

# The puzzling association between accounting conservatism and corporate social responsibility

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## Abstract

**Purpose** – The purpose of this paper is to focus on exploring the mutual impact of accounting conservatism and corporate social responsibility (CSR).

**Design/methodology/approach** – To empirically assess the theoretical arguments the authors estimate a simultaneous equations system for accounting conservatism and corporate social responsibility determination by two-stage least squares in a sample of 175 firms listed on the Tehran Stock Exchange (TSE) for the period 2009–2019.

**Findings** – The results of the present study showed that accountability in companies listed on the TSE has led to an increase in the use of conservative practices. Therefore arguably, companies that seek CSR activities are more conservative in preparing and presenting financial reports. Also, companies that engage in conservative practices for the benefit of stakeholders are better able to implement CSR activities to meet stakeholder obligations. These results show a two-way relationship between CSR and accounting conservatism.

**Practical implications** – According to the results obtained from this study and the elimination of conservatism from the qualitative features of financial reporting in International Accounting Standards, it is recommended for the trustees and authorities of national accounting standards to decide whether this qualitative feature is effective or not.

**Originality/value** – Furthermore, the findings of this study suggest that the application of corporate social responsibility theories calls for more inquiry.

**Keywords** Accounting conservatism, Emerging market, Corporate social responsibility, Simultaneous equations system

**Paper type** Research paper

## 1. Introduction

Conservatism is a prominent feature of financial reporting that has long been associated with the theory and practice of accounting (Kim and Kim, 2010). There are many definitions for conservatism in accounting texts. In Basu's view, conservatism is the use of higher degrees of reliability to identify and record profits and good news, as opposed to using lower degrees of reliability to identify and record losses and bad news (Basu, 1997). Paragraph 95 of the Statement of Accounting Concepts No. 2 describes conservatism as this: "If there are two estimates of the same amount received or future payments and both are likely to occur, conservatism dictates the use of an estimate that is less optimistic" (FASB, 1980). Now, according to the definitions provided above, the question that arises is what motivates managers to provide conservative financial reporting and whether behavioral and non-financial disadvantages such as ethical structures, especially the firm's



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social, environmental and organizational issues are effective in financial reporting of conservatism rate not.

In economic texts, the statement has been repeated many times: “the goal of firms is to maximize profits”. However, if the firm is only thinking of maximizing its profits in an advanced economic environment, the firm may just survive, since the modern economic environment has entered a stage when corporate social responsibility (CSR) is considered in the profitability of firms. For small and medium-sized firms with fewer stakeholders, pursuing profit maximization alone may not be a problem. However, in larger firms which have a huge impact on the national economy, social responsibility can never be neglected. On the other hand, firms are increasingly involved in measures to enhance and promote CSR (Gao and Zhang, 2015).

Many studies have examined the effects of social responsibility on firm’s value and financial performance (Crisóstomo *et al.*, 2011; Gherghina and Vintila, 2016; Hafez, 2016; Chen *et al.*, 2017; Galant and Cadez, 2017; Chung *et al.*, 2018; Johnston *et al.*, 2019). Additionally, in recent years, studies have examined the relationship between CSR activities and earnings management as a measure of accounting transparency (Grougiou *et al.*, 2014; Gras-Gil *et al.*, 2016; Buertey *et al.*, 2020). Despite that, fewer studies have examined the impact of CSR activities on accounting conservatism. Yang *et al.* (2013) examined the impact of CSR activities on accounting conservatism. They found that firms that were more involved in CSR activities were less motivated to practice conservative accounting. Therefore, it can be said that conservatism is affected by CSR activities. Park *et al.* (2017) classify CSR activities into two groups: preventive and active CSR and defensive CSR with minimum rules. They examined the impact of each of these two groups on accounting transparency. Their research showed that firms that act vigorously in CSR activities are more involved in opportunistic events. In other words, when firms diligently contribute to CSR activities, their costs increase and, consequently, they manage upward profits (Shen *et al.*, 2021). This means that contributing to CSR activities reduces the degree of accounting conservatism. Patro and Pattanayak (2017) find that CSR activities reduce accounting conservatism. However, Cheng and Kung (2016) showed that mandatory CSR activities lead to more accounting conservatism.

On the other hand, other studies have examined the effect of accounting conservatism on CSR. In this regard, Francis *et al.* (2013) showed that conservative accounting reporting increases CSR activities. Also, Anagnostopoulou *et al.* (2020) showed that firms that employ high levels of conservatism contribute to CSR activities.

Assuming the two approaches as true, a reciprocal relationship between the two variables can be confirmed. Therefore, instead of a relationship between these two variables using econometrics, the system of “simultaneous equations” should be used.

We used simultaneous equations because the estimated coefficients will be inconsistent and unreliable if instead of estimating the system of simultaneous equations, the parameters of each equation are estimated separately. It can be explained by the violation of one of the assumptions of ordinary least squares method. Thus, to achieve results consistent with the research literature, the method of simultaneous equation research is used. In this study, firstly, an attempt has been made to show the extent of voluntary disclosure of social responsibility of accepted firms and its relationship with accounting conservatism. Second, although the literature in this field shows the relationship between CSR and accounting conservatism, no research has investigated this relationship empirically and using an appropriate reciprocal method. Third, previous studies have examined these relationships separately in only one specific direction (positive or negative); however, the literature shows that the relationship between CSR and accounting conservatism varies according to the economic environment, governing laws and the existing space in the capital markets of different countries based on existing theories and

views. Therefore, this study has examined the existing theoretical foundations for all possible effects between these two variables.

In general, the current research helps to examine the extent of the company's commitment to shareholders through conservative financial reporting methods and its commitment to other stakeholders through participation in CSR activities. On the other hand, considering the optionality of CSR reporting in Iran, the findings of this research can reflect the management's discretion regarding CSR choices in this environment. The results of the present study show that companies pursuing CSR activities are more conservative in preparing and presenting financial reports. On the other hand, the findings show that companies that use conservative methods in preparing and presenting financial reports have a high motivation to participate in CSR activities. Because, from the content of stakeholder theory, it can be inferred that attention to CSR can create a better view of corporate management for stakeholders, which leads to the use of conservative procedures by stakeholders (Shen *et al.*, 2021; Chen *et al.*, 2017). These findings show the reality of Iran's developing economic environment.

The rest of the research is organized as follows. In the second part, the literature review is conducted and research hypotheses are presented. The third section describes sampling and methodology to measure conditional conservatism and CSR, and examines the relationship between them. The fourth section presents the experimental findings and the fifth section describes the research results.

## 2. Literature review

### 2.1 *Conservatism and corporate social responsibility*

Accounting conservatism is theoretically and empirically a financial reporting discussion that helps reduce information asymmetries between company employees and outsiders, as well as reducing agency costs. Therefore, it promotes effective oversight of management by capital providers. On the other hand, accounting conservatism is also effective for the performance of debt contracts (Lafond and Watts, 2008; Donovan *et al.*, 2015; Biddle *et al.*, 2022). Evidence shows that accounting conservatism reduces information asymmetry and consequently weakens negative market reactions to adverse events (Francis *et al.*, 2013). In addition, there are other evidence that accounting conservatism leads to lower capital costs (García Lara *et al.*, 2011), reduced risk of stock price falls (Andreou *et al.*, 2017) and the provision of useful and quality information to shareholders (Ruch and Taylor, 2015). However, some studies show that conservative reporting is costly for management (Beneish and Press, 1993; Ahmed *et al.*, 2002; Zhang, 2008; Penalva and Wagenhofer, 2019). Also, the literature and backgrounds discussed above demonstrated the effectiveness of conservatism in CSR activities. However, there are studies that show the impact of CSR activities on conservative reporting. Therefore, in this study, we try to discuss the relationship between these two variables. Burke *et al.* (2020) showed that CSR operations reduce conservatism. They hypothesized that CSR-related activities depended on conditional conservatism for two reasons. First, a better performing CSR firm may be opportunistic in its treatment of shareholders, leading to less demand for conditional conservatism on the part of the parties to the contract. Second, CSR helps to improve the company's information environment and thus reduces information asymmetry, which in turn increases the demand for conservatism. Finally, the available literature shows the possible relationship between accounting conservatism and CSR in reverse. In other words, there may be an interrelationship between accounting conservatism and CSR. However, existing research has examined a one-way relationship between accounting conservatism and CSR and vice versa (Francis *et al.*, 2013; Becchetti *et al.*, 2013; Cheng and Kung, 2016; Burke *et al.*, 2020; Hong, 2020; Anagnostopoulou *et al.*, 2020). Hence, current study argues that accounting conservatism leads managers to orient themselves in CSR activities. CSR is involved in the interests of all

the company's stakeholders, and this shows the clear benefits of a commitment to conservative reporting through managers (Salehi *et al.*, 2020). In other words, in terms of the quality of financial reporting conservatism helps companies to be transparent in the implementation of CSR and thus respect the interests of all stakeholders. This argument can be justified through stakeholder theory. According to the stakeholder theory, managers have ethical obligations to serve the interests of different stakeholders (Freeman, 2010; Chen *et al.*, 2017). This leads companies to use accounting conservatism to reduce information asymmetries between different stakeholders. On the other hand, according to agency theory, managers may use social responsibility to advance their personal goals or to cover the impact of opportunistic behaviors (Jensen, 2001; Ben-Amar and Belgacem, 2018). In this case, it can be said that the demand for conservative reporting will decrease.

There is also evidence that accounting conservatism affects CSR. This claim can be justified by the concepts in the view of the proponents and opponents of conservatism. According to the proponents, conservatism helps protect the interests of corporate stakeholders by reducing information asymmetry (Salehi and Azimi, 2022). Therefore, it can be expected that companies that are engaged in conservative practices for the benefit of stakeholders will be better able to perform CSR activities to meet their stakeholder obligations. Opponents of conservatism, on the other hand, argue that conservatism reduces the quality of accounting information. Thus, conservatism increases information asymmetry between stakeholders. Hence, based on the anti-conservatism approach in accounting, accounting conservatism prevents managers from performing CSR activities effectively. Based on available literature, there is an interrelationship between CSR and accounting conservatism. Figure 1 (available online at: [https://drive.google.com/file/d/1-DQMCLTy\\_N4EYwDkA7jEKQ5fL5GY3MUx/view?usp=share\\_link](https://drive.google.com/file/d/1-DQMCLTy_N4EYwDkA7jEKQ5fL5GY3MUx/view?usp=share_link)).

In order to achieve the purpose of the research and according to the theoretical background of the research, the research hypothesis is formulated as follows:

- H1.* There is a significant and mutual relationship between accounting conservatism and CSR activities.

### 3. Data and methodology

#### 3.1 Sample collection and data sources

The data derives mainly from audited financial statements and board's reports of the TSE, and Rahavard Novin software. The population of the study encompasses all TSE firms for the period 2009–2019. The reason for choosing the research period is access to real and audited data that can show the conditions of Iran's capital market about the main research problem in the last 10 years. However, the study compiles a purposive sampling; thus, financial firms such as banks and insurance firms are absent because they have different conditions in relation to firm characteristics. Listing firms must also have continuous operations during the period of the study, and their information must be available. Following these criteria, the study includes 175 firms (1925 firm-year). In this research, sample companies were selected applying the following limitations.

- (1) For similarity, the companies whose fiscal year does not match with 29th Esfand (in the Iranian calendar) were excluded;
- (2) Banks and insurance companies were excluded from the study due to the different conditions governing investment companies;
- (3) Companies with trading interruptions of over three months were excluded to ensure balanced business transactions of companies during a fiscal year; and
- (4) Companies having incomplete data were excluded from the study.

### 3.2 Research design

As explained in previous sections, a review of the literature and the results show a two-way relationship between CSR variables and accounting conservatism. Also, in examining how these two variables affect each other, it is better to use the system. Simultaneous equations are used instead of a single equation system. On the basis, Granger (1986) presented the following model and proposed a method for examining the causality between two variables (Equations 1 and 2).

$$y_t = \sum_{i=1}^n a_i y_{t-i} + \sum_{i=1}^n \beta_i x_{t-i} \quad (1)$$

$$x_t = \sum_{i=1}^n c_i x_{t-i} + \sum_{i=1}^n d_i y_{t-i} \quad (2)$$

Now, after estimating the above model, if the coefficients are statistically significant, it is said that the variable  $x_t$  is the second variable of Granger causality. In addition, if the coefficients are also statistically significant, the second variable is Granger causality of the first variable. The results of Granger causality test using CSR and conservatism data are reported in Table 1 (available online at: [https://drive.google.com/file/d/1Sj0QMM0HACtEEZpHvz9OatmdnmCLUCvZ/view?usp=share\\_link](https://drive.google.com/file/d/1Sj0QMM0HACtEEZpHvz9OatmdnmCLUCvZ/view?usp=share_link)).

### 3.4 Empirical models

The following equations are used to estimate the mutual relationship between the main variables. According Guo *et al.* (2020) and Anagnostopoulou *et al.* (2020), Equation (3 and 4) is used to examine the mutual between CSR and conservatism.

$$\begin{aligned} CONS_{i,t} = & \beta_0 + \beta_1 CSR_{i,t} + \beta_2 SIZE_{i,t} + \beta_3 R\&D_{i,t} + \beta_4 GROWTH_{i,t} + \beta_5 CFO_{i,t} + \beta_6 LEV_{i,t} \\ & + \beta_9 FEMALE_{i,t} + \beta_{10} INS_{i,t} + \beta_{11} BI_{i,t} + \beta_{12} CEO\_TENURE_{i,t} + \beta_{13} AQ_{i,t} + \varepsilon_{i,t} \end{aligned} \quad (3)$$

$$\begin{aligned} CSR_{i,t} = & \beta_0 + \beta_1 CONS_{i,t} + \beta_2 NIBE_{i,t} + \beta_3 SIZE_{i,t} + \beta_4 AGE_{i,t} + \beta_5 R\&D_{i,t} + \beta_6 GROWTH_{i,t} \\ & + \beta_7 CFO_{i,t} + \beta_8 LEV_{i,t} + \beta_9 FEMALE_{i,t} + \beta_{10} INS_{i,t} + \beta_{11} BI_{i,t} \\ & + \beta_{12} CEO\_TENURE_{i,t} + \beta_{13} AQ_{i,t} + \varepsilon_{i,t} \end{aligned} \quad (4)$$

To estimate these equations in simultaneous equations system is shown in equation (5).

$$\begin{aligned} CONS_{i,t} = & \beta_0 + \beta_1 CSR_{i,t} + \beta_2 SIZE_{i,t} + \beta_3 R\&D_{i,t} + \beta_4 GROWTH_{i,t} + \beta_5 CFO_{i,t} + \beta_6 LEV_{i,t} \\ & + \beta_9 FEMALE_{i,t} + \beta_{10} INS_{i,t} + \beta_{11} BI_{i,t} + \beta_{12} CEO\_TENURE_{i,t} + \beta_{13} AQ_{i,t} + \varepsilon_{i,t} \end{aligned} \quad (5)$$

$$\begin{aligned} CSR_{i,t} = & \beta_0 + \beta_1 CONS_{i,t} + \beta_2 NIBE_{i,t} + \beta_3 SIZE_{i,t} + \beta_4 AGE_{i,t} + \beta_5 R\&D_{i,t} + \beta_6 GROWTH_{i,t} \\ & + \beta_7 CFO_{i,t} + \beta_8 LEV_{i,t} + \beta_9 FEMALE_{i,t} + \beta_{10} INS_{i,t} + \beta_{11} BI_{i,t} \\ & + \beta_{12} CEO\_TENURE_{i,t} + \beta_{13} AQ_{i,t} + \varepsilon_{i,t} \end{aligned}$$

where:

Variables definition is provided in appendix 1 (available online at: [https://drive.google.com/file/d/14QXcckrdvGmKQF3rO1Njz-9K1sXvuDG7/view?usp=share\\_link](https://drive.google.com/file/d/14QXcckrdvGmKQF3rO1Njz-9K1sXvuDG7/view?usp=share_link)).

## 4. Empirical results

### 4.1 Results of descriptive statistics

Table 2 (available online at: [https://drive.google.com/file/d/1NV4PegdnGZJfzW-BzxZm7iVGDiJgTwy\\_/view?usp=share\\_link](https://drive.google.com/file/d/1NV4PegdnGZJfzW-BzxZm7iVGDiJgTwy_/view?usp=share_link)) provides descriptive statistics of variables used in the simultaneous equations model.

To test our hypothesis, we applying the simultaneous equations model since accounting conservatism and CSR are two interrelated variables. A simultaneous equations model is usually developed to solve the endogeneity problem between the accounting conservatism and CSR. Our model also takes into account the effect of all exogenous variables on accounting conservatism and CSR. If the endogeneity problem occurs, the ordinary least squares (OLS) estimators become inconsistent. The relationship between accounting conservatism and CSR is then tested by using two - stage least squares (2SLS). In the first - stage model, accounting conservatism and CSR are regressed using exogenous variables to estimate predicted values of endogenous variables. In the second - stage model, these predicted values are used instead of the actual values to estimate simultaneous equations. The 2SLS procedure accounts the correlation of endogenous explanatory variables with error term. The 2SLS estimator yields unbiased estimates even in the presence of collinearity problems between regressors (Kennedy, 2003). In the absence of residual correlation or heteroscedasticity, 2SLS estimator is the most efficient instrument variable one (Greene, 2008). Based on these developments, our simultaneous equations model contains two endogenous variables and exogenous variables. The causal model diagram of our model can be presented by Figure 2 (available online at: [https://drive.google.com/file/d/1EVVwFFGyPvajGIV-wugXdz1wXMwbkasc/view?usp=share\\_link](https://drive.google.com/file/d/1EVVwFFGyPvajGIV-wugXdz1wXMwbkasc/view?usp=share_link)). This diagram displays how endogenous and exogenous variables are related to one another with respect to the theoretical model. Figure 2 is non-recursive due to the reciprocal paths between accounting conservatism and CSR.

The results of the Hausman test, presented in Tables 3 (available online at: [https://drive.google.com/file/d/1TGa8tQlrj-ofN1gjCD8YI8MaO6TTX\\_G/view?usp=share\\_link](https://drive.google.com/file/d/1TGa8tQlrj-ofN1gjCD8YI8MaO6TTX_G/view?usp=share_link)) and 4 (available online at: [https://drive.google.com/file/d/1ubyij7NmOTb4K1bXXyJWmxFWFo8up7bz/view?usp=share\\_link](https://drive.google.com/file/d/1ubyij7NmOTb4K1bXXyJWmxFWFo8up7bz/view?usp=share_link)) show that the simultaneous equations between accounting conservatism and CSR are obtained through estimation based on the fixed effects model. The system of equations is estimated simultaneously using the two-stage least squares method. The results in Table 3 show that the coefficient of variable CSR is positive and significant. In other words, CSR has a positive effect on accounting conservatism. The positive CSR coefficient shows that accountability in companies listed on the Tehran Stock Exchange (TSE) has led to an increase in the use of conservative practices. Therefore, companies that seek CSR activities are more conservative in preparing and presenting financial reports. These findings are consistent with stakeholder theory.

The results in Table 4 show that the conservative variable coefficient (CONS) is positive and significant. In other words, accounting conservatism has a positive effect on CSR. The positive CONS coefficient indicates that companies that have adopted conservative practices in preparing and submitting financial reports are highly motivated to participate in CSR activities. These findings are consistent with those who approve of conservatism. According to proponents, conservatism helps protect the interests of the company's stakeholders by reducing information asymmetry. Therefore, it can be expected that companies that engage in conservative practices for the benefit of stakeholders will be better able to perform CSR activities to meet their stakeholder obligations. In fact, there are different motivations for conservatism, each with a different effect on CSR. According to the results in Tables 3 and 4 the significance of the CSR coefficient in Table 3 and the significance of the CONS coefficient in Table 4 there is a two-way relationship between CSR and accounting conservatism.



Therefore, the results obtained from the system of simultaneous equations are more reliable and accurate than the estimation of a single equation.

## 5. Robustness checks

### 5.1 Contractual motivation for accounting conservatism

The contractual motivation for conservatism stems from the lenders' needs for timely information on the condition of the borrowers. Hence, it seems that conservatism can affect corporate commitments. To calculate the contractual motivation of accounting conservatism, the debt-to-cash flow symmetric ratio is used in the study of [Callen et al. \(2013\)](#).

$$CM = - \frac{\text{Total Debt}}{\text{Cash Flow}} \quad (6)$$

Also, Conservative tax incentive means that the identification of taxable income is delayed and tax expenditures are preferred. Therefore, losses in the previous period are recognized with higher taxes, while taxable income is transferred to the next lower-level period. This situation shows that managers, instead of fulfilling commitments in the interests of shareholders, take opportunistic actions and thus influence the CSR. The measure used in the [Bornemann \(2018\)](#) study is used to measure tax incentives. If the corporate tax rate decreases by 5% in year  $t$  compared to year  $t+1$ , this variable takes 1, otherwise it will take 0.

In the political motivation of accounting conservatism, due to uncertainty about the future cash flow of the company, higher costs and lower revenue estimates are identified. According to [Brogaard and Detzel \(2015\)](#), political uncertainty increases information asymmetry as managers know better how political conditions affect revenue and expenses. This situation prevents the company from performing CSR optimally due to creating an atmosphere of information asymmetry.

$$LM = \frac{\text{Sale}}{\text{Industry Sale}} \quad (7)$$

Therefore, the impact of different conservatism incentives in financial reporting was estimated based on CSR. The results of this test for each of the conservative motives are summarized separately in Table 5 (available online at: [https://drive.google.com/file/d/1b3rdlRgn6rRwKahNlx8XkFNNCQrjVjvv/view?usp=share\\_link](https://drive.google.com/file/d/1b3rdlRgn6rRwKahNlx8XkFNNCQrjVjvv/view?usp=share_link)). Table 5 examines the impact of contractual, tax, and political incentives from conservatism on CSR. The results show that the contractual motivation of conservatism has a negative and significant effect on CSR. These findings indicate that companies record less debt in their financial statements to facilitate contracts, which indicates more conservatism of the company. Also, companies that report less debt less involved in CSR activities. Thus, an inverse relationship is established between contractual motivation and CSR form. The conservative tax concept, on the other hand, means that companies have used conservative practices to delay or reduce tax payments this year. Thus, the tax rate in year  $t$  has decreased compared to year  $t+1$ . Based on these findings and theoretical foundations, the greater the reduction, the less participation of companies in CSR activities. Thus, the positive coefficient of this variable (TM) has a statistically positive effect on CSR, but in fact shows an inverse relationship between conservative tax incentive and CSR. In other words, managers have resorted to opportunistic practices rather than fulfilling commitments in the interests of shareholders, and have, therefore, influenced CSR. However, the findings showed that conservative political motives had no effect on CSR activities.

Given that the conditions for disclosing CSR information are constantly changing and increasing, the results may be different at the beginning and end of the research period.

Therefore, in order to find better results, in this study, the probable results are estimated based on the cross-sectional method for 2009 and 2019 as well. Cross-sectional findings are presented in Table 6 (available online at: [https://drive.google.com/file/d/1NtzBz8PBMenEeEZ4gMq4RZ9rOe0Ho10W/view?usp=share\\_link](https://drive.google.com/file/d/1NtzBz8PBMenEeEZ4gMq4RZ9rOe0Ho10W/view?usp=share_link)).

The results of Table 6 show that in 2009 (beginning of the research period) accounting conservatism has a significant negative effect on CSR with an error rate of 10%. This means that in this year, companies that have adopted conservative practices have not disclosed CSR information, i.e. accounting conservatism has not made companies more committed to their shareholders. In this regard, managers have resorted to conservative practices in their own self-interest. However, in 2019 (the end of the research period), accounting conservatism has been able to increase CSR well and make companies more committed to their stakeholders. In addition, the results show that in 2009 (the beginning of the research period) CSR had no effect on accounting conservatism. These findings indicate that CSR in Iranian companies has not been sufficient to influence accounting conservatism. Yet, in 2019 (the end of the research period) it has been able to increase accounting conservatism well. In other words, it shows that the companies that participated in CSR activities in 2019 have used conservative practices.

## 6. Conclusions

The results of the present study showed that accountability in companies listed on the Tehran Stock Exchange (TSE) has led to an increase in the use of conservative practices. Therefore, arguably companies that seek CSR activities are more conservative in preparing and presenting financial reports. These findings are consistent with stakeholder theory. Also, companies that engage in conservative practices for the benefit of stakeholders are better able to implement CSR activities to meet stakeholder obligations. These results show a two-way relationship between CSR and accounting conservatism. Therefore, the results obtained from the system of simultaneous equations are more reliable and accurate than the estimation of a single equation. The results of this study are consistent with the findings of Freeman (2010), Phillips (2011), Becchetti *et al.* (2013), Flammer (2018) and Anagnostopoulou *et al.* (2020). Next, the effect of contractual, tax, and political incentives from conservatism on CSR was examined. The results showed that the contractual motivation of conservatism has a negative and significant effect on CSR. These findings show that companies record less debt in their financial statements to facilitate the conclusion of contracts, showing more conservatism of the company. Based on these findings, companies that report less debt participate less in CSR activities and, therefore, an inverse relationship is established between contractual motivation and CSR form. The conservative tax concept, on the other hand, means that companies have used conservative practices to delay or reduce tax payments in 2009. The findings also showed that conservative political motives had no effect on CSR activities. According to the research findings, the following suggestions are made: The CSR debate is rooted in the organizational culture that governs the economic environment. Therefore, the simultaneous study of this issue in large and small economies and comparing them with each other can show the strengths and weaknesses, consequences and the degree of observance and application of this important issue in large and small economies. In addition, the existing literature, perspectives, and theories on the positive and negative relationship between conservatism and CSR suggest that the levels of these two variables According to the results obtained from this study and the elimination of conservatism from the qualitative features of financial reporting in International Accounting Standards, it is recommended for the trustees and authorities of national accounting standards to decide whether this qualitative feature is effective or not. Finally, disclosure of CSR information in Iranian companies has received less attention due to its infancy and the lack of a pertinent law. Therefore, the absence of the disclosure is one of the limitations affecting the research results.



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