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The Determinants of the CSRD Categories: Empirical Evidence from Saudi Arabia

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Abstract:

The aim of this paper is to elevate the understanding of corporate social responsibility disclosure (CSRD) by analysing the level of CSRD related to three categories (human resources, community involvement and economic disclosure). It examined whether firm characteristics (size, age, return on assets [ROA] and leverage) and corporate governance aspects (governmental, managerial and foreign ownership, the board of directors size, the number of independent members on the board of directors, CEO duality and audit firm size) are potential determinants of CSRD in Saudi-listed companies. Furthermore, three theoretical frame works (i.e., stakeholder, legitimacy and agency theory) were used to efficiently analyse the findings of the level of CSRD in Saudi Arabia. This study adopted a quantitative approach to examine CSRD practices in the annual reports of 164 companies listed on the Tadawul Stock Exchange in 2012. An information index was devised to collect the data, which were examined using negative binomial regression. The results indicate that firm age is the most influential factor that affects the three categories, where older firms disclose more social information than newly established firms while larger-sized firms disclose more information about human resources and community involvement than smaller firms. Moreover, profitability and debt level are positively significant in disclosing economic information. Finally, human resources practices are significantly reported by most Saudi Arabian firms.

Keywords: Corporate Social Responsibility Disclosure (CSRD) categories, stakeholder theory, legitimacy

1. Introduction

Corporate social responsibility disclosure (CSRD) is a growing phenomenon, especially in developing countries where firms started reporting corporate social responsibility activities later than in developed countries (Alsaeed, 2006; Naser et al, 2006). Corporate social responsibility is a voluntary activity in which a corporation has responsibilities to society beyond its economic and legal obligations (McGuire, 1963), especially in planning or developing strategies (Preciado, 2009; Saudi Embassy, 2017). Socially responsible companies report their interactions and responses to society through different media and CSRD is one of these media. CSRD plays a significant role in building the company's trust and reputation as argued by Carroll and Shabana (2010). Furthermore, it is concerned with satisfying the legitimate and ever-expanding expectations of society. Companies are aiming to prove their legitimacy by being socially responsible and this is one of the practices that companies do to discharge their accountability to stakeholders and the society. Increasing accountability in the best interest of companies (Gray et al., 1996; Power, 1994) there is a tendency towards increasing the degree of organisational transparency in terms of visibility and openness of the company by disclosing more information including social practises. (Gray, 1992; Gray and Morrison, 1992; Roberts, 2009). Although, Saudi Arabia is a leading country in the Middle East, where it has the largest economy in the region, and it is one of the largest economies in the world (Al-Filali and Gallarotti, 2012; Al-Matari et al., 2012, Piesse et al., 2012)¹ It has a relatively low level of CSRD, while it should be higher. The Saudi Corporate Governance Code (SCGC) issued by the Capital Market Authority (CMA) considers CSRD to be part of a company's annual reports to ensure the protection of shareholders and stakeholders, which can create pressure on companies to disclose social activities (Al Matari et al., 2012).

One of the main keys in the Saudi 2030 vision is embracing transparency and governance in all sectors to increase trust in the economy and attract more foreign investment. Moreover, awarding greater attention to the third sector i.e.; charities, voluntary or society groups which are non-profit organizations, is another aim of the Saudi 2030 vision. Enhancing transparency, as well as paying more attention to the third sector positively affects social responsibility and reflect significantly on companies operating in Saudi Arabia.

¹Only a few studies have been conducted in Saudi Arabia (Al-Janadi, et al, 2013; Al-Razeen and Karbhari, 2004; Alsaeed, 2006; Habbash, 2015; Mandurah et al., 2012).

This paper aims to investigate whether firm characteristics and corporate governance affect the main categories of CSRD (human resources, community involvement and economic disclosure) in Saudi Arabia. This research is based on the annual reports of Saudi companies listed on the Saudi stock exchange in 2012.

2. Theatrical Framework

This paper used stakeholder theory, legitimacy theory and agency theory as a theoretical framework to analyse CSRD levels in Saudi Arabia. Stakeholder theory places emphasis on satisfying all stakeholder groups in addition to explaining the reason behind companies' responses to stakeholders' demands that are in alignment with company aims (Freeman, 1984; Mitchell et al., 1997; Abdullah, 2007; Andriof, 2002; Lamberg et al, 2003; Sweeney, 2009). As part of voluntary obligations to stakeholders, companies take into consideration new aspects of business such as ethics, transparency, sustainability and social responsibility (Gray et al., 1996b). In Saudi Arabia, the 2006 SCGC included provisions related to stakeholders' rights and social responsibility (see Article 10).² Saudi companies are required to take into consideration the needs of stakeholders such as the government, employees and the local society as well as shareholders and the Islamic concept of 'Zakat',³ which encourages companies to be socially responsible and contribute positively to society.

Legitimacy theory considers a company to be part of a broader social system that operates through a social contract to organise its activities and relate them to society's values, norms and beliefs (Reverte, 2009, Islam and Deegan, 2008). Legitimacy theory comprises the idea that there is social pressure on companies to report their social information to justify their legitimacy (Cho, 2009; Deegan and Rankin, 1996, Cho and Roberts, 2010).

In Saudi Arabia, stakeholders and society expect companies to operate within the framework. Contributing positively to society in the form of 'Zakat' or 'Sadaqah',⁴ group privilege is more important than individual rights and saving the environment; are all Islamic values that companies should not neglect when operating. There is an increased pressure on companies from the media and social groups to be socially responsible, particularly after globalization. As a result, companies report more information about their social activities to meet social expectations to secure their legitimacy.

Agency theory suggests that companies could reduce agency costs by using a compensation plan or by providing voluntary disclosure such as social disclosure. By reporting social information, companies are considered to be more accountable to their stakeholders and to society, which thus enhances the value of firms. Additionally, engaging in social activities would increase the profitability of a company and consequently reduce agency conflict between management and shareholders (Sun et al., 2010). Both corporate governance and corporate social responsibility assume that companies hold stakeholders responsibilities as a form of accountability to gain trust and legitimacy (Jamali et al., 2008). Additionally, CSRD can be considered a strategy to fill the legitimacy gap between shareholders and management and ensure that management is performing in the best interest of not only shareholders but also other stakeholders, which as a result reduces the agency cost (Haniffa and Cooke, 2005).

In Saudi Arabia, corporate governance regimes have developed over the years as the government has paid more attention to reforming the corporate governance codes. In 2006, the government issued the SCGC, which was considered a foundation of the reforms (AINodel and Hussainey, 2010; Robertson, Diyab, and Al-Kahtani, 2013). According to Albassam (2014), the aim of SCGC is to improve companies' boards of directors' performance, responsibility, accountability and transparency in aligning managers and shareholders' interests. SCGC is considered significant in a country like Saudi Arabia where the ownership concentration of Saudi-listed companies is relatively high, which could create a conflict of interest between shareholders and managers (AINodel and Hussainey, 2010). This would give greater power to large shareholders who wish to control the performance of management rather than small shareholders (Haniffa and Hudaib, 2006; Baydoun et al., 2012). Moreover, assigning friends and relatives to management, regardless of their qualifications and abilities, is a common issue which can negatively affect a company's performance and disclosure (Haniffa and Hudaib, 2006). Therefore, the application of agency theory is required in examining CSRD in Saudi Arabia.

3. Assumptions Development

Companies with different characteristics and different corporate governance aspects have different levels and categories of social disclosure (Alsaeed, 2006). Although they operate in the same country and have the same rules, regulations, legal enforcement and media pressure, there are other determinants that could affect the level of corporate social disclosure (Haniffa and Cooke, 2005; Branco and Rodrigues, 2008). Firm characteristics and corporate governance aspects, as determinants of social disclosure, have been the subject of a significant number of studies in the West (Lang and Lundholm, 1993; Raffournier, 1995; Cooke, 1992; Wallace and Nasser, 1995). There are also several such studies in the context of developing countries (Alsaeed, 2006; Macarulla and Talalweh, 2012; Naser et al., 2002). This paper's aim is to examine the level of CSRD categories (human resources, community involvement and economic disclosure) related to the main significant determinants in Saudi Arabia, including corporate characteristics and corporate governance aspects as follows.

²Article 10 in Saudi Corporate Governance Codes includes stakeholder rights in sub-section " e) Outlining a written policy that regulate the relationship with stakeholders with a view to protecting their respective rights; in particular" (Authority, 2006)

³Zakat' is the second pillar in Islam where Muslim people who are financially capable pay 2.5% to specific groups of people; it is an Islamic social tax (Kamla et al., 2006). Companies are also required to pay Zakat to the government as a type of tax.

⁴'Sadaqah' as described in the Quran is any voluntary contribution of good works, alms or charity (Sadeghzadeh, 1995).

3.1. Firm Characteristics

Some of the firm characteristics are found to have a positive effect on the level of social disclosure while some have a negative effect. Firm size, firm age, profitability and leverage are the most considered characteristics when investigating determinates of CSR (Alsaeed, 2006; Khan et al., 2012; McWilliams and Siegel, 2000; Waddock and Graves, 1997). The gap between the number of studies in developed and developing countries results in a need for more studies on the effect of firm characteristics on CSR categories (Ahmed Haji, 2013; Alsaeed, 2006; Belal and Momin, 2009; Kansal et al., 2014).

Based on stakeholder and legitimacy theories, larger and older companies tend to disclose corporate social and environmental activities as a response to their stakeholder groups and societal expectations, thus maintaining their legitimacy. Furthermore, CSR could be a tool to present their self-constructed images and good reputations to the community to legitimise their operations (Branco and Rodrigues, 2008; Reverte, 2009). Based on legitimacy theory, larger firms and older firms have built legitimacy throughout their operations, so that developing their reporting of social and environmental information maintains their legitimacy. Based on stakeholder theory, larger and *older firms have more* experience in dealing with stakeholders' needs, media, and government rules and regulation than smaller and newly established firms. Moreover, stakeholders of large and old firms have more expectations, therefore larger and older firms disclose more social and environmental information to satisfy their stakeholders' needs.

Higher profitability (ROA) encourages management to provide more information to prove their ability to maximise shareholders' value and thus increase managerial compensation (Alsaeed, 2006). In addition, companies with high profitability disclose more voluntary information, including social and environmental disclosure, to show stakeholders and the public their achievements and promote a positive impression of their performance. This argument is supported by stakeholder theory and legitimacy theory (Branco and Rodrigues, 2008; Reverte, 2009). Companies with higher profitability contribute more to society and tend to report their social activities more to prove that they meet societal expectations and needs and that they are legitimate to operate in society, as suggested by legitimacy (Haniffa and Cooke, 2005). From an agency theory perspective, managers of firms with high profitability tend to show their achievement in detail, since it will reflect on their reputation, image and salary. In contrast, when the profitability is low managers tend to hide some information and disclose less to avoid negative effects on the companies' market value (Gallego-Alvarez and Quinoa-Custodio, 2016).

Based on stakeholder theory, companies with higher leverage endeavour to disclose more information to satisfy creditors', shareholders' and investors' needs. They also disclose more to show that they are legitimate to operate, although they are high in debt, which is what legitimacy theory suggests. Moreover, as suggested by agency theory, agency costs increase with the increase in the level of leverage (Elzahr and Hussainey, 2012). As a result, managers of companies with a high level of leverage disclose more information, including social information, to lower agency cost (Alsaeed, 2006; Gallego-Alvarez and Quinoa-Custodio, 2016). When the debt level increases, a conflict of interest between shareholder and creditors results, so to prevent this from happening creditors seek more information to reduce information asymmetry and to make sure that the company will be able to pay the debt in the future (Gallego-Alvarez and Quinoa-Custodio, 2016). The following assumptions are examined in this paper to investigate the relationship between firm characteristics and CSR categories:

- A1: There is a positive relation between firm characteristics (firm size, firm age, ROA and leverage) and the level of human resources disclosure.
- A2: There is a positive relation between firm characteristics (firm size, firm age, ROA and leverage) and the level of community involvement disclosure.
- A3: There is a positive relation between firm characteristics ((firm size, firm age, ROA and leverage) and the level of economic disclosure.

3.2. Corporate Governance Aspects

While the majority of studies focus either on corporate governance or corporate social practices and disclosure separately, this paper examines CSR with relation to corporate governance aspects as follow: agency theory suggests that, in the case of governmental ownership, a balance will be reached between the goals of principals (governmental owners) and agents (managers). The company will generate profits whilst continuing to be socially responsible. The fact that the government establishes regulations to ensure companies remain socially responsible is another reason for the positive association between governmental ownership and CSR level. Companies that are owned by the government have a responsibility to set an example to other companies by being socially responsible and this will be evidenced in reporting (Habbash, 2015). Governmental ownership encourages good governance, accountability, transparency, corporate social responsibility and disclosure (Yaseen Al-Janadi et al., 2013; Eng and Mak, 2003; Habbash, 2015; Collins, Ntim, Lindop, and Thomas, 2013; Said et al., 2009). Stakeholder theory can also explain the association between government ownership and the level of CSR. Companies disclose CSR to satisfy the needs and expectations of powerful stakeholders such as government shareholders (Gray et al., 1996; Robert, 1992). Managerial ownership increases the incentive for managers to improve a company's performance and maximise shareholder value, which will result in an increase in the level of social disclosure. Furthermore, there is external pressure from stakeholders on companies which they cannot ignore for fear of losing their legitimacy. This is explained by stakeholder and agency theories, which instruct managers to prove to stakeholders that they are legitimate to operate.

Moreover, companies with foreign ownership are expected to have a higher level of corporate social disclosure to assist in decision making (Khan et al., 2012). This could be due to several reasons. For example, based on legitimacy theory, companies disclose more social information to prove to foreign investors that they are legitimate to continue with

the current investment. Another reason is that foreign ownership management is separate from the owner, which enhances CSR (Schipper, 1981).

A larger-sized corporate board of directors increases managers' levels of knowledge; thus, they are more capable of managing the company (Pfeffer, 1972). Additionally, increasing the size of the board helps to reduce the uncontrolled power of managers (Al-Janadi et al., 2013). To overcome this problem and to limit the size of the board, the SCGC has specified that the board of directors should have a minimum of three members and a maximum of 11. Each company has the right to choose an appropriate number of directors best suited to the company's needs. According to agency theory, the board of directors aims to reduce managers' opportunistic behaviour by controlling their decisions. It also reduces the conflicts of interest between shareholders and managers which only serve to increase agency costs. Moreover, the board of directors seeks to improve the company's accountability, transparency and social responsibility.

It is argued that independent members in the board of directors represent the interests of stakeholders and therefore improve corporate governance (Solomon, 2010). According to stakeholder theory, the existence of independent directors' places pressure on management to ensure that they operate successfully as well as to satisfy stakeholders' needs. Conjointly, agency theory suggests that the existence of independent board members controls managers' opportunism to protect shareholders and reduces agency costs and information asymmetry (Allegrini and Greco, 2013; Fama and Jensen, 1983; Jensen and Meckling, 1976). In Saudi Arabia, the phenomenon of independent board members is considered new (Mandourah, 2012). According to the SCGC, the independent board members shall not be fewer than two members or one-third of the members, whichever is greater (Article 12: e).

Moreover, in regards the audit firm size, agency theory is concerned with audit quality since providing more reliable and credible information in the reports reduces agency costs and big audit firms enhance disclosure quality (Al-Janadi et al., 2013; Eng and Mak, 2003; Haniffa and Cooke, 2002; Jensen and Meckling, 1976). This argument is consistent with the concept of legitimacy theory: the large audit firm considers its legitimacy and therefore requests more information reporting including CSR.

Furthermore, according to the agency theory CEO role duality supports the separation of the CEO and chairman roles since it reduces the concentration of decision-making power and minimises conflicts of interest and agency costs. The separation of the CEO and chairman roles increases the efficiency of the control system, which in turn protects stakeholders' rights and results in better disclosure quality (Al-Janadi et al., 2013). Since the Saudi regulation included in the SCGC prohibited the combining of the CEO and chairman positions (Article 12:d;CMA, 2006), agency theory suggests that combining the two roles negatively affects the level of CSR. The following assumptions are studied in this paper to investigate the relationship between corporate governance aspects and CSR categories:

- A4: There is a positive relationship between corporate governance aspects (governmental, managerial and foreign ownership, the board of director's size, the number of independent members on the board of directors, CEO duality and audit firm size) and the level of human resources disclosure.
- A5: There is a positive relationship between corporate governance aspects (governmental, managerial and foreign ownership, the board of director's size, the number of independent member on the board of directors, CEO duality and audit firm size) and the level of community involvement disclosure
- A6: There is a positive relationship between corporate governance aspects (governmental, managerial and foreign ownership, board of director's size, the number of independent members on the board of directors, CEO duality and audit firm size) and the level of economic disclosure.

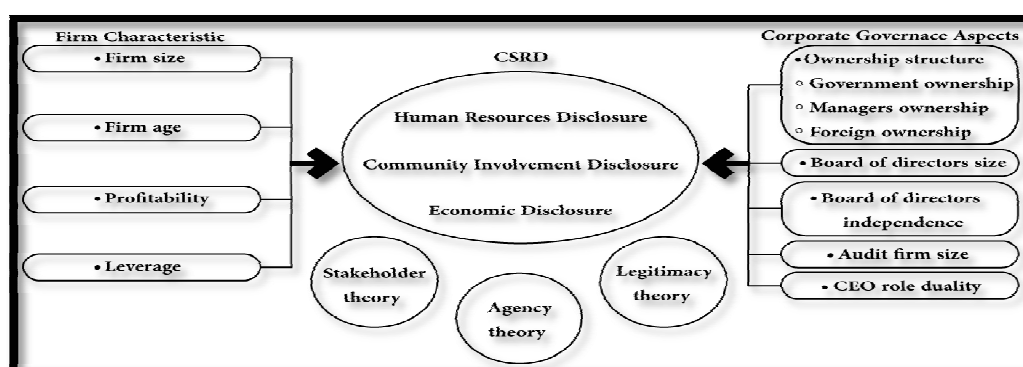


Figure 1: The Determinants of CSR Categories

Figure 1 provides an overview of the determinants of CSR and its categories in addition to three theories (stakeholder, legitimacy, and agency theory) that justify the correlations between the determinants and CSR. The two boxes on the sides of the figure represent the determinants of CSR and its categories. The firm characteristics (firm size, age, profitability and leverage) are on the left side. The corporate governance aspects (governmental, managerial and foreign ownership, the board of director's size, the number of independent members on the board of directors, CEO duality and audit firm size) are on the right side.

4. Research Methodology

This study investigates the determinants of the CSR categories, which are the dependent variables human resources disclosure, community involvement and economic disclosure. The dependent variables in this study are limited dependent count variables where the large majority of observations are zeros. Moreover, after testing the normality of the dependent variables (i.e., the CSR categories), we found that the distribution of the observations for each category is not normal and as a result ordinary least-squares regression analysis would yield biased results. Therefore, negative-binomial regression is the more appropriate method and it has also been applied in previous studies such as Hausman et al. (1984), Crepon and Duguet (1997) and Greene (1997).

Equations 1, 2 and 3 consecutively present the empirical model related to the CSR categories of human resources, community involvement and economic disclosure:

- $HRD = \beta_1 + \beta_1FS + \beta_2FA + \beta_3Prof + \beta_4Lev + \beta_5GovOwn + \beta_6ManOwn + \beta_7ForOwn + \beta_8BS + \beta_9BInd + \beta_{10}AudFS + \beta_{11}CEODual + \varepsilon$ (1)
- $CID = \beta_1 + \beta_1FS + \beta_2FA + \beta_3Prof + \beta_4Lev + \beta_5GovOwn + \beta_6ManOwn + \beta_7ForOwn + \beta_8BS + \beta_9BInd + \beta_{10}AudFS + \beta_{11}CEODual + \varepsilon$ (2)
- $ED = \beta_1 + \beta_1FS + \beta_2FA + \beta_3Prof + \beta_4Lev + \beta_5GovOwn + \beta_6ManOwn + \beta_7ForOwn + \beta_8BS + \beta_9BInd + \beta_{10}AudFS + \beta_{11}CEODual + \varepsilon$ (3)

where HRD is the total of human resource disclosure index (count); CID is the total of community involvement disclosure index (count); ED is the total of economic disclosure index (count); FS stands for firm size, which is measured by the natural log of a company's total assets (continues); and FA is firm age, which is found by using the natural log of companies' operating years since they were established (continues). Prof stands for profitability represented as the ROA. This is measured by the ratio of total net profit to total assets (continues). Lev is leverage, which is calculated by the ratio of total liabilities to total assets (continues). Gov Own is government ownership, measured by the ratio of shares held by government institutions (continues). ManOwn stands for managerial ownership, measured by the ratio of shares held by executive and non-independent directors (continues). ForOwn is foreign ownership, measured by the ratio of shares held by foreign institutions (continues). BS is board size, characterised by the number of directors on the board (continues). BInd stands for the proportion of independent members of the board of directors (continues). CEODual is the CEO role duality that is assigned as 1 if the company is audited by one of the big four accounting firms and 0 otherwise (dummy variables). AudFS denotes audit firm size assigned as 1 if the CEO is the chairman and 0 otherwise (dummy variable). β is the slopes of the independent variables, while β_0 is a constant or the value of CSR and ε is the error term, normally distributed about a mean of 0.

5. Data Collection

The study sample consists of 164 Saudi-listed companies that operated in 15 different sectors in 2012. Four companies were excluded from the sample because there were no available reports when the data were collected. As a result, the actual sample is 97.5% of the total sample. Including all the companies in all the sectors will assist in the exploration of more companies, and the result will therefore be more general. The used data are for one year as by comparing CSR in the available annual reports of the 80 companies in 2011 and 2012, no significant differences were found between the social disclosures during these two periods. Furthermore, the laws and regulations that might affect social and environmental disclosure usually tend to remain constant over a short period of time (Botosan, 1997). The CSR information was manually extracted from the firms' annual reports using content analysis. The data were collected from various sources such as the Tadawul database and company websites. Moreover, the firm characteristics and corporate governance variables were obtained from the Bloomberg database, the Tadawul database and companies' financial reports.

As part of the content analysis, a CSR index was devised, which was mainly based on the Global Reporting Information Guidelines and existing literature, such as Hackston and Milne (1996), who used content classifications of CSR based on the earlier schemes developed by Guthrie (1983) and Gray et al. (1995). Binary coding was used to collect the CSR data from Saudi-listed companies' annual reports by using the constructed CSR index through the content analysis technique. This method depends on checking the presence or absence of corporate social items in the index. If the item is disclosed in the annual report, then it will be scored 1 or otherwise 0. This scoring scheme has been used for a significant number of CSR disclosures in previous studies (e.g., Belkaoui and Karpik, 1989; Campbell et al., 2006; Haniffa and Cooke, 2002; Samaha et al., 2012). Table 1 reports the descriptive analysis of the variables.

The first panel represents the corporate social responsibility disclosure (CSR) categories, which are human resources disclosure (HRD), community involvement disclosure (CID) and economic disclosure (ED). The second panel considers the firm characteristic variables which affect the level of CSR categories: the natural logarithm of firm size (logFS), firm age (logFA), ROA and leverage. The third panel represents corporate governance variables which affect the level of CSR categories: the natural logarithm of the board size (logBS), managers' ownership (ManOwn), foreign investment ownership (ForOwn), government ownership (GovOwn), the number of independent members of the board of directors (BInd), CEO duality (CEO Dual) and audit firm size (AuditFS).

	Mean	Std. Deviation	Minimum	Maximum
First panel: CSRD categories				
HRD	3.2	4.61	0	35
CID	1.88	2.79	0	13
ED	1.59	1.97	0	9
Second panel: Firm characteristics				
FS	21.37	1.91	17.55	26.53
FA	21	.43	1	60
ROA	5.46	8.97	-31.49	46.38
Leverage	.40	.267	.00	1.10
Third panel: Corporate governance aspects				
BS	8.36	.08	5	11
ManOwn	6.96	11.86	.00	60.30
ForOwn	5.26	12.76	.00	67.00
GovOwn	8.33	17.30	.00	83.60
Bind	47.60	19.22	.00	100.00
CEO Dual	.07	.26	0	1
Audit FS	.76	.43	0	1

Table 1: Descriptive Statistics of the Variables

Table 1 presents the descriptive statistical analysis of the three CSRD categories in the first panel. We found that the human resources category has the highest mean (3.2), which indicates that human resources information is the most disclosed category by the Saudi-listed companies. The human resources category represents any information regarding employee training and development, the pay and benefits system, employee morale, health and safety, employment policies, equal opportunities and social life balance. Community involvement disclosure is the second-highest category with 1.88. This category contains information about supporting education and training, art, culture, public health and safety and the sponsorship of sporting or recreational activities. Economic information is the least reported category with a mean of 1.59. Economic information includes information about a company's economic performance, market presence and job nationalisation (Saudisation).

The second panel in Table 1 reports the descriptive statistical analysis of the firm characteristics. We found that the mean of total assets as proxy of firm size is 21.37, which expected to yield over time. Moreover, the average company's age is 21 years, which indicates that the firms are surviving in the Saudi stock market. Finally, the mean of leverage is 0.40, which indicates that the Saudi-listed firms are financing 40% if their assets based on long-term debt and need to be able to meet their debt obligations.

The descriptive statistical analysis of the corporate governance aspects is presented in the third panel of Table 1. We found that the mean of the governmental ownership factor is 8.33, while the mean of the board of directors' size is 8.36, which is aligned with the SCGC range that specifies all boards should have a minimum of three members and a maximum of 11. The descriptive analysis of the independent members of the board of directors shows that the mean of the proportion of the independent members of the board of directors is 47.60.

6. Results and Discussion

To examine the main assumptions and explore the impact of the firm characteristics and corporate governance aspects on the CSRD categories in Saudi Arabia, we ran a negative binomial regression as reported in Table 2.

The first column reports the result of running the negative binomial regression of firm characteristics (firm size, firm age, ROA and leverage) and corporate governance aspects (the board size, managerial, foreign investment and government ownership, the number of independent members of the board of directors, CEO duality and audit firm size) as the independent variables on human resources disclosure as the dependent variable. The second column reports the result of running the negative binomial regression of firm characteristics (firm size, firm age, ROA and leverage) and corporate governance aspects (the board size, managerial ownership, foreign investment ownership, government ownership, the number of independent members of the board of directors, CEO duality and audit firm size) as the independent variables on community involvement disclosure as the dependent variable. The third column reports the result of running the negative binomial regression of firm characteristics (firm size, firm age, ROA and leverage) and corporate governance aspects (the board size, managerial ownership, foreign investment ownership, government ownership, the number of independent members of the board of directors, CEO duality and audit firm size) as the independent variables on economic disclosure as the dependent variable. Note: ***, ** and * denote significance at 1%, 5% and 10% levels, respectively.

	HRD	CID	ED
Firm characteristics			
FS	0.36**	0.42**	-0.08
FA	0.88***	1.41***	0.55*
ROA	0.02	0.024	0.04**
LEV	0.56	-0.034	1.02**
Corporate governance aspects			
Man Own	-0.01	0.00	-0.00
Gov Own	0.01*	0.01	0.01
For in Own	-0.00	0.01	0.01
BS	2.48*	2.04	1.46
Ind	0.01	0.01*	0.01**
CEO Dual	-0.78*	0.54	-0.43
Audit FS	0.44*	-0.14	0.36
Likelihood Ratio Chi-Square	101.60***	113.87***	60.50***
Pearson Chi-Square	0.79	0.94	0.71

Table 2: Negative Binomial Regression of CSR Categories

The first column in Table 2 reports the result of running the negative binomial regression of firm characteristics including firm size, firm age, leverage and ROA as well as corporate governance aspects including the board size, managerial ownership, foreign investment ownership, government ownership, the number of independent members of the board of directors, CEO duality and audit firm size as the independent variables on human resources disclosure as the dependent variable. We found that Pearson's chi-square is 0.79 > 0.05, which indicates the model's good fit (Gray and Kinnear 2012). The negative binomial regression model with the independent variables was significant with likelihood ratio chi-square equal to 101.60, df = 11, and $p < 0.01$. The results show that the firm characteristics including firm size and age have a significant positive impact of 0.36 and 0.88, respectively, on the level of disclosing human resources information, while the corporate governance aspects including governance ownership and board size have significant impacts of 0.01 and 2.48, respectively, on the level of disclosing human resources information. Moreover, as expected we found a significantly negative impact on the level of disclosing human resources information according to the Saudi governance code.

The second column in Table 2 reports the result of running the negative binomial regression of firm characteristics (firm size, firm age, ROA and leverage) and corporate governance aspects (the board size, managerial ownership, foreign investment ownership, government ownership, the number of independence members of the board of directors, CEO duality and audit firm size) as the independent variables on community involvement disclosure as the dependent variable. To test the model's goodness of fit, Pearson's chi-square was checked (0.94 > 0.05; Gray and Kinnear 2012). The results of the negative binomial regression model with the independent variables were significant with likelihood ratio chi-square equal to 113.87, df = 11, and $p < 0.01$.

The results show that firm characteristics including firm size and age have a significant positive impact of 0.42 and 0.141, respectively, on the level of disclosing community involvement information, while none of the corporate governance aspects had a significant impact on the level of disclosing community involvement information.

The third column in Table 2 reports the result of running the negative binomial regression of firm characteristics (firm size, firm age, ROA and leverage) and corporate governance aspects (the board size, managerial ownership, foreign investment ownership, government ownership, the number of independent members of the board of directors, CEO duality and audit firm size) as the independent variables on economic disclosure as the dependent variable. Table 2 shows a good fit of the model with Pearson's chi-square (0.71 > 0.05; Gray and Kinnear 2012). The negative binomial regression model with the independent variables was significant with likelihood ratio chi-square equal to 60.50, df = 11, and $p < 0.01$. The results show that the level of disclosing economic information is positively affected by only two variables of the firm characteristics, ROA (0.04) and leverage (1.02), while only one variable of the corporate governance aspects has an insignificant impact of (0.01) on the level of disclosing economic information.

The overall results indicate three main contributions. First, the older a company is, the more the company discloses human resources, community involvement and economic information, while the bigger the firm is in terms of size, the more the firm only discloses human resources and community involvement information. The positive correlation between firm age and the three categories as part of CSR has been suggested by stakeholder and legitimacy theory where stakeholder groups in older firms have higher expectations to be more environmentally responsible, pay more attention to their employees, engage more in community activities and contribute to the economy than stakeholder groups in newly established firms. Moreover, older companies are keen to maintain the legitimacy that they have gained than newer firms. Looking at the two theories discussed, across Saudi-listed companies, older companies report more human resources, community involvement and economic information than newly established companies (Alsaeed, 2006).

Firm size is the second most effective characteristic and the result of firm size in relation to the theories is very similar to firm age (Kamal Naser and Nuseibeh, 2003). The stakeholder theory argued that larger firms report more human resources and community involvement information than smaller firms because they need to satisfy their

stakeholder groups who expect more disclosure and comprehensive reporting to confirm that they are acting as expected. Moreover, the legitimacy theory suggests that larger companies care more about their legitimacy than smaller firms (Branco and Rodrigues, 2008; Reverte, 2009). Larger Saudi-listed companies report more human resource and community involvement information than smaller firms because engaging in community activities and paying more attention to employees (e.g., house loans, family gatherings and work-life balance) is often too resource and time-consuming for smaller firms. Furthermore, the Saudi government puts greater pressure on larger firms to be more socially responsible than smaller firms. For example, as regards job nationalisation (Saudisation), the percentage of Saudisation depends on the size of a company and the number of employees. As a result, larger companies disclose more social information to be entitled to receive government benefits and rewards.

Second, profitability and debt level are positively significant in disclosing economic information. This might be because contributing to the economy and reporting that contribution show how strong the company is. In the case of more profitable companies, management decides to disclose more social information to prove their ability to maximise shareholder value (Alsaeed, 2006). Additionally, and based on the stakeholder theory, companies with high profitability disclose more information voluntarily to demonstrate their achievement to the stakeholders as well as public investors and as a result endorse a positive impression of their performance (Branco and Rodrigues, 2008; Reverte, 2009). Furthermore, more profitable companies tend to report more economic disclosure (Saudisation), to prove to society that they are capable of meeting societal expectations and needs and that they legitimately operate in society (Roszaini, Haniffa and Cooke, 2005). Moreover, companies with a higher level of leverage tend to report more economic information to appeal to creditors, stakeholders and investment trusts and show them that they are legitimate to operate, although they may be high in debt. This argument is supported by the three main theories. However, to hedge against an agency problem, creditors would expect more information to reduce information asymmetry and to make sure that the company will be able to meet its debts in the future (Gallego-Alvarez and Quinoa-Custodio, 2016).

Finally, human resources are the most significant CSR category that is affected by firm characteristics and corporate governance aspects and is reported by most of the listed firms in Saudi Arabia. The results show that most of the corporate governance aspects affect only the level of human resources information disclosure such as governmental ownership, board size, CEO duality and audit firm size.

The governmental ownership factor positively affects the level of disclosure of human resources information, which is expected in Saudi Arabia where the government has a significant influence on a company's plans and actions. Companies with higher governmental ownership are more likely to disclose human resources information. Based on the stakeholder theory, Saudi-listed companies pay attention to governmental laws and regulations, especially if a company is owned by the government itself. In addition, there is a greater demand for accountability and transparency for companies under government ownership.

Furthermore, there is a strong positive impact of board size on the level of disclosing human resources information in Saudi Arabia, which is in line with Pfeffer (1972). Increasing the board size would increase the level of knowledge and reduce the uncontrolled power of the managers (Al-Janadi et al., 2013). However, to overcome this problem and limit the size of the board, the SCGC has specified that all boards should have a minimum of three members and a maximum of 11. Each company has the right to choose an appropriate number of directors that best suits the company's needs. According to agency theory, the board of directors is a corporate governance aspect that aims to reduce the managers' opportunistic behaviour by controlling their decisions and to avoid the agency problem which only increases agency costs.

Moreover, we found that there is a significantly positive association between audit firm size and human resources disclosure. Large audit companies are very concerned about their reputations and therefore they are more willing to associate with firms that disclose more information in their published financial reports (Alsaeed, 2006; Depoers, 2000). The agency theory is concerned with audit quality since providing more reliable and credible information in reports reduces agency costs and using big audit firms enhances the quality of disclosure, and this argument is also consistent with the legitimacy theory (Al-Janadi et al., 2013; Eng and Mak, 2003; Haniffa and Cooke, 2002; Jensen and Meckling, 1976). However, CEO duality has a negative effect which explains the argument that CEO role duality negatively affects the control system, presents a conflict of interest and reduces the level of accountability (Michelon and Parbonetti, 2014). According to Roberts et al. (2005), it is more effective for a company to separate the CEO and chairman roles, as each individual will be able to do each job with minimum conflict (Albassam, 2014). Moreover, companies which separate the two roles achieve greater quality in decision making than companies that prefer CEO role duality (J. Li et al., 2008). The agency theory supports the separation between CEO and chairman, suggesting that the separation increases the efficiency of the control system, which in turn protects stakeholders' rights and results in better disclosure quality (Yaseen Al-Janadi et al., 2013). Therefore, companies which separate the roles of CEO and chairman disclose more human resources information than companies with the CEO occupying dual roles.

7. Conclusion

The scope of this paper was to understand CSR according to the three main categories (human resources, community involvement and economic disclosure) and examine whether firm characteristics (size, age, ROA and leverage) and corporate governance aspects (the board size, managerial ownership, foreign investment ownership, government ownership, the number of independent members of the board of directors, CEO duality and audit firm size) are significant determinants of CSR in Saudi-listed companies. The sample considers the annual reports of 164 companies listed on the Tadawul Stock Exchange in 2012. The results of negative binomial regression indicate that firm age is the most influential factor, where the older a company is, the more the company discloses human resources, community involvement and

economic information, while the bigger the firm, the more the firm only discloses human resources and community involvement information. Moreover, profitability and debt level are positively significant in disclosing economic information. Finally, human resources are the most significant CSR category that is affected by firm characteristics as well as corporate governance aspects and the most reported by Saudi-listed firms.

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