FACTORS AFFECTING CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE IN EGYPT

KHALED HUSSAINEY
Stirling University, UK

MOHAMED ELSAYED*
Central Queensland University, Australia

and

MARWA ABDEL RAZIK
Sadat Academy, Egypt

This paper is accepted for the publication at *Corporate Ownership and Control*

JULY 2011

***** The authors would like to thank Zahirul Hoque, Stacey Cowan, and Monir Zaman for their valuable contributions that improve the quality of this paper. Correspondence should be addressed to: Dr. Mohamed Elsayed; School of Commerce and Law, Faculty of Arts, Business, informatics & Education, Central Queensland University, Bruce Highway, North Rockhampton, 4702 Queensland, Australia. Tel: (+61) 07 4930 9893, Fax: (+61) 07 4930 9700. Email: m.elsayed@cqu.edu.au.

FACTORS AFFECTING CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE IN EGYPT

Khaled Hussainey, Mohamed Elsayed, Marwa Abdel Razik

Abstract

The study makes a significant contribution to the corporate social responsibility (CSR) disclosure literature by offering the first study of its type undertaken in Egypt as an example of a developing country that examines the determinants of individual and aggregated types of CSR information. Using a sample of 111 Egyptian listed companies for the period of 2005–2010, we find that 66% of the Egyptian listed companies disclose on average 10–50 CSR statements. In addition, we find that product/customer information is used extensively by Egyptian listed companies compared with other types of CSR information. Finally we find that profitability is the main determinant for the aggregated and most of individual CSR information in Egypt.

Keywords: Corporate social responsibility, Egyptian listed companies, Content analysis and Annual report narratives.

JEL Classification: G29; G30; M14.

1. Introduction

Over the last few decades there has been a growing global public awareness of the role of corporations in society. Many companies which have been credited with contributing to economic and technology progress have been criticised for creating social problems. Issues such as pollution, waste, resources depletion, product quality and safety, the rights and status of workers and the power of large corporations have become the focus of increasing attention and concern.

Makower (1994) defines corporate responsibility as the right thing to do and the key to companies' competitiveness and survival. He examines the world of corporate social responsibility (CSR) by investigating the philosophies, policies, programs and practices that bring social responsibility into the workplace in some of the world's most successful companies and look at what is working, what is not and how all of this can affect the bottom line. Makower (1994) also examines strategies and offer best practices that can be used to implement these policies at other companies. Furthermore, he provides examples of what corporations can do and are doing in community involvement.

Furthermore, Kilcullen and Kooistra (1999*)* examine studies that try to prove a positive relationship and attempt to show that corporate social responsibility and profitability are not mutually exclusive. How and why companies embrace corporate responsibility (the right thing to do and the key to companies' competitiveness and survival) are what this book is all about. They find that arguments for corporate social responsibility have centered on the long-term advantages of socially responsible behavior, advantages such as greater customer and employee loyalty and a more supportive external environment. On the other hand, stakeholder arguments have focused on contractual and interest-based reasons for CSR.

Although there is no universal definition of CSR (Godfrey and Hatch, 2007), different definitions have been offered in prior research. The most comprehensive definition for CRS is given by Rizk et al. (2008:306). They define CSR as:

> *"The process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large. As such, it involves extending the accountability of organizations (particularly) companies; beyond the traditional role of providing a financial account to the owners of capital, in particular shareholders. Such an extension is predicated upon the assumption that companies do have wider responsibilities than simply to make money for their shareholders."*

Companies disclose CSR information in their annual reports; however, prior research focused on the experience of CSR reporting of companies in the developed countries (see for example, Elijido-Ten, 2007; Haseldine et al., 2005; Hedberg and von Malmborg, 2003; Ho and Taylor, 2007; Hussainey and Salama, 2010). Few researchers have discussed the determinants of CSR in developing countries in general and in Egypt in particular. The paper adds to the literature on CSR disclosure in three crucial respects. First it examines the popularity of different types of CSR information in a unique feature of the Egyptian business environment. Second when examining determinants of CSR disclosure, the paper introduces new explanatory variables (i.e., different types of audit quality and different types of ownership). Finally, it contributes to CSR disclosure literature by offering the first study of its type undertaken in Egypt as an example of a developing country that examines the determinants of individual and aggregated types of CSR information.

The remainder of the paper is structured as follows. Section 2 explains why it is of interest to look at CSR disclosure in Egypt. Section 3 reviews prior research and develops the research hypotheses. Section 4 discusses the research design. Section 5 presents the empirical findings of the paper. Finally, conclusions, and suggestions for further research are discussed in Section 6.

2. The Egyptian Context

Egypt is chosen as an example of a developing country for a number of reasons. First, as explained in Salama (2009:326):

> *"... during the past few years there has been a growing public and media awareness of the role of corporations in the Egyptian society. For example a new ministry of State of Egyptian Environment Affairs has been established and has focused, in close collaboration with the national and international development partners, on defining environmental policies, setting priorities and implementing initiatives within a context of sustainable development."*

The above-mentioned argument suggests that the main concern of the Egyptian companies was to provide the mandatory disclosure requirements (i.e., financial statements) to the public. Due to the growing and global awareness of the role of the companies in the society, however, some Egyptian listed companies report CSR information in their annual reports, but the levels of this information is lower than expected (Rizk, et al., 2008). Therefore, the objective of this study is to explain why some Egyptian firms disclose CSR information, while others do not. In other words, we are interested to examine the factors affecting Egyptian firms' decision to report CSR information in their annual reports.

Second, Egypt is chosen as the country for study because of the rapid growth of the Egyptian economy compared with other emerging economies (Dahawy and Samaha, 2010; Elsayed and Hoque, 2010). Samaha and Dahawy (2010:89) argue that Egypt has taken major strides in economic reform, improving investment climate and attracting local, regional and foreign direct investments. In addition, Abdel Shahid (2003) argues that the Egyptian stock exchange is prepared for the globalisation era (for more details, see Samaha and Stapleton, 2008). Therefore, Egyptian listed companies are more likely to learn from international experience and start reporting CSR information in their annual reports to attract more foreign investors.

Third, recent evidence from Rizk et al. (2008) and Salama (2009) shows that the level of CSR disclosure is relatively low; however, these studies did not examine the factors that affect a firm's decision to disclose/not disclose CSR information in their annual reports. The present paper, therefore, complements and extends prior research on CSR in Egypt by explaining potential reasons for different CSR disclosure levels in Egypt.

Finally, as discussed by Hassab Elnaby et al. (2003), the energetic growth of the Egyptian accounting system is mainly derived by the level of the economy and the political environment; therefore, we do expect that these developments would affect the degree to which CSR information is disclosed by Egyptian listed companies. This is particularly important given the present debate on the weakness and the irrelevance of the present financial reporting model to provide value-relevant information for potential users (Hussainey and Walker, 2009). Empirical evidence finds that CSR information improves the investors' ability to predict future earnings changes (Hussainey and Salama, 2010). As a result, we believe that Egyptian listed companies are more likely to report CSR information to convey value-relevant information to investors.

3. Prior Literature and Hypotheses Development

A considerable number of theoretical and empirical research on CSR disclosure have been undertaken throughout the world due to the continuing emphasis on green awareness (Basalamah and Jermias, 2005). Prior research focused on two research issues: First, the nature and extent of disclosures; second, the determinants of CSR disclosure. CSR disclosure studies have been so far in context of developed countries like United States (US), United Kingdom (UK), Japan and Australia (Belal and Owen, 2007; Gray et al., 1995; Islam and Deegan, 2008), other studies have been done in other developed countries including Canada, Germany and New Zealand, which indicate that the number of companies engaging with CSR practices is increasing (Adams, 2002; Guthrie and Parker, 1989;). The present paper aims to identify the main factors that affect the Egyptian listed companies' decision to disclose CRS information in their annual report narratives.

Empirical studies concerned with the CSR disclosure by Egyptian companies mainly include Hanafi (2006), Rizk et al. (2008), Salama (2009) and Elmaghrabi (2010). Hanafi (2006) investigates the CSR in the annual reports of 82 non-financial Egyptian listed companies for the period 1998-2001. She compares the general patterns of CSR between Egypt and the UK, and finds that although the CSR was lower in Egyptian companies, the patterns of reporting were similar. Both countries had a dominance of employee-related information, subsequently came the environmental and community information, followed by consumer information which ranked last. She also conducts 12 semi-structured interviews with Egyptian managers and finds that although management retains its own culture, it is affected by Western capitalism. Rizk et al. (2008) content-analyse the CSR information disclosed in annual reports of Egyptian listed companies published in 2002. They use a disclosure index of 34 items covering environmental, energy, human resources, customer and community related issues. They find that CSR disclosure levels are relatively low. Moreover, they find that there are significant differences in reporting practices among the members of Egyptian industry sectors. Furthermore, Salama (2009) uses the content analysis approach to measure and explore corporate social responsibility practice of the largest Egyptian companies. He claims that although there are good examples of CSR practice in many Egyptian listed companies working in the communication and construction industries, disclosure levels in other industries are still lower than expected.

Prior research on the CSR in Egypt is descriptive. To the best of our knowledge, there is no attempt, to date, to examine the potential factors affecting CSR disclosure practice by Egyptian companies. The study is motivated primarily by such an apparent gap in prior research. Therefore, we examine the extent and the determinants of CSR disclosure in Egypt for a sample of Egyptian listed companies (111 financial and non-financial listed companies) for the period of 2005-2010. We examine the degree to which firm characteristics (i.e., company size, profitability, liquidity, gearing, ownership type and audit type) affect CSR disclosure.

Firm size

Using total assets or total revenues, prior research has examined the association between the CSR disclosure and firm's size and finds a significant positive association (Adams et al., 1998; Deegan and Gordon, 1996; Guthrie and Parker, 1989; Hackston and Milne, 1996; 1998; Patten, 1992). This indicates that large companies are more likely to disclose more CSR information than small companies. The rationale behind this conclusion is that large companies is receiving more attention from the public as these companies are more likely to be diversified across geographical and product market and hence these companies might have larger and more diverse stakeholder groups (Brammer and Pavelin, 2008). Ashbaugh et al. (1999) argue that economies of scale suggest that large firms are more likely to provide more voluntary disclosure. According to McKinnon and Dalimunthe (1993), larger firms tend to attract more analysts' followings than smaller ones, and may therefore be subjected to greater demand by analysts for private information; therefore, voluntary disclosure costs may be lower for large firms than small ones (Oyeler et al., 2003).

In the Egyptian context, prior research on the association between firm size and general voluntary disclosure offers mixed results. Hassan et al. (2006), Ezat and El-Masry (2008) and Samaha et al. (2011) find a positive association between voluntary disclosure and firm size. Surprisingly, Aly et al. (2010), Elsayed and Hoque (2010), and Samaha and Dahawy (2010; 2011) find no association between the two variables. In the present paper, we predict that large Egyptian companies are more likely to report CSR information in their annual reports because these companies are more likely to cover the costs associated with reporting this information. Therefore, we formulate our hypothesis as follows:

Hypothesis 1 (H_1): There is a positive association between CSR information disclosure levels in Egyptian companies' annual report narratives and firm size.

Profitability

Reverte (2009) summarises the key articles in examining the association between CSR disclosure and profitability including Cowen et al. (1987), Belkaoui and Karpik (1989), Ismail and Chandler (2005); however, these studies provide mixed results. For example, a positive relation between social disclosure policy and profitability was hypothesised in prior research (Belkaoui and Karpik; Cowen et al., 1987; Ismail and Chandler, 2005; Roberts, 1992; Ullmann, 1985; 1989). Even though, empirical results do not always confirm this positive association (see for example, Brammer and Pavelin, 2008; Garcıa-Ayuso and Larrinaga, 2003; Moneva and Llena, 1996; Roberts, 1992).

Belkaoui and Karpik (1989) argue that the underlying cause of a positive relation between social disclosure policy and profitability is management's knowledge. They argue that managers that have the knowledge to make their companies profitable also have the knowledge and understanding of social responsibility. This might explain the higher levels of CSR disclosure by profitable companies. Giner (1997) argues that managers of profitable companies are more likely to provide more voluntary CSR disclosure in the annual reports to support their own their continuation of their current positions and to boost the levels of current and future compensation.

In the Egyptian context, prior research on the association between profitability and general voluntary disclosure also offers mixed results. Hassan et al. (2006) and Aly et al. (2010) find a positive association between voluntary disclosure and profitability; however, Ezat and El-Masry (2008), Samaha and Dahawy (2010) and Samaha et al. (2011) find no association between the two variables. Moreover, Samaha and Dahawy (2011) find no association between CSR disclosure and profitability. Because voluntary disclosure in general is a costly decision, we believe that Egyptian profitable companies are more likely to provide more CSR information in their annual reports than unprofitable companies. Therefore, we formulate our second hypothesis as follows:

Hypothesis 2 (H_2): There is a positive association between CSR information disclosure levels in Egyptian companies' annual report narratives and firm's profitability.

Liquidity

Abd-El Salam and Weetman (2003) argue that high liquidity Egyptian firms are more likely to report more voluntary information to distinguish their companies from low liquidity firms. On the other hand, one might argue that corporate managers of companies with low liquidity ratio may publish more voluntary information in their annual reports to satisfy the information requirements of stakeholders. In addition, Ezat and El-Masry (2008) find a positive association between levels of corporate internet reporting and liquidity, while Aly et al. (2010) find no association between the two variables. In addition, Samaha and Dahawa (2010) find a positive association between the overall level of voluntary disclosure and liquidity; however, they do not find the same results in their recent study (Samaha and Dahawa, 2011), when they tested the association between CSR and liquidity. In line with our arguments related to firm size and profitability, we believe that Egyptian companies with high liquidity ratios are more likely to make any costly decision (i.e. voluntarily report CSR information in their reports). Therefore, we formulate our third hypothesis as follows:

Hypothesis 3 (H_3): There is a positive association between CSR information disclosure levels in Egyptian companies' annual report narratives and firm's liquidity.

Gearing

Bharath et al. (2009) investigate the extent to which information asymmetry is considered as one of the determinants of corporate capital structure decisions. They contributed to accounting and finance literature by offering the first evidence that asymmetric information drives the capital structure decisions of US firms. The findings of their study show that US firms with higher levels of information asymmetry (i.e., lower level of voluntary disclosure) are more likely to use debt in financing their activities than equity. Reverte (2009) observes that prior research offer mixed results. For example, while Jensen and Meckling (1976) expect that highly leveraged firms are more likely to voluntarily disclose more information. Brammer and Pavelin (2008) and Purushothaman et al. (2000) find negative association between CSR disclosure and gearing ratio. Brammer and Pavelin (2008) argue that a low degree of gearing ratio ensures that creditor stakeholders will exert less pressure to limit management discretion over CSR activities. Furthermore, Purushothaman et al. (2000) argue that highly leveraged companies may have closer relations with their creditors and hence these firms disclose more CSR information in their annual report narratives. Reverte (2009), however, does not find any association between CSR disclosure and gearing.

In the Egyptian context, prior research on the association between leverage and corporate voluntary disclosure finds no association between general voluntary disclosure and leverage (see for example, Aly et al., 2010; Ezat and El-Masry, 2008; Hassan et al., 2006; Samaha and Dahawy, 2010; Samaha et al., 2011). On the other hand, Samaha and Dahawy (2011) find insignificant association between CSR disclosure and leverage. Based on these Egyptian studies, we formulate our fourth hypothesis as follows:

Hypothesis 4 (H_4): There is no association between CSR information disclosure levels in Egyptian companies' annual report narratives and gearing.

Ownership type

Ownership structure is not very often considered in CSR prior research. For example, Secci (2005) shows that companies controlled by the Italian State disclose less CSR information than others. Adams and McNicholas (2007) study of a government owned statutory authority points to the influence played by the nature of ownership on CSR reporting. The personal perspective and integrity of the managers involved also clearly influenced the nature of reporting and the level of accountability achieved. Thus, in their case study organisation, where wealth maximisation for shareholders was not a driver, the factors influencing sustainability reporting differed somewhat from those identified in Adams (2002).

This finding is supported by Tuominen et al.'s (2008) study on the Finnish forest industry. Tuominen et al. (2008) find that public limited companies are more active in CSR reporting than other companies. According to Kotonen (2009), companies understand responsibility as a duty to act responsibly towards their stakeholders and CSR reporting as a response to stakeholders' expectations and demands. Based on these findings, we expect that Egyptian companies owned by government (public companies) will disclose less CSR information than companies owned by the private sector

Samaha et al. (2011) find that blockholder ownership affects level of corporate governance voluntary disclosure; Samaha and Dahawy (2010; 2011) find that both blockholder and managerial ownership affect the overall level of Egyptian listed companies' voluntary disclosure. Ezat and El-Masry (2008) find that ownership structure measured by percentage of free float positively affect levels of Internet reporting by Egyptian listed companies. Elsayed and Hoque (2010) find that only governmental ownership negatively affects levels of voluntary disclosures, while the institutional and blockholder ownership does not affect levels of voluntary disclosures. Therefore, we hypothesise that:

Hypothesis 5 (H_5): There is an association between CSR information disclosure levels in Egyptian companies' annual report narratives and ownership type.

Audit type

Prior research suggests that the quality of audit is an important factor in improving firms' overall reporting practices (Hail, 2002). Additionally, it is anticipated that international auditing firms are more likely to facilitate the diffusion of innovative practices, such as CSR disclosure (Xiao et al., 2004); however, prior empirical studies on the association between disclosure and audit type offers mixed results. For example a positive relation between audit type and disclosure has been found (Ahmed and Nicholls, 1994; Raffournier, 1995; Xiao et al., 2004). Other researchers found no significant association between audit type and disclosure (Abd El-Salam and Weetman, 2003; Hossain et al., 1995; Wallace et al., 1994).

In the Egyptian context; using big four versus non big four as a measure of audit type, Samaha and Dahawy (2011) and Aly et al. (2010) find no association between CSR disclosure and audit type when examining the association between audit type and the overall disclosure quality. On the other hand, Samaha and Dahawy (2010) find a positive association between the two variables. As Choi (1998), one of the most important responsibilities for auditors is to recommend their clients to report social and environmental related information to their stakeholders. Moreover, there is an increasing need for assurance of non-financial and financial information as part of an organisation's performance against sustainable development commitments, policies and strategies (Deegan and Gordon, 1996). This is relevant to secure quality internally, and to provide credible information to interested stakeholders externally. This is important to those stakeholders concerned with specific social and environmental aspects of performance, and to those more interested in the impact of non-financial aspects on financial performance and valuations (Adams, 2002; Adams and Robert, 1998). Therefore, we hypothesise that:

Hypothesis 6 (H_6): There is an association between CSR information disclosure levels in Egyptian companies' annual report narratives and audit types.

Model Development

In order to test the above hypotheses, the study will investigate the following models:

CSR related Environment	=	α + *firm size+ profitability + liquidity + Gearing + ownership structure + audit type + e*	*(1)*
CSR related Human resource	=	α + *firm size+ profitability + liquidity + Gearing + ownership structure + audit type + e*	*(2)*
CSR related Community	=	α + *firm size+ profitability + liquidity + Gearing + ownership structure + audit type + e*	*(3)*
CSR related Energy	=	α + *firm size+ profitability + liquidity + Gearing + ownership structure + audit type + e*	*(4)*
CSR related Product/Customer	=	α + *firm size+ profitability + liquidity + Gearing + ownership structure + audit type + e*	*(5)*
CSR Without	=	α + *firm size+ profitability + liquidity + Gearing + ownership structure + audit type + e*	*(6)*

Where:
α = Constant (Intercept).
e = the difference between the predicted and observed value of the CSR for participant company (the error term).

Dependent variable

The dependent variable is corporate social responsibility (CSR) measured by the traditional content analysis using the number of sentences that contains CSR information. We focused on five themes of CRS (representing five dependent variables) as follows:

The environment: This theme can be defined as those disclosures explain the company' activities within the environment. These activities include efforts to reduce emission of chemical into the air or water, compliance with the environment act and implementation of environmental techniques. For example, in Egypt the Ministry of State for Environmental Affairs (MOE) coordinated the apprehension of official approvals from the main and concerned stakeholders to adopt the European Emission Standards (EURO 2) for new vehicles, effective Jan 1, 2002. Accordingly, the

Egyptian Environmental Affairs Agency (EEAA) is currently developing the relevant set of emission limits for vehicles licensing and on-road testing.

Human resources: This theme includes social information directed toward the well being of employees. These activities include improvement practice, training program, working condition, and provision for job enrichment schemes and employees' pension plan.

Community involvement: This theme includes education, sponsoring sport, cultural activities, health and safety.

Energy: This theme includes disclosure that provides information on how the companies generate their energy source specifically if their efforts conform to environmental friendly measures. This theme may have lower disclosure in its own right as there are many of these disclosures that can be subsumed within the environmental theme.

Customer, product: This theme includes customer satisfaction, customer feedback, customer health and safety, product quality and so on.

We also consider the case in which firms report in their annual report narratives that they are involved in CSR, but did not offer any further detailed information. We use the variable 'CSR without' to represent this case. For the five theme of CSR, we assign a value of 1 if the company discloses a text unit 'sentence' or more referring to information items related to these themes and a value of 0 otherwise.

Independent variables

The six independent variables will be measured as follows. In our regression models, we use the natural logarithm of total assets as a proxy for firm size. We use return on investment as a measure for firm profitability. Our measure for liquidity is the current ratio which is calculated by current assets: current liabilities. Our measure for gearing is the long-term debt to total equity ratio. In Egypt, there are three types of auditing firms: private linked with international big 4 firms; private unlinked and the central auditing agency which audit companies owned by the government. For the current study we have four categories for the audit variable. We give the following score: 3 for private link; 2 for private unlinked; 1 for the central auditing agency and 0 for companies audited by two different auditors. Ownership type: Private companies are those that subjected to Law no. 159/1981 or others such as investment law, which regulates company operates in free zone. Public companies that are those that subjected Law no: 203/1991. In our analysis, we have three categories for ownership structure: companies owned by private sector (100%); companies owned by private and the state (50% each) and companies owned by the state (100%).

Data

To calculate CSR disclosure scores and to collect required information to measure independent variables, we focus on the annual reports of a sample of 111 Egyptian listed companies covers 13 sectors as shown in Table 1. Annual reports are collected from companies' website and from the Cairo and Alexandria stock exchange (CASE), business information sector and the central bank of Egypt for periods 2005-2010. The decision to focus on the annual report is justified for a number of reasons (Hussainey, 2004:29). First, corporate annual report is a statutory document and it is required to be produced on an annual basis. Second, timing differences are minimised as most listed companies release their annual reports within three/four months after the financial year-end. Third, given their formalised structure, annual reports are more easily comparable among firms than other, less formal communication channels like press releases or direct contact with analysts. Fourth, the annual report is consistently ranked highly as a communication source by different groups of stakeholders (Aljifri and Hussainey, 2007). Fifth, annual report disclosure scores are positively correlated with other media of financial communications (Botosan, 1997; Lang and Lundholm, 1993) suggesting that firms coordinate their overall disclosure policy

Insert Table 1 here

Descriptive analysis

Table 2 presents differences among Egyptian industry sections for CSR reporting practices. It shows that CSR disclosure levels differ from sector to another. The table shows that CSR information related to environment and product/custmor is higher in chemicals sector (12 and 16 information items respectively) and retails sector (6 and 12 information items respectively); however, Human resources related information is higher in retails, banking and chemical sectors (11, 11 and 9 information items respectively). Community related information is higher in chemicals, banking and retailer sectors (7, 7 and 7 information items respectively).

Overall, the mean of Product/customer related information is higher than other types of information (5.31). Human resources related information is the second highest mean (4.62), then community related information, environmental information and finally energy related information (0.15).

Insert Table 2 here

Prior research finds that CSR information is disclosed in many different forms and different parts of annual reports (Harte and Owen, 1992). Harte and Owen (1992) find that only one company uses a separate report to disclose environmental and social information. They also find that 40% of their sample discusses CSR information in chairman statements. In the present study, we examine the location of CSR information in Egyptian listed companies. We have three main locations: footnote to financial statement, chairman report, and separate report. Using the content analysis approach, we examine the content of the annual reports of 111 Egyptian companies.

Table 3 shows that more than 90% of sample companies (100 out of 111), have a separate section for reporting CSR. In addition, Table 3 shows that 12 companies disclose CSR information in a footnote to the financial statements, while 9 companies disclose CSR information in the chairman's statement. The Table also provides that 10 companies disclosure CSR information in more than one location (i.e., a separate report and the chairman statement).

Insert Table 3 here

In addition, we also examine the amount of CSR information in each industry. We divide companies into 3 categories: companies make disclose less than 10 CSR sentences, companies disclose between 10 ≤ 50 CSR sentences and companies with more than 50 CSR sentences. Table 4 provides the analysis. It shows that 15% of companies disclose CSR less than 10 CSR sentences, 66% disclose between 10 ≤ 50 CSR sentences and 19 % disclose more than 50 CSR sentences.

Insert Table 4 here

Regression results

Table 5 shows that all models except the Human Resource model are statistically significant. In the aggregated model, the coefficient estimate on the profitability variable is positive and statistically significant at the 1% level, suggesting that profitable firms are reporting more CSR information in their annual reports.

For the individual CSR scores, firm profitability is positive and statistically significant only for environmental and community themes of CSR. Column 2 in Table 5 provides a negative association between CSR-community information and audit type. In particular, when financial statements are audited by non-big four firms, it seems that Egyptian listed companies are less careful about CSR reporting issue (Aly et al., 2010; Samaha and Dahawy, 2011); however, the significance level of this association is relatively weak (i.e., 10%).

For both aggregated and individual CSR models, we did not find any association between firm size, ownership type, liquidity and gearing and CSR disclosure (Reverte, 2009; Samaha and Dahawy, 2010).

The last column of Table 5 shows that none of the firm characteristics affects the firm decision to mention that it is involved in CSR in their annual report without giving detailed information.

Insert Table 5 here

Conclusion

This study is undertaken in an Egyptian setting. Using a CSR disclosure index, we scored a sample of 111 Egyptian listed companies. We examined the man drivers of Egyptian listed companies to report CSR in their annual reports. We found that company profitability is the key driver for Egyptian listed companies to disclose CSR information. We also found a negative relationship between community and audit type (Aly et al., 2010; Samaha and Dahawy, 2011). Finally, complying with previous studies (Aly et al., 2010; Ezat and El-Masry, 2008; Hassan et al., 2006; Reverte, 2009; Samaha et al., 2011; Samaha and Dahawy, 2010), we found that other variables (i.e., ownership structure, company size, gearing, liquidity) do not drive CSR reporting decision in Egypt.

There are several implications of the study's findings for both academics and/or practitioners. The study contributes to the accounting literature and more specifically to the literature on CSR disclosure for the listed companies. The findings of this study will advance our understanding of CSR practices in a developing country context by demonstrating how company's characteristics could influence the level of a company's CSR disclosure practices. Given these results in Egypt, researchers could reasonably anticipate finding similar results in other countries.

In this study our contribution for the first time demonstrates the importance of company's characteristics that play a vital role in CSR company disclosure practices. Moreover, the findings reported in this paper have three important practical implications. First, investors may find this study useful as it provides analysis of the relationship between the levels of CSR company disclosure practices and the company's characteristics within a developing country context. Second, the subject firms (Egyptian listed companies) may use the findings of the study to improve their accounting disclosure systems. Finally, the Capital Market Authority in Egypt and other emerging countries in that region can use the findings of the study to improve their CSR disclosure regulations and practices.

Like most research of its kind, the results of the study are subject to several limitations. One potential limitation of the current study is its use of a CSR disclosure index to investigate the phenomenon. The existing disclosure literature does not provide a great number of alternatives for measuring disclosure. We acknowledge that, as in other disclosure studies, the selection of the items included in the disclosure index inevitably involved some degree of judgment and subjectivity (Marston and Shrives, 1991). Another limitation of the current study is that its sample is only 111 Egyptian listed companies. This is due to the difficulty of gathering data in an emerging economy; hence, availability of data limited the ability to select a big sample (Elsayed and Hoque, 2010, Hassan et al., 2006). As this study is confined to Egypt, it is possible that companies in other countries differ from their Egyptian counterparts. Another limitation of this study is that it used annual report narratives of rather than other sources of CSR information disclosures; therefore, the results of the current study should be interpreted with caution.

Further research could be undertaken to examine other factors that might affect CSR disclosure. It might be of interest to study the effect of internal control, the existence of internal auditor on CSR reporting. It might also be important to examine the effect of corporate governance internal and external mechanisms on CSR reporting. Finally, it might be of interest examining the extent to which CSR information provides value relevant information to the stock market. In this line of research, we suggest examining the effect of CSR information on cost of capital; analyst earning forecasts and the investors' ability to anticipate future earnings changes.

Reference

Abd- El Salam, H. O. and Weetman, P., 2003. 'Introducing international accounting standards to an emerging capital market: relative familiarity and language effect in Egypt', Journal *of international Accounting, Auditing and Taxation*, 12**,** 63–84.

Abdel Shahid, S. (2003). 'The impact of globalization on capital markets: the Egyptian case', *The Arab Bank Review*, 5 (2), 7–15.

Adams, C. (2002). 'Internal organisational factors influencing corporate social and ethical reporting', *Accounting, Auditing & Accountability Journal,* 15 (2), 223–250.

Adams C. and Frost G. (2006). 'Accessibility and functionality of the corporate web site: implications for sustainability reporting', *Business Strategy and the Environment*, 15, 275–287.

Adams, C., Hill, W. and Robert, C. (1998). 'Corporate social reporting practices in Western Europe: legitimating corporate behaviour?' *The British Accounting Review*, 30 (1), 1–21.

Adams, C.A., McNicholas, P. (2007). 'Making a difference: sustainability reporting, accountability and organisational change', *Accounting, Auditing & Accountability Journal*, 20 (3), 333–355.

Ahmed, K. and Nicholls, D. (1994). 'The impact of non-financial company characteristics on mandatory disclosure compliance in developing countries: the case of Bangladesh', *The International Journal of Accounting*, 29, 62–77.

Aljifri, K. and Hussainey, K. (2007). 'The determinants of forward-looking information in annual reports of UAE companies'. *Managerial Auditing Journal*, 22 (9), 881–894.

Aly, D., Simon, J. and Hussainey, K. (2010). 'Determinants of corporate internet reporting: evidence from Egypt'. *Managerial Auditing Journal*, 25 (2), 182–202.

Ashbaugh, H., Johnstone, K.M. and Warfield, T.D. (1999). 'Corporate reporting on the internet', *Accounting Horizons*, 13 (3), 241–257.

Basalamah A.S., and Jermias, J. (2005). 'Social and environmental reporting and auditing in Indonesia: maintaining organizational legitimacy?', *GAMA International Journal of Business*, 7 (1), 109–127.

Belal, A. R., and Owen, D. L. (2007), 'The views of corporate managers on the current state of, and future prospects for, social reporting in Bangladesh', *Accounting, Auditing & Accountability Journal*, 20 (3), 472–494.

Belkaoui, A. and P. G. Karpik (1989), 'Determinants of the corporate decision to disclose social information', *Accounting, Auditing & Accountability Journal*, 2 (1), 36–51.

Bharath, S., Pasquariello, P. and Wu, G. (2009). 'Does asymmetric information drive capital structure decisions?', *Review of Financial Studies*, 22 (8), 3211–3243.

Botosan, C.A. (1997). 'Disclosure level and the cost of equity capital', *Accounting Review*, 72 (3): 323–349.

Brammer, S., Pavelin, S., (2008). 'Factors influencing the quality of corporate environmental disclosure', *Business Strategy and the Environment*, 17 (2), 120–136.

Choi, J. (1998). 'An evaluation of the voluntary corporate environmental disclosures: A Korean Evidence', *Social and Environmental Accounting*, 18 (1), 2–7.

Cowen, S., Ferreri, L. and Parker, L. (1987). 'The impact of corporate characteristics on social responsibility disclosure: a typology and frequency-based analysis', *Accounting, Organisation and Society*, 12 (2), 111–122.

Dahawy, K. and Samaha, K. (2010). 'An investigation of the views and perceptions of external users of corporate annual reports in emerging economies, the case of Egypt', *International Journal of Accounting and Finance*, 2 (3/4), 331–367.

Deegan C. and Gordon, B. (1996). 'A study of environmental disclosure practices of Australian corporations', *Accounting and Business Research*, 26 (3), 187–199.

Elijido-Ten, E. (2007). 'Applying stakeholder theory to analyze corporate environmental performance: evidence from Australian listed companies', *Asian Review of Accounting*, 15 (2), 164–184.

Elsayed, M. and Hoque, Z. (2010). 'Perceived international environmental factors and corporate voluntary disclosure practices: an empirical study', *The British Accounting Review*, 42, 17–35.

Ezat, A. and Em-Masry, A. (2008). 'The impact of corporate governance on the timeliness of corporate internet reporting by Egyptian listed companies', *Managerial Finance*, 34 (12), 848 – 867.

Garcia-Ayuso, M. and Larrinaga, C. (2003). 'Environmental disclosure in Spain: corporate characteristics and media exposure', *Spanish Journal of Finance and Accounting*, 115, 184–214.

Giner, B. (1997). 'The influence of company characteristics and accounting regulation on information disclosed by Spanish firms', *European Accounting Review*, 6 (1), 45–68.

Godfrey P. C. and Hatch, N. (2007). 'Researching corporate social responsibility: an agenda for the 21st century', *Journal of Business Ethics*, 70 (1), 87–98.

Gray, R., Kouhy, R. and Lavers, S. (1995). ‘Constructing a research database of social and environmental reporting by UK companies’, *Accounting, Auditing & Accountability Journal*, 8 (2), 78–101.

Guthrie, J., and Parker, L. D. (1989). ‘Organizational social reporting: A rebuttal of legitimacy theory’, *Accounting and Business Research*, 19 (76), 343–352.

Hackston, D. and Milne, M.J. (1996). ‘Some determinants of social and environmental disclosures in New Zealand companies’, *Accounting, Auditing & Accountability Journal*, 9 (1), 77–108.

Hail, L. (2002). ‘The impact of voluntary corporate disclosures on the ex ante cost of capital for Swiss firms’, *European Accounting Review*, 11 (11), 741–73.

Hanafi, R. (2006). *An exploration of corporate social and environmental disclosure in Egypt and the UK: a comparative study*, PhD thesis, Glasgow University, UK.

Harte, G. and & Owen, D. (1992). ‘Current trends in the reporting of green issues in the annual reports of United Kingdom companies’, in Owen D. (ed) *Green Reporting, Accountancy and the Challenge of the Nineties*, Chapter Eight, Chapman & Hall, UK.

Haseldine, J., Salama, A. and Toms, J. (2005). ‘Quantity versus quality: the impact of environmental disclosures on the reputation of UK Plcs, *The British Accounting Review*, 37 (2), 153–164.

Hassabelnaby, H., Epps, R. and Said, A. (2003). ‘The impact of environmental factors on accounting development: an Egyptian longitudinal study’, *Critical Perspectives on Accounting*, 14, 273-292.

Hassan, O., Giorgioni, G. and Romilly, P. (2006). ‘The extent of accounting disclosure and its determinants in an emerging capital market: the case of Egypt’, *International Journal of Accounting, Auditing and Performance Evaluation*, 3 (1), 41–67

Hedberg, C. and von Malmborg, F. (2003). ‘The global reporting initiative and corporate sustainability reporting in Swedish companies, *Corporate Social Responsibility and Environmental Management*, 10 (3), 153–164.

Ho, L. and Taylor, M. (2007). ‘An empirical analysis of triple bottom line reporting and its determinants: evidence from the United States and Japan’, *Journal of International Financial Management and Accounting*, 18 (2), 123–150.

Hossain, M., Perera, M.H.B. and Rahman, A.R. (1995). ‘Voluntary disclosure in the annual reports of New Zealand companies’, *Journal of International Financial Management & Accounting*, 6 (1), 69–87.

Hussainey, K. (2004). *A Study of the Ability of (Partially) Automated Disclosure Scores to Explain the Information Content of Annual Report Narratives for Future Earnings*. PhD thesis, Manchester University, UK.

Hussainey, K. and Salama, A. (2010) ‘The importance of corporate environmental reputation to investors’, *Journal of Applied Accounting Research*, 11 (3), 229–241.

Hussainey, K. and Walker, M. (2009). ‘The effects of voluntary disclosure policy and dividend propensity on prices leading earnings’, *Accounting and Business Research*. 39 (1), 37–55.

Islam, M. A., and Deegan, C. (2008). ‘Motivations for an organisation within a developing country to report social responsibility information’, *Accounting, Auditing & Accountability Journal*, 21 (6), 850–874.

Ismail, K. N. and R. Chandler: 2005, ‘Disclosure in the quarterly reports of Malaysian companies’, *Financial Reporting. Regulation and Governance,* 4 (1), 1–26.

Jensen, M.C., and Meckling, W.H. (1976). 'Theory of the firm: managerial behavior, agency costs and ownership structure', *Journal of Financial Economics*, 3 (3), 305–360.

Kilcullen, M. and Kooistra, J. O. (1999), "At least do no harm: sources on the changing role of business ethics and corporate social responsibility", Reference Services Review, 27 (2), 158-178

Kotonen, U. (2009). "Formal corporate social responsibility reporting in Finnish listed companies", *Journal of Applied Accounting Research*, 10 (3), 176 - 207.

Lang, M.H. and Lundholm, R.J. (1993). "Cross-sectional determinants of analyst ratings of corporate disclosures", *Journal of Accounting Research*, 31 (2), 246–71.

Makower, J. (1994). *Beyond the bottom line: Putting social responsibility to work for your business and the world*. New York, Simon & Schuster.

Marston, C. L. and Shrives, P. J., 1991. 'The use of disclosure indices in accounting research: a review article'. *British Accounting Review*, 23**,** 195–210.

McKinnon, J. and Dalimunthe, L. (1993). 'Voluntary disclosure of segment information by Australian diversified companies', *Accounting & Finance*, 33 (1), 33–50.

Oyeler, P., Laswas, F. and Fisher, R. (2003). 'Determinants of internet financial reporting by New Zealand companies', *Journal of International Financial Management and Accounting*, 14 (1), 26–63.

Patten, D.M. (1992). "Intra-industry environmental disclosures in response to the Alaskan oil spill: a note on legitimacy theory", *Accounting, Organisations and Society*, 17 (5), 471–475.

Purushothaman, M., G. Tower, R. Hancock and Taplin, R. (2000). 'Determinants of corporate social reporting practices of listed Singapore companies', *Pacific Accounting Review*, 12 (2), 101–133.

Raffournier, B. (1995). 'The determinants of voluntary financial disclosure by Swiss listed companies', *European Accounting Review*, 4 (2), 261–80.

Reverte, C. (2009). 'Determinants of corporate social responsibility disclosure ratings by Spanish listed firms, *Journal of Business Ethics*, 88 (2), 351–366.

Rizk, R., Dixon, R. and Woodhead, A. (2008). 'Corporate social and environmental reporting: a survey of disclosure practices in Egypt', *Social Responsibility Journal*, 4 (3), 306–323.

Roberts, R. W. (1992), 'Determinants of corporate social responsibility disclosure: an application of stakeholder theory', *Accounting Organizations and Society*, 17 (6), 595–612.

Salama, A. (2009). 'Egypt: Social responsibility disclosure practices', Idowu, S.O. and Filho, W.L. (eds), *Global Practices of Corporate Social Responsibility*, Chapter 16, 325–342.

Samaha, K. and Dahawy, K. (2010). 'Factors influencing voluntary corporate disclosure by the actively traded Egyptian firms', *Research in Accounting in Emerging Economies*, 10, 87–119.

Samaha, K., Dahawy, K. (2011). 'An empirical analysis of corporate governance structures and voluntary corporate disclosure in volatile capital markets: the Egyptian experience', *International Journal of Accounting, Auditing and Performance Evaluation*, 7 (1/2), 61–93.

Samaha, K., Dahawy, K. and Hussainey, K. (2011). 'Corporate governance voluntary disclosures incentives in Egypt', Working paper, American University in Cairo, Egypt.

Samaha, K. and Stapleton, P. (2008). Compliance with international accounting standards in a national context: some empirical evidence from the Cairo and Alexandria Stock Exchanges, *Afro-Asian Journal of Finance and Accounting*, 1 (1), 40–66.

Secci, D. (2005). 'The Italian experience in social reporting: an empirical analysis', *Corporate Social Responsibility and Environmental Management,* 13 (3, 135-149.

Tuominen, P., Uski, T., Jussila, I., Kotonen, U. (2008). 'Organization types and corporate social responsibility reporting in Finnish forest industry', *Social Responsibility Journal*, 4 (4), 474–490.

Ullmann, A. (1985). 'Data in search of a theory: a critical examination of the relationships among social performance, social disclosure, and economic performance of U.S. firms', *Academy of Management Review,* 10 (3), 540–557.

Xiao, J.Z., Yang, H. and Chow, C.W. (2004). 'The determinants and characteristics of voluntary internet-based disclosures by listed Chinese companies', *Journal of Accounting & Public Policy*, 23 (3), 191–225.

Wallace, R.S.O., Nasser, K. and Mora, A. (1994). 'The relationship between the comprehensive of corporate annual reports and firm characteristics in Spain", *Accounting & Business Research*, 25 (97), 41–53.

Table 1: Sample Selection

Sector company	Number of companies
Chemicals	21
Construction	7
Housing and real state	6
Facilities	6
Banking	14
Communication and telecommunication	6
Personnel and household	5
Health and pharmaceuticals	11
Oils and gas	1
Retails	21
Other Financial Sectors	11
Textiles	1
Automobile	1
Total companies	**111**

Table 2: CSR: Differences across industry sectors

Industry type	Environment	Human resource	Community	Energy	Product \ customer
Chemicals	12	9	7	1	16
Construction	2	3	3	0	6
Housing and real state	0	5	3	0	1
Facilities	3	3	4	0	6
Banking	1	11	7	0	4
Personnel and household	1	3	2	0	3
Health	2	6	2	0	9
Oils and gas	1	1	0	0	1
Textile	0	0	0	0	1
Automobiles	0	0	0	0	1
Retails	6	11	7	0	12
Other Financial Sectors	0	3	4	0	6
Communication & telecommunication	2	5	5	1	3
Mean	**2.31**	**4.62**	**3.38**	**0.15**	**5.31**

Table 3: The location of CSR

Industry type	Footnote to financial stat	Chairman statement	Separate disclosure	Number of companies disclose both
Chemicals	1	1	21	2
Construction	2	2	5	2
Housing and real state	1	1	4	
Facilities	1	0	5	
Banking	5	3	10	4
Personnel and household	0	0	5	
Health	0	0	5	
Oils and gas	0	0	11	
Textile	0	0	1	
Automobiles	0	0	1	
Retails	0	1	20	
Other Financial Sectors	0	0	11	
Communication	2	1	1	2
Total	**12**	**9**	**100**	**10**

Table 4: The amount of CSR

Industry type	10	10 ≤ 50	50 ≤.
Chemicals	1	14	6
Construction	1	5	1
Housing and real state	0	5	1
Facilities	0	5	1
Banking	2	38	4
Personnel and household	0	02	3
Health	3	06	2
Oils and gas	1	00	
Textile	0	1	0
Automobiles	1	0	0
Retails	5	15	1
Other Financial Sectors	3	8	0
Communication	0	4	2
Total	**17**	**73**	**21**

Table 5: Regression results

Variables	Aggregated CSR score	Environmental score	Human Resource score	Community score	Energy score	Product/ Customer score	CSR without information
Intercept	1.901***	-1.948	-0.010		-70.023	-1.418	-2.480*
Firm Size	0.015	0.104	0.069	-0.008	-0.184	0.076	0.113
Audit0	-0.547	-0.913	0.542	-0.444	-61.554	0.027	-0.067
Audit1		0.183	1.545	0.876	-21.827	-0.335	-1.054
Audit2	-0.599	-0.286	-0.674	-1.889*	-53.094	35.584	-1.196
Audit3	-0.378						
Ownership0	0.569	0.931	21.227	1.231	87.669	-18.500	-19.616
Ownership1	-0.491	-1.851	-1.061	-1.633	37.259	1.029	0.406
Ownership2	-0.370	-0.949	-1.281	-0.698	48.436	0.324	-19.548
Liquidity	-0.061	-0.106	-0.092	-0.190	-9.492	-0.067	-0.726
Gearing	-0.004	-0.019	-0.008	-0.015	-0.094	0.017	0.011
ROI	0.032***	0.075**	0.021	0.051*	2.344	0.000	-0.027
Adjusted R-Square	**0.086**	**0.363**		**0.222**		**0.206**	
F-value	**1.882****	**20.401*****	**1.873**	**4.593****	**30.324*****	**6.360****	**39.345*****

***: Significant at the 1% level.
**: Significant at the 5% level.
*: Significant at the 10% level.