EXTENT OF CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE AND ITS DETERMINANTS: EVIDENCE FROM KINDOM OF SAUDIA ARABIA

AHMED SALEH ABDULHAQ
PhD candidate University Sains Islam Malaysia
ahmed_abdulhaq@yahoo.com

NURUL AINI MUHAMED
University Sains Islam Malaysia
Nurulainifem373@gmail.com

ABSTRACT

This paper aims to measure the extent of corporate social responsibility disclosure (CSRD) and it's determinates by listed companies on Saudi Stock Exchange (TADAWUL). The study employs content analysis of the annual reports and websites to measure the extent of CSRD in Saudi Companies. Furthermore, to identify factors influencing the extent of corporate social responsibility disclosure the study adopts multiple regression analysis. The results shows that the level of CSRD by listed companies on Saudi Stock Exchange (TADAWUL) is low with an average of 36 %, indicating that such disclosure is still not of a primary concern to these companies. The findings suggest that the extent of CSR disclosure is influenced by company size, type of industry and ownership concentration. The paper is limited by the subjectivity of content analysis as well as it considers CSRD for only two year. This study has public policy implications for the decision makers in the KSA as well as a number of other Gulf cooperation council and Middle East countries. This paper adds to the limited CSRD literature in Arab and Middle East countries in general and the Kingdome of Saudi Arabia in particular. This paper not only examines the extent and determinants of corporate social disclosure but also attempts to hypothesize such disclosure.

Key words: Corporate social responsibility disclosure; Content analysis; Saudi Arabia.

Introduction

Corporate Social responsibility Disclosure has become compulsory in some countries, especially the developed nations (e.g., France, UK and Denmark). In Saudi Arabia, CSRD is voluntary and the demand for corporate voluntary disclosure has increased in the last decades. This reflects the dissatisfaction with the compulsory disclosure from different parties who expect more comprehensive information from a corporation about its activities and the impact of these activities on these parties and on the society at large. Many studies have been made in the literature to explain, defend and understand corporate social responsibility disclosure. Previous literature shows that there is no one generally accepted definition for the concept of CSR provided by researchers and organizations. Corporate social reporting is defined as "the provision of financial and non-financial information relating to an organization's interaction with its physical and social environment, as stated in corporate annual reports or separate social reports" (Kemp and Vinke, 2012)Over the past decades, CSRD has become an expanding area of accounting research. A number of theories, including the agency theory, the stakeholder theory, the legitimacy theory, the political economy theory, the accountability theory and the situational theory have been employed to justify why companies disclose or not disclose corporate social responsibility (CSRD) information (Adams, et al, 1998; Deegan, et al, 2002; Gray, et al, 1995). However, the above theories were very much developed in the context of western market economies. Therefore, their applicability in other parts of the world is questionable, particularly in the Islamic societies where businesses operate in a totally different cultural context along with different business objectives and ethics. The purpose of this study is to examine the extent of corporate social disclosure among the Kingdom of Saudi Arabia listed companies. Furthermore, the study will determine the factors that might affect the CSR among such companies. The Saudi Stock Exchange (TADAWUL) one of the largest, major and fast growing exchanges in the region. The number of companies listed on the exchange reached at the end of the year 2013 were 163 companies covering several industries including banking, investment and financial, insurance, manufacturing, services, energy, telecommunications, consumer staples, real estate, and services. The studying extent of corporate social responsibility disclosure of the companies listed on this exchange is expected to add a new aspect to the literature. The findings of the study is expected to assist Saudi policy makers to identifying the limitations and weaknesses of the current approach to corporate disclosure of the companies listed on The Saudi Stock Exchange. The results of the study is also expected to assist corporate managers in identifying the importance of this type of disclosure to stakeholders. Finally, the findings of the study may have implications for other emerging economies particularly the GCC countries since they have similarities in their socio-cultural environment, political and economic systems and share the same language, culture, religion and legal environment.

The motivation of the study. As the purpose of this study is to present a framework to explain the CSRD phenomenon in the CCG countries, the Saudi companies are chosen as the basis for the empirical study. The Saudi companies provide the best practices in the area of CSRD. Meanwhile, the KSA business environments are considered suitable for the study of CSRD and its related concepts. Saudi Arabia is also one of the largest Gulf countries in terms of area, population and financial resources. In addition, it the country also has a large number of listed companies in the stock market compared with other CCG countries.

The structure of this paper is organized as follows. The next section offers an overview of the framework of corporate reporting in KSA. Previous literature concerning the extent of corporate social responsibility disclosure and its determinants together with development of research hypotheses are presented in the section three. While the results are discussed in the fourth section, the conclusion is offered in the last section.

The Framework Of Corporate Reporting In The Ksa

The rules of corporate reporting in Saudi Arabia are derived primarily from two sources. The first is the Companies law Act of 1965 and the second consists of the Capital Market Law of 2003 and regulations issued by the Board of the Capital Market Authority established by the Capital Market Law. The Board of the Capital Market Authority has used the powers given to it and issued Corporate Governance Regulations governing issues concerning corporate governance. The Saudi corporate governance framework has been subject to reforms while others are still pending. There are several rules and regulations that support the implementation of corporate governance in Saudi listed companies. In 1985, the Ministry of Commerce and Industry issued the Disclosure and Transparency standard. Corporate governance is supported by issuing this standard because, disclosure and transparency is considered to be one of the most important elements of corporate governance's best practice. The action of issuing this standard was one of the important decisions in the development of accounting and reporting practices in Saudi Arabia because the disclosure requirements had been very low beforehand (Al-Janadi et al, 2013). The latest progression of corporate governance in Saudi Arabia has witnessed the development and the issuing of the code of corporate governance in the year 2006. The code was prepared to harmonize with international standards of corporate governance such as the OECD principles. It contains three main parts: the Rights of Shareholders and the General Assembly, Disclosure and Transparency, and Board of Directors. The accounting standards in KSA is adoption with the IFRSs issued by the International Accounting Standards Board (IASB), adopting these standards may result in many benefits to the adopting companies and to the stakeholders. In addition to the enhancing of the transparency and disclosure quality of adopting companies and increasing the comparability of financial statements among companies and countries, this adoption also reduces the cost of capital these companies may have pay to its fund providers (IASB). This is because using the same reporting practices by different companies and among various countries should make it less difficult and cheaper for fund providers to compare the opportunities and risks of investments in these companies and markets.

Previous related studies and hypotheses development

Many previous studies tested different characteristics of the firm and level of social disclosure to determine which variables are to be considered as the determining factors for voluntary disclosure in general or, specifically, for social disclosure, researchers had focused on certain company characteristics, such as: size, leverage and profitability, type of industry, ownership and auditing firms. The main argument in this type of studies is that, those variables reflect, in some approach, the cost and benefits that company can hold or obtain by making that information public. As corporate social used to study which determinants of that disclosure might be. Thus, to select the possible determinants for corporate social responsibility disclosure were considered different theoretical arguments dealt with in literature and different empirical research which has been carried out on the subject we are concerned with. In this study, six company characteristics have been used to determine the level of corporate social responsibility disclosure by companies listed on Saudi Stock Exchange (TADAWUL): company size, leverage level, degree of ownership concentration, industry type, profitability (ROA and ROE), and auditor type.

Size

Many studies have proved that the size of the company is a major determinant of the level of voluntary disclosures. The idea that larger companies have greater social repercussion and the agency and political cost are higher (Jensen and Meckling, 1976). This is the reason for considering this variable in most research on voluntary disclosure in general especially, social disclosure. Thus, the company size is considered as a good indicator of the costs incurred when publishing voluntary information and the benefits received by doing so. The cost of gathering, elaborating and communicating information is lower for the large companies, compared to that for the small companies, since in many cases, the information about corporate social responsibility disclosure is elaborated for internal use. With regards to the benefits, disclosure in large companies causes a reduction in political costs as a result of its greater transparency. Moreover, larger companies may benefit from disclosure as they have easier access to the capital market or even a reduction in the cost of capital (Lang and Lundholm, 2000). As a matter of fact, previous research provides full evidence of a positive association between corporate size and voluntary disclosure (Depoers, 2000; Haniffa and Cooke, 2005). Moreover, the arguments which make up the basis for the theories elaborated on companies' social disclosure (the stakeholder and legitimacy theories) suggest that larger companies ought to satisfy greater disclosure demands from stakeholders whilst their greater transparency creates a greater need for legitimate conduct (Dunn and Sainty, 2009; Gelb and Strawser, 2001). The previous considerations lead us to pose our first hypothesis:
H1. The extent of corporate social responsibility disclosure of companies listed on Saudi stock Exchange is positively related to company size.

Leverage level

Leverage is also considered as a determining factor of voluntary disclosure. Companies with a greater debt are subject to greater agency costs due to the possibility wealth may be transferred from debt-holders to shareholders (Jensen and Meckling, 1976).Murcia and Santos (2010) found that the voluntary disclosures are positively impacted by firm's leverage among the Brazilian listed firms. It is also assumed that companies with higher debt tend to present information to attract confidence from different groups that are interested in them (the companies), especially lenders, in order to legitimate their conduct in the public eye (Cormier et al, 2004; Gelb and Strawser, 2001) The impact on corporate social disclosure has been confirmed by Roberts

(1992) who used it as a surrogate measurement for the stakeholders' importance. The idea that companies with the most debt would disclose more on the human element by considering it a conditioning factor of business success and greater guarantees for creditors' commitments, along with previous arguments, leads us to our second hypothesis:
H2. The extent of corporate social responsibility disclosure of companies listed on Saudi stock Exchange is positively related to the degree of leverage.

Degree of ownership concentration
Gray et al (2001) found that the country in which the company reports affects the theme of CSRD, if not the amount of disclosure. The arguments which justify the consideration of the degree of ownership concentration as a conditioning factor for human resource disclosure are based on the agency costs and a company's need to legitimate its conduct. The greater the dispersal of ownership structure, the greater the agency costs will be, due to the increase in the probability of conflicts between the management and the shareholders (Fama and Jensen, 1983). As a result, companies with widely dispersed ownership are more motivated to disclose in order to reduce the agency costs. Furthermore, the existence of a greater number of shareholders may induce more diverse disclosure demands (e.g. there may be shareholders interested in social matters). It is also likely that more shareholders are interested in social matters which might be a reason for the company to legitimatise its behaviour (Roberts, 1992). Further, prior research provides evidence for the existence of a positive association between property dispersal and social disclosure (Malone et al, 1993) or intellectual capital disclosure (Oliveira et al, 2006). Taking the previous empirical evidence as a basis, we pose the hypothesis:
H3. The extent of corporate social responsibility disclosure of companies listed on Saudi stock Exchange is positively related to the degree of ownership concentration.

Type of industry
A company's industry has been identified as a factor that potentially affects corporate social responsibility disclosure practices. Dierkes and Preston (1977) found that companies whose economic activities modify the environment, such as the extractive industries, are more likely to disclose information about their environmental impacts than are companies in other industries. A generally accepted belief is that companies in certain sectors have a greater tendency to disclose. Above all, intellectual capital disclosure is considered to be highly dependent on the sector the company belongs to (FASB, 2001). One possible way of using the industry variable in the papers that analyse intellectual capital disclosure is by differentiating the ‘‘new economy’’ companies from the rest. Hence, this variable has been incorporated into (Bozzolan et al, 2003) analyses. The results obtained in both papers confirm the impact of the ‘‘type of industry’’ variable on the intellectual capital disclosure. The idea is that the ‘‘new economy’’ companies tend to develop a more dependent activity on knowledge. That is the reason why these companies invest in acquiring and developing their intellectual capital. Thus, we expect that those companies who have a high growth rate will have a high rate of technological development, which supposes that knowledge acquires its utmost importance, and with it, the employees. For these companies, matters such as innovation and reputation that are closely linked with employees, condition their development and future. For these reasons, these companies will be more worried about their human resources and will have a greater interest in their disclosure. The prior empirical evidence and theoretical arguments lead us to our fourth hypothesis:
H4. The extent of corporate social responsibility disclosure of companies listed on Saudi stock Exchange is positively related to the industry type.

Profitability
Companies which are highly profitable will increase the extent of their disclosure, in general in order to reduce the agency costs, to avoid giving out bad signs to the market and to justify earnings to avoid political costs (Giner, 1997), Much research has confirmed the positive effect of this variable on general disclosure for example (Haniffa and Cooke, 2005; Naser and Hassan, 2013; Thompson and Zakaria, 2004). Besides that, from a corporate social disclosure perspective, it is argued that companies with good economic performance could dedicate more funds to social matters and disclose more on them. Roberts (1992) used this argument to confirm profitability effect on disclosure. Moreover, Pava and Krausz (1996) empirically stated that companies who carry out more social actions are the more profitable ones. As a consequence, high profitable firms are also expected to disclose more information on human resources. Prior research has already documented a positive association between economic profitability and intangibles' disclosure (e.g. (García-Meca et al, 2005). With the previous experience as a basis, along with the idea that the more profitable companies will have a good human team, the companies will be able to enjoy competitive advantages, such as flexibility and innovation. Further, to keep this human element, they (the companies) will pay attention to social matters which in turn, allows them to maintain sustainability. This leads us to the following hypothesis:
H5. The extent of corporate social responsibility disclosure of companies listed on Saudi stock Exchange is positively related to company return on assets ROA.
H6. The extent of Corporate social responsibility disclosure of companies listed on Saudi stock Exchange is positively related to company return on equity ROE.

Auditor type
Type of auditors associated with the firms can also have substantial effect on the extent of the corporate social responsibility disclosure. As compared to the small audit firms, large audit firms are more likely to demand higher quality disclosures from their clients. On the other hand, small audit firms do not possess the power to influence the disclosure practices of their clients; rather, they attempt to accommodate their clients in order to retain them (Wallace and Naser, 1996). Studies such as those see for example (Al-Shammari, 2008; Aly et al, 2010; Barako, 2007; Naser and Hassan, 2013). Big international firms possess intensive knowledge of the IFRSs and they audit large international companies. They, therefore, charge higher audit fees than other firms. Hence, it is very likely for large and profitable companies to hire big international audit firms since they afford paying their fees. Intensive knowledge of IFRSs and experience with multinational companies of the big audit firms' staff would have a positive effect on the extent of reporting of companies audited by these firms. It is, therefore, hypothesized that:

H7. The extent of corporate social responsibility reporting of companies listed on Saudi stock Exchange is associated with the status of the audit firm employed by the company.

Study Methodology

To measure the extent of corporate social disclosure by companies listed on Saudi stock Exchange, content analysis was undertaken on 2012 and 2013 annual reports of these companies. By the end of 2013, the total number of companies listed on Saudi stock Exchange was 163(326 annual reports). The websites and the annual reports of all these companies were used to provide evidence on the extent and determinants of corporate social responsibility reporting in Saudi Arabia by performing content analysis. Content analysis is a usually used method of analysis in accounting research in general (Beattie, 2005), and in the area of corporate reporting in particular(Haniffa and Cooke, 2005; Naser et al, 2006; Thompson and Zakaria, 2004). Annual reports and websites of the companies were analyzed for details related to six specific themes of corporate social disclosure. These themes are community development, human resources, products and services, environment, finance and investment, and corporate governance. A disclosure index was necessary to be used in this study as a yardstick to measure the level of social disclosure by the companies listed on Saudi stock Exchange. The index was developed after an extensive review of prior studies in emerging economies in general (see for example Haniffa and Cooke, 2005) and within the context of Arab and Islamic countries (Menassa, 2010; Naser et al., 2006; Rizk et al,2008) in particular. This review had led to the development of a 44 item social disclosure index. Having designed the components of the disclosure index, it was showed by the researchers on a number of the companies' annual reports.

To measure the level of disclosure, an index ratio (the actual score disclosed by individual company) has to be developed. The computation for an index ratio is as follows:

$M = \sum di$

$i = 1$

Where

d = expected item of disclosure.

n = the number of items which company is expected to disclose.

The maximum score (m) that companies earn may differ. To measure the disclosure level for every company, a total disclosure index (TSDI) is computed by TSDI/M. The score for every company will be between 0 and 1. If the company disclosed social disclosure items, a score that will be given is 1 for item. On the other hand, if a company did not disclose any of the social disclosure items the score should be 0. In this study the association between the extent of corporate social disclosure and the company's characteristics is estimated by using the following regression model:

$TSDI= \sum (TDICOM + TDIHR+ TDIPRD+TDIENV+ TDIFI + TDICG)$

CSRD Index = corporate social disclosure score for company.

TDICOM = the total disclosure index of community development

TDIHR = the total disclosure index of human resource

TDIPRO = the total disclosure index of product contribution

TDIENV = the total disclosure index of environmental contribution

TDIFI = the total disclosure index of finance and investment

TDICG = the total disclosure index of environmental contribution

$TDICOM = \beta0 + \beta\ 1\ TA + \beta\ 2\ ROA + \beta\ 3\ ROE + \beta\ 4\ TIN + \beta\ 5\ LEV + \beta\ 6\ OWN+ \beta7\ AUD$

$TDIHR = \beta0 + \beta\ 1\ TA + \beta\ 2\ ROA + \beta\ 3\ ROE + \beta\ 4\ TIN + \beta\ 5\ LV + \beta\ 6\ OS+ \beta7\ AD$

$TDIPRO = \beta0 + \beta\ 1\ TA + \beta\ 2\ ROA + \beta\ 3\ ROE + \beta\ 4\ TIN + \beta\ 5\ LV + \beta\ 6\ OS+ \beta7\ AD$

$TDIENV = \beta0 + \beta\ 1\ TA + \beta\ 2\ ROA + \beta\ 3\ ROE + \beta\ 4\ TIN + \beta\ 5\ LV + \beta\ 6\ OS+ \beta7\ AD$

$TDIFI= \beta0 + \beta\ 1\ TA + \beta\ 2\ ROA + \beta\ 3\ ROE + \beta\ 4\ TIN + \beta\ 5\ LV + \beta\ 6\ OS+ \beta7\ AD$

$TDICG = \beta0 + \beta\ 1\ TA + \beta\ 2\ ROA + \beta\ 3\ ROE + \beta\ 4\ TIN + \beta\ 5\ LV + \beta\ 6\ OS+ \beta7\ AD$

Where,

TA = the natural log of book value of total assets

ROA = the return on assets

ROE = the return on equity

TIN = the type of industry.

LV = the leverage

OS = the ownership

AD = the type of auditors

Discussions And Findings

Descriptive Statistics

Descriptive statistics about dependent and independent variables employed in this study are summarized in tables 1.

Table 1: Descriptive Statistics for Dependent and Independent Variables in the KSA

	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
SIZE	326	7.62	11.58	9.3695	0.82046

LEV	326	-2.111	3.222	0.1057	0.961183
ROA	326	-0.37	0.39	0.0497	0.994692
ROE	326	-0.69	0.63	0.0863	0.994689
IND	326	0	1	0.2699	0.44461
AUD	326	0	1	0.6748	0.46915
OWN	326	0	0.95	0.3689	0.23104
CSRD	326	0	0.82	0.359	0.2052

The table show that companies listed on Saudi stock Exchange vary in their characteristics. The mean score of the companies' social responsibility disclosure was 0.359. It ranges between 0 up to 0.82. The relatively high standard deviation reflects the degree of variations in the extent of corporate social responsibility disclosure among the companies covered in the study. The total assets (in logarithms) range from Saudi Arabia Riyal (SAR) 7.62 to 11.58 with a mean of 9.37 SAR. With regard to leverage, it ranged from -2.11 to 3.22 with a mean of 0.10. Table 5.16 shows the profitability variables which range from -0.37 to 0.39 with a mean of 0.04 for ROA and ROE from -0.69 to 0.63 with a mean of 0.08. It can be also observed from Table 5.16 that there are 88 (27 percent) financial companies and 238 (73 percent) non-financial companies. With respect to auditor type, 220 (67.5 percent) annual reports were audited by audit firms with an international affiliation (Big Four) whilst 106 (32.5 percent) were audited by other auditing companies. The international affiliation audit firms also dominated the auditing in the KSA. The ownership concentration of the companies' variable ranges from 0.00 to 0.95, with a mean of 0.3689.

Correlation

Table 2 below shows the Pearson correlation coefficient matrix that is performed to examine the association between the dependent and independent variables used in this study. The Table reveals a number of significant correlations among the various variables. The analysis shows that there is a significant positive association between CSRD in the KSA and company size, ROE, leverage, type of auditing and ownership concentration. Also, a positive but insignificant association was observed between the CSRD and industry type. To test for multicollinearity among the independent variables, this study used the Pearson correlations matrix. Table 2 shows that the highest correlation was between ROE and ROA (R2=0.679). However, this value is still lower than the critical value of 0.80 (Bryman, 2012). Thus, a multicollinearity problem between the independent variables is not considered serious.

Table 2: Pearson Correlation Matrix in the KSA

	SIZE	LEVE	ROA	ROE	IND	AUD	OWN	CSRD
SIZE	1							
LEVE	.622**	1						
ROA	0.058	.124*	1					
ROE	.191**	.218**	.679**	1				
IND	0.047	-.277**	-.425**	-.275**	1			
AUD	.280**	.121*	-0.106	0.042	.334**	1		
OWN	.422**	.175**	0.033	.146**	.144**	.358**	1	
CSRD	.484**	.215**	0.088	.113*	0.1	.145**	.221**	1

Regression analysis

Tables 3 shows both the F-value of 15.776 (P=0, 00) and the R Square which equals to 40.1 percent and the values support the significance of the model and suggest that the model is able to explain 40.1 percent of the variation in corporate social disclosure of companies listed on Saudi stock exchange.

Table 3: Regression analysis: Model Summary and ANOVA in the KSA

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.634a	0.401	0.387	0.17572		
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.897	8	0.487	15.776	.000
	Residual	9.788	317	0.031		
	Total	13.685	325			

Table 4 shows a positive and significant association between the extent of corporate social responsibility disclosure (CSRD) in Saudi Arabia (KSA) and each of company size (total assets), industry type (financial and non-financial) and ownership concentration. A positive but insignificant association was also reported between the extent of CSRD and each of the return on assets (ROA), return on equity (ROE), leverage, and audit firm status. The rest of this section is devoted to test the hypotheses about the association between the extent of social disclosure and seven independent variables.

Table.4: Regression between Dependent and Independent Variables in the KSA

	Variables	Beta	t	Sig.	VIF
1	(Constant)		-4.635	0	
	SIZE	**0.519**	**6.546**	**0**	**2.048**
	LEVE	-0.117	-1.423	0.156	2.201
	ROA	-0.076	-0.515	0.607	2.182
	ROE	0.168	1.132	0.259	2.144
	IND	**-0.198**	**-2.675**	**0.008**	**1.781**
	AUD	-0.084	-1.374	0.171	1.222
	OWN	**0.12**	**2.12**	**0.035**	**1.047**

Company size appeared to be the most important variable that explains the extent of CSRD. This outcome is constant with previous studies that suggested firm size as one of the main determinants of the voluntary disclosure (Haniffa and Cooke, 2005; Naser et al., 2006; Menassa, 2010). This result gives support to agency, political economy and legitimacy theories. As large companies are usually more visible and accountable to the public (Cormier and Gordon, 2004), Hence, They try to avoid such pressure, reduce monitoring costs and justify their existence in society by being involved in more voluntary practices including CSRD information.

The second factor that appeared to be positively associated with the extent of social responsibility reporting of Saudi companies listed on Saudi Stock Exchange is ownership concentration. The direction of the association between the extent of social responsibility disclosure and the ownership concentration of the companies is positive. This indicates that companies with widely dispersed ownership are more motivated to disclose in order to reduce the agency costs.

The third variable appeared to be an important determinant of the extent of social responsibility disclosure of the companies listed on Saudi Stock Exchange is the industry type of the company. Companies belongs different industries are expected carryout different activities that require different disclosure. Non-financial companies embark on intensive activities that require recording purchase of materials, work in progress and finished goods. These companies are capital intensive and are more likely to seek external funding. Non-financial companies are also more likely to disclose information concerning pollution, environment, health and safety. For all these reasons, non-financial companies are expected to disclose more information than companies operating in financial sector to avoid public pressure and additional regulations.

Conclusion

The main purposes of this study are to measure the extent of corporate social responsibility disclosure and factors influencing it by companies listed on Saudi Stock Exchange. To achieve these objectives, content analysis were performed on 2012 and 2013 annual reports for all listed companies. The extent of disclosure was measured by developing a disclosure index of 44 disclosure items. The score of each company was then obtained by dividing it's score over the maximum score (44 disclosure item). The extent of disclosure ranged from as low as 0 up to 0.82. In other hand, the annual reports of some companies contained no social responsibility information, whereas the annual reports and websites of some companies contained 82 % of the maximum disclosure score. The mean score of all companies, however, was only 0.36. It was, therefore, obvious that the extent of corporate social responsibility disclosure was comparatively low. This result is in line with previous research undertaken in similar environments, namely Jordan, Qatar and UAE (Abu-Baker and Naser, 2000: Naser and Hassan, 2013). This gives clear indication that the Arab companies still have a long way to go to improve the extent of social responsibility reporting. As a result of the significant variations in the extent social responsibility disclosure among the companies listed Saudi stock Exchange, it was important to explore factors behind such variations. Several corporate attributes frequently used in the literature to explain the variations extent of corporate disclosure were used in this study. The variables are company size, leverage level, profitability (ROA and ROE) industry type, status of the audit firm, ownership concentration. These variables were regressed against the social responsibility disclosure index and the result of the regression analysis showed that the extent of corporate social responsibility disclosure reporting of the companies listed on Saudi stock Exchange was mostly influenced by size, industry type and ownership concentration. The result lends support to political and agency theories. According to these theories, large sized companies located in developed areas are more visible to the public as well as to the pressure groups. Therefore, they are subjected to more political pressure than small size companies. In an attempt to reducing cost and to avoid pressure groups, these companies are more likely to voluntary disclose social responsibility information. Industry type of the company influences the extent of corporate disclosure since these companies work on different activities that need different disclosure and recording. On the other hand, positive and significant disclosure appeared between the extent of social responsibility disclosure and ownership concentration of companies. that the existence or non-existence of relationship depends on how the high ownership is, as it will determine if the company will make the corporate social responsibility disclosure because of they have power compared to the small shareholder. Furthermore the Saudi company's owners looking to disclosure from Islamic view as a part of believes.

This study has some limitations. First, the study only uses annual reports and websites to measure the extent of corporate social responsibility disclosures made by the companies listed on Saudi stock exchange (Tadawul). Thus, it is likely that these companies also use other methods by which they communicate with their stakeholders such as press releases, annual general meetings and special booklets that detail their contribution to society. Finally, the study span is only two years.

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