DETERMINANTS OF CORPORATE SOCIAL RESPONSIBILITY REPORTING: EVIDENCE FROM AN EMERGING ECONOMY

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ABSTRACT

This paper aims to measure the extent of corporate social responsibility (CSR) and its determinates by non-financial companies listed on Abu Dhabi Securities Exchange. The study employs content analysis of the annual reports to measure the extent of CSR disclosure in Abu Dhabi Companies. In addition, the study adopts multiple regression analysis to identify factors influencing the extent of corporate social responsibility disclosure. The findings reveal that the level of CSR disclosure by companies listed on Abu Dhabi Securities Exchange is low with an average of 34 %, indicating that such disclosure is still not of a primary concern to these companies. The results also suggest that the extent of CSR disclosure is influenced by corporate size, industry and profitability. The paper is limited by the subjectivity of content analysis as well as it considers CSR disclosure for only one year. This study has public policy implications for the decision makers in the UAE as well as a number of other Arab and Middle East countries. This paper adds to the limited CSR literature in Arab and Middle East countries in general and the United Arab Emirates in particular. This paper not only examines the extent and determinants of corporate social disclosure but also attempts to theorize such disclosure.

Keywords: Corporate social responsibility; Content analysis; Abu Dhabi

INTRODUCTION

Many attempts have been made in the literature to understand, explain and justify corporate social disclosure. Owen (2005) indicated that identifying the motivation for companies' disclosure of social information is an important research tradition in the corporate social reporting literature. Many theories and approaches have been used in previous research, both in developed and emerging economies, to identify factors that motivate companies to release voluntary, including social and environmental, information in their annual reports. The most widely used theories are agency, political economy, stakeholder and legitimacy theories. Although a considerable part of literature has been undertaken in the emerging economies context during the first decade of this century, emerging economies are still required special attention (Hopper et al., 2009) and an important future research is still urgently needed (Belal and Momin, 2009). Previous research investigated the influence of different companies' characteristics on corporate social reporting. The objective of this study is to examine the underlying determinants that may influence the extent of corporate social responsibility (CSR) disclosure by companies listed on Abu Dhabi Securities Exchange. Abu Dhabi Securities Exchange is one of the youngest exchanges in the region. The number of companies listed on the exchange reached at the end of 2011 69 companies covering several industries including banking, insurance, investment and financial services, manufacturing, services, consumer staples, real estate, energy and telecommunications. At the end of 2012, the market capitalization of the market was around US $72 billion[1].The

[1] Taken from a report prepared by Capital Acquisitions and Management Corporation (CAMCO) research that analyzes the performance of Abu Dhabi Securities Exchange during January 2012

exchange is becoming one of the major and fast growing exchanges in the region. Hence, studying the extent of CSR disclosure of the companies listed on this exchange is expected to add a new dimension to the literature. The outcome of the study is expected to assist policy makers in the UAE in identifying the limitations and shortcomings of the current approach to corporate disclosure of the companies listed on Abu Dhabi Securities Exchange. The outcome of the study is also expected to assist corporate managers in identifying the importance of this type of disclosure to investors and other pressure groups. Finally, the outcomes of the study may have implications for other emerging economies particularly the GCC countries since they have similarities in their socio-cultural environment and share the same religion, language, culture, legal environment, firms' ownership structure and political and economic systems.

The remainder of this paper is organized as follows. The next section provides an overview of the framework of corporate reporting system in the UAE. Previous literature concerning the extent and determinants of CSR disclosure together with development of research hypotheses are offered in the section three. While the findings are discussed in the fourth section, the conclusion is presented in the last section.

THE FRAMEWORK OF CORPORATE REPORTING SYSTEM IN THE UAE

Financial reporting practices in the UAE are governed by several major bodies including government through company law and the central bank, Emirates Securities and Commodities Market Authority (ESCMA) registration’s requirements, and the Governance Rules and Corporate Discipline Standards (Rules). UAE Company Law states that accounting principles and practices should be in line with the Generally Accepted Accounting Principles (GAAP). However, the law does not define these principles (International Monetary Fund, 2007) or provide a list of specific accounting standards which could be regarded as acceptable. On the other hand, the Central Bank has published Circular No 20/99 in 1999 requiring the banks, finance companies, and investment companies operating in the country to prepare their financial statements in accordance with International Financial Reporting Standards (IFRSs) with effect from January 1, 1999. The adoption of the IFRSs was necessary to the banks and other financial institutions operating in the UAE in order to make their reporting practices more understandable and acceptable world-wide and to enhance their relative position (UAECB, 1999), bearing in mind that many countries all over the world adopt these standards. An additional set of regulations that governs financial reporting practices in the UAE is 2000 Federal Law No. 4 concerning the Emirates Securities and Commodities Authority "ESCA Law". The law is not explicit about adopting IFRSs especially for companies listed on Abu Dhabi Securities Exchange. Finally, the Ministry of Economy Ministerial Resolution No. 518 of 2009 asked the boards of directors of all companies to adopt corporate governance rules which include, amongst others, developing a CSR policy towards the local society. This Ministerial Resolution concerning Governance Rules and Corporate Discipline Standards (Rules) became effective on 30 April 2010.

Although Company Law in the UAE does not explicitly mandate the IFRSs, most of the companies operating in Abu Dhabi adopt them. This reality has been emphasized by Aljifri and Khasharmeh (2006). Rapid growth that the UAE economy has witnessed in the last few years, through international trade and finance, put pressure on the UAE authorities to adopt westernized forms of accountability and financial reporting (Haswell and McKinnon, 2003). Thus, the adoption of IFRSs became a vital factor in the UAE’s efforts to attract foreign (Irvine and Lucas, 2006) and to measure companies' performance using comparable accounting standards. Moreover, Irvine and Lucas (2006) argued that the multiple culture of UAE, and its commitment to globalization, have contributed to the relative ease with which the decision to adopt IFRSs has been made. However, there will be significant difficulties in implementing IFRSs due to the unique culture and infrastructure of UAE.

PREVIOUS RELATED STUDIES AND HYPOTHESES DEVELOPMENT

Research in the area of social and environmental disclosure started late during 1970s. The earliest research was undertaken in a developed country by Ernst and Ernst (1978) who conducted a series of surveys to measure the extent of corporate social disclosure in the annual reports of US Fortune 500 companies. In return, Singh and Ahuja (1983) was the first to conduct a study on corporate social reporting in an emerging economy- India. Although the research concerning corporate social practices covered both developed and emerging economies have significantly increased over the last two decades, only very few of this type of research has been conducted in the Arab and Middle East countries (Abu-Baker and Naser, 2000; Ahmad and Gao, 2005; Hanafi and Gray, 2005; Mikdashi and Leal, 2005; Naser et al., 2006; Pratten and Mashat, 2009) [2].

The main feature of most of the previous research on the determinants of the extent of corporate social reporting is to use a number of corporate attributes. In this study, seven firm characteristics have been used to determine the level of corporate social responsibility disclosure by companies listed on Abu Dhabi Securities Exchange: profitability, level of leverage, industry type, status of the audit firm, the location of the company's head office, the proportion of company's shares owned by the government and size.

Profitability

Profitability is one of the factors that has been frequently employed in the literature to explain the extent of corporate disclosure. Company's profitability gives indication about the effectiveness of corporate management. It is very likely to see a profitable companies providing detailed information in order to attract the users to their accounts in order to highlight management effectiveness. Profitable companies have positive messages to signal to the users of the accounts. It is, therefore, understandable for profitable companies to disclose more information than non-profitable companies. However, it is possible to see some companies sustaining losses and still disclosing detailed information in order to explain what went wrong and how they intend to correct it. Numerous studies used profitability to explain variations in the extent of corporate reporting (see for example: Singhvi, 1968; Singhvi and Desai, 1971; McNally et al, 1982; Malone et al, 1993; Wallace et al, 1994; Meek et al, 1995; Raffournier, 1995; Wallace and Naser, 1995; Inchausti, 1997; Owusu-Ansah, 1998; Tower et al, 1999; Naser et al, 2002; Camfferman and Cooke, 2002; Glaum and Street, 2003; Prencipe, 2004; Akhtaruddin, 2005; Al-Shammari, 2008; Barako, 2006, Hossain and Hammami, 2009; Othman et al., 2009; Aly et al., 2010; Ali, 2011; Galani et al., 2011; Rehman, 2012; Javed, 2012). Different variables were used to proxy profitability such return on equity, return on assets, net income to sales, earnings to sales, operating profit to total asset, profit margin and return on capital employed. Most of the previous studies reported positive and significant association between the extent of corporate social responsibility reporting and corporate profitability. It is, therefore, hypothesized:

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[2] **Example of studies undertaken in developed countries**: Gray et al., 1995; Burritt and Welsh, 1997; Moneva and Llena, 2000; Tilt, 2001; O Dwyer, 2003; Secchi, 2006; Gibson and O'Donovan, 2007; Sweeney, 2007; Holder-Webb et al., 2009. **Example of studies covered emerging countries**: Lynn, 1992; Savage, 1994; Batra, 1996; Hegde et al. , 1997; Belal, 1997, 2000, 2001; Newson and Deegan, 2002; Visser, 2002; Abdul Hamid, 2004; Thompson and Zakaria, 2004; Haniffa and Cooke, 2005; Achda, 2006; De Villiers and van Staden, 2006; Hossain et al., 2006; Ratanajongkol et al., 2006; Dawkins and Ngunjiri, 2008; Rashid and Lodh, 2008; Garvin et al., 2009.

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- Hypothesis 1: The extent of corporate social responsibility reporting of companies listed on Abu Dhabi Securities Exchange is positively associated with corporate profitability

Level of Leverage

Leverage is another factor used in the literature to give explanation for the extent of corporate reporting (see for example: Chow and Wang-Boren, 1987; Malone et al., 1993; Wallace et al, 1994; Meek et al, 1995; Raffournier, 1995; Inchausti, 1997; Tower et al , 1999; Depoers, 2000; Bujaki and McConomy, 2002; Camfferman and Cooke, 2002; Ferguson, et al. 2002; Naser et al., 2002; Prencipe, 2004; Al-Shammari, 2008; Barako, 2007; Aly et al., 2010; Naser, Nuseibeh, & Al-Hadeya, 2013). A highly leveraged company will be asked by lenders to disclose more detailed information than a company with a low leverage ratio. Lenders ask for detailed information before grating loans. In addition, banks and other lending organizations are more likely to lend successful and reputable companies. Hence, highly leveraged companies are very likely to disclose more information than others in order to meet the banks and other lending organizations expectations. Different variables were used in the literature to surrogate leverage such as total liabilities to total assets, total liabilities to total equity, long-term liabilities to equity, capital employed to total assets and total liabilities to total equity. The vast majority of these studies showed positive and significant relationship between the extent of corporate social responsibility reporting and corporate leverage level. It is, therefore, hypothesized that:

- Hypothesis 2: The extent of corporate social responsibility reporting of companies listed on Abu Dhabi Securities Exchange is positively associated with corporate leverage level

Industry Type

Industry is another variable employed in the literature to explain the extent of corporate reporting (see for example: McNally et al, 1982; Cooke, 1989; Cooke, 1992; Meek et al, 1995; Raffournier, 1995; Inchausti, 1997; Owusu-Ansah, 1998; Tower et al, 1999; Haniffa and Cooke, 2002; Camfferman and Cooke, 2002; Ferguson et al., 2002; Naser et al, 2002; Glaum and Steet, 2003; Akhtaruddin, 2005; Al-Shammari, 2005; Barako, 2007; Hossain and Hammami, 2009; Othman et al., 2009; Aly et al., 2010; Ali, 2011; Galani et al., 2011). Companies operating in different industries embark on different activities. Hence, manufacturing companies involved in more activities than services companies. They purchase various types of materials that need to be handled and stored before being used in production. They also have work in progress and finished goods to handle and to store before being dispatched to the final users. Manufacturing companies are also capital intensive and requires large capital investment that force them to look for external sources of funding. Manufacturing companies are generally large in size and embark on various operations. According to the legitimacy theory, manufacturing companies are expected to disclose more social information concerning environmental and health and safety issues than companies belong to other sectors in order to avoid public pressure and additional regulations (Hackston and Milne, 1996; Tagesson et al., 2009). Hence, industry type is expected to influence the extent of corporate reporting. Empirical evidence supports the relationship between the extent of corporate reporting and industry type. Positive relationship reported between manufacturing companies and the extent of corporate reporting has been documented in many previous studies. It is, therefore, hypothesized that:

- Hypothesis 3: The extent of corporate social responsibility reporting of companies listed on Abu Dhabi Securities Exchange is associated with industry type

Status of the Audit Firm

The relationship between the extent of corporate reporting and the status of the audit firm has been investigated in many studies (see for example: Signhvi and Desai, 1971 ; McNally et al., 1982 ; Malone et al, 1993 ; Wallace et al, 1994; Raffournier, 1995; Wallace and Naser, 1995; Inchausti, 1997; Owusu-Ansah, 1998; Naser et al, 2002; Camfferman and Cooke, 2002; Glaum and Street, 2003; Ali et al, 2004; Al-Shammari, 2008; Barako, 2007; Aly et al., 2010). 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:

- Hypothesis 4: The extent of corporate social responsibility reporting of companies listed on Abu Dhabi Securities Exchange is associated with the status of the audit firm employed by the company

Location of the Listed Company's Head Office

Previous studies pointed to possible association between accounting system development and economic level development (Cooke and Wallace, 1990; Doupnik and Salter, 1995; Salter, 1998; Williams, 1999). In other words, highly developed countries are more likely to have a highly developed accounting system than the less developed countries. This will be reflected on the extent of corporate reporting. Companies listed on Abu Dhabi Securities Exchange are located in seven Emirates[3]. The level of economic development varies among these Emirates. It is argued that companies located in urban areas would be usually more visible (Loughran and Schultz, 2005) than companies located in rural areas since these areas tend to have many institutional investors, brokers, bankers, financial analysts, and lobby groups. In this study, the attempt is made to test whether the economic development level used in cross-national studies can be used to explain differences in the extent of corporate social reporting practices in an intra-country basis. In the UAE, the two most developed emirates, namely Abu Dhabi and Dubai might also be considered as urban areas since more than 75 percent of the total population of the country are living there with the highest living standards as compared with the other five Emirates. Accordingly, it is expected that the companies located in Abu Dhabi and Dhabi to be more visible to the public and, hence, tend to disclose more social information than companies located in other Emirates. It is, therefore, hypothesized that:

- Hypothesis 5: The extent of corporate social responsibility reporting of companies listed on Abu Dhabi Securities Exchange is associated with the location of the head office of the listed company

Ownership Structure

Previous research on the determinants of the extent of corporate disclosure pointed to possible relation with government ownership in the concerned company. Many of the companies listed on Abu Dhabi Securities Exchange were originally incorporated as government companies and then privatized to activate the role of the private sector in shaping the country's economy. Management of these companies may opt to disclose detailed social responsibility information in order to attract investments and to signal that they are operating in line with society's expectations. Hence, legitimizing their existence and activities and promoting transparency. Government ownership can affect agency conflict between agents

[3] Abu Dhabi, Ajman, Dubai, Fujairah, Sharjah, Ras al-Khaimah and Umm al-Qaiwain

(managers) and principals (shareholders). According to Eng and Mak (2003), due to the conflict between corporate financial objectives and society's expectations, companies' communication with shareholders becomes greater with government ownership. In a country like the UAE where labor unions are not existed, companies with high proportion of shares held by the government are expected to offer welfare, training programs and pension plans to enhance the working conditions of their employees (Naser et al., 2006). Moreover, such companies are more likely to observe environmental issues in its annual reports to reflect its role in society and to present itself as a good example for other firms in the country. Empirical evidence on the direction of the relationship between the extents of corporate social responsibly disclosure and government ownership is mixed. While Eng and Mak (2003) and Ghazali (2007) found government ownership to be important factor that impacts the extent of CSR disclosure in a sample of Singaporean and Malaysian companies, Ghazali and Weetman (2006) and Naser et al. (2006) revealed that government ownership has little impact on the extent of CSR disclosure by a sample of Malaysian and Qatari companies. It is, therefore, hypothesized that:

- Hypothesis 6: The extent of corporate social responsibility reporting of companies listed on Abu Dhabi Securities Exchange is associated with the proportion company's shares owned by the government

Corporate Size

A significant number of studies examined the relationship between the extent of corporate reporting and corporate size. Large companies are expected to have financial and human resources to compile, analyze and disclose information more than small companies. Since they have the resources, they are expected to hire big international audit firms that are likely to force better disclosure than small audit firms. Large companies are also subjected to the scrutiny of the public. To assure the public, they tend to disclose more information than small companies. Needless to say, large companies are more likely to be involved in activities that require disclosure more than small companies. Furthermore, large companies will be closely monitored by the stock markets more than small companies. Large companies tend to disclose more voluntary information to reduce agency costs resulting from potential conflicts between management and the stakeholders (Othman et al., 2009) as well as to reduce political costs as they are usually more publicly visible than small companies (Archel, 2003; Cormier and Magnan, 2003). Different measures, however, were employed in the literature to proxy size. Yet, a significant number of the previous studies used total assets to proxy size (see for example: Singhvi,1968; Singhvi and Desai,1971; McNally et al., 1982; Cooke, 1993; Malone et al., 1993; Wallace et al., 1994; Wallace and Naser,1995; Inchausti,1997; Owusu-Ansah,1998; Tower et al., 1999; Bujaki and McConomy, 2002; Naser et al, 2002; Camfferman and Cooke, 2002; Ferguson et al., 2002; Ali et al, 2004; Barako, 2006, Othman et al., 2009; Hossain and Hammami, 2009; Aly et a., 2010; Ali, 2011; Galani et al., 2011). Few number of studies used total sales to proxy corporate size (see for example: Cooke, 1993; Wallace et al., 1994; Meek et al, 1995; Raffournier, 1995; Inchausti, 1997; Depoers, 2000; Naser et al., 2002; Prencipe, 2004, Rouf, 2011). Most of these studies reported significant and positive association between the extent of disclosure and corporate size. It is, therefore, hypothesized that:

- Hypothesis 7: The extent of corporate social responsibility reporting of companies listed on Abu Dhabi Securities Exchange is associated with the corporate size

STUDY METHODOLOGY

To assess the extent of corporate social disclosure by companies listed on Abu Dhabi Securities Exchange, content analysis was undertaken on 2011 annual reports of these companies. By the end of 2011, the total number of companies listed on Abu Dhabi Securities Exchange was 65. This number includes 5 non-Emarati companies. Hence, the total number of the Emarati companies listed on the Exchange at the end of 2011 was 60 companies. The 2011 annual reports of all these companies were used to provide evidence on the extent and determinants of corporate social responsibility reporting in Abu Dhabi by performing content analysis. Content analysis is a widely used method of analysis in accounting research in general (Beattie, 2005), and in the area of corporate reporting in particular (Abdul Hamid, 2004; Belal, 2000, 2001 ; Dawkins and Ngunjiri , 2008; De Villiers and Van Staden, 2006; Garvin et al., 2009; Hanafi and Gray, 2005; Haniffa and Cooke, 2005; Mikdashi and Leal, 2005; Naser et al., 2006; Ponnu and Okoth, 2009; Pratten and Mashat, 2009; Ratanajongkol, 2006; Thompson and Zakaria, 2004). Annual reports were analysed for details related to six specific themes of corporate social disclosure. These themes are environment, energy, human resources, products and customers, community, and others.

A disclosure index was necessary to be used in this study as a yardstick to assess the level of social disclosure by the companies listed on Abu Dhabi Securities Exchange. The index was developed after an extensive review of prior studies in emerging economies in general (see for example Gao et al., 2005; Haniffa and Cooke, 2005) and within the context of Arab countries (Menassa, 2010; Naser et al., 2006; and Rizk et al., 2008) in particular. This review had led to the development of a 38 item social disclosure index. Having designed the components of the disclosure index, it was piloted by the researchers on a number of the companies' annual reports. In light of the researchers' test, some of these items were excluded as they were either not disclosed by any of the companies, or they were confusing or irrelevant. Hence, the disclosure index was adjusted to include 26 items. It is decided in this study to use the un-weighted disclosure index. If an information item has been disclosed in the company's annual report, then a score of ‘1’ was awarded, and if the item is not disclosed, then ‘0’ score was awarded. The disclosure index for company X will be as follows:

$$CSRS_{(x)} = \sum_{i=0}^{n} I_{(x)}$$

Where,

CSRS(x)	Corporate Social Responsibility Score for Company X
I(x)	Company X Score for the Disclosure Item where 1 score is given for disclosure and 0 score for non disclosure.
n	The maximum score to be achieved 26 points

The un-weighted corporate social disclosure index ($CSDI_{(x)}$) for company X is then calculated by dividing its score ($CSRS_{(x)}$) over the maximum score (26) as follows.

$$CSRSI_{(x)} = \left(\frac{CSRS_{(x)}}{26} \right)$$

The association between the extent of corporate social disclosure and the firm’s characteristics is estimated by using the following regression model:

$$CSRSI_{(x)} = a_0 + a_1PROF + a_2LEV + a_3IND + a_4SAF + a_5LOC + a_6OWN + a_7\,SIZ + e$$

Where:

$CSRSI_{(x)}$	=	Corporate social responsibility index scored by company X
a_0	=	Intercept
PROF	=	Profitability measured by net income over sales
LEV	=	Leverage measured by total liabilities over total assets
IND	=	Industry type where 1 is given to energy, 2 to insurance, 3 to industrial, 4 to banks, 5 to consumer staples, 6 to construction, 7 to real estate, 8 to

		investment services, 9 to health care and 10 to telecommunications,
SAF	=	Status of the audit firm where 1 is given to the big international audit firm and 0 otherwise
LOC	=	Location of the head office of the listed company where 1 was given to companies placed their head office in Abu Dhabi and Dubai and 0 otherwise.
OWN	=	Ownership measured by percentage of company's shares owned by government
SIZ	=	Size measured by the natural logarithm of total assets
a_1 ***to*** a_7	=	Parameters of the model
e	=	Standard Error

FINDINGS

Descriptive Statistics

Descriptive statistics about continuous and discontinuous variables employed in this study are summarized in tables 1 and 2 respectively. The tables show that companies listed on Abu Dhabi Securities Exchange vary in their characteristics. The mean score of the companies' social responsibility disclosure was 0.34. It ranges between 0 up to 0.89. 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 mean of all companies' profitability reached 0.14. The profitability of the surveyed companies ranged from –0.52 to 0.65. The tables also revealed that the level of leverage of the surveyed companies is moderate as reflected by the reported mean. The standard deviation of the leverage ratio together with the minimum and maximum amounts reflects high degree of variations in the level of leverage among the surveyed companies. Similarly, the tables showed variations in the percentage of shares owned by the government among the surveyed companies. The mean of the government ownership was about 0.20. The related standard deviation, the minimum and maximum values pointed to major differences among the surveyed companies. The table showed that while in some companies the government ownership is as low as 0%, in other companies it goes up to reach 80%. The tables also showed that company's size measured by the natural logarithm of the company's total assets varied significantly. The total assets ranged from AED 8.36 (in logarithms) to AED 11.41 (in logarithms). The mean of the companies' total assets was around AED 9.5 (in logarithms). The tables also showed that the vast majority of the surveyed companies (88%) are audited by big international audit firms. More than half of the surveyed companies are belong to the financial sector. The head offices of 53% of the surveyed companies are placed in Abu Dhabi and Dubai. Variations in the extent of corporate social responsibility disclosure and the characteristics of the companies listed on Abu Dhabi Securities Exchange give good ground for the analysis.

[Tables 1 and 2 about here]

Correlation

To examine the association between various variables utilized in this study and to test for multicollinearity among the independent variables, the Pearson correlation coefficient was performed and presented in Table 3. It is evident from the table that corporate social responsibility is positively and significantly associated with the percentage of shares owned by the government and corporate size. Strong correlations appeared between several independent variables such as: leverage and profitability, profitability and percentage of corporate shares owned by the government, size and profitability, leverage and industry, leverage and percentage of corporate shares owned by the government, leverage and size, industry type and the status of the audit firm, status f the audit firm and size, and percentage of corporate shares owned by the government and size. However, none of these correlations reached the critical value of 0.80 (Bryman and Cramer, 2005) suggesting that multicollinearity is not a serious problem. It is, however, difficult to identify the severity of the collinearity between the independent variables from relying only on the correlation results. To cope with this, the Variance Inflation Factor (VIF) for each of the independent variables was calculated. The VIF is a widely used measure of the degree of multicollinearity of an independent variable with the other independent variables in a regression model. It quantifies the severity of multicollinearity in the regression analysis. It measures the variance of an estimated regression coefficient is increased as a result of collinearity. VIF was undertaken and reported in table 4. As a rule of thumb, VIF ≥ 10 is viewed as a sign of severe multicollinearity. When VIF is greater than or equal to10 collinearity can be reduced by eliminating one or more variables from the regression analysis. In all cases, all the VIFs appeared in table 4 are all less than 10. Hence, collinearity does not seem to be a problem in the regression models.

[Table 3 about here]

Regression Analysis

In the current study, backward regression was performed. Under this regression, many models are estimated. The first model contains all independent variables employed in the study. The regression follows specific steps and after each step an insignificant variable is removed from the analysis and the model is refitted until the most significant independent variables that estimate the regression model are obtained. The result of the backward regression analyses is summarized in tables 4.

[Table 4 about here]

It is evident from the table that the model used to explain the extent of social responsibility reporting of companies listed on Abu Dhabi Securities Exchange is significant as reflected by the F- value and its significant. The adjusted R2 of the first regression model was almost 0.38. This indicates that almost 40% of the variations in the extent of social responsibility reporting of the surveyed companies are due to the independent variable adopted in the analysis. Table 4 revealed that the extent of social responsibility reporting of the companies listed on Abu Dhabi Securities Exchange is positively and significantly associated with corporate size and the industry type of the company. Negative and significant association appeared between the extent of corporate social responsibility disclosure and the profitability of the surveyed companies. The result is confirmed by the t- values of these variables and their significance.

Corporate size appeared to be the most important variable that explains the extent of CSR disclosure. This finding is consistent with prior studies that suggested firm size as one of the main determinants of the voluntary disclosure (Abdul Hamid, 2004; Gao et al., 2005; Haniffa and Cooke, 2005; Barako et al., 2006; Branco and Rodrigues, 2006; Naser et al., 2006; Ho and Taylor, 2007; Chatterjee and Mir, 2008; Murcia and Souza, 2008; Othman et al., 2009; Prado-Lorenzo et al., 2009; Khan, 2010; Menassa, 2010). This finding gives support to political economy, agency and legitimacy theories. As large companies are usually more visible and accountable to the public (Cormier and Gordon, 2001), Hence, they are subjected to political pressure more than small companies. They attempt to avoid such pressure, reduce monitoring costs and justify their existence in society by being involved in more voluntary practices including CSR information.

The second variable appeared to be an important determinant of the extent of social responsibility disclosure of the companies listed on Abu Dhabi Securities Exchange is the industry type of the company. Companies belongs different industries are expected carryout different activities that require different disclosure. Manufacturing 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. Manufacturing companies are also more likely to disclose information concerning pollution, environment, health and safety. For all these reasons, manufacturing companies are expected to disclose more information than companies operating in other sectors of the economy to avoid public pressure and additional regulations.

The third factor that appeared to be positively associated with the extent of social responsibility reporting of Abu Dhabi companies listed on Abu Dhabi Securities Exchange is profitability. The direction of the association between the extent of social responsibility disclosure and the profitability of the surveyed companies is negative. This indicates that profitable companies disclosed less detailed social responsibility information than less profitable companies. This result is justified on the grounds that high profits talk for themselves. In other words, companies achieved high levels of profits believe that this will signal to the market information about the effectiveness of corporate management and assure investors as well as lenders about the future of the company at concern. Consequently, there is no need to disclose detailed information. On the other hand, companies achieved low levels of profits or sustained losses need to disclose detailed information to assure investors and creditors about the future of their companies. They also need to disclose detailed information to explain to the users of their information what went wrong and how they intend to correct it.

CONCLUSION

The main objectives of this study are to assess the extent of corporate social responsibility reporting and factors influencing it by companies listed on Abu Dhabi Securities Exchange. To achieve these objectives, content analysis were performed on 2011 annual reports for all listed companies. The extent of disclosure was measured by developing a disclosure index of 26 disclosure items. The score of each company was then obtained by dividing its score over the maximum score (26 disclosure item). The extent of disclosure ranged from as low as 0 up to 0.89. In other words, the annual reports of some companies contained no social responsibility information, whereas the annual reports of some companies contained 89% of the maximum disclosure score. The mean score of all companies, however, was only 0.34. It was, therefore, obvious that the extent of corporate social responsibility disclosure was relatively low. This result is in line with previous research undertaken in similar environments, namely Jordan and Qatar (Naser et al. 1999, Abu Baker and Naser, 2002, and Naser et al. 2006). 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 on Abu Dhabi Securities 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 profitability, leverage level, industry type, status of the audit firm, location of the head office of the company, percentage of shares owned by the government and size. These variables were regressed against the social responsibility disclosure index and the result of the regression analysis showed that the extent of corporate social reporting of the companies listed on Abu Dhabi Securities Exchange was mainly influenced by size, industry type and profitability. The result lends support to agency and political 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. Consequently, they are subjected to more political pressure than other companies. In an attempt to minimize monitoring cost and to assure these 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 embark on different activities that require different recording and disclosure.

Hence, variations in the extent of the disclosure due to the industry type are predictable. On the other hand, negative and significant disclosure appeared between the extent of social responsibility disclosure and profitability of the surveyed companies. It seems to be that profitable companies believe that good news talk for itself. Whereas, less profitable companies or companies sustained losses need to disclose detailed information to assure investors and lenders and explain their performance.

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TABLE 1
Descriptive Statistics about Continuous Variables Employed in the Study

Variable	Mean	Median	Standard Deviation	Minimum	Maximum
CSR Index (CSRI)	0.34	0.29	0.22	0.00	0.89
Net income / Net sales (PROF)	0.14	0.11	0.23	-0.50	0.65
Total liabilities/ Total assets (LEV)	0.54	0.52	0.24	0.07	0.90
Percentage of the company shares owned by government (OWN)	0.20	0.08	0.25	0.00	0.80
Total assets in logarithms (SIZ)	9.50	9.27	0.81	8.36	11.41

TABLE 2
Descriptive Statistics about Discontinuous Variables Employed in the Study

Variable		Frequency	Percentage (%)	Accumulated Percentage (%)
Audit Firm Status (SAF)	International	53	88.30	88.30
	Otherwise	7	11.70	100.00
Industry (IND)	Financial	31	51.67	51.67
	Manufacturing	19	31.67	83.34
	Services	3	5.00	88.34
	Consumers staples	7	11.66	100.00
Location (LOC)	Developed Emirate	32	53.3	53.30
	Otherwise	28	46.7	100.00

TABLE 3
Correlation among All Variables Used in the Study

Variable		CSRI	PROF	LEV	IND	SAF	LOC	OWN	SIZ
CSRI	Pearson Correlation	1.000							
	Sig. (2-tailed)	0.000							
PROF	Pearson Correlation	0.227	1.000						
	Sig. (2-tailed)	0.08	0.000						
LEV	Pearson Correlation	0.138	.437**	1.000					
	Sig. (2-tailed)	0.293	0	0.000					
IND	Pearson Correlation	.103	-0.125	-.536**	1.000				
	Sig. (2-tailed)	0.436	0.341	0.000	0.000				
SAF	Pearson Correlation	0.182	0.25	0.199	-0.296*	1.000			
	Sig. (2-tailed)	0.163	0.054	0.128	0.022	0.000			
LOC	Pearson Correlation	-0.017	-0.087	-0.029	0.221	0.028	1.000		
	Sig. (2-tailed)	0.897	0.509	0.826	0.090	0.833	0.000		
OWN	Pearson Correlation	.308*	.298*	.283*	-0.160	0.173	-0.194	1.000	
	Sig. (2-tailed)	0.017	0.021	0.028	0.223	0.186	0.137	0.000	
SIZ	Pearson Correlation	.601**	.627**	.528**	-0.163	.302*	-0.105	.454**	1.000
	Sig. (2-tailed)	0	0	0	0.214	0.019	0.426	0.000	0.000

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

TABLE 4
Results of the Back Word Regression Analysis

Model	Variables	R^2 = .452	Adj. R^2 = .379	F = 6.138	Sig. = .000
		Beta	T	*Sig.*	*VIF*
1	(Constant)	-1.663-	-4.771-	.000	
	PROF	-.211-	-1.676-	.100	1.724
	LEV	-.108-	-.819-	.417	2.127
	Sector	.035	1.194	.238	1.738
	SAF	.040	.532	.597	1.240
	LOC	.008	.171	.865	1.146
	OWN	.064	.626	.534	1.305
	SIZ	.208	5.094	.000	2.248
		R^2 =. 452	Adj. R^2 = .390	F = 7.290	Sig. = .000
2	**Variables**	**Beta**	**T**	**Sig.**	**VIF**
	(Constant)	-1.660-	-4.812-	.000	
	PROF	-.213-	-1.707-	.094	1.717
	LEV	-.103-	-.808-	.423	2.041
	Sector	.036	1.314	.195	1.589
	SAF	.043	.572	.570	1.209
	OWN	.061	.612	.543	1.273
	SIZ	.027	5.144	0.000	2.233
		R^2 = .449	Aaj. R^2 = .398	F = 8.729	Sig. = .000
3	**Variables**	**Beta**	**T**	**Sig.**	**VIF**
	(Constant)	-1.652-	-4.823-	.000	
	PROF	-.206-	-1.669-	.101	1.700
	LEV	-.113-	-.895-	.375	2.007
	Sector	.032	1.208	.232	1.460
	OWN	.062	.626	.534	1.272
	SIZ	.211	5.382	.000	2.153
		R^2 = .437	Aaj. R^2 = .406	F = 111.014	Sig. = .000
4	**Variables**	***Beta***	**T**	***Sig.***	***VIF***
	(Constant)	-1.714-	-5.256-	.000	
	PROF	-.204-	-1.669-	.101	1.700
	LEV	-.112-	-.898-	.373	2.007
	Sector	.031	1.168	.248	1.451
	SIZ	.219	5.948	.000	1.921
		R^2 = .451	Aaj. R^2 = .422	F = 14.466	Sig. = .000
5	**Variables**	***Beta***	**T**	***Sig.***	***VIF***
	(Constant)	-1.680-	-5.196-	.000	
	PROF	-.223-	-1.853-	.069	1.651
	Sector	.043	1.967	.054	1.028
	SIZ	.207	6.043	.000	1.669