

Corporate Social Responsibility Disclosure and its Determinants in Saudi Arabia

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Abstract: This study investigates the current practices of corporate social responsibility disclosure (CSR) and whether firm characteristics are potential determinants of CSR in Saudi Arabia listed companies. This study use content analysis to examine CSR practice in the annual report of 166 companies listed on Tadawul Stock exchange in 2013. This study use regression analysis to find the relationship between CSR and independent variables (size, profitability, leverage, consumer proximity, environment sensitivity). CSR in Saudi Arabia varies across companies and industries with almost 66% of the listed companies report it in their annual report. Majority of the companies made their CSR in the human resource and community involvement theme. The result also provides strong evidence that CSR is positively related to companies' size and profitability. This indicates that the bigger, in term of size and profitability a company is, the more the company discloses its social information. Therefore, it seems that the legitimacy theory as captured by those variables related to social visibility is the most relevant theory for explaining CSR practices of Saudi Arabia listed firms. The paper provides insights into CSR practices in Saudi Arabia that will benefit all stakeholders with an interest in corporate reporting in this region. The findings highlight the need for improvement by Saudi Companies in many areas, especially in regard to the regular updates of corporate social responsibility information provided on their annual report. This study has limitation in terms of the data sample (only one year) and the determinants chosen (focus only on firm characteristics).

Key words: Corporate social responsibility disclosure (CSR) • Legitimacy theory • Size • Profitability
• Saudi Arabia

INTRODUCTION

In the last three decades the Kingdom of Saudi Arabia has witnessed significant developments in all fields including the business sectors. Saudi Arabia is a nation rich in socially responsible business opportunities, with a number of strong economic indicators and a cultural and religious history that is consistent with the goals of its private sector's corporate social responsibility (CSR) work. Islamic tradition of zakat provides additional cultural or religious support to private sectors CSR initiatives [1]. A number of commandments in the Quran and the tradition of the Prophet Muhammad stipulate what must be done in order to establish socio-economic justice and therefore be socially responsible. Some of these are the obligatory payment out of income and wealth (zakat), philanthropic trust (waqf), alms, charity (sadaqa) and interest free loans (qard-ul-hassan) [2]. As such it is reasonable to conclude that Islamic business values and norms are consistent in general with the

definition of CSR. Islamic values help in reinforcing the ethical disposition of the firms and being socially responsible and ethically responsible towards the society, nature and mankind. Islam has greatly influenced CSR practices in Saudi Arabia. That is why CSR reporting has become part of Saudi Arabia government agenda in order to achieve global competitiveness. Saudi Arabia government believes that the competitiveness drivers, the human and social capital and the contributions of corporations to the development of this quality through CSR are strongly linked.

Saudi Arabian General Investment Authority (SAGIA) was established in the year 2000 with an objective to make Saudi Arabia one of the world's ten most competitive economies. SAGIA's main role is propagating and promoting CSR in Saudi Arabia. SAGIA develop a number of initiatives to build foundation of corporate responsibility to support and increase responsible business practices in the Kingdom. In July 2008, SAGIA launched a Saudi Arabia Responsible

Competitive Index (SARCI) in collaboration with AccountAbility and Tankeem Consulting. This Index assesses CSR practices of the leading firms on the basis of firms' strategy, management, stakeholder engagement process and social, environmental and economic performance system. Based on the assessment, King Khalid Award for Responsible Competitiveness was launched in January 2009 for Saudi companies identified as leaders through SARCI process. The purpose of the King Khalid Responsible Competitiveness Award is to encourage and honor private sector institution that have fulfilled their responsibility to the Saudi society and help achieving sustainable social development and improving national competitiveness. The award is issued to the top three companies in the responsible competitiveness index. The key CSR issue identified by SARCI in Saudi Arabia includes better workplace, health and safety standards, environment and good governance.

Saudi government recognizes the importance of the private sectors in national development but are not yet ready to incentivize or encourage CSR at strategic and policy level [1]. There are few fiscal incentives for companies to undertake CSR related initiatives and there is no set framework to coordinate CSR initiative at national level. Even though there are no formal rules, regulations and framework regarding CSR disclosure, Saudi companies continue to engage in CSR activities and report their CSR activities in annual report. Question arises as to what factors motivate Saudi companies to disclose their CSR activities. There were many researches that focus on the factors or determinants of CSR disclosure. However most of the research done has been in developed countries. There is still a need for more attention to be paid to developing countries, especially Saudi Arabia, because the social and economic environment in Saudi Arabia differ from those of liberal market economies and these differences are reflected in accounting disclosure practices. As such, this study focuses on Saudi Arabia setting because CSR research is very much limited if not nonexistence. A research in this area is much needed as Saudi Arabia has undergone tremendous social and economic changes which have seen a lot of businesses booming in recent years. Therefore this paper aims to investigate the current practices of corporate social responsibility disclosure (CSR) and the factors that influence CSR in Saudi Arabia. As CSR now becoming one of the major focuses in any businesses, coupled with the heightened interest and concern by the public about a manner in which business responding to CSR, a thorough investigation

on CSR practice and its determinant is clearly needed. As such, this study will undertake and it is therefore considered as timely and appropriate. To the best of the researcher knowledge, there is no study examining the factors that influence CSR in Saudi Arabia. Consequently, this study is the first to explore this issue. The researcher hopes that this study will contribute to the limited literature on CSR in Middle East in general and in Saudi Arabia in particular. This study is important as it help informing regulators on the current practices of CSR and whether CSR can be explained by the identified variables. As such, Saudi government, Tadawul stock market and Saudi companies can gain some new insights from this study in terms of understanding the current practices and determinant of CSR. The result of this study also will be of interest to the researchers and academic community due to a lack of formal research body addressing the issues of CSR in Saudi Arabia.

Literature Review: There is not much research on CSR in Saudi Arabia and Middle East in general and specifically there is no study on the factors that affect CSR in Saudi Arabia. Tamkeen Sustainability Advisors [1] is a Saudi CSR consulting company establishes in 2005 undertook its first CSR study in 2007. The finding indicates that CSR in Saudi Arabia is still trapped in charity mindset. The second study in 2010 found that many Saudi companies are now beginning to see the merits of engaging in responsible business practices. The study also revealed that there is a lack of government and media support and public and consumer perception of CSR. The study concluded that there is a positive change in CSR in Saudi Arabia and the main sectors where CSR is more active are industrial, banking and retail business. Zubairu *et al.* [3] replicated Haniffa and Hudaib [4] to examine the social reporting practices of Islamic Banks in Saudi Arabia. The study focus on a comparison of the social disclosure made through the annual report against an ideal level of social disclosure over the period of 2008 to 2009. The ideal level of social disclosure used was developed by Haniffa and Hudaib [4] called Ethical Identity Index (EII) which focuses on the ethical identity of Islamic banks. The findings show that Islamic banks in Saudi Arabia disclose more information demonstrating the Banks' commitments to debtors and less disclosure on environment. Mandurah *et al.* [5] surveyed a sample of Saudi Arabian firm's managers to assess the extent of their awareness of CSR. The survey was given to Saudi business manager who are likely to play a key role in articulating the CSR policies of their firms. A total of 120

surveys were distributed with 78 completed. The study found that CSR concept is in the early stage of development in Saudi Arabia. The study also found that CSR in Saudi Arabia tends too lean towards being classical and viewed as philanthropic rather than having strategic orientation. The result showed that Saudi Arabia managers are well aware of the concept of CSR and have positive attitude towards it. However they tend to be less enthusiastic when it comes to their perceptions of top management beliefs. Saudi managers also perceive a lack of clear organizational policies that define and communicate resources needed to achieve social goals as well as a lack of organizational-wide efforts to become socially responsible.

Many studies have been carried out to explain the factors that influence CSR in developed countries. Branco and Rodrigues [6] investigate the factors that influence social responsibility disclosure by Portuguese companies listed on Portuguese Stock Exchange in 2004. The study compares the internet and annual reports as media of social responsibility disclosure and analyzes what influence disclosure. The study uses content analysis to measure the level of social responsibility disclosure in company website and on the annual report and multiple regression models to analyze the relationship between total social responsibility disclosure and each of the independent variables. The result shows that company size and media exposure have a positive significant relationship with social responsibility disclosure. Mohammad Zain & Janggu [7] examined the extent of social and environmental disclosure of 37 construction companies listed on the Malaysian Stock Exchange from 1998 to 2002 with specific company's characteristics of size, profitability, leverage and audit firm. The result provides strong evidence that CSR is positively related to companies' size and profitability. This indicates that the bigger, in term of size and profitability a company is, the more the company discloses its social and environmental information. However no significant relationship was found between the level of CSR and financial leverage and size of audit firm. Reverte [8] analyze whether a number of firms and industry characteristics are potential determinants of CSR practices by Spanish Listed firms. The finding shows that firms with higher CSR ratings present significantly larger size and a higher media exposure and belong to more environmentally sensitive industries as compared to firms with lower CSR ratings.

Wan Abdul Rahman *et al.* [9] examined the level of CSR disclosure of 44 government-linked companies (GLC) listed on Bursa Malaysia in 2005 to 2006 to ascertain the relationship of certain company characteristic namely size, age, profitability and leverage on the total CSR disclosure. The study use content analysis method to measure the CSR practices in companies' annual report. The result shows the increasing pattern of disclosure in GLCs companies over the two year period. As for the determinants: only size show significant positive relationship. Muttakin & Khan [10] analyzes the determinants of corporate social disclosure in the case of Bangladesh listed firms. The result shows that CSR disclosure to have positive and significant relationships between the export-oriented sector, firm size, as well as types of industries. Moreover, the study explains the negative relationships that exist between CSR disclosure and family ownership. The overall findings in this study offer empirical evidence that numerous firms and industry characteristics are typically the crucial determinants in the case of CSR disclosure of Bangladesh, which is a developing country. Chiu & Wang [11] analyzes the determinants of social disclosure quality in Taiwan, where an application of stakeholder theory is extensively used. The study utilizes a stakeholder theory framework to examine various determinants of social reporting quality and equally empirically test the ability of the theory to discuss disclosure in emerging economies, as it is the case with Taiwan. The results achieve in the study support the application, as well as demonstrate that the measures of stakeholder power, economic resources, strategic posture, media visibility and firm size are closely related to social disclosure quality.

CSR Disclosure Theoretical Framework: A number of different theoretical approaches have been used to study the determinants of CSR. Those researches have looked at both external drivers (external stakeholder, stakeholder activism, institutional pressure) and internal drivers (executive incentives, management team commitments and CEO political ideologies). However the theories that have been most successful in explaining the extent and content in CSR reporting are system oriented theories such as legitimacy theory and stakeholder theory [12, 13].

As such, this study uses legitimacy theory as the basis for its framework. Legitimacy theory is based on the notion of a social contract which limits the activities of an organization within the boundaries set by the society [12]

This theory belief that the organization will gain support from the stakeholders and continue in existence in so far as its activities give benefits or at least are not harmful to society. As such organization continually seek to ensure that they perceived as operating within the bounds and norms of their respective societies, that is, they attempt to ensure that their activities are perceived by outside parties as being "legitimate". Sethi [14] argues that if an actual or potential disparity exists between organization and social values, then organization legitimacy will be jeopardized and will give rise to a legitimacy gap. A widening gap will cause an organization to lose its legitimacy. Many studies concur that social and environmental disclosures can be employed by organization to mitigate legitimacy threats and reduce the legitimacy gap.

In order to achieve the stated objective of examining the current CSR practices, this study will performed a content analysis of the annual report for all companies listed in Tadawul. The content analyses were performed to determine the practices of CSR and investigate the content category theme of CSR. Percentage was used as the method of analysis to identify the number of companies that report CSR practices in their annual reports. The disclosure of CSR in annual report will be investigates by grouping the factors of corporate social activity into four categories, environmental, human resources, product and consumers and community involvement. Environmental disclosure comprises disclosures relating to environmental policies, environmental management system and environmental awards, the environmental impacts of products and processes, environmental related expenditures, the environmental benefits of products, conservation of natural resources and recycling activities and disclosure concerning energy efficiency [6]. As such environmental disclosure in this context refers to the act of a company informing people the risks and benefits that the environment will be exposed to. In case of risks it is the duty of the organization to try and solve hazards in order to keep the environment and its habitants safe. Human resources disclosure covers such issues as employee numbers and remuneration, employee share ownership, employee consultation, training and education, employment of minorities or women and trade union information [6]. As such it is specifically refers to an organization's ability to inform the people within an organization of their rights, responsibilities and expectations [15]. This is best done when the company develops a fairly constructed job policy that is governed

by the human rights code. Product and consumers disclosure encompasses disclosure related to product quality and consumer relations [6]. It focuses on the companies' ability to create public awareness of the goods produced and sold to them for consumption. This is best done by the government establishing bureau of standards to determine the quality of products before the companies are authorized to distribute and sell their products. Community involvement disclosures include disclosures relating to sponsorship, as well as charitable donations and activities [6]. It is the process of engaging in dialogue and collaboration with community members. This involves joining those companies together in-order to enhance participation of the whole community.

In order to find the factors that influence CSR in Saudi Arabia, this study will test the relationship between the dependent variable and various independent variables. The dependent variable for this study is corporate social responsibility disclosure (CSR). The analysis of CSR is made using equal-weighted index, that is, a scoring system which assigns a point for each CSR theme pertaining to any of the categories considered. Disclosure scores for each company are added and not weighted, because it is assumed that each item, of disclosure is equally important [6]. Several empirical studies in the area were of great utility in developing the CSR index used [16, 2, 12, 17]. The data for the independent variables are extracted from the companies' 2013 annual reports. Several score sheets are used to measure each of the independent variables according to its scale of measurements (nominal, ordinal, interval and ratio). Following in the same line as Branco & Rodrigues [6], this study will use the same factors or determinants variables. The independent variables used in this study will be company size, consumer proximity, environmental sensitivity, profitability and leverage

Size: CSR is related to corporate size with larger companies disclosing more than smaller ones. Size is a variable that has frequently been used to explain the extent to which corporation disclose information [18, 19]. Size is also used commonly as a proxy for public visibility. Larger corporation are more susceptible to scrutiny from stakeholder groups since they are highly visible to external groups and more vulnerable to adverse reactions among them and larger companies are more diversified across geographical and product markets, thus having larger and more diverse stakeholders groups [20]. It is also more likely that larger, more visible companies will consider social responsibility activities and disclosure as

a way of enhancing corporate reputation. Most studies have found a positive relationship between corporate size and the extent of CSR. Large Corporation have a more pronounced effect on society and therefore normally have a higher number of stakeholders that influence the corporation [17]. In addition, media and the public generally demand more information from large corporation than from smaller ones [21]. Thus, the study suggests the following hypothesis:

H1: There is a positive relationship between company size and CSR.

The study used total asset to measure the size of the company and this measurement is consistent with previous research by Kansal *et al.* [22].

Consumer Proximity: Consumer proximity refers to the proximity to the final consumer. The nearer a company is to the individual consumer, the more probable is its name to be known to most members of the general public and hence, the greater will be its social visibility [6]. Consumer proximity entails discovering the requirements of the consumers and finds the ideal solutions for their needs. Consumer proximity can be gauged by looking at the consumer sentiments with regards to whether the company products or services meet their demands. Thus it is hypothesized that community involvement disclosure is associated with the measure of a company's proximity to the final consumer.

H2: There is a positive relationship between consumer proximity and CSR.

A binary measure of high profile and low profile is used. A high profile companies are those that are better known to the final consumer and whose names are expected to be known to most members of the general public. Based on Branco & Rodrigues [6], High Profiles Company are those in household goods and textiles, beverages, food and drugs, telecommunications services, electricity, gas distributions, water and banks.

Environmental Sensitivity: Companies in industries that have a larger potential impact on environment are considered to be subject to greater pressures with respect to environmental concerns. Environmental sensitivity as pertains to company activities refers to a situation where companies are able to have concern for the environment in which their business operates and be able to put in

place measures to mitigate its destruction. As such, companies in environmentally sensitive industries are more likely to disclose environmental information than companies in less environmentally sensitive industries. Thus, the study suggests the following hypothesis:

H3: There is a positive relationship between environmental sensitivity and CSR.

A binary measure of more sensitive and less sensitive is used. More sensitive industries are companies whose activities involve in higher risk of environmental impact. Based on Branco & Rodrigues [6], more sensitive sectors are mining, oil and gas, chemicals, construction and building materials, forestry and paper, steel and other metals, electricity, gas distribution and water.

Profitability: Profitability is the ability of a business to earn a profit. This can be assessed by looking at the profit and loss accounts as well as looking at the company growth over a long period of time [23]. Balkaoui and Karpik [24] explained that the underlying cause of the positive relationship between disclosure policy and profitability is management's knowledge. Management that has the knowledge to make a company profitable also has the knowledge and understanding of social responsibility which leads to more CSR disclosure. Inchausti [25] holds that management in very profitable corporation provides more detailed information in order to support its own position and compensation. Ng & Koh [26] point to the fact that profitable company are more exposed to political pressure and public scrutiny and therefore use more self-regulating mechanism as voluntary disclose in order to avoid regulation. The most obvious and explicit explanation might be that profitable corporation have the necessary economic means to make such disclosure [17]. Thus, the study suggests the following hypothesis:

H4: There is a positive relationship between profitability and CSR.

This study used accounting based variable of return on assets (ROA) as a measure for economic performance. The selection is consistent with the recent research by Park *et al.* [15].

Leverage: This is the amount of debt used to finance a firm's assets. The power of creditors as a stakeholder group depends upon the degree to which a company

relies on debt financing. According to Sommer *et al.* [27], a firm with significantly more debt than equity is considered to be highly leveraged. Purushothaman *et al* [28] argues that companies with high leverage may have closer relationship with their creditors and use other means to disclose social responsibility information. As such Purushothaman *et al.* [28] predict a negative relationship between leverage and CSR disclosure. Jensen and Meckling [29] argue that more highly leveraged firms disclose voluntary information in order to reduce agency cost and as a result their cost of capital. Brammer and Pavelin [20] conclude that a low degree of leverage ensures that creditor stakeholders will exert less pressure to constrain managers' discretion over CSR activities, which are only indirectly linked to the financial success of the firm. Thus, the study does not make any assumption about the sign of the association and suggests the following hypothesis:

H5: There is a relationship between leverage and CSRD.

This study used total debt to total equity as a proxy for leverage of the company, the same proxy used by Park *et al.* [15].

MATERIALS AND METHODS

Sample: This study will use a content analysis approach to examine the information cited by all traded companies listed on Tadawul in 2013. Content analysis has been defined as a systematic applicable technique for compressing many word of text into fewer content categories based on explicit rule of coding [30]. Content analysis enable researcher to go through large volume of data with relative ease in a systematic fashion [30]. Content analysis allows inference to be made which can then be corroborated using other methods of data collection. This study uses a content analysis to collect information for CSRD and independent variables by checking each annual report of listed companies. This study uses the simplest form of content analysis by detecting the presence or absence of information. Data is collected for 2013 as it is the most recent years for which company annual reports are available. The sample is used for two reasons [31] consistent with prior studies that assumed listed companies are more likely to have resources to adopt CSR and failure to do so is more likely reflect the result of a deliberate choice [16] Saudi listed companies make the most important contributions to the Saudi Arabian economy. The data for this research is

secondary in nature and obtained from company online annual reports. Since this study is related to CSR disclosure, only companies that report CSR activities in their annual report will be selected as the population of the study. Companies without information of CSR activities in the annual report will not be taken into consideration. There are a total of 168 companies listed on Tadawul in 2013. A final sample of 166 companies listed on Tadawul website in 2013 was collected. Two other companies' data were not collected because the annual reports were not available for the study period.

Test Procedure: To test the hypothesis, a model is developed for a regression analysis on the relationship between dependent variable and the independent variables. Multiple regression analysis is used because regression analysis represents a well-established and robust statistical tool for investigating the significance and extent of any relationship or association between a variable of interest and other explanatory variables. The regression model is utilized to find out the results of this study and this is in tandem with the previous study [31].

A formal regression equation used to test the hypotheses is.

$$CSR D = \beta_0 + \beta_1 size + \beta_2 proximity + \beta_3 sensitivity + \beta_4 profitability + \beta_5 leverage + \epsilon$$

where

CSR D = Total disclosure score in four categories

Size = Natural log of total asset

Proximity = Consumer proximity is a binary measure of high profile and low profile.

Sensitivity = Environmental sensitivity is a binary measure of more sensitive and less sensitive.

Profitability = Percentage of return on asset (ROA)

Leverage = Percentage of total asset over total debt

ϵ = Error term

RESULTS AND DISCUSSION

Descriptive Statistics: The data for dependent variable consist of 262 items that represent the CSR D. Table 1 show the summary of the data collected of CSR D. It is recorded one [31] if the company discloses the item in the annual report and zero (0) if does not. Overall the result show that a total of 111 companies (66.07%) disclose CSR activities in their annual report. A total of 53 companies or

Table 1: Content category

Content-Category themes	Environment		Energy		Human resource		Product/consumer		Communityinvolvement	
	No	%	No	%	No	%	No	%	No	%
Industries:										
banks & financial investment	5	41.66	0	0	11	91.66	1	8.33	9	75
petrochemical industries	11	78.57	1	7.14	13	92.85	8	57.14	10	71.42
cement	9	64.28	0	0	10	71.42	4	28.57	11	78.57
retail	4	28.57	0	0	7	50	1	7.14	10	71.42
energy & utilities	1	50	1	50	2	100	2	100	2	100
agriculture & food industries	7	43.75	0	0	7	43.75	7	43.75	9	56.25
telecommunication & information technology	2	40	0	0	3	60	0	0	3	60
insurance	1	2.85	0	0	13	37.14	0	0	4	11.42
multi-investment	0	0	0	0	1	14.28	0	0	2	28.57
industrial investment	4	28.57	0	0	7	50	2	14.28	7	50
building & construction	5	31.25	1	6.25	8	50	2	12.5	7	43.75
real estate development	1	12.5	0	0	2	25	1	12.5	3	37.5
transport	2	50	0	0	2	50	2	50	3	75
media and publishing	1	33.33	0	0	2	66.66	0	0	3	100
hotel & tourism	0	0	0	0	3	75	1	25	1	25
Total:	53	31.54	3	1.79	91	54.16	31	18.45	84	50

Table 2: Descriptive statistic for independent variable

Independent variable	Minimum	Maximum	Mean	Standard deviation
ROA	-1.36	2.55	0.0488	0.01952
Consumer Proximity	0	1	0.57	0.038
Environment Proximity	0	1	.44	0.038
Leverage	0.01	1.53	0.4905	0.02164
Asset Log	4.49	9.64	6.5582	0.08110

Table 3: Correlation

		ROA	CONSUMER	ENPROXY	LEVERAGE	ASSETLOG	CSRD
ROA	Pearson Correlation	1	-.039	.039	-.169*	.071	.190*
	Sig. (2-tailed)		.614	.614	.029	.366	.014
	N	166	166	166	166	166	166
CONSUMER	Pearson Correlation	-.039	1	-1.000**	.297**	-.295**	-.141
	Sig. (2-tailed)	.614		.000	.000	.000	.068
	N	166	168	167	166	166	168
ENPROXY	Pearson Correlation	.039	-1.000**	1	-.297**	.295**	.137
	Sig. (2-tailed)	.614	.000		.000	.000	.077
	N	166	167	167	166	166	167
LEVERAGE	Pearson Correlation	-.169*	.297**	-.297**	1	.097	-.034
	Sig. (2-tailed)	.029	.000	.000		.216	.662
	N	166	166	166	166	166	166
ASSETLOG	Pearson Correlation	.071	-.295**	.295**	.097	1	.345**
	Sig. (2-tailed)	.366	.000	.000	.216		.000
	N	166	166	166	166	166	166
CSRD	Pearson Correlation	.190*	-.141	.137	-.034	.345**	1
	Sig. (2-tailed)	.014	.068	.077	.662	.000	
	N	166	168	167	166	166	168

** . Correlation is significant at the 0.01 level (2-tailed).

31.5% disclose environment disclosure while only 3 companies or 1.8% disclose energy related information. A total of 91 (54%) companies disclose human resources disclosure and 31 companies (18%) disclose information about product and consumer. Lastly around 50% (84) of the companies disclose information related to community

involvement. This result shows that majority of the companies disclose their CSR activities related to human resources and environment theme.

With regards to independent variable, Table 2 reports the mean, medians and standard deviation. Overall, the result for ROA shows that the amount of between -1.36 to

2.55 with a mean of around 0.0488. In term of consumer proximity and environment proximity, the average is 0.57 and 0.44 respectively. Leverage range from 0.01 to 1.53 with a mean of 0.4905. In term of asset log, the amount is between 4.49 to 9.64 with the average of around 6.5582.

Based on the descriptive statistic mentioned above, it is clear that the sample selected cover a variety of categories in term of factors affecting CSR. Thus the results are expected to be normally distributed and reflect the expected result in an accurate, efficient manner.

Correlations: In order to see whether there is any correlation among the variable, Pearson correlation matrix has been performed. Table 3 presents the correlation matrix for the individual continuous variable used in the OLS regression. There are only two significance positive correlation between dependent variable (CSR) and independent variable, it occurs with ROA ($p=0.14$ and t value= 0.190) and natural log of asset ($p=0.042$ and t value= 0.345). In addition to the correlation between dependent and independent variable, there are six other significant correlation (at 0.05 significance level or better) recorded for the sample. There is a significant positive correlation between consumer proximity and leverage ($p=0.000$, t value=0.297) and environmental sensitivity with natural asset log ($p=0.000$ t value=0.295). There are four significant negative correlation recorded. The negative correlation is between consumer proximity with environment sensitivity ($p=0.000$, $t=-1.000$) and consumer proximity with natural asset log ($p=0.000$, $t=-0.295$). The other two significant correlations is between leverage and environment sensitivity ($p=0.000$, $t=-0.297$) and ROA and leverage ($p=0.000$, $t=-0.169$).

Basically, the results of Pearson correlation coefficient for the whole sample are quite low. The highest significant correlation between dependent variable and independent variable is about 34.5%.

Robustness of the Model: To ensure that the model developed for this study is robust, the model was tested for multicollinearity. The possible existence of multicollinearity is tested based on the correlation matrix incorporating all the independent variables as well as computing the variance inflation factor (VIF). Table 5 and 6 present a summary of the result for collinearity test. The measures used to test for collinearity are: (1) tolerance value; (2) Variance Inflation Factor (VIF); (3) Condition Index (CI) and (4) Variance proportion analysis. Result indicates that multicollinearity is a problem for consumer proximity. Because of that consumer proximity is not included in the regression test.

Result for other independent variables indicates that multicollinearity is unlikely to be a problem. In addition, for other variables, the result suggests that in none of the regressions the highest VIF is above 3, there is no evidence of significant multicollinearity in the result of the study. Only VIFs in the excess of 10 are deemed to be evidence of significant multicollinearity [32]. Thus, the independent variables in this study do not seem to be severely affected by collinearity and so standard interpretation of the regression coefficient can be made.

Multivariate Results: In order to find the factors that influence CSR disclosure (CSR) in Saudi Arabia., this study use multiple regression analysis. Each of the dependent variable, CSR in annual report, is regressed against the transformed independent variables. Table 4 presents the result for the multiple regressions where the dependent variable is CSR and the independent variable is company size, company profitability, environment sensitivity and leverage. The overall regression on the model is significant as shown by the F-statistic of 6.486 ($p=0.000$). This suggests that the independent variables considered, when taken together, explain total CSR and its categories taken individually. However, this does not mean that each of the independent variables contributes to the explanation of the dependent variables. The model has a moderate fit of around 14% (adjusted r squared) in explaining the dependent variables. Only two of the independent variables are significant in the model: size and profitability. Based on this result, it can be concluded that other variables that were not identified in this study explains around 86% of the dependent variables. In addition to the adjusted R-squared, Table 4 also shows the signs of the beta for independent variables.

Discussion and Conclusion: Overall, the study established that most companies (66.07%) which are listed in Tadawul Stock Exchange have some CSR in their yearly report. Nevertheless, essentially majority of the companies reveal their CSR activities through Human Resource theme and Environment theme, both with 54.16% and 50% respectively. Outcomes of the content analysis also propose that CSR does not differ noticeably across industry groups. Neither was there any different pattern for a certain industrial sector. This is amazing given that 15 industrial sectors denoted in the sample and that they symbolize diverse sectors. It would have been realistic to anticipate that given the variety of the content-category themes in CSR, assured industries might have been more inclined to make CSR disclosures

Table 4: Multiple regression

Dependent Variables: CSRD/ Independent variables		Standardized Coefficient (beta)	t statistics	P>t (2-tail)
Profitability	Percentage of ROA	0.166	2.213	0.028**
Environment sensitivity	Binary measure	0.054	0.670	0.504
Leverage	Percentage of total asset over total debt	-0.19	-0.247	0.805
Size	Natural log Asset	0.301	3.831	0.000**

Table 5: Summary result of test of collinearity

	Tolerance	VIF
Leverage	0.858	1.165
Environment Sensitivity	0.829	1.206
Profitability	0.949	1.053
Size	0.869	1.151

Table 6: Summary of results for test on collinearity

Model	Dimension	Eigenvalue	Condition Index
1	1	3.300	1.000
	2	.992	1.824
	3	.557	2.433
	4	-0.140	4.858
	5	0.120	16.845

in particular content-category themes in their annual reports. For example, companies in environmentally-sensitive industries such as construction, industrial products and consumer products, may have more environment-related disclosures compared to companies in industries like banking and finance and trading/services. This finding recommends that there is not much dissimilarity in terms of the nature and type of CSRD made across sectors.

Consistent with previous studies, size and profitability have a positive significant relationship with CSRD. These results are consistent with the expectations resulting from the theoretical framework proposed and with previous CSRD studies (among others 5, 24, 25). The non-significant relation between CSRD and leverage and environmental sensitivity is not an unexpected result. This is in line with the outcomes of the content analysis that CSRD does not differ noticeably across industry groups. Regarding consumer proximity, since regression result cannot be determined the relationship cannot be confirmed. Therefore, it seems that the legitimacy theory as captured by those variables related to social visibility is the most relevant theory for explaining CSRD practices of Saudi Arabia listed firms. Thus, Saudi companies report on CSR activities in order to respond to public pressures and build or sustain corporate legitimacy. In this regard, CSRD can be viewed as a constructed image or symbolic impression of itself that a firm conveying to the outside world to control its political or economic position [33].

Moreover, the results of this study suggest that factors which influence CSR practices of Saudi Arabia listed companies are not significantly different than those which influence CSR of companies in other environments. This is consistent with the result of Cormier and Magnan [34] that suggest the similitude in the way in which disclosures strategies are determined, irrespective of a given country's socio-cultural environment.

Limitations of the Study: There are various limitations of the study which were noted while doing the research. The first drawback is in the research period used, which is only one year, the year 2013, so that the result represents condition only in that period and the fact that companies websites are always changing is not taken into account. The second limitation is that in Saudi Arabia, CSRD has recently put into assumption the strategic significance. Therefore for both the government and the companies, there is lack of a proper regulatory intervention on how and where CSR activity should therefore be disclosed. Therefore, certain information comprised in the yearly report is spread all across the non-financial information in the annual reports hence posing some subjectivity on disclosure theme. The final limitation is that this study only examined five factors that might explain CSRD i.e. company size, consumer proximity, environment sensitivity, profitability and leverage. There are possibly other factors such as media exposure that could further explain CSRD among Saudi companies. The result of the study shows that the determination coefficient is only 15%, meaning that there are other factors (85%) influence the level of CSRD not yet covered in this research.

CONCLUSION

These results are consistent with the expectations resulting from the theoretical framework proposed and with previous CSRD studies (among others 5, 24, 25). The non-significant relation between CSRD and leverage and environmental sensitivity is not an unexpected result. This is in line with the outcomes of the content analysis that CSRD does not differ noticeably across industry groups. Regarding consumer proximity, since regression

result cannot be determined the relationship cannot be confirmed. Therefore; it seems that the legitimacy theory as captured by those variables related to social visibility is the most relevant theory for explaining CSR practices of Saudi Arabia listed firms.

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