العنوان: The Relationship between Corporate Social Responsibility's Disclosure and Financial Performance: An Empirical Study of Jordanian Companies Listed on Amman Stock Exchange

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The Relationship between Corporate Social Responsibility's Disclosure and Financial Performance: An Empirical Study of Jordanian Companies Listed on Amman Stock Exchange

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ABSTRACT

The purpose of this study is to investigate the association between the corporate social responsibility disclosure (CSRD) and the corporate financial performance, using a market-based performance measure (Stock returns) and accounting- based performance measures (ROA & ROE). The study's sample consists of 76 manufacturing companies & 59 service companies listed in Amman Stock Exchange (ASE) over the six year period (20062011). The empirical results reveal that the level of CSRD is relatively low with average score of 32 %. However, the CSRD score reported by this study for manufacturing companies (39%) is substantially higher than that of service companies (23%). The study's findings indicate that the level of social responsibility disclosure by manufacturing companies in Jordan has improved substantially during the last decade from CSRD score of 13% reported prior related study (Suwaidan, et al., 2004) to the 39% reported by this study. In line with most prior studies' findings, this study provides empirical evidence supports positive significant Association between CSRD and profitability measure (ROE). However, the study failed to provide empirical evidence in support of significant association between CSRD and stock returns.

Keywords: Corporate Social Responsibility’s Disclosure, Stock Returns, ROA, ROE Financial performance Measures, Jordanian corporations.

INTRODUCTION

Nowadays, there are many factors affecting performance of a company. Managements are paying attention not only to financial aspects; but they are going beyond economic values to social and environmental values of the company (Uadiale and Fagbemi, 2012). As Mirfazli (2008) pointed out, companies' main aims is to achieve the highest level of return, but there are also interested in social and environmental added value, which are called "triple bottom line". The effect of corporate social responsibility activities on the organization has become one of the most important topics in business administration area that haunt workers in the field (Fiori et al., 2007). The concept of social responsibility began to emerge on the scene in 1950s (Uadiale and Fagbemi, 2012). Over the past years, the world faced a quantum leap in both economic and social areas. People became more concerned about the environment, and media started to focus on the results of human acts on environment. The increased consciousness among individuals and firms led to releasing the social responsibility concept, and firms around the world began racing in disclosing their responsibilities toward communities (Uwalomwa and Ben-Caleb, 2012).

The social responsibility discloses and its relation to corporate financial performance has attracted the attention of scholars in the accounting literature, especially in the last decade.

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Many empirical studies have examined this issue in developed economies and provided conflicting findings. However, the studies which examined this issue in developing economies were limited. Only few studies have addressed the social responsibility disclosure practices by Jordanian corporation. This study attempt to investigate the social responsibility disclosure by companies operating in the Jordan economic environment and examine the relation between social responsibility discloser and corporate financial performance using market based performance measure (stock returns) and accounting based financial measures (ROA& ROE). In addition, the study examined whether the level of social responsibility disclosures by Jordanian corporations varies across industries. An issue which has not been examined by prior studies for Jordanian corporations. To the best of our knowledge, this study is the first which examines the relation between social responsibility disclosure by Jordanian companies and corporate performance by using market based performance measure (Stock Returns) along with accounting based performance measures (ROA & ROE). The Jordanian economics environment is different from well developed economic environments, in which most prior related studies were carried out, in term of the level and depth of social responsibility disclosures, the experience in social responsibility practices, the legal frame-work related to social responsibility, the social responsibility disclosure requirements and the level of sophistication of the business environment. These differences provide another motivation for carrying out this study.

The rest of the paper is organized as follow: The second section presents the objective of the study. The third section provides review of the most related prior literatures. The fourth section presents and discusses the empirical results. The last section concludes the study.

Objective of the study

Mainly the study is concerned with the level of corporate social responsibility disclosure by Jordanian corporation and the relationship of this disclosure with corporate financial performance, using both market based performance measures and accounting based performance measures. In brief, the study objectives include:

1. Examining the level of corporate social responsibility disclosure by Jordanian corporations during the study period and whether the level of disclosure varies a cross industries.
2. Examining the relationship between corporate social responsibility disclosure and stock returns within the Jordanian environment context,
3. Examining the relationship between corporate social responsibility disclosures and accounting based performance measures (ROA,ROE).

Literature Review

Corporate social responsibility gained a special significance over the past years and was clearly highlighted from both corporate perspective and society perspective (Valiente et al., 2012). The growth in demanding a corporate social responsibility required academics and researchers to extract a clear definition of this fairly modern concept (Isa, 2012). Isa (2012) emphasized the huge need to develop a universally agreed definition for corporate social responsibility whereas the current definitions do not satisfy the term's rights and are still vague in its details, thus, an empirical assessment of corporate social responsibility concept based on a strong infrastructure combined of both current practices and stakeholders' perception of corporate social responsibility concept is recommended (Isa, 2012).

Although there is no one agreed upon definition, but, in general, corporate social responsibility refers to entity's acts that are directed to fulfill its duties for the interest of community and environment, beyond what is required by laws and regulations (Barnea and Rubin, 2005). The goal of corporate social responsibility as the name implies is to hedge the corporation acts from negative impacts and impose responsibility on whatever effects resulted from these actions (Pop et al., 2011).

Companies are paying greater attention to this concept, and they started to customize special parts in their annual reports to talk about their efforts in this area, and in some advanced cases, special annual publications are dedicated to corporate social responsibility. Also pressures to engage in corporate social responsibility increased, but managers responded differently, many of them were resistance to engage as they believe that cost – benefit trade off is not worthily enough, and others were highly motivated to go through this new adventure and devoted more resources to corporate social responsibility (Williams and Siegel, 2000). The growing studies in this area revealed that engagement in social responsibility activities may create a competitive advantage for those firms and moving them from doing well to doing best (Lin et al., 2009). Incentives toward finding out what motivates companies to allocate huge amounts as social responsibility expenditure began to draw the attention of researchers to detect these reasons. Barnea and Rubin (2005) argued that one of the reasons managers and insiders, in general, increasingly invest in social responsibility is to gain better reputation in their societies as good global citizens (Barnea and Rubin, 2005). The involvement in acts from outside the business scope has both direct and indirect interests. Directly through making a wellbeing world, and indirectly by improving and raising the economic value of the enterprise (Nicolau, 2008).

A considerable amount of empirical accounting research have examined the relationship between corporate social responsibility disclosures and corporate financial performance in the last decade . One group of prior studies, in this line of reseach, had examined this relationship using accounting based performance measures or profitability measures such as ROA & ROE, while others used market based performance measures such as stock returns, stock price or Topin's Q.

The empirical assessment of this relation split into two parts, the first group of researches' examined how disclosing social responsibility information can result in abnormal returns for investors. While the other group examined the effect of disclosing greater engagement in social responsibility activities on the long run firm's profitability status. The effect on returns and profitability may be another reason that motivated corporations' managers to over-invest in social responsibility activities (Saleh et al., 2008).

As Williams and Siegel (2000) pointed out, the inconsistency resulted from the two types of researches induced researchers to keep looking for new studies, different methodologies, expanded time series and countries with different characteristics. Inconsistency also resulted, in large part, from the nature of models used in the empirical analysis (Williams and Siegel, 2000). In addition, the need for a clear measurement for corporate social responsibility induced researchers to look for models and indices to use for representing this concept. For corporate level the engagement in socially oriented activities is clearly obvious more than in small and medium sized firms (Ma, 2012). At corporations the identification of social activities can be an easy going process, since most of them have clear sections disclosing these activities and special personnel responsible for these activities as a part of their main duties. The identification process for smaller firms is much harder, since these activities are not obvious and small in magnitudes and numbers, also these enterprises have special characteristics' that differentiate them from corporations, which raise the need for specialized models to be able to determine whether or not they are socially responsible and what is valid for corporations may not be valid for small and medium sized firms (Ma, 2012). Thus until now there is no clear or right model for representing the corporate social responsibility and the existing literatures represent only suggestions and attempts for the best model with no one totally agreed upon model. For the importance of this young concept, researchers are also encouraged to test what variables influence the level of corporate social responsibility adoption. Different factors are tested if they have any effect on corporate social responsibility. Some researchers tested this effect in a simple direct method, and others used a more complicated methodology using the contingent theory (Ganescu, 2012). For example, Aslan and Sendogdu (2012) stated that corporate social responsibility plays a mediator role between leadership's values and corporate values and concluded that leadership characteristics can significantly affect corporate social responsibility. That is, the more ethical the leaders are within the corporation, the organization will become more socially responsible which in turn enhance the allover morals of the corporations

It has also been statistically proven that corporate social responsibility affects corporate reputation (Maden et al., 2012). Reputation can be considered one of the most valuable assets within the corporation and it shapes stakeholders' response toward the organization and affects their economic decisions. It also enhances consumers, workers and stockholders' conductance and it will be beneficial to refine all of these aspects by investing in only one aspect which is corporate social responsibility and favorably draw a nice picture of the economic entities (Kabir, 2011).

Although financial benefits may be considered the main driver for adopting social responsibility programs, qualitative research across various enterprises' combinations unveiled another important benefit for these programs through motivating employees and individuals to achieve better levels of productivity, greater efficiency, effectiveness and power, and become more loyal to their corporations as they feel secure, safe and comfortable (Kim, 2013). Tafti et al. (2012) assumed, most of, if not all businesses, through their short and long term decisions and plans, are affecting the society, environment and nature that lie beyond their own corporations. This require these managements, as members of the world in which we live, to respect and ethically treat our beloved societies even though there is no regulations and legislations that force us to be socially responsible (Kabir, 2011). Springs from this standpoint, the concept of corporate social responsibility began to clearly invade companies in all around the world as a business priority.

Several empirical studies have examined the corporate social responsibility practices and the relation between social responsibility disclosures and corporate performance in emerging economies. An early study by Alkhater and Naser (2003) examined users' perception of corporate social responsibility in Qatar corporations. The results revealed that users strongly encourage seeing corporate social information disclosed in annual reports of the companies or either issuing special parts for these information and they suggested to introduce regulations to force companies to disclose social responsibility information. In related study, Rizk et al., 2008 examined the corporate social environmental reporting practices among Egyptian corporations. The result of their survey revealed that a significant differences in practices among different sectors and that these practices are significantly influenced by the ownership structure.

In the Jordanian context, Suwaidan et al. (2004) evaluated corporate social responsibility practices among manufacturing companies using a disclosure index containing 37 items. The results revealed that disclosures are positively associated with size, profitability and risk and that these disclosures on average are below 13% which highlight a significant need for additional disclosures about social responsibility among Jordanian companies. Albdour et el., 2010. examined frontline employees' commitment in banking sector and find out that corporate social responsibility positively and significantly relates to affective and normative commitments, since employees prefer to work for ethical and responsible corporations, but on the other hand corporate social responsibility has insignificant effect on continuance commitment within the same sample.

Weshah et al. (2012) examined the effect of corporate social responsibility on financial performance within the Jordanian banking sector. The annual reports were analyzed and resulted in a positive relationship between social and financial performance and emphasized the importance of adopting social responsibility in the Jordanian industries. The study also recommended conducting more studies in the same area to be able to generalize results.

This study will complement prior studies in this line of researches by examining the association between social performance and corporate performance using a market based and accounting based performance measures. In addition, the study examines whether the level of CSRD varies across industries, in an attempt to obtain empirical evidence on these issues from a small emerging market. .

The study's Hypotheses

Based on prior literature the study's hypotheses are stated as follow:

H01: there is no significant relationship between the profitability measure, ROA and corporate social responsibility disclosure..

H01: there is no significant relationship between the profitability measure, ROE and corporate social responsibility disclosure.

H03: there is no significant relationship between the corporate social responsibilities disclosure and Stock Returns.

H04: there is no significance difference in the level of social responsibility disclosures between manufacturing and service companies listed in ASE.

Methodology

Sample and data source

The study's sample consists of all manufacturing and service companies listed in ASE during the six-year period (2006-2011) covered by the study and meets the following criteria:

1. The availability of accounting information to compute the study's variables.
2. Continuing listing of the company stock during the study period.
3. Company has not subject to merger or acquisition during the study period.

The final sample which meets these conditions consists of 135 companies, 79 manufacturing companies and 59 service companies 76. Following most prior studies, the study sample is restricted to non-financial companies, excluding bank and insurance companies. Financial firms (banks and insurance sectors) are excluded primarily due to their limited effect on environment and society because of the nature of their work (Singh and Davidson 2003) and to obtain findings comparable with prior related studies findings. The empirical analysis and hypotheses testing are based on five-year data set. However, In order to calculate ROA and ROE values for the sampled firms, a six-year (20062011) panel data is used. The information needed to measure the study variables was obtained from the financial statements accessible through the ASE website and companies' websites.

The conceptual model : to examine the association between corporate social responsibility disclosures and company financial performance a multivariate model is in which the dependent variable is company financial performance. Three proxies for company performance are used : Stock Return, ROA and ROE. The main independent variable in the model is a measure of corporate social disclosures (CSRD) index. To control for the possible effects of other relevant variable to the model, three control variables are added to the model. These are a measure of company size to control for size effect , dummy variables to control for industry effect and the debt to equity ratio(D/E) to control for leverage effect.

The study conceptual model

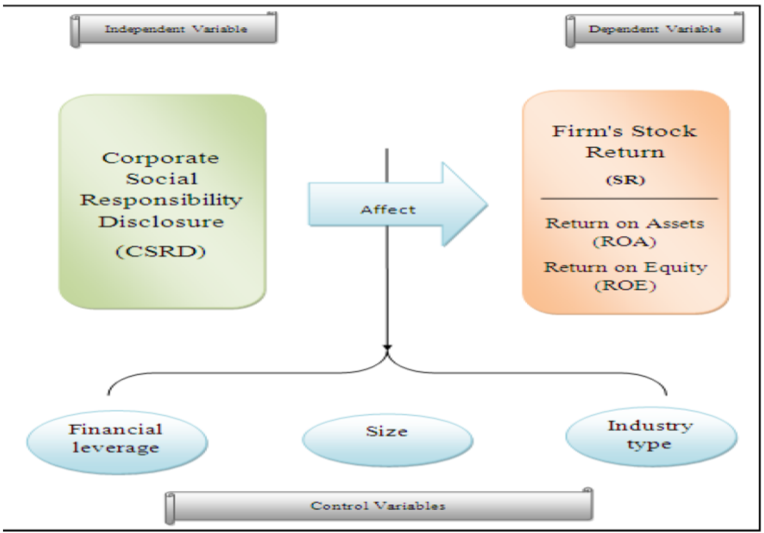

Figure 1. A schematic diagram of model employed in the current study.

The general empirical test model

The following model is used to test the study's hypotheses:

$$FP_{it} = \alpha 0 + \alpha 1\ CSRD_{it} + \alpha 2 Size_{it} + \alpha 3 FL_{it} + \alpha 3 IT_{it} + e \ldots (1)$$

Where,

- FP the company financial performance indicator the main dependent variable of the study. Three measures of corporate performance measures are used: realized stock returns ROA, &ROE for firm and period (t).
- CSRD represents Corporate Social Responsibility Disclosure for firm (i) and period (t).
- Size represents the natural logarithm of Total Asset of firm (i) at end of period (t).
- FL represents financial leverage ratios measured by Total debt to total assets ratios of firm (i) and for period (t).
- IT represents a dummy variable for industry. It takes a value of 1 for manufacturing company and 0 for Service Company.

Variables & Measurements

Corporate social responsibility disclosure (CSRD):

independent variable

Prior related studies have different methodologies for measuring CSRD. Most studies that have been conducted in developed economies tend to use the formal corporate social performance ratings such as those in the United States and France (Preston and O'Bannon, 1997; Tsoutsoura 2004), other researchers used the survey's technique such as (Heinze, 1976), but this method is criticized for being highly subjective. In this research a content analysis for companies' annual reports is adopted, in conformity with similar studies such as (Uwalomwa and Ben-Caleb 2012). This approach relies on Hackston and Milne's (1996) operational definitions and framework for corporate environmental disclosure index. This framework breaks down corporate social responsibility into four main subgroups: 1. environment, 2. research and development, 3. energy and employees' health and 4. Safety. Also, each one of these four groups is subdivided into seven elements, ending with 28 elements for measuring corporate social responsibility disclosure (Hackston and Milne's 1996). If the item is mentioned in the company's report, the company gets a score of 1, and if it is not reported, the company gets 0. So a score of 28 means that the firm's responsibility is very high & a score of 0 means that the company is irresponsible for society or the item is inapplicable. The reason for using this index without making any adjustments because it seems suitable to Jordanian market, given the relatively newborn practices of social responsibility disclosure by Jordanian corporations. A prior related study (Suwaidan et. al.,2004) reported a very low level of social responsibility disclosure (only 13%) by Jordanian manufacturing companies which implies that the experience of Jordanian companies in CSR activities and disclosure still relatively immature. In this study the corporate social responsibility disclosure index is measured using the following formula:

$$CSRD = \sum_{i=1}^{28} di / 28 \quad \text{…. (2)}$$

Where,

- CSRD; represents Corporate Social Responsibility Disclosure.
- d ;represents the disclosure elements that is used to measure CSRD.
- i; represents each disclosure item from the first one to the twenty eighth item.

Financial performance measures: dependent variable

For the purpose of this study two set of performance measures are used : market based performance measure (stock returns) and accounting based performance measures ROA & ROE). The main measure of company's performance that is used in the study is the realized stock returns, which is measured using the following formula:

$$SRit = (Pit - Pi,t\text{-}1 + D) / (Pt\text{-}1) \quad \text{….(3)}$$

Where,

- SRit represents the realized Stock Returns for security i in year t, I company.
- Pitrepresents closing stock price for security i, end of year t.
- P i,t-1 represents closing stock price for security i, end of year t-1.
- D it represents cash dividend per share for security i, in year t.

Control variables: Three control variables are included in the model. To control for size effect, the natural logarithm of beginning of the period total asset. To control for industry effects, a dummy variable which takes a value of one for manufacturing company and 0 for Service Company is used. The leverage effect is controlled for by including the total debt to equity ratio in the model.

The Empirical Results & Discussion

Descriptive Statistics: Table (1), which reports the descriptive statistics for the study variables, shows a relatively low mean value for both profitability measures (ROA and ROE), indicating poor performance, on average, by the sampled firms during the study period. The mean value for ROA is -0.0033 for the whole sample -0.008 for the manufacturing companies and 0.017 for the service companies. The table reports a mean value for ROE of 0.0123 for the whole sample, -0.0386 for the manufacturing companies and 0.0207 for the service companies. As it can be seen, from the results reported in table (1), the average ROA & ROE have positive values for service companies and substantially higher than tat of manufacturing companies, indicating a relatively better performance by service companies comparing to manufacturing companies during the study period. The negative values for ROA and

Table 1.Descriptive Statistics (the whole sample)

Variables	Total Mean (SD)	Manufacturing Sector (76 companies)	Service Sector(59 companies)
SR	-0.0195 (0.37687)	-0.0256 (0.37575)	-0.0107 (0.37879)
ROA	0.0033 (0.12513)	-0.0080 (0.12008)	0.0175 (0.13007)
ROE	-0.0123 (0.24234)	-0.0386 (0.23974)	0.0207 (0.24195)
CSRD	0.3209 (0.20246)	0.3884 (0.17278)	0.2351 (0.20519)
SIZE	16.8212 (1.38891)	16.5565 (1.38032)	17.1562 (1.32825)
DE	0.7206 (0.78677)	0.7194 (0.82439)	0.7221 (0.73831)
IT	0.56 (0.496)	1 (0)	0 (0)

ROE means for the whole sample seem to be driven by the negative value of r these two measures for manufacturing companies. However, the overall results indicate a relatively poor performance , on average, by companies in both sectors. This results is in line with the aggregate summary measure reported for ASE companies and for each sectors during the study period (2006-2011) which indicatethat most ASE companies report a relatively low earnings during this period.

The reported mean value for CSRD of 0.3209 indicates, in general, less than moderate social responsibilities disclosure by Jordanian corporations. However, the CSRD mean value reported for manufacturing companies (0.3889) seams to be substantially higher than that of service companies (0.235). a T-test of differences in the average score of social responsibility disclosures index between manufacturing companies and service companies was executed. The T-test result indicates that the differences between the two means of CSRD for the two sectors is statistically significant at 1% level. A plausible explanation for the significant differences between manufacturing and service firm in term of the level of CSRD, could be that manufacturing companies in Jordan sense the need for more involvement in disclosures of social responsibly activities than service companies. Simply because the general perception is that operational activities of manufacturing companies are more damaging to society and environment than service companies, specially the negative consequences on environment and on air and water pollution. A prior related study by Suwaidan, et al. (2004) which examined the social responsibility disclosure practices by Jordanian manufacturing companies reports a low level (13%) of social responsibility disclosure by manufacturing companies. The mean value for SRDI for manufacturing companies of 39% which is reported by this study indicates that the level CSRD of manufacturing firms has improved substantially during the last decade from 13% to 39%.

One notable result from table (1) is that the standard deviation for CSRD is relatively low for manufacturing and service sectors. This result indicates low discrepancies among sampled firms within each sector, in term of the level of social responsibility disclosures. The mean reported value for the leverage (DE) of 0.35 for the whole sample, indicates that, on average, manufacturing and service companies don't seems to be highly levered firms. The reported means do not indicate substantial differences between manufacturing and service companies, in term of leverage. Table (1) reports a negative average stock returns for the whole sample and for the manufacturing and the service sectors as well. These results are, in general, consistent with the performance of ASE index during the study period.

Correlation Analysis: The following table reports the pair wise correlation among the study's variables. The results reported in table (2) show significant pair wise correlations between the three performance measures employed by this study (ROA, ROE & SR). The three dependent variables used in the analysis are significantly related to each others, as the Pearson Correlation results indicate that Stock return (SR) is positively related to both ROA and ROE (r=30%) and (r=33%)

Table (2).The results of pair wise Pearson correlation among the study variables

	CSRD	Size	DE	IT	SR	ROA	ROE
CSRD	1						
Size	.279**	1					
DE	.153**	.228**	1				
IT	.376**	-.215**	.002	1			
SR	.006	.034	-.118**	-.021	1		
ROA	.083*	.341**	-.262**	-.101**	.296**	1	
ROE	0.75	.248*	-.409**	-.122**	.330**	.885**	1

**** Significant at the 0.01 level. * Significant at the 0.05 level .**

Stock return (SR) is positively related to both ROA and ROE (r=30%) and (r=33%) respectively. Also ROA and ROE are positively associate with other with a correlation coefficient of 0.89. These results are consistent with Akhalialeh (2001) study, which carried out on ASE firms during the last decade and reported a high correlation between ROA and ROE (0.87). Alkhalialeh (2004) study also provides empirical findings indicates that market based performance measure (Stock Returns) is significantly and positively associated with Accounting based performance measures (ROA & ROE).

The Regression Results

Table (3) reports of the regression results of CSRD index and other control variables on stock returns for the whole sample. Although the reported F-value indicates that the regression model is significant at 1% level, the explanatory power of the model as it is indicated by the adjusted R-square value (0.013) is very low. The regression coefficients for the main independent variable, CSRD, and size are statistically insignificant at the conventional levels (5% or 10%). However, The reported negative regression coefficient for D\E indicates that leverage is significantly negatively associated with realized stock returns at the conventional level (1%). That is, in general highly levered firms generate lower stock returns comparing to low leveraged firms during the study period. The regression coefficient for the industry variable is marginally significant at 5% level.

Table (3). The results of multiple regression analysis for the whole Sample Dept. variable: Stock Return (SR)

Variable	Reg. Coefficients	T-value	Collinearity Statistics	
			Tolerance	VIF
Constant	-.257	-1.248		
CSRD	.029	.327	.779	1.390
Size	.016	1.312	.770	1.299
DE	-.066	-3.320**	.941	1.062
IT	.002	.057	.742	1.348
Adjusted R^2 = 1.3%		F = 2.936		
		P - Value = 0.020		

** Significant at the 0.01 level. * Significant at the 0.05 level .

The low and insignificant regression coefficient for SRDI does not support the hypothesized association between stock returns and corporate social responsibility disclosure, but seems to be consistent with some prior related studies' findings (i.e. Setiawan & Janet, 2012; Fiori et. al. ,2007; Saleh et. al. 2008), which failed to provide empirical evidence in support of the association of corporate social responsibility disclosure with stock returns or stock prices. However, other prior studies (i.e. Cellier and Chollet, 2010; Ioannou & Serafeim, 2010) reported empirical evidences which indicate positive association between corporate social responsibility disclosure and stock returns.

Table 4. The results of multiple regression analysis

for the whole Sample Dept. variable(ROA)

Variable	Coefficients	T-value	Collinearity Statistics	
			Tolerance	VIF
Constant	-.580	-10.205**		
CSRD	.019	.774	.721	1.387
Size	.037	10.700**	.767	1.304
DE	-.056	-10.251**	.941	1.063
IT	.000	.015	.743	1.345
Adjusted R^2 = 24.7%		F = 51.820		
		P - Value = 0.000		

** Significant at the 0.01 level. * Significant at the 0.05 level.

The regression results reported in table (4) indicate that the regression model is statistically significant at 1 % level. The adjusted-R square of 24% indicate substantial improvement in the model explanatory power from 1.3% for the stock return model to 24% when ROA replaces the stock returns in the regression model. However, our variable of interest, the CSRD is not statistically significant at the conventional level. Consistent with prior regression results leverage and industry are significantly associated with ROA.

Table 5. The results of multiple regression analysis

for the whole Sample Dept variables: ROE

Variable	Coefficients	T	Collinearity Statistics	
			Tolerance	VIF
Constant	-.897	-8.264**		
CSRD	.099	2.135*	.721	1.387
Size	.058	8.864**	.767	1.304
DE	-.154	-14.872**	.941	1.063
IT	-.032	-1.719*	.743	1.345
Adjusted R^2 = 31.3%			F = 71.708	
			P - Value = 0.000	

** Significant at the 0.01 level. * Significant at the 0.05 level.

When it comes to our variable of interest, the CSRD, the regression result reported in table 4, where, ROA is used as the dependent variable, are not materially different from those reported in table 3 when stock returns is used as the dependent variable. In both regressions the corporate social responsibility disclosure index failed to be significantly associated with two measures of corporate financial performance (ROA & Stock return). However, when other measure of corporate performance, ROE, is used as the dependent variable in the regression model, the regression results (table 5) are improved substantially. The explanatory power of the regression is improved substantially form the preceding two regressions to 31.5%. Of most important is the result related to the CSRD which become significantly associated with corporate financial performance measure (ROE). The regression coefficient of the CSRD variable is positive and statistically significant at 1% level. This last result implies that highly profitable firms tend to involve in more social responsibility activities than less profitable firms.

In all regressions colinearity among independent variables deos not seem to be seriously affecting the results. A colinearity diagnoses in table 3,4 and 5 shows a VIF less than 2 for all independent variables indicating no serios multicolinearity problem in the estimation process.

Conclusion

The study investigated the association between corporate social responsibility disclosure (CSRD) and corporate performance using accounting based and market based performance measures. Further, the study investigated whether the level of CSRD by Jordanian companies varies across industries. Empirical findings indicate that the level of CSRD by Jordanian of 32% is still relatively low comparing to firms operating in well developed economies and varies significantly across industries. The average CSRD score (39%) reported by this study for manufacturing companies is substantially higher than the one reported for services companies (23.5%). However, comparing to Suwaidan et al. (2004), which reports average CSRD score of 13%, for Jordanian manufacturing companies, these finding indicates substantial improvement in the level of CSRD by Jordanian companies during the last decade. In addition, the empirical findings indicate positive significant association between CSRD and corporate performance measured by ROE. This result which is consistent with most prior related studies' findings implies that highly profitable firms tend to involve in more social responsibility activities than less profitable firms. However, the study's findings did not provide support for significant association between CSRD and stock returns.

Future Research

Future research on this issue could be carried out examine corporate social responsibility for Jordanian companies by expanding the combination of the dependent variables that comprises social responsibility index, such as awareness programs, consumer and environment protections, and treating employees fairly and ethically. Also a categorizing of corporate social responsibility concept into subgroups enables researcher to study the effect of each subgroup individually on financial performance.

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العلاقة بين الإفصاح عن المسؤولية الاجتماعية والأداء المالي: دارسة تطبيقية على الشركات الأردنية المدرجة في سوق عمان المالي

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ملخص

هدفت هذه الدراسة إلى اختبار العلاقة بين الإفصاح عن المسؤولية الاجتماعية والأداء المالي للشركات الأردنية. شملت عينة الدراسة 135 شركة، منها 76 شركة صناعية و 59 شركة في قطاع الخدمات مدرجة في سوق عمان المالي خلال الفترة 2006-2011. و استخدمت الدراسة مؤشرات أداء محاسبية و مؤشرات أداء سوقية (عوائد الأسهم) وتحليل الارتباط و الانحدار المتعدد لاختبار فرضيات الدراسة. أظهرت النتائج أن مستوى الإفصاح عن المسؤولية الاجتماعية للشركات التي شملتها الدراسة بلغ بالمعدل 32%، مع تفاوت ملحوظ بين قطاع الصناعة (39%) و قطاع الخدمات (23%). وأظهرت النتائج أيضا تحسن ملحوظ في مستوى الإفصاح عن المسؤولية الاجتماعية في الشركات الصناعية الأردنية خلال العقد العقد الماضي من 13% كما أظهرت دارسة سويدان و آخرون (2004) الى 39% وفقاً لنتائج هذه الدارسة. تمشيا مع نتائج معظم معظم الدارسات السابقة ذات العلاقة، توصلت الدراسة وجود علاقة إيجابية و ذات دلالة إحصائية بين مستوى الإفصاح عن المسؤولية الاجتماعية و معدل العائد على حقوق الملكية، في حين لم تتوصل الدراسة إلى أدلة تطبيقية تدعم وجود علاقة ذات دلالة إحصائية بين مستوى الإفصاح عن المسؤولية الاجتماعية وعائد السهم.

الكلمات الدالة: الكلمات الدالة: الإفصاح عن المسؤولية الاجتماعية، عوائد الأسهم، معدل العائد على حقوق الملكية، معدل العائد على الأصول، مقاييس الأداء المالي، الشركات الأردنية.

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