

# **Influence of Firm Size and Profitability on Corporate Social Responsibility Disclosures by Banking Firms (CSRSD): Evidence from Jordan**

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## **Abstract**

**Purpose:** The main goal of this paper is to establish whether there is an influence of firm Size and profitability on corporate Social responsibility disclosures towards employees' dimension (CSRSD) in the Jordanian banks. The analysis was based on contents disclosed in their annual reports.

**Design/methodology/approach** – This paper describes, from a theoretical point-of-view, social responsibility actions, as well as some of profitability indicators. Then, an empirical review is gained of reports published by a representative sample from the banking industry in Jordan. An attempt has been made to verify whether there is some correlation between CSRSD contents disclosed, and ROA, ROE, Size.

**Findings** – The paper found solid evidence to reject possible influence for ROA, SIZE variables on (CSRSD) adopted by each bank and reporting contents revealed. The study accepts possible relationship with ROE. However, this is a promising research line for future analysis, using a bigger sample and more CSR reporting issues in relation to society, and environmental Communication capacities.

**Originality/value** – This paper opens a new research path in CSRSD, Profitability, and Size for a possible link between both variables, a matter that has not been previously explored in Jordanian Public shareholding Commercial Banks.

**JEL classification numbers:** M40, M41

**Keywords:** Social Responsibility, Disclosure, Profitability, Banks, Jordan.

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## **1 Introduction**

There are (23) local and foreign commercial banks operating in Jordan; (13) banks are Jordanian. The remaining (10) banks are non-Jordanian banks. Literally, Companies in Jordan have become interested in preparing their annual reports, which contain more environmental and social activities to affect their financial performance. Stakeholder groups claim that their companies should provide all the information relating to their firm's performance in spite of competing interests. Stockholders, think information about CSR activities in annual reports plays an important role in increasing the financial performance of a company. More specifically, Jordanian companies believe that CSRD is more likely to have a positive effect on the company's performance. By reporting CSR activities, these companies can increase their financial performance but by not doing so leads to negative ramifications. A number of companies in Jordan have started to focus on some costs for society and environment activities and to disclose them in the recent years due to stakeholders' pressure. However, the Jordan government has issued regulations that identify the role of organizations (public and private companies) like the current environment law in reducing social and environmental ills and such organizations have not devoted much attention to decreasing their negative effects on society and the environment. In addition, there is insufficient pressure to eliminate the negative social and environmental effects caused by Jordan corporations' practices. However, most companies in Jordan do not understand the importance of Corporate Social Responsibility Disclosure (CSRD) in their annual reports and are unaware of the impacts of CSRD on their performance. This lack of knowledge is compounded by the fact that there is no impetus to disclose CSR activities in their annual reports, because the disclosure of such activities is voluntary. This concern, related to the relationship between CSR with Financial performance (FP). The study contributes to the literature regarding developing countries as well as the relationship between CSRA and FP in developing country like Jordan, a focus that has received little attention. For example, there are few studies (to the best of our knowledge) regarding the Arab region that focuses on the relationship between Corporate Social Responsibility and financial performance, Rettab et al. [1]. The contribution of this study is not restricted to the Jordan context, however. It also extends to the wider field of CSRD research. Second, by investigating the association between CSRD and FP, it extends prior research that links CSRD with financial performance; thus, this study adds a significant contribution to the growing body of literature in the area of developing countries in this area. Finally, this study is expected to help researchers, regulators, and stakeholders in Jordan comprehend the effect of CSRD on the stock market and its impact on companies' performance. It is very important to notice that in the general procedure of the Holy Quran the actions which are not qualified are Oppression or unjust - the Quranic term Dholm (unjust), which, in its general and intensive form, means putting things in places other than their (own) places.

## **2 Literature Review**

In 1999, the World Business Council for Sustainable Development (WBCSD) defined Corporate Social Responsibility as the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society to improve their quality of life. This definition by WBCSD has

ethical concern for integrating social and environmental aspects and contributing sustainable economic development in the business. To improve the quality of life means all the people are meeting their essential needs. CSR has become a key part in the strategies of companies around the globe to promote sustainable development. In brief, the concept of CSR encompasses many dimensions of business activity ranging from the social and economic to the environmental. Some insist that the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time Fredrick, R. E [2]. Most studies have regarded CSR and CSR disclosure as important factors in improving financial performance for firms , Branco & Rodrigues [3]; Husted & Allen 2000 [4]; Husted & de Jesus Salazar 2006 [5]; Marom 2006[6]; McWilliams & Siegel 2000[7]; Moneva et al. 2007 [8]; Orlitzky et al. 2003[9]; Wright & Ferris 1997[10]. These studies have examined the relationship between CSR and financial performance. Most results have indicated a positive relationship, whilst some studies found a negative and mixed relationship between the two. Improving financial performance is not necessarily based on level of disclosure. For example, Brammer and Millington [11] found that firms with both high and low social disclosure levels have higher financial performance. Firms with poor social disclosure do best in the short term. There are number of studies that have found a positive relationship between CSR and CSR with employee commitment that leads to improved organizational performance, Brammer et al. 2007 [12]; Rettab et al. 2009[13], few studies examine this relationship for firms in developing countries, Babington et al. 2008[14]; Hasseldine et al. 2005[15]; Hess et al. 2002[16]; Toms, 2002 [17]. It can be said that results of studies examining the relationship between SRA with FP are different from one country to another, because the business systems differ between countries. Therefore, this study has a positive effort to understand the relation between CSR and FP in Jordan. Moreover, the Islamic religion is considered one of the most important forces behind the rise in pressure for firms to undertake responsibility of social activities. However, Islamic societies are varied in terms of their notions of corporate responsibility. Hence, Jordan is particularly interesting country to study social activities that could determine the nature of social responsibility. Many studies in Australia, the United States, and the United Kingdom have focused on defining the relationship between CSR and organizational performance , Peccei et al. [18]; Rettab et al. [19]; Saleh et al. [20]; Zur et al. [21]. Although they have found the relationship between CSR and organizational performance to be positive, other studies have found negative results, or a mixed relationship. In developing countries, only a few studies have focused on the impacts of CSR on organizational performance. In addition to that, the Islamic religion is considered one of the most important forces behind the rise in pressure for corporations to undertake responsible social activities and to disclose them. However, Islamic societies are varied in terms of their notions of corporate responsibility and disclosure. Over the years, studies have emerged concerning the relationship between CSR initiatives and organizational performance, Margolis & Walsh [22]; McWilliams et al. [23]. However, most companies in Jordan do not give adequate attention towards CSR disclosure in their annual reports and are unaware of the impact of CSR disclosure on their businesses. This lack of knowledge is compounded by the fact that there is no impetus to disclose CSR activities in their annual reports because the disclosure of such activities is voluntary. In the business context. Muthuri, et al. [24] note that a few researches have examined the strategic value of CSR in developing economies, a review of CSR and CSR literature have revealed a general consensus regarding the positive impact has led stakeholders to

place greater pressure on firms to enhance CSRD and their organizational performance. This concern, related to the relationship between CSR and CSRD with organizational performance, has led to empirical studies that define the relationship between CSRD and organizational performance in terms of financial performance, employee commitment, and corporate reputation. These studies fall into several categories. First, most previous studies have regarded CSR and CSRD as important factors in improving financial performance for firms, Branco & Rodrigues 2008 [25]; Husted & Allen 2000 [26]; have examined the relationship between CSRD and financial performance. Most results have indicated a positive relationship, whilst some studies found a negative and mixed relationship between the two. Improving financial performance is not necessarily based on level of disclosure. For example, Brammer and Millington [27] found that firms with both high and low social disclosure levels have higher financial performance. Firms with poor social disclosure do best in the short term, whereas firms with good social disclosure do best in the long term. However, some studies did not find any relationship between CSRD and financial performance, McWilliams & Siegel [28]. Second, there are number of studies that have found a positive relationship between CSR and CSRD with employee commitment that leads to improved organizational performance, Brammer et al. [29]; Rettab et al. [30]. Although a growing number of studies have investigated various dimensions of CSRD, a few have considered its impact on employees, Turker [31]. In addition, most studies have not examined strategic CSRD in developing countries in terms of the relationship between CSR and CSRD with employee commitment, Peccei et al. [32]; Rettab et al. [33]. Peccei et al. [34] found a positive relationship between information disclosure and employee commitment. Despite many emerging studies from firms in Western developed economies, there have been no studies of firms in developing countries examining this relationship. Third, most firms have become interested in CSRD as one of the most important ways to improve their business reputation. Nonetheless, there are only a few studies that have considered the relationship between CSRD and corporate reputation, and few studies examine this relationship for firms in developing countries, Bebbington et al. [35]; Hasseldine et al. [36]; Hess et al. [37]; Toms [38]. Bebbington et al. [39] suggest that it seems plausible that CSR reporting could play a role in reputation risk management. Toms's results suggest that the implementation, monitoring, and disclosure of environmental policies and their disclosure in annual reports contribute significantly to the creation of a good environmental reputation. Hasseldine et al. [40] examine the effects of quantity and quality of disclosures on corporate reputation. They reveal that, among executive and investor stakeholder groups, the quality of environmental disclosures has a stronger effect on the creation of a good environmental reputation than merely the quantity of such disclosures. One study examined the relationship between CSR and corporate reputation, it concluded a positive relationship between the two, Rettab et al. [41], but no study examines the relationship between CSRD and corporate reputation for firms in developing countries. The results of studies examining the relationship between CSR and corporate reputation are different from one country to another. Crane et al. [42] note that business systems differ between countries. Therefore, this study seems to be has a positive effort to understand the institutional and managerial characteristics of economies in developing countries. Therefore, Jordan possesses a significant stand in the world. Jordan also has a unique stability and political system. The main factor leading and regulating the attitude and behavior of Arab society is the Islamic religion. This is, according to Ali [43], due to the following fact that: Family and other social institutions still command the respect of

almost all individuals regardless of their social backgrounds. These institutions utilize Islam to sustain their endurance and influence ... Islam is a comprehensive religion that regulates not only the asceticism but also the worldly tendencies. Almost all social, political, and military precepts are covered in the Quran along with the piety of the soul and moral aspects of individual behavior, Kang et al. [44]; Park & Lee [45]. For example, Rettab, Brik, and Mellahi [46] found the relationship between CSR and organizational performance to be positive. The topic of CSR has been attached with greater importance in various countries; companies create corporate social performance (CSP) as they fulfill such corporate social responsibilities. However, it is debatable whether companies should be devoted to CSR related activities or whether enhancing CSP can result in better CFP. In review of past literature, the study on the relationship between CSP and CFP is inconclusive Ullman et al., [47]. The main purpose for this study is to address the ongoing concern regarding the relationship between Corporate Social Responsibility Disclosure (CSR) and Financial Performance (FP) in the Manufacturing Public Shareholding Companies in Jordan. The motivation for this research lies in lack of specified research in Jordan, despite concerns from stakeholders about the importance of CSR, most firms in Jordan have become interested in CSR as one of the most important ways to improve their business reputations, there were no studies of public share holding companies in Jordan examining this relationship, but the growing concern for social activities and financial performance for stakeholders have led these companies to become more committed and responsible to their shareholders and stakeholders. The content analysis method is employed to analyze (9) annual reports from (13) during (2011) in Commercial Banking Companies. The empirical results from the content analysis were used to describe CSR. This section, therefore, represents CSR by category, and CSR areas. We have chosen this sector for its importance, in addition to the availability of annual reports published in (2011); therefore, the general research question to be examined and explained is as follows: What is the strength of the size impact and profitability on Corporate Social Responsibility Disclosure in relation to employees disclosure (charity and political donations, support for education, support for public health, support for the arts and culture, sponsoring sporting or recreational projects) and employee data, pension data, consultation with employees, employment of disabled value added statement, health and safety, share ownership. We used the ordinary least squares (OLS) regression analysis as the data analysis method. Four tests were conducted to test the critical assumptions of the OLS regression namely; normality test, the assumption of linearity of the model parameters. Thirdly, is the assumption of homoscedasticity which requires the variance or standard deviation of the dependent variable within the group to be equal and fourthly is the assumption of independence of error terms. Finally, to test for multicollinearity, this study applies correlation coefficient and diagnostics test for the model.

### **3 The Study Framework**

We have conducted the present study within the commercial banks working in Jordan. Total of (13) commercial banks were included in the study. All those banks were used as a framework for the sampling procedure of this study. Table (1) displays a list of the commercial banks and the number of employees in each, in addition to the size of their deposits.

Table 1: Commercial Banks Working in Jordan.

\*Deposits are in JD, 000

No.	Bank's Name	Employees	%	*Deposits	%
1	Arab Bank	2,856.00	20.16	4,832.01	27.84
2	Housing Bank for Commerce and Finance	1,701.00	12.01	2,699.64	15.55
3	Jordanian Islamic Bank	1,498.00	10.58	424.66	2.45
4	Jordanian National Bank	1,266.00	8.94	1,121.77	6.46
5	Bank of Jordan	1,210.00	8.54	1,076.43	6.20
6	Cairo-Amman Bank	1,182.00	8.34	807.58	4.65
7	Jordan Kuwait Bank	726.00	5.13	1,183.87	6.82
8	Jordanian Commercial Bank	442.00	3.12	424.21	2.44
9	Arab Banking Institution	377.00	2.66	379.33	2.19
10	Union Bank for Savings and Investments	349.00	2.46	715.18	4.12
11	Jordanian Arab Bank for Investment	347.00	2.45	372.46	2.15
12	HSPC (Middle East)	344.00	2.43	506.12	2.92
13	Capital Bank	290.00	2.05	543.99	3.13
14	International Islamic Arabic Bank	286.00	2.02	211.55	1.22
15	Standard Chartered Bank	265.00	1.87	412.79	2.38
16	Egyptian Arab Land Bank	238.00	1.68	192.89	1.11
17	Jordanian Bank for Investment and Finance	234.00	1.65	501.70	2.89
18	Socie'te' Ge'ne'rale Bank	214.00	1.51	128.39	0.74
19	Audi Bank	129.00	0.91	295.50	1.70
20	BLOM Bank	80.00	0.56	117.11	0.67
21	City Bank	68.00	0.48	190.92	1.10
22	Kuwait National Bank	32.00	0.23	171.82	0.99
23	Al-Rafedain Bank	31.00	0.22	48.77	0.28
Total		14,165.00	100.00	17,358.69	100.00

Source: Compiled from the annual reports in 2011.

#### 4 Hypotheses Statements

**H1:** ROA has a positive impact on CSR Disclosure for the employees' Dimension by quoted public shareholding commercial banking companies.

**H2:** ROE has a positive impact on CSR Disclosure for the employees' Dimension by quoted public shareholding commercial banking companies..

**H3:** SIZE has a positive impact on CSR Disclosure for the employees' Dimension by quoted public shareholding commercial banking companies.

## 5 Methodology

### 5.1 Data Collection Method

The research was conducted using primary data, which are analytical in nature. The study data collection of the population are taken from the annual reports of these Banks that are to the banks' employees for year (2011). Correlation and regression analyses were used to test the hypotheses in order to determine the impact of ROA, ROE, and Size on Corporate Social Responsibilities Disclosure. For the purpose of analysis and interpretation of findings, sample size was limited to (13) public shareholding commercial banking companies listed at Amman Stock exchange. The current study uses this technique (the form of content analysis), to analyze CSR of each category using a "yes/no" or (1, 0) scoring methodology. If there is information in items, these items will gain a score of (1), whereas a score of (0) will be given *if no information item is disclosed, in order to quantify the items. The aggregate score for each company is determined by adding up scores of (1).* Al-Tuwaijri et al. [48]. Calculating the final disclosure score indexes for each category is done using the formula in Figure (1):

Figure 1: Formula used to Calculate Categories of CSR Information from Annual Reports of Banks in Jordan.

$$\sum_{t=1}^{mj} EMD = (\text{Employee data}) + (\text{Pension data}) + (\text{Consultation with employees}) + (\text{Employment of disabled}) + (\text{Value added statement}) + (\text{Health and safety}) + (\text{Share ownership}) + (\text{Equal opportunities}) + \text{etc.}$$

$$X1 = \sum_{t=1}^{mj} \frac{xt}{N}$$

Where:

$\sum_{t=1}^{mj} EMD$  = total scales of employee disclosure.  $XI$  = the final disclosure score indexes for each category.  $X\tau = (1)$  if the indicator  $\tau$  is disclosed, and  $(0)$  otherwise.  $N$  = the maximum number of relevant items a company may disclose. From a total population of (12) commercial banks, annual reports were obtained for each of 9 banks only during the year (2011) from banking companies shown in table (1), giving a sample total of (9) annual reports for the year (2011).

### 5.2 Study Model

To test hypotheses, the following model intended to be employed in this study:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Where:  $y$  refers to CSR which is a dummy variable that could be either (1) or (0),  $\beta$  (1-3) refers to the coefficients for independent variables, and  $\alpha$  is the constant value. ( $X_1$  refers to ROA, ( $X_2$  refers to ROE,  $X_3$  refers to Size, denotes the size of the company, as based on the deposits size, and  $\epsilon$  refers to stochastic term.

## 5.3 Results and Discussions

### 5.3.1 Descriptive Analysis

Table (5.3) presents the areas that annual report for each company may disclose for the current study sample in relation to some specific items despite the fact that says: Ignoring employees concerns might not be affected by profitability, or can have a serious negative or positive impact on CSR disclosure, therefore, only (9) companies out of (13) as study sample have disclosed some of their employees data in the annual reports , (Gender, Age, Qualifications and Numbers) with a percentage of (45%) , the lowest percentage (20%) is for item no. (4) , Consultation with employees , while no. (8) is for Share ownership , but item (10) is for Participations , and item (20) for Hajj or Umrah (Holly travels to Mecca and Madina)

Table 5.3: CSRD Areas subcategories of CSR disclosure

no.	Employees' Disclosure	**Freq.	*%	Mean
1	Employees' personal characteristics	9	45%	.678
2	Training plans	7	35%	.525
3	Pension data	6	30%	.447
4	Consultation with employees	4	20%	.294
5	Employment of disabled	5	25%	.370
6	Welfare Journeys	6	30%	.447
7	Health and safety	7	35%	.525
8	Share ownership	4	20%	.294
9	Awarding Donations to employees	5	25%	.371
10	Participations	4	20%	.294
11	Sponsorship of sporting events	5	25%	.371
12	Canteen	6	30%	.448
13	Common Room for smoking	8	40%	.601
14	Lighting, ventilation, temperature , noise levels	8	40%	.601
15	Information panels/newsletter/bulletins	6	30%	.448
16	Internal meetings	5	25%	.371
17	voluntary activities	7	35%	.525
18	Internships and study grants	6	30%	.448
19	Employee motivation	8	40%	.601
20	Hajj or Umrah (Holly travels to Mecca , Madina)	4	20%	.294
Average of annual reports CSRD		6	30%	.448

\*Percentage (%) : Disclosing companies as a percentage of sample total

\*\*Freq. : Frequency

Three different tests (Descriptive analysis, Correlation analysis, OLS regression analysis) were conducted to determine if there is an impact exists between CSRD with ROA, ROE, and Size. From descriptive statistics of the variables shown in table (5.4), it is observed that size has a mean value of 2.981493, with maximum and minimum value; 3.091359 and 2.769094 respectively. ROA is observed with a mean value of 0.069692. The mean value of ROE is 1.908462, and 2.981493 is for the size.

Table 5.4: Descriptive Statistics for All Variables

Items	RSCN	ROA	ROE	SIZE(Log)
Mean	0.484615	0.069692	1.908462	2.981493
Maximum	1.000000	0.125000	4.000000	3.091359
Minimum	0.000000	0.023000	0.020000	2.769094
Std. Dev.	0.375491	0.036349	1.611013	0.075760
Skewness	0.196003	0.074030	-0.021450	-1.613465
Kurtosis	1.424595	1.693896	1.363688	6.048725
Jarque-Bera	1.427600	0.935907	1.451319	10.67506
Probability	0.489779	0.626283	0.484005	0.004808
Observations	13	13	13	13

Table (5.4) shows the statistical results for all variables of interest. Data obtained from the annual reports can be ranked as (1) for Size (mean = 2.981493), (2) for return on equity (mean = 1.908462), and (3) for return on assets (mean = 0.069692). Table (5.4), presents the average index for the dependent variable (0.484615). The average illustrates higher disclosure on Employees’ personal characteristics.

**5.3.2 Correlation and Regression Analysis**

Pearson’s correlation coefficient is used to investigate the relationship between the CSRD and company’s profitability in terms of financial performance (Return on Asset, Return on Equity, in addition to company size). This study attempts to use the Pearson correlation analysis method , Charles-Henri et al.[49]; Hull et al., [50] , and regression analysis McWilliams et al., [51];Hull et al., [52] .Table ( 5.5) presents a preliminary indication that all independent variables are associated with CSRD. Correlations are significant for these independent variables with CSRD. Employees’ disclosures have a positive correlation coefficient of 0.969643 and 0.680706 with ROE, ROA respectively; with significance level is less than 1%. This means that they are significantly positive correlated, indicating that in this sample, as ROE, ROA increases, CSRD also increases. In addition to that, CSRD with company’s size has a negative correlation coefficient of -0.409915, at the significance level of 1%. This means they are significantly correlated, indicating that in this sample, as size of company increases, CSRD decreases. The perceived influence of CSRD has higher correlations with ROE, ROA, and Size (p-value < 0.01 for all independent variables).

Table 5.5: Pearson Correlation Coefficients between CSRD and Profitability, Size.

	Items	Size	ROE	ROA	CSRD
<b>Size</b>	Correlation	1			
	Sig. (2-tailed)				
<b>ROE</b>	Correlation	-0.3400*	1		
	Sig. (2-tailed)	.019			
<b>ROA</b>	Correlation	-0.0938**	0.6300**	1	
	Sig. (2-tailed)	.001	.000		
<b>CSRD</b>	Correlation	-0.4100**	0.9700**	0.6807**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	257	257	257	257

\* Correlation is significant at the 5% level (2-tailed).

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

### 5.3.3 Effect Model and Test of Hypotheses

Table (5.6) shows ordinary least squares regression (OLS) result conducted using E. views 7.0. The white heteroskedasticity-consistent standard error is used to control for possible heteroskedasticity in the model. The  $R^2$  coefficient of determination was 0.958804, which indicates that the model explains about 95.8804% of the systematic variations in the dependent variable. The Adjusted  $R^2$ , which controls for the effect of inclusion of successive explanatory variables on the degrees of freedom, was 0.945073. The F-stat. value of 0.000001 and the associated p-value of 5% indicate that the hypothesis of a joint statistical significance of the model cannot be rejected as 5% and the linearized specification of the model is not inappropriate". ROA result is not significantly related to CSR disclosure (CSR.D) by companies as indicated by its slope coefficient value of 1.432599, and p-value of 0.1505, which is more than the critical p-value of 5% ( $p < 5\%$ ), thereby leading to the rejection of the alternative hypothesis "There is a significant relationship between ROA and the extent of CSR Disclosure by quoted public shareholding banking companies in Jordan". While ROE is positively and significantly related to CSR disclosure (CSR. disc) by companies as indicated by its slope coefficient value of 0.196979, and p-value of 0.0000 which is less than the critical p-value of 0.05 at 5% level ( $p < 0.05$ ), thereby leading to the acceptance of the alternative hypothesis. Effect of company ROE was related to CSR disclosure by banking companies in Jordan. The evaluation of the slope coefficients of the explanatory variables reveals the existence of negative relationship between CSR disclosure (CSR disc) and Firm Size as depicted by the slope coefficient of -0.543361. The result is however not significant as the p-value of 0.1670 exceeds the critical p-value of 5%, thereby leading to the rejection of the alternative hypothesis "There is a significant relationship between company size and the extent of CSR disclosure by listed public shareholding banking companies in Jordan. Finally, Durbin-Watson value of 1.144564 indicates that stochastic dependence between successive units of the error term is unlikely in the model.

Table 5.6: Regression Analysis on CSR.D

Dependent Variable: RSCN					
Method: Least Squares					
Sample: 1 13					
Included observations: 13					
Variable	Coefficient	Std. Error	t-Statistic	Prob.	
ROA	1.432599	0.911582	1.571552	0.1505	
ROE	0.196979	0.021774	9.046660	0.0000	
SIZE	-0.543361	0.361468	-1.503207	0.1670	
$\alpha$	1.628876	1.083733	1.503024	0.1671	
R-squared	0.958804	Mean dependent var.		0.484615	
Adjusted R-squared	0.945073	S.D. dependent var.		0.375491	
S.E. of regression	0.088002	Akaike info criterion		-1.775247	
Sum squared resid .	0.069700	Schwarz criterion		-1.601416	
Log likelihood	15.53911	Hannan-Quinn criter.		-1.810977	
F-statistic	69.82340	Durbin-Watson stat		1.144564	
Prob.(F-statistic)	0.000001				

$$CSR\ disc = 1.63 + 1.43 ROA + 0.20 ROE - 0.54 SIZE + \epsilon$$

(1.50)      (1.57)      (9.05)      (-1.50) \*

\* The t-values are in parenthesis

#### 5.4 Diagnostics Test for the Model

The following tests were conducted for the model to ensure that basic ordinary least squares assumptions have not been violated, and that the estimates resulting from the model were the best, linear unbiased estimates of the population parameters. The tests were Autoregressive Conditional Heteroskedasticity (ARCH) for heteroskedasticity test, the LM test for autocorrelation and the Ramsey reset test for the model specification. Tables ( 5.7) and (5.8 ) reveal that p-value for both the f-statistics and the observed R-squared were 0.4710 , 0.7458 , and 0.3276 , 0.7166 respectively using residual lag length of 2. The values are greater than the critical value of 0.05 at 5% significance level. This shows that there is no evidence for the presence of heteroskedasticity. Hence there is violation of the constant variance assumption of the ordinary least squares.

Table 5.7: Heteroskedasticity Test

<b>Heteroskedasticity Test: White</b>			
F-statistic	1.264819	Prob. F(9,3)	0.4710
Obs*R-squared	10.28854	Prob. Chi-Square(9)	0.3276
Scaled explained SS	2.966993	Prob. Chi-Square(9)	0.9656

Table (5.8):Autoregressive Conditional Heteroskedasticity

<b>Heteroskedasticity Test: ARCH</b>			
F-statistic	0.111040	Prob. F(1,10)	0.7458
Obs*R-squared	0.131785	Prob. Chi-Square(1)	0.7166

Table (5.9) shows the Breusch-Godfrey correlation LM tests for the presence of autocorrelation. The result reveals that p-value of f-statistics and the observed R-squared were 0.1428 and 0.0625 respectively using a residual lag length of three. When compared to the critical value of 0.05, the p-values are noticed to be higher and this shows the non-existence of autocorrelation. Hence, the estimates of the regression follow the non-violation of the zero covariance assumption of the ordinary least squares and the estimates are free from any bias.

Table 5.9: Breusch-Godfrey Serial Correlation LM Test

<b>Breusch-Godfrey Serial Correlation LM Test:</b>			
F-statistic	2.603331	Prob. F(2,7)	0.1428
Obs*R-squared	5.545054	Prob. Chi-Square(2)	0.0625

## 6 Discussion of Results

The recent research has made a significant contribution to our understanding of the impact of ROA, ROE, company size, and CSR disclosures in relation to non-financial factors to employees in commercial banks in Jordan. The evaluation of slope coefficients of the explanatory variables reveals the existence of Negative relationship between number of corporate social responsibility disclosures in relation to employees and Firm Size. The result is however not significant as 5% level. Consequently, the alternative hypothesis of a significant between CSR disclosures for employees and the size of the reporting firm is

rejected, from this result, we can point out that companies often evaluate the cost-benefit of such disclosures and if the cost exceeds the benefit, irrespective of the company size may not be made or the scope increased. Return on Equity (ROE) was positively and significantly related to the extent of employees disclosure by companies at 5% level ( $p < 0.05$ ). This suggests that more ROE companies are more likely to increase the extent of their corporate social disclosure and less ROE companies are more likely to reduce the extent of their CSR disclosures in relation to employees. Hence, we accept the alternative hypothesis of a significant impact of ROE on reporting firm CSR disclosure. While the effect of company ROA was positively related to the extent of corporate social disclosures by companies. The impact is however observed to be insignificant at 5%, hence, the third alternative hypothesis is not supported.

## 7 Conclusions and Recommendations

This study has been able to identify the impact of corporate social responsibilities in relation to employees on the Jordanian society. This indicates that corporate social responsibility contributes to a way of living a healthy life in the community. Profit objective is the major and primary objective of every firm, but no responsible firm will neglect the all-important corporate social responsibility objective, there is a well-formulated corporate social responsibility policy in virtually all the firms in the banking sector and which is strictly adhered to. This policy is also made to comply with the directions of regulatory authorities and government policies. The firm should see corporate social responsibilities as social obligations business concerns owe their employees such that CSR should be included in the law and enforced on the firms accordingly. *To some extent, there is a lack of commitment for disclosing social information in relation to employees, Disclosure about employees' information helps in improving the quality of the company performance through what is offered to the employee, such as training, bonuses, advances to employees and others.* The study provides insight into the effect of corporate social disclosure. In this regard, there is a need for regulatory agencies to develop a CSR reporting framework that focuses considerably on utilizing firm employees' information and providing corporate incentives for CSR disclosed and penalties for non-disclosure. This research only focuses on annual reports, future research should use other mass mechanisms, such as advertising, interim reports, promotional leaflets, websites, and separate reports for society, environment, and environmental communication capacities. This research uses one annual report for each company, future research should use more than one year, because this research investigated the relationship between CSR and Profitability and size.

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