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RESEARCH ARTICLE

The Relationship between Social Crises and Quality of Managers' Financial Decision-Making: The Mediating Role of Financial Crisis

Mohtaram Bizhanizadeh, Mohammad Ali Bagherpour Velashani*, Reza Hesarzadeh

Department of Accounting, Faculty of Administrative and Economic Sciences, Ferdowsi University of Mashhad, Mashhad, Iran

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Abstract

Managers may be more inclined to adopt conservative financial policies in response to social crises and unstable conditions. Such an approach can reduce corporate investments, growth opportunities, and available financial resources, ultimately exerting a negative impact on firms' financial performance through management's financial decisions. The primary objective of this paper is, therefore, to examine the mediating role of financial crises in the relationship between social crises and the quality of managers' financial decision-making. The study population comprises companies listed on the Tehran Stock Exchange (TSE) from 2018 to 2023. A systematic elimination method was employed to select the research sample. For data analysis, EViews 10 software and multiple regression models were utilized. The empirical results reveal a significant negative association between social crises and the quality of managers' financial decision-making. In contrast, a significant positive association is observed between social crises and financial crises. However, as the financial crisis variable was not statistically significant in the regression analysis involving both the independent and mediating variables, the mediating role of financial crises in the association between social crises and the quality of financial decision-making by managers is rejected. This study contributes to managerial and policy perspectives by providing deeper insights into the challenges associated with decision-making and by helping to bridge the existing information gap in this domain. The findings underscore the importance of managers adopting more effective strategies during unstable and crisis conditions to ensure operational continuity and enhance organizational resilience. In practical terms, developing flexible financial programs that enable firms to adjust rapidly to sudden changes is essential. Additional measures include strengthening risk management systems, establishing financial reserves, reducing unnecessary costs, and prioritizing investment projects with faster payback periods. The novelty of this research lies in being the first to investigate the impact of social crises on the quality of managers' financial decision-making (financial performance), while simultaneously examining the mediating role of financial crises—an issue previously unexplored in either domestic or international studies.

Keywords:

Decision-making, Financial Crisis, Quality of Financial Decision-making, Social Crises

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*Corresponding Author:
Mohammad Ali Bagherpour Velashani
Email: bagherpour@um.ac.ir
Tel: 09132279622
ORCID: 0000-0002-0255-0810

1. Introduction

The emergence of crises and challenges, both within and outside organizations, is inevitable and occurs over time. No private or public organization—regardless of its size—remains unaffected by such crises, particularly social crises. The undeniable interconnections between organizations and their social environments imply that organizational performance and profitability are heavily dependent on external environmental factors (Yousefnezhad & Heidarpour, 2023). The term "crisis" literally denotes the onset of chaos and disorder, and in a broader sense, refers to circumstances in which the normal order and balance of life are disrupted, creating a misalignment between needs and available resources (Raeisi et al., 2020). A crisis represents conditions in which the core objectives of the organization are threatened (Hills, 2000) and the regular functioning of systems is challenged (Conges et al., 2023; Ghorbani Marghmaleki et al., 2022). Such circumstances pose considerable difficulties for organizations, requiring prompt and efficient responses (Bénaben et al., 2016). Crises exert substantial pressure on organizational resources—both human and financial—potentially disrupting decision-making processes, lowering performance (Valizadeh et al., 2021), and even threatening organizational survival (Rabiei & Sarafrazi, 2015).

Difficulties and disruptions in decision-making may arise, on the one hand, from threats to the personal interests of decision-makers (Bagherifard & Tokli, 2023) and, on the other, from the reduced effectiveness of conventional managerial decision-making patterns under abnormal conditions (Raeisi et al., 2020). In crises, managers are often faced with incomplete information, limited time, and both internal and external pressures, all of which can compromise the quality of decision-making (Kamari et al., 2018). Moreover, the occurrence of social and financial crises can result in reduced productivity, heightened employee anxiety, and the loss of key personnel (Rabiei & Sarafrazi, 2015; Bekefi & Epstein, 2006). These crises may also diminish financial resources and opportunities for growth and investment (Rezaei, 2023), harm corporate reputation, decrease customer bases, and increase expenses for advertising, sales, administration, and public relations (Patatoukas, 2012), among other adverse consequences.

Therefore, understanding crises and their consequences, as well as implementing effective measures to address or mitigate their potential and actual impacts (Hosseini & Damnabi, 2012; Rabiei & Sarafrazi, 2015; Spillan & Hough, 2003), can reduce the level of surprise among individuals and organizational leaders (Kamari et al., 2018) and enhance alignment with an ever-changing environment (Burnett, 1998; Maitland & Sammartino, 2015). In addition, strengthening an organization's ability to cope with crises, developing creative solutions for their management (Bekefi & Epstein, 2006), and allocating sufficient time and resources in advance can increase organizational capacity to generate diverse solutions and minimize the risk of unexpected disruptions. Ultimately, these measures contribute to more efficient and effective decision-making, greater profitability, the prevention of failures, sustained success, and the long-term continuity of operations.

In light of these considerations, this study seeks to address the following four fundamental research questions, with a focus on the crises that occurred in Iran in 2018, 2020, and 2023:

1. Do social crises influence the occurrence of financial crises?
2. Do social crises impact the quality of managers' financial decision-making?
3. Does a financial crisis affect the quality of managers' financial decision-making?
4. Does a financial crisis mediate the relationship between social crises and the quality of managers' financial decision-making?

It is worth noting that while several studies have separately examined social crises (e.g., Raeisi et al., 2021), financial decision-making (e.g., Rai & Lin, 2019), and financial crises (e.g., Eriotis & Vasiliou, 2024), no prior research has investigated these constructs in an integrated manner. This

study, by focusing on the social crises mentioned above, seeks to assess their specific impact on the quality of managers' financial decision-making (financial performance). Furthermore, it explores the mediating role of financial crises—an aspect that, to the best of our knowledge, has not been addressed in either domestic or international research. Accordingly, this study contributes a novel perspective to the literature.

The remainder of this paper is structured as follows. The next section outlines the theoretical foundations and develops the research hypotheses. This is followed by the research methodology and the presentation of findings. Finally, the paper concludes with a discussion of the results and their implications.

2. Literature review and hypotheses development

This section introduces the main research variables, including the quality of managers' financial decision-making, and identifies the key factors influencing this process. It also examines social and financial crises, explores the relationships among the research variables, and presents the research hypotheses grounded in theoretical foundations and prior literature.

2.1. Quality of managers' financial decision-making

Quality is a complex concept that has been extensively debated across management theories (Fred, 2000). Organizations that value quality strive to cultivate a culture that generates value by promoting behaviours and activities that meet the needs and expectations of customers and other stakeholders, thereby fulfilling their requirements (INSO, 2017). In this sense, quality can be defined as the extent to which a company meets customer requirements (Kurt & Zehir, 2016), primarily through optimal and effective decision-making. Decision-making is both a skill (Ahmed & Omotunde, 2012) and an integral component of organizational management. It is reflected in various managerial functions, including policy formulation, goal setting, organizational design, and the evaluation and selection of alternatives under different circumstances. Essentially, decision-making entails choosing one course of action from among several available options (Karami et al., 2020). As such, it constitutes the central element of planning. Within this framework, managers make a wide range of financial decisions with the ultimate aim of maximizing the economic welfare or income of the firm's owners. These financial decisions are typically classified into three main categories, as follows:

Investment Decisions: Investment decisions determine how organizational resources and funds are allocated. Examples include establishing a new production line, constructing a warehouse, investing company funds in financial institutions, or making decisions regarding the acquisition, retention, or disposal of corporate assets. Such decisions require rigorous analysis and long-term planning, as they have a direct impact on the organization's financial stability and operational trajectory.

Financing Decisions: Financing decisions concern the methods by which a company secures the funds necessary to implement income-generating projects and support its organizational growth and development. Such decisions include whether managers should rely on internal sources, such as retained earnings, or external sources, such as bank loans or the issuance of common and preferred stock (Shabahang, 2012; Fabozzi & Peterson, 2003). These decisions are particularly critical because each financing method entails distinct implications for the company's financial structure and strategic direction.

Combined Decisions: Some organizational decisions encompass both investment and financing dimensions. For instance, when a company plans to establish a new production line (an investment decision), the success of the project largely depends on the chosen financing method. In such cases, managers must simultaneously consider both investment and financing aspects to ensure that the

project is implemented effectively and generates the expected return (Fabozzi and Peterson, 2003).

It is essential to note that two key factors—risk and return—play a crucial role in the financial decision-making process (Shariat Panahi et al., 2019). Expected return reflects the difference between potential profits and costs arising from decisions, while risk represents the degree of uncertainty associated with those returns (Fabozzi & Peterson, 2003). For managerial financial decisions to create value for the firm and its stakeholders, the anticipated benefits must outweigh the associated costs. The relationship between risk and return is therefore central to the quality of financial decision-making, as managers must strike an appropriate balance between these two elements. High-quality financial decisions are characterized by maximizing expected returns while effectively managing the related risks. In other words, managers must ensure that decisions generate reasonable returns while accounting for potential uncertainties. This balance between risk and return not only determines the quality of financial decision-making but also facilitates the achievement of strategic objectives. Accordingly, a sound understanding of this relationship and its implications for both investment and financing decisions enables managers to make more optimal financial choices. Such decisions enhance corporate financial performance and lay the foundation for creating sustainable value for stakeholders.

2.2 Factors affecting the quality of managers' financial decision-making

In the business environment, the quality of various decisions, including financial decisions, is shaped by multiple factors. Drawing on theoretical foundations, this study investigates the impact of several key determinants, namely managerial oversight, value-based management, financial leverage, gender, and firm size.

Power of Management Oversight: Competent managers can enhance firm performance through high-quality decisions only when they are subject to rigorous oversight (Khademalhosseini & Amirhosseini, 2018). Oversight functions as a critical deterrent to managerial behaviors that prioritize personal interests over organizational objectives (Cheung et al., 2017). In essence, monitoring managerial actions and decisions promotes ethical conduct and improves the quality and effectiveness of managerial activities, including financial decision-making (Nejabatkhsh Esfahani & Motahari, 2013; Nikpour et al., 2015). Agency theory (Jensen & Meckling, 1976) explicitly highlights the conflicts of interest between managers and shareholders. According to this theory, managers may utilize organizational resources for personal benefit, thereby reducing firm value and increasing agency costs. Within this framework, managerial oversight is considered a key mechanism to mitigate conflicts of interest and achieve an optimal capital structure. Effective oversight ensures that decisions are aligned with the best interests of the organization and its shareholders while minimizing agency costs.

Value-Based Management: This approach emphasizes value-enhancing decision-making at all organizational levels (Kordestani & Khansari, 2016). Beyond restating organizational goals and plans or defining control mechanisms, value-based management identifies both financial and non-financial drivers that contribute to organizational value creation (Koller, 1994). When managers are aware of these drivers, they are more likely to achieve organizational objectives with greater focus and fewer errors through informed decision-making. As a result, value-based management fosters conditions that enhance firm value (Rahnamae Rudposhti et al., 2020; Stancic et al., 2012) and strengthen competitive advantage. In this regard, value-based management and stakeholder theory serve as complementary approaches to management. Value-based management provides a framework for effective decision-making by emphasizing value-creating factors, while stakeholder theory broadens the scope of attention to include diverse stakeholder groups. This integration ensures that decisions generate not only financial but also social value. The alignment of these two perspectives thus enables

organizations to achieve sustainable competitive advantage in today's dynamic and competitive environment.

Financial Leverage: As debt levels rise, organizational managers and decision-makers often become less inclined to invest in projects with a positive net present value (NPV), since they believe the benefits of such projects will accrue primarily to creditors rather than shareholders (Myers, 1977). This reluctance may hinder future growth (Nouravesh & Yazdani, 2019) and limit the capital generated from value-enhancing projects. Reduced capital and funds within a company's limits managers' capacity for innovation and value creation through high-quality decisions. Additionally, managers may attempt to boost company value through the implementation of weak projects. In such circumstances, reliance on debt financing may lead to lower-quality decisions and ultimately diminish firm value (Nouravesh & Yazdani, 2019). According to the traditional theory of capital structure, using debt up to an optimal level can increase firm value, whereas excessive debt raises financial risk and adversely affects performance. Nonetheless, financial leverage can also provide notable benefits, including higher returns on equity, lower cost of capital, preservation of shareholder control, and tax advantages (Hashemi & Akhlaghi, 2012). In line with this view, the modified Modigliani–Miller theory (1963) emphasizes the tax benefits of debt, noting that interest payments are tax-deductible and thereby reduce the overall cost of capital, which can enhance firm value.

Gender: The presence of women on boards of directors can enhance oversight and control of organizational activities, foster innovation, and stimulate creative ideas (Huse et al., 2009). Women are also more likely to prioritize qualitative issues, such as corporate social responsibility (Hafsi & Turgut, 2013), and demonstrate stronger adherence to professional ethics (McCabe et al., 2006), thereby enhancing the quality of managerial decision-making. However, Adams and Ferreira (2009) argue that while female representation on boards enhances effectiveness in U.S. firms, gender diversity may, in some cases, complicate decision-making processes, reduce board efficiency, and negatively affect firm value due to increased complexity of oversight. From a theoretical perspective, stakeholder theory (Freeman, 1984) extends organizational responsibility beyond shareholders to all stakeholder groups—internal, external, and marginal. Within this framework, gender diversity on boards can serve as a mechanism for the more effective implementation of stakeholder theory. Women's stronger ethical and social orientations can encourage more balanced and responsible decision-making, benefiting a wide range of stakeholders. Accordingly, integrating gender diversity and stakeholder theory can help organizations enhance their financial performance while simultaneously fulfilling social responsibilities, ultimately achieving long-term, sustainable success.

Company Size: Firm Size. Larger firms, with broader market reach and stronger external support, typically possess greater expertise and experience (Rahmanian Kushkaki & Badyab, 2023). This increased expertise reduces managerial errors and improves decision quality, which in turn enhances organizational efficiency and financial performance (Rahmanian Kushkaki & Badyab, 2023; Ramli et al., 2019). Moreover, large firms often have access to more financial and physical resources and benefit from economies of scale. Such access enables them to develop unique capabilities, according to the resource-based view (RBV), which provides a foundation for a sustainable competitive advantage (Wartini et al., 2024). The RBV is one of the central approaches in strategic management, emphasizing the role of internal resources in achieving long-term competitive advantage. While large firms rely on extensive tangible resources, smaller firms can also gain a competitive advantage by leveraging intangible resources and organizational flexibility. In both cases, the RBV highlights that distinctive resources and capabilities are the primary drivers of sustainable competitive advantage (Wartini et al., 2024). Ultimately, competitive advantage not only improves financial performance but also fosters creativity and innovation in managerial decision-making.

In addition to the factors discussed above, several other elements can also influence the quality of

managerial decision-making. These include board independence (Petra, 2007), managers' financial education (Ghadamyari & Naghshbandi, 2020), training and development policies (Lepak & Gowan, 2010), awareness of laws and regulations (Khorshidi & Zarinkia, 2017), the integration of software and information systems (Hutahayan, 2020), and macroeconomic conditions such as inflation (Fan et al., 2012).

2.3. Explanation of social crises

Social Crises. Social crises refer to adverse conditions marked by deviations from the normal social order, resulting in distress and disorder (Ogundele & Olarewaju, 2014; Yarahmadi Khorasani, 2007). Such crises can impact all sectors of society (Ogundele & Olarewaju, 2014) and yield a wide range of detrimental outcomes, including economic costs, currency devaluation, intensified sanctions, and erosion of national independence (Gholami, 2021). They may also undermine public trust, foster social divisions, incite unrest and riots, and disrupt routine societal activities (Obateru, 1994).

Beyond their societal implications, social crises have a profound impact on organizations. These impacts can be analyzed in three dimensions: economic, social, and operational–organizational.

2.3.1 Social crises, economic impacts

Social crises can exert substantial economic pressures on both organizations and national economies. These impacts include increased costs for repairing and reconstructing damaged infrastructure, compensating for losses caused by crises, and restructuring organizations to adapt to new conditions. For instance, in the aftermath of widespread protests or acts of sabotage, firms may incur additional expenses to secure facilities and equipment. Furthermore, reduced profitability stemming from disruptions in production and service delivery represents another key economic consequence. Such conditions place financial strain on organizations and may ultimately expose them to financial crises.

2.3.2 Social crises and social impacts

Social crises have a significant impact on an organization's reputation and social relations. One of the most critical consequences is the loss of credibility and public trust resulting from poor crisis management (Burnett, 1998). For instance, when organizations fail to respond effectively, they risk losing the confidence of customers, investors, and the broader community. This erosion of trust can lead to declining sales, customer attrition, and reduced investment. Moreover, social crises may intensify tensions within organizations and strain relationships among employees.

2.3.3 Social crises operational–organizational impacts

Social crises can significantly disrupt an organization's internal functioning. Such impacts include strained employee relationships, reduced motivation, heightened anxiety, and the endangerment of organizational objectives (Rabiei, 2007). For example, during crises, employees may lose focus and experience performance declines due to concerns about the future. Additionally, social crises can hinder organizational responsiveness to environmental changes, reduce production, and disrupt service delivery. Collectively, these constraints significantly undermine an organization's ability to achieve its objectives.

Although social crises primarily generate negative consequences, they may also create opportunities for organizations. For instance, crises can help identify capable and effective personnel, reassign individuals to more suitable positions, and uncover hidden organizational problems. They may also catalyze the completion of new plans and programs, the development of early warning mechanisms, and the fostering of new sources of competitive advantage (Burnett, 1998).

2.4. Explanation of financial crisis

A financial crisis is typically characterized by a rapid decline in asset values (Percic et al., 2013) and arises when a firm is unable to meet its debt obligations or fulfill other financial commitments (Yosefnezhad et al., 2023). Financial crises are not a new phenomenon (Reinhart & Rogoff, 2009; Kannan et al., 2014) and have occurred across societies, regardless of their size or level of wealth. Such crises pose significant challenges for firms, profoundly influencing managerial decision-making, corporate performance, and organizational structures. Managers recognize that implementing most programs and activities requires adequate financial resources; when these are lacking, decision-making is severely constrained, operational capacity is weakened, and financial burdens increase. A shortage of resources may also prevent firms from investing in new projects (Rezaei, 2023) or meeting creditor obligations, potentially leading to market exit (Musso & Schiavo, 2008) and threatening business continuity (Isayas & McLean, 2021). Consequently, firms experiencing financial crises often resort to extraordinary measures to restore financial performance.

In other words, managers recognize that the execution of most programs and activities depends on the availability of sufficient financial resources. A shortage of these resources can severely constrain decision-making, weaken operational capacity, and impose substantial financial burdens. Moreover, insufficient funding may prevent firms from investing in new projects (Rezaei, 2023) or meeting their obligations to creditors, potentially leading to market exit (Musso & Schiavo, 2008) and threatening business continuity (Isayas & McLean, 2021).

2.5. Hypotheses development

2.5.1. Social crises and quality of managers' financial decision-making

One of the key objectives of financial decision-making is achieving financial flexibility (Sabouri, 2021), which is considered a vital component of capital structure (Gregory, 2020). Firms with greater financial flexibility are better equipped to withstand adverse external shocks, such as social crises, compared to less flexible firms (Sabouri, 2021). During crises, the time available for making critical decisions—including financial ones—shrinks, limiting the ability to gather adequate data and information. These constraints, in turn, heighten psychological pressure, anxiety, and stress among decision-makers (Arab Salehi et al., 2017; Rabiei & Sarafrazi, 2016; Hosseini, 2006). As emotional reactivity increases (Mostafavi et al., 2022), cognitive capacity declines, detachment from environmental realities emerges, and managers often fail to consider the long-term consequences of their decisions. This shift in focus toward short-term issues raises the likelihood of analytical errors and poor decision-making outcomes. Ultimately, the interplay of these factors diminishes the quality of managerial decision-making, particularly in financial domains. Social crises—such as widespread protests—destabilize the economic and commercial environment, making future conditions difficult to predict and rendering financial planning based on historical data less effective. Under such uncertainty, managers become more prone to errors in evaluation, which further reduces decision quality. Social crises influence multiple aspects of financial decision-making, including liquidity management, investment, and financing. For instance, liquidity management becomes challenging when declining sales or unexpected expenses disrupt cash flows. Investment decisions are also affected, as heightened uncertainty discourages managers from undertaking long-term projects. Moreover, financing constraints intensify during crises, since access to financial resources becomes more restricted and costly. As a result, social crises influence not only the psychological state of decision-makers but also the overall quality of financial decision-making by generating instability in the economic environment. Accordingly, the first research hypothesis is formulated as follows:

H1: There is a significant and negative relationship between social crises and the quality of

managers' financial decision-making.

2.5.2 Social crises and financial crises

When a crisis engulfs a society, both internal and external forces may exert pressure on the target country, attempting to weaken its stability and drive it toward collapse. Such pressures are often manifested through the character assassination of officials and the erosion of public trust, diverting attention from vital issues to less significant ones. Under these conditions, sabotage and terrorist activities may intensify, producing destructive consequences for businesses, individuals, and communities (Bekefi & Epstein, 2006). These activities not only undermine societal security but also generate instability that affects stock markets and corporate financial decision-making (Tosun & Eshraghi, 2022). This instability may encourage capital flight, as investors seek safer markets abroad. Consequently, declining social security and heightened instability exert direct negative effects on firms' financial performance. Specifically, reduced social security and increased instability can trigger capital withdrawal from production sectors, depress consumption in developing economies (Dutt & Padmalabhan, 2011), and decrease corporate profitability, ultimately leading to losses. These outcomes reflect the elevated risks associated with conducting economic activities under unsafe conditions. In addition, declining public trust in government and economic institutions can reduce participation in economic activities, which has a direct and negative impact on firms' revenues. As a result, companies may experience reduced income alongside rising costs, increasing their vulnerability to financial crises and even bankruptcy. Moreover, the spread of social crises around corporate facilities can impose substantial additional costs, such as: 1) the cost of employing someone to negotiate or talk with protesters, 2) paying an additional fee to protect the building and prevent various damages to it, 3) death or serious injury to company employees (if these people are skilled and trained employees of the organization, the amount of costs increases), 4) work stoppage, 5) damage to the company's reputation, 6) waste of time and resources (Bekefi and Epstein, 2006). All of these factors diminish the financial resources required and available to organizations, constrain creative decision-making, and may ultimately push firms into financial crises, resulting in performance decline and potential bankruptcy. Accordingly, social crises—by reducing security, eroding public trust, and increasing operating costs—directly and indirectly affect firms' financial resources and may trigger financial crises. Thus, the second research hypothesis is formulated as follows:

H2: There is a significant and direct relationship between social crises and financial crises.

2.5.3 Financial crisis and the quality of managers' financial decision-making

A financial crisis reduces the availability of essential financial resources needed to implement corporate activities and programs. Under such conditions, two scenarios may arise: a) Managers may allocate resources only to projects with reasonable assurance of profitability (Espinosa, 2015; Hadian et al., 2017). To conserve resources and sustain operations, they may strengthen processes and decision-making structures, which can lead to innovative and higher-quality decisions. b) Conversely, declining financial resources and the onset of a financial crisis may erode investor confidence and negatively affect the firm's stock value. Financial crises increase economic uncertainty, create liquidity problems, reduce profits (Karshenasan et al., 2018), and lower dividend payments to shareholders. These outcomes diminish stock attractiveness, hinder growth, and weaken overall firm performance, including financial performance, which is the result of managerial decision-making (Yosefnezhad et al., 2023; Chen et al., 2014). Accordingly, the third research hypothesis is formulated as follows:

H3: There is a significant relationship between financial crises and the quality of managers'

financial decision-making.

2.5.4 Social crises and quality of managers' financial decision-making: the mediating role of financial crisis

Decision-making, including financial decisions, is one of the most fundamental processes in any organization. Enhancing the quality of this process requires the collection and analysis of financial data and information (Zabihzadeh & Molaei, 2023). However, as noted earlier, crises such as social crises reduce the time available for decision-making and limit the information accessible to managers (Yosefnezhad et al., 2023), thereby impairing their ability to make high-quality decisions. Moreover, social crises may restrict organizational access to financial resources and, by imposing additional costs, trigger financial crises. Under such circumstances, companies may attempt to offset costs by reducing the quantity and quality of their products (Sikwila, 2011). This strategy undermines competitiveness in both domestic and international markets, leading to lower profits and, ultimately, a decline in firm value and performance—the direct outcome of managerial decisions, including financial ones. Accordingly, the fourth research hypothesis is formulated as follows:

H4: There is a significant relationship between social crises and the quality of managers' financial decision-making, with a mediating effect of financial crises.

3. Research methodology

This research is applied in terms of purpose and descriptive-ex post facto in terms of methodology, as it relies on historical and analytical data. The statistical population comprises all firms listed on the Tehran Stock Exchange (TSE) from 2018 to 2023. The research sample was selected using a systematic elimination method. Accordingly, only firms meeting the following criteria were included, while the remaining companies were excluded.

1. Firms must have been listed on the Tehran Stock Exchange before 2018 and remained listed until the end of 2023.
2. Firms operating in the leasing, insurance, investment, pension fund, or banking sectors were excluded.
3. Firms must have maintained continuous operations throughout the research period without altering their fiscal year.
4. Annual and interim financial statements must be publicly available for the entire study period.

In this study, the values related to the dependent variable are calculated using the model proposed by Pastor et al. (1999), applied separately to each industry. To enhance the credibility of the results, the number of firms within each industry must be sufficiently large. Roychowdhury (2006) recommends a minimum of 15 firms per industry. However, Persian studies often use fewer firms due to sample size limitations; for instance, Hedayat Mazhari et al. (2021) considered five firms per industry sufficient for analysis. Accordingly, to balance methodological rigor with data availability and to prevent excessive sample reduction, this study requires a minimum of seven firms in each industry.

Ultimately, 137 firms that satisfied the above criteria were selected as the final statistical sample for this study. Table 1 presents the detailed process of sample selection.

Table 1. Final sample selection steps

Explanation	The number of companies
Total number of firms listed on the Tehran Stock Exchange during the research period.	585

Exclusion of firms operating in the leasing, insurance, investment, pension fund, or banking sectors.	(269)
Exclusion of firms whose fiscal year does not end on March 19 (29 Esfand).	(67)
Exclusion of firms that suspended operations, changed their fiscal year, or had incomplete data.	(87)
Exclusion of industries with fewer than seven firms.	(25)
Accessible Population	137

To develop the research background and clarify the required concepts, library resources and articles published in reputable journals were reviewed. The data needed for measuring the variables were obtained from the databases of the Securities and Exchange Organization, the annual financial statements of firms, and the Rahavard Novin 3 software. For data analysis, EViews 10 software was employed, and multiple regression tests were conducted.

3.1 Specification of models and definition of variables

In this research, the following models are used to test the first to fourth hypotheses, respectively;

$$RE = a_0 + a_1SC + a_2SG + a_3S + a_4POMS + a_5MA + a_6LEV + a_7G + a_8FSIZE + a_9FIN + a_{10}BS + a_{11}BI + a_{12}AGE + a_{13}ROA + a_{14}ROE \quad (1)$$

$$FC = a_0 + a_1SC + a_2SG + a_3S + a_4POMS + a_5MA + a_6LEV + a_7G + a_8FSIZE + a_9FIN + a_{10}BS + a_{11}BI + a_{12}AGE + a_{13}ROA + a_{14}ROE \quad (2)$$

$$RE = a_0 + a_1FC + a_2SG + a_3S + a_4POMS + a_5MA + a_6LEV + a_7G + a_8FSIZE + a_9FIN + a_{10}BS + a_{11}BI + a_{12}AGE + a_{13}ROA + a_{14}ROE \quad (3)$$

$$RE = a_0 + a_1FC + a_2SC + a_3SG + a_4S + a_5POMS + a_6MA + a_7LEV + a_8G + a_9FSIZE + a_{10}FIN + a_{11}BS + a_{12}BI + a_{13}AGE + a_{14}ROA + a_{15}ROE \quad (4)$$

3.2 Research variables and their measurement methods

3.2.1 Independent variable

This variable is defined as binary, taking the value of 1 in the presence of a social crisis and zero otherwise. The 2022 crisis lasted for approximately three months, while the 2019 and 2017 crises each lasted less than ten days. All three crises occurred during the second half of their respective years. In line with [Howell and Zhao \(2019\)](#), and given the limited availability of reliable information as well as the lagged impact of such events on financial markets, the end of each crisis is considered with a slight delay. Accordingly, for the years 2022, 2019, and 2017, the pre-crisis and crisis periods correspond to the first and second halves of the year, respectively.

3.2.2 Dependent variable

In this study, the quality of managers' financial decision-making (RE) is estimated using the model proposed by [Pastor et al. \(1999\)](#). The model is specified as follows:

$$\begin{aligned}
\min \quad & \text{Re}(X_0, Y_0) = \frac{1 - \frac{1}{m} \sum_{i=1}^m \frac{S_{i0}^-}{X_{i0}}}{1 + \frac{1}{s} \sum_{r=1}^s \frac{S_{r0}^+}{Y_{r0}}} \quad (5) \\
\text{s.t.} \quad & \sum_{j=1}^n \lambda_j X_{ij} = X_{i0} - S_{i0}^-, \quad i = 1, \dots, m, \\
& \sum_{j=1}^n \lambda_j Y_{rj} = Y_{r0} + S_{r0}^+, \quad r = 1, \dots, s, \\
& S_{i0}^-, S_{r0}^+ \geq 0 \quad \forall i, r, \\
& \lambda_j \geq 0, \quad j = 1, \dots, n,
\end{aligned}$$

For computational convenience, the above non-linear programming problem is transformed into the following linear programming formulation.

$$\begin{aligned}
\min \quad & \text{Re}(X_0, Y_0) = Z - \frac{1}{m} \sum_{i=1}^m \left(\frac{S_{i0}^-}{X_{i0}} \right) \quad (6) \\
\text{s.t.} \quad & \sum_{j=1}^n \lambda_j X_{ij} - Z X_{i0} + S_{i0}^- = 0 \quad i = 1, \dots, m \\
& \sum_{j=1}^n \lambda_j Y_{rj} - Y_{r0} - S_{r0}^+ = 0 \quad r = 1, \dots, s \\
& Z + \frac{1}{s} \sum_{r=1}^s \left(\frac{S_{r0}^+}{Y_{r0}} \right) = 1 \quad Z \geq 0 \\
& S_{i0}^-, S_{r0}^+ \geq 0 \quad \forall i, r, \\
& \lambda_j \geq 0 \quad j = 1, \dots, n
\end{aligned}$$

M= the number of inputs, S= the number of outputs, X_{i0} = the input value i in the evaluated unit, Y_{r0} = the output value of r in the evaluated unit, X_{ij} = the input value of i in unit j , Y_{rj} = the output value of r in unit j , S_{i0} and S_{r0} = these are slacks.

In this study, the input variables include operating costs (Pastor et al., 1999; Bowlin, 1999), board size (Lin et al., 2009; Pastor et al., 1999), and the current ratio (Anthony et al., 2019), while the output variables are operating cash flows (Ansari et al., 2023; Bowlin, 1999) and sales (Bowlin, 1999). Specifically, operating expenses and sales are obtained from the income statement, operating cash flows from the statement of cash flows, and board size (measured as the number of board members) from the board activity report. The current ratio is calculated using balance sheet data, which is the ratio of current assets to current liabilities.

3.2.3 Mediating variable

Financial Crisis (FC): A company is deemed to be in a financial crisis ($FC=1$) if it meets any of the following criteria; otherwise, $FC=0$:

1. Financial losses (operating, net, or accumulated) for three consecutive years.
2. A decrease of more than 40% in annual dividends compared to the previous year (Jantadej, 2006).
3. Subject to Article 141 of the Commercial Code, indicating that at least half of the company's capital has been lost due to accumulated losses.

3.2.4 Definition of other variables

Sales Growth (SG): Calculated as the difference between sales in the current period and sales in the previous period, divided by sales in the last period (Dastgir and Mehrjoo, 2012).

Graduate Education-Science (S): The ratio of board members holding Master's and Doctoral degrees to the total number of board members (Vasilaki and O'Regan, 2008).

Power of Management Oversight (POMS): This is a binary variable that takes the value of 1 if at least one board member simultaneously serves as a member of the company's audit committee or as the head of the internal audit unit, and zero otherwise (Cheung et al., 2017; Faleye et al., 2011; Adams & Ferreira, 2009).

Managerial Ability (MA): This variable is measured as the average difference between a firm's ROA and the industry average over the last three periods. For instance, when analyzing the 2022 crisis period, the average is calculated using that period and the two preceding periods. To mitigate the limitations associated with using the book value of total assets, the market value of assets is employed, defined as: [(Number of shares at the end of the target date × Share price at the end of the target date) + Book value of total liabilities at the target date]. Accordingly, ROA is computed as the ratio of operating profit to the total market value of assets (Chaharmahali et al., 2019).

Financial Leverage (LEV): The ratio of total debt to total assets (Cronqvist et al., 2009).

Board Gender Diversity (G): This is a binary variable. G=1 if there are female members on the organization's board of directors; otherwise, G=0 (Adams and Ferreira, 2009).

Firm Size (FSIZE): The natural logarithm of sales (Rahmanian Kushkaki and Badiyab, 2024).

Financial Education (FIN): The ratio of board members with financial education to the total number of board members (Hosseini, 2017).

Board Size (BS): The number of board members in the period under review (Pastor et al., 1999).

Board Independence (BI): The ratio of non-committal board members to the total number of board members (Fathi and Abutalebi, 2022).

Firm Age (AGE): The natural logarithm of the company's age plus one (Van den Bogaerd and Aerts, 2014).

Return on Assets (ROA): The ratio of operating profit to the market value of total assets (Chaharmahali et al., 2019).

Return on Equity (ROE): The ratio of net income to the market value of equity (Chaharmahali et al., 2019).

To examine the mediating role of financial crises in the relationship between social crises and the quality of managers' financial decision-making, multiple regression analysis is employed within the framework of Sobel's test and the approach of Baron and Kenny (1986). The mediating effect is confirmed if the following conditions are satisfied:

1. The independent variable (social crisis) has a significant effect on the dependent variable (quality of financial decision-making).
2. The independent variable (social crisis) has a significant effect on the mediating variable (financial crisis).
3. When both the independent and mediating variables are included in the regression model, the mediating variable (financial crisis) has a significant effect on the dependent variable (quality of financial decision-making).

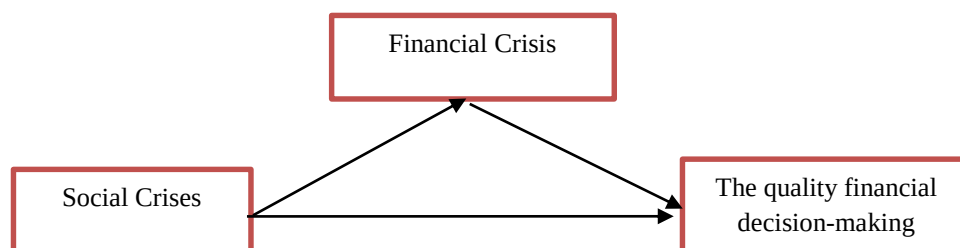


Figure 1. Examining the mediating association of the financial crisis variable

4. Findings

4.1. Descriptive statistics

Descriptive statistics provide a general overview of the data. Table 2 presents a concise summary of the research variables. The average level of financial education among managers is 0.453, indicating that 45.3% of managers possess some level of financial expertise. In addition, 64.5% of observations reveal the presence of non-executive directors on the board; specifically, 530 out of 821 firm-year observations confirm such presence during the review period. This finding reflects a relatively high level of board independence, which can strengthen corporate governance, improve transparency in decision-making, and safeguard shareholder interests. Moreover, these results suggest that many firms in the sample exceed common standards of board independence by maintaining a balanced mix of independent and executive directors. Finally, the similarity between the calculated means and medians of the variables indicates that the data are well distributed, providing a reliable basis for subsequent analyses. Another important descriptive statistic is the standard deviation, which measures the degree of dispersion of variable values around the mean. A higher standard deviation indicates greater variability in the data. For example, the standard deviation of firm size is higher than that of other variables, suggesting that firm size exhibits greater dispersion from the mean. Table 2 also reports the maximum and minimum values for each variable. For instance, the financial leverage variable ranges from 0.008 to 0.987, reflecting substantial variation in firms' financing strategies. Companies with leverage close to 0.987 are highly dependent on debt and therefore face greater financial risk, whereas firms with leverage closer to 0.008 adopt a more conservative approach. Such differences can significantly influence firms' financial performance, risk exposure, and growth opportunities.

Table 2. The descriptive statistics of research variables

Variable	Abbreviation	Mean	Median	Max	Min	Standard Deviation	Sample
Quality of financial decision-making	RE	0.742	0.846	1.000	0.101	0.281	821
Social crises	SC	0.502	1.000	1.000	0.000	0.500	821
Financial crisis	FC	0.393	0.000	1.000	0.000	0.489	821
Sales growth	SG	0.532	0.390	8.517	-3.633	0.893	821
Graduate education (science)	S	0.672	0.750	1.000	0.000	0.368	821
Power of management knowledge	POMS	0.797	1.000	1.000	0.000	0.403	821
	MA	0.010	0.001	0.856	-0.837	0.148	821

Management Ability							
Financial Leverage	LEV	0.521	0.540	0.987	0.008	0.216	821
Gender	G	0.058	0.000	1.000	0.000	0.235	821
Firm Size	FSIZE	28.67	28.387	35.113	22.782	2.035	821
Financial	FIN	3	0.400	1.000	0.000	0.238	821
Education		0.453					
Board Size	BS		5.000	5.000	3.000	0.466	821
Board	BI	4.848	0.600	1.000	0.000	0.192	821
Independence		0.645					
Firm Age	AGE		3.761	4.263	2.303	0.378	821
Return On Assets	ROA	3.668	0.036	0.291	0.039	0.039	821
Return On Equity	ROE	0.045	0.042	0.979	0.061	0.061	821
		0.054					

4.2 Hypothesis test results

The results of testing the first hypothesis, which examines the relationship between social crises and the quality of managers' financial decision-making, are presented in Table 3.

Before estimating the model, the necessary prerequisites were examined. Given the large number of observations, testing for the normality of errors was not required (Aflatooni, 2023). According to Table 3, the coefficient of determination (R-squared) is 0.281, indicating that the model's predictors explain 28.1% of the variation in financial crises (dependent variable). The Fisher statistic is 11.494 with a significance level close to zero, confirming both the reliability of the R-squared and the statistical significance of the estimated relationship. The diagnostic tests further support the robustness of the model. Variance inflation factor (VIF) values for all independent and control variables were below 10, suggesting the absence of multicollinearity. The Durbin–Watson statistic of 1.883, which lies between 1.5 and 2.5, indicates no autocorrelation in the residuals. To address potential heteroskedasticity or error dependence, standard errors were clustered at the firm level. In addition, the F-Limer statistic yielded a probability of 0.000, leading to the rejection of the null hypothesis and confirming that a panel data structure is appropriate. The Hausman test produced a probability value of 1.000 (greater than 5%), suggesting that the random effects model is preferable to the fixed effects model. Finally, the significance of the independent variable was assessed to test the first hypothesis. The p-value for social crises was 0.027 (less than 5%), confirming the first hypothesis. Thus, the first condition for establishing mediation—namely, a significant relationship between the independent variable and the mediating variable—is satisfied.

Table 3. The first hypothesis test result

Dependent Variable: Quality of financial decision making						
RE = a ₀ + a ₁ SC + a ₂ SG + a ₃ S + a ₄ POMS + a ₅ MA + a ₆ LEV + a ₇ G + a ₈ FSIZE + a ₉ FIN + a ₁₀ BS + a ₁₁ BI + a ₁₂ AGE + a ₁₃ ROA + a ₁₄ ROE						
Variable	Coefficient	Standard Deviation	t-statistic	Significance level	VIF	
SC	-0.185	0.083	-2.216	0.027	1.086	
SG	0.001	0.009	0.076	0.939	1.033	
S	0.041	0.039	1.042	0.298	1.089	
POMS	-0.009	0.021	-0.430	0.668	1.081	
MA	-0.011	0.042	-0.254	0.799	1.029	
LEV	-0.051	0.059	-0.866	0.387	1.161	
G	-0.014	0.038	-0.373	0.709	1.037	
FSIZE	0.058	0.010	5.988	0.000	1.280	
FIN	-0.014	0.039	-0.365	0.715	1.074	
BS	-0.028	0.017	-1.650	0.099	1.074	
BI	-0.060	0.048	-1.254	0.210	1.055	

AGE	0.023	0.041	0.573	0.567	1.051
ROA	0.111	0.413	0.268	0.789	3.215
ROE	-0.055	0.223	-0.248	0.804	2.972
C	-0.749	0.383	-1.954	0.051	NA
Year-Industry effects were controlled					
F-Statistic		11.494	R-Squared		0.281
Prob (F-Statistic)		0.000	Durbin-watson		1.883
Chow Test Statistic		2.174	Hasman Test Statistic		27.000
Prob (Chow Test Statistic)		0.000	Prob (Hasman Test Statistic)		1.000

The results of testing the second hypothesis, which examines the relationship between social crises and financial crises, are presented in Table 4.

Since the preliminary assumptions of the model were verified earlier, they are not repeated here. The p-value for the financial crisis variable is 0.004 (less than 5%), confirming the second hypothesis. Thus, the second mediation condition—requiring a significant relationship between the independent variable (social crises) and the mediating variable (financial crises)—is satisfied. Additional results also reveal a significant positive association between firm size and managers' graduate education in science-related fields, as well as the quality of financial decision-making. This indicates that larger firms and managers with advanced scientific education tend to make higher-quality financial decisions.

The results of testing the third hypothesis, which examines the relationship between financial crises and the quality of managers' financial decision-making, are presented in Table 5.

As the preliminary assumptions of the model were verified earlier, they are not repeated here. The p-value for the financial crisis variable is 0.869 (greater than 5%), leading to the rejection of the third hypothesis. However, additional results indicate a significant positive relationship between firm size and the quality of financial decision-making, suggesting that larger firms are associated with higher-quality financial decisions made by managers.

Table 4. The second hypothesis test result

Dependent Variable: Financial Crisis					
FC = a ₀ + a ₁ SC + a ₂ SG + a ₃ S + a ₄ POMS + a ₅ MA + a ₆ LEV + a ₇ G + a ₈ FSIZE + a ₉ FIN + a ₁₀ BS + a ₁₁ BI + a ₁₂ AGE + a ₁₃ ROA + a ₁₄ ROE					
Variable	Coefficient	Standard Deviation	t-statistic	Significance level	VIF
SC	0.460	0.161	2.862	0.004	1.086
SG	-0.011	0.025	-0.437	0.663	1.033
S	0.162	0.062	2.586	0.010	1.089
POMS	0.001	0.039	0.032	0.974	1.081
MA	0.039	0.089	0.432	0.666	1.029
LEV	-0.168	0.090	-1.861	0.063	1.161
G	0.051	0.064	0.791	0.429	1.037
FSIZE	0.030	0.013	2.289	0.022	1.280
FIN	0.146	0.077	1.907	0.057	1.074
BS	0.034	0.030	1.140	0.225	1.074
BI	-0.060	0.075	-0.797	0.426	1.055
Variable	Coefficient	Standard Deviation	t-statistic	Significance level	VIF
AGE	0.000	0.051	0.007	0.995	1.051
ROA	0.350	0.664	-0.527	0.599	3.215
ROE	0.380	0.332	-1.146	0.252	2.972
C	-0.601	0.538	-1.116	0.265	NA
Year-Industry effects were controlled					

F-Statistic	14.689	R-Squared	0.333
Prob (F-Statistic)	0.000	Durbin-watson	1.996
Chow Test Statistic	1.786	Hasman Test Statistic	27.000
Prob (Chow Test Statistic)	0.000	Prob (Hasman Test Statistic)	1.000

Table 5. The third hypothesis test result

Dependent Variable: Quality of financial decision making					
RE = $a_0 + a_1FC + a_2SG + a_3S + a_4POMS + a_5MA + a_6LEV + a_7G + a_8FSIZE + a_9FIN + a_{10}BS + a_{11}BI + a_{12}AGE + a_{13}ROA + a_{14}ROE$					
Variable	Coefficient	Standard Deviation	t-statistic	Significance level	VIF
FC	-0.003	0.019	-0.165	0.869	1.077
SG	0.001	0.009	0.100	0.920	1.026
S	0.038	0.039	0.962	0.337	1.104
POMS	-0.009	0.021	-0.419	0.675	1.081
MA	-0.013	0.042	-0.323	0.747	1.017
LEV	-0.048	0.060	-0.812	0.417	1.135
G	-0.014	0.038	-0.371	0.710	1.038
FSIZE	0.058	0.010	5.962	0.000	1.295
Variable	Coefficient	Standard Deviation	t-statistic	Significance level	VIF
FIN	-0.012	0.039	-0.309	0.758	1.084
BS	-0.028	0.017	-1.683	0.093	1.075
BI	-0.062	0.047	-1.300	0.194	1.058
AGE	0.026	0.041	0.632	0.528	1.050
ROA	0.123	0.418	0.295	0.768	3.226
ROE	-0.060	0.224	-0.265	0.791	2.970
C	0.949	0.353	-2.685	0.007	NA
Year-Industry effects were controlled					
F-Statistic		11.355	R-Squared		0.279
Prob (F-Statistic)		0.000	Durbin-watson		1.870
Chow Test Statistic		2.204	Hasman Test Statistic		27.000
Prob (Chow Test Statistic)		0.000	Prob (Hasman Test Statistic)		1.000

Finally, the results of testing the fourth hypothesis, which investigates the mediating role of financial crises in the relationship between social crises and the quality of managers' financial decision-making, are presented in Table 6.

Table 6. The fourth hypothesis test result

Dependent Variable: Quality of financial decision making					
RE = $a_0 + a_1FC + a_2SC + a_3SG + a_4S + a_5POMS + a_6MA + a_7LEV + a_8G + a_9FSIZE + a_{10}FIN + a_{11}BS + a_{12}BI + a_{13}AGE + a_{14}ROA + a_{15}ROE$					
Variable	Coefficient	Standard Deviation	t-statistic	Significance level	VIF
SC	-0.185	0.085	-2.190	0.029	1.420
FC	-0.001	0.019	-0.027	0.979	1.408
SG	0.001	0.009	0.076	0.940	1.033
S	0.041	0.039	1.044	0.297	1.105
POMS	-0.009	0.021	-0.429	0.668	1.081
MA	-0.011	0.042	-0.254	0.799	1.030
LEV	-0.052	0.059	-0.872	0.384	1.163
Variable	Coefficient	Standard Deviation	t-statistic	Significance level	VIF

G	-0.015	0.038	-0.381	0.703	1.038
FSIZE	0.058	0.010	5.981	0.000	1.299
FIN	-0.014	0.039	-0.358	0.720	1.084
BS	-0.028	0.017	-1.652	0.099	1.075
BI	-0.060	0.047	-1.264	0.207	1.059
AGE	0.023	0.041	0.573	0.567	1.051
ROA	0.112	0.414	0.270	0.787	3.227
ROE	-0.057	0.223	-0.255	0.799	2.972
C	-0.750	0.383	-1.958	0.051	NA
Year-Industry effects were controlled					
F-Statistic	11.095		R-Squared	0.282	
Prob (F-Statistic)	0.000		Durbin-watson	1.880	
Chow Test Statistic	2.171		Hasman Test Statistic	28.000	
Prob (Chow Test Statistic)	0.000		Prob (Hasman Test Statistic)	1.000	

The p-value for the financial crisis variable is 0.979 (greater than 5%), leading to the rejection of the fourth hypothesis. Thus, the third mediation condition—requiring a significant effect of the mediating variable on the dependent variable—is not satisfied. In addition, the Sobel test result ($z = -0.149$) confirms that the indirect effect of social crises through financial crises on the quality of financial decision-making is not significant at the 95% confidence level. However, further findings reveal a significant positive relationship between firm size and the quality of managers' financial decision-making, suggesting that larger firms are associated with higher-quality financial decisions.

5. Discussion and conclusion

This study investigates the impact of social crises on the quality of managers' financial decision-making, as well as the mediating role of financial crises in this relationship. The statistical population comprises all firms listed on the Tehran Stock Exchange from 2018 to 2023. Using a systematic elimination method, companies meeting specific criteria—such as continuity of operations, no changes in fiscal year, and at least seven firms per industry—were included. Ultimately, 137 firms were selected as the final sample. Data analysis was conducted using EViews 10 software and multiple regression techniques. The results reveal a significant negative relationship between social crises and the quality of managers' financial decision-making. This finding suggests that during social crises, the emergence of turmoil and insecurity heightens managerial anxiety and imposes considerable psychological stress (Arab-Salehi et al., 2017; Rabiei & Sarafrazi, 2015; Hosseini, 2006). As a result, managers may shift their focus from precise and comprehensive financial analyses to short-term, ineffective, and lower-quality decisions, thereby diverting attention from strategic objectives. Moreover, crises reduce the time available for decision-making, including financial decisions. Under such constraints, data-driven analyses that require accuracy and time may be neglected, while emotionally driven and irrational judgments may prevail. Consequently, the quality of financial decision-making declines. These results are consistent with the findings of Ghosi & Akbarpour (2019), Sheikhi & Hassanzadeh Diva (2021), and Bărbuță-Mișu et al. (2019).

Furthermore, the results reveal a significant positive relationship between social crises and financial crises. This relationship can be explained by the fact that social crises and widespread public dissatisfaction discourage both domestic and foreign investment. Investors tend to avoid unstable environments, which can lead to declining stock values and rising interest rates. At the same time, social hardship reduces consumption (Dutt & Padmalabhan, 2011), which lowers market demand and creates challenges for firms in producing and supplying goods and services (Sikwila, 2011). Such conditions may also weaken competitiveness in both domestic and international markets. In addition,

social crises often impose substantial costs, including employee harm, work stoppages, reputational damage, and profit losses (Bekefi & Epstein, 2006). Collectively, these factors increase the likelihood of financial distress and may ultimately push firms toward bankruptcy. This finding is consistent with the results reported by Abbasi et al. (2024).

Moreover, the results indicate that financial crises negatively affect the quality of managers' financial decision-making and weaken the relationship between social crises and decision-making quality. However, the magnitude of this effect is not statistically significant. This finding is consistent with Rashidbeigi et al. (2015) but contrasts with studies such as Karshenasan et al. (2019) and Sufian & Shah Habibullah (2010). These inconsistencies may be attributed to differences in research methodology, time frames, sample industries, or managerial experience levels. The lack of significance may be explained by the fact that, during financial crises, managers and analysts often rely on historical data and macroeconomic analyses, incorporating broader economic outlooks rather than focusing exclusively on firm-level financial distress. In such situations, managers face multiple challenges that affect decision quality; however, by drawing on historical experiences and identifying successful patterns under similar conditions, they may adopt more comprehensive and strategic approaches to crisis management. This reliance on past data can mitigate the negative effects of financial crises on the quality of financial decision-making. Macroeconomic analyses—such as assessments of economic growth rates, government monetary and fiscal policies, and market trends—enable managers to better understand the overall economic environment and make decisions consistent with broader trends. This becomes particularly important during crises, as data-driven decisions can mitigate negative impacts and prepare firms for improved future conditions. Consequently, the effect of financial crises on the quality of managers' financial decision-making is not statistically significant, and its mediating role in the relationship between social crises and decision-making quality is rendered irrelevant.

Overall, the findings of this study contribute to the existing literature by highlighting the factors influencing the quality of managerial financial decision-making, particularly the role of social crises. Focusing on the unrest of 2018, 2020, and 2023, the study clarifies how social crises affect the quality of decision-making and examines the role of financial crises within this relationship. To the best of our knowledge, this issue has not been explored in prior domestic or international studies, underscoring the novelty and originality of the present research.

In addition, this study contributes to a better understanding of the challenges and issues related to financial decision-making, while addressing existing informational gaps in the field. In doing so, it provides valuable insights for managers and policymakers, enabling them to adopt more effective approaches to strengthen organizational resilience and ensure continuity under unstable and crisis conditions. This dual contribution highlights both the scientific value and the practical relevance of the research.

Nevertheless, the study is subject to certain limitations. Notably, the lack of access to information regarding managers' personal characteristics—such as experience, confidence, and risk tolerance—restricted the scope of analysis. Furthermore, the limited availability of prior domestic and international studies on this topic constrained the extent of comparative discussion.

Finally, given the negative impact of social crises on the quality of managers' financial decision-making—and the critical role of preparedness in mitigating such effects—crisis planning emerges as an essential organizational practice. Proper planning not only reduces the scope of disruptions but also enhances control during crises. In this regard, the following internal organizational measures are recommended: 1. Achieving a comprehensive understanding of workflows from start to finish, 2. Identifying vulnerable points that require close monitoring and control, 3. Developing and strengthening crisis management and control programs, and 4. Preparing and securely maintaining

backup copies of critical documents in locations separate from the workplace.

Furthermore, as the impacts of social crises extend beyond economic outcomes to include social and operational dimensions, future research should explore these aspects and their implications for financial decision-making. In addition, examining the relationship between social crises and the quality of financial decision-making, along with the mediating role of financial crises, within specific industries may yield different results, thereby expanding knowledge and addressing existing gaps in the literature.

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