School of Accounting, Economics and Finance
Faculty of Business and Law

Determinants of Corporate Social Responsibility Disclosure in the Financial Services Sector: Evidence from Gulf Cooperation Council Countries

Zaid Matar Almutairi
0000-0002-3758-2951

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DECLARATION

To the best of my knowledge and belief this thesis contains no material previously published by any other person except where due acknowledgement has been made.

This thesis contains no material which has been accepted for any other degree or diploma in any university.

Signature:

Date: 13/09/2022

ABSTRACT

This study investigates the determinants of Corporate Social Responsibility (CSR) disclosure in Gulf Cooperation Council (GCC) listed financial firms. It builds on a growing literature investigating the role and determinants of corporate responsibility and sustainability disclosure in accounting reporting, but is unique in its focus on the GCC, and particularly its financial services sector. It further investigates the differences in the extent and determinants of CSR disclosure between Islamic and conventional listed financial firms in the GCC. The study develops a CSR disclosure index to measure the extent of CSR disclosure and to identify the determinants of CSR disclosure in this important region.

Overall CSR disclosure, as measured by the composite index, produced a mean result of 14.96% with a range of 0.00% to 78.79%. This suggests that GCC financial firms disclose less than both non-financial firms in the GCC and those in similar developing nations. The extent of disclosure by theme (Environment, Community/Social Activities, Employee, Products, Services, Market Place, Customer, and Other Items) revealed the most disclosed information related to Products, Services, Market Place and Customer (mean 31%) and was lowest for the Environment (mean 6%). Given the important role of financial intuitions in the funding and insuring of activities which have significant environmental impact (e.g. oil and gas processing, coal mining etc.) this would seem to be a neglected area of disclosure. The study also identified large differences in disclosure between member countries ranging from Saudi Arabia (mean 8.53%) to Kuwait (mean 34.13%) and between conventional financial firms (mean 22.19%) and Islamic financial firms (mean 11.73%).

The findings in this study are modestly supportive of the impact of strong corporate governance leading to improved reporting of CSR activities. By including a broad range of independent variables, it further covers aspects of Corporate Ownership, Financial Performance and Firm Specific variables in the analysis. The strong positive findings for government, institutional and

foreign shareholding point to the positive impact of these blockholders on disclosure decisions in the GCC context. As recorded in many other studies, Firm Specific variables (firm age and firm size) have a positive impact, suggesting that political costs are equally evident in this market and industry.

The study enhances the understanding of GCC governments on how finance related firms implement CSR policies by establishing a baseline for CSR disclosure and determining the likely drivers of future disclosure.

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CHAPTER ONE: INTRODUCTION

1.1 Introduction

Corporate social responsibility (CSR) disclosures published in firms' Annual Reports are considered a primary communication mechanism to stakeholders about CSR activities. In recent decades, rising interest in CSR has led to a considerable literature on the nature of CSR reporting (Carroll and Shabana 2010; Zhu, Liu and Lai 2016). Today, these stakeholders are requesting economic, social and environmental information with which businesses can explain their actions. CSR is also deemed to be a vital public relations tool for businesses with a view to interacting and establishing an understanding of CSR disclosure and the activities of firms that are of benefit to the wider society (Golob and Bartlett 2007).

This chapter is organised into nine sections. The second discusses the motivation of this study while the third presents the research contribution. The fourth section outlines the aim of the research, followed by the research objectives. The sixth section outlines the research questions, followed by clarification of the research methodology. The final section describes how this thesis is structured.

1.2 Research Motivations

The 2008 and 2009 financial crises have been ascribed to a lack of honesty, integrity, proper disclosure, and CG (Elmagrhi et al. 2016). Additionally, poor CG (corporate governance) procedures have been blamed for large-scale and widespread scandals like those involving Enron and WorldCom (Samaduzzaman et al. 2015). Researchers and legislators have recently focused their attention on corporate reforms and the extent to which companies disclose financial information. Companies are also using a variety of methods to raise money in the markets. More information can be made available to attract investors. For a wide range of users, this information serves as the foundation for crucial economic choices. For this reason the primary

goal of this research is to examine the level of CSR disclosure and its determinants in GCC listed finance firms (banks, insurance and investment firms).

First, it has been found that the GCC's institutional and regulatory are similar to those found in other emerging nations or regional blocs (Piesse et al. 2012). However, some distinctions have been found when comparing emerging and developed states in terms of contextual, institutional and regulatory characteristics. The GCC countries, in particular, are Islamic states where Islamic law is enacted and enforced (Judge 2011). According to GCC governments, the member countries' constitutions are founded on Islamic law. Consequently, Islamic principles are reflected in the GCC's legislation, particularly in the fields of economics, legal systems, and politics (Kamla and Alsoufi 2015). Consequently, a company's financial operations will be guided by the adoption of Islamic fundamentals, presenting challenges in CG and disclosure policies. As a result, it is essential to investigate the factors of corporate governance that influence the level of CSR disclosure in GCC finance firms.

Second, it is noted that in developing countries like Saudi Arabia and the other GCC countries, ownership of publicly traded firms is substantially concentrated (Baydoun et al. 2012). Agencies may encounter more difficulties due to the separation of ownership and control of a corporation (Jensen and Meckling 1976). The issue of ownership concentration in Middle Eastern enterprises is exacerbated by the favoritism given to close associates when filling executive positions on business boards, which might affect board’s independence . (Baydoun et al. 2012). GCC-listed companies tend to be owned by the state, according to a report by the World Bank on the observance of standards and codes surrounding CG practices. (The World Bank 2009). This could deter foreign investment in the stock market and discourage investment from developing institutions (Chen et al. 2017). It is possible that the stock market and corporate control will be compromised as a result, and corporate disclosure may be inconsistent (Jensen and Meckling 1976).

Third, the economies of GCC countries are large and wield major influence throughout the Arab region. GCC countries are some of the world's largest oil-producing countries and home to 39.1% of the total oil reserves (Organisation of the Petroleum Exporting Countries (OPEC), Annual Statistical Bulletin 2019). It was reported that in 2018, GCC countries were responsible for 50% of OPEC's total crude oil production (OPEC Secretariat Assessment of Selected Secondary Sources 2018). Furthermore, the Gulf Cooperation Council (GCC) welcomes foreign investment. As a result, preventing CG failure in this region is critical, as it would have implications of great importance for all parties involved in the Middle East and other developing economies. For instance, if CG processes aren't properly implemented, domestic and foreign stockholders could suffer heavy losses. Further, if the country's CG framework is weakened, the issue of information asymmetry and the amount of accounting disclosure may worsen, preventing potential investors from participating in the country. According to Baydoun et al. (2012), little effort has been made to examine the financial and commercial businesses operating in GCC countries, who are the primary oil producers and led by Saudi Arabia.

Fourth, the factors that determine the extent to which CSR information is disclosed and how it affects CG mechanisms have not been thoroughly studied in the GCC's finance institutions (banks, insurance, and investments businesses), namely: Harun et al. (2020); Al-Jalahma et al. (2020) and Al-Janadi et al. (2013). Harun et al. (2020) in their research covered the period 2010-2014 and investigated the practices of CSR disclosure in Islamic banks only in GCC; the indices used included 11 items and 195 observations. Al-Jalahma et al. (2020) looked at the period 2016-2019 and investigated the relationship between CSR and the financial performance of 26 banks in GCC countries, and used 104 observations. Al-Janadi et al. (2013) covered the years 2006–2007 and examined CG's influence on voluntary disclosure; the indices used included 21 items and 87 observations in Saudi Arabia.

The current study represents a number of advances over previous studies in the region. It is placed in a more recent and extended time period (2014–2018)

than those of Harun et al. (2020), Al-Jalahma et al. (2020) and Al-Janadi et al. (2013). For example, Harun et al. (2020) examined the CSR disclosure practices in Islamic banks in GCC, while current study covers Islamic and Conventional banks, insurance firms and investment firms in all GCC countries. In addition, Harun et al. (2020) used 11 CSR items that covered CSR in organization, customers and society, whereas the current study used 33 CSR items including environment, employee, community, customer and other items. Harun et al. (2020) examined 39 Islamic banks in the GCC, while this study examines 138 financial firms (bank, insurance, and investment) which result in 690 observations. Al-Jalahma et al. (2020) examined the relationship between CSR disclosure and financial performance in 26 banks in 5 GCC countries (Bahrain. Kuwait, Oman, Saudi Arabia, and Qatar), while the current study focus on the relationship between CSR disclosure and corporate governance of all types of financial firms in the 6 GCC countries (Bahrain. Kuwait, Oman, Saudi Arabia, and Qatar, UAE). They use 15 CSR items to cover environmental, governance and social disclosures, while this study applies a more detailed 33 CSR items. Al-Janadi et al. (2013) examined the impact of corporate governance on voluntary disclosure of 87 financial and services firms in Saudi Arabia for the period 2006-2007. The study developed CG index that consist of 21 items covers general and financial information, corporate governance information, and social and environmental information. Al-Janadi et al. (2013) covered only one GCC country (Saudi Arabia) while the current study covers all GCC countries.

1.3 Research Contribution

This study will contribute to the existing literature in several ways. CSR disclosure and corporate governance (CG) are two areas of research that this study contributes and provides a new empirical look of how CSR disclosure levels and CG characteristics are related in GCC countries, of which one member – Saudi Arabia – is also a G20 member (Juhmani 2017). CSR disclosure and its relationship to CG in the financial sector of GCC stock markets has not been empirically studied before. New evidence from an oil-

dependent industrial country is produced here, therefore making it a valuable source.

This study explores the disclosure practices concerning CSR during a period of significant corporate change, particularly in the Saudi stock market. Significant corporate reforms have taken place during this period of time, such as in Saudi Arabia's stock market, which adopted IFRS in 2013. Prior studies have adopted either cross-sectional data (Roberts 1992; Mohd Ghazali 2007) or short observation periods (Reverte 2009). Such results provide limited insights into the shift in CSR discourse over time and could mis-specify the factors affecting CSR disclosure. The study adds to the extant literature by applying a longitudinal study covering a five-year period of CSR disclosures in GCC listed finance firms. CSR disclosure literature is supported by the study's longitudinal nature, which examines the effects of the changing disclosure environment in the GCC stock market in light of its rapid development.

This study adopted more rigorous statistical analysis techniques than those utilized in some CSR disclosure studies, which relied on nonparametric tests in their analyses. This research investigated correlations using a variety of statistical techniques, such as ordinary least squares (OLS) and Tobit regression tests. A number of theories are referred to in this study, including stakeholder, agency and legitimacy theory to explain the findings. With this mind, the findings of this study will be critical in helping GCC financial institutions better understand the importance of disclosing CSR information in their annual reports. CSR disclosure in GCC listed companies is examined and identified in order to improve legislation and disclosure rules for the GCC's finance industry.

In comparison to recent research, such as Harun et al. (2020) and Al-Jalahma et al. (2020), this study examines CSR disclosure in greater detail through a complex index. Users such as academics, practitioners, financial analysts, and investors can rely on the current index as a tool for assessing the degree to which GCC companies disclose CSR information. For future research, this

index will provide an essential assessment tool by updating and adding new CSR-relevant categories for GCC companies. It is possible that future evaluations and analyses by regulators and academics could use this index as a benchmark."

1.4 Research Aim

The aim of this study is to investigate the determinants of CSR disclosure on listed financial firms in GCC countries.

1.5 Research Questions

This study aims to answer the following questions:

1. What is the current extent of CSR disclosure in GCC overall and its individual member countries, specifically for the five-year period of 2014 to 2018 (the Study Period)?

2. What are the determinants of CSR disclosure in GCC listed financial firms for the Study Period?

3. What are the differences between the determinants of CSR disclosure in GCC Islamic and conventional listed financial firms for the Study Period?

1.6 Research Objectives

This study aims to achieve the following objectives to:

1. Examine the extent of CSR disclosure of GCC listed financial firms

2. Investigate the differences between individual GCC countries in terms of the extent of CSR disclosure

3. Investigate the determinants of CSR disclosure of GCC listed financial firms, and

4. Investigate the differences in the extent and determinants of CSR disclosure between Islamic and conventional listed financial firms in GCC.

1.7 Research Methodology

This study used a quantitative approach and followed a deductive method in accordance with its objectives. In order to collect the study data, the researcher used the content analysis method and information from firms' annual reports were obtained for this process. To achieve quantitative measures for analysis, content analyses required the assigning of codes to textual content according to specified standards and procedures.

A CSR index is developed for the collection and processing of CSR data. This study adopted an un-weighted approach to examine the extent of CSR disclosure index as is commonly used in measuring the extent of CSR disclosure (Raffournier 1995; Lim et al. 2007; Chau and Gray 2010; Platonova et al. 2018). The adoption of the un-weighted approach was utilised because it was assumed that each disclosure item was of equal importance (Cooke 1989). A rule of thumb promulgated is that un-weighted indices are applicable for studies which do not specifically target one group of annual report users, but can assist all (Cooke 1989). A further advantage of the un-weighted approach is that it reduces subjectivity in assigning weightings to textual content (Ahmed and Courtis 1999).

1.8 Structure of the Thesis

The current study is organised into seven chapters as follow:

Chapter 1, Introduction - This chapter introduces the research motivations, research contribution, research aim, research objectives, research questions and research methodology.

Chapter 2, Background of GCC Countries – This chapter covers economic statistics of the GCC countries, the capital markets in the GCC, and an overview of CSR in GCC Countries.

Chapter 3, Literature Review - This chapter is divided into nine sections:

- Section 3.1 is an introduction to the chapter
- Section 3.2 provides a brief history of CSR disclosure
- Section 3.3 discusses the nature and scope of CSR disclosure
- Section 3.4 discusses the definition of disclosure
- Section 3.5 presents the definition of CSR
- Section 3.6 represents the CSR Pyramid
- Section 3.7 presents the prior studies in both developed and developing countries
- Section 3.8 represents the CSR studies in GCC countries, and
- Section 3.9 discusses the limitation of prior studies, followed by the chapter's conclusion.

Chapter 4, Conceptual Framework and Hypotheses Development - In this chapter, the theoretical framework (including agency, legitimacy, and stakeholders' theories) is presented, followed by the hypothesis' development and the CSR disclosure conceptual model in the GCC.

Chapter 5, Research Methodology - This chapter discusses the research philosophy adopted by the study. The data collection method is outlined, and

the CSR index and measurement of CSR disclosure is presented. The sample selection and source of data is presented, followed by the measurement of the variables used in this study. Finally, the research model is presented.

Chapter 6, Determinants of CSR Disclosure in Listed Financial Firms in the GCC - This chapter presents the results of the determinants of CSR disclosure in listed financial firms in the GCC. It commences with the descriptive analysis followed by a description of the data transformations undertaken. Section 6.4 examines the bivariate data analysis, whilst section 6.5 validates OLS assumptions. In section 6.6, the Pearson coefficient correlation result is discussed, and the multivariate analysis is presented in section 6.7.

Chapter 7, Conclusion - This chapter presents an overview of the research by presenting the aim, objective and research questions with a summary of the major findings. The research contributions to theory and practice are outlined. Finally, the research limitations and suggestions for further research are presented.

1.9 Conclusion

This chapter described the motivations of the current study and outlined the proposed contribution it makes to the literature on CSR disclosure. The objectives, aims, and research questions of the study are discussed. This chapter summarises the research methodology applied to the study, in addition to the thesis structure. Chapter 2 will provide a background to GCC countries, which form the basis of the sample for this study.

CHAPTER TWO: BACKGROUND OF GCC COUNTRIES

2.1 Introduction

This research sources its data from GCC countries rather than individual GCC countries due to their historical, cultural, religious, economic and regulatory similarities. This chapter aims to provide information about the workings and objectives of the GCC, in addition to important statistical data regarding population, area and population density of GCC countries. Also explained here, are the labor market conditions throughout the GCC, its economy and how it conducts foreign trade. A brief description of the financial market in each country is also outlined in this chapter. On the issue of CSR, GCC countries are regarded as being in an embryonic stage compared to the West (Ararat 2006; Mebarki 2020). By the 21st century, many Western countries had ministries in place to look after CSR activities, whilst those in the Middle East and Asia are still grappling with this concept and its various nuances. CSR is explored in more detail later on in this chapter and here it can be stated that all GCC countries now recognise CSR in all its forms and make serious efforts through conferences and seminars to understand and implement it (Ararat 2006; Mebarki 2020).

2.2 Background of GCC Countries

GCC is the accepted acronym for the Gulf Cooperation Council, and this economic and political union consists of six Middle East countries, namely Saudi Arabia, Qatar, United Arab Emirates (UAE), Oman, Bahrain, and Kuwait. United by the common objective of exporting oil, these six countries formed the GCC in 1981 so they could launch a common market, introduce a common currency and expand their economic horizons and influence (United Arab Emirates Ministry of Finance (UAEMF) 2018). Since the founding of the GCC, all six countries have been operating as an economically cohesive unit across all international forums (Metwally 1987). Courtesy of the policy of mutual cooperation between member states, the focus of the GCC has been joint

economic action, as well as undertaking multiple projects to bring about financial integration, creation of a free trade zone, formation of a Customs Union and establishment of a common market. To outline how the GCC should actually function, a separate department was set up and it laid down the following competencies:

- Strengthening financial and economic relationships between GCC countries
- Strengthening partnerships with private sector entities in matters of common business interest
- Following up on implementation of unified economic agreement in GCC countries
- Following up on workflow of the GCC's common market through relevant councils and committees
- Organising dialogue and joint project meetings between GCC countries, and
- Following up on framework and free trade agreements between GCC countries (UAEMF 2018).

Member countries of the GCC are required to follow a set of objectives that underline the business interests of the council. These objectives are as follow:

- Maintaining unity through coordination, integration and interdependence
- Strengthening relationships with each other in various fields and enhancing cooperation
- Formulating the same regulations in economic, financial, commerce, customs and transportation areas, and
- Encouraging progress on the scientific and technological fronts, establishing joint ventures and cooperating with the private sector (UAEMF 2018).

At the top of the hierarchy of the GCC is the Supreme Council (the Council), which is the ultimate decision-making body. Under the Council is a council of ministers, which is charged with carrying out the work at the operational level. The Council also appoints ad-hoc committees and follow-up committees, both of which are responsible for the implementation of the Council's orders and carrying out research work on its behalf. One of GCC's greatest strengths is the establishment of a common market involving member countries. The Council realised during its inception that integration would be a step-by-step process and since then has strived to identify and define common objectives and programs (UAEMF 2018). Countries belonging to the GCC automatically qualify for economic membership and as a result, are privy to a number of privileges including:

- Establishment of industries
- Social development
- Freedom of movement
- Employment opportunities
- Movement of capital, and
- Tax exemptions.

Other areas which benefit from being a part of this Common Market, are buying and selling of shares, medical and healthcare services, education, investing in real estate and retirement benefits. Complaints or obstacles within the GCC are dealt with by the respective liaison officers of the member states and are solved bilaterally. In the event that the concerned parties are not satisfied with how a matter/s have been handled, referral is made to the Joint Committee of the Customs Union or the Common Market. There is a third level to which problems can be referred, namely the Financial and Economic Cooperation Committee. Online registration of complaints or inquiries can be made at GCC Takamul, which has operated since 2012. It is available on the official website wherein it links to 28 entities, both federal and local (UAEMF 2018).

Up until 2013, the GCC ranked as the fifth most important economic group globally in terms of total volume of trade, and the fourth largest exporter on a global scale, with the first three positions having been occupied by China, the United States and Germany respectively. As far as imports were concerned, the GCC economies ranked tenth in the world in 2013 based on the volume of imports.

2.3 GCC Countries – Statistics

2.3.1 Population, Area and Population Density in GCC Countries

The population growth rates in GCC countries are among the highest in the world. This is due to the huge expansion in the number of expatriate workers who are living in GCC countries. They are mainly employed in construction and development projects that are typical of GCC countries. Population growth and the size of each country are summarized in Table 2.1 below.

Table 2.1: Population and size of GCC countries

Country/Item	2013	2014	2015	2016	2017
GCC Total					
Population (No.)	48,425,835	49,855,795	51,264,387	53,446,862	54,663,476
Area (Km2)	2,410,739	2,410,743	2,410,747	2,410,747	2,410,748
Population Density (Person/Km2)	20	21	21	22	23
United Arab Emirates					
Population (No.)	8,264,070	8,264,070	8,264,070	9,121,167	9,121,167
Area (Km2)	71,024	71,024	71,024	71,024	71,024

Population Density (Person/ Km2)	116	116	116	116	116

Table 2.1 - continued

Country/Item	2013	2014	2015	2016	2017
Bahrain					
Population (No.)	1,253,191	1,314,562	1,370,322	1,423,726	1,501,116
Area (Km2)	770	774	778	778	778
Population Density (Person/ Km2)	1,628	1,698	1,761	1,830	1,929
Saudi Arabia					
Population (No.)	29,601,529	30,300,675	31,062,072	31,787,580	32,612,641
Area (Km2)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Population Density (Person/ Km2)	15	15	16	16	16

Table 2.1 - continued

Country/Item	2013	2014	2015	2016	2017
Oman					
Population (No.)	3,855,206	3,992,893	4,159,102	4,414,051	4,559,963
Area (Km2)	309,500	309,500	309,500	309,500	309,500
Population Density (Person/ Km2)	12	13	13	14	14
Qatar					
Population (No.)	2,003,700	2,216,180	2,437,790	2,617,634	2,641,669
Area (Km2)	11,627	11,627	11,627	11,627	11,627
Population Density (Person/ Km2)	172	191	210	225	227

Table 2.1 - continued

Country/Item	**2013**	**2014**	**2015**	**2016**	**2017**
Kuwait					
Population (No.)	3,448,139	3,767,415	3,971,031	4,082,704	4,226,920
Area (Km2)	17,818	17,818	17,818	17,818	17,819
Population Density (Person/ Km2)	194	211	223	229	237

Source: Data from the Statistical Centre for the Cooperation Council for the Arab Countries of the Gulf (2020, Section: Statistics - Population)

2.3.2 Labor Market Features in GCC Countries

All GCC countries face the challenges of increasing volume of expatriate labor, rising unemployment among their citizens, especially among young people and problems regarding wages, salaries and bonuses. Apart from these issues, the labor market in the GCC is constantly changing. Expatriate labor is a major challenge for GCC countries as employing workers from overseas seems to contradict their governments' drive to ensure local job seekers find work. Tables 2.2, 2.3 and 2.4 show the main features of the labor markets throughout GCC countries.

Table 2.2: Labor force participation rate (%) GCC countries

	2013	2016	2012	2011	2015	2014	2017
UAE		80.6					80.8
Bahrain	72.1	72	71.7	71.7	71.6	71	
KSA	54	55.3	54.1	53.2	54	54.1	55.6
Oman		65.4					65.3
Qatar	87.2	89.1	86.5	86.7	88.6	87.6	88.4
Kuwait	67.2	73.8	71	75.1	75.9	71.7	73.8

Source: Data from the Statistical Centre for the Cooperation Council for the Arab Countries of the Gulf (2021, Section: Statistics - Labour)

Table 2.3: Employment to population (%)

	2011	2012	2013	2014	2015	2016	2017
UAE						79.3	
Bahrain	71.1	71	71.2	70.3	70.9	71.2	
KSA	50.1	51.1	51	51	51	52.1	51
Oman	57.7	59.6	61.7	61.3	62.9	64.1	63.6
Qatar	86.2	86.1	86.9	87.4	88.5	88.9	88.3
Kuwait	72.4	68.5	64.8	69.7	74.5	59.6	60.4

Source: Data from the Statistical Centre for the Cooperation Council for the Arab Countries of the Gulf (2021, Section: Statistics - Labour)

Table 2.4: Unemployment rate (%)

	2011	2012	2013	2014	2015	2016	2017
UAE						1.6	2.5
KSA	5.8	5.5	5.6	5.7	5.6	5.7	6
Qatar	0.6	0.5	0.3	0.2	0.2	0.1	0.1
Kuwait	3.6	3.6	3.6	2.9	1.9	2.2	2.2

Source: Data from the Statistical Centre for the Cooperation Council for the Arab Countries of the Gulf (2021, Section: Statistics - Labour)

2.3.3 Economy

The gross domestic product (GDP) at constant prices reached US$1,400 billion in 2014, and by 2018 had reached US$1,508.3 billion, a growth rate of 7.73%. In contrast, negative GDP growth continued from 2014 to 2017 at current prices (10.7%) and reached US$1,460 billion in 2017; however, in 2018 the GDP at current prices grew to reach US$1649.7 billion (13%) compared with 2017. According to the data concerning GDP at current prices, the gross national income throughout the GCC rose from US$1,647.9 billion in 2014 to

approximately US$1,666.6 billion in 2018. The national disposable income was US$1,536.3 billion in 2018 compared to US$1,537.4 billion in 2014. National savings amounted to US$671.9 billion in 2014, which fell to US$599.8 billion in 2018. The GDP per capita at current prices in the GCC fell from US$32,491 thousand in 2014 to US$29,456.7 thousand in 2018. Table 2.5 below summarizes the GCC's economic situation between 2014 to 2018 in terms of the GDP, national income and annual growth rate.

Table 2.5: Economic status of the GCC

Item	2014	2015	2016	2017	2018
Gross domestic product at constant prices * (US $ billion)	1,400	1,444.60	1,478.30	1,478.2	1,508.3
Annual growth rate at constant prices (%)	3.5	3.1	2.3	- 0.4	2.0
Gross domestic product at current prices (US $ billion)	1,635	1,391.60	1,354.80	1,460.0	1,649.7
Annual growth rate at current prices (%)	1.0	-15.3	-2.6	7.3	13.0
Gross national income at current prices (US $ billion)	1,647.9	1, 415.9	1,381.20	1,487.2	1,666.6
Gross national disposable income at current prices (US $ billion)	1,537.4	1,285.90	1,252.10	1,364.7	1,536.3
Total national savings at current prices (US $ billion)	671.9	441.6	419.70	499.2	599.8
Average per capita gross domestic product (GDP) at current prices (US $)	32,491	26,796.30	25,346.50	26,579.1	29,456.7

Source: Data from the Statistical Centre for the Cooperation Council for the Arab Countries of the Gulf (2020, Section: Statistics – National Accounts)

2.3.4 Foreign Trade

Statistics show that the GCC's commodity trade with the outside world declined by 9.9% in 2016, from US$1,336,7 billion in 2014 to US$1,095.9 billion in 2018. The commodity trade balance surplus fell by 46% to US$209.31billion in 2018, whereas it had been US$384 billion in 2014. The growth rate of global commodity trade declined in 2018 because of slower growth in many major economies. The commodity trade and trade balance of GCC generally fell during these five years. Commodity exports declined by 24% during the five years and the total commodity imports decreased by 7% from 2014 to 2018. As a result of the fall in public expenditure in GCC countries, the value of the total commodity exports of GCC decreased by the value of exports of oil and natural gas between 2014 and 2018 (31%), while the values of non-oil exports re-exported goods decreased by 14% during the same period. Total exports were worth US$652.5 billion in 2018, whereas in 2014 it had been valued at US$860.7 billion. Furthermore, the value of total commodity imports fell by 7% in that it was US$476 billion in 2014 and then US$443.4 billion in 2018. The following table (Table 2.6) displays the level of foreign trade in the GCC and it should be noted that these numbers do not include inter-trade between GCC countries.

Table 2.6: Foreign trade of the GCC

Item	2014	2015	2016	2017	2018
Total exports (A + B)	860.7	529.3	465.9	532.4	652.5
A- National exports of origin (2 + 1)	772.6	430.7	368.8	432.1	551.2
1-Exports of oil and natural gas	653.5	341.7	281.3	344.4	448.8
2-Non-oil exports	119.2	89.0	87.6	87.7	102.4
B- Re-export	88.0	98.6	97.1	100.3	101.3
Total imports of goods	476.0	490.0	452.6	453.9	443.4

Table 2.6 – continued

Item	2014	2015	2016	2017	2018
Volume of trade exchange	1,336,7	1,019.3	918.5	986.3	1,095.9
Trade Balance	384	39.2	13.3	78.5	209.1

Source: Data from the Statistical Centre for the Cooperation Council for the Arab Countries of the Gulf (2020, Section: Statistics – International Trade)

2.4 Capital Markets in GCC

2.4.1 Bahrain

The first joint stock firm was established in the Kingdom of Bahrain in 1957, and then in 1987, the Bahraini Government decided to establish the Bahrain Stock Exchange (the BSE). The BSE officially started in 1989 and at the time, joint stock firms numbered 29. Due to the weak market value of the BSE, the government opened to foreign investment in 1999 and allowed GCC investors to own 100% of shares on the stock exchange whilst investors from outside the GCC were allowed to own no more than 49% of the shares of firms traded (Bahrain Bourse, 2019). The number of firms listed on the BSE at the end of 2017 numbered 42, and the market capitalisation of listed domestic firms at the end of 2017 amounted to US$21.7 billion (The World Bank 2018). The banking sector accounted for 48.35% of the total market capitalisation, followed by the investment sector (26.08%), industry sector (10.95%), services sector (10.67%), hotels and tourism sector (2.02%), and finally the insurance sector (1.93%) (Bahrain Bourse 2019).

2.4.2 Kuwait

The Kuwait Stock Exchange (the KSE) began in 1952 when the first banking institution, the National Bank of Kuwait was established and is considered the first public shareholding firm. Initially, the KSE was manually traded and the process was not highly regulated, but in 1983, the government established an independent stock exchange to operate more efficiently. As in Bahrain, the

Kuwaiti Government allowed foreign investment for citizens of GCC countries and allowed them to own 100% of shares in firms. Non-GCC nationals are now permitted to own shares, but not more than 49% (Boursa Kuwait 2019). At the end of 2017, there were 176 firms listed on the KSE and the market capitalisation of listed domestic firms at the end of 2017 was US$90 billion (The World Bank 2018).

2.4.3 Qatar

In 1995, the Government of Qatar established the Doha Securities Market but operations did not begin until 1997 (Qatar Stock Exchange 2019). At that time, the number of listed firms was 17, and the number of firms listed at the end of 2017 reached 45 with a growth rate of 164% (The World Bank 2018). The market capitalisation of listed domestic firms at the end of 2017 was US$130.6 billion and the banking sector is the largest by market value, accounting for 45% of the total market capitalisation (The World Bank 2018).

2.4.4 Oman

In 1988, the Muscat Securities Market (the MSM) was established. The Sultanate of Oman issued securities regulation in 1998 so that two entities were now responsible for the MSM. With regard to foreign investment, the Government of Oman allows foreign investors to own 100% of shares of traded firms (Muscat Securities Market 2019). The number of listed firms at the end of 2017 was 112 and the market capitalisation of listed domestic firms at the end of that year was US$21.2 billion (The World Bank 2018).

2.4.5 Saudi Arabia

The stock market in Saudi Arabia began operating in the 1930s when the first Arab joint stock firm was established. Due to the country's rapid economic development once oil was discovered, the government created many state-owned enterprises, for example, the Saudi Electricity Company. In 1985,

shares in listed firms were able to be officially traded under the supervision of the Saudi Arabian Monetary Agency. Subsequently, due to the increase in the number of firms, a specialised body was established to monitor and regulate the market. In 2003, the Capital Market Authority was established. In terms of foreign ownership, the government recently allowed foreign investors (non-GCC nationals) to own up to 49% of listed firms (Capital Markets Authority of Saudi Arabia 2019). The number of listed firms at the end of 2017 was 188 and the market capitalisation of listed domestic firms at the end of 2017 was US$451 billion (The World Bank 2018). Saudi Arabia's stock market is ranked first among GCC markets in terms of market capitalisation.

2.4.6 United Arab Emirates (UAE)

In 2000, the UAE Securities Market was established, comprising of the Dubai Financial Market and Abu Dhabi Financial Market. The UAE market is the second largest market in the GCC after Saudi Arabia (Abu Dhabi Securities Exchange, Dubai Financial Market 2019). The market capitalisation of listed domestic firms at the end of 2017 was US$239 billion and the number of firms listed at the end of 2017 was 127 (The World Bank 2018).

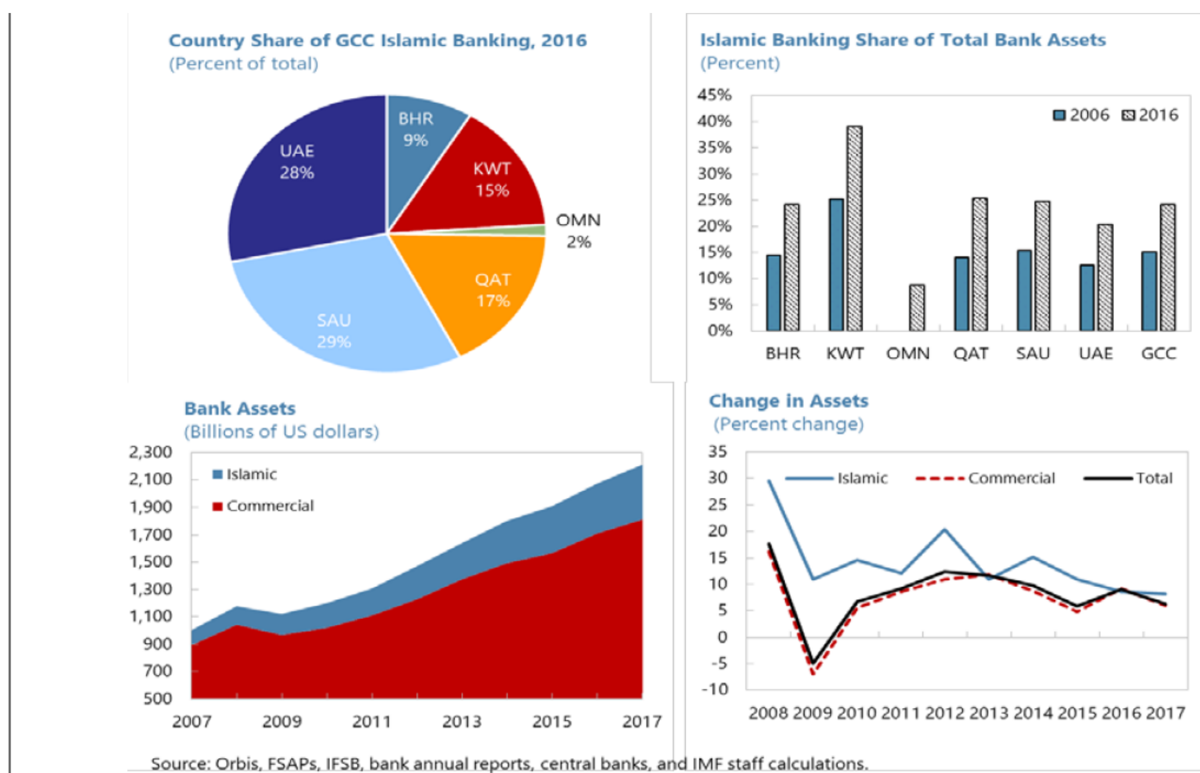
2.5 Financial Sector in GCC

The GCC's financial systems have developed greatly over the past two decades, but there appears to be an opportunity for more progress to be made. Several factors have contributed to the growth of the finance industry, including a rapidly expanding Islamic finance sector that is sympathetic to reforms. Because of this, the country's financial systems have developed to a point where they are on par with those of other emerging economies in terms of their maturity. The GCC's financial development has relied heavily on banks, while debt markets and non-bank financial institutions have been less established and stock markets have been limited. The number of non-bank financial institutions has not grown significantly in recent years (The International Monetary Fund 2018).

Over the past two decades, GCC financial institutions have grown tremendously, although banks have remained the dominant force. They are slightly larger than the average in a group of significant emerging market nations, but far smaller than financial institutions in the United States and Japan. Non-bank financial institutions (NBFIs) make up around 20% of GCC financial institutions' assets. The GCC's financial institutions grew at an average annual rate of 8.5% from 2010 to 2017. NBFIs, on the other hand, grew at a rate of 10.7% per year, while the banking sector grew at a rate of 7.8% per year (The International Monetary Fund 2018). In general, the GCC's financial system is well-capitalized, with most of its assets controlled by domestic entities and a sizable portion of its assets owned by the public or quasi-public sector. In nominal terms (size), the UAE's banking system is the largest, while Oman's is the smallest. Even though its economy is small, Bahrain boasts the region's most developed banking system (with an 820% asset to non-oil GDP, whereas Saudi Arabia, the region's largest, has the lowest asset-to-non-oil GDP (at 131%). Moreover, in the GCC, only Bahrain has both wholesale and retail banking operating (The International Monetary Fund 2018).

Over the last decade, Islamic banking has been a major force behind the expansion of the financial system. Banking services have become more accessible to investors and borrowers who were previously unable to do so because of their religious beliefs, but now have greater availability of Islamic products and instruments (IMF, 2016). Islamic banks' total assets in the GCC expanded at an average annual rate of 11% over the last decade, compared to 6% for conventional banks. Figure 2.1 below presents the GCC share of the Islamic banking industry and its assets.

Figure 2.1 GCC share of the Islamic banking industry and its assets



Source: Data from the International Monetary Fund 2018, Section: Policy Papers

Throughout the region, banks' business models are focused on financing large corporations. Banks largely mobilize and recycle private sector savings to lend to large corporates. Domestic private sector claims account for roughly 60–70% of total bank assets in four of the six member nations. These claims predominantly finance trade, services, and real estate. Deposits make up about 60% of the GCC banking system's total funding, however, this varies greatly from country to country (The International Monetary Fund 2018).

Except for Saudi Arabia, all countries' NBFIs have remained modest. A complete examination is hampered by a lack of comprehensive statistics, but Saudi Arabia's NBFIs are the largest in the region, with assets totaling about 97% of the country's non-oil GDP. Two other countries in the region - Bahrain and Kuwait - have NBFIs with assets exceeding 30% of non-oil GDP. NBFIs in both countries have reduced in size after the 2008-9 global financial crisis (GFC) due to more difficult market circumstances and/or stricter regulations.

Kuwait and Saudi Arabia's investment enterprises have a larger presence than the insurance sector (The Statistical Centre for the Cooperation Council for the Arab Countries of the Gulf 2021). The GCC's stock markets are well developed but the market capitalization is still less than it was before the GFC erupted. About 73% of the GCC's entire market capitalization is held by the Saudi stock market. Table 2.7 shows the market capitalization for GCC countries (The Statistical Centre for the Cooperation Council for the Arab Countries of the Gulf 2021)

Table 2.7 Market Capitalization for GCC countries

	Market capitalization – Billion USD
KSA	2,669
Qatar	183
Oman	57
Bahrain	29
Kuwait	137
UAE	555

Source: Data from the Statistical Centre for the Cooperation Council for the Arab Countries of the Gulf (2021, Section: Statistics – Stock Markets)

In conclusion, as shown in Table 2.7 about 73% of the GCC's entire market capitalization in GCC is held by the Saudi stock market that is the most important country in this region. Saudi Arabia is one of the largest countries that exports oil that makes international pressure on Saudi Arabia for taking action to protect the environment. This has significant implications for Saudi businesses, as it shows how the kingdom's businesses, particularly those in the oil industry, need to pay more attention to corporate social responsibility (CSR) initiatives and environmental disclosure. It's also possible that the Saudi companies' reputations might improve if more information about their CSR operations were made public.

As mentioned earlier Islamic banks' total assets in the GCC expanded at an average annual rate of 11% over the last decade, compared to 6% for conventional banks therefore, as Islamic financial institutions following Islamic values, they have a responsibility to be leaders in CSR and to hold themselves accountable to their stakeholders and the community at large. Islamic banks should make public all data that could be used to identify them in accordance with the Islamic accountability principles (Bayoud et al., 2012). As part of their efforts to increase transparency and better their ethical behaviour, stakeholders expect Islamic banks to provide CSR information in a way that is clear, concise, and honest (Haniffa & Hudaib, 2007).

2.6 Corporate Governance in GCC Countries

CG is a collection of legislation, regulations, rules, and voluntary business practices inside the private sector (Aldin et al. 2014). Corporate governance (CG) can be defined as a set of rules and measures that corporations use to ensure that their business practices are ethical and take care of the interests of its stakeholders. Long-term corporate sustainability can be ensured with the implementation of CG (Nobanee and Ellili 2016). Different countries have their own CG principles since their economies, political systems, and other factors operate in their own way. As a result, providing a single definition is complex (Alzahrani 2013). However, the OECD have recently defined CG in the OECD Principles of CG of 2015 as follows:

CG involves a set of relationships between a company's management, its board, its shareholders, and other stakeholders. CG also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined (OECD 2015).

Various financial and accounting scandals, such as those involving WorldCom, Enron, and Lehman Brothers, and the misconduct of corporate executive

management in numerous firms throughout the world, have made it imperative for companies to develop and apply effective CG. Countries throughout the world have created national CG codes that simplify all of the requirements contained in legislation and corporation law into an easily understandable code. This is done in order to make the implementation of CG easier and minimize confusion and misunderstanding of the scope of CG (Aldin et al. 2014). CG was first addressed in the GCC states in 2002 when Oman issued the first CG code for listed companies. In 2002, Oman adopted the first CG code for listed firms in the Gulf Cooperation Council (Shehata 2015). In 2006 and 2007, most GCC states followed Oman's lead and issued CG codes. According to Saidi and Kumar (2007) as family-owned businesses predominate, capital markets are immature with inadequate regulatory regimes, and the GCC states are isolated from the world market. It is noted that CG frameworks in GCC states vary and are at different levels of development.

The Middle East and North Africa region (MENA), including the Gulf Cooperation Council (GCC) states, approached the rise of CG as enabling foreign direct investment to be attracted, particularly among non-oil producing countries, the development of financial markets, and an increase in competition for family businesses as a result of globalization (IMF, 2016). Efforts to update corporation law and national CG codes in all GCC states have risen in response to the drop in global oil prices and the growing necessity for attracting foreign investment to strengthen the private sector's role (Fitch Ratings, 2014). The next section presents the CG in each member country of the GCC.

Oman

A code of corporate governance for Muscat Securities Market Listed Companies was initially issued in 2002 and subsequently revised and amended in 2003 by the Omani code of corporate governance (Oyelere and Al-Jifri 2011). The Omani Capital Market Authority created the code, which

applies to all companies listed on the Muscat Securities Market and is based on a comply/explain basis. Annual reports for publicly traded firms must include a section on corporate governance, according to the CG code, which comprises 28 articles. The report on corporate governance should address the following 11 topics, according to the article's recommendations. The Omani code provides "sufficient coverage of the key disclosure concerns of relevance in an emerging disclosure culture (Oyelere and Al-Jifri 2011). The Omani code suggests the following 11 items:

1. Company's philosophy;
2. Board of directors;
3. Audit committee;
4. Nomination of the directors;
5. Remuneration matters;
6. Details of non-compliance by the company;
7. Means of communication with shareholders and investors;
8. Market price data;
9. Specific areas of non-compliance with the provisions of corporate governance, and reasons for this non-compliance;
10. Professional profile of the statutory auditor; and
11. Any other important aspects.

Saudi Arabia

The "Corporate Governance Regulations in the Kingdom of Saudi Arabia" code was published by the Saudi Arabian Capital Market Authority (SACMA) in 2006. The code applies to all companies listed on the Saudi stock exchange and is based on a comply/explain basis. Listed companies are required to notify SACMA of any noncompliance with the code. SACMA implemented the rule as a means of recovering some of the losses suffered in the market in 2006 (Hussainey and Al-Nodel 2008). According to Hussainey and Al-Nodel (2008), the code encompasses the OECD's five core principles and 19 articles are included: (i) Preliminary provisions; (ii) Rights of shareholders and the

general assembly; (iii) Disclosure and transparency; (iv) Board of directors; and (v) Closing provisions.

"Principles of Corporate Governance for Banks Operating in Saudi Arabia" were issued in 2012 by the Saudi Arabian Monetary Agency (SAMA). Banks and other financial institutions should adhere to this code. The six principles of the code are as follows:

1. Board members' qualifications;
2. Board composition and appointment;
3. Board responsibilities;
4. Board committees;
5. Rights of shareholders; and
6. Disclosure and transparency.

United Arab Emirates

As early as 2004, the Abu Dhabi Securities Market released drafts of corporate governance guidelines, which were modified in 2005 (Foster 2007). In 2006, the Securities and Commodities Authority (SCA) drafted the corporate governance code that was published in 2007 (Foster 2007). To give businesses ample time to adapt to the new rules, the code went into effect on April 30, 2010, and all companies were required to comply or face penalties (Foster 2007). In 2009, the SCA issued the most recent corporate governance code, which replaced the 2007 code (Hassan 2009). Board structure and directors' roles are addressed in the new "Governance Rules and Corporate Discipline Standards" code and it stipulates that:

- The chairman and CEO positions must be separated;
- Nomination and compensation committees must be appointed by board committees;
- Internal controls must be put into place;
- Restrictions must be followed by external auditors;

- Shareholders and the Emirates SCA are entitled to get governance reporting from companies.

Other than those completely controlled by the government, all domestic non-financial companies listed on the country's stock market fall under this code. There are sixteen articles in the code. An annual corporate governance report is mandated under the code, and must include information and specifics on every aspect of the code, including:

- requirements and principles of corporate governance system completion and their implementation;
- all financial year-end violations, including their causes, remediation, and prevention of future occurrence; and
- How a board is formed, including its membership, term requirements, and mechanisms for determining compensation for board members, including the general manager or executive director.

In June 2009, the United Arab Emirates Central Bank issued "Corporate Governance Guidelines" for the UAE banks' directors. It is mandatory for listed firms to adhere to the new 2009 corporate governance law, which means that failure to do so will result in penalties. Warning notices to the company, suspension of its security listing, delisting or payment of a financial penalty are some of the penalties that can be imposed by the Securities and Exchange Commission.

Kuwait

Drafting of the Kuwaiti corporate governance code started in 2006, and it was anticipated to be implemented in 2007, according to the Hawkamah-IIF report that was published in 2006. The "Corporate Governance Code: Principles and Recommended Best Practices for Public Companies" document, however, was actually published in 2010. It consists of seven corporate governance principles and is relevant to listed corporations, and these principles are: (i) Rights of shareholders; (ii) Ownership structure; (iii) Equitable treatment of

shareholders; (iv) Role of stakeholders; (v) Disclosure and transparency; (vi) Responsibility of the board; and (vii) Management effectiveness.

The code's Appendix B suggests the following eight major disclosure elements for corporate governance:

1. The purpose, vision, and objectives of the business, as well as its philosophy towards corporate governance, which covers the general governance structure, compliance with, and adherence to, the corporate governance principles and guidelines;
2. Board of directors;
3. The audit, remuneration, nominating, or any other specialized board committee's membership, operating procedures, and nomination process;
4. Executive management team;
5. A communication strategy for informing shareholders and investors, whether or not the information is financial;
6. An explanation of internal controls, external and internal audits, and risk-management practices;
7. Statutory auditor's professional background; and
8. Any violation of the company's specific stock exchange regulations.

Bahrain

Drafting of the Bahraini corporate governance code began in 2006, and it was anticipated to start operating in 2007 according to the Hawkamah-IIF report, which was published in 2006. The "Corporate Governance Code" was not released until 2010. It was developed through a collaboration of the Central Bank of Bahrain and the Ministry of Industry and Commerce on a comply/explain basis. Financial institutions and listed firms are subject to the code. There are nine corporate governance principles included in it and they are documented here:

1. A competent, knowledgeable, and collegial board shall lead the company;
2. The board of directors and officers must be wholly committed to the business;

3. The board shall maintain strict internal control, financial audit, and legal compliance;
4. The business must follow strict guidelines for the selection, education, and assessment of the board;
5. The business must pay directors and officers in a fair and responsible manner;
6. The board must create a management structure that is both transparent and effective;
7. The board should interact with investors and promote involvement;
8. The company must provide information on its corporate governance; and
9. Organizations claiming to be "Islamic" are required to adhere to Islamic law.

The Bahraini code's Appendix E is seen as being very comprehensive in terms of the suggested disclosures. Six main groups are used to categorize the items: ownership of shares; board, board members; committees; corporate governance; auditors; and other. The code suggests that a separate section of the annual report should be devoted to explaining corporate governance and the actual procedures. The Commercial Companies Law was revised in 2001 to address corporate governance issues, such as defining roles and responsibilities, composition, and voting rights of the board of directors, prior to the release of the corporate governance code in 2010. (Hussain and Mallin 2002, 2003).

Qatar

The corporate governance code in Qatar was initially drafted in 2006, and the aim was to put it into effect in 2007, according to the Hawkamah-IIF report published in 2006. However, the Qatar Financial Markets Authority did not issue the "Corporate Governance Code for Companies Listed in Markets Regulated by the Qatar Financial Markets Authority" until 2009. The code was developed by the Qatar Financial Markets Authority and applies to listed firms. It is based on the comply/explain principle. There are ten sections in the code's 31 articles, including a preamble, definitions and scope, compliance with corporate governance, the board of directors, internal controls, an external

auditor, disclosure, shareholder rights, stakeholder rights, a corporate governance report and code enforcement. The code is based on seven guiding principles, as stated by Qatar Exchange:

1. Dedication to sound corporate governance
2. Adherence to fiduciary obligations, the function of non-executive directors, and the independence of directors;
3. Power separation between the chairman and CEO;
4. Conflicts' identification;
5. Transparent compensation policies;
6. Audit guidelines; and
7. A dedication to shareholder rights, which should include fair rights, the right to demand meetings, and a minorities' protection mechanism.

According to Article 30, the board must prepare an annual report on corporate governance that is signed by the chairman. The board's assessment of the company's compliance with the rules of this code must be included in a report. It must be released and contain all details pertaining to the use of the code, such as:

1. The business's practices in this regard;
2. Any violations that occurred throughout the fiscal year, their causes, the corrective actions that were done, and the steps taken to prevent similar violations in the future;
3. The categories and terms of office of the members of the board of directors and its committees, as well as their duties and activities throughout the year, as well as the process used to determine the compensation of directors and senior executive managers;
4. Internal control processes, such as the company's oversight of investments, financial matters, and risk management;
5. The processes used by the business to identify, assess, and manage important risks; a comparison of the company's risk characteristics; and a discussion of the mechanisms in place to deal with sudden or unforeseen changes in the market;

6. evaluation of the effectiveness of the board and senior management in putting internal control systems in place, including counting the frequency the board was made aware of control issues (including risk management) and how the board addressed such issues;

7. Internal control weaknesses, failures, and contingencies that have negatively impacted or could negatively impact the company's financial performance, as well as the company's response to such issues (particularly those issues that are detailed in the company's annual reports and financial statements);

8. How well the business follows all relevant market-listing and disclosure guidelines;

9. The firm's adherence to internal control procedures for identifying and managing risks; and

10. All relevant information regarding the company's internal control practices and risk management strategies.

The Qatar Central Bank in 2008 published the "Corporate Governance Guidelines for Banks and Financial Institutions". There are eleven sections in the code: an introduction, definitions, the guiding principles, shareholders, the board of directors, senior management, internal and external audits, stakeholders, transparency and disclosure, and a conclusion. Table 2.8 summarizes the information regarding the CG codes in GCC member countries."

Table 2.8 Basic Information about CG Codes in the GCC Countries

Item	UAE	KSA	Kuwait	Bahrain	Oman	Qatar
New Companies Law	Federal Commercial Companies Law No. 2 of 2015	Royal Decree No. 3 of 2015 for Companies Law.	Company Law No. 1 of 2016	Amendments to Company law, Law No. 50 of 2014	Commercial Companies Law No. 4 of 1974	Companies Law No. 11 of 2015
Name of CG Code	The Standards of Institutional Discipline and Governance of Public Shareholding Companies	Corporate Governance Code	Corporate Governance	Corporate Governance Code	Code of Corporate Governance for Publicly Held Joint Stock Companies	Corporate Governance Code for Companies and Legal Entities Listed on the Main Market,
Scope of Application	Public Joint Stock Companies Listed on Stock Market	Public Joint Stock Companies Listed on Stock Market	Public Joint Stock Companies Listed on Stock Market	Public Joint Stock Companies Listed on Stock Market and Financial Institutions	Public Joint Stock Companies Listed on Stock Market	Public Joint Stock Companies Listed on Stock Market
Nature of the Code	Consists of 55 articles distributed in three chapters.	Consists of 98 articles distributed in 12 chapters.	Based on 11 general principles.	Based on nine fundamental principles.	Based on 14 principles with three annexes.	Consists of 42 Articles distributed in seven chapters.
Mechanism by which CG Code Issued	SCA's Resolution No. 7 R.M of 2016	Capital Market Authority Resolution No .8-6-2017 of 2017	Executive Regulations of 2015	Executive Regulation of 2010	CMA CG Code, July 2015	QFMA Chairman No. 5 of 2016
Date CG Code Issued	2004	2006	2010	2010	2002	2009
Supervisory Authority of CG Code	Securities and Commodities Authority (SCA)	Capital Market Authority (CMA)	Capital Market Authority	National Corporate Governance Committee in Cooperation with Ministry of Industry & Commerce and Central Bank.	Capital Market Authority	Qatar Financial Market Authority (QFMA)

Basis of CG Code	Mandatory	Comply-or-explain	two parts: mandatory and comply-or-explain	Comply-or-explain	Comply-or-explain	Comply-or-explain

2.7 Overview of CSR in GCC Countries

2.7.1 Saudi Arabia

In response to the growing interest in CSR, Arab countries jointly set up the Arab Forum for Environment and Development (AFED) to ensure sustained development through healthy living practices and conservation of water (Tamkeen 2010). The AFED released a report in 2011 which emphasised the need to identify a suitable path that would bring about sustainable development, and it noted Saudi Arabia as one of the pioneering Arab countries that is leading by example in GCC countries (Tamkeen 2010).

During the 20th century, much of the focus of the Saudi Arabian Government had been on ensuring economic progress. Aspects of the economy that received the most attention were the rate of GDP growth, diversification, and development of human resources (Al-Khuwiter 2005). This led to many domestic business entities transforming into global corporations or brands, thus convincing the government that the only way to achieve CSR reform was to act in tandem with the corporate entities (Basic Law of Governance 1992).

The first stage of CSR reform in Saudi Arabia was characterised by incorporating philanthropic and environmental activities into the mission statements of business, and a pioneer of this was Saudi Aramco. This corporation adopted an environmental protection policy as early as 1963 in conjunction with its stated charitable goals (Hussein et al. 2011). While this laid the foundations of CSR in Saudi Arabia, a real boost occurred in 1986 when the government took the initiative to protect the environment by passing several laws, such as the Saudi Arabia Wildlife Commission. The second stage witnessed more concrete steps in the implementation of CSR measures to

improve productivity and enhance the competitive positioning of businesses to create new and innovative employment. An important hallmark of this phase was the creation of SAGIA – Saudi Arabian General Investment Authority – in the year 2000 (Tamkeen 2010), which functioned to connect the corporate sector with government. A major responsibility of SAGIA is to establish multiple economic cities throughout Saudi Arabia that will serve to create job opportunities, contribute significantly to the GDP and make economic diversification possible.

Unlike other countries, wherein CSR has always been viewed from an economic, environmental and social perspective, in Saudi Arabia this concept has incorporated a religious viewpoint (Tamkeen 2010).

Brammer et al. (2007) in their study which involved 17,000 people spread across 20 different countries, concluded that people who were inherently religious took CSR very seriously when compared to those who were not as religious. The results varied according to the religion and Islam emerged as one faith in which certain elements of CSR, like fair employment conditions, health and social well-being, were emphasised (Brammer et al. 2007). Islam's holistic approach to CSR can be understood from the fact that the holy book - the Quran - documents Allah's instructions which state: "*You cannot attain to righteousness unless you spend out of what you love. And what you spend, Allah surely knows it*." This is backed up by the Islamic Shari'a and encourages both individuals and institutions to cultivate a sense of responsibility. Many organisational behaviors and practices follow the Islamic code of conduct and must be in accordance with Shari'a law (Baamir 2016). For this reason, CSR is viewed as a benefit and not an expense and there is an expectation that firms adhere to the ethical principles of Islam to care for the needs of the community, respond to social demands for justice through charity and prevent or restrict harm.

From a regulatory perspective, the CSR standards in Saudi Arabia are not as clear as those of the religious guidelines (Chung and Zhang 2011). One reason

for this is the uncertainty on the economic front created by the decades-long excessive dependence of the country on oil. The availability and production of oil financed huge economic development in the Saudi Arabia, but the profits made from this one industry also prevented or discouraged diversification of the economy, the need for which was felt when oil prices slumped during the latter half of 2014 (Alsweilem 2015). Since then, the Saudi Arabian Government has begun work towards diversification and protection of essential resources, resulting in an economy that is in a process of transition. CSR objectives that Saudi Arabia aim to fulfil economically include reducing unemployment of its citizens, improving their standard of living and fostering growth of business through state and foreign investment (Fallatah and Dickins 2012). Some strategies that the Saudi Arabian Government have launched are the “10 X 10” and the National Transformation Programmes. These are expected to make the goals of the Vision 2030 statement feasible. The charity organisation known as King Khalid Foundation in Riyadh aims to provide viable and practical solutions to social problems and economic challenges and to foster community development (Tamkeen 2010).

2.7.2 Qatar

Traditionally, organisations that are based in Qatar have been engaged in philanthropy to benefit the wider society. The modus operandi so far has entailed identifying disadvantaged and underprivileged sections of society and extending assistance to them financially or in other ways either directly or through charities. While this approach satisfies the basic purpose of giving back to society, it lacks a systematic methodology and is arbitrary in its implementation (Carroll 1999). Firms in Qatar have indicated a marked proclivity for CSR because it enables them to have a positive impact on Qatari society in a manner which would be relatively more sustained, strategic and effective as compared random acts of charity (Qatar Chamber of Commerce and Industry 2020).

The Qatar Chamber of Commerce and Industry (the Chamber) is at the forefront of change and as a business focused entity it has strongly supported and encouraged programs devised to raise the humanitarian index in Qatari society (Devinney 2009). Having realised the proactive role those commercial entities can play in the country's social development, the Chamber has clearly outlined a strategy to fulfil its objectives of social responsibility (Devinney 2009). The Chamber has dedicated efforts to speeding up development such as support to community institutions like sport and education organisations.

In another development associated with CSR, Qatar's capital city, Doha, served as the venue for a CSR conference in 2015. Held in November 2015, this conference was only the third of its kind organised in this GCC nation, and its purpose was to discuss the direction of CSR trends in Qatar's changing landscape (Belal and Momin 2010). The theme of the conference was "Transforming CSR to Support a Socially Responsible and Sustainable Economy in Qatar" and it featured several dignitaries from various governments, international and corporate sectors as speakers.

Prior to the conference, it was noted that organisations that are based not just in Qatar, but throughout the entire GCC region, had modified their approach to CSR in two ways (Chung and Zhang 2011). Firstly, rather than indulge in ad hoc and random philanthropy, institutions began to treat the initiative as a strategic long-term partnership wherein along with financial assistance, they can inject their expertise and capabilities. Secondly, CSR is treated not just from the perspective of how particular institutions spend or donate their finances to certain causes, but also from the perspective of how it earns its income. Here the focus is on ethical business practices, taking care of employees, adopting eco-friendly practices and so on. Another point that was emphasised was the growing need for both the private and public sectors to collaborate so that the progress of the four key elements, namely economic, human, environmental and social, could be achieved in a cohesive manner. Other points covered during this 2015 CSR conference, were the importance

of education, development of youth, science and cutting-edge technology. These would help Qatar's authorities identify innovative solutions and shape sustainable development options.

It has been acknowledged that CSR in Qatar faces certain challenges at both corporate and individual levels (Naser et al. 2006). It is evident that organisations do not share the same view of CSR or how it should be managed/implemented within society. Qatar's growth in the past resulted from a booming oil-and-gas industry which came at a cost to the environment, and this is something that can be rectified through judicious application of CSR measures (Naser et al. 2006).

Improvements that organisations in Qatar can bring about by undertaking appropriate CSR measures are cost reduction through energy conservation and effective waste management, both of which would not only attract investors but also expand the existing customer base. Important social issues like obesity, education and training, which impacts young people, are also in focus (Kamla 2007). An aspect that has drawn widespread criticism in Qatar is the treatment of migrant workers, and this is being addressed through CSR with the aim to improve wages and working conditions (Naser et al. 2006).
Within the GCC, Qatar has achieved vast economic development which has resulted in the social transformation of the country (Alattar and Al-Khater 2007). Overall, while the GCC in itself is one of the fastest developing regions of the world, Qatar is a leading nation in the GCC with regard to education and various commercial activities. Given that cultural, business, social and economic systems in emerging countries are quite different from their counterparts in the Western world, examining Corporate Social Responsibility Reporting (CSRR) in such countries could prove to be fruitful (Birch 2003).

2.7.3 United Arab Emirates (UAE)

The UAE is a Middle Eastern nation that has always been viewed as being more global and liberal in comparison to its neighbours, and this factor alone

has been responsible for several multinational firms maintaining a significant presence in this country. Another major source of revenue has been the tourism industry where large numbers of people visit the UAE every year for a variety of reasons. While this has served to boost the country's revenues, it has taken a toll on the environment and put a strain on the natural resources (Gulbrandsen and Moe 2007). In a bid to meet the demands of global competition, hotels and other parts of the tourism industry overlooked or neglected concepts like sustainable development and judicious use of finite natural resources. This mind-set has had to undergo a paradigm transformation courtesy of the rise of CSR awareness, with the result being that it is now mandatory for all sectors – including corporate and tourism – to modify their policies in accordance with the new requirements. To ensure CSR is properly implemented, the relevant authorities in the UAE have put in place certain rules, regulations and laws to protect natural resources and encourage ethical practices.

The path to adopting CSR practices in the UAE has been far from smooth and there are several obstacles that render the implementation difficult (Rettab and Brik 2009). Many solutions that may have produced exemplary results in their own countries proved to be minimally effective in the UAE owing to its unique logistics and eco-system (Schaefer 2004). Availability of local expertise on CSR is both required and limited, which in turn emphasises the urgent need to educate the local population on this topic (Shen 2004).

Further problems have arisen due to the lack of any firm guideline for evaluating the CSR activities of any given organisation. For example, it may be reported by Firm A that in an effort to safeguard the environment, it dedicated efforts to reduce emissions of toxic gases and succeeded in bringing down the level to a specified amount. Whilst this might sound commendable at first glance, what remains unclear is whether the percentage of reduced emissions conforms to the levels that are deemed acceptable as industry standards. Only when the UAE Government delivers a firm guideline on CSR and lays down a clear code of conduct, can organisations be expected to

indulge in activities that lead to sustainable development and an eco-friendly work culture. In the present circumstances, much of the CSR efforts put in by organisations in the UAE have been of a random nature owing to the absence of a defined framework (CSR UAE 2021).

Initiating a code of conduct for implementing CSR in the UAE calls for a deep understanding of the country's culture. For example, as Dubai has built a society that emphasises economic growth, regulations pertaining to CSR would have to be explicit and enforced in order to be effective (Rettab and Brik 2009).

On a more positive note, business entities that are internationally connected or act as suppliers to Western countries are more likely to conform to the global code of conduct (Benson 1989). Therefore, if there is a subsidiary of a multinational organisation based in the UAE, it will not just conform to the global corporate regulations but also be more likely to support CSR norms adopted by the multinational (Benson 1989).

2.7.4 Oman

The Sultanate of Oman is one GCC nation that claims to be taking its CSR responsibilities more seriously in recent years (Chamber Oman 2020). The leadership of the country has decided that businesses should be responsible not only in their sphere of operations but also beyond, and this will shape how their commercial activities are conducted. The CSR strategy should include all the elements involved in the manufacturing process, from management and workers to the stakeholders, partners, suppliers and end customers (Chamber Oman 2020). As well as upholding the core values of the firm, CSR initiatives should foster partnerships and create an atmosphere of mutual respect. While this line of thought represents the vision of the country's leadership, much of it is yet to be translated into reality as far as corporate functioning is concerned (Chamber Oman 2020).

Jamali and Mirshak (2007) cite a lack of empathy as contributing to issues in achieving social responsibility targets. Empathy fosters a sense of extending a helping hand to those in need. It acts as a moral compass on an individual or collective scale wherein the objective is to benefit a particular section of society and make a difference, however big or small (Chandra Das and Aluchna 2009). The absence of empathy diminishes social development or improvement, simply because the level of involvement and interaction between various segments of society is negligible (Imbun 2007).

Economies such as Oman, that are based on state-owned entities or central planning, may suffer from a lack of innovation (Tok 2020). Such an economy is marked by stagnation and even though enterprises function over a long duration, it is more due to monopoly power than their ability to discover new solutions (Imbun 2007). CSR is usually not a priority in such an economy and much of the control is wasted in dominating small business entities without making any meaningful contribution towards social development or the environment. Innovation plays a crucial role in CSR because it spurs new ideas that are more effective and viable than the ones they are meant to replace (Chandra Das and Aluchna 2009). A trend which has been particularly apparent in Oman is its excessive dependence on press releases as part of the modus operandi of corporate firms (Chamber Oman 2020). Furthermore, there is no clarity regarding how or where the money is used and, more importantly, who benefits from the gesture (Jamali and Mirshak 2007). Only a handful of Oman-based firms have published reports with CSR strategies on an annual basis.

Eweje (2006) suggests that it should be mandatory for state-owned enterprises in Oman to explain their actions and provide details regarding their choice of CSR activities and allocation of funds. Equally imperative is the cultivation of an innovative eco-system wherein new ideas are constantly put forth, nurtured and encouraged. Given that such a system would be conducive to both small and large business entities, it would foster the generation of fresh ideas which

in turn would encourage creative solutions to solve social problems (Chamber Oman 2020). In this country, small business enterprises enjoy a high degree of functional flexibility which large entities lack, and hence are in a better position to implement innovative techniques. While large businesses have far bigger budgets, they are mostly traditional in their approach, thus rendering the presence of smaller entities important for the sake of innovation (Eweje 2006).

With the leadership having realised the challenges in implementation of CSR guidelines, focus has increasingly shifted to finding ways that would improve the existing situation (Chamber Oman 2020). Over the last decade, forums and conferences have been organised to find viable solutions to improve CSR in Oman. Noteworthy was the two-day seminar held in Muscat in October 2018, with the main topic being the nation's commitment to sustainable development. Participants ranged from members of the Royal Family of the Sultanate of Oman to delegates from the world's leading educational institutes (India CSR Network 2018). The discussion began with an emphasis on the crucial impact of CSR while fostering social development at the grass-roots level of society; and moved on to describe various CSR models applied around the world which could be useful in Oman, including logistics, private education, food security, human resource and environmental concerns (India CSR Network 2018). This event was one among several forums that have been organised in Oman in recent years and while these focus on models and challenges, they also note the future potential for CSR in multiple scenarios (Chamber Oman 2020).

2.7.5 Bahrain

The Kingdom of Bahrain is an oil-rich country that has chosen to accept the relevance of CSR (Lee 2008). Despite there being a lack of sufficient research on this particular GCC nation as far as CSR disclosure is concerned, what has become evident over the past few years is the country's attempt to understand the concept and undertake efforts to identify the right model that would reflect

the country's social structure and needs. Much interest in CSR activities among GCC countries has been spurred by the difficulty that GCC countries face in attracting talent, and most importantly retaining it. Bahrain is no exception to this phenomenon, and the concerned authorities have realised that an effective CSR program might prove to be an answer to this conundrum (Mirvis 2012). A large majority of corporate entities in Bahrain contend that CSR would not just enable them to attract talent, but also make it possible for them to retain skilled employees (Van Buren III 2005).

Research conducted among corporate entities in Bahrain provides valuable insights into the CSR concepts applied in the region. The objective of one study was to measure the current understanding of business entities regarding CSR and compare the attitudes of large business vis-à-vis small and medium-sized firms (Lee et al. 2013). One finding was that CSR was regarded by a majority of the employees as a venture that involved community engagement. In contrast, only a small percentage regarded factors like transparency, governance and diversity as being aspects of CSR. Very few large corporate employees expressed the view that CSR should be formulated to help socially marginalised communities or the responsible management of the supply chain (Lee et al. 2013).

Bahrain is home to business entities of all sizes, ranging from multinational firms to small and family-owned enterprises. However, not all firms are equally engaged in CSR, with studies proving that while many global firms set aside funds for CSR, the same did not hold true for smaller entities and family businesses (Lee 2008). Even in multinational firms, much of the burden of implementing the CSR programs lay with the top management, whilst other departments like human resources, marketing and safety play a very limited role. In fact, in larger businesses a sizeable percentage of employees were not involved in CSR and were not even aware of its benefits (Lee et al. 2013). It emerged that most organisations did not deem it important to file sustainability reports and regarded disclosure as being the least important of their priorities (Turker 2009).

Brammer et al (2007) found CSR policies can lead employers to form favorable perceptions of the organisation. Such policies influence employee commitment to the organisation as they make them feel proud to be associated with the good that the organisation undertakes. This contrasts with the situation in Bahrain, where employees in large organisations do not know about CSR initiatives and even if they are aware, most of them are not involved in it in any manner (Lee 2008). This model of working should be replaced by one wherein all parties involved in the functioning of an organisation are required to take part in CSR initiatives. Some methods that could be utilised by firms to solicit employee participation include fund-raising campaigns for specific causes, volunteering for a particular program that matches their expertise and/or spending a few hours on a daily or weekly basis as per the requirement (Mirvis 2012). Good communication between employees and management is a must to achieve this objective in order that the efforts are aligned with the overall CSR strategy followed by the institution. This would be the key to improved employee satisfaction, enhance their commitment towards the organisation and produce improved outcomes for the business (Prutina 2015).

It is inevitable that a point will be reached where demand exceeds supply and further utilisation occurs at the cost of the environment, given we are living in a world which depends on fossil fuel energy to make contemporary lifestyles possible. Bahrain was quick to realise this fact, which led to their hosting the International CSR Conference in 2015 which saw delegates from all over the world discuss possible options for sustainable development. The core subject of the conference was how to reduce carbon dioxide emissions and channel the revenues earned by the oil and gas sector into activities that result in improving society. When knowledge is shared on such platforms, it can be picked up and applied by countries on a global scale, and both private and state-owned business entities can share responsibility for sustained development (Prutina 2015).

2.7.6. Kuwait

Whilst all GCC countries belong to the same geographic region, they each have differing histories which determine the nature and scope of firms' CSR activities and disclosure methods (Abu-Baker and Naser 2000). To this effect, and in order to understand CSR determinants in Kuwait, it is important to closely examine the conditions in this GCC nation and study its corporate culture which defines the business environment (UKEssays 2018).

In the absence of any formal legislation pertaining to the implementation of CSR in Kuwait, firms tend to follow the international CSR standard known as ISO 26000 along with the triple 'P' policy (people, planet and policy) (UKEssays 2018). Kuwaiti firms generally embrace CSR as a means of survival, while ensuring that strategies implemented under it conform to business objectives as well (UKEssays 2018). One study found that firms in Kuwait that have adopted CSR as part of their operations are better placed in terms of attracting and retaining talent, in managing costs and in building a positive brand value in the eyes of consumers (Al-Shammari 2008). Another way in which Kuwait encourages CSR is through the annual Kuwait CSR Conference which hosts discussions on how CSR enhances business performance. Firms in Kuwait that have made noteworthy contributions in terms of CSR are duly honoured and awarded, with the intention being to encourage business entities to take their CSR disclosure seriously (UKEssays 2018).

CSR activities in Kuwait are mainly focused on three sectors, being charitable trusts, education and healthcare, and each follows a unique modus operandi (Al-Shammari 2008). Under the auspices of charity, corporate organisations donate funds into a charitable trust. For example, Kuwait Red Crescent is a charitable trust which is dedicated to improving the standard of living of under–privileged people in society. Donors include mobile phone firms and airlines like Kuwait Airways which have made substantial financial donations (UKEssays 2018). Other activities encompassed by CSR in this sector include

the provision of scholarships for higher education, awards for excellence and creating awareness of the levels of pollution (UKEssays 2018). The healthcare sector in Kuwait has benefitted from CSR through the building of new hospitals and medical centres, and acquisition of the latest state-of-the-art equipment. Some organisations in the country also implement CSR by conducting workshops that raise awareness of certain medical conditions.

Kuwait owns 10% of the world's total oil reserves and currently ranks seventh on the list of oil exporting countries, with Kuwait Oil Company (KOC) being one of the leading players. A major oil spill occurred in early 1990 as a result of the Gulf War. This was one of the worst environmental disasters of the modern era, and it was while managing this disaster that KOC's acceptance of CSR came to the fore (UKEssays 2018). The oil spill not only caused widespread destruction of oil wells, gathering centres and other infrastructural units, but also resulted in a high degree of contamination in water bodies and along the shorelines. Under these circumstances, it was imperative for a large commercial entity to step in and take charge, and this was a role fulfilled by KOC as part of its CSR strategy. In addition to helping the government re-build the infrastructure, KOC took steps to protect the environment and ensure sustainable development through best practices and application of the latest technology. For these reasons, KOC is now one of the best examples of how Kuwait applies the concept of CSR and its disclosure (Al Shammari 2008).

2.8 Conclusion

This chapter has discussed the formation and objectives of the GCC. Major characteristics of all GCC countries such as population, geographical area, labor market features, economy, and foreign trade were covered. In addition, this chapter included a discussion of the stock markets of GCC countries, followed by an explanation of how CSR and CSR disclosure has been developed in each nation. The next chapter will focus on presenting a literature review on the research relevant to the topic.

CHAPTER THREE: LITERATURE REVIEW

3.1 Introduction

This chapter reviews the literature published on CSR disclosure, and the characteristics of such disclosure in developed and developing countries. This is followed by an analysis of prior studies done on CSR specific to GCC countries and their limitations. It concludes by identifying gaps in the literature in need of further research.

CORPORATE SOCIAL RESPONSIBILITY

3.2 Definition of Corporate Social Responsibility

CSR is widely practiced throughout the world in various ways - for example, education, philanthropic efforts, scholarships, and health and welfare programs. In the early 1950s, the modern concept of CSR practice arose, and several scholars identified CSR according to what they were researching. For example, CSR is described in Heal (2005) as organisational actions involving externalised costs and conflict avoidance, resulting in business and society sharing the social costs. Similarly, the World Bank’s working definition of CSR states:

> the commitment of business to contribute to sustainable economic development — working with employees, their families, the local community and society at large to improve the quality of life, in ways that are both good for business and good for development (Ward 2004, p3).

Howard Bowen's 1953 book *The Social Responsibilities of the Businessman* is considered the first authoritative book on the subject (Carroll 1999). In 1953, Bowen conceptualised CSR as a social obligation for implementing policies, for making decisions and upholding the lines of action appropriate to modern or current society's goals and values (Taneja et al. 2011). Bowen's philosophy

has been broadly focused on responsiveness, stewardship, social audit, business citizenship, and the theory of basic stakeholders (Windsor 2001). Carroll claimed that Bowen's work marked the start of modern CSR literature (Carroll 1999).

In short, CSR is the responsibility of every single corporation to protect a broad range of stakeholders' interests. Most of the CSR literature reviewed by Egri and Ralston (2008) focused on four main topics (social responsibility, environmental responsibility, ethics and corporate governance). While maximising profitability, businesses take the initiative to improve social welfare and conduct business practices under social and environmental principles.

3.3 Corporate Social Responsibility Pyramid

Carroll (1994, p14) describes CSR as "*an eclectic field with loose boundaries, multiple memberships and different training/perspectives; broadly rather than narrowly focused; multidisciplinary…and interdisciplinary*". In order for CSR to be embraced by a responsible corporate entity, the full range of corporate responsibility activities must be accounted for. Four forms of social responsibilities are suggested below as completing the nature of CSR: economic, legal, ethical and philanthropic (Carroll 1994).

- **Economic Responsibilities**

Enterprises are entities that are meant to provide society with goods and services, and making a profit is the fundamental motive to the private sector. The main role of corporations is to produce and sell goods and services while producing an adequate return for those who invested in the enterprise.

- **Legal Responsibilities**

Corporations are not only licensed businesses that engage in profit-based activities; but shall also be bound by laws and regulations which serve as the

ground rules established by governments. Businesses are required to operate within the boundaries of what the law permits.

- **Ethical Responsibilities**

While economic and legal obligations include ethical standards for fairness and justice, ethical responsibilities include the actions and practices required of social communities, even if not legally codified. The ethical responsibility of customers, staff, shareholders and the wider society is reflected in certain norms, customs or expectations where there is an emphasis on what is considered reasonable, just or respectful of the moral rights of stakeholders. However, ethical obligations are often ill-defined, or their legitimacy is openly questioned.

- **Discretionary Responsibilities**

Philanthropy includes corporate actions that meet the expectations of societies that corporations are good citizens and help with charitable and philanthropic causes etc. The nature of philanthropic and ethical behaviour is that society does not anticipate the former. Society wants businesses and other organisations to devote part of their funding or profits to help the wider community by giving donations to services and community welfare, but they do not believe that firms are unethical if they do not engage in such things. Philanthropy is therefore more flexible. Such actions are purely voluntary and motivated by the willingness of a business to engage in social activities even if they are not legally to do so. The following pyramid of CSR represents its four components:

Figure 3.1. Corporate social responsibility pyramid
Source: Figure reproduced from Carroll (1991,42)

CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE

3.4 CSR Disclosure: A Brief History

The act of disclosure is an accessible, written presentation of a situation or event that provides a specific or a more general public audience with (necessary) information (Chau and Gray 2002). Specifically, CSR disclosure has garnered much attention and in recent years has become a field of considerable scholarly interest (Potluri et al. 2010; Griffin and Sun 2018). The earliest discussions of CSR began during the 1950s and began to flourish throughout the 1960s into the early 1970s. A variety of definitions were posited during this period. However, despite the rise of CSR-related social movements during the 1970s, a formally agreed upon description or definition did not arise in relation to the issue of sustainable development (Gray et al. 1995b).

CSR disclosure activities first emerged in the 1950s, according to Klonoski (1991). Since then, it has become an explicit and on-going responsibility for firms to pursue, however it has taken the form of uncoordinated voluntary reporting. CSR disclosure is now an increasingly prevalent concept in accounting, particularly in developing countries (O'Dwyer and Owen 2005). Investigation of the subject from the 1970s to the early 1980s consisted mostly

of descriptive and quantitative studies explaining the existence, scope and volume of CSR, without much in the way of theoretical explanation. Explanatory studies were limited on the subject of CSR disclosure, particularly the environmental aspects of CSR disclosure (Gröjer and Stark 1977; Trotman and Bradley 1981).

Empirical studies since 1981 have progressed from descriptive to becoming more complex and analytical, examining factors such as firms' characteristics, and how CSR is influenced by culture, religious faith, social movements and production practices etc. (Gallego-Álvarez and Ortas 2017).

3.5 CSR Disclosure: Nature and Scope

In most cases, the disclosure of CSR is voluntary (Hassan 2010). Sharma, Low and Davey (2013) believe that in the near future voluntary disclosure will grow widely, although believes that some form of regulation will be required in order to force organisations to improve their reporting practises. However, businesses may not publish high-quality CSR information without the compulsory requirement to do so through implemented laws or regulations (Chau and Gray 2010). Mandatory regulations may be of particular use in encouraging firms to publicise their charitable or philanthropic activities (Belal and Roberts 2010). Disclosure practises in the GCC region will significantly increase as the government authorities issue CSR guidelines and standards, which require provision of this kind of information (Harun et al 2020).

Authors describe CSR disclosure from the perspective of the legal obligation, which they explain as meaning that corporations have voluntarily agreed to comply with their social and environmental practices. When it comes to regulations, they believe that a firm's responsibilities only extend to the social sector if there are no legal obligations, and CSR disclosure begins where the law ends (Davis 1973). As a result, any activity mandated by law will be found to be counter to CSR disclosure, even if it has a social effect or is otherwise socially minded (Aldrugi 2013). Social responsibility is defined as everything

that is required by public pressure because of its social effect and inclination. The activity itself (its inherent characteristics) dictates whether it is social.

While a firm's conventional main role is to make profits, its operations will be impacted by whether it complies with legislation or not (Momin 2006). However, what determines whether the practice is social or not is the nature of the activity itself, not the presence of formal legislation (Gao et al. 2005). Based on their nature, social practices are more likely to be similar in all countries (Aldrugi 2013). However, according to the criterion of legal compliance, different legal contexts existing from country to country may determine the nature of CSR disclosure (Momin 2006).

CSR disclosure began as a vehicle for reporting the social and environmental outcomes of production operations decades ago. The scope of CSR communication has since grown to include such phenomena as health and welfare of employees, recruitment and training of staff, customer relationships and corporate governance (Clarkson et al. 2008; Chambers 2017). From an academic point of view, CSR disclosure focuses on the management of the workplace, what it does, and how it affects stakeholders, the community and the wider society. CSR disclosure activities could yield positive information that the firm presents as being environmentally friendly, but also if it is environmentally harmful (Deegan and Gordon 1996). Despite the range of definitions, the overarching argument is that CSR disclosure focuses on what the wider society wants, and how a firm's economic, social and environmental actions are considered (Sheehy 2015). The main components of CSR are environmental issues, customers, community disclosure, corporate governance, employees and workplace (Gray et al. 1995a; Chambers 2017).

The disclosure of CSR is very broad. This may include activities inside and outside a firm, activities that are carried out voluntarily by businesses, as well as activities mandated by law. It may also include activities which contribute to profit and those where social responsibility is the goal. If social issues are emphasised, CSR disclosure may refer to problems that are being targeted by

a firm, including poverty, unemployment, crime, alcoholism etc. What firms communicate will most likely vary between countries depending on the environmental factors inherent in each nation (Haniffa 1999).

3.6 Prior Studies in CSR Disclosure

The factors that affect CSR disclosure practices are unlike corporate financial reporting as disclosure of CSR affects social accountability and is discussed by broader stakeholders (van der Laan Smith et al. 2005). Previous research has typically found that CSR practices differ from organisation to organisation, across different sectors of the economy and over time (de Villiers and van Staden 2010). Effects of corporate governance characteristics and ownership structure have been examined in empirical investigations (Brammer and Pavelin 2008; Rao et al. 2012). Specific firm-related factors such as corporate size, age and CSR disclosure practices have also been assessed in other work (Roberts 1992; Sotorrío and Sánchez 2010). Finally, the impact of CSR disclosure on firm performance has been widely researched (Qiu et al. 2016).

3.6.1 Prior Studies on CSR Disclosure in the Finance Industry

Jizi et al. (2014) examined the impact of corporate governance on CSR disclosure of 107 listed commercial banks in the U.S. for the period 2009 to 2011. A content analysis method was used based on 33 items developed from previous studies. They found that board independence, board size and CEO duality positively affected CSR disclosure. The social responsibility reporting practices of listed banks in Bangladesh were evaluated by Das et al. (2015). They examined the potential effects on CSR disclosure of corporate governance and firm characteristics. The study reported an increase in the level of disclosure of CSR activities through content analysis of all the listed banks operating between 2007 and 2011. Furthermore, the findings showed that the size of firms, board size structures and independent directors had a positive impact on CSR disclosure, with negative associations between profitability and how old firms are.

Harun et al. (2020) explored the CSR disclosure practices of 39 Islamic banks in GCC for the period 2010 to 2014. A content analysis method was used based on 11 items developed in previous studies. They found the level of CSR disclosure in these firms is very low. In addition, the study found that factors such as board size positively related to CSR disclosure and a positive relationship between CSR disclosure and firm value. For the period 2000-2014, Platonova et al. (2018) looked at the link between CSR disclosure and the financial performance of 24 GCC Islamic banks. The study detected a strong correlation between Islamic banks' current CSR disclosure practices and their future financial performance, based on six dimensions of CSR disclosure the study devised.

Bukair and Rahman (2015) examined the relationship between corporate social responsibility and the board of directors' characteristics of 53 Islamic banks operating in the GCC for the year 2008. The results showed there is no significant relationship between board size, board composition, and CEO duality and CSR disclosure. According to the findings, Islamic financial institutions' boards of directors should be subject to additional restrictions in order to improve current corporate governance practices. In Vietnam BUI (2021) examined the relationship between CSR disclosure and firm performance of 29 commercial banks for the period 2012-2019. Net interest margin, return on assets, and return on equity served as financial measures. The study developed 32 CSR items to measure CSR disclosure. The study found a significant and positive relationship between CSR disclosure and financial performance especially in banks that were controlled by the government. Ullah et al. (2019) examined the relationship between CSR and firm performance in a developing country, Nigeria, of 21 banks for the years 2010-2014. According to the study, if CSR investments were not properly disclosed, they would have little or no impact on the company's financial performance. Firms can gain both financial and non-financial benefits from a strategic CSR program.

Grofčíková et al. (2019) carried out a study of 16 insurance companies in Slovak in 2017 to examine the relationship between corporate governance variables (Percentage of first largest shareholder, Number of shareholders with qualified participation, board size, women on board, board education, number of employees) and CSR disclosure. The study found that number of shareholders with qualified participation, board size and women on company boards have positive relationships with CSR disclosure. Ullah et al. (2019) investigated the relationship between corporate governance and the level of CSR disclosures in 277 listed insurance company in Bangladesh for the period 2008-2014. The study developed a CSR index based on 20 items. They reported that board independence and the proportion of female directors have positive relationships with the level of CSR disclosure. However, the results show that managerial ownership has a negative impact on the level of CSR disclosure.

A number of similarities were evident in these studies findings. It was widely noted that businesses in developing areas exhibited low levels of corporate social responsibility disclosure. In addition, these studies have developed a CSR index of varying complexity to measure the level and determinants that affect CSR disclosure. Most report corporate governance variables (variously measured) positively influence the level of CSR disclosure. Table 3.1 shows the studies of CSR disclosure in financial firms used in this study.

Table 3.1 Studies of CSR disclosure in Financial Firms

Studies	Sample	Year	Dependent variables	Independent variables	No. of CSR items
Jizi, M. I., Salama, A., Dixon, R., & Stratling, R. (2014). Corporate governance and corporate social responsibility disclosure: Evidence from the US banking sector. Journal of business ethics, 125(4), 601-615.	107 listed commercial banks in the U.S.	2009-2011	CSRD	Board independence, board size, CEO Duality,	33
Das, Sumon and Dixon, Robert and Michael, Amir, Corporate Social Responsibility Reporting: A Longitudinal Study of Listed Banking Companies in Bangladesh (January 30, 2015). World Review of Business Research, Vol. 5, No. 1, Jan 2015,	29 banks in Bangladesh	2007-2011	CSRD	firm size, Profitability, Bank Age, ownership structure, Independent Non-Executive Directors, Board Leadership Structure, Board Size,	40
Harun, Mohd Shukor, Khaled Hussainey, Khairul Ayuni Mohd Kharuddin and Omar Al Farooque. 2020. "CSR disclosure, corporate governance and firm value: a study on GCC Islamic banks".	39 Islamic banks in GCC	2010-2014	CSRD	Board size, Board gender, board composition and crossholding directorships, CEO duality, Shari'ah supervisor board size and cross-membership, AC size and AC meeting, Institutional ownership and foreign ownership,	11
Al-Jalahma, A., Al-Fadhel, H., Al-Muhanadi, M., & Al-Zaimoor, N. (2020, November). Environmental, Social, and Governance (ESG) disclosure and firm performance: Evidence from GCC Banking sector. In 2020 International Conference on Decision Aid Sciences and Application (DASA) (pp. 54-58). IEEE.	26 listed banks in GCC	2016-2019	ROA, ROE	ESG disclosure	15
Platonova, E., Asutay, M., Dixon, R., & Mohammad, S. (2018). The impact of corporate social responsibility disclosure on financial performance: Evidence from the GCC Islamic banking sector. Journal of Business Ethics, 151(2), 451-471.	24 GCC Islamic banks	2000-2014	ROAA	CSRD, Individual dimension, total assets, Equity capital/average total assets, Average total loans/average total assets, Total noninterest expenses/average total assets, Long-term debt/total assets	6
Bukair, A. A., & Rahman, A. A. (2015). The effect of the board of directors' characteristics on	53 Islamic banks in GCC	2008	CSRD	size of board, proportion of non-executive directors,	14

corporate social responsibility disclosure by Islamic banks. Journal of Management Research, 7(2), 506.				Board composition, roles of the CEO	
BUI, H. T. T. (2021). The Relationship between Corporate Social Responsibility and Corporate Financial Performance: An Empirical Study of Commercial Banks in Vietnam. The Journal of Asian Finance, Economics and Business, 8(10), 373-383.	29 Vietnamese commercial banks	2012-2019	CSRD	Net interest margin (NIM), return on assets (ROA), and return on equity (ROE)	32
Oyewumi, O. R., Ogunmeru, O. A., & Oboh, C. S. (2018). Investment in corporate social responsibility, disclosure practices, and financial performance of banks in Nigeria. Future Business Journal, 4(2), 195-205.	21 banks in Nigeria	2010-2014	ROA	disclosure of CSR, CSR Investment, bank size	12
Ullah, M. S., Muttakin, M. B., & Khan, A. (2019). Corporate governance and corporate social responsibility disclosures in insurance companies. International Journal of Accounting & Information Management.	277 listed insurance company in Bangladesh	2008-2014	CSRD	Directors ownership, family members on board, institutions ownership, female directors on the board; firm size, leverage	20
Grofčíková, J., Izáková, K., & Škvareninová, D. (2019). Impact of selected corporate governance determinants on corporate reporting in Slovak insurance companies. Knowledge Based Development, 47.	16 insurance companies in Slovak	2017	CSRD	Percentage of first largest shareholder, Number of shareholders with qualified participation, board size, women on board, board education, number of employees,	26

3.6.2 Prior Studies in Developed Countries

3.6.2.1 Factors Affecting CSR Disclosure

Chan el at. (2014) suggest that corporate governance and CSR disclosure are strategic components enhancing a firm's relationship with its various stakeholders. According to the Cadbury Committee (1992), corporate governance is defined as "*the system by which companies are directed and controlled*". Corporate governance from this perspective places an emphasis

on the issue of agency as a result of ownership separation, which concentrates on agents' relationships and business owners. Corporate governance structures like the board and ownership structure will then mitigate the agency problem (Mangena et al. 2012).

Adel et al. (2019) examined whether corporate governance related to the quality of CSR disclosure in a sample consisting of 350 manufacturing and service firms in 16 countries in Europe. The purpose of this study was to investigate the impact of corporate governance characteristics and firm-specific characteristics on the quality of CSR disclosure. They found that the presence of a corporate governance committee, firm size and director ownership had a positive effect on the quality of CSR disclosure.

Chan et al. (2014) argued that boards of directors should secure the rights of shareholders. In their research, they explored how corporate governance quality and CSR disclosure are related. Analysis of annual reports of 222 financial and non-financial companies listed on the ASX in 2004 revealed a correlation between CSR disclosure and better corporate governance in general. The quality of corporate governance was higher in companies that disclosed more about their CSR activities.

Jizi et al. (2014) examined the impact of corporate governance on CSR disclosure of 107 listed commercial banks in the U.S. for the period 2009 to 2011. A content analysis method was used based on 33 items developed from previous studies. They found that board independence, board size and CEO duality positively affected CSR disclosure.

According to Allegrini & Greco (2013), the level of disclosure in non-financial 177 Italian companies was correlated with the characteristics of the board. To measure the level of CSR disclosure they used OLS regression based on an index that included 60 disclosure items. The independent variables they used were board independence, board size, CEO duality, board committees, independent directors and board and audit committee diligence. The study

revealed that there was a significant and positive relationship between board size, board and audit committee diligence and audit committee activity. However, CEO duality was negatively related to CSR disclosure and the other variables were found to have no significant effect.

Satta et al. (2013) examined the quality of corporate governance on voluntary disclosure on 32 non-financial firms during 2010 using a linear regression model and content analysis method. The independent variables they used were diffuse ownership, institutional ownership, the proportion of owners on the board of directors, board size, independent non-executive directors the number of committees on the board and the existence of audit committee. They found that diffuse ownership, independent non-executive directors, and the existence of an audit committee were positively related to voluntary disclosure. The proportion of owners on the board of directors, the board size and the number of committees on the board were negatively related to voluntary disclosure, whilst institutional ownership was insignificant to voluntary disclosure.

Post et al. (2011) argued that the diversity of the board of directors would improve how decisions are made. The authors studied how board composition and demographic factors influenced environmental policies and practices. The study comprised of 78 firms from the Fortune 1000 list of electronics and chemical firms in the U.S. Results showed that the composition of the board and its demographics were related to environmental activities and policies. They found that firms with more external directors appeared to support environment-related disclosures, whilst firms with at least three female directors had been ranked more highly by Kinder, Lydenberg and Domini & Co. (KLD is a database that provides researchers with information on the performance of firms as well as on important initiatives like human rights, anti-competitive practices, business ethics, employee safety, climate change, and non-carbon emissions). Researchers concluded that companies with board members who attended Western European universities were more likely to provide information on CSR.

Prado-Lorenzo et al. (2009) argued that stakeholders' control depended on the range of resources that could be accessed. Institutional investors were not only involved in the financial results of the firm, but also in the social, environmental and strategic practices of the firms they invested in. The research also looked at the influences of governments and creditors. They found that stakeholders used their power on a firm's management to meet social demands in social responsibility activities, based on a sample of 99 non-financial Spanish firms. The study also found that dominant shareholders encouraged CSR activities without reporting any economic outcomes.

According to a study conducted by Brammer and Pavelin (2008), 450 of the country's largest financial and non-financial corporations were analyzed for environmental quality factors in the UK. The major concern was how each of the five factors influencing corporate environmental reporting related to one another in terms of their specific level of quality, reporting environmental policies, describing their environmental initiatives, recognising these policies, proposing and monitoring improvements, as well as having an audit or assessment, and pinpointing and targeting those improvements. It appears that firm size and the types of activities engaged in were significant factors in firms disclosing environmental information. According to the study, companies with a higher media profile and those working in environmental fields were found to provide better-quality disclosures. Furthermore, the association is more diverse in industry than in firms and is correlated to information quality.

In annual reports from the largest U.K. financial and non-financial firms, Brammer and Pavelin (2006) concentrated on environment-related disclosure. The analysis investigated whether such information was influenced by the structure of ownership and composition of the board. From the agency point of view, the authors argued that direct monitoring power over the firm was likely to be restricted if the firm's ownership was dispersed. Management thus had

an incentive to disclose details voluntarily to reassure investors. For environmental disclosure, such an incentive was especially important to investors who may be concerned about what the firm was doing to the environment. Non-executive directors improved environmental disclosure because non-executive directors are seen to be closer to stakeholders. As a result of dispersed ownership, UK environmental disclosure is significantly improved. However, it was found that non-executive directors were not connected to the disclosure of environment-related information. For the latter observation, the authors made no explanation.

Moral causes are significant factors that inspire individuals and managers in firms to engage in CSR activities. CSR activities that do not benefit the performance of firms are difficult for corporate management to pursue (Branco and Rodrigues 2006).

Schreck (2011) examined the relationship between CSR and financial performance of 294 financial and non-financial firms. Return on Equity (ROE) and Tobin's Q were financial performance indicators. The results demonstrated a positive relationship with Tobin's Q for corporate governance and environmental management, whilst the disclosure of product and customer responsibility had a negative impact. The relationship between environmental management and ROE was positive and significant, however the relationship between the product responsibility and ROE was found to be negative. The study showed that CSR disclosure was related with Tobin's Q in a significant way while finding the main drivers to be firm size and leverage.

Jo et al. (2012) examined the impact of corporate governance on CSR activities. The CSR data was obtained from a sample of 12,527 of financial and non-financial firms from the KLD database between 1993 and 2004. The results showed that CSR disclosure was positive for external and internal corporate governance, including board independence and institutional ownership. The study revealed the positive impact of CSR disclosure on the

financial performance as measured by Tobin's Q, with the relationship between CSR and firm value being positive and strong. In contrast, independence of the board, institutional ownership, and ownership of blockholders had relatively small consequences for business value.

The link between CSR and financial performance cannot easily be ascertained, according to Garcia-Castro et al. (2010). The study used a sample from 658 financial and non-financial firms for the period from 1991 to 2005. The results showed that social performance and financial performance were not positively or negatively related. When endogeneity was added to the model, this relationship became a non-significant relationship.

Peters and Mullen (2009) suggested a longer-term effect on the financial performance of a firm’s CSR disclosure. For the years 1991 to 1996, 81 financial and non-financial firms were included on the Fortune 500 index of the U.S. The results revealed a positive effect of Return on Assets (ROA). The study demonstrated that firms could improve their financial performance by involving CSR in both the short and long term.

Lyon (2007) examined the link between financial performance and CSR using 125 firms operating in New Zealand. This sample included 44 production firms and 76 service firms. Content analysis was used for the collection of CSR data Results from the service sector and showed that CSR disclosure was not linked to financial performance but was positively affected by ROE in production firms.

The relations between CSR disclosure and financial performance have been investigated by Orlitzky et al (2003) using a meta-analysis of 52 studies that used financial and non-financial firms. The results showed that the CSR and financial performance were positively related. Accounting measures found to have a stronger link to social performance than market measures. ROA and ROE were highly correlated with CSR. The financial performance was strongly associated with the reputation index of corporate social performance rather

than other social performance indicators.

3.6.3 Prior Studies in Developing Countries

3.6.3.1 Factors Affecting CSR Disclosure

Nour et al. (2020) examined the effect of board mechanisms on the CSR disclosure extent of 63 industrial listed firms in Jordan for the period 2010 to 2014. They applied content analysis using 34 items in the CSR index developed from prior studies which were grouped into four categories (Community, Environments, Employees and Products). Board size and the representation of women on boards were found to have a positive influence on CSR disclosure, whilst CEO duality and average board age were negative. The board meetings and board composition showed no significant effect. The results of the study showed that the financial leverage and CSR disclosure was positive, which indicated that firms with high debt ratios were more likely to reveal increased social responsibilities information. In addition, the extent of CSR disclosure was affected positively by the size of the firm, which meant that larger firms were more likely to disclose their social responsibility than smaller firms.

La Soa et al. (2017) reviewed and evaluated the level of social responsibility disclosure in the annual reports of construction-listed firms in Vietnam and identified the factors influencing the level of social disclosure. The findings showed low levels of CSR disclosure. The study identified factors that affected disclosure levels like corporate size, leverage, board size, independence of directors and independent auditors. Javaid Lone et al. (2016) examined the relations between the corporate governance factors and CSR disclosure in Pakistan, reporting a positive relationship between the presence of women directors, independent directors, board size and the extent of CSR disclosure of 50 firms from eight various sectors (2010 to 2014).

The social responsibility reporting practices of listed banks in Bangladesh were evaluated by Das et al. (2015). They examined the potential effects on CSR disclosure of corporate governance and firm characteristics. The study showed an increase in the level of disclosure of CSR activities through content analysis of all the listed banks operating between 2007 and 2011. Furthermore, the findings showed that the size of firms, board size structures and independent directors had a positive impact on the CSR disclosure, with negative associations between profitability and the age of firms.

Majeed et al. (2015) examined factors affecting the disclosure level of listed firms in Pakistan. A sample of the annual reports of 49 firms from 2007 to 2011 were included in the study. Factors that were considered in the study included board size, board independence, board representatives' nationality and gender, the age and profits of the firms. They found that the size of the board had a significant and positive impact on the level of disclosure, whilst the independence of the board and the size of the firm had a significant impact on social and environmental disclosure. The results also showed a negative relationship between gender and international directors and the level of environmental disclosure.

The factors that influence voluntary disclosure of environmental and social issues in Bangladesh were assessed by Arif and Tuhin (2013) in the annual reports of listed banks. The disclosure index (using 48 non-financial measures) were tested for the effects of the firms' age, size, and profitability in a sample of 20 listed banks. The results showed that the bank's age and profitability influenced the level of disclosure of banks' non-financial information significantly.

Nandi and Ghosh (2013) examined the effect of corporate governance and firm characteristics on corporate disclosure. They used a sample of 60 industrial Indian listed firms for the period 2000 to 2009. They applied multiple regression and used both a weighted and un-weighted approach to measure the extent of disclosure. Results revealed that the level of voluntary disclosure

was 62.42% and there was a positive relationship between the board size, audit committee, CEO duality, firm size, profitability and liquidity with disclosure. In contrast, board composition, firm age and leverage was negatively associated with disclosure.

Haniffa and Cooke (2002) studied the association between corporate governance and voluntary disclosures by studying a sample of 167 non-financial Malaysian firms. The study found that the voluntary disclosure was negatively affected by non-executive and family members. Later in 2005, the research was expanded to study the link between corporate social disclosure and corporate governance across two additional years, being 1996 and 2002, for the same 139 Malaysian firms. The result of the regression showed that there was a positive relationship between CSR disclosure and the boards dominated by executive directors, regional directors and foreign ownership.

The correlation between the quality and frequency of CSR disclosure in 1,574 Chinese listed companies in 2008, examined by to Li et al (2013). ROA was used to define financial performance and the results showed that firms with higher ROA financial performance tended to disclose CSR information, They also found the quality of CSR information of government ownership firms to be weaker than that of non-governmental ownership firms.

The relationship between CSR disclosure and financial performance of 30 firms listed on the Tunisian Exchange from 2004 to 2007 was examined by Dkhili and Ansi (2012). In this study, two measures were used, being ROE and ROA. For CSR, the most frequently disclosed item was environmental information, followed by philanthropy, ethics, economics and legal. The results showed that the ROA was only negatively impacted by the economic dimension of CSR. The discretionary dimension was shown to be positively linked with ROE.

Luethge and Helen (2012), in 2008, 62 Chinese listed companies on Hong Kong's Stock Exchanges were studied to examine the relationship between

CSR disclosure and firm profitability (2012). In order to collect CSR data, a content analysis of the annual reports was used. The independent variables were ROA, ROE and firm size. The conclusions revealed that ROA, ROE and CSR disclosures are not correlated, however, firm size did have a positive relationship to CSR disclosure.

The relationship between CSR disclosure and financial performance in Sri Lanka was investigated by Tilakasiri (2012). Content analysis was used with the Delphi method to collect CSR data, which identified 28 activities. The sample was collected between 2004 and 2009 from 50 firms listed on the Colombo Stock Exchange. The results of the empirical study showed an overall positive relationship between financial performance and CSR disclosure. The findings revealed that community disclosures had positive and significant links to ROE and ROA.

The relationship between CSR disclosure and the financial performance of listed Indian firms was investigated by Tyagi (2012). From 2005 to 2010, the sample included 215 firms and CSR data was collected in a questionnaire. The results showed a strong relationship between ROA, ROE and the return on capital to corporate social performance and environmental performance.

From 2001 to 2004, Khemir and Baccouche (2010) studied the factors that influenced the disclosure of corporate social responsibility (CSR) in Tunisian companies. This study investigated the relationship between CSR disclosure and financial performance. The sample included 23 listed firms in Tunisia. Content analyses were used to analyse the CSR disclosure factors from the relevant firms' annual reports. The product dimension came out on top, then human resources, the environment, and the community, according to the results. The regression analysis showed that the relationship between CSR and the level of internationalisation, the level of debt and the level of political visibility was positive and significant. The study found no relationship related to the economic performance measures of ROA, ROE and CSR activities.

3.7 Prior Studies on the GCC

In the GCC, and especially within the region's finance industry (banks, insurance, investment), CSR disclosure research is very limited. Qatar, Naser et al. (2006) investigated CSR disclosure levels relationship to corporate size, asset growth, dividends, leverage, government-owned and institutional shareholdings. The sample included 21 firms listed in Qatar and the results revealed variations in CSR reporting in the annual reports of Qatari firms. These variations were explained by asset growth and corporate size measured by the market capitalisation and leverage for corporate risk. The ownership structure, however, had no effect on CSR disclosure.

In Bahrain, Juhmani (2014) investigated the variables that determine the level of CSR disclosure. The sample included 33 firms listed on the Bahrain Stock Exchange in 2012 and the firm size, profitability and leverage, age and size were found to be predictive of CSR disclosures, according to this study.
The study showed that CSR information was typically disclosed in most firms (about 58%) on their websites. The information was primarily qualitative in character and varied between sectors. The findings indicated an increased positive correlation between leverage and CSR disclosure. The size of the audit firm did positively affect the level of CSR disclosure; however, there was no explanatory power for firm size, age or profitability.

In Oman, Al-Sawwaf (2014) examined online CSR disclosure in seven local banks, with an empirical study focused on topics published on the firms' websites. The study found that banks only highlighted products/consumer-related subjects on their homepages, while environmental issues were described as marginal activities by one bank. Overall, there was very limited presence of CSR data on the firms' websites.

For Saudi Arabia, Zubairu et al. (2011) reviewed four Islamic banks for 2008 and 2009 and their social reporting activities. The authors argued that the

nature of their Shari'a operations meant that Islamic banks should observe the very close links between religious and societal rules/obligations, which differ greatly from traditional or Western-style banks whose primary purpose is to maximise profit. It emerged that there was no significant difference in reporting on social responsibility between Islamic and traditional banks, and furthermore, the four Islamic banks actually had poor disclosure practices.

In the UAE, Katsioloudes and Brodtkorb (2007) investigated 403 firms using a survey comprising of 12 CSR items. Three determinants were developed for assessing CSR: community, consumer protection and environmental issues. The sample consisted of multinationals, including IBM, DHL and Exxon. The research showed that UAE businesses were aware of the importance of CSR disclosure practices and how important it is to a firm.

For Kuwait, Al Shammari (2008) examined the relationship between voluntary disclosure and corporate governance characteristics (independent directors, females on the board of directors, audit committee and CEO duality), through a sample of 170 firms from 2007. The average level of voluntary disclosure by the sample firms was 19%, using a self-disclosure index to measure voluntary disclosure. The results identified only one significant positive link between voluntary disclosure and audit committee.

3.8 Limitations of Prior Studies

This section seeks to explain the limitations of CSR disclosure in the established literature and the gaps in our knowledge that need to be bridged. Several points from the above-reviewed literature have identified how further empirical research can be productively undertaken on CSR disclosure, particularly in GCC listed finance businesses. Interest is growing in CSR disclosure activities, however much of the extant CSR disclosure literature is focused on developed countries (Brammer, Brooks and Pavelin 2006; Branco and Rodrigues 2008; Zaini et al. 2018). Studies in developing countries may potentially stimulate and advance our understanding of CSR disclosure

(Mahadeo et al. 2011). Developing countries are distinctive in that: first, they may be economically weak (Mangena and Tauringana 2007); second, cultural norms, values and customs can be very different and affect people's attitudes to CSR activities (Violet 1983; Ntim and Soobaroyen 2013); third, CSR activists are unlikely to have an impact on companies in developing countries (Muttakin and Khan 2014); fourth, legal systems may not be strong enough to implement CSR (La Porta et al. 2002); fifth, corruption can influence corporate behaviour in those offices where CSR policies are devised (Mangena et al. 2012); and sixth, results for developed countries might not be applicable to developing countries for cultural and historical reasons (Mahadeo et al. 2011; Muttakin and Khan 2014).

The nature of a company's contextual environment influences its approach to formulating and implementing CSR policies and activities. Managers' views on the relationship between company and society are shaped by a variety of issues, according to Pedersen (2010). These factors influence corporate behaviour and disclosure standards between countries. The institutional contrasts between the United States and the European Union (EU) have been noted by Doh and Guay (2006), and how these elements influence corporate strategies related with disclosure practices in both countries. This means that a country's response to disclosure and its influencing elements will be determined by its current institutional system. In both Slovenia and Australia, market pressure was cited as a motivator for corporate disclosure (Golob and Bartlett 2007). The expectations of market participants were a key factor in this situation. However, cultural influences on individual expectations lead to differences in the reporting in the two countries. When it comes to the Anglo–American and European traditions, for example, Australia adheres to the former, while Slovenia is more European. The legal frameworks, political structures, and accounting practices in these two countries are not the same; subsequently, their approaches to company disclosure differ.

This GCC study offers unique insights into a region comprising both developing countries and cultural and historical diversity from the vast majority

of prior literature. Specifically in GCC finance companies, CSR disclosure practices are little known. Among other things, in the Gulf Cooperation Council (GCC), Islamic teachings guide the social, economic, and legal systems. Deegan (2014) suggested that religion should be considered a key element. Research on CSR disclosure in this specific institutional setting would contribute to the body of knowledge on this topic.

Few empirical research studies have examined the relationship between CSR disclosure and corporate governanve variables in the GCC. There is limited understanding of the impact of corporate governance on CSR disclosure practices in GCC listed finance companies (Harun et al. 2020). In the literature, it was proposed that good corporate governance encourages appropriate disclosure practices due to features of CG which promote firm accountability and responsibility. There has been a lack of research in GCC listed finance firms on the role of CG mechanisms and CSR disclosure. Studies on CSR disclosure and the factors that influence it have been less than thorough and often inconclusive (Issa et al. 2021). CSR disclosure literature would benefit from this empirical research on CG factors that shape CSR disclosure practices in GCC contexts.

Previous studies have often been limited to large firms and restrictive measure of disclosure (Clarkson et al. (2008), for instance, focused on environmental disclosures). CSR can be better understood in the context of this study where broader aspects of CSR, including social and environmental concerns, are examined. Prior empirical studies have generally concentrated on large firms, for instance Mohd Ghazali (2007) and Rao and Tilt (2016). It could therefore be concluded that the findings from previous studies may not be generalized or extended to small and medium-sized firms, supporting the argument that by including all frim sizes, more reliable results could be achieved (Jamali and Mirshak 2007).

Many previous studies have used short observation windows of less than three years; examples include Haniffa and Cooke (2005) and Ahmed Haji (2013).

This strategy provides only limited insights into the way CSR disclosure changes over time and may fail to include the identification of those factors affecting CSR practices and their impact on firm performance.). Examining longer CSR practice periods (this study covers a 5-years period (2014-2018) will enrich the literature on CSR disclosure through a longitudinal approach. Finally, this study examines variables that have not been studied previously in the context of GCC finance businesses (fines and penalties, a code of ethics, corporate governance committee). A better understanding of CSR disclosure in GCC listed finance firms may be obtained by examining these elements in the study.

3.9 Conclusion

This chapter explored the determinants and effects of CSR disclosure, whilst also defining its concepts. A review of previously published literature on CSR disclosure practices in both developed and developing countries was outlined, in addition to the presentation of the available literature on the factors influencing CSR disclosure practices in relation to corporate governance characteristics, ownership structure and firm-specific characteristics. The available literature detailing CSR and firm performance was outlined, and a description of GCC firms' CSR disclosure practices and the limitations of prior studies was provided.

CHAPTER FOUR: CONCEPTUAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

4.1 Introduction

This chapter discusses the theories underlying the examination of the relationship between firms and CSR disclosure. It will develop hypotheses establishing the determinants of CSR disclosure. Based on the literature survey, corporate governance, ownership structure, firm-specific characteristics and financial performance factors were found to be influential in determining the nature and level of CSR disclosure.

4.2 Theoretical Framework

A number of theoretical underpinnings have been applied to understanding why firms engage in CSR initiatives. It has been suggested that a single theory cannot provide sufficient explanation for certain social behaviours (Deegan and Rankin 1996), and therefore, CSR disclosure will be viewed through multiple theoretical perspectives. In this study, Agency Theory, Legitimacy Theory and Stakeholder Theory will be examined as they have been most commonly applied in the literature. Corporate governance interacts on a wide range of fields, including law, economics, finance, management, ethics, and politics (Solomon, 2010). When trying to understand and explain corporate governance behaviour, it is difficult to rely solely on one theory, such as the agency theory (Sharma, 2013). There are several reasons why a multiple-theoretical framework is beneficial. First, it has been argued that no single theory of corporate governance, including agency theory, is capable of explaining the relationship between corporate governance and voluntary disclosure completely (Ntim and Soobaroyen, 2013). This means that while these theories individually have many shortcomings (Chen and Robin, 2010), when combined, they can strengthen each other's predictive power. To add to this, the phenomena of corporate governance is multi-theoretically oriented due to the fact that it involves many different fields of study, including law,

economics, sociology, and business (Bebchuk and Weisbach, 2010). It is also in response to calls for the inclusion of alternate or supplementary theories in empirical investigations of corporate governance, which can improve theoretical puralism (Ntim and Soobaroyen, 2013).

Due to the fact that each theory has its own benefits and drawbacks, thus none of them can individually be relied on to accurately the features of corporate disclosure. (Wang and Kang 2017). This study's hypotheses were developed not just in light of one theory, but after taking into account a number of different theoretical frameworks.

4.2.1 Agency Theory

The nineteenth century saw the Industrial Revolution generate huge changes within society, which helped launch the modern business organisation and how it functioned for much of the twentieth century (Crane et al. 2014). One problem that arose from the change to business organisations requiring large amounts of capital to expand was the separation of ownership and control (management). Adam Smith noted this problem in 1776 when he argued that executives running the firms would be less careful because they are not the actual owners (Smith 2000). However, until the work of Berle Jr. and Means (1991) was published, the issue of separation of ownership and control, where there is less power among the individual owners to monitor what management does, received little attention. Jensen and Meckling (1976, p.308) described the agency theory relationship as "*a contract under which one or more persons (the principal(s) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent*".

It is expected that the reasonable agent will preferably act and conduct business in the best interests of the principal. In reality, however, this may not be true due to the self-interest actions of agents who try to maximise their own utility rather than that of the principal and therefore, agency costs arise (Jensen

and Meckling 1976; Fama 1980). This dilemma stems from three specific interdependent issues:

1. because of different aims, some conflicts of interest between the two parties could arise (Morris 1987)

2. it is known that both parties have different approaches on how they view risk (Eisenhardt 1989), and

3. asymmetrical information could exist between the two parties, since the agent is engaged in daily activities and has more details than the principal about what is actually happening (Healy and Palepu 2001).

Agency theory suggests that a company is a contract between managers and owners. (Jensen & Meckling, 1976). Typically, a firm's principals contract with an agent to manage the business on their behalf of the principals by making the necessary decisions and taking actions that will ultimately improve the wealth of the principals. Nonetheless, reasonable owners know that the position of appointed managers gives the latter the ability to prioritise their own personal gains in circumstances whereby management and owners' interests conflict, particularly given that managers often control the information (Morris 1987).

Consequently, the agency costs rise, and the owners must find a mechanism for verifying the actions of managers in order to guarantee their interests. It is impossible for business owners to be fully appraised of all actions taken by their management teams and therefore agency costs will always arise (Jensen and Meckling 1976). Nevertheless, by monitoring the agents, owners can reduce management opportunism. One way of reducing the agency issue and curtailing agency costs, is to minimise asymmetry of information by the increased disclosure of information in a more transparent, and therefore honest manner (Healy and Palepu 2001). Of the many studies undertaken,

Table 4.1 summarises the key studies which have focused on these variables in the application of voluntary disclosure.

Table 4.1 Voluntary Disclosure Studies Applying Agency Theory

Study	Country and Sample	Findings
Prabowo et al. (2017)	Indonesian, 86 banks for the period 2004 - 2009	The level of education of the board members positively affected the level of CSR disclosure
Chen, Tan, Cheng and Gong (2014)	China, 2853 observations for the period 2007 - 2010	The level of voluntary disclosure in China for investment purposes was highly impacted by both culture and the capital market

Table 4.1 - continued

Study	Country and Sample	Findings
Cheng and Courtenay (2006)	Singapore, 104 firms for the year 2000	The level of voluntary disclosure was affected by the regulations and corporate governance mechanisms
Al-Akra, Eddie and Ali (2010)	Jordan, 27 firms for the period 1996 -2004	The level of voluntary disclosure was positively determined by strengthening the governance of firms through privatisation
Sartawi, Hindawi, Bsoul and Ali (2014)	Jordan, 103 firms for the year 2012	High board ownership on the list of Jordanian corporations had a low level of voluntary disclosure
Guping et al. (2020)	China, 4029 observations for the period 2009 - 2019	CSR reporting was shown to be higher in firms with more balanced gender representation on their boards. Also, the non-executive directors' reputational incentives boosted CSR reporting

Table 4.1 - continued

Study	Country and Sample	Findings
Abeywardana and Panditharathna (2016)	Sri Lanka, 50 firms for the period 2012 - 2015	Voluntary disclosure was strongly influenced by firm size, profitability and age. The firm was dedicated to disclosures that had a direct impact on the firm's reputation in the market
Khan, Chand and Patel (2013)	Fiji, 82 firms for the period 2006 - 2009	Voluntary disclosure was influenced by the corporate ownership structure. Corporate governance laws boosted voluntary disclosure a small amount
Wang, Ali and Al-Akra (2013)	China, 714 firms for the period from 2005 - 2009	A positive trend in voluntary disclosure procedures in China was seen
Pakawaru et al. (2021)	Indonesia, 48 firms for the period 2016 - 2019	The findings showed that CSR disclosure and earnings management had a positive correlation

4.2.2 Legitimacy Theory

Legitimacy theory posits that firms constantly seek to ensure they operate to the standards required within the society in which they are situated (Deegan 2009). Legitimacy theory implies that a "social contract" is in existence between a corporation and its respective societies (Deegan and Samkin 2009). In the theory of legitimacy, society as a whole is considered without looking separately at individuals (Deegan 2002), thus focusing on the relationship between society and the organisation. Organisations are not isolated and their relationships with society need to be ongoing. Many scholars opine that organisations are expected to deliver societal benefits that outweigh the costs so that the continued existence of organisations is meaningful (Mathews 1993; Deegan 2002). In legitimacy theory, corporations should meet society needs, not just those of the owners and investors.

The notion of a social contract is a principle on which legitimacy theory is based (Guthrie and Parker 1989). According to Michelon et al. (2015), there is a tacit assumption within the country in which a firm operates, that it is socially and environmentally responsible in its business practices in return for the support of the public and the government. The two basic concepts that underlie the legitimacy theory are:

1. entities must legitimise their operations, and

2. a process of legitimacy will bring significant benefits to firms and their stakeholders.

Tilt (1994) noted that legitimacy theory focuses on how management meets public expectations to ensure that any individual is perceived as part of the larger society. Corporations have to justify their operations in the public eye and to interested parties, and if businesses do not function under the ethical, moral or ‘public good’ standards of society, they may face the risk of losing resources or legal identity (Deegan and Rankin 1996). According to Jenkins

(2004), the legitimacy theory is one of the key reasons for understanding why businesses want to communicate CSR information. This information is often left to the discretion of management, which can often disregard stakeholders' and the public's right to access the information, since large firms may exert a huge environmental and community impact. The central premise of the legitimacy theory appears to provide some explanation as to why firms choose to reveal social and/or environmental information. Consequently, legitimacy theory is based on the notion that businesses have contracts with the wider society in which they function and must fulfil those contracts so that their practices and actions are legitimate. This suggests that if the management of a business fails to legitimise its activities and provide such disclosures, they will face serious consequences either from lobbyists, such as environmental activists, or the government (Crane and Glozer 2016). Many voluntary disclosures and CSR studies have been conducted applying legitimacy theory as summarised in and Table 4.2.

Table 4.2 Voluntary Disclosure Studies Applying Legitimacy Theory

Study	Country	Findings
Abhayawansa and Azim (2014)	Bangladesh, pharmaceutical firms in 2006	Intellectual capital items are reported more in the Bangladeshi pharmaceutical sector (BPS). However, in the BPS there is no effective measurement or guidance for intellectual capital disclosure reporting

Table 4.2 - continued

Study	Country	Findings
Nurhayati, Taylor and Tower (2015)	India, textile listed firms for the period 2010 - 2012	A global brand, such as the name of a firm, may influence disclosure of information on social and environmental issues
Tsang (1998)	Singapore, 33 listed firms for the period 1986-1995	The global presence of multinational corporations influenced local corporations in Singapore to make CSR disclosures
Ahmed Haji (2013)	Malaysia, 85 listed firms for the period 2006 - 2009	The quality and volume of CSR disclosure was low. The most commonly adopted approach to CSR disclosure was narrative disclosure. There was a trend of growth in terms of both scope and quality

Table 4.2 - continued

Study	Country	Findings
Dissanayake, Tilt and Xydias-Lobo (2016)	Sri Lanka, 60 listed firms for the period 2008 - 2011	There was an association between public listed firms in Sri Lanka and the reporting of CSR. They observed that improved CSR reporting could attract and increase the availability of resources
Sharma, Low and Davey (2013)	Fiji, 17 listed firms for the period 2008 - 2010	Significant events occurred during the reporting period, and these events had a major impact on the level of voluntary disclosure in the annual reports of corporations
Beddewela and Herzig (2013)	Sri Lanka, 800 interviews for the period 2008 - 2009	Provided voluntary disclosure in order to increase the firm's image
Mukhibad et al. (2020)	Indonesia, Islamic banks in Indonesia for the period 2012 - 2018	CSR disclosure had an impact on financial performance ratios

Table 4.2 - continued

Study	Country	Findings
Zhu et al. (2021)	China, 480 observations for the period 2013 - 2016	The results showed that the environmental information provided by the government could reflect the local environmental performance as a whole
Janang et al. (2020)	Malaysia, 234 firms for the period 2014 - 2016	The results showed that the level of social disclosure was significantly linked to the audit committee, independent directors and size

4.2.3 Stakeholder Theory

This theory seeks to explain the nature of interactions between the organisation and the individuals and groups that engage in operations, and the consequences for business activities. This theory conceptualises institutions as part of a broader framework that influences individuals and groups through their operations, whilst also affecting other people and groups that are integral aspects of their operations (Deegan 2002). In fact, there are two stakeholder theory branches, namely the moral and the strategic, with each branch defining the stakeholders differently (Deegan and Unerman 2011). Freeman and Reed (1983, p.91) defined stakeholders as "*any identifiable group or individual who can affect the achievement of an organisation's objectives or who is affected*

by the achievement of an organisation's objectives". Taking a moral perspective, stakeholder theory suggests that managers must consider all stakeholders, regardless of whether or not they are able to influence the company's operations (Deegan & Unerman, 2011).

Another concept of stakeholder theory is "*any identifiable group or individual on which the organisation is dependent for its continued survival*" (Freeman and Reed 1983, p.91). Stakeholder theory promotes a strategic rationale by actively reacting to influential persons or groups that can control the operations and practices of the business, in order to promote its interests (Freeman et al. 2010). To gain the support of powerful stakeholders, management needs to be able to reconcile these conflicting expectations (Ullmann 1985).

Stakeholder theory highlights the organisation's responsibility and stakeholders' rights. The term 'accountable' comes from an overarching concept of 'responsibility' according to Mulgan (1997). Accountability lies with one party which has entrusted certain duties to another party (Mulgan 1997). The disclosure of information plays an important role in the process of accountability to stakeholders. In line with the stakeholder theory, financial or regulated information about a firm, non-financial or unregulated information should also be included as a result of the fact that the community has a "right to know" about certain aspects of the operation of a firm (Gray et al. 1996). With regard to the information rights of stakeholders, Gray et al. (1996) stressed that information must be disclosed responsibly rather than demanded.

Many CSR studies on stakeholder theory have been conducted. For example, Roberts (1992) examined stakeholders' ability to influence the disclosure of CSR, ultimately providing some explanation about the level and type of CSR disclosures centered on stakeholder information and measures based on power or authority. In the study by Neu et al. (1998), annual reports of environmentally sensitive public trading firms in Canada resulted in similar outcomes being discovered. Based on the results, firms responded more to

the concerns of strong stakeholders, including those with financial interests and public regulatory authorities, than other parties involved such as environmentalists. In a CSR study, Belal et al. (2007) interviewed senior managers in 23 Bangladeshi firms from multinational, national, private and public sectors using stakeholder theory. The main motivation for CSR disclosure was the willingness to manage the most powerful parties concerned. Table 4.3 below summarises those studies undertaken on voluntary disclosure with the application of the stakeholder theory.

Table 4.3 Voluntary Disclosure Studies – Applying Stakeholder Theory

Study	Country	Findings
Naseem et al. (2017)	Pakistan, 179 firms from 2009 – 2015	The study found that board size, number of board meetings and board independence positively affect CSR disclosure
Liu and Anbumozhi (2009)	China, 175 firms for the year 2006	Governments required businesses to report due to their policies and environmental concerns. The role of stakeholders was still described as weak
Qu and Leung (2006)	China, 120 listed firm for the year 2003	Information given voluntarily in China was influenced by changing cultural and social norms

Table 4.3 - continued

Study	Country	Findings
Belal et al. (2007)	Bangladesh, interview with 23 managers of Bangladeshi firms	Reporting is important to managerial supervision because powerful stakeholders' groups need to be controlled. When considering the impact of the many external forces, the practice process was being forced by external forces such as parent firms, international buyers
Mondal and Ghosh (2014)	India, 30 firms for the period 2009 - 2012	Great intellectual capital level provided a signal for competitors and new entrants to contribute to the overall value of the firm
Perry and Sheng (1999)	Singapore, questionnaire survey of all listed firms for the period from 1995 - 1997	Very few Singaporean organisations showed great concern for environmental disclosure. There was no state or federal environmental regulation enforcement policy
Islam and Deegan (2008)	Bangladesh, 12 interviews for the period 2005 - 2006	Involvement with industry social policies and disclosure practices occurred as a result of powerful stakeholders demanding it

Table 4.3 - continued

Gunawan (2007)	Indonesia, 68 annual reports for the period 2003 - 2005	CSR disclosures were placed on firms in order to have a positive image, to act in an ethical manner, and to comply with stakeholders' expectations. Disclosure levels remained low
Dong, Burritt and Qian (2014)	China, 176 firms for the period 2007 - 2010	Stakeholders who had the greatest influence on CSR disclosure in the mining and minerals industry included those who held primary influence within those industries. Following their global peers, Chinese firms began to embrace the concept of CSR as a method of demonstrating their legitimacy at a global level
Waheed and Zhang (2020)	China and Pakistan, 990 questionnaires for the period 2018 - 2019	A positive correlation was found between sustainable competitive performance and CSR

The level of disclosure varies between firms, and thus various theories have been developed to explain this phenomenon. While no comprehensive theory that applies to the CSR disclosures can be identified, several theories are suggested, including agency theory, stakeholder theory and legitimacy theory, which may be integrated in a more comprehensive framework to explain management incentives and their influence on CSR disclosure (von Alberti-Alhtaybat et al. 2012). A full understanding of these theories will explain the

reasons for a manager's disclosure and the mechanisms by which that disclosure is encouraged. As von Alberti-Alhtaybat et al. (2012) demonstrated, disclosure theories, including agency theory and stakeholder theory are invaluable when it comes to explaining a CSR disclosure. Farook et al. (2011) suggested that agency theory and stakeholder theory are linked theories; as a result, these theories may be considered interrelated theories to explain the determinants of CSR disclosure. In general, agency theory focuses on the connections between principals and agents who have the authority to manage their interests. Stakeholder theory holds that corporations are expected to perform in a manner that is advantageous to society socially or economically. Legitimacy theory posits that firms constantly seek to ensure they operate to the standards required within the society in which they are situated (Deegan 2009). This study uses all mentioned theories to explain the determinants of CSR disclosure in financial firms in GCC countries.

4.3 Hypotheses Development

Based on the literature survey it was found that corporate governance, ownership structure, firm-specific characteristics and financial performance related variables were the most commonly found to impact CSR disclosure practices. In this section, hypotheses will be developed under these groupings to investigate the relationship to CSR disclosure in the GCC.

4.3.1 CSR Disclosure and Corporate Governance Characteristics

Following review of the literature, it is concluded that corporate governance mechanisms and CSR disclosure are important elements for enhancing the various relationships with the firms' stakeholders (Chan el at. 2014). Corporate governance is generally defined as "*the system by which companies are directed and controlled*" (Cadbury Report, 1992, p.14). Because of the separation of ownership and management, this approach to corporate governance places an emphasis on the issue of agency. An independent board of directors and subcommittees to monitor managers can help alleviate

agency issues (Mangena et al. 2012). The board of directors is considered one of the most important internal governance mechanisms in the corporate governance literature (Terjesen, Sealyand, and Singh 2009). As a rule of corporate governance, boards of directors are essential for the smooth operation of companies and for improving performance. Monitoring of management to reduce agency costs, hiring and firing of management, providing and giving access to resources and providing strategic direction for the firm to enhance performance are just some of the functions that boards perform (Adams et al., 2009;Coles et al., 2008; Desoky & Mousa,2012). Organizational change and processes that support the organization's mission are also the responsibility of boards. While maintaining managerial professionalism and accountability in pursuit of good firm performance, boards seek to protect shareholder interests in an increasingly competitive environment (Coles et al., 2008). Therefore, studying the board variables in essential to investigate their impact on CSR disclosure in GCC listed financial firms

4.3.1.1 Board Independence

Due to possible conflicts of interest, independent directors are needed to keep an eye on the executive director's actions (Jensen & Meckling, 1976). Independent directors can safeguard stakeholders and help reduce agency costs (Chalevas 2011). The interests of all stakeholders are better represented through improved good governance when there are a greater number of independent board directors on a board (Solomon 2010). The occurrence of ‘opportunism’ (Haniffa and Cooke 2002) can also be decreased when there is a higher percentage of non-executive directors on the board due to activity monitoring and improved decision making, including strategic decisions. More information disclosure will lead to greater transparency and accountability, fewer asymmetries in the data and a better image of the firm if the board is independent (Fama and Jensen 1983; Muttakin et al. 2018).

In general, corporate disclosure studies have tended to find a positive correlation with the number of independent directors. Non-financial Palestinian listed firms from the years 2013 to 2016 were studied by the researcher Zaid Almutairi et al. (2019) to see how board independence affected CSR disclosure. According to their research, firms with a greater proportion of independent directors disclosed additional CSR information. In addition, Al Fadli et al. (2020) showed that CSR disclosure was positively related to board independence as an internal corporate governance mechanism used to protect shareholders' interests. Muttakin and Subramaniam (2015) examined the relationship between independent board members and the level of disclosure of 100 listed Indian firms for the years 2007 and 2011. They found that independent board membrs was linked favourably to level of disclosures.

Lim et al. (2007) investigated the link between board composition and voluntary disclosure of 181 Australian companies from 1991 to 2001, and found a positive relationship between the share of independent board directors and disclosure. In addition, Fahad and Rahman (2020) studied a sample of 51 Irish listed firms from 2007-2016 to examine the relationship between board independence and CSR disclosure. They found that CSR disclosure was increased with the presence of independent board members.

On the balance of the available literature, this study hypothesises that:

H1: There is a positive relationship between board independence and CSR disclosure.

4.3.1.2 Board Size

Board size is measured as the total number of directors on the board. The size of the board can be viewed as a major influence on a firm's transparency and performance from the agency perspective (Jensen 1993). Maintaining control and supervision of management through the use of board members is an effective governance mechanism for reducing agency issues (Rao el at. 2012). Since board members are elected to represent and protect the interests of

shareholders, they are expected to encourage strategic business activities, such as participation in CSR initiatives, and to provide high levels of transparency (Siegel, & Wright, 2006). There is a distinct advantage to having a small board because board members are able to coordinate and communicate more effectively and efficiently (Bennedsen et al. 2008), and it is expected that there will be a smaller number of conflict ideas to arise among them (Ahmed Haji 2013). However, due to the small number of members, the board's ability to monitor and control management may be compromised by members being overburdened with work (Ahmed Haji 2013). Therefore, it may result in a failure of the board of directors to actively monitor firm management and communicate CSR disclosure (Jizi et al. 2014).

Due to the large number of board members, large boards may be able to effectively monitor and control (Jensen 1993). Thus, because it is extremely unlikely that a single individual will be able to dominate a large board, it may give the impression that shareholders' interests are protected (Jizi et al. 2014). Larger boards also tend to have a more diverse range of skills, knowledge and experience, which increases the opportunity for new ideas to be introduced (Ntim and Soobaroyen 2013).

Prior research suggested that board size and CSR disclosure have a positive relationship. A study conducted by Cucari et al. (2018) investigated the relationship between corporate governance and CSR disclosure in listed firms in Ghana for the year 2008. They found that board size was positively related to CSR disclosure. Akhtaruddin et al. (2009) studied voluntary disclosure from a sample of 105 firms listed on the Bursa Malaysia at the end of 2002 and similarly concluded that corporate disclosure related positively to board size. In the GCC, the relationship between voluntary disclosure and board size was also examined by Al-Janadi et al. (2013) on a sample of 87 Saudi listed firms in 2006 and 2007, who found that board size contributed positively to the quality of voluntary information. This was also supported in a sample of 179 Pakistani listed firms from 2009 to 2015, where Naseem et al., (2017) also

found that board size was positively related to CSR disclosure. On the balance of the available literature, this study hypothesises that:

H2: There is a positive relationship between board size and CSR disclosure.

4.3.1.3 Number of Board Meetings

Board directors need to be active in fulfilling their corporate governance commitments and should ensure the high-quality standard and transparency documented in annual reports (Kent and Stewart 2008). It could be beneficial for a firm if the directors meet regularly in order to facilitate extensive and fruitful discussions and an in-depth analysis of business operations. When boards meet regularly, it is likely they will have greater awareness and information pertaining to the performance of and appropriate measures taken by the firm to address any problems that may have arisen (Ponnu and Karthigeyan 2010). Vafeas (1999) contended that a very good proxy for the supervision efforts of directors was in fact the number of meetings held by the board. Frequent board meetings also address the issue of limited interaction between the directors and applies to independent directors who have limited time to monitor their work. This opinion is strengthened by critiques of directors who are members of many boards, which could impact their ability to frequently attend meetings and may lead to them experiencing issues in appropriately fulfilling their monitoring obligations (Vafeas 1999). This implies that a board of directors who meet on a frequent basis are more likely to be acting in the interests of stakeholders. In addition, frequent meetings can strengthen the links between directors through informal communication methods (Lipton and Lorsch 1992) and helps efficient collaboration and improve corporate performance.

Agency theory indicates that the frequency of the board meetings is related to business challenges. As a firm grows, it is likely to require more board meetings for monitoring and advisory purposes, since it has increased activity and employs more people. Similarly, during critical periods, the board of

directors regularly tends to increase the number of meetings they hold (Hahn and Lasfer 2015). Market performance and problems concerning investors may also affect the frequency of board of directors' meetings, which can rise or fall (Vafeas 1999).

According to Francis et al. (2015), firms with poor board attendance face significant financial performance issues during a financial crisis when compared to boards that meet regularly.

The board's diligence and ability to solve problems can be gauged by the number of board meetings it holds each year. More board meetings allow members to discuss issues in greater depth, delegate tasks and exchange ideas (Laksmana 2008). The reputation of the firm among stakeholders is enhanced and the owners are satisfied when the board is active. Formulating an effective CSR strategy and policy necessitates considerable time and effort from the board members, especially in light of issues such as a lack of sustainability culture, prior experience and resistance to change (Fahad and Rahman 2020). As a result, for the firm to develop an effective CSR strategy, it requires both time and team spirit (Tencati et al. 2004), and boards with more frequent board meetings have more time to sit down, decide on CSR plans, and persuade their stakeholders.

Fahad and Rahman (2020) conducted a study of 386 listed firms in India covering the period 2007 to 2016 to examine the relationship between corporate governance variables and CSR disclosure. They found that frequent board meetings positively increased the level of CSR disclosure. There was a positive correlation between board meetings and the level of disclosure in 2007 among 177 Italian listed firms according to Allegrini and Greco (2013). Laksmana (2008) found that increasing the frequency of board meetings benefitted stakeholders by making information disclosures more transparent. Yusoff et al. (2013) found that the board meeting had a significant positive impact on CSR disclosure. On the balance of the available literature, this study hypothesises that:

H3: There is a positive relationship between the number of board meetings and CSR disclosure.

4.3.1.4 Females on the Board

The influence of female directors on CSR disclosure has been generally found to be positive, as women are said to inspire firms to follow a more socially responsible strategy (Ramon-Lloren et al. 2020; Ferrero-Ferrero et al. 2015). The literature typically indicates that businesses with more females on their boards appear to be more socially responsible than those without females. For instance, Setó-Pamies (2015) supported the hypothesis that gender diversity on the board of directors had a positive effect on CSR, whilst Bear et al. (2010) discussed how the gender diversity of the board both directly and indirectly influenced business decisions by enhancing the firm's commitment to social responsibility. The authors showed that the presence of women on the board was positively linked to the level of CSR in a sample of 689 selected firms from Fortune's 2009, which in turn helped to improve the firms' reputation. Swardani et al. (2021) examined the impact of the presence of females on the board and CSR disclosure in manufacturing firms in Indonesia for the period 2014 to 2018. They found female presence positively affected the extent of CSR disclosure. Rao and Tilt (2016) examined the effect of board diversity on the level of CSR disclosure from the top 150 Australian firms for the period 2009 to 2011. It revealed that recruiting female directors was related to higher levels of CSR reporting. Conversely, the analyses carried out by Handajani et al. (2014) of 152 Indonesian listed public firms from 2010 to 2012 did not reflect those assumptions. The authors showed that a lessening of social disclosure was linked to more female board directors.

The authors speculated that the explanation for this outlier study may be the limited number of females on the board of the firms studied: a single female director's mere presence does not mean she will influence the board. On the balance of the available literature, this study hypothesises that:

H4: There is a positive relationship between females on the board and CSR disclosure.

4.3.1.5 International Directors

The presence of international directors delivers to the board a wider pool of eligible directors (e.g. with greater global experience) who bring value and diverse skills due to their various backgrounds which might not be available to domestic board directors (Randøy et al. 2006). Oxelheim and Randøy (2003) further argued that international directors signaled an increased corporate monitoring and disclosure commitment and improved the firm's reputation. Disclosure requirements may typically also be higher when international directors are selected as board directors because of the geographical separation between management and owners (Schipper 1981). For example, international directors who can use their global partnerships to enhance strategic planning would likely want to highlight the social responsibility activities of the firm (Zahra and Filatochev 2004). Therefore, more CSR related information can be expected from corporations with more international directors. On the other hand, Masulis et al. (2012) indicated that firms with international directors are less competitive because the expense of ineffective monitoring by external independent directors may negate the advantages of their expertise. Therefore, international directors may not be informed of local accounting rules, laws and regulations such that management decisions cannot be monitored and evaluated properly. Garanina and Aray (2021) examined the relationship between international directors and the extent of CSR disclosure on 223 Russian listed firms for the period 2012 to 2015. They found that the presence of international directors on the board increased the CSR disclosure. Another study was undertaken by Ali el at. (2021) on banks operating in Pakistan for the period 2008 to 2018 to examine the effect of international directors on CSR disclosure and it was found that CSR disclosure increased when there were international directors on the board.

According to Masulis et al. (2012), owing to the growth in multinational firms, international directors are becoming increasingly popular. Diversity of boards has become an important aspect of corporate governance, as international representation is now commonplace for firm boards. In GCC firms, local directors may not be as exposed or mindful of social responsibility. International directors are, however, more likely to understand the need for more disclosure being shown by the firm as part of its wider social responsibility (Masulis et al. 2012). Firms may also select international directors to improve their image and provide positive market signals (O'Dwyer et al. 2011). On the balance of the available literature, this study hypothesises that:

H5: There is a positive relationship between international directors and CSR disclosure.

4.3.1.6 Corporate Governance Committee

One recent common outcome of changes to regulatory corporate governance codes is the establishment of a corporate governance committee (CGC). The CGC's primary goal is to assist in the implementation of corporate governance practices, which can improve voluntary corporate reporting (Ntim et al. 2012). Stakeholder theory assumes that corporate governance has a role in protecting stakeholder's interests by securing the interests of stakeholders and by giving the market a message about a firm's commitment to better practices (Solomon 2013). Ntim et al. (2012) used a sample of 169 firms listed in South Africa and found a positive correlation between voluntary disclosure and the CGC. No research has yet been undertaken on the impact of the CGC and voluntary disclosure in GCC listed financial firms, which offers the opportunity of contributing to the international literature. On the balance of the available literature, this study hypothesises that:

H6: There is a positive relationship between the corporate governance committee and CSR disclosure.

4.3.1.7 Audit Committee Meetings

According to Li et al. (2012), having at least four audit committee meetings per year has a significant and positive relationship with the level of voluntary disclosure; they argued that having audit committee meetings on a regular basis improved the committee's monitoring ability. In essence, an audit committee that meets frequently every year is more likely to spot discrepancies and ensure the reliability of the CSR disclosure process as audit committee members are up to date on all aspects of CSR disclosure (Appuhami and Tashako 2017). Audit committee meeting frequency, as suggested by Karamanou and Vafea (2005), gives directors more time to effectively monitor the firm's activities and improve corporate disclosures like CSR. It has been argued that a regularly meetings of audit committee can address timely accounting, auditing and corporate social responsibility disclosure issues (Abbott et al. 2004).

There is a positive correlation between audit committee frequency and disclosure, according to empirical evidence. Altawalbeh (2020) examined the relationship between audit committee meetings and voluntary disclosure on a sample consisting of 72 non-financial listed firms in Jordan for the period 2013 to 2016. The study found that there was a significant and positive relationship between audit committee meetings and voluntary disclosure. Data was collected from 300 listed companies' annual reports by Appuhami and Tashako (2017), who looked at the link between audit committee characteristics and voluntary corporate social responsibility. The results showed that the frequency of meetings had a significant positive impact on the level of corporate social responsibility disclosure. Li et al. (2012) also found a positive relationship between audit committee meetings and intellectual capital disclosure levels using 100 U.K. listed firms, and Kelton and Yang (2008) found in their analysis of 248 listed firms in the U.S., that the frequency of meetings held by the Audit had a positive impact on disclosure. Further, Pucheta-Martinez and De Fuente (2007) found that the frequency of audit committee meetings had a positive effect on Spanish firms' financial disclosures. These

findings indicated that firms were more likely to be in a position where they could recognise and document CSR activities if they had regular audit committee meetings. On the balance of the available literature, this study hypothesises that:

H7: There is a positive relationship between audit committee meetings and CSR disclosure.

4.3.1.8 Audit Committee Size

In order to ensure sufficient expertise is in place for monitoring and reporting responsibilities such as CSR disclosure, an audit committee should have the required number of members in order to attend to these matters (Mangena and Pike 2005). A larger audit committee has the power, diversity of expertise and points of view required to ensure effective oversight leading to CSR disclosure (Bédard et al. 2004). However, large audit committees also create additional costs, such as the possible costs of miscommunication and control (Jensen 1993). Studies indicate that large committees experiencing a problem of 'free rider' and disseminated responsibility can undermine practices of CSR disclosure (Li et al. 2012). This seems to suggest that firms should take account of the incremental costs and benefits of the audit committee's size. While the size of the most effective audit committee will vary depending on factors such as the size of the firm and complexity of its activities, it should not usually exceed five members (Arthur Andersen LLP 1998). Li et al. (2012) found a positive relationship between the size of the audit committee and intellectual capital disclosure using 100 U.K. listed firms. The reasoning behind the finding was that having sufficient committee members helped to identify and solve any issues in corporate reporting, which would lead to a reduction in the agency issue. Musallam (2018) investigated the impact of the audit committee size of 31 Palestinian firms between 2010 and 2016. The results showed that there was a significant positive relationship between CSR disclosure and the size of audit committees, as having a large audit committee introduced different experiences which in turn helped reduce the agency

problem. Rajakulanajagam (2020) examined the factors affecting CSR disclosure in 12 Sri Lankan listed banks for the period 2016 to 2019. The results also showed that the audit committee size had a positive impact on CSR disclosure. On the balance of the available literature, this study hypothesises that:

H8: There is a positive relationship between audit committee size and CSR disclosure.

4.3.1.9 Islamic Financial Firms

In the Muslim world, Islam is incorporated into all sectors of society in many Muslim countries, including politics, community, law and economy. . Islam is more than just a spiritual faith; it is also a social movement and a code of conduct for those who live within its larger social and institutional framework (Tinker, 2004). CSR initiatives are often influenced by Islamic business beliefs. When it comes to social responsibility and corporate ethics in Islam, for example, the Holy Book is the major source. The Islamic idea of human well-being and good life emphasizes brotherhood/sisterhood and socio-economic fairness and necessitates a balanced fulfillment of both the material and spiritual needs of all persons (Chapra, 1992).

A number of studies have looked into the CSRD of businesses that operate in accordance with Islamic principles. Anuar et al. (2004), for example, use content analysis to support the claim that Islam influences business environmental reporting. Non-Islamic Malaysian businesses are compared to Islamic businesses in terms of environmental reporting, with the latter showing a higher level of environmental reporting than the former. Farook et al. (2011) conducted a study of the determinants of CSR disclosure of 47 Islamic banks in 14 countries. They found that Islamic banks report high level of CSR disclosure. Abbasi et al. (2002) who analysed the level of CSR disclosure between 10 Islamic banks and 10 conventional banks and discovered that the greater extent of CSR disclosure in Islamic banks could be explained by the

fact that Islamic firms are subject to religious rules. In addition, (Grassa and Chakroun 2016) found that Islam has a major influence on political, economic and social systems in GCC countries making this a unique environment. GCC countries share many unique cultural aspects. On the balance of the available literature, this study hypothesises that:

H9: There is a positive relationship between Islamic Financial Firms and CSR disclosure.

4.3.2 CSR Disclosure and Ownership Structure

The structure of a company's ownership is an important part of its corporate governance framework (Wang et al. 2015). The degree of concentration of ownership has a significant impact on the policies of businesses (Rao et al. 2012). Known as the ownership concentration level, this is the percentage of a company's stock that is owned by its shareholders (Brammer and Pavelin 2008). Owners have less control and influence over the management of a firm when their stock shares are widely distributed. Owners must increase their monitoring activities in order to avoid conflicts of interest with management (Gamerschlag et al., 2011). The issue of conflicts of interest between owners and managers is lessened when shares are tightly held or concentrated as management would be directly controlled and monitored by a few large owners (Rao et al. 2012). Some of the firm's largest owners may be able to exert influence on the firm's transparency and disclosure practices due to their direct access to firm information and the board of directors (Gamerschlag et al. 2011). The following sub-sections discuss ownership variables, which includes government ownership, institutional ownership and foreign ownership with CSR disclosure.

4.3.2.1 Government Ownership

Agency theory suggests the possibility of agency costs arising from incentive conflicts between shareholders and directors if a separation of owners and control exists (Raffournier 1995). Firms with a large number of shareholders therefore need to provide more voluntary information to ease the conflict between the agents and principles. Eng and Mak (2003) argued that the problem of incurring higher agency costs with large shareholders as the government are more likely to arise. Having the government owns a large percentage of a company is thought to lead to subpar corporate governance practices (Konijn et al., 2011). For instance, the government has the ability and power to appoint the firm's directors and CEO (Cornett et al. 2010) and a high degree of government ownership in the firms indicated that they would receive greater public scrutiny or investigation. Consequently, the government would require greater transparency and levels of disclosure because of its public accountability concerns (Mohd Ghazali 2007). Firms with a high percentage of government ownership are more likely to engage in CSR activities and disclosure practices because the public perceives them as socially responsible and answerable. As a result, their social activism is expected to be demonstrated through CSR disclosure (Naser et al. 2006; Mohd Ghazali 2007).

Positive relationships were indicated from prior empirical studies regarding government ownership and CSR disclosure. Ahmed Haji (2013) found in Malaysia that the extent of CSR disclosure was related to government ownership, and a study by Habbash (2016) also found a positive relationship between how much information was disclosed and the presence of government ownership in a study of 267 annual reports of Saudi listed firms for the year from 2007 to 2011. As one of the governance mechanisms, Zhou (2019) found that government ownership in China encouraged public listed firms to disclose CSR information and discovered that the decision to voluntarily disclose CSR reports was linked to government ownership. Alshbili

et al. (2019) investigated the relationship between CSR disclosure levels in a developing country and corporate governance structures and ownership types. The findings showed that government ownership pressure had a significant impact on the promotion of CSR disclosure activities at the firm level of Libyan oil firms. On the balance of the available literature, this study hypothesises that:

H10: There is a positive relationship between government ownership and CSR disclosure.

4.3.2.2 Institutional Ownership

Institutional investors can serve as a strong mechanism to control and monitor management executives and, because of their considerable concentration of ownership, determine its policies and practices (Tauringana and Mangena 2006). According to agency theory, such powerful institutional shareholders are normally represented by a board member who improves management monitoring and control processes (Mallin 2013; Solomon 2013). Institutional investors have the power to get timely access to information (Laidroo 2009). Requirements for the disclosure of such information are likely to reduce institutional shareholder monitoring and control costs (Jensen and Meckling 1976). The long-term benefits of CSR may entice institutional investors to invest in companies with a strong CSR agenda (Johnson and Greening 1999). Due to the influence and power of powerful institutional stakeholders, management may be required to meet their expectations and requests (Freeman 1984). It is possible that institutional investors, in an effort to raise capital, will push for increased levels of CSR disclosure and engagement (Dhaliwal et al., 2011).

The impact of ownership on environmental disclosure in the Australian context was investigated by Rao et al. (2012). Their findings showed that the level of environmental disclosure was positively related to institutional ownership. Aljifri et al., (2014) found a positive correlation between corporate disclosures and the percentage of total equity held by institutional investors of 5% to 10%.

Barako et al. (2006) discovered that institutional ownership had a positive impact on a sample of 53 Kenyan listed firms' transparency and disclosure between 1992 and 2001. Using data from the U.S. financial market between 2001 and 2006, Chung and Zhang (2011) found that firms with high levels of voluntary disclosure were very attractive to institutional investors. Similarly, Nurleni and Bandang (2018) examined the relationship between the two variables on a sample consisting of manufacturing firms listed in Indonesia for the period 2011 to 2015. They found a positive and significant relationship between institutional ownership and CSR disclosure, and this was due to the fact that firms with large institutional ownership had higher supervision and control on management. Dyck et al. (2019) examined whether institutional investors would affect the level of environmental and social disclosure on a sample consisting of 3,277 international firms for the period 2004 to 2013 and found that firms with institutional ownership increased the level of CSR disclosure. On the balance of the available literature, this study hypothesises that:

H11: There is a positive relationship between institutional ownership and CSR disclosure.

4.3.2.3 Foreign Ownership

In order to reduce the agency costs and information asymmetry, firms with a broader ownership structure are more willing to provide additional information, according to agency theory (Ho and Wong 2001). When a company's shareholders are diversified, its annual report is likely to disclose more information than when its shareholders are concentrated. Singhvi and Desi (1971) argued that a firm's financial reporting system may be significantly affected by the presence of international ownership because they could influence a firm's management to provide more information by exercising their ownership and voting rights.

Fahad and Nidheesh (2020) examined the CSR disclosure of 386 listed firms in India for the period 2007 to 2016 and found that foreign ownership positively and significantly affected CSR disclosure. Dyck et al. (2019) further examined whether institutional investors would affect the level of environmental and social disclosure on a sample consisting of 3,277 international firms for the period 2004 and 2013. They found that firms with foreign ownership increased the level of CSR disclosure.

In the annual reports of 386 Indian listed firms from 2007 to 2016, Fahad and Nidheesh (2020) found a significant and positive relationship between foreign ownership and CSR disclosure. Yani and Suputra (2020) examined the effect of foreign ownership on CSR disclosure in mining firms in Indonesia from 2016 to 2018 and found that firms with foreign ownership tended to disclose more CSR information.

Furthermore, in the annual reports of 110 listed Chinese firms in 2005, Wang et al. (2008) examined the relationship between voluntary disclosure and foreign ownership and concluded that voluntary disclosure was positively linked to foreign ownership. Garanina and Aray (2021), on the other hand, in research undertaken on 223 listed Russian firms for the years 2012 and 2015, did not find any association between foreign ownership and CSR disclosure. On the balance of the available literature, this study hypothesises that:

H12: There is a positive relationship between foreign ownership and CSR disclosure.

4.3.3 CSR Disclosure and Financial Performance Factors

Simpson and Kohers (2002) found that social and economic performance are closely linked. Additionally, firms that participated in social responsibility activities saw a decrease in their cost of capital as well as a reduction in their overall risk (El Ghoul et al. 2011). Social reputation may play a role in lowering

a company's level of systematic risk (Salama et al. 2011). As a result, firms that practice social responsibility will be less vulnerable to future penalties, such as product safety issues, employee disputes and consumer fraud (Waddock and Graves 1997).

4.3.3.1 Return on Assets

To assess a firm's ability to generate value for its shareholders by making effective use of its own assets, ROA performance can be analysed. Ullmann (1985) indicated that socially and financially successful firms, as measured by ROA, tend to disclose more social information. Dewi and Monalisa (2016) examined the relationship between CSR disclosure and ROA in mining listed firms in Indonesia for the period 2010 to 2012. They found that the firms with high ROA disclosed more CSR information. Another study by Razali et al. (2018) examined the association between CSR disclosure and ROA in 324 Malaysia's listed firms for the period 2014 to 2016. They also found that CSR and ROA were positively related, and that increased CSR disclosure could improve a firm's corporate image, reputation and ability to attract investors, all of which led to improved firm performance. Qiu et al. (2016) examined the relationship between ROA on CSR disclosure using 629 listed firms in the U.K. from 2005 to 2009. They found that there was a positive relationship between the two variables. On the balance of the available literature, this study hypothesises that:

H13: There is a positive relationship between ROA and CSR disclosure.

4.3.3.2 Price-Earnings Ratio

The P/E ratio is a fundamental stock analysis metric which compares the price of a firm's stock to its net profit over the duration of a year and measures the price of a firm's stock in relation to the net income it generates per share of (Meutia and Yuniarti 2014). It can be determined whether or not a stock's price is reasonable by knowing the P/E ratio, because the calculation focuses on the

net profit generated by the firm (Meutia and Yuniarti 2014).

Daniel et al. (2021) examined the effect of P/E ratio on CSR disclosure of consumer goods firms in Nigeria from 2008 to 2017 and found that there was a positive and significant relationship between the two variables. Further, in another study by Hardiningsih (2020) which investigated the relationship between CSR disclosure and P/E ratio on a sample consisting of 39 listed firms in Indonesia and Malaysia for the period 2015 to 2018, they found that there was a positive relationship between CSR disclosure and P/E ratio.

Nkomani (2013) looked at the relationship between CSR and financial performance P/E and ROE. The sample was chosen from the top 100 firms of the Johannesburg Stock Exchange, where it emerged that there were no significant links between CSR, P/E and ROE. The relationship between CSR and financial performance in selected southeastern Asian firms was studied by Querol-Areola (2017), who determined with financial ratios such as ROA, ROE and P/E, that a moderate relationship between CSR and P/E ratio was demonstrated. Looking at the empirical research, as stated above, it can be summarised that the disclosure of corporate social responsibility information has good financial and market performance consequences. On the balance of the available literature, this study hypothesises that:

H14: There is a positive relationship between P/E ratio and CSR disclosure.

4.3.4 CSR Disclosure and Firm-Specific Characteristics – Control Variables

Because of the various levels of public exposure, industries in which they operate, and specific processes and capabilities, every company has its own distinctive characteristics that can influence its policies and practices (Lang & Lundholm, 1993; Adams, 2002). Evidence shows that a company's disclosure practices consistently linked to its size, type of business, level of knowledge and financial health. For large firms and sensitive industries, CSR disclosure

may help show they are good corporate citizens (Rao et al. 2012). The following sub-sections discuss firm-specific variables and CSR disclosure.

4.3.4.1 Firm Age

A company can only exist and grow if the environment in which it operates is accepted as a legitimate resource for its survival and development (Pfeffer and Salancik 2003). The reputation of a firm and its ability to compete for and gain access to critical resources are influenced by the ability of older firms to establish quick and positive relationships with a wide range of stakeholder groups (Gray et al. 1995a). To maintain their legitimacy, older firms are more likely to be actively involved in social and environmental concerns and communicate their involvement through the maintenance of CSR disclosure practices (Roberts 1992). Roberts also determined that the age of the firm had a positive and significant impact on CSR disclosure in the U.S. Khan et al. (2013) found a strong correlation between the age of a firm and the CSR disclosure in Bangladesh, and that Bangladeshi older firms provided significantly more CSR information (Muttakin and Khan 2014). In a study conducted on 30 Indonesian listed firms for the year from 2012 to 2016, Waluyo (2017) found that CSR disclosure was positively related to firm age. Study of 93 listed firms in Saudi Arabia in 2008 by Al-Gamrh and Al-dhamari (2016) finds a positive relationship between voluntary disclosure and firm age. Fahad & Nidheesh (2020) examined the effect of a firm’s age on CSR disclosure in 386 listed firms in India for the period 2007 to 2016 and found that firm age positively and significantly affected CSR disclosure.

4.3.4.2 Existence of Fines and Penalties

According to Deegan et al. (2000), firms' revenues are directly affected by penalties because their production processes are disrupted, but penalties also have negative externalities. Penalised firms are ultimately responsible for the punishment and must bear the associated costs. Most organisations, being

profit-seeking entities, are likely to respond by implementing strategies to minimise the negative consequences of any unexpected penalties. As such, firms increase their use of CSR disclosure when faced with threats to their legitimacy (Warsame et al. 2002). As demonstrated by Milne and Patten (2002), positive disclosures could sometimes serve to restore or repair the legitimacy of a firm (such as following the incurrence of fines or penalties). A key goal for CSR initiatives is to improve the public image of a firm (KPMG 2011) and CSR disclosure can therefore be considered a tool to maintain and improve a firm's reputation (Bebbington et al. 2008). Firms facing fines and penalties for breaching stock market regulations tend to disclose more CSR information so that they can maintain or restore their reputation (Axjonow et al. 2018).

4.3.4.3 Existence of Code of Ethics

Ethics is an important element in doing business within, and according to, the legal limits laid down in laws and recognised codes. The failure of once powerful corporate empires like Enron, WorldCom and Parmalat revealed what can happen when ethical business standards are consistently ignored and flouted (Muhamad et al. 2009), showing that the code of ethics is important, because it guides organisations away from unethical practices. Persons (2013) further underlined the adverse effects on businesses when unethical behaviour occurs, in that it tarnishes the image and credibility of firms and undermines their competitiveness and market value.

Ethical codes are the ideals and guidelines set by corporations to ensure that all corporations conform to government or social standards and behave ethically. Ethical codes also include key institutional principles and guidance on matters, including but not limited to, customer and supplier relationships, employee relationships and confidential information (Valentine and Barnett 2002). In addition, as noted by Preuss (2009), the code of ethics covers a firm's responsibilities to all the parties involved and/or to meet the employees' expectations. A written and structured document consisting of moral policies

and procedures, which are presented as principles, fundamental values and guiding principles for firms to operate by amounts to a code of ethics as defined by Valentine and Barnett (2002). A corporate entity can gain legitimacy in many ways, such as acting in a socially responsible manner (Farook et al. 2011), which can be achieved by adopting a code of ethics. ElGammal et al. (2018) examined the relationship between business ethics and CSR disclosure in small and medium non-public firms in Lebanon and Egypt and found that ethical practices had a positive impact on corporate governance, which in turn positively affected CSR disclosure. Using data from 83 of the world's most ethical firms, researchers found a positive relationship between adopting ethical practices and the degree of voluntary disclosure (Rossi et al. 2021).

4.3.4.4 Type of Audit Firm

According to agency theory, proper auditing can mitigate the conflict of interest between stakeholders and management (Xiao et al. 2004). Large auditing firms have high standards because they are keen to protect their reputations (Huang and Kung 2010). It was observed, empirically, that the probability of better disclosure is greater for international audit firms such as the "Big 4" (Xiao et al. 2004). According to Choi (1998), one of the most important tasks of the auditor is to advise their client to report to the stakeholders their social and environmental financial statistics and other relevant information. Furthermore, it is increasingly necessary to ensure the provision of non-financial and financial information as part of sustainability commitments, policies and strategies (Deegan and Gordon 1996). This is important for the internal quality assurance and external provision of credible information to stakeholders, particularly for those interested in specific social and environmental performance aspects, as well as in the impact of non-financial considerations on financial performance and evaluations (Adams 2002). Research has demonstrated that having a high-quality audit has a significant impact on a firm's overall reporting (Hail 2002).

A positive relationship between the type of audit firm and disclosure was identified by Raffournier (1995) and Xiao et al. (2004). Kent and Stewart (2008) also looked at the correlation between the type of audit firm and CSR disclosure and found that the audit firm had a positive relationship to CSR disclosure. They noted that firms hiring large external auditing firms disclosed more information than firms using smaller auditors.

4.3.4.5 Firm Size

Larger firms are more visible to the public, with increased political sensitivity than that of smaller firms. Consequently, larger firms are subject to more regulatory oversight and increased voluntary disclosure could be one way to reduce the interventions and undesirable pressures of those bodies and improve the firm's public perception (Lim and McKinnon 1993). Since smaller firms do not have the resources to collect, present and deliver voluntary information, their use of it may be limited (Abd-Elsalam 1999).

Multiple studies have been undertaken which determined a positive relationship between firm size and CSR disclosure, including (Raffournier (1995), who reviewed 49 firms engaging in voluntary financial disclosure in Switzerland in 1991; Barako et al. (2006), who examined the factors affecting the voluntary disclosure of 43 Kenyan firms for the period 1992 to 2001) A minority of studies have found either a negative or insignificant relationship between firm size and disclosure, with Wallace et al. (1994) speculated that larger corporations may be trying to minimise the possibility of political action by reducing disclosure.

4.3.4.6 Leverage

Naser et al. (2006) examined the relationship between a firm's leverage and disclosure. In this context, firms with high leverage were seen as risky, and this explains a firm's tendency to disclose more information in order to present themselves favorably to their lenders and stakeholders in general. Increasing agency costs are associated with highly leveraged firms because of the

potential wealth transfer from creditors to shareholders (Ortas et al. 2015). High-leverage firms are more likely than firms with lower levels of leverage to disclose more information and the reasons for their heavy borrowing when seeking new funds or attracting investors. Agency theory suggests that firms with higher leverage would disclose more voluntary information and are responsible for meeting the needs of creditors by providing reliable information to enhance their trust in the firm's ability to service its obligation (Naser et al. 2006).

In addition to examining firm age, Fahad and Nidheesh (2020) also examined the association between leverage and CSR disclosure on the sample of 386 listed firms in India for the period 2007 to 2016. The study found that firms with high leverage tended to disclose more information due to the fact that lenders needed more information to ensure the firm’s ability to repay their debts. A study by Triatmaja et al. (2021) on a sample of 20 consumer firms in Indonesia for the period 2015 to 2018 found that leverage affected the extent of CSR disclosure positively. Miranatha and Wirawati (2021) found that bondholders' confidence in the fulfillment of their rights as creditors were bolstered with the addition of social information. High leverage firms are therefore required to disclose more information than low leverage firms. Barako et al. (2006) examined 43 annual reports of Kenyan firms covering the period 1992 to 2001 and found a positive relationship between voluntary disclosure and leverage. Al-Shammari (2008) also found a positive relationship from a study of 82 listed Kuwaiti firm in 2005, as did Juhmani (2013) following the examination of 41 Bahraini firms in 2010. In contrast, however, Habbash (2016) found that the extent of CSR disclosure of 267 annual reports of Saudi listed firms for the year from 2007 to 2011had a negative relationship with leverage, whilst Wahyudi (2018) also found no association in a study of 29 Indonesian banks between 2012 and 2016.

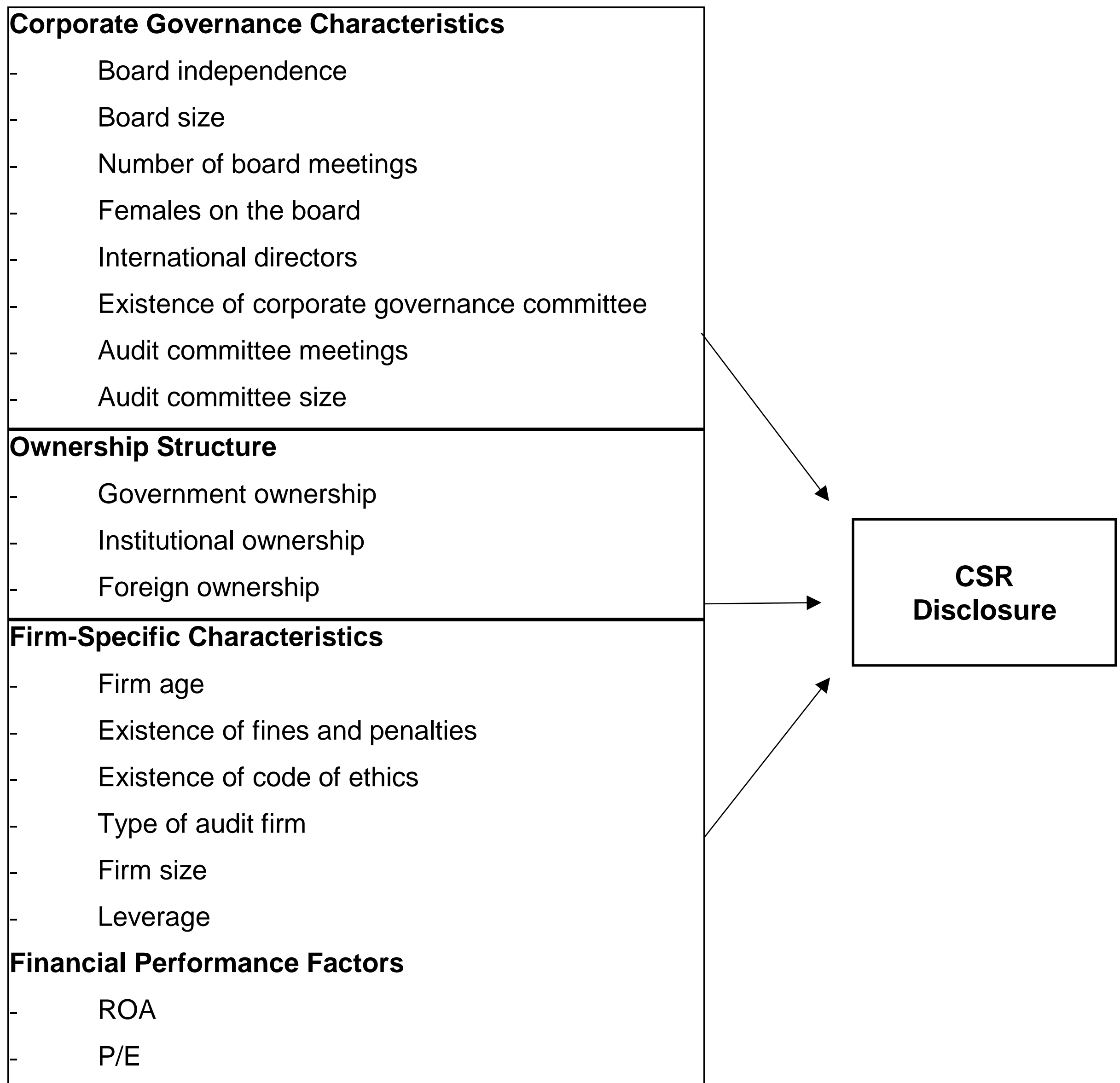
4.4 CSR Disclosure Conceptual Model in the GCC

The conceptual framework can include a set of ideas that are logically and systematically incorporated into an empirical investigation based on theoretical assumptions (Rudestam and Newton 2014). A conceptual framework is therefore useful for clarifying the position and direction for research. The following benefits will help guide current research:

- it helps to determine the limits of the research context and thus establishes the objectives of the empirical study
- it contributes to the integration of variables and sets out certain assumptions regarding the expected relationships between them (Rudestam and Newton 2014), and
- the data is defined and used in an effective and meaningful way (Miles and Huberman 1994).

The conceptual model for this study based on the above hypotheses' development is as follows:

Figure 4.1 Framework for CSR disclosure in GCC countries



4.6 Conclusion

This chapter discussed the different theoretical and empirical literature on CSR disclosure to develop hypotheses for the determinants of CSR disclosure. The chapter explained the theoretical framework on CSR disclosure, using the three key perspectives: agency theory, legitimacy theory and stakeholder theory. In addition, the prior empirical literature in relation to determinants of CSR disclosure and financial performance were presented. The CSR literature was discussed giving regard to the factors affecting its corporate governance,

ownership structure, firm-specific characteristics and financial performance factors. Finally, the following hypotheses were developed and summarised are in the table below.

Table 4.4 Summary of hypotheses developed

Hypothesis No.	Hypothesis
CSR Disclosure and Corporate Governance Characteristics	
1	There is a positive relationship between board independence and CSR disclosure.
2	There is a positive relationship between board size and CSR disclosure.
3	There is a positive relationship between the number of board meetings and CSR disclosure
4	There is a positive relationship between women on the board and CSR disclosure.
5	There is a positive relationship between international directors and CSR disclosure
6	There is a positive relationship between corporate governance committees and CSR disclosure.
7	There is a positive relationship between audit committee meetings and CSR disclosure.
8	There is a positive relationship between audit committee size and CSR disclosure.
9	There is a positive relationship between Islamic Financial Firms and CSR disclosure.
CSR Disclosure and Ownership Structure	
10	There is a positive relationship between government ownership and CSR disclosure.
11	There is a positive relationship between institutional

	ownership and CSR disclosure.
12	There is a positive relationship between foreign ownership and CSR disclosure.
CSR Disclosure and Financial Performance Factors	
13	There is a positive relationship between ROA and CSR disclosure.
14	There is a positive relationship between P/E and CSR disclosure.

CHAPTER FIVE: RESEARCH METHODOLOGY

5.1 Introduction

This chapter highlights the methodology and type of analysis employed in this study. A quantitative methodology has been selected and it is based on content analysis to answer the research questions. Annual reports of listed financial firms operating in the GCC were subjected to assessment. The CSR disclosure measurement process is discussed, along with the nature of the sample, data collection, reliability and validity. The firms listed on various GCC countries' stock exchanges are reviewed in detail.

Figure 5.1 below illustrates the 'onion model' devised by Saunders et al. (2009) that helped to organise the methodology for this study. Commencing with selection of the research philosophy and concluding with the method of data collection and analysis.

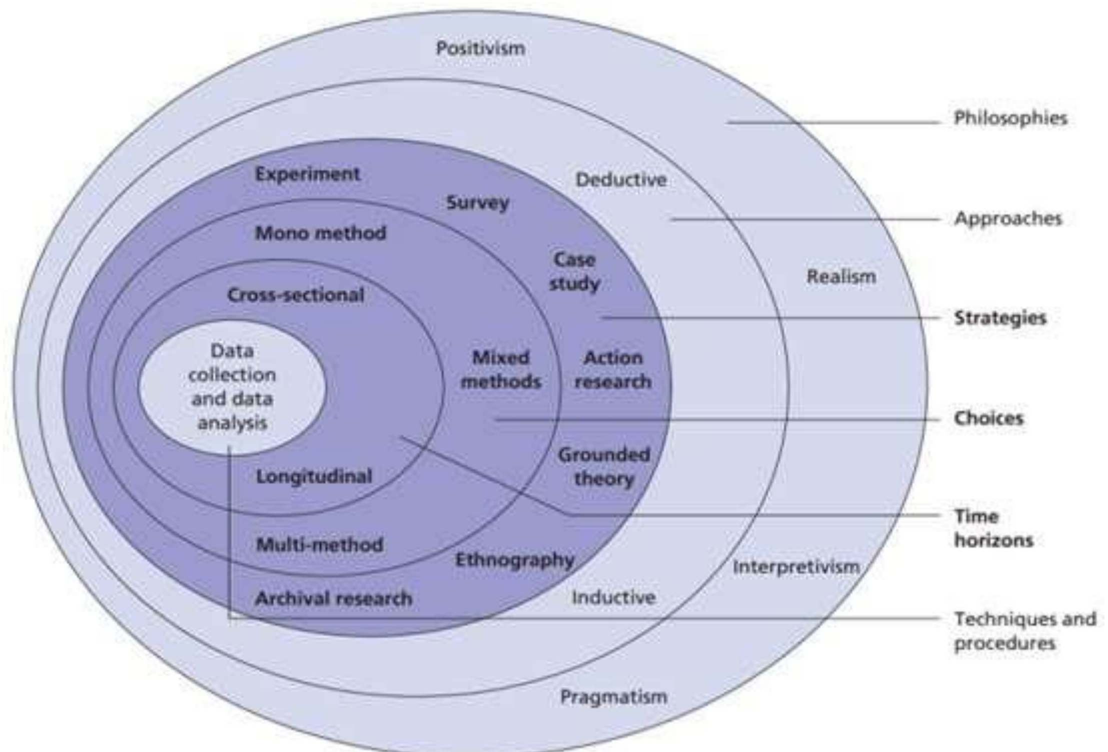


Figure 5.1. Research onion

Source: Figure adapted from Saunders et al. (2009, 138).

5.2 Research Philosophy

There are many philosophical perspectives in the social studies discipline and it is not feasible for one researcher to possess all the answers for the complex debate on which philosophical standpoint is considered to be the best (Morgan and Burrell 1979). This study therefore follows an epistemological standpoint where the research is conducted in a specific locale so that the results can be interpreted and generalised to a wider context. According to Bryman (2008), social research is about understanding what people do and why, which allows for numerous debates regarding perceptions and understanding of people. Since there are different disciplines in terms of epistemological research, scholars do not agree on one answer (Trochim 2006). Epistemological schools of thought, such as interpretivism, positivism, relativism and realism are the most popular approaches (Bryman 2008).

Positivism asserts that a researcher can only rely on knowledge obtained through testing and measurement but fails to consider other forms of knowledge outside the researcher's direct observation (Remenyi et al. 1998). The positivist researcher follows a framework of assumptions and principles, and measurements are subjected to valid testing so that outcomes are reliable and can be easily generalised (Bryman 2008). For this reason, hypothesis testing is very important in the positivist approach. The main drawback of positivism, however, is that it fails to account for the subjective state of mind of people or the external factors that influence people's behaviour (Saunders et al. 2009). This criticism of positivism has led scholars to embrace interpretivism which considers the human factor.

According to interpretivism, people interpret their environment according to their values, beliefs, assumptions and external influences, and what they do will vary due to different types of knowledge, background, and circumstances etc. (Bryman 2008). Interpretivists do not assume people's responses are highly or completely rational and consistent (Bryman et al. 2018). However, criticisms of both interpretivism and positivism have given rise to a subsequent

epistemological school known as post-positivism, also called critical realism. This is an approach that basically amends positivism, i.e. the background, theory, values and knowledge which are accepted by the researcher because these things do influence the population that is being observed; understanding this phenomenon is more important in post-positivism (Bhaskar 2010).

5.3 Research Approach

The research approach can be divided into two main types, being the deductive approach and the inductive approach. Developing hypotheses is the basis of the deductive approach because it is related to theory testing. Causality forms the basis of the deductive approach, and it is generally associated with quantitative research. Conversely, the inductive approach is linked to the creation of a new theory on the basis of data collected. This approach limits the scope of a research study through the targeted use of research questions and a new phenomenon can be analysed from a different standpoint. Moreover, the inductive approach is usually associated with qualitative research (Babbie 2010). Data collection, according to the quantitative method, is typically based on statistics, numbers and tabulated information to test certain hypotheses. This is an appropriate approach for this study because it seeks to identify the determinants of CSR disclosure in GCC listed countries, and the hypotheses development serves as the basis of the deductive approach whilst being related to theory testing. The figures below illustrate the differences between deductive and inductive approaches (Saunders et al. 2009).

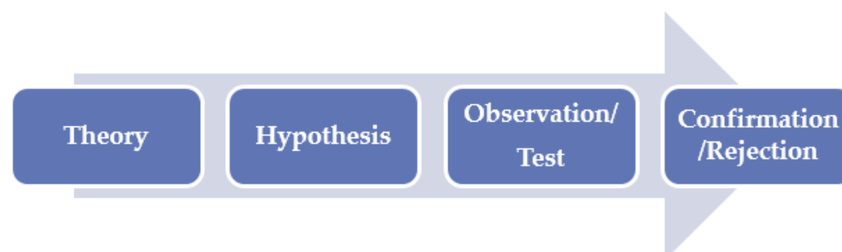


Figure 5.2. Deductive process

Source: Saunders et al. (2007).

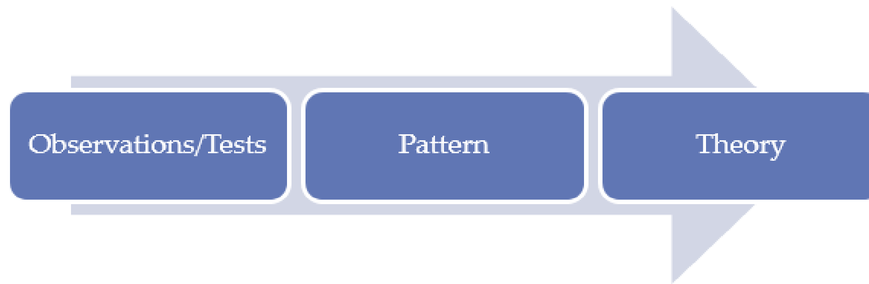


Figure 5.3. Inductive process

Source: Saunders et al. (2007).

5.4 Research Strategy

The primary method of collecting data for this study was through the use of archival research strategy. CSR disclosure in GCC listed financial firms was studied using archival online records in this quantitative study. Archival research, according to Saunders et al. (2007), is a primary source of data that utilises administrative records and documents and this strategy is suitable when analysing secondary data as is the case in this study.

Archival data is collected from annual reports and is both numerical and text in source. Textual data analysis is a method used to extract specific data to facilitate the researcher in describing the content and context of the text. Text analysis can be analysed in four ways: rhetorical criticism, content analysis, interaction and performance analysis (Frey et al. 2000). This study will examine textual data by applying the content analysis method, and this strategy calculates how many times a specific item is shown in a report (Pollach 2011) and what that indicates. This method may be done automatically using computer software or manually through the examination of each annual report obtained as part of the study. While examining data using computer software is deemed to be faster than doing it manually, as the data of this study originates from the listed financial firms of GCC countries and the language used is Arabic, the data will be collected manually.

5.5 Research Choice

Research approaches can be either qualitative or quantitative in nature, or a combination of both. In this field, the quantitative approach is often preferred because its research paradigm and statistics-based datasets are more acceptable to the research community (Mayring 2012). However, qualitative research has its own merits and has become popular as an alternative to quantitative methodology (Robson 2002).

The positivist philosophy is more closely associated with quantitative research methodology because it seeks to find the relationships between various variables in a population sample that is based upon objective and not subjective observation. The deductive approach and quantitative methodology work together because quantitative methodology makes it possible to test hypotheses as required. On the other hand, the qualitative methodology is often suited to researchers who are using interpretivism because qualitative methods enable the collection of non-numerical data and explain the contexts of subjective information (Bryman 2008).

According to Bryman (2008), the symbolic nature of disclosure, their interpretations and the structure values are better examined using a qualitative methodology, as it allows data to be informed by conversations and texts, and explains the role played by participants, the physical environment and people's various activities. If a researcher wants to investigate the causal relationships between variables, the quantitative research methodology is preferred (Saunders et al. 2009). Moreover, quantitative methodology allows the researcher to predetermine the type of data to be collected for analysis to achieve the research objective(s) (Bryman 2008). It requires that dependent and independent variables be accurately identified, and the research questions are clear and logical. Quantitative research closely aligns the research questions to the research conclusions.

Qualitative research can bolster the findings of quantitative methodology by providing a deep investigation of the characteristics or traits of people such as attitudes, perceptions, beliefs, behaviours and experiences etc. (Bryman 2008). This is where focus groups, semi-structured interviews and observations etc. are extremely useful due to the high level of interaction between people (Bryman 2008). It has been highlighted by various scholars that qualitative methodology is very flexible in its application and this results in a more comprehensive and in-depth study (Patton 1990; Robson 2002), despite often being associated with smaller sample sizes. Another benefit of the qualitative methodology is that the aims and objectives do not overly restrict the research because new information can be accepted and changes in circumstances can alter the scope of the study (Cassell and Symon 1994).

In qualitative methodology, the risk of a scholar's personal bias is very high because each scholar views the world in their own way. Subjectivity is one of the biggest disadvantages of the qualitative approach, and it is argued by Bryman (2008) that the generalisation of findings based on qualitative methodology can be questioned on the basis of perceived bias, skills of the researcher and the nature of the questions. Another disadvantage, according to Cassell and Symon (1994), is that despite qualitative research allowing flexibility when new and relevant information is found, it can lead to a deviation from the original question(s) and therefore compromise the research objectives. Scholars who use qualitative methodology must be highly experienced to enable the required and convincing results (Bryman 2008).

For the above-referred reasons, Creswell and Clark (2017) proposed the combination of both methodologies to ensure that the research results are highly generalisable and more reliable. This is called the mixed methodology and according to Bryman (2008), it can be used in two ways as it is possible:

1. for a researcher to conduct data collection under both methodologies and perform data analysis, and

2. to convert qualitative data into quantitative data through codification so that it can be subjected to statistical analysis.

Nonetheless, the mixed methodology is critiqued by some scholars due to associated problems such as high cost and difficulty of application (Bryman et al. 2018).

As referenced above, the quantitative approach has been applied to this study due to the availability of statistics-based datasets, which are more acceptable to the research community (Mayring 2012). Furthermore, if the researcher wants to investigate the causal relationships between variables, the quantitative research methodology is best able to do this (Saunders et al. 2009) and the quantitative methodology allows the researcher to predetermine the type of data to be collected for data analysis in order to achieve the research objective(s) (Bryman 2008). This requires dependent and independent variables to be accurately identified, and the research questions to be clearly stated and logical.

5.6 Research: Time Horizon

For this study, the research questions are as follows:

(i) What is the current extent of CSR disclosure in GCC overall and its individual member countries, specifically for the five-year period of 2014 to 2018 (the Study Period)?

(ii) What are the determinants of CSR disclosure in GCC listed financial firms for the Study Period?

(iii) What are the differences between the determinants of CSR disclosure in GCC Islamic and conventional listed financial firms for the Study Period?

To answer these questions, the listed financial firms on GCC stock exchanges were selected, and their CSR disclosures investigated over a number of years necessitating a longitudinal study. Advantages of the longitudinal approach is that unlike cross-sectional studies, longitudinal research can provide more insight into cause-and-effect relationships (Campbell 2000). In addition, the advantage of a longitudinal study is that researchers can examine the development and/or changes of a particular aspect over the course of time and across various organisations (Watson et al. 2002).

5.7 Research: Techniques and Procedure

5.7.1 Content Analysis

Content analysis serves to examine the data collected by attempting to make valid inferences from it (Bryman et al. 2018) and is an appropriate technique to apply in conjunction with quantitative research methodology. It has also been found useful in exploratory research without the need for hypothesis testing or use of theory (Kolbe and Burnett 1991). However, data must be coded and reliably measured (Favotto et al. 2016) - the content analysis for this study comprised of the annual reports of GCC listed financial firms and CSR reports. The disclosures made by firms regarding their CSR activities shall be defined, categorised and measured for their reliability. Since the methodology is quantitative, the secondary data from annual reports regarding CSR disclosure will be coded and measured so that they can be evaluated using statistical analysis techniques. Morris (2008) found that content analysis could extract specific data from various types of communication, as confirmed in the work by Chakroun and Hussainey (2014) and Habbash (2016).

There are seven steps in the content analysis of CSR disclosure which are outlined below (Wolfe 1991). These steps are as follows:

1. Determining sampling units
2. Determining recording units
3. Determining the themes to be coded

4. Determining categories to be coded
5. Determining the coding mode
6. Testing of coding on a sample, and
7. Assessment of reliability and validity.

5.7.1.1 Determining Sampling Units

Information about a firm's CSR activities can be obtained from multiple sources including news, media, articles, monographs, reports, annual reports, websites and press releases (Zeghal and Ahmed 1990). However, most research studies that investigate CSR activities rely on annual reports (Deegan and Rankin 1997) as they are a reliable source, given they offer more detailed and regulated information. According to Gray et al. (1995a), the annual report is a prime source of information available to the general public, and it provides detailed information about a firm's image and what it wants others to know. Researchers' preference is to use annual reports however they understand that it is not feasible to identify or even trust every piece of information that has been published in any type of media (Zeghal and Ahmed 1990). With that being said, this study will rely on annual reports as the major source of data, as it is considered the most relevant and reliable data source for analysing CSR disclosure (Holland and Foo 2003), and it is believed that collected data would be incomplete if alternative sources of information were employed without reference to annual reports (Unerman 2000).

5.7.1.2 Determining Recording Units

Prior literature has identified two primary options for determining the recording unit for CSR disclosure. The first is to detect the presence or absence of CSR disclosure (Option 1) and the second is recording the count of content to measure the CSR disclosure coverage (Option 2). Researchers have used un-weighted and weighted approaches to evaluate how much information is being disclosed in reports. With the latter approach, a weight is allocated to each item. This could be subjective as the relative importance of disclosing

CSR items differs from firm to firm, time to time and industry to industry (Spero 1979). The current study adopts option 1 to detect the presence or absence of CSR disclosure which is given a value of 1 if an item in CSR index is disclosed, 0 otherwise. An important benefit of this technique is that it captures the range of disclosure, including non-textual formats (Esa and Ghazali, 2012). This method is commonly used in measuring the extent of CSR disclosure (Raffournier 1995; Lim et al. 2007; Chau and Gray 2010; Ahmed Haji 2013), as there is no existing theory or literature suggesting that some items weigh more than others. In this way, using the un-weighted approach reduces subjectivity (Ahmed and Courtis 1999).

5.7.1.3 Determining the Themes to be Coded

Categorisation into themes and sub-themes makes it possible to facilitate data coding and evaluation of CSR disclosure. The difference between themes and categories is that categories highlight the big picture if the subject such as (environment, community and social activities, employees, product, services, marketplaces and customers, and other items) in this study, while the themes included under these categories as shown in table 5.4. The current study has developed themes as shown in table 5.4 and these themes were chosen based on literature in emerging economies (Darus et al. 2014; Zakaria and Dewa 2010; Menassa 2010; Khan 2010; Aribi and Gao 2010; Raman and Bukair 2013; Nobanee and Ellili 2016; Hassan and Syafri 2010; Maali et al. 2006; Bhatia and Makkar 2020; Orazalin 2019; Rouf and Hossan 2020; Rahman and Masum 2021). The five categories (environment, community and social activities, employees, product, services, marketplaces and customers, and other items) have been identified based on the recommendations of the corporate governance codes in GCC countries, for instance the corporate governance code in Saudi Arabia recommended listed firms in Saudi Arabia to consider these five categories in their CSR practices (CMA, 2017) thus this study used the corporate governances codes in GCC countries as a guide to identify the five categories.

According to Tsang (1998), there are differences in CSR practices and reporting in countries due to their very different cultural, economic and political backgrounds, circumstances and histories. Therefore, this study has not employed the themes used for developed countries given the focus of the research is the GCC, with its unique history and culture (Belal and Cooper 2011). Instead, it derives its CSR disclosure measure from developing and Islamic countries which better reflect the GCC countries (Darus et al. 2014; Zakaria and Dewa 2010; Menassa 2010; Khan 2010; Aribi and Gao 2010; Raman and Bukair 2013; Nobanee and Ellili 2016; Hassan and Syafri 2010; Maali et al. 2006; Bhatia and Makkar 2020; Orazalin 2019; Rouf and Hossan 2020; Rahman and Masum 2021). The current study identified 33 items that were common between all of these studies. These studies have included items that were not included in this study, for instance some of these studies included the board of directors information and education; however, this item is not available in the GCC financial listed firms annual reports as it is not mandatory.

5.7.1.4 Determining Categories to be Coded

Content in a group where some features are shared is referred to as a category (Krippendorff 2013). The analysis in this research study depended upon capturing the extent of CSR disclosure in the annual reports of listed financial firms in GCC countries. There are five categories of CSR disclosure identified:

- environment
- community and social activities
- employees
- products, services, marketplaces and customers, and
- other items.

This selection of categories is supported by several analyses that examine the extent of CSR disclosure in financial institutions in developing countries (Darus et al. 2014; Zakaria and Dewa 2010; Menassa 2010; Khan 2010; Aribi and Gao 2010; Raman and Bukair 2013; Nobanee and Ellili 2016; Hassan and

Syafri 2010; Maali et al. 2006; Bhatia and Makkar 2020; Orazalin 2019; Rouf and Hossan 2020; Rahman and Masum 2021).

5.7.1.5 Determining the Coding Mode

Coding can either be undertaken manually or by a computer. Rapid advances in technology have enabled computers to minimise or prevent errors, operate at a faster speed and make accurate findings (Wolfe 1991). When used properly, computers and related technologies can produce better research quality, refine the research questions and gather large amounts of relevant data (Hetherington 2002). While examining data using computer software is deemed to be faster than doing it manually, as the data of this study originates from the listed financial firms of GCC countries and the language used is Arabic, the data will be collected manually following Al-Haija et al., (2021).

5.7.1.6 Testing of Coding on a Sample

The coding will be tested on a random sample of 10% of 14 annual reports published by firms listed in GCC countries in a pilot study. This part of the study will provide practical insights and highlight potential problems that will be addressed by the researcher in using content analysis (Weber 1990). A pilot study is a crucial element of any successful study because it provides an opportunity to evaluate the initial credibility of the overarching study by affording the researcher the opportunity to identify and/or refine the content of what is being asked, coded and explained. In doing so, the researcher will be able to ensure a higher quality of analysis and data is established prior to working on the main study’s data. To make certain of the reliability of the study, the researcher will:

a) be trained in content analysis

b) involve different coders in coding 10% of the annual reports for the pilot study, and

c) undertake analysis of selected sections of the annual reports for the pilot study, to make sure the results are comparable, as any differences in the pilot study outcomes will be discussed and solved prior to commencement of the main study

5.7.1.7 Assessment of Reliability and Validity

On establishing reliable and valid results from the pilot study, this method should be used repeatedly for data analysis to provide accurate and reliable results (Neuendorf 2016). Yin's (2003) definition of reliability can be summarised as obtaining similar results in different conditions from a test or procedure. Smith (2019) defined validity as "*how well an instrument that is developed measures the particular concept it is intended to measure*" (p.132). According to Krippendorff (2013), there are three types of reliability in the content analysis, and these are tabulated in Table 5.1.

Table Types of Reliability :5.1

Reliability	Design	Causes of Disagreements	Strength
Stability	Test-retest	Intra-observer inconsistencies	Weakest
Reproducibility	Test-test	Intra-observer inconsistencies and Intra-observer disagreements	Medium and easily measurable
Accuracy	Test-standard	Intra-observer inconsistencies; Intra-Strongest observer disagreements and deviations from a standard	Strongest but difficult to get to

Source: Table adapted from Krippendorff (2013, 271).

Reproducibility is concerned with how consistent different coders are at coding data. Stability, on the other hand, refers to the degree to which the same individual consistently codes data on various occasions (Weber 1990)

Accuracy refers to the reliability of a coder against pre-determined standards. This is the strongest type of reliability and requires analysts to measure their performance against a set standard, meaning that any disagreements and deviations from a standard would suggest the data is unreliable. According to Benn and Bolton (2011), accuracy is hard to achieve in CSR disclosure as there is no agreed-upon standard in this arena.

For this study to be considered reliable, it had to have a high degree of stability and reproducibility. The coding of a pilot study can be useful before coding the main data set to ensure the coder has met an acceptable level of reliability. The following steps were taken to ensure the reliability:

1. Before beginning the content analysis, the researcher, who was the primary coder, received training in order to gain a thorough understanding of the techniques involved.

2. 14 annual reports were coded by different coders in the pilot test. To ensure that everyone was using the same method of coding, any significant discrepancies could be discussed. The two coders analysed 10% of the sample and the disagreement percentage was 2.94%. The minor areas of disagreement were re-examined and were identified as relating to differences in the translation from Arabic language to English. This was resolved by the two coders adopting a common language interpretation.

3. Every step of the research process had clearly defined procedures and rules in place. As a result of this "shared meaning" being created, all of the associated investigators were able to use the same referents during the data collection (Gray et al. 1995b).

In addition to reliability, the data gathered in a study must be valid (Krippendorff 1980). As a result, research can only be objective if the researcher adheres to a set of rules that minimises any possibility that the results reflect the analyst's

predispositions rather than the content of the documents being analysed. Coders' level of consistency can indicate the validity of a procedure. As a result, the study compared the CSR disclosure provided by various coders on a sample of annual reports in order to verify their validity and reliability.

This study took great care to ensure the concepts of reliability and validity. As a result, the extent of CSR disclosure can be accurately measured, and the results are deemed acceptable. Validity testing adds credibility to this study and emphasises the importance of CSR reporting in annual reports. This CSR disclosure's validity and reliability were examined using the SPSS software.

The current study used Cronbach's alpha to determine the reliability of the pilot study that has been made by the two coders. Cronbach's alpha value for the CSR index of 33 items categorised into five main themes is 0.824, and of all the items in the disclosure index. According to George and Mallery (2003), the Cronbach's alpha value for scale items has a level of reliability that is widely accepted is; $\alpha \geq 0.9$ Excellent; $0.7 \leq \alpha < 0.9$ Good; $0.6 \leq \alpha < 0.7$ Acceptable; $0.5 \leq \alpha < 0.6$ Poor; $\alpha < 0.5$ Unacceptable. The overall index of CSR disclosure devised for the study and the five subtheme indices is summarized in Table 5.2.

Table 5.2: Reliability of overall corporate social responsibility (CSR) index and the five subtheme indices

No.	Scale	Number of Items	Cronbach's Alpha
1	CSR Index	33	0.824
2	Environment	8	0.822
3	Community, Social Activities	8	0.789
4	Employees	8	0.749
5	Products, Services, Market Place, Customers	4	0.751
6	Other	5	0.814

5.8 Measuring CSR Disclosure

According to Alotaibi and Hussainey (2016), there are no CSR disclosure standards in the literature that can be taken as standard and correct. In order to achieve the objectives of this study, it was determined that a CSR disclosure index needed to be developed based on prior literature (Darus et al. 2014; Zakaria and Dewa 2010; Menassa 2010; Khan 2010; Aribi and Gao 2010; Raman and Bukai 2013; Nobanee and Ellili 2016; Hassan and Syafri 2010; Maali et al. 2006; Bhatia and Makkar 2020; Orazalin 2019; Rouf and Hossan 2020; Rahman and Masum 2021).

A comparison of the CSR disclosure scores given by different coders on a sample of yearly reports was used in this study to verify the validity and reliability. Two coders were involved in the pilot study. The high level of consistency (97.06%) indicates the validity of the coding, with minor differences attributable due to Arabic language interpretation being resolved following review. Given the high level of consistency the main researcher completed the analysis for the remaining reports.

This process ensured that the CSR disclosure measurement is reliable, and the outcomes are acceptable. In this study, the validity test strengthens the findings and emphasizes the importance of CSR disclosure in annual reports. The reliability of CSR disclosure score was tested using SPSS software. In order to determine the reliability of the CSR disclosure index, Cronbach's Alpha was employed, with a score of 0.824. As a result, this can be used as a valid metric for evaluating CSR disclosure according to George and Mallery (2003), the Cronbach's alpha value for scale items has a level of reliability that is widely accepted is; $\alpha \geq 0.9$ Excellent; $0.7 \leq \alpha < 0.9$ Good; $0.6 \leq \alpha < 0.7$ Acceptable; $0.5 \leq \alpha < 0.6$ Poor; $\alpha < 0.5$ Unacceptable

In order to develop such an index, the researcher considered other indices devised in previous literature and other CSR reporting benchmarks. Examination was made of the Global Reporting Initiative (GRI) standards

however, previous scholarly assessment noted some limitations. According to Nikolaeva and Bicho (2011), one disadvantage of GRI is that it focuses exclusively on environmental performance, whilst Tschopp and Nastanski (2014) opined that GRI is costly and very complex, thus limiting its usefulness. The researcher further determined that the use of the GRI benchmark to this study developed an index rather than using the global benchmark for a variety of reasons:

GCC countries share the same religion, i.e. Islam (Hashim et al. 2015). Previous studies asserted that Islamic values play an important role in social responsibility practices, due to Islam's focusing on a person having responsibilities to the wider society (Zinkin 2010).

a) GCC countries share many cultural practices and traditions (Grassa and Chakroun 2016) which affects the level of CSR disclosure. This is especially true in respect of how the concept of culture influences how individuals perceive what social responsibility activities are (Adnan et al. 2009). Given that cultural, business, social and economic systems in emerging nations countries are quite different from their counterparts in the Western world, examining CSRR in such countries could prove to be fruitful (Birch 2003).

b) GCC countries share a commonality in respect of the type of government they have (Grassa and Chakroun 2016), and the political system has been shown to influence CSR activities and the level or type of disclosure (Liston-Heyes and Ceton 2007).

c) CSR practices differ between countries (Adnan et al. 2009) and given the previously suggested characteristics of GCC countries, using a global standard such as GRI, may not accurately reflect CSR disclosure practices in GCC listed financial firms.

Tables 5.3 and 5.4 summarise the studies used to develop the index for this

study. These studies were selected because they were undertaken on both Muslim and developing countries.

Table 5.3: Studies used in developing the CSR index

	Authors	Year	Sample	Method	Country	Coding Method	Weighted or Un-weighted
1	Darus et al. 2014	2012	37 Islamic banks	Content analysis	Malaysia	N/A	Weighted
2	Zakaria and Dewa 2010	2004 to 2008	Six banks	Content analysis	Malaysia	N/A	Un-weighted
3	Menassa 2010	2006	24 commercial banks	Content analysis	Lebanon	Sentence count	Un-weighted
4	Khan 2010	2007 to 2008	All private commercial banks	Content analysis	Bangladesh	Word count and frequency	Un-weighted
5	Aribi and Gao 2010	2004	42 financial institutions	Content analysis	GCC countries	Number of words	Weighted
6	Raman and Bukair 2013	2008	53 Islamic banks	Content analysis	GCC countries	Number of sentences	Un-weighted
7	Nobanee and Ellili 2016	2003 to 2013	All banks listed in the UAE	Content analysis	UAE	N/A	Un- weighted

Table 5.3 - continued

	Authors	Year	Sample	Method	Country	Coding Method	Weighted or Un-weighted
8	Hassan and Syafri 2010	2006	Seven Islamic banks	Content analysis	Bahrain, Bangladesh, Indonesia, Malaysia, Saudi Arabia, Kuwait, and the UAE	N/A	Un- weighted
9	Maali et al. 2006	2000	29 Islamic banks	Content analysis	16 Muslim countries	Number of sentences	Un- weighted

Where: CSR Measuring = Index

From the related research papers listed above, a CSR disclosure index was developed based on 33 items under five main themes:

a) Environment based on eight items

b) Community/Social activities which includes eight items

c) Employees, which includes eight items

d) Products, Services, Market Place and Customers, based on four items, and

e) Other, based on five items.

Table 5.4: CSR Disclosure Index item selected from the following Studies

Environment		Authors
1	The projects financed by the bank that may lead to harming the environment	Raman, A. A. and Bukair, A. A. 2013; Maali, B.; Casson, P. and Napier, C. 2006; Hassan, A. and Syafri Harahap, S. 2010; Bhatia and Makkar 2020; Rahman and Masum 2021.
2	Environmental policy	Aribi, Z. A. and Gao, S. 2010; Nobanee, H. and Ellili, N. 2016; Menassa, E. 2010; Orazalin 2019
3	Finance any environmentally friendly projects	Raman, A. A. and Bukair, A. A. 2013; Nobanee, H. and Ellili, N. 2016; Maali, B. Casson, P. and Napier, C. 2006; Aribi, Z. A. and Gao, S. 2010; Khan, H. U. Z. 2010
4	The firm's operations are in line with environmental laws and regulations	Raman, A. A. and Bukair, A. A. 2013; Nobanee, H. and Ellili, N. 2016
5	Awards for environmental protection strategies	Khan, H. U. Z. 2010
6	Recycling	Zakaria, S. and Dewa, N. 2010; Nobanee, H. and Ellili, N. 2016; Hassan, A. and Syafri Harahap, S. 2010

Table 5.4 - continued

Environment		Authors
7	Initiatives to mitigate environmental impacts of goods and services, and the extent of impact mitigation	Hassan, A. and Syafri Harahap, S. 2010; Nobanee, H. and Ellili, N. 2016
8	Waste management	Rahman and Masum 2021
Community / Social Activities		
9	The bank's role in economic development	Maali, B. Casson, P. and Napier, C 2006; Aribi, Z. A. and Gao, S. 2010; Zakaria, S. and Dewa, N. 2010; Raman, A. A. and Bukair, A. A. 2013
10	Sponsoring Islamic educational and social events	Raman, A. A. and Bukair, A. A. 2013; Aribi, Z. A. and Gao, S. 2010; Menassa, E. 2010; Zakaria, S. and Dewa, N. 2010
11	The nature of charitable and social activities that have been financed	Raman, A. A. and Bukair, A. A. 2013; Maali, B., Casson, P. and Napier, C 2006; Menassa, E. 2010; Zakaria, S. and Dewa, N. 2010; Darus, F., Amran, A., Nejati, M. and Yusoff, H. 2014
12	The amount spent on charitable and social activities	Raman, A. A. and Bukair, A. A. 2013; Maali, B., Casson, P. and Napier, C. 2006

Table 5.4 - continued

Environment		Authors
13	Support for public health	Menassa, E. 2010; Aribi, Z. A. and Gao, S. 2010; Zakaria, S. and Dewa, N. 2010; Darus, F., Amran, A., Nejati, M. and Yusoff, H. 2014
14	Involvement in foundation or voluntary work	Zakaria, S. and Dewa, N. 2010; Bhatia, and Makkar, 2020; Rouf and Hossan 2020
15	Qardh-Hassan (benevolent lending)	Hassan, A. and Syafri Harahap, S. 2010
16	Support of sports events	Menassa, E. 2010; Zakaria, S. and Dewa, N. 2010
Employees		
17	The policy on education and training of employees	Raman, A. A. and Bukair, A. A. 2013; Aribi, Z. A. and Gao, S. 2010; Menassa, E. 2010; Zakaria, S. and Dewa, N. 2010; Hassan, A. and Syafri Harahap, S. 2010
18	The equal opportunities policies developed for improving outcomes for females and minorities	Raman, A. A. and Bukair, A. A. 2013; Aribi, Z. A. and Gao, S. 2010; Menassa, E. 2010; Hassan, A. and Syafri Harahap, S 2010; Maali, B., Casson, P. and Napier, C. 2006
19	Workplace environment	Raman, A. A. and Bukair, A. A. 2013; Aribi, Z. A. and Gao, S. 2010; Maali, B., Casson, P. and Napier, C. 2006

Table 5.4 - continued

Environment		Authors
20	Appreciation of employees	Raman, A. A. and Bukair, A. A 2013; Aribi, Z. A. and Gao, S. 2010; Hassan, A. and Syafri Harahap, S 2010
21	Benefits for employees	Aribi, Z. A. and Gao, S. 2010; Khan, H. U. Z. 2010; Menassa, E. 2010; Hassan, A. and Syafri Harahap, S. 2010
22	Pensions	Aribi, Z. A. and Gao, S. 2010; Raman, A. A. and Bukair, A. A. 2013
23	Occupational health and safety issues	Menassa, E. 2010; Zakaria, S. and Dewa, N. 2010; Hassan, A. and Syafri Harahap, S. 2010
24	The policy on wages and other remuneration matters	Maali, B., Casson, P. and Napier, C. 2006; Zakaria, S. and Dewa, N. 2010; Menassa, E. 2010; Raman, A. A. and Bukair, A. A. 2013
Products, Services, Market Place, Customers		
25	Customer satisfaction	Raman, A. A. and Bukair, A. A. 2013; Khan, H. U. Z. 2010; Aribi, Z. A. and Gao, S. 2010
26	Customer service	Raman, A. A. and Bukair, A. A. 2013; Khan, H. U. Z. 2010; Aribi, Z. A. and Gao, S. 2010; Menassa, E. 2010

Table 5.4 - continued

Environment		Authors
27	Privacy	Raman, A. A. and Bukair, A. A. 2013; Khan, H. U. Z. 2010
28	New product or goods/services development and innovation	Khan, H. U. Z. 2010; Aribi, Z. A. and Gao, S. 2010; Raman, A. A. and Bukair, A. A. 2013; Zakaria, S. and Dewa, N. 2010
Other Items		
29	Promotion of research and development	Hassan, A. and Syafri Harahap, S. 2010
30	Business ethics	Raman, A. A. and Bukair, A. A. 2013; Khan, H. U. Z. 2010;
31	Policies for preventing corruption	Raman, A. A. and Bukair A. A. 2013; Khan H. U. Z. 2010;
32	Constructing affordable housing	Raman, A. A. and Bukair, A. A. 2013
33	The policy in dealing with insolvent clients	Raman, A. A. and Bukair, A. A. 2013

5.9 Selection of GCC Countries

The GCC countries share common economic features, for example, dependence on oil income, expatriate workers making up a large proportion of private sector employees, and public sector firms or government agencies sharing similar reporting requirements (Khasharmeh and Desoky 2013). GCC countries also share the same religion, Islam, in which the values, traditions and rules are much more closely adhered to than in non-GCC countries (Hashim et al. 2015). It has been stated that:

> GCC, founded on May 25th, 1981, is a regional organisation of states which share common geo-political and socio-economic objectives. The countries follow common civil law which has attributes such as low investor protection, weak capital markets and high insider shareholdings. The member countries have a one tier board structure. (Al-Malkawi et al. 2014, p.134).

The other characteristics that are common to GCC countries are ethnic similarity, type of government and certain aspects of culture (Grassa and Chakroun 2016). CSR disclosure in these countries is voluntary, therefore, differences in CSR disclosure and its impact on financial performance can be described, analysed and explained through the study of these countries. The results of this investigation could generate new insights concerning the extent of CSR disclosure in developing countries in the Middle East and elsewhere.

5.10 Sample Selection

This study investigates the determinants of CSR disclosure in listed financial firms operating in the GCC. To the best of the researcher's knowledge, no study has yet been conducted in the finance industry (banking, insurance and investment) in the GCC with reference to the determinants of CSR disclosure. Most current studies on CSR disclosure in this region exclude the finance industry because it has different accounting disclosure rules and regulations from other industries (Hackston and Milne 1996; Jain et al. 2015). The finance industry plays an important role in the economy as banking institutions can put pressure on other industries by limiting loans to firms (Alsahlawi 2016). Finance is a unique industry in that it can greatly govern the amount of economic stability or development a country needs, and it can also establish new policy strategies and trends in the economy (Chambers and Day 2009; Platonova et al. 2018).

Following Griffin and Mahon's (1997) suggestion, research on CSR disclosure should focus on a specific industry because different industries engage in different levels and types of such disclosure. Simpson and Kohers (2002) focused on the banking sector in their study and found that CSR disclosure varies from industry to industry, so research should concentrate on one industry only. Subsequently, this study chose the financial sector in the GCC, which currently has 231 firms in operation. A total of 76 firms were omitted from the sample due to missing data, a further 12 firms were listed after 2014, four firms underwent suspension proceedings and one firm had been merged. Table 5.5 illustrates the final sample size.

Table 5.5: Main sample

Total number of financial firms	231
Less: firms with missing data	76
Less: firms suspended/ delisted/ merged/ listed after 2014	17
Final sample size	**138**

This leaves a sample of 690 firm-year observations as shown in Table 5.6 for each country.

Table 5.6: Sectors classification

	Industry	Saudi Arabia	Qatar	Oman	Bahrain	UAE	Kuwait	Total
1	Banking	11	8	8	7	3	10	**47**
2	Insurance	30	4	4	2	19	1	**60**
3	Investment	5	1	16	4	4	1	**31**
	Total	**46**	**13**	**28**	**13**	**26**	**12**	**138**

5.11 Year Selection and Data Source

The sample in this study spans the period 2014 to 2018, and these years were

chosen for the following reasons:

a) The largest GCC economy in Saudi Arabia only makes available data for the last five years on the official stock exchange website and the period 2014 to 2018 coincided with the year of commencing collection of the data (2019).

b) During this period CSR has garnered more GCC government attention. For instance, Qatar established its Vision 2030 as the strategy to get the private sector working to develop the society by generating more employment, a better environment and economic sustainability. In 2017, Kuwait launched its own economic renewal vision, New Kuwait 2035, and although it has different strategic goals, CSR practices have been included in this plan.

c) This period is witnessing important changes in GCC countries through much greater private sector involvement and foreign investment making the results valuable to policymakers, regulators, and other interested parties in assessing the role of the private sector in each country.

The stock exchange website is the source for each country's annual reports and financial statements, and the Bloomberg database is used to extract the financial information regarding each firm's performance. Table 5.7 summarises the variables used in this study along with the data sources.

Table 5.7: Definitions of variables

	Variable	Measurement	Data Source
Corporate Governance Characteristics			
1	Board independence	Number of independent directors on board to the total number of members on board	Annual Reports
2	Board size	The total number of directors on the board	Annual Reports
3	Number of board meetings	Number of meetings during the fiscal year	Annual Reports
4	Females on board	A dummy variable: equals 1 if there is a female on the board, 0 otherwise	Annual Reports
5	International directors	The ratio of international directors to the total number of directors	Annual Reports
6	Existence of Corporate Governance Committee	A dummy variable: equals 1 if there is a CGC in the firm, 0 otherwise	Annual Reports
7	Audit committee size	The total number of members on the audit committee	Annual Reports
8	Audit committee meetings	Number of AUDMET meetings during the fiscal year	Annual Reports
Ownership Structure			
1	Government ownership	The proportion of shares owned by the government to the total number of shares issued	Annual Reports
2	Institutional ownership	The proportion of shares owned by institutional investors to the total number of shares issued	Annual Reports

3	Foreign ownership	The proportion of shares owned by foreigners to the total number of shares issued	Annual Reports

	Variable	Measurement	Data Source
Firm-Specific Characteristics			
1	Firm age	Year of foundation minus current year	Annual Reports
2	Existence of fines and penalties	A dummy variable: equals 1 if there is a fine, 0 otherwise	Annual Reports
3	Existence of a Code of Ethics	A dummy variable: equals 1 if there is a Code of Ethics, 0 otherwise	Annual Reports
4	Type of audit firm	A dummy variable: equals 1 if it a Big 4 firm, 0 otherwise	Annual Reports
5	Firm size	Total assets	Annual Reports
6	Leverage	Total debt / total equity	Bloomberg database
7	Islamic or conventional firm	A dummy variable: equals 1 if the firm operates in accordance with Islamic law, 0 otherwise	Annual Reports
Financial Performance Factors			
1	Return on Assets	Earnings after taxes / average total assets	Bloomberg database
2	Price-earnings ratio	Price / earnings per share	Bloomberg database

5.12 Dependent Variable

The dependent variable is the CSR disclosure index. A CSR disclosure index is developed based on 33 items from the five main themes:

1) Environment based on eight items

2) Community/Social activities which includes eight items

3) Employees, which includes eight items

4) Products, Services, Market Place and Customers, based on four items, and

5) Other, based on five items.

CSRD Index $=\sum_{di=1}^{33} di/nj$.

Where:
di represents item 1, if the information about item di is disclosed and 0 if otherwise; nj denotes the total number of items for jth firms nj = 33.

5.13 Independent Variables

As discussed in Section 4.3 of Chapter 4 on hypothesis development, and the subsequent conceptual model, the following independent variables can be divided into four groups:

1) **Corporate Governance Characteristics** consist of eight variables, namely: board independence, board size, number of board meetings, females on the board, international directors, existence of corporate governance committee, audit committee meetings and audit committee size.

2) **Ownership Structure** consists of three variables, namely: government ownership, institutional ownership and foreign ownership.

3) **Firm-Specific Characteristics** consist of two variables, namely: existence of a Code of Ethics and the existence of fines and penalties.

4) **Financial Performance Factors** consist of two variables, namely: ROA and P/E.

5.14 Control Variables

Control variables consist of four variables being: leverage**,** firm size, firm age and type of audit firm. Table 5.9 shows the definitions of control variables and previous studies that employed the same measure.

Table 5.8: Definitions of control variables

Variable	Measurement	Prior Studies
Leverage	Total debt / total equity	Fahad and Nidheesh (2020); Miranatha and Wirawati (2021)
Firm size	Total assets	Wuttichindanon (2017); Jizi et al. (2014)
Firm age	Years since firm foundation	Habbash (2017); Fahad and Nidheesh (2020)

Table 5.9 - continued

Variable	Measurement	Prior Studies
Type of audit firm	A dummy variable: equals 1 if it is a big 4, 0 otherwise	Kent and Stewart (2008); Xiao et al. (2004)

5.15 Research Model

For the reasons outlined below, the analysis for the CSR disclosure regression models adopted pooled OLS:

1. The study's primary goal is not to determine cause and effect, but rather to determine the existence of a correlation between the dependent and independent variables. This study investigates whether or not a regression model can explain the variation in CSR disclosure according to variation in ownership variables and corporate governance characteristics.

2. In a pooled OLS regression, the observations are collected in a single pool regardless of whether the data are in cross-sectional form (Hillmer and Hilmer 2014; Hoechle 2007). Because of this, while estimating a pooled OLS regression, it is assumed that the error term is normally distributed over the entire sample, and the intercept term must be constant across businesses (Cheung et al. 2007).

3. The OLS is "the best linear unbiased estimator for the regression test model," according to Hillmer and Hilmer (2014) provided the validity of its assumptions can be validated (refer validation process in Chapter 6).

4. According to Petersen (2009), a panel dataset should not be clustered by years in the analysis if it is part of a short time series, such as the current study's 5-year time period, because doing so may only add

noise to the system. Thus, pooled OLS is the appropriate estimation method in this case.

5. Ordinary least squares (OLS) has been widely adopted in previous disclosure studies Hassaan (2013) and Alfraih et al. (2017)

The study adopts a lagged structure estimation (with the introduction of a 1-year gap between CSR disclosure, and ownership or CG mechanisms), whereby the CSR disclosure for the current year depends on CG or ownership mechanisms of the previous year to deal with the potential problem of endogeneity which may arise from the simultaneous association between CG or ownership mechanisms, and CSR disclosure (Larcker and Rusticus, 2010). Using a lagging variable is consistent with Enache and Hussainey (2019). In addition, industry fixed effects has been included. Equation 1 below summarises the empirical model:

Equation 1

CSR Disclosure = *β0+β1 BIND +β2 BSIZ +β3 NBM +β4 AUDSIZ +β5 AUDMET +β6 FEMBO + β7 INTDIR +β8 CGCO + β9 FINS + β10 CDETH + β11 GOVOWN + β12 INSOWN + β13 FOROWN + β14 AUFR + β15 FSIZ + β16 FAGE + β17 LEVE + β18 ISCOV+ β19 ROA+ β20 P/E+ Year Fixed Effect*

5.16 Conclusion

This chapter explained in detail the research process and methods involved, including the research design, data collection and methodology. Moreover, the validity and reliability of CSR disclosure measurements are identified in this chapter along with the content analysis, which has been defined and discussed in detail with the steps outlined for testing the validity and reliability of CSR disclosure in listed financial firms in GCC countries. The dependent and independent variables have also been identified and the index of CSR disclosure and the research model is presented, and its contents established.

CHAPTER SIX: DETERMINANTS OF CSR DISCLOSURE IN LISTED FINANCIAL FIRMS IN THE GCC

6.1 Introduction

The methodology and data analysis applied in this study were presented in the previous chapter. Previous studies used a disclosure index to measure the extent of CSR disclosure as presented in Chapter 5. The primary objective of this research is to examine the extent of CSR disclosure and the determinants of CSR disclosure in GCC listed financial firms. This chapter presents an empirical analysis related to the research questions:

1) What is the current extent of CSR disclosure in GCC overall and its individual member countries, specifically for the five-year period of 2014 to 2018 (the Study Period)?

2) What are the determinants of CSR disclosure in GCC listed financial firms for the Study Period?

3) What are the differences between the determinants of CSR disclosure in GCC Islamic and conventional listed financial firms for the Study Period?

This chapter has been organised as follows: the extent of the overall CSR disclosure is presented in Section 6.2, followed by the extent of CSR disclosure by themes in Section 6.2.2. In Section 6.2.3, the development of the extent of CSR disclosure is presented, followed by Section 6.2.4, providing the extent of CSR disclosure for each country. Section 6.3 presents the descriptive statistics for independent variables, Section 6.4 the bivariate analysis and Section 6.5 the multivariate analysis. Followed by Section 6.6, which reports on the results of the regression analysis. Finally, Section 6.7 addresses the final research question examining the differences between the extent of CSR disclosure and determinants of CSR disclosure in Islamic and conventional

listed financial firms.

6.2 CSR Disclosure (Dependent Variable)

This section presents empirical tests to examine the first research question *"What is the current extent of CSR disclosure in GCC overall and its individual member countries, specifically for the five-year period of 2014 to 2018 (the Study Period)?"*

6.2.1 Overall CSR Disclosure

The annual reports of 690 GCC listed financial firms for the Study Period were examined using a disclosure index to determine the relative extent of CSR disclosure. The CSR disclosure index consisted of 33 items divided into five themes. Table 6.1 shows the descriptive statistics of the overall CSR disclosure score.

Table 6.1: Descriptive statistics of overall CSR disclosure

	N	Minimum	Maximum	Mean	Std. Deviation
2014	138	0.0000	0.6970	0.1504	0.1755
2015	138	0.0000	0.7879	0.1550	0.1754
2016	138	0.0000	0.7576	0.1486	0.1700
2017	138	0.0000	0.7576	0.1497	0.1669
2018	138	0.0000	0.7273	0.1444	0.1596
Pooled	690	0.0000	0.7879	0.1496	0.1691

The table above provides descriptive statistics for the mean value of CSR disclosure for each year and for the five years pooled together. The overall CSR disclosure score was 14.96% with an individual firm range of 0.00% to 78.79%. There was no discernable trend over the Study Period, with a mean of 15.04% in 2014 compared to 14.44% in 2018. This is surprising given the growing interest in CSR disclosure which has occurred over this period and reflects the absence of regulation or other encouragement to firms to improve disclosure.

The overall CSR disclosure (14.96%) for GCC listed financial firms for the Study Period was significantly less than what was identified in developing countries such as Singapore at 29.00% (Cheng and Courtenay 2006) also the result is lower than what was identified in developed countries such as the U.S. at 97% in U.S. banks (Jizi et al. 2014), Australia at 37.68% (Biswas et al. 2018), and in the U.K. at 65% (Basuony 2021), and these differences may be due to the fact that the authorities of those countries encourage public firms to disclose more CSR information. Overall, it can be inferred from the low level of CSR disclosure in the GCC that firms look at CSR disclosure as a cost and ultimately do not see profit from participating in such activities (Harun et al. 2020). Figure 6.1 shows the percentage CSR disclosure as measured by the CSR disclosure index.

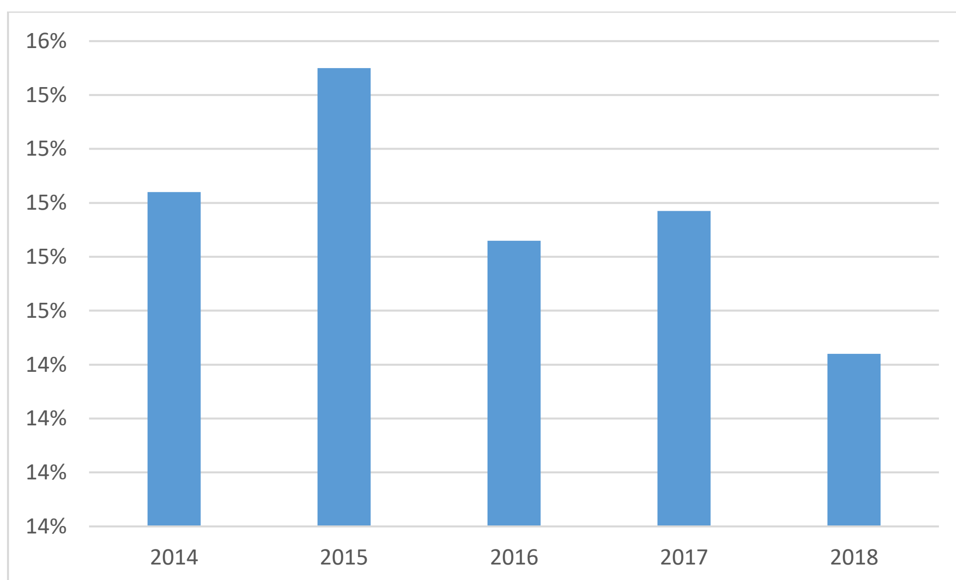


Figure 6.1: Percentage CSR Disclosure as measured by the CSR Disclosure Index

The frequency distribution for CSR disclosure (Table 6.2) provides a better understanding of the distribution of CSR disclosure practices of GCC listed financial firms.

Table 6.2: Frequency distribution of CSR disclosure

Extent of CSR Disclosure (%)	2014		2015		2016		2017		2018	
	No.	%	No.	%	No.	%	No.	%	No.	%
0-20	95	68.8	96	69.6	96	69.6	96	69.6	97	70.3
21-40	30	21.7	29	21	30	21.7	29	21	28	20.3
41-60	9	6.5	9	6.5	9	6.5	10	7.2	11	8
61-80	4	2.9	4	2.9	3	2.2	3	2.2	2	1.4
81-100	0	0	0	0	0	0	0	0	0	0
Total	**138**	**100**	**138**	**100**	**138**	**100**	**138**	**100**	**138**	**100**

Table 6.2 shows that none of the 138 firms disclosed more than 81% of CSR information during the Study Period. In 2014, only four firms (3%) of the 138 firms disclosed more than 61% of CSR information and this trend was consistent over the years. The vast majority of firms (95) disclosed less than 20% of CSR information and was also consistent over the Study Period.

6.2.2 The Extent of CSR Disclosure by Themes

Table 6.3 shows the extent of disclosure for each of the five themes covered by the CSR index over five years. The theme that firms mostly disclosed about was Products, Services, Market Place and Customer (32%) in 2016 and the least reported themes were Community / Social activities (4%) in 2016 and Environment (4%) in 2018.

Table 6.3: CSR disclosure by theme

Themes	No. of Disclosure Index Items	2014	2015	2016	2017	2018
Environment	8	0.05	0.05	0.14	0.05	0.04
Community / Social Activities	8	0.23	0.24	0.04	0.24	0.24
Employee	8	0.13	0.13	0.12	0.10	0.10
Products, Services, Market Place, Customer	4	0.31	0.31	0.32	0.31	0.30
Other Items	5	0.07	0.07	00.08	0.08	0.08

In general, GCC listed financial firms do not disclose more information about the environment and some scholars argue that financial firms do not regularly engage in environmental activities (Oliveira et al. 2019). As expected for service firms most of the disclosures related to Products, Services, Market Place, Customer (Oliveira et al. 2019).

6.2.3 Change in CSR Disclosure over time

In this section, the researcher examined and compared the extent of CSR disclosure over the Study Period to assess whether there was any significant improvement in CSR disclosure during that time. Two tests (Wilcoxon and Friedman signed-rank tests) were applied. The analysis (Table 6.4) suggests that there were no significant changes during the Study Period (P value in all years > .05).

Table 6.4: Wilcoxon signed-rank analysis of CSR disclosure 2014–2018

Rank		N	Mean Rank	Sum of Ranks	Z	p (2-tailed)
2015-2014	Negative Ranks	27[a]	30.83	832.50	-1.217[b]	0.224
	Positive Ranks	36[b]	32.88	1183.50		
	Ties	75[c]				
	Total	**138**				
2016-2015	Negative Ranks	43[d]	36.16	1555.00	-1.603[c]	0.109
	Positive Ranks	28[e]	35.75	1001.00		
	Ties	67[f]				
	Total	**138**				
2017-2016	Negative Ranks	32[g]	34.92	1117.50	-0.736[b]	0.462
	Positive Ranks	38[h]	35.99	1367.50		
	Ties	68[i]				
	Total	**138**				
2018-2017	Negative Ranks	38[j]	39.12	1486.50	-0.977[c]	0.329
	Positive Ranks	34[k]	33.57	1141.50		
	Ties	66[l]				
	Total	**138**				

Table 6.5: Friedman rank test for CSR disclosure 2014–2018

Rank	Mean Rank
2014	2.93
2015	3.10
2016	2.92
2017	3.07
2018	2.98
N	138
Chi-Square	2.21
Df	4
Asymp. Sig.	0.697

Application of the Friedman rank test was applied to ensure the Wilcoxon signed-rank of the significant development of CSR disclosure over the Study

Period. This test confirmed the results of the Wilcoxon signed-rank as it revealed that there were no significant improvements of CSR disclosure over five years (P> .05).

6.2.4 The Extent of CSR Disclosure by individual GCC Countries

This section presents an analysis to address the second part of the first research question "What is the current extent of CSR disclosure in GCC overall ***and its individual member countries***, specifically for the five-year period of 2014 to 2018 (the Study Period)?" The following section will review the extent of CSR disclosure for each country and year, and the extent for each theme in the developed CSR index.

6.2.4.1 United Arab Emirates (UAE)

Table 6.6 provides descriptive statistics for the mean value of CSR disclosure for each individual year and collectively for the UAE. The pooled result for CSR disclosure was a mean of 9.27% with a range of 0.00% to 45.45% for individual firms. In 2014, the mean value was 6.99% and by 2018, the mean value increased to 8.64%. This is a significant increase in CSR disclosure in UAE listed financial firms over the Study Period which differentiates this country from the unchanged overall result of the GCC. This change is best explained by the introduction of mandatory disclosure of selected CSR information by the UAE Government in 2017 (Nickerson and Georgiadou 2020). Figure 6.2 shows the percentage CSR disclosure as measured by the CSR disclosure index.

Table 6.6: Descriptive statistics for CSR disclosure in UAE

	N	Minimum	Maximum	Mean	Std. Deviation
2014	26	0.0000	0.1515	0.0699	0.0459
2015	26	0.0000	0.1212	0.0442	0.0385
2016	26	0.0000	0.1212	0.0606	0.0353
2017	26	0.0000	0.4545	0.1025	0.1319
2018	26	0.0303	0.4242	0.1864	0.0859
Pooled	130	0.0000	0.4545	0.0927	0.0912

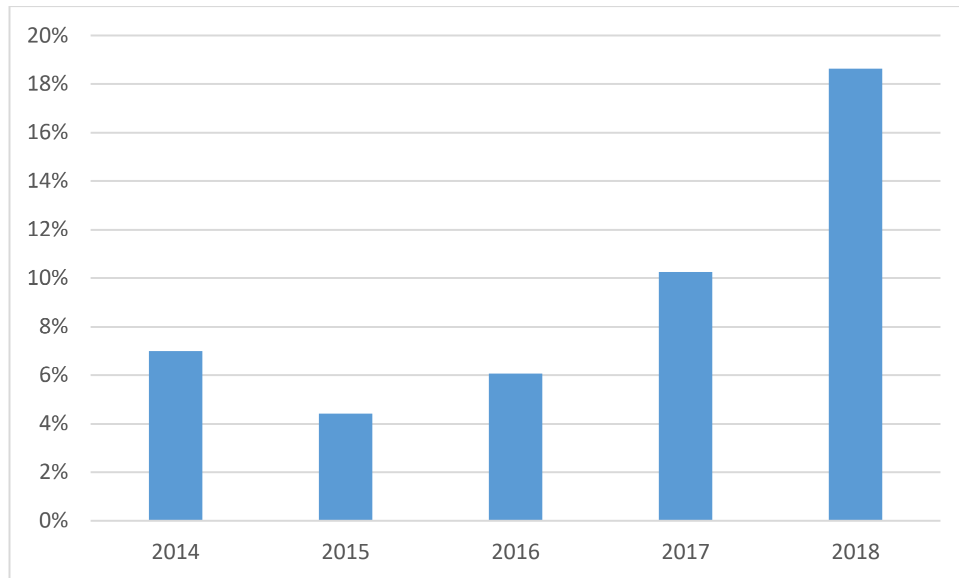


Figure 6.2: Percentage CSR Disclosure as measured by the CSR Disclosure Index in UAE

6.2.4.2 Qatar

Table 6.7 provides descriptive statistics for the mean value of CSR disclosure for each individual year and collectively for Qatar. The pooled result for overall CSR disclosure was 18.15% with a range of 0.00% to 60% for individual firms. Over the Study Period, the value ranged from 21.53% in 2014 to 15.38% in 2018. This result shows that CSR disclosure in Qatar listed financial firms trended downwards over the five years. This result is lower than other researchers found in Qatar. Hossain and Hammami (2009) examined the level of disclosure in 2007 of 25 firms and found an average voluntary disclosure score of 36.84% using a similar measure. However, their study focused on non-financial firms which may account for the higher level of CSR disclosure. Figure 6.3 shows the percentage CSR disclosure as measured by the CSR disclosure index.

Table 6.7: Descriptive statistics for CSR disclosure in Qatar

	N	Minimum	Maximum	Mean	Std. Deviation
2014	13	0.0000	0.4000	0.2153	0.1281
2015	13	0.0000	0.4000	0.1846	0.1281
2016	13	0.0000	0.4000	0.1692	0.1377
2017	13	0.0000	0.6000	0.1846	0.1724
2018	13	0.0000	0.4000	0.1538	0.1450
Pooled	65	0.0000	0.6000	0.1815	0.1401

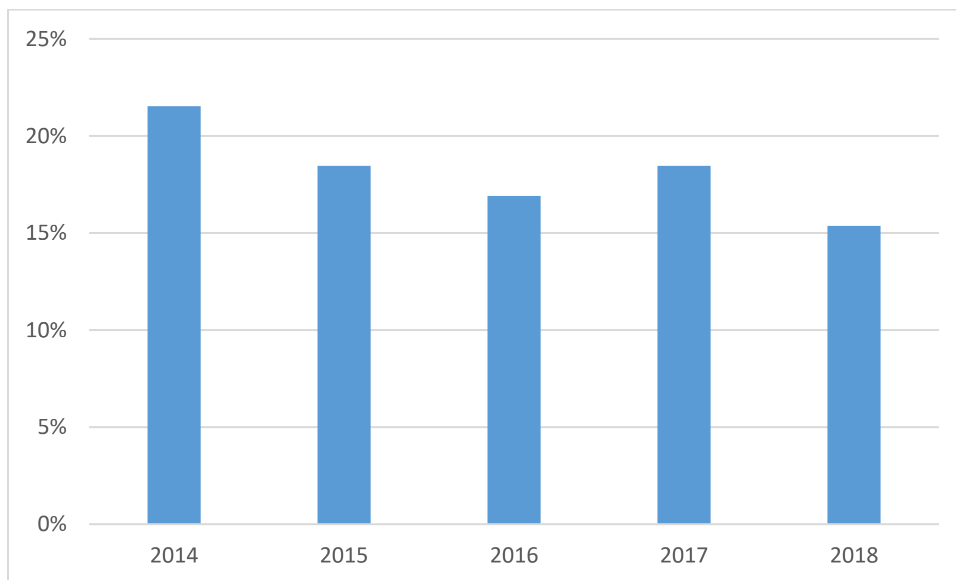


Figure 6.3: Percentage CSR Disclosure as measured by the CSR Disclosure Index in Qatar

6.2.4.3 Kuwait

Table 6.8 provides descriptive statistics for the mean value of CSR disclosure for each individual year and collectively for Kuwait. The pooled result for CSR disclosure was 34.13% with a range of 30.30% to 75.76%. In 2014, the mean

was 31.81% but by 2018, the mean value increased to 35.60% with a range of 60.60% to 72.73%. This indicates a small increase in disclosure over time however, this should be interpreted cautiously given the small sample size. Overall, the result is lower than the findings of Mousa et al. (2018), who found the mean value of CSR disclosure in Kuwait was 39% using a similar index. Figure 6.4 shows the percentage CSR disclosure as measured by the CSR disclosure index.

Table 6.8: Descriptive statistics for CSR disclosure in Kuwait

	N	Minimum	Maximum	Mean	Std. Deviation
2014	12	0.0303	0.6061	0.3181	0.1769
2015	12	0.0303	0.5758	0.3333	0.1639
2016	12	0.0606	0.7273	0.3535	0.1847
2017	12	0.0606	0.7576	0.3459	0.1870
2018	12	0.0606	0.7273	0.3560	0.1800
Pooled	60	0.0303	0.7576	0.3413	0.1731

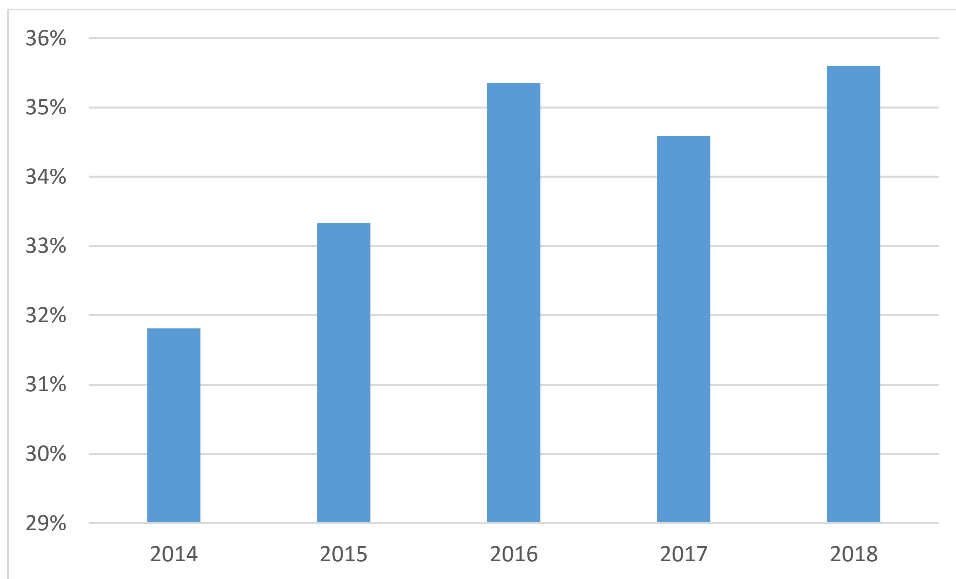


Figure 6.4: Percentage CSR Disclosure as measured by the CSR Disclosure Index in Kuwait

6.2.4.4 Bahrain

Table 6.9 provides descriptive statistics for the mean value of CSR disclosure for each individual year and collectively for Bahrain. The pooled result for CSR disclosure was 22.14% with a range of 30.30% and 54.55%. Over the Study Period the results ranged from a low of 18.91% to a high of 22.84% with no particular trend evident. This overall result is lower than Al-Tarawneh (2018), who found that the extent of CSR disclosure in Bahrain was 42% following examination of 29 firms for the period 2011 to 2015. The variation is likely related to the different time period and inclusion of non-financial firms in their study. Figure 6.5 shows the percentage CSR disclosure as measured by the CSR disclosure index.

Table 6.9: Descriptive statistics for CSR disclosure in Bahrain

	N	Minimum	Maximum	Mean	Std. Deviation
2014	13	0.0303	0.5152	0.2354	0.1505
2015	13	0.0303	0.5455	0.2447	0.1661
2016	13	0.0303	0.5455	0.2284	0.1620
2017	13	0.0303	0.5455	0.2004	0.1547
2018	13	0.0303	0.4242	0.1981	0.1369
Pooled	65	0.0303	0.5455	0.2214	0.1507

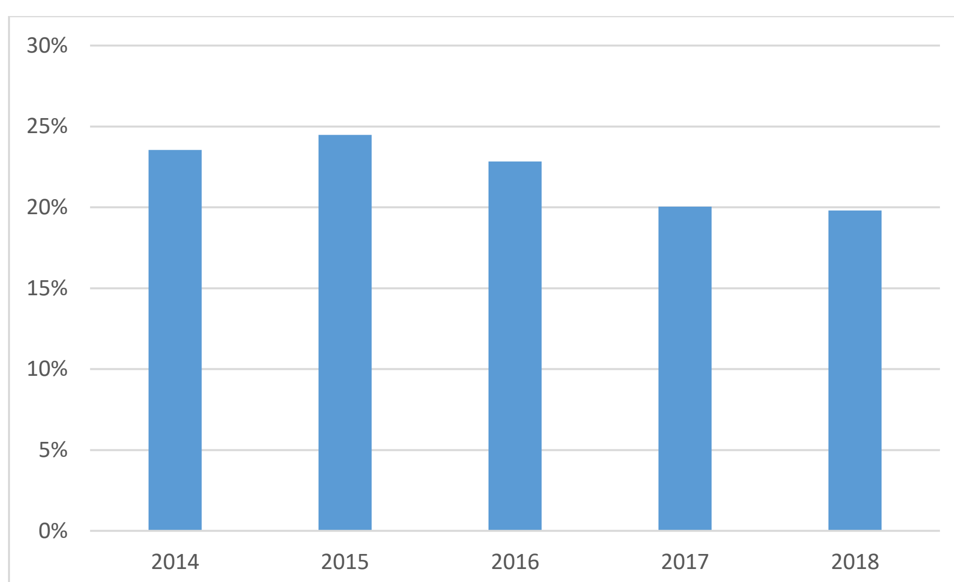


Figure 6.5: Percentage CSR Disclosure as measured by the CSR Disclosure Index in Bahrain

6.2.4.5 Oman

Table 6.10 provides descriptive statistics for the mean value of CSR disclosure for each individual year and collectively for Oman. The pooled score for CSR disclosure was 12.12% with a range of 0.00% and 69.70%. The mean ranged

from 11.47% in 2014 to 12.33% in 2018. This result shows that CSR disclosure in Oman listed financial firms did not change significantly over the Study Period and is consistent with the overall results for the GCC. Figure 6.6 shows the percentage CSR disclosure as measured by the CSR disclosure index.

Table 6.10: Descriptive statistics for CSR disclosure in Oman

	N	Minimum	Maximum	Mean	Std. Deviation
2014	28	0.0000	0.6970	0.1147	0.1619
2015	28	0.0000	0.6667	0.1179	0.1574
2016	28	0.0000	0.6667	0.1168	0.1529
2017	28	0.0000	0.6667	0.1331	0.1599
2018	28	0.0000	0.6667	0.1233	0.1504
Pooled	140	0.0000	0.6970	0.1212	0.1544

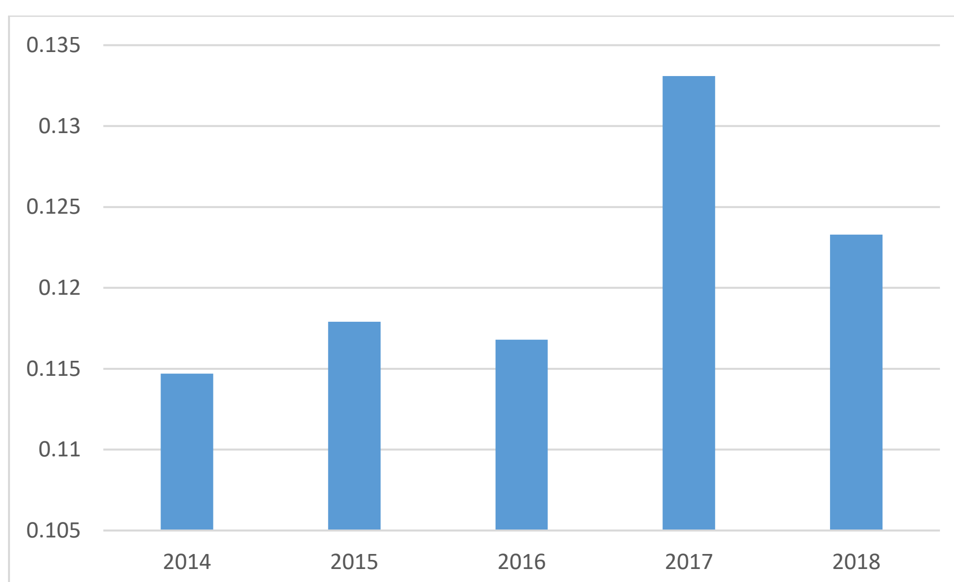


Figure 6.6: Percentage CSR Disclosure as measured by the CSR Disclosure Index in Oman

6.2.4.6 Saudi Arabia

Table 6.11 provides descriptive statistics for the mean value of CSR disclosure for each year and collectively for Saudi Arabia. The pooled CSR disclosure score was 8.53% with a range of 0.00% and 78.79%. The score showed a minor improvement over time ranging from 7.97% in 2014 and 9.28% in 2018. This result for the largest country in the GCC is consistent with findings of Bazhair (2020), who reported the level of CSR disclosure in Saudi Arabia at 7.41% over the period from 2010 to 2019. Figure 6.7 shows the percentage CSR disclosure as measured by the CSR disclosure index.

Table 6.11: Descriptive statistics for CSR disclosure in Saudi Arabia

	N	Minimum	Maximum	Mean	Std. Deviation
2014	46	0.0000	0.6970	0.0797	0.1271
2015	46	0.0000	0.7879	0.0823	0.1369
2016	46	0.0000	0.7576	0.0816	0.1330
2017	46	0.0000	0.7273	0.0902	0.1314
2018	46	0.0000	0.4848	0.0928	0.1197
Pooled	230	0.0000	0.7879	0.0853	0.1287

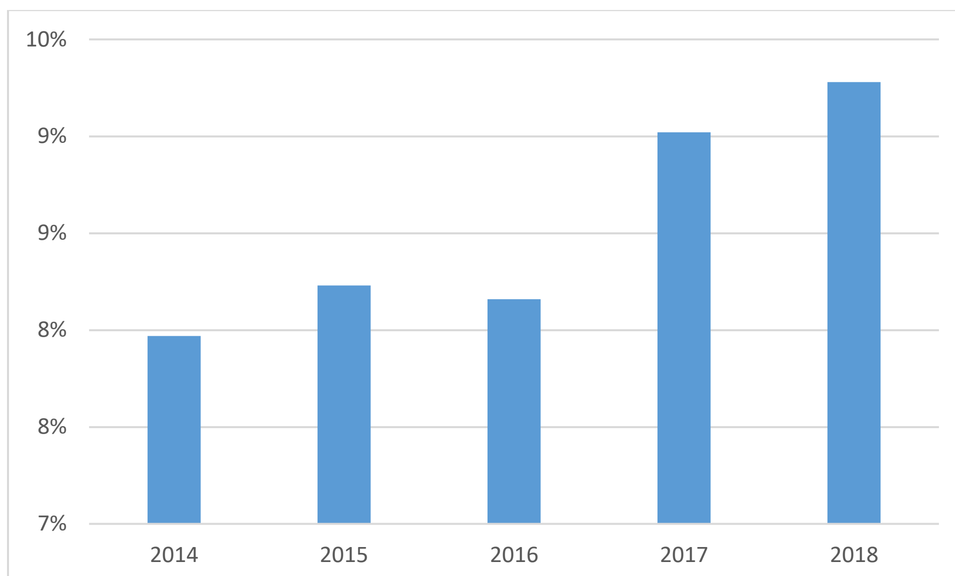


Figure 6.7: Percentage CSR Disclosure in Saudi Arabia as measured by the CSR Disclosure Index

Table 6.12 summaries the extent of disclosure for each country during the Study Period.

Table 6.12: Extent of CSR disclosure between GCC countries

Country	Extent of CSR Disclosure
Kuwait	34.13%
Bahrain	22.14%
Qatar	18.15%
Oman	12.12%
UAE	9.27%
Saudi Arabia	8.53%

In summary, the overall mean CSR disclosure score was 14.96% with an individual firm range of 0.00% to 78.79%. There was no discernable trend over

the Study Period, with a mean of 15.04% in 2014 compared to 14.44% in 2018. This is surprising given the growing interest in CSR disclosure which has occurred over this period and reflects the absence of regulation or other encouragement to firms to improve disclosure.

The overall CSR disclosure (14.96%) for GCC listed financial firms for the Study Period was significantly less than what was identified in developing countries such as Singapore at 29.00% (Cheng and Courtenay 2006) also the result is lower than what was identified in developed countries such as the U.S. at 97% in U.S. banks (Jizi et al. 2014), Australia at 37.68% (Biswas et al. 2018), and in the U.K. at 65% (Basuony 2021), and these differences may be due to the fact that the authorities of those countries encourage public firms to disclose more CSR information. Overall, it can be inferred from the low level of CSR disclosure in the GCC that firms look at CSR disclosure as a cost and ultimately do not see profit from participating in such activities (Harun et al. 2020).

With regards to the level of CSR disclosure between countries, table 6.12 shows that across the GCC countries, Kuwait had the highest level of CSR disclosure whilst Saudi Arabia had the lowest. The Kuwaiti Government's 'New Kuwait Vision', which emphasises CSR, is a major factor in the country's distinctness from the other GCC countries. In Kuwait, there is a higher degree of institutionalization (Boursa Kuwait 2019). The institutional structure of the country in which a company operates has an impact on its commitment to CSR initiatives (Al-Shammari, 2008). Regulatory, normative, and cognitive forces shape the evolution of CSR for enterprises functioning in a certain institutional environment. As a result of legislation and regulations, businesses are being compelled to engage in CSR activities and this is the case in Kuwait. The regulatory enforcement and scrutiny in Kuwait is also considerable (Al-Shammari, 2008), which puts pressure on businesses to perform responsibly.

The next section presents the empirical analysis to address the second research question "*What are the determinants of CSR disclosure in GCC listed*

financial firms for the Study Period?" The model developed in Chapter Five examined the research question with determinants represented by four constructs (Corporate Governance, Ownership, Financial Performance and Firm Specific) and represented by a total of 19 independent variables. This section commences with a review of the descriptive statistics for those independent variables.

6.3 Descriptive Statistics for Independent Variables

Table 6.13 shows the descriptive statistics for the independent variables used in this study. The results show that board independence had a mean value of 54% of independent members. The board size ranges between 3-13 members with an average of 8 members. The number of board meetings ranges between 2 and 28 meetings during the year with an average of 6 meetings per year. Females on the board has a mean value of 1.6% of women serving on the Board of Directors. International directors had a mean value of 16% with a range between 0%-9%. Audit committee meetings had a mean value of 5 meetings per year with a range of 0-23 meetings. Audit committee size had an average of 3 members, with a range of between 2–8 members. The government, institutional and foreign ownership had a mean value of 8%, 19% and 12% respectively. The P/E ratio had a mean value of 12% and the ROA had a mean value of 2%. The firm size had a mean value of 9. The firm age ranged between 1-61 years with a mean value of 18 years. Leverage had a mean value of 12% with a maximum of 79%.

Table 6.13: Descriptive statistics for the independent variables

Independent variables	N	Minimum	Maximum	Mean	Std. Deviation
Corporate Governance Variables					
Board Independence	690	0.00	1.00	0.54	0.27
Board Size	690	3.00	13.00	8.41	1.77
Number of Board Meetings	690	2.00	28.00	6.39	2.67
Females on Board	690	0.00	0.27	0.01	0.04
International Directors	690	0.00	0.92	0.15	0.19
Audit Committee Meetings	690	0.00	23.00	5.55	2.23
Audit Committee Size	690	2.00	8.00	3.38	0.70
Ownership Variables					
Government Ownership	690	0.00	0.60	0.08	0.14
Institutional Ownership	690	0.00	0.87	0.19	0.21
Foreign Ownership	690	0.00	0.89	0.12	0.17
Financial Performance Variables					
Price/Earnings ratio	690	0.00	71.00	12.60	11.33
Return on Assets	690	-0.53	0.43	0.02	0.08
Control Variables					
Firm-Specific Variables					
Firm Size	690	6.00	11.37	9.04	0.99
Firm Age	690	1.00	61.00	17.87	12.91
Leverage	690	0.00	0.79	0.12	0.16

This study had four dummy variables as shown in Table 6.14. The results below indicate that 23.90% of the selected sample were firms with a corporate governance committee (33 firms). In addition, it shows that 31.1% of the firms disclosed that they incurred fines and penalties from the capital market authority. Moreover, 52% of the firms (72) had a Code of Ethics, whilst 70.7% of the listed financial firms in the GCC were audited by Big 4 accounting firms and 29.3% were audited by non-Big 4 accounting firms.

Table 6.14: Frequency of dummy variables

	N		Frequency	Percent
Existence of Corporate Governance Committee	690	**No**	525	76.1
		Yes	165	23.9
Existence of Fines and Penalties	690	**No**	475	68.9
		Yes	215	31.1
Existence of Code of Ethics	690	**No**	330	47.8
		Yes	360	52.17
Type of Audit Firm	690	**No**	202	29.3
		Yes	488	70.7

6.4 Bivariate Analysis

An analysis of the relationship between the dependent and independent variables was conducted using the Pearson correlation test, as well as the Spearman correlation (p).

Table 6.15 shows the Pearson and Spearman correlations for CSR disclosure and the independent variables. The correlation indicates that a number of the variables are significantly correlated with CSR disclosure at the 1% level. Corporate Governance Variables (board size, number of board meetings, existence of corporate governance committee, audit committee meetings and audit committee size) were positively correlated with CSR disclosure with values of 0.336, 0.397, 0.491, 0.099 and 0.182 respectively. However, board independence and international directors negatively correlated with a value of -0.155 and -0.119 respectively.

Table 6.15 further revealed that Ownership Variables (government ownership) significantly and positively correlated with CSR disclosure with a value of 0.529. Institutional and foreign ownership negatively correlated with CSR disclosure showing values of -0.118 and -0.035 respectively.

With regard to Firm-Specific Variables, Table 6.15 shows that firm age, existence of Code of Ethics, type of audit firm, firm size and leverage positively and significantly correlated with CSR disclosure with values of 0.463, 0.429,

0.399, 0.734, 0.201 respectively.

Table 6.15 also shows that Financial Performance Variables (ROA and P/E ratio) did not significantly correlate with CSR disclosure, with a value of -0.059 and 0.026 respectively.

Table 6.15: Correlation coefficients between CSR disclosure and independent variables

Variables	Pearson (r)	Spearman (p)
Corporate Governance Variables		
Board Independence	-0.155**	-0.107**
Board Size	0.336**	0.356**
Number of Board Meetings	0.397**	0.396**
Females on Board	0.056	0.077*
International Directors	-0.119**	-0.097*
Existence of Corporate Governance Committee	0.491**	0.455**
Audit Committee Meetings	0.099**	0.091*
Audit Committee Size	0.182**	0.232**
Ownership Variables		
Government Ownership	0.529**	0.579**
Institutional Ownership	-0.118**	-0.123**
Foreign Ownership	-0.035	-0.007
Firm-Specific Variables		
Firm Age	0.463**	0.381**
Existence of Fines and Penalties	0.072	0.083*
Existence of Code of Ethics	0.429**	0.484**
Type of Audit Firm	0.399**	0.464**
Firm Size	0.734**	0.743**
Leverage	0.201**	0.466**
Financial Performance Variables		
Return on Assets	-0.059	-0.122**
Price/Earnings ratio	0.026	0.105**

*, ** Correlations are significant at the 5% and 1% levels (2-tailed), respectively.

6.5 Multivariate Analysis

A number of factors, including the Corporate Governance Variables, Ownership Variables, Financial Performance Variables, and Firm-Specific Variables were examined to see if they affected CSR disclosure. Analysis of the independent variables was undertaken using ordinary least squares (OLS) regression estimators which enabled identification of the statistical significance and strength of the relationships (Hutcheson and Sofroniou 1999). The following section conducts tests of the data to assess whether it fits the underlying assumptions of a regression analysis.

6.5.1 Normality of Error

OLS regression assumes that residual errors are normally distributed (Cooke 1998), meaning that only normally distributed residuals between predicted and observed values should be used in multiple regression. Using either a numerical method (the Kolmogorov-Smirnov (K-S) test) or a graphical method (the P–P plot), the assumption of normality can be assessed. The CSR disclosure scores K–S test results are provided in Table 6.16 and are non-significant K–S ($p = 0.190$), suggesting requirement for normality of the residuals is met. Figure 6.1 shows CSR disclosure residuals normal P–P plot also supports this conclusion with an even distribution.

Table 6.16: Test of normality of error (CSR disclosure)

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Unstandardised Residual	0.038	690	0.190*	0.950	690	0.109
Standardised Residual	0.038	690	0.190*	0.950	690	0.109

* This is a lower bound of the true significance.

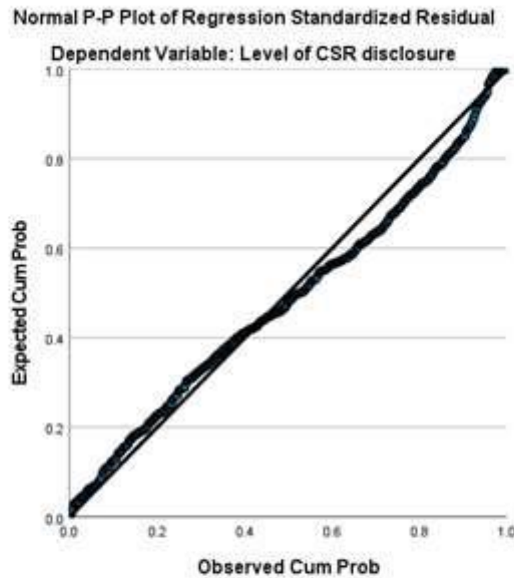


Figure 6.8: Normal P–P plot of regression CSR Disclosure

6.5.2 Multicollinearity

An inaccurate estimate of the correlation coefficients is produced when the independent variables in an equation for regression are closely related, a condition known as multicollinearity. Statistical inferences may be affected if this type of data disturbance is present, and it is possible the data is unreliable (Mansfield and Helms 1982). The degree of multicollinearity can be detected using the variance inflation factor the tolerance and condition index (Miles 2014). Multicollinearity is problematic if the variance inflation factor is ≥5 and the tolerance is ≤0.1. (Hair et al. 2017). If the condition index is greater than 30, the regression may severe from multicollinearity (Esbensen et al. 2002).

Table 6.17: Tolerance, Variance Inflation Factor and Condition Index tests

Variables	Collinearity statistics		Condition Index
	Tolerance	VIF	
Corporate Governance Variables			
Board Independence	0.753	1.327	2.994
Board Size	0.644	1.553	3.263
Number of Board Meetings	0.737	1.358	3.461
Females on Board	0.927	1.079	3.743
International Directors	0.608	1.646	3.809
Existence of Corporate Governance Committee	0.618	1.619	4.596
Audit Committee Meetings	0.791	1.265	5.093
Audit Committee Size	0.820	1.219	5.435
Ownership Variables			
Government Ownership	0.572	1.747	5.715
Institutional Ownership	0.740	1.351	5.782
Foreign Ownership	0.571	1.752	6.789
Firm-Specific Variables			
Firm Age	0.677	1.477	7.063
Existence of Fines and Penalties	0.768	1.301	7.941
Existence of Code of Ethics	0.638	1.567	10.134
Type of Audit Firm	0.563	1.776	11.527
Firm Size	0.348	2.872	11.884
Leverage	0.787	1.271	22.007
Financial Performance Variables			
Return on Assets	0.892	1.122	25.558
Price/Earnings ratio	0.893	1.120	28.318
	Minimum	**Maximum**	**Mean**
Tolerance	0.348	0.927	0.702
VIF	1.079	2.872	1.495
Condition Index	2.994	28.318	9.216

Table 6.17 shows that the largest collinearity statistic for a VIF is 2.872 and the lowest value for Tolerance of 0.348, indicating that there is no significant multicollinearity in the model. The largest CI of 28 also supports this conclusion.

6.5.3 Autocorrelation

The Wooldridge test was used to establish there was autocorrelation in the model (Wooldridge 2010). Table 6.18 presents the results for CSR disclosure from the Wooldridge test which found no evidence of autocorrelation (p > .05).

Table 6.18: Wooldridge test for assumption of autocorrelation

F-statistic	p-value	Autocorrelation
0.374	0.532	No

6.5.4 Outliers

An outlier is a data point that is significantly different from the remaining data set (Walfish 2003) and may potentially bias findings. The Cook's Distance test (Cook’s D) is an observation tool used in the identification of significant outliers in research data (Stevens 1984). It is recommended that if the Cook's D is greater than 1, it should be taken as an indication of a potential outlier (Field 2009).Table 6.19 shows that the largest Cook’s D value was 0.0338, suggesting that no significant outlier observations were present.

Table 6.19: Descriptive statistics for Cook’s Distance test

	N	Minimum	Maximum	Mean	Std. Deviation
Cook's Distance	690	0.0000	0.0338	0.0015	0.0035

6.5.5 Homoscedasticity

According to (Zhu et al. 2016), all independent variable values have the same (central) variance around a regression line due to homoscedasticity and ideally the error term should be the same for all independent variable values. Using the Breusch-Pagan test (Long and Ervin 2000), heteroscedasticity was not detected (see Table 6.20), as the chi-square statistic was not significant (p > 0.05).

Table 6.20: Breusch–Pagan Test for Heteroscedasticity

Variable	Chi2	P
Fitted value of CSR Disclosure	0.39	0.528

6.6 Results and Discussion of Regression Analysis

Pooled OLS was used to analyse the model based on the assessment of the regression model assumptions above. In some statistical models with cross-sectional time-series data, autocorrelation and heteroscedasticity can be evident (Reuveny and Li 2003). This does not affect the estimated coefficients, but it can lead to inaccurate and biased standard errors (Thompson 2011). As a result, the White (1980) heteroscedasticity-consistent standard errors and covariance are applied as a robustness check of the estimated regression results (OLSR). Following Enache and Hussainey (2019), this sensitivity test confirmed the findings of the OLS. For the CSR disclosure model, a nonparametric analysis (Tobit regression) was also adopted, following Hussainey and Al-Najjar (2012) and Mazzi et al. (2018) in order to improve the robustness of the OLS test. The Tobit regression is the best choice when the dependent variable has a limited range or is constrained (Verbeek 2008). Since CSR disclosure cannot have negative values and the dependent variables in this study ranged between 0.00 to 78.79 (out of a possible 100) the data is censored. To correct for this a Tobit regression is applied and its results compared to those of the OLS regression.

As measured by the adjusted R^2 model, the independent variables explained 63.90% of variation in CSR disclosure for GCC listed financial firms in the Study Period (Table 6.21). The adjusted R^2 value was higher than those reported in prior CSR disclosure studies, for example, 17.9% in Mousa et al. (2018), and 45.80 % in Rouf el at. (2018). The regression results found there were consistent significant influences of eight independent variables on the CSR Disclosure Index, and these are discussed below in line with the relevant hypothesis.

Table 6.21: Regression results for CSR disclosure on corporate governance, ownership, firm specific and other variables

Variable	OLSR			Tobit		
	Coefficient (β)	T-statistic	Sig (p)	Coefficient (β)	T-statistic	Sig (p)
Corporate Governance Variables						
Board Independence	0.001	0.053	0.958	-0.002	-0.090	0.929
Board Size	0.000	-0.009	0.993	0.002	0.625	0.532
Number of Board Meetings	0.169	6.330	0.001***	0.012	5.931	0.001***
Females on Board	0.042	1.770	0.076*	0.187	1.754	0.080*
International Directors	-0.040	-1.350	0.175	-0.041	-1.282	0.199
Existence of Corporate Governance Committee	0.195	6.710	0.001***	0.070	4.920	0.001***
Audit Committee Meetings	-0.065	-2.540	0.011**	-0.008	-3.010	0.003***
Audit Committee Size	-0.025	-0.997	0.319	-0.009	-1.211	0.223
Ownership Variables						
Government Ownership	0.162	5.341	0.001***	0.193	4.520	0.001***
Institutional Ownership	0.059	2.212	0.027**	0.066	2.535	0.011**
Foreign Ownership	0.046	1.520	0.129	0.073	1.981	0.048**
Firm-Specific Variables						
Firm Age	0.125	4.501	0.001***	0.001	2.921	0.003***
Existence of Fines and Penalties	0.035	1.340	0.180	0.014	1.200	0.228
Existence of Code of Ethics	0.002	0.071	0.943	0.018	1.460	0.143
Type of Audit Firm	0.065	2.131	0.033**	0.037	2.566	0.010**
Firm Size	0.442	11.410	0.001***	0.097	11.581	0.001***
Leverage	-0.003	-0.103	0.918	0.045	1.435	0.151
Financial Performance Variables						
Return on Assets	-0.022	-0.921	0.358	-0.043	-0.696	0.487
Price/Earnings ratio	0.020	0.838	0.402	0.000	-0.025	0.980

*, **, *** significance at the 10%, 5% and 1% levels, respectively.

6.6.1 Corporate Governance Variables

6.6.1.1 Board Independence

Agency theory suggests that independent directors are required to monitor executive directors' behaviours due to potential conflicts of interest (Jensen and Meckling 1976) and can safeguard stakeholders and help reduce agency costs (Chalevas 2011). It has been suggested that an increase in information disclosure will lead to greater transparency and accountability, fewer asymmetries in the data and a better image of the firm if the board is independent (Fama and Jensen 1983; Muttakin et al. 2018). Many scholars have found a positive and significant relationship between the level of CSR disclosure and board independence (Fuente et al. 2017).

Hypothesis: H1

There is a positive relationship between board independence and CSR disclosure

Hypothesis H1 is not supported by the results in Table 6.21 and is therefore rejected, as the findings suggest that there is an insignificant relationship between board independence and the extent of CSR disclosure in GCC listed financial firms. For this data, the multivariate analysis found that board independence had no discernable impact on the extent of CSR disclosure. Whilst these findings are inconsistent with other results, they are aligned with the research of Hossain and Reaz (2007) and Habbash (2016), who also found an insignificant relationship between board independence and CSR disclosure. They speculated that this derived from the fact that independent board members were appointed due to legal requirements rather than through a personal interest in monitoring the firm's activities.

6.6.1.2 Board Size

Board size is measured as the total number of directors on the board. The size of the board can be viewed as a major influence on a firm's transparency and performance from the agency perspective (Jensen 1993). Effective governance relies on the board members to keep an eye on and exercise control over the firm's management (Rao el at. 2012). According to agency theory, the size of a company's board of directors has a significant impact on monitoring management activities, including CSR disclosure.

Hypothesis: H2

There is a positive relationship between board size and CSR disclosure.

Hypothesis H2 is not supported by the results in Table 6.21 and is therefore rejected, as the findings suggest that there is an insignificant relationship between board size and the extent of CSR disclosure in GCC listed financial firms.

The findings are however consistent with previous studies on voluntary disclosure by researchers such as Fuente et al. (2017), who also found no significant link between the two variables. In addition, (Orazalin 2019) examined the association between board size and CSR disclosure in commercial banks in Kazakhstan for the period 2010 to 2016 and found that board size had no impact on CSR disclosure. These authors speculated that the results may be caused by the issues in communication and coordination between the board members due the large size.

6.6.1.3 Number of Board Meetings

An increased number of meetings throughout the year assists managers to exchange knowledge and enhance decision-making (Laksmana 2008). The board of directors is seen as an internal control mechanism according to

agency theory and meetings that are more frequent reduce conflict, which may lead to better decision-making (Hassan, Naser and Hijazi 2016).

Hypothesis: H3

There is a positive relationship between the number of board meetings and CSR disclosure.

Hypothesis H3 is supported by the results in Table 6.21 and is therefore accepted, as the findings suggest there is a positive and significant relationship between the number of board meetings and CSR disclosure in GCC listed financial firms. This finding is consistent with other documented studies which identified a positive and significant relationship between CSR disclosure and the number of board meetings, such as Fahad and Rahman (2020), who conducted a study on 386 listed firms in India over the period 2007 to 2016. They examined the relationship between corporate governance variables and CSR disclosure and found that frequent board meetings positively increased the level of CSR disclosure. A study was conducted by Abdulkarim and Juhmani (2020) to examine the relationship between board meetings and disclosure in GCC countries for the period 2014 to 2019, and they found that frequent board meetings positively affected the level of disclosure. The finding of this study could help the authorities in GCC countries to put a specific limit on the number of board meetings undertaken during the year, which may lead the firms to better disclosure practices.

6.6.1.4 Females on Board

The existence of females on the board is critical and have female board directors would increase the effectiveness of a board (Carretta et al. 2010). In addition, women's actions are linked to compassion, empathy, and the well-being of others (Ellwood and Garcia-Lacalle 2015). Female members, according to Terjesen et al. (2016), bring important resources and connections to their corporate boards. Women have a greater capacity than men to connect organisations to a broader range of stakeholders because of their unique

experiences and skills (Hillman et al. 2007). Increased network ties and valuable information provided by women on the board of directors of firms with a focus on social responsibility are two of the many benefits that come from having more women on the board of directors (Carpenter and Westphal 2001).

Hypothesis: H4

There is a positive relationship between females on board and CSR disclosure.

Hypothesis H4 is supported by the results in Table 6.21 and is therefore accepted, as the findings suggest there is a significant and positive impact on CSR disclosure with females on the board in GCC listed financial firms.

The results indicate that GCC listed financial firms with more females on the board tended to disclose more CSR information. This finding is supported by Swardani et al. (2021), who examined the impact of the presence of females on the board and CSR disclosure in manufacturing firms in Indonesia for the period 2014 to 2018 and found a female presence positively affected the extent of CSR disclosure. Sarhan and Ntim (2019) further found that having females on the board had a positive and significant impact on the extent of disclosure. Issa et al. (2021) examined the effect of board diversity on CSR disclosure in the banking sector for the period 2011 to 2019 in GCC countries. They found that having females on the board positively and significantly increased the level of CSR disclosure. These authors speculated that the results may have been caused by the fact that females bring different expertise than men which improves the effectiveness of the board. The finding of this study could help the authorities in GCC countries to put some regulations in place which would require firms to have a set percentage of female board members in order to increase the level and quality of disclosure practices.

6.6.1.5 International Directors

It has been suggested that the presence of international directors delivers to a board a wider pool of eligible members with greater global experience, and

their presence brings a valuable and diverse skillset due to the variations in their backgrounds which may not otherwise be available to domestic board members (Randøy et al. 2006).

Hypothesis: H5

There is a positive relationship between international directors and CSR disclosure.

Hypothesis H5 is not supported by the results in Table 6.21 and is therefore rejected, as the findings suggest that international directors have an insignificant impact on the extent of CSR disclosure in GCC listed financial firms.

Whilst Oxelheim and Randøy (2003) argued that international directors signaled an increase in corporate monitoring and disclosure commitment, and improved the firm's reputation, researchers such as Masulis et al. (2012) indicated that firms with international directors were less competitive due to the expense of ineffective monitoring by external independent directors, which may negate the advantages of their expertise. They determined that international directors may not be informed of local accounting rules, laws and regulations such that management decisions could be monitored and evaluated properly. The result of this study supports the findings of Masulis et al. (2012) regarding the effectiveness of international directors in GCC listed financial firms.

6.6.1.6 Existence of Corporate Governance Committee

Stakeholder theory predicts that corporate governance has a role in protecting stakeholders' interests, by giving the market a message about a firm's commitment to better practices (Solomon 2013). According to Hassan (2014), the creation of such a board committee demonstrates the firm's commitment to corporate social responsibility. By doing so, the business is seen to be demonstrating its commitment to upholding the principles of social

responsibility (Coffie et al. 2018).

Hypothesis: H6

There is a positive relationship between the Corporate Governance Committee and CSR disclosure.

Hypothesis H6 is supported by the results in Table 6.21 and is therefore accepted, as the findings show that a CGC has a significant and positive impact on the extent of CSR disclosure in GCC listed financial firms.

The findings of this study are in line with Ntim et al. (2012), who used a sample of 169 firms listed in South Africa and found a significant and positive correlation between voluntary disclosure and the CGC. The finding of this study could assist the authorities in GCC countries in enforcing mandatory establishment of CGCs in firms, rather than making it a voluntary decision, since a CGC would enhance a firm's corporate governance practices.

6.6.1.7 Audit Committee Meetings

According to Li et al. (2012), regular audit committee meetings have a significant and positive relationship on the level of voluntary disclosure through improved monitoring ability. A well-functioning CSR disclosure process relies on audit committees meeting on a regular basis, which increases their ability to detect irregularities and maintain the process's trustworthiness (Appuhami & Tashako, 2017).

Hypothesis: H7

There is a positive relationship between the audit committee meetings and CSR disclosure.

Hypothesis H7 is not supported by the results in Table 6.21 and is therefore rejected, as the findings show that audit committee meetings have a significant but negative impact on the extent of CSR disclosure in GCC listed financial

firms.

This is contrary to previous studies, where a positive correlation has generally been observed between audit committee meetings and disclosure. This contrary relationship observed for the GCC may be due to the lack of regulatory pronouncements on this matter, resulting in it not being brought to the attention of audit committees. Alternatively, the audit committee may be acting in a way that is subservient to the firm's board or management. As noted by Menon and Deahl Williams (1994), having an audit committee in place does not mean that the board of directors will rely on it for better monitoring.

6.6.1.8 Audit Committee Size

In order to ensure sufficient expertise is in place for monitoring and reporting responsibilities such as CSR disclosure, an audit committee should have the required number of members to attend these matters (Mangena and Pike 2005). A larger audit committee has the power, diversity of expertise and points of view required to ensure effective oversight leading to CSR disclosure (Bédard et al. 2004), however, large audit committees create additional costs, such as the possible costs of miscommunication and control (Jensen 1993).

Hypothesis: H8

There is a positive relationship between audit committee size and CSR disclosure.

Hypothesis H8 is not supported by the results in Table 6.21 and is therefore rejected, as the findings show an insignificant relationship between audit committee size and the extent of CSR disclosure in GCC listed financial firms.

It is likely that the insignificant relationship between the audit committee size and CSR disclosure was due to the fact that CSR disclosures in GCC listed financial firms are not tightly regulated by state laws. This finding indicates that CSR disclosure is not directly affected by the size of the audit committee,

which is in line with the findings of Razek (2014). In addition, this finding is in line with Mangena and Pike (2005) who examined the factors affecting CSR disclosure in 262 U.K. listed firms and found no evidence between audit committee size and voluntary disclosure.

Table 6.22 Summary the relationships of corporate governance variables to CSR disclosure

Corporate Governance Variables	Results
Board Independence	Rejected
Board Size	Rejected
Number of Board Meetings	Accepted
Females on Board	Accepted
International Directors	Rejected
Existence of Corporate Governance Committee	Accepted
Audit Committee Meetings	Rejected
Audit Committee Size	Rejected

6.6.2 Ownership Variables

6.6.2.1 Government Ownership

According to stakeholder theory, when the government is a board member, it may put pressure on firms to provide more voluntary information; this simultaneously reduces the agency cost associated with government ownership (Crowther and Jatana 2007).

Hypothesis: H9

There is a positive relationship between government ownership and CSR disclosure.

Hypothesis H9 is supported by the results in Table 6.21 and is therefore accepted, as the findings show that government ownership has a significant

and positive impact on the extent of CSR disclosure in GCC listed financial firms.

This result is in line with other studies such as Alshbili et al. (2019), who investigated the relationship between CSR disclosure levels in a developing country and corporate governance structures and ownership structure. The findings showed that government ownership had a significant impact on the promotion of CSR disclosure activities at the firm level in Libyan oil firms. In addition, these findings are further in line with Zhou (2019), who found that government ownership in China encouraged public listed firms to disclose CSR information.

They speculated this was because the government has the public's trust and must live up to its expectations, and firms that have government ownership are likely to face increased pressure to disclose additional information.

6.6.2.2 Institutional Ownership

Institutional investors can serve as a strong mechanism to control and monitor management executives and, because of their considerable concentration of ownership, determine its policies and practices (Tauringana and Mangena 2006). According to agency theory, such powerful institutional shareholders are normally represented by a board member who improves management monitoring and control processes (Mallin 2013; Solomon 2013). Further, institutional investors have the power to get timely access to information (Laidroo 2009).

Hypothesis: H10

There is a positive relationship between institutional ownership and CSR disclosure.

Hypothesis H10 is supported by the findings in Table 6.21 and is therefore accepted, as the results show that institutional ownership has a significant and

positive impact on the extent of CSR disclosure in GCC listed financial firms.

This finding reflects that of Nurleni and Bandang (2018) who examined the relationship between the two variables on a sample consisting of manufacturing firms listed in Indonesia for the period 2011 to 2015. They found a positive and significant relationship between institutional ownership and CSR disclosure and determined it was due to the fact that firms with large institutional ownership would have higher supervision and control on management. Dyck et al. (2019) examined whether institutional investors would affect the level of environmental and social disclosure on a sample consisting of 3,277 international firms for the period 2004 to 2013 and they found that firms with institutional ownership did in fact have an increased level of CSR disclosure.

This study builds on the above findings by that having institutional ownership would improve the level of disclosure and that the GCC government should pay more attention, in order to attract more institutional investment, by putting regulations in place that would facilitate the entry of such investment in the capital market.

6.6.2.3 Foreign Ownership

Agency theory argues that firms are more motivated to provide additional details in a broader ownership environment to reduce the agency cost and the asymmetry of information (Ho and Wong 2001). Due to the geographical separation between management and owners, disclosure requirements are generally higher when foreign ownership is present (Schipper 1981). Because of their familiarity with foreign markets, foreign investors bring a unique set of values and expertise to the table. To aid in their decision-making, a firm with foreign ownership is expected to disclose more information, including social and environmental data.

Hypothesis: H11

There is a positive relationship between foreign ownership and CSR disclosure.

Hypothesis H11 is supported by the findings in Table 6.21 and is therefore accepted, as the results show that foreign ownership has a significant and positive impact on the extent of CSR disclosure in GCC listed financial firms.

While findings in this area have been mixed, for example Meutia et al. (2017) argued that the significance of foreign ownership in emerging markets may be diminished by certain context characteristics. Market research for India showed that when foreign ownership is widespread, investors from foreign countries have insufficient power to encourage disclosure of environmental information (Meutia et al. 2017). For this data we find a positive relationship which confirms the findings of Ho and Wang (2001), who posit that agency theory supports arguments that firms with a dispersed ownership are more motivated to provide additional details to reduce the agency cost and the asymmetry of information.

Table 6.23 Summary the relationships of ownership variables with CSR disclosure

Ownership Variables	Result
Government Ownership	Accepted
Institutional Ownership	Accepted
Foreign Ownership	Accepted

6.6.3 Firm Performance Variables

6.6.3.1 Return on Assets

According to Aras et al. (2010), financial performance of companies, particularly in emerging countries, may not be strongly linked to CSR

disclosure. In 1970, Milton Friedman triggered a deep and long-lasting debate based on his article in The New York Times. Friedman argued that firms should not implement CSR initiatives because they are meaningless, and the emphasis should be on making profits for the firm, employees and shareholders (Palmer 2012).

Hypothesis: H12

There is a positive relationship between Return on Assets and CSR disclosure.

Hypothesis H12 is not supported by the findings in Table 6.21 and is therefore rejected, as the results show that ROA has an insignificant impact on the extent of CSR disclosure in GCC listed financial firms.

A number of authors have found insignificant results for this variable including (Liu et al. 2021; Sanjaya et al. 2021; El Moslemany and Etab 2017). Murray and Vogel (1997) argued that this could be explained by the perspective that short-term financial benefits are unattainable through CSR initiatives and only a weak linkage would be expected.

6.6.3.2 Price/Earnings Ratio

According to stakeholder theory, to be successful, a firm must meet the expectations of its stakeholders and provide them with the information they require (Nekhili et al. 2017). In order to gain the support of various stakeholders, a company can use CSR disclosure (Nekhili et al., 2017). Shareholders benefit from CSR initiatives because it boosts their confidence in the expected profitability of the company, which is the most important factor for investors, according to Dhaliwal et al (2012).

Hypothesis: H13

There is a positive relationship between price/earnings ratio and CSR disclosure.

Hypothesis H13 is not supported by the findings in Table 6.21 and is therefore rejected, as the results show that P/E ratio has an insignificant impact on the extent of CSR disclosure in GCC listed financial firms.

While contrary to expectations, this result may be explained by the fact that investors are not influenced by a firm's CSR disclosure as they believe it is not a significant determinant of a firm's financial performance (Liu et al. 2021). Consequently, these firms are not motivated to invest in CSR because it does not help financial performance in any way. Kwanbo (2011) asserted that there was no significant relationship between CSR disclosure and market-based measures of publicly listed firms in Nigeria, meaning that the disclosure of CSR is not an important matter for firms to maximise their profits.

Table 6.24 Summary the relationship of financial performance variables to CSR disclosure

Financial Performance Variables	Results
Return on Assets	Rejected
Price/Earnings Ratio	Rejected

In addition, the current study includes a hypothesis on the moderating impact of Islamic financial firms and the determinants of CSR disclosure. After modelling the moderating the impact of Islamic financial firms (table 6.25), the study found that CSR disclosure is positively and significantly associated with the number of board meetings, females on the board, existence of corporate governance committees, audit committee meetings, government ownership, institutional ownership, firm age, type of audit firm and firm size. The remaining variables (board independence, board size, international directors, audit committee size, foreign ownership, existence of fines and penalties, existence of code of ethics, leverage, return on assets, and P/E ratio) have no relationship with CSR disclosure. These results are consistent with the main result of the study

Table 6.25: Regression results after Moderating of Islamic Financial Firms and CSR disclosure on corporate governance, ownership, firm specific and other variables

Variable	OLSR		
	Coefficient (β)	T-statistic	Sig (p)
Corporate Governance Variables			
Board Independence	0.005	0.069	0.848
Board Size	0.003	0.007	0.878
Number of Board Meetings	0.269	8.346	0.002***
Females on Board	0.069	3.786	0.069*
International Directors	-0.060	-0.666	0.256
Existence of Corporate Governance Committee	0.309	8.726	0.002***
Audit Committee Meetings	-0.099	-0.524	0.011**
Audit Committee Size	-0.036	-1.019	0.383
Ownership Variables			
Government Ownership	0.258	7.357	0.002***
Institutional Ownership	0.096	4.228	0.025**
Foreign Ownership	0.075	3.536	0.365
Firm-Specific Variables			
Firm Age	0.199	6.517	0.002***
Existence of Fines and Penalties	0.058	3.356	0.160
Existence of Code of Ethics	0.006	0.087	0.834

Type of Audit Firm	0.105	4.147	0.031**
Firm Size	0.697	13.426	0.002***
Leverage	-0.002	-0.913	0.812
Financial Performance Variables			
Return on Assets	-0.031	-1.095	0.718
Price/Earnings ratio	0.035	0.854	0.357
Moderating of Islamic Financial Firms	.630	12.696	0.802

Moreover, due to the nature of banks operations, this study analysed the banking sector separately by adding more control variables that directly related to banking sector (Non-Performing Loans; capital adequacy ratios; net interest margin) to examine if these variables would impact the CSR disclosure. Thus, as shown in table 6.26, this study found that CSR disclosure is positively and significantly associated with the number of board meetings, females on the board, existence of corporate governance committees, government ownership, institutional ownership, firm age and firm size. The remaining variables (board independence, board size, international directors, audit committee meetings and size, foreign ownership, existence of fines and penalties, existence of code of ethics, leverage, type of audit firm, return on assets, and P/E ratio, non-performing loans; capital adequacy ratios; net interest margin) have no relationship with CSR disclosure. These results are in line with main result of the study except for audit committee meetings and type of audit firm.

Table 6.26: Regression results for CSR disclosure on corporate governance, ownership, firm specific and other variables in listed bank firms in the GCC

Variable	OLSR		
	Coefficient (β)	T-statistic	Sig (p)
Corporate Governance Variables			
Board Independence	–0.018	–1.45	0.187
Board Size	–0.003	–0.08	0.924
Number of Board Meetings	0.000	2.66	0.006**
Females on Board	–0.008	–1.47	0.087**
International Directors	0.004	0.57	0.540
Existence of Corporate Governance Committee	0.003	2.59	0.004***
Audit Committee Meetings	0.029	1.41	0.235
Audit Committee Size	0.004	1.55	0.135
Ownership Variables			
Government Ownership	0.025	3.07	0.004**
Institutional Ownership	0.009	0.15	0.885*
Foreign Ownership	–0.017	–1.39	0.171
Firm-Specific Variables			
Firm Age	–0.012	–3.19	0.003***
Existence of Fines and Penalties	–0.024	–0.65	0.525
Existence of Code of Ethics	0.043	1.17	0.286
Type of Audit Firm	0.006	1.59	0.172
Firm Size	0.021	3.21	0.003**

Leverage	0.007	.16	0.878
Financial Performance Variables			
Return on Assets	0.029	1.09	0.239
Price/Earnings ratio	0.075	1.62	0.192
Non-Performing Loans	0.004	0.54	0.570
Capital Adequacy Ratios	–0.003	–0.06	0.941
Net Interest Margin	–0.008	–1.76	-0.096

*, **, *** significance at the 10%, 5% and 1% levels, respectively

6.7 Multivariate Analysis: Islamic and Conventional Financial Firms

This section empirically addresses the third research question "*What are the differences between the determinants of CSR disclosure in GCC Islamic and conventional listed financial firms for the Study Period?*"

Table 6.27 summarises the main differences between Islamic and conventional firms. The sample of this study consisted of 138 listed financial firms in the GCC, of which 49 were Islamic and 89 were conventional. Insurance firms represented 43% of the study data while banks 35% and investment firms represented 22%. When it came to the size of both types of firms, Table 6.27 showed that both Islamic and conventional firms are similar in size. Similarly, there is little difference between the age of both firm types, with the average years of operation for Islamic firms being 21 years and 19 years for conventional firms.

The ownership structure in both firm types is, however, significantly different. Table 6.27 shows that governments and institutions prefer to have a share in Islamic firms rather than conventional firms. One possible explanation for this difference could be that governments in GCC countries are committed to adhering to Islamic rules and tend more to make their investments in Islamic

firms. On the other hand, foreign investors (non-GCC) prefer to invest in conventional firms, which could be attributed to the fact that these investors' interest is focused on profits and financial performance rather than the rules followed by the firms. It is obvious that conventional firms have a higher appointment of international directors on the board than Islamic firms, at 18.75% and 7.95% respectively. Leverage in Islamic firms was found to be higher than conventional firms at 15.30% and 8.66% respectively, whilst the P/E ratio in conventional firms was higher than Islamic firms at 36% and 15% respectively.

Table 6.27 Comparison between Islamic and Conventional Firms

	Islamic Firms	**Conventional Firms**
No. of Firms	49	89
Banks	22	26
Insurance	23	37
Investment	4	26
Size (USD) *At the end of 2019	3,323,918,140,556	3,284,605,315,421

	Islamic Firms	**Conventional Firms**
Mean firm age (years)	21	19
Mean Governmental ownership	11%	7%
Mean Institutional ownership	25%	18%
Mean Foreign ownership	2%	17%
Mean International Directors	7.95%	18.76%
Leverage	15.30%	8.66%
P/E ratio	15	36

6.7.1 Descriptive statistics for CSR disclosure of Islamic financial firms in the GCC

245 Islamic listed financial firms' annual reports from 2014 to 2018 were examined using a disclosure index to determine the relative extent of CSR disclosure. Table 6.28 provides descriptive statistics for the mean value of the CSR disclosure index for each year and for the five years combined. The overall extent of CSR disclosure was 22.19% with a range of 0.00% to 76.00%. The results showed a slight deterioration in disclosure over the five-year period from 23.02% in 2014 to 20.61% in 2018.

The overall CSR disclosure (22.19%) for Islamic listed financial firms in the GCC for the Study Period was higher than the results produced in previous studies on Islamic banks including Farook et al. (2011), with a finding of 16.80%. This difference may be attributed to the different sample size used in their study (47 banks) as well as the countries that the sample were drawn from (14 countries).

Table 6.28: Descriptive statistics for the CSR disclosure index in Islamic financial firms in the GCC

	N	Minimum	Maximum	Mean	Std. Deviation
2014	49	0.0000	0.6667	0.2302	0.2072
2015	49	0.0000	0.6700	0.2369	0.1988
2016	49	0.0000	0.7300	0.2234	0.1982
2017	49	0.0000	0.7600	0.2131	0.1967
2018	49	0.0000	0.7300	0.2061	0.1998
Pooled	245	0.0000	0.7600	0.2219	0.1989

Table 6.29 shows the OLSR result of the determinants of CSR disclosure in Islamic listed financial firms in the GCC.

Table 6.29: Regression results for CSR disclosure on corporate governance, ownership, firm specific and other variables in Islamic listed financial firms in the GCC

Variable	OLSR		
	Coefficient (β)	T-statistic	Sig (p)
Corporate Governance Variables			
Board Independence	-0.084	-1.891	0.060*
Board Size	-0.070	-1.600	0.111
Number of Board Meetings	0.075	1.607	0.110
Females on Board	0.122	2.876	0.004***
International Directors	-0.061	-1.492	0.137
Existence of Corporate Governance Committee	0.064	1.110	0.268
Audit Committee Meetings	-0.093	-1.919	0.056*
Audit Committee Size	-0.071	-1.702	0.090*
Ownership Variables			
Government Ownership	-0.032	-0.609	0.543
Institutional Ownership	0.165	3.297	0.001***
Foreign Ownership	-0.048	-1.056	0.292
Firm-Specific Variables			
Firm Age	0.098	1.800	0.073*
Existence of Fines and Penalties	-0.008	-0.212	0.832
Existence of Code of Ethics	-0.105	-2.614	0.010**
Type of Audit Firm	0.009	0.215	0.830
Firm Size	0.797	10.013	0.001***
Leverage	0.050	1.203	0.230

Financial Performance Variables			
Return on Assets	-0.001	-0.013	0.990
Price/Earnings ratio	-0.055	-1.445	0.150

*, **, *** significance at the 10%, 5% and 1% levels, respectively

Of the Corporate Governance variables, only one (females on board) significantly and positively affected CSR disclosure. Only one of the three Ownership Variables (institutional ownership) also significantly and positively influenced CSR disclosure. Two Firm Specific variables (firm age, firm size) were key determinants of CSR disclosure. Finally, as with the results for the overall analysis, Financial Performance variables (ROA and P/E Ratio) did not significantly impact CSR disclosure.

6.7.2 Descriptive statistics for CSR Disclosure of Conventional Financial Firms in the GCC

445 conventional listed financial firms' annual reports from 2014 to 2018 were examined using a disclosure index to determine the relative extent of CSR disclosure. Table 6.30 provides descriptive statistics for the mean value of the CSR disclosure index for each year and for the five years combined. CSR disclosure ranged from 11.73% in 2014 through to 11.77% in 2018 with only minor deviation in disclosure detected over the five-year period.

The overall CSR disclosure (11.73%) for conventional listed financial firms in the GCC for the Study Period was less than the results produced in previous studies in conventional banks such as Lui et al. (2021), who made a finding of 37%. This difference is most likely explained by the differences in the time period covered by them (2010 to 2017) as well as the sample size (21 conventional banks) and the country (Malaysia).

Table 6.30: Descriptive statistics for CSR disclosure index in conventional financial firms in the GCC

	N	Minimum	Maximum	Mean	Std. Deviation
2014	89	0.0000	0.7000	0.1192	0.1602
2015	89	0.0000	0.7879	0.1164	0.1556
2016	89	0.0000	0.6970	0.1137	0.1467
2017	89	0.0000	0.7273	0.1195	0.1468
2018	89	0.0000	0.6700	0.1177	0.1349
Pooled	445	0.0000	0.7879	0.1173	0.1484

Table 6.31 shows the OLSR result of the determinants of CSR disclosure in conventional listed financial firms in the GCC.

Table 6.31: Regression results for CSR disclosure on corporate governance, ownership, firm specific and other variables in conventional listed financial firms in the GCC

Variable	OLSR		
	Coefficient (β)	T-statistic	Sig (p)
Corporate Governance Variables			
Board Independence	0.014	0.356	0.722
Board Size	0.050	1.146	0.252
Number of Board Meetings	0.148	4.203	0.001***
Females on Board	0.041	1.195	0.233
International Directors	-0.032	-0.772	0.441
Existence of Corporate Governance Committee	0.166	4.261	0.001***
Audit Committee Meetings	-0.105	-3.046	0.002***
Audit Committee Size	0.028	0.759	0.448
Ownership Variables			

Government Ownership	0.351	7.487	0.001***
Institutional Ownership	0.032	0.876	0.381
Foreign Ownership	0.093	2.108	0.036**
Firm-Specific Variables			
Firm Age	-0.008	-0.208	0.835
Existence of Fines and Penalties	0.122	3.292	0.001***
Existence of Code of Ethics	0.019	.432	0.666
Type of Audit Firm	0.148	3.273	0.001***
Firm Size	0.230	4.170	0.001***
Leverage	-0.079	-2.122	0.034**
Financial Performance Variables			
Return on Assets	-0.026	-0.772	0.441
Price/Earnings ratio	0.018	0.540	0.589

*, **, *** significance at the 10%, 5% and 1% levels, respectively

Table 6.31 shows the regression results of the determinants in conventional listed financial firms in the GCC. The results indicate that two of the eight Corporate Governance variables tested (existence of corporate governance committee and number of board meetings) are positively influential in determining the level of CSR disclosure. Two of the three Ownership variables (government and foreign ownership) are similarly significantly and positively influenced CSR disclosure. Firm Specific variables (existence of fines and penalties, type of audit firm and firm size) positively impacted disclosure. Finally, the Financial Performance variables (ROA and P/E Ratio) had no impact on CSR disclosure levels for this data.

6.8 Comparison of the level and Determinants of CSR disclosure in Islamic and conventional financial firms in the GCC

For overall CSR disclosure, it was found that the Islamic firms had a mean disclosure index score of 22.19% compared to 11.73% for conventional firms. One explanation for this difference in disclosure is the 'rules' of Islam promoting and promulgating peoples' responsibility to participate in social and charitable events. This was supported by Abbasi et al. (2002) who analysed the level of CSR disclosure between 10 Islamic banks and 10 conventional banks and discovered that the greater extent of CSR disclosure in Islamic banks could be explained by the fact that Islamic firms are subject to religious rules.

Table 6.32 summarises the differences between the determinants of CSR disclosure in Islamic and conventional firms. Each has different determinants of CSR disclosure, with only two variables (firm size and audit committee meetings) common across the firm types.

Table 6.32: Determinants of CSR disclosure in Islamic and conventional financial firms in the GCC

Variable	Type of Firm	
	Islamic	Conventional
Corporate Governance Variables		
Board Independence		
Board Size		
Number of Board Meetings		Significant
Females on Board	Significant	
International Directors		
Existence of Corporate Governance Committee		Significant
Audit Committee Meetings		

Audit Committee Size		
Ownership Variables		
Government Ownership		Significant
Institutional Ownership	Significant	
Foreign Ownership		Significant
Firm-Specific Variables		
Firm Age	Significant	
Existence of Fines and Penalties		Significant
Existence of Code of Ethics		
Type of Audit Firm		Significant
Firm-Specific Variables		
Firm Size	Significant	Significant
Leverage		
Financial Performance Variables		
Return on Assets		
Price/Earnings ratio		

6.9 Robustness Testing

This study used multiple methods of analysis to guarantee the validity of the results. It has been argued that endogeneity is the fundamental challenge facing the field of accounting and finance (Aebi et al. 2012). As a result, the researcher implemented the following methodsto address the potential endogeneity issues.

First, Platonova et al. (2018) considered the possibility that corporate governance disclosure behavior is simultaneously and dynamically driven by

unobserved firm-specific heterogeneities, which pooled OLS regression would overlook (Elmagrhi et al. 2016; Gujarati 2009). Thus, the researcher followed the methods of Sarhan and Ntim (2019) and estimated a fixed-effects model to account for potentially unobserved company-specific features by specifying the panel nature of the research dataset. This involved re-running the CSR disclosure models. The outcomes in Table 6.33 are similar to the main results of this study as shown in Table 6.21. The results of the investigation are argued to be statistically robust and insensitive to any potential unobserved firm-specific heterogeneity.

Table 6.33 Results for the Fixed-Effects Method

Variable	Fixed effect		
	Coef.	T-stat.	p
Corporate Governance Variables			
Board Independence	0.009	0.073	0.860
Board Size	0.008	-0.001	0.895
Number of Board Meetings	0.177	7.636	0.004***
Females on Board	0.050	2.142	0.084*
International Directors	-0.032	-1.617	0.077*
Existence of Corporate Governance Committee	0.203	8.094	0.001***
Audit Committee Meetings	0.057	3.051	0.037**
Audit Committee Size	-0.017	-1.192	0.221
Ownership Variables			
Government Ownership	0.170	6.445	0.002***
Institutional Ownership	0.067	2.675	0.078*
Foreign Ownership	0.054	1.841	0.031**

Firm-Specific Variables			
Firm Age	0.133	5.433	0.001***
Existence of Fines and Penalties	0.143	1.624	0.182*
Existence of Code of Ethics	0.010	0.095	0.845
Type of Audit Firm	0.073	2.577	0.045**
Firm Size	0.450	13.757	0.006***
Leverage	0.005	-0.114	0.820
Financial Performance Variables			
Return on Assets	-0.014	-1.100	0.260
Price/Earnings ratio	0.028	1.019	0.304

***,**,* Significant at the 1%,5% and 10% levels, respectively

Second, to address the potential endogeneity problem caused by board or ownership mechanisms and CSR disclosure (Larcker and Rusticus 2010), the study introduces a lagged structure estimation (i.e., between CSR disclosure, and CG or ownership mechanisms), where CSR disclosure for the current year depend on CG or ownership mechanisms from the previous year. The results of this study are relatively robust to endogeneity concerns caused by the simultaneous relationship between ownership or CG mechanisms and CSR disclosure, as shown by the results presented in Table 6.34, which are consistent with result in table 6.21. In summary, this further analysis shows that the outcomes of this study are not driven by any endogenous relationships.

Table 6.34 Results for the lagged variables method

Variable	Lagged method		
	Coef.	**T-stat.**	***p***
Corporate Governance Variables			
Board Independence	0.001	0.503	0.676
Board Size	-0.000	-0.441	0.704
Number of Board Meetings	0.147	6.78	0.032**
Females on Board	0.037	2.22	0.034**
International Directors	-0.035	-0.9	0.150
Existence of Corporate Governance Committee	0.170	7.16	0.001***
Audit Committee Meetings	-0.057	-2.09	0.021**
Audit Committee Size	-0.022	-0.547	0.165
Ownership Variables			
Government Ownership	0.141	5.791	0.001***
Institutional Ownership	0.051	2.662	0.016**
Foreign Ownership	0.040	1.97	0.013**
Firm-Specific Variables			
Firm Age	0.109	4.951	0.002***
Existence of Fines and Penalties	0.130	1.79	0.254
Existence of Code of Ethics	0.002	0.521	0.664
Type of Audit Firm	0.057	2.581	.0.074*
Firm Size	0.385	11.86	0.001***
Leverage	0.003	0.347	0.644

Financial Performance Variables			
Return on Assets	-0.019	-0.471	0.196
Price/Earnings ratio	–.010	–1.62	0.106

***,**,* Significant at the 1%,5% and 10% levels, respectively

Finally, there is a possibility that both corporate disclosure behavior and corporate governance mechanisms will become "sticky" over time (Brown et al. 2011). Additionally, endogeneity that may emerge as a result of omitted variables bias may be beyond the scope of a lagged variables approach (Elmagrhi et al. 2016). Consistent with Sarhan and Ntim's (2019), the researcher re-examined the relationships in the CSR disclosure model using two-stage least squares (2SLS) regression analysis.

The first stage of the study estimated that the ownership and CG variables are affected by the control variables, similar to Beiner et al. (2006), Elmagrhi et al. (2016), and Ntim et al. (2013). The second step involved re-estimating the OLS CSR disclosure model with the predicted values of ownership and CG variables serving as instrumental variables. Results from the 2SLS analysis are shown in Table 6.35, and they are consistent with the primary study results shown in Table 6.21. Consequently, the results of the OLS models are robust to the endogeneity problem that might arise from the missing variable, as shown in the conclusion."

Table 6.35 Results for the 2SLS regression

Variable	2SLS regression		
	Coef.	T-stat.	p
Corporate Governance Variables			
Board Independence	0.008	0.080	0.791
Board Size	-0.007	-0.001	0.823
Number of Board Meetings	0.154	8.323	0.005***
Females on Board	0.044	2.335	0.069*
International Directors	-0.228	-1.763	0.163
Existence of Corporate Governance Committee	0.177	8.822	0.008***
Audit Committee Meetings	0.050	3.326	0.025**
Audit Committee Size	-0.015	-1.299	0.197
Ownership Variables			
Government Ownership	0.148	7.025	0.007***
Institutional Ownership	0.058	2.916	0.064*
Foreign Ownership	0.047	2.007	0.020**
Firm-Specific Variables			
Firm Age	0.116	5.922	0.008***
Existence of Fines and Penalties	0.237	1.770	0.167
Existence of Code of Ethics	0.009	0.104	0.777
Type of Audit Firm	0.064	2.809	0.033**
Firm Size	0.392	14.995	0.003***
Leverage	-0.004	-0.124	0.754

Financial Performance Variables			
Return on Assets	-0.012	-1.199	0.233
Price/Earnings ratio	–.055	–3.43	0.113

***,**,* Significant at the 1%,5% and 10% levels, respectively

6.10 Conclusion

This study empirically investigated CSR disclosure in GCC listed financial firms and aimed to identify its determinants. Using a unique disclosure index based on 33 items applied to 138 firms across a five-year period, it found a mean overall value of CSR disclosure of 14.96%. Disclosures related to Products, Services, Market Place and Customers were the primary themes disclosed. It emerged that of all GCC countries, Kuwait provided the highest level of CSR disclosure with a mean value of 34.13%, with the lowest being Saudi Arabia at 8.53%. For the total sample of firms, CSR disclosure was significantly and positively associated with the number of board meetings, proportion of females on the board, existence of corporate governance committees, government ownership, institutional ownership, foreign ownership, firm age, type of audit firm and firm size.

When the sample was segmented into Islamic and conventional listed financial firms a number of differences were revealed. Islamic firms disclosed more CSR information than conventional listed firms, with a mean value of 22.19% and 11.73% respectively. In addition, the study found that the drivers of CSR disclosure differed between firm types, with Islamic firms significantly and positively associated with females on board, institutional ownership, firm age and firm size. Whereas conventional firms were significantly and positively associated with the number of board meetings, existence of corporate governance committee, government ownership, foreign ownership, existence of fines and penalties, type of audit firm and firm size.

Only one variable was found to be a common determinant for both types of firms, being firm size, suggesting that results are not generalisable across the two sample populations.

CHAPTER SEVEN: CONCLUSION

7.1 Introduction

This study investigates the extent and determinants of CSR disclosure in listed financial firms in GCC countries. It uses a disclosure index and employs a content analysis technique to measure the extent of CSR disclosure over a five-year period from 2014 to 2018. The sample comprised a total of 690 observations from listed financial firms in GCC countries and was subject to empirical analysis using the quantitative method. This chapter is structured as follows: Section 7.2 presents the research questions; Section 7.3 the research objectives, followed by section 7.4, which presents a summary of the main findings. Section 7.5 outlines the research implications and contribution and finally, Section 7.6 presents the research limitations and suggestions for further studies.

7.2 Research Questions

This study aims to answer the following questions:

1. What is the current extent of CSR disclosure in GCC overall and its individual member countries, specifically for the five-year period of 2014 to 2018 (the Study Period)?

2. What are the determinants of CSR disclosure in GCC listed financial firms for the Study Period?

3. What are the differences between the determinants of CSR disclosure in GCC Islamic and conventional listed financial firms for the Study Period?

7.3 Research Objectives

This study aims to achieve the following objectives to:

1. Examine the extent of CSR disclosure of GCC listed financial firms

2. Investigate the differences between individual GCC countries in terms of the extent of CSR disclosure

3. Investigate the determinants of CSR disclosure of GCC listed financial firms, and

4. Investigate the differences in the extent and determinants of CSR disclosure between Islamic and conventional listed financial firms in GCC.

7.4 Main Findings

The following sections present the main findings of the study addressing the research objectives.

7.4.1 CSR Disclosure in GCC Listed Financial Firms

Overall CSR disclosure, as measured by the composite index, produced a mean result of 14.96% with a range of 0.00% to 78.79%. Somewhat surprisingly, given the growing interest in CSR, this result did not improve significantly over the Study Period with the mean disclosure in 2014 at 15.04% compared to 14.44% in 2018. This contrasts with other studies from the GCC in non-financial firms which found an average level of CSR disclosure of 24% (Habbash 2016, in Saudi Arabia). It also differs from studies outside the GCC over a similar time period which found a mean CSR disclosure of 23% (Salehi et al. 2019, in Iran). In developed nations, disclosure levels are generally much higher, for instance, in the U.K. the mean of CSR disclosure is 65% (Kachouri 2020).

This suggests that GCC financial firms disclose less than both non-financial firms in the GCC and those in similar developing nations. It may be speculated that the overall low level of CSR disclosure and lack of improvement in GCC listed financial firms over the Study Period may be due to the lack of regulatory action or encouragement for these firms to engage actively in CSR activities. It could also be inferred from the low level of CSR disclosure, that GCC financial firms view CSR activities as a net cost and ultimately do not see profit from participating in such activities (Harun et al. 2020).

The extent of disclosure by theme (Environment, Community/Social Activities, Employee, Products, Services, Market Place, Customer, and Other Items) revealed the most disclosed information was on Products, Services, Market Place and Customer (mean 31%) and was lowest for Environment (mean 6%). This may reflect the nature of the operations of financial firms which focus on financial products and customers rather than their engagement in Environmental Activities. Nevertheless, given their important role in the funding and insuring of activities which have significant environmental impact (e.g. oil and gas processing, coal mining etc.) this would seem to be a neglected area of disclosure. It may be that regulators in the GCC need to consider these indirect implications on the environment when setting either voluntary or mandatory disclosure rules.

The frequency distribution for CSR disclosure shown in Table 7.1 provides a better understanding of the distribution of CSR disclosure practices across GCC listed financial firms.

Table 7.1: Frequency distribution of CSR disclosure

Extent of CSR Disclosure (%)	2014		2015		2016		2017		2018	
	No.	%	No.	%	No.	%	No.	%	No.	%
0-20	95	68.8	96	69.6	96	69.6	96	69.6	97	70.3
21-40	30	21.7	29	21	30	21.7	29	21	28	20.3
41-60	9	6.5	9	6.5	9	6.5	10	7.2	11	8
61-80	4	2.9	4	2.9	3	2.2	3	2.2	2	1.4
81-100	0	0	0	0	0	0	0	0	0	0
Total	138	100	138	100	138	100	138	100	138	100

Table 7.1 shows that none of the 138 firms disclosed more than 81% of the measured CSR information during the Study Period. In 2014, only four (3%) of the 138 firms disclosed more than 61% of CSR information and this trend was consistent over the years. The vast majority of firms (95) disclosed less than 20% of CSR information and were also consistent over the Study Period. This finding is in line with Alqahtani (2019), who examined the level of voluntary disclosure in Saudi Arabia for the period 2015 to 2017. These findings indicate that voluntary disclosure in this region remains low and governments may require regulation to increase the level of disclosure.

The study identified large differences in disclosure between member countries ranging from Saudi Arabia (mean 8.53%) to Kuwait (mean 34.13%). This is most likely a reflection of the differing reporting environments and the role of government authorities in GCC countries as outlined in Chapter 2. As an example, the high level of CSR disclosure in Kuwait may be due the government's ‘New Kuwait Vision’ which emphasises CSR as a major factor in the country's distinctiveness from the other GCC countries. It suggests that a more consistent approach to the regulatory environment and government promotion across the GCC would improve overall results. In Kuwait, there is a

higher degree of institutionalization (Tang et al., 2015). The institutional structure of the country in which a company operates has an impact on its commitment to CSR initiatives (Mattenand Moon, 2008). Regulatory, normative, and cognitive forces shape the evolution of CSR for enterprises functioning in a certain institutional environment. As a result of legislation and regulations, businesses are being compelled to engage in CSR activities and this is the case in Kuwait. The regulatory enforcement and scrutiny in Kuwait is also considerable (Visser, 2008), which puts pressure on businesses to perform responsibly.

7.4.2 The Determinants of CSR Disclosure in GCC Listed Financial Firms

To address the second research question, the study investigated the determinants of CSR disclosure in GCC listed financial firms. The explanatory variables were grouped into four areas (Corporate Governance, Ownership, Firm Specific, and Financial Performance). The study found that CSR disclosure is positively and significantly associated with the number of board meetings, females on the board, existence of corporate governance committees, government ownership, institutional ownership, foreign ownership, firm age, type of audit firm and firm size. The remaining variables (board independence, board size, international directors, audit committee size, foreign ownership, existence of fines and penalties, existence of code of ethics, leverage, return on assets, and P/E ratio) have no relationship with CSR disclosure. The number of audit committee meetings was significant, but with a coefficient opposite to the theorised direction.

Of the eight variables representing Corporate Governance, only three were found to be positive and significant results (number of board meetings, females on the board, and the existence of a corporate governance committee). For variables depicting Ownership (government, institutional and foreign), all were found to be significant. It would appear that these significant blockholders are influential in disclosure decisions. With regard to the Firm Specific variables,

three of the six related hypotheses were supported (firm age, type of audit firm and firm size). For the others, the insignificant result may have various causes. For leverage it is possible that creditors in the GCC focus on debt repayment through financial performance rather than through the disclosure of CSR information. This relationship between the existence of fines and penalties and CSR disclosure could be explained by the possibility that firms in the GCC may suppress unfavourable information under certain circumstances in the interest of not impacting the stock price or the firm's reputation (KPMG 2011). Finally, it is possible that the Code of Ethics is being adopted by firms in the GCC to enhance their public image without genuine intention to utilise its functions.

For Financial Performance variables, the insignificant findings for both measures may infer that GCC financial firms view CSR activities as a cost and do not see profit from participating in such activities (Harun et al. 2020). For listed banks in GCC, the study found insignificant relationship between Non-Performing Loans, capital adequacy ratios and net interest margin and CSR disclosure.

7.4.3 The Extent and Determinants of CSR Disclosure in Islamic and Conventional Listed Financial Firms

To address the final research question, the study investigated the differences in the extent and determinants of CSR disclosure of GCC Islamic and conventional listed financial firms. The study found that CSR disclosure in Islamic firms was higher than conventional firms with means of 22.19% and 11.73% respectively. While both disclosure levels are low when compared with developed nations, Islamic financial institutions have outperformed conventional firms for this sample. One explanation for this difference in the extent of CSR disclosure is due to the 'rules' of Islam promoting and promulgating people's responsibility to participate in social and charitable events and the fact that Islamic firms are subject to religious rules (Abbasi et al. 2002). In accordance with Islamic principles, CSR disclosure demonstrates that Islamic financial firms are adhering to Islamic values. It is also common

for Islamic financial institutions to emphasise disclosures which portray them in a positive light, such as philanthropic activities. In addition, Islamic education has a major influence on social systems in GCC countries making this a unique environment. GCC countries share many unique cultural aspects (Grassa and Chakroun 2016), and it is speculated that this trait affects the level of CSR disclosure, especially in the ways in which culture influences how individuals perceive what defines socially responsible activities (Adnan et al. 2009). These have been shown to influence CSR activities and the level or type of disclosure (Liston-Heyes and Ceton 2007).

Regarding the determinants of CSR disclosure in both types of firms, the study found that there was a high level of convergence at the construct level with Ownership and Firm Specific variables wielding a positive impact for both types of firms, Corporate Governance variables only weakly aligned to disclosure and Financial Performance variables being insignificant for both firm types. Specifically for Islamic firms, the drivers of disclosure were identified as females on the board, institutional ownership, firm age, and firm size. For conventional firms, the study found that the number of board meetings, existence of corporate governance committee, government ownership, foreign ownership, existence of fines and penalties, type of audit firm and firm size were influential in determining the level of CSR disclosure. While generally consistent, it was notable that under the Ownership construct, the variables of significance for conventional firms, being government ownership and foreign ownership, differed from that of Islamic firms (institutional ownership only). This may be partly explained by the notable difference in the ownership structure between conventional and Islamic financial firms in that government ownership was higher in conventional firms. Equally, foreign ownership in conventional and Islamic firms was 17% and 2% respectively. The increased foreign investment may reflect the contrasting returns (mean ROA in conventional firms was 2.52%, whilst in Islamic firms it was 2.05%). It is likely that the larger block holdings allowed greater influence over disclosure decisions.

7.5 Research Implications and Contribution

This study will contribute to the existing literature in several ways. CSR disclosure and corporate governance (CG) are two areas of research that this study contributes and provides a new empirical look of how CSR disclosure levels and CG characteristics are related in GCC countries, of which one member – Saudi Arabia – is also a G20 member (Juhmani 2017). CSR disclosure and its relationship to CG in the financial sector of GCC stock markets has not been empirically studied before. New evidence from an oil-dependent industrial country is produced here, therefore making it a valuable source.

This study explores the disclosure practices concerning CSR during a period of significant corporate change, particularly in the Saudi stock market. Significant corporate reforms have taken place during this period of time, such as in Saudi Arabia's stock market, which adopted IFRS in 2013. Prior studies have adopted either cross-sectional data (Roberts 1992; Mohd Ghazali 2007) or short observation periods (Reverte 2009). Such results provide minimal insights into the shift in CSR discourse over time and could mis-specify the factors affecting CSR disclosure. The study adds to the extant literature by applying a longitudinal study covering a five-year period of CSR disclosures in GCC listed finance firms. CSR disclosure literature is supported by the study's longitudinal nature, which examines the effects of changing the disclosure environment in the GCC stock market in light of its rapid development.

This study used more complex statistical analysis techniques than those utilized in prior CSR disclosure studies, which used only nonparametric tests such as generalized linear models in their analyses. This research investigated correlations using a variety of statistical techniques, such as parametric ordinary least squares (OLS) and nonparametric Tobit regression tests. A number of theories are referred to in this study, including stakeholder, agency and legitimacy theory to explain the findings. With this mind, the findings of this study will be critical in helping GCC financial

institutions better understand the importance of disclosing CSR information in their annual reports. CSR disclosure in GCC listed companies is examined and identified in order to improve legislation and disclosure rules for the GCC's finance industry.

In comparison to recent research, such as Harun et al. (2020) and Al-Jalahma et al. (2020), this study examines CSR disclosure in greater depth. Users such as academics, practitioners, financial analysts, and investors can rely on the current index as a tool for assessing the degree to which GCC companies disclose CSR information. For future research, this index will provide essential assessment tools by updating and adding new CSR-relevant categories for GCC companies. It is possible that future evaluations and analyses by regulators and academics could use this index as a benchmark.

7.6 Research Limitations and Suggestions for Future Studies

The current study has some limitations that present opportunities for future research as follows:

1. This study was limited to listed financial firms in GCC countries in order to focus on this under-researched area. A comparative study including non-financial firms may provide a greater understanding of the different drivers of CSR disclosure between these different industry settings.

2. This study is limited to firms' annual reports due to the objectivity provided by this data. However, more subjective reports of CSR disclosure, environmental reports, sustainability reports and websites are potentially available for future researchers. Reviews of different media that incorporate CSR reports and other relevant documentation may also extend the literature on CSR disclosure by financial firms.

3. The research was limited to the countries that constitute the GCC. While this leads to a better understanding of firms in this grouping, the findings may not be generalisable to the wider Middle Eastern region. Studies encompassing a wider group of countries from the region would improve our understanding of CSR disclosure practices.

4. A quantitative research method was applied to the current study and supported by empirical analysis. The potential use of mixed methods research would inform the determinants of CSR disclosure practices through an enhanced understanding of the drivers of decisions made by managers and accountants to disclose information. Case studies, surveys or interviews could be added to this study's content analysis to elicit more granular information on CSR disclosure decisions.

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Appendix 1: Sample of Firms

Abu Dhabi National Insurance

Abu Dhabi National Takaful

Ahli Bank

Ahli United Bank

Al-Ahlia Insurance Co.

Al Ahli Bank of Kuwait

Alahli Takaful Co.

Al-Ahsa Development Co.

Al Alamiya for Cooperative Insurance Co.

Alawwal Bank

Al Anwar Holding

Al Baraka Banking Group

Al Batinah Development Investment Holding Co.

Al Dhafra Insurance

Al-Etihad Cooperative Insurance Co.

Al Gassim Investment Holding Co.

Alinma Bank

Alinma Tokio Marine Co.

Alizz Islamic Bank

Aljazira Takaful Taawuni Co.

Al Khalij Commercial Bank

Al Khazna Insurance

Allianz Saudi Fransi Cooperative Insurance Co.

Al Madina Investment

Al Madina Takaful

Alliance Insurance

Allied Cooperative Insurance Group

Al Omaniya Financial Services

Al Rajhi Bank

Al-Rajhi Company for Cooperative Insurance

Al Sagr Cooperative Insurance Co.

Al Sagr National Insurance Company

Al Salam Bank

Al Sharqia Investment Holding

Al Wathba National Insurance

Amana Cooperative Insurance Co.

Anaam International Holding Group

Arab Banking Corporation

Arabia Insurance Cooperative Co.

Arab National Bank

AXA Cooperative Insurance Co.

Bahrain & Kuwait Insurance Company

Bahrain Commercial Facilities Company

Bahrain Islamic Bank

Bahrain National Holding Company

Bank Albilad

Bank Aljazira

Bank Dhofar

Bank of Bahrain and Kuwait

Bank Muscat

Bank Nizwa

Banque Saudi Fransi

Bouybyan Bank

Bupa Arabia for Cooperative Insurance Co.

Burgan Bank

Buruj Cooperative Insurance Co.

Celebrity National Finance Services

CHUBB Arabia Cooperative Insurance Co.

Commercial Bank of Dubai

Commercial Bank of Kuwait

Commercial Bank of Qatar
Dar AlTakaful
Dhofar Insurance
Dhofar International Development and Investment Holding Co.
Dlala
Doha Bank
Doha Insurance
Dubai Islamic Insurance and Reinsurance Co.
Dubai Financial Market
Dubai National Insurance & Reinsurance
Emirates Insurance Co.
Financial Services
General Insurance
GFH Financial Group
Global Financial Investment
Gulf Bank
Gulf General Cooperative Insurance Co.
Gulf Insurance Group
Gulf Investment House
Gulf Investment Services Holding Co.
Gulf Union Cooperative Insurance Co.
HSBC Bank of Oman
Insurance House
Islamic Insurance
Islamic Arab Insurance Company
Ithmaar Holding
Khaleeji Commercial Bank
Kuwait Finance House
Kuwait International Bank
Malath Cooperative Insurance Co.
Masraf Al - Rayan
Methaq Takaful Insurance
MetLife AIG ANB Cooperative Insurance Co.

Muscat Finance

Muscat Insurance

National Bank of Bahrain

National Bank of Fujairah

National Bank of Kuwait

National Bank of Oman

National Finance

Oman and Emirates Investment Holding

Oman United Insurance

Ominvest

Orient Insurance

Qatar Insurance

Qatar Islamic Bank

QNB

Ras Al-khaima National Insurance

Riyad Bank

SABB Takaful Co.

Salama Cooperative Insurance Co.

Salam International

Samba Financial Group

Saudi Advanced Industries Co.

Saudi Arabian Cooperative Insurance Co.

Saudi British Bank

Saudi Industrial Investment Group

Saudi Investment Bank

Saudi Re for Cooperative Reinsurance Co.

Sharjah Insurance

Shuaa Capital

Sohar International Bank

Solidarity Saudi Takaful Co.

Takaful Emarat

The Company for Cooperative Insurance

The Financial Corporation

The Mediterranean and Gulf Insurance and Reinsurance Co.

Union Insurance

Union National Bank

United Arab Bank

United Cooperative Assurance Co.

United Finance

Waha Capital Company

Walaa Cooperative Insurance Co.

Warba Bank

Wataniya Insurance Co.