a suitable linear fit. On the other hand, the adjusted coefficient of determination is 0.396; in other words, about 40% of the dependent variables are explained by explanatory variables.

Table 8. Test results of the fifth hypothesis

Variable		Coefficient	Standard Coefficients	T-Statistic	Sig.
Constant	C	0.276	0.064	4.344	0.000
The geographical location of the institutional owners	LII	0.000	0.000	0.860	0.390
CEO duality	DUAL	0.044	0.021	2.068	0.037
The interactive effect of CEO duality and the geographical location of institutional owners	LII*DUAL	3.250	0.001	0.028	0.978
Company age logarithm	logTA	0.049	0.008	6.117	0.000
Debt ratio	LEV	-0.072	0.023	-3.772	0.000
Return on assets	ROA	-0.161	0.041	-3.931	0.000
Asset market value to the book value of assets	Tobins'Q	0.006	0.002	2.532	0.012
Fixed assets to total assets	FA/TA	0.016	0.026	0.624	0.533
Company age logarithm	log age	-0.072	0.027	-2.667	0.008
Industry effects	ΣIND		Controlled		
Effects of the year	ΣYEAR		Controlled		
F			16.703		
Sig. F			0.000		
R Square			0.414		
Adjusted R Square			0.389		

In the case of the main independent variable of the research, i.e. the interactive effect of the independence of the audit committee and the geographical location of the institution's owners, the significance value is 0.000 and considering that this value is less than the error level 5. Therefore, the sixth hypothesis has been confirmed. It can be said that the independence of the audit committee has a significant effect on the relationship between the ownership of the local institutional owners and the disclosure of social responsibility.

According to the results in the table, in companies where the independence of the audit committee is low, there is a negative and significant relationship between the ownership of local institutional owners and disclosure of social responsibility. In contrast, in companies with high independence of the audit committee, there is a positive and significant relationship between ownership of local institutional owners and disclosure of social responsibility.

4.8. Test of the seventh hypothesis

The financial expertise of the audit committee has a significant effect on the relationship between the ownership of local institutional owners and the disclosure of social responsibility.

In order to test the seventh hypothesis, the preconditions of the model fit are discussed first. It is observed that the significant value of Fisher statistic is 0.000 and considering that this value is below the 5% error level, the regression model has a suitable linear fit. On the other hand, the value of the adjusted coefficient of determination is 0.393; in other words, about 39% of the dependent variables

are explained by explanatory variables.

In the case of the main independent variable of the research, i.e. the interactive effect of the expertise of the audit committee and the geographical location of the institutional owners, the significance value is 0.002 and considering that this value is less than the error level 5. Therefore, the seventh hypothesis has been confirmed and it can be said that the financial expertise of the audit committee has a significant effect on the relationship between the ownership of the local institutional owners and the disclosure of social responsibility.

Table 9. Test results of the sixth hypothesis

Variable		Coefficient	Standard coefficients	T-Statistic	Sig.
Constant	C	0.311	0.061	5.058	0.000
The geographical location of the institutional owners	LII	-0.001	0.000	-2.675	0.008
Independence of the Audit Committee	AC-IND	-0.020	0.014	-1.384	0.167
The interactive effect of the Independence of the Audit Committee and the geographical location of institutional owners	LII*AC-IND	0.002	0.000	3.621	0.000
The logarithm of total assets	logTA	0.050	0.008	6.127	0.000
Levrage	LEV	0.000	0.023	-3.873	0.000
Return on assets	ROA	-0.088	0.040	-3.862	0.000
Asset market value to the book value of assets	Tobins 'Q	0.007	0.002	2.665	0.008
Fixed assets to total assets	FA/TA	0.017	0.025	0.671	0.502
Company age logarithm	log age	-0.088	0.027	-2.425	0.016
Industry effects	ΣIND		Controlled		
Effects of the year	ΣYEAR		Controlled		
F			17.188		
Sig. F			0.000		
R Square			0.420		
Adjusted R Square			0.396		

Table 10. Results of the seventh hypothesis test

Variable		Coefficient	Standard Coefficients	T-Statistic	Sig.
Fixed coefficient	(Constant)	0.314	0.062	5.102	0.000
The geographical location of the institutional owners	LII	-0.001	0.000	-2.402	0.017
the speciality of the audit committee	AC-SPE	-0.019	0.013	-1.503	0.133
The interactive effect of the speciality of the audit committee and the geographical location of institutional owners	LII*AC-SPE	0.001	0.000	3.070	0.002
The logarithm of total assets	LogTA	0.049	0.008	6.060	0.000
Debt ratio	LEV	-0.086	0.023	-3.759	0.000
Return on assets	ROA	-0.511	0.041	-3.711	0.000
Asset market value to the book value of assets	Tobins'Q	0.007	0.002	2.645	0.008
Fixed assets to total assets	FA/TA	0.019	0.026	0.742	0.458
Company age logarithm	log age	-0.066	0.027	-2.474	0.014
Industry effects	ΣIND		Controlled		
Effects of the year	ΣYEAR		Controlled		
F			16.974		
Sig. F			0.000		
R Square			0.417		
Adjusted R Square			0.393		

According to the results in the table, in companies with the low financial expertise of the audit committee, there is a negative and significant relationship between the ownership of local institutional owners and disclosure of social responsibility. In contrast, in companies with the high financial expertise of the audit committee, there is a positive and significant relationship between ownership of local institutional owners and disclosures of social responsibility.

5. Conclusion

This study aims to investigate the relationship between the geographical proximity of institutional owners and the disclosure of social responsibility by considering the moderating role of corporate governance mechanisms. Recent studies show that local institutional owners are more likely to improve their social responsibility disclosure than non-local institutional owners. They argue that geographical proximity facilitates the assessment of social performance benefits due to the reduction of asymmetric information and improves social performance.

In this regard, 105 companies listed on the Tehran Stock Exchange from 2014 to 2020 were selected and their data were collected to test the research hypotheses. The designed hypotheses were tested by multivariate linear regression analysis, the results of which are summarized as follows:

The results of testing the first hypothesis show no significant relationship between the localness of institutional owners and the disclosure of social responsibility. In other words, reducing or increasing the distance between the office of institutional owners and companies has no role in disclosing social responsibility. The findings of this study do not agree with the results of Chang et al. (2021). The reason for rejecting the first hypothesis could be that in the Iranian capital market, the local institutional owners are not very familiar with the concepts of corporate social responsibility and do not demand the disclosure of such responsibilities from their investee companies.

The second hypothesis examines the relationship between the ownership of local institutional owners and the disclosure of social responsibility in companies where soft information evaluation is essential compared to other companies. As mentioned, two criteria for research and development expenditure and intangible assets have been used to evaluate soft information. Initially, the findings indicate that the relationship between the ownership of local institutional owners and the disclosure of social responsibility in companies with research and development expenditures is significantly different from other companies. In other words, research and development expenditures significantly affect the relationship between ownership of local institutional owners and the disclosure of social responsibility. In companies with research and development expenditures, there is a positive and significant relationship between the ownership of local institutional owners and the disclosure of social responsibility. This is not the case in companies without R&D expenditures. In this way, companies that seek their research and development activities under local institutional owners' influence are more inclined to disclose their social activities. In other words, the desire for further research and development in these companies extends to their reporting system. This finding is consistent with the findings of Chang et al. (2021). However, using the second criterion, an intangible asset, the second hypothesis of the research was not confirmed. In other words, the relationship between the ownership of local institutional owners and the disclosure of social responsibility in companies with high intangible assets is no different from other companies. The results of this

hypothesis do not agree with Chang et al. (2021).

The third hypothesis examines the effect of board independence on the relationship between the ownership of local institutional owners and the disclosure of social responsibility. The results of the statistical test of the third hypothesis show that the board's independence does not significantly affect the relationship between the ownership of the local institutional owners and the disclosure of social responsibility. Since such relationships have not been studied in previous studies, comparing the results is impossible.

The fourth hypothesis examines the effect of the type of audit firm on the relationship between the ownership of local institutional owners and the disclosure of social responsibility. The results of the statistical test of the fourth hypothesis show that the type of audit firm does not significantly affect the relationship between the ownership of local institutional owners and the disclosure of social responsibility. In other words, auditing a company by an audit firm or other firms does not differentiate the relationship between local institutional owners' ownership and social responsibility. Since such relationships have not been studied in previous research, comparing the results is impossible.

The fifth hypothesis examines the effect of the duality of the CEO and the chairman or vice chairman on the relationship between the ownership of the local institutional owners and the disclosure of social responsibility. The results of the statistical test of the fifth hypothesis show that the duality of the CEO and the chairman or vice-chairman of the board does not significantly affect the relationship between the ownership of the local institutional owners and the disclosure of social responsibility. Since such relationships have not been studied in previous studies, comparing the results is impossible.

Hypothesis 6 examines the effect of audit committee independence on the relationship between the ownership of local institutional owners and the disclosure of social responsibility. The results of the statistical test of the sixth hypothesis show that the audit committee's independence significantly affects the relationship between ownership of local institutional owners and disclosure of social responsibility. In other words, the greater the independence of committee members, the less personal gain is considered and the greater the oversight of financial and non-financial information disclosures, including social responsibility, which leads to greater transparency and credibility of information. On the other hand, this factor helps local institutional owners gain more confidence in the disclosed social responsibility information and are attracted to companies whose audit committee has more independent members. Therefore, in companies with more independent auditing committees, one can expect the disclosure of social responsibility to increase as the ownership of local institutional owners increases. Since such relationships have not been studied in previous studies, comparing the results is impossible.

Hypothesis 7 examines the impact of the audit committee's financial expertise on the relationship between the ownership of local institutional owners and the disclosure of social responsibility. The results of the statistical test of the seventh hypothesis show that the audit committee's financial expertise significantly affects the relationship between the ownership of local institutional owners and the disclosure of social responsibility. Thus, in companies with financial expert auditing committees, there is a positive and significant relationship between the ownership of local

institutional owners and the disclosure of social responsibility. In other words, in such companies, with the increase of ownership of local institutional owners, the rate of disclosure of social responsibility also increases. Audit committees with financial expert members can improve the voluntary disclosure of information, such as disclosure of social responsibility; In other words, when the audit committee hires people with financial expertise, corporate governance is enhanced and financial and non-financial reports, such as disclosure of social responsibility, are improved. In general, it can be said that local institutional owners can put pressure on companies to disclose social responsibility through independent and specialized audit committees. Since such relationships have not been studied in previous studies, comparing the results is impossible.

Based on the findings of the first hypothesis test, which indicated that there was no significant relationship between the ownership of local institutional owners and the disclosure of social responsibility, owners, analysts and capital market stakeholders are advised to consider whether localness or the non-localness of institutional owners is not a positive advantage, at least in terms of its impact on the disclosure of social responsibility.

Based on the results of testing the second, sixth and seventh hypotheses to confirm the effect of research and development expenditures and the characteristics of independence and financial expertise of the audit committee on the relationship between ownership of local institutional owners and disclosure of social responsibility proposes to capital market owners and analysts that they take into account that in companies with R&D expenditures, as well as in companies with independent and specialized auditing committees, the level of social responsibility disclosure increases with increasing ownership of local institutional owners.

Based on the results of testing the sixth and seventh hypotheses to confirm the effect of the characteristics of independence and financial expertise of the audit committee on the relationship between ownership of local institutional owners and disclosure of social responsibility, policymakers are recommended to pay special attention to corporate governance mechanisms, such as using an effective audit committee and monitoring the proper implementation of these mechanisms by companies, in order to improve the level of corporate social disclosure. Given that this is the first study in the Iranian capital market to address the issue of localness ownership of institutional owners, it is suggested that future research examine the impact of other ownership structures, such as family, individual and managerial ownership, on the disclosure of social responsibility.

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