

## Voluntary Corporate Social Responsibility Disclosure: A Case Study of Saudi Arabia

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### ABSTRACT

This study examines the level of Corporate Social Responsibility (CSR) disclosure in the annual reports of the 134 firms that were listed on the Riyadh Stock Exchange in 2008 and the variables which may determine it. We develop indexes to quantify the disclosure level in the labor, social and Environmental categories and build a General Index. Our results indicate that the level of CSR disclosure is fairly low in Saudi Arabia Firm. Size is the main variable linked to all CSR categories. Economic sector and profitability also show a significant relationship with all these categories. However, type of auditing Firm (international or local) and regulated sector do not affect the level of disclosure.

**Keywords:** Corporate Social Responsibility; Annual Report; Content Analysis; Arabia Saudi.

### INTRODUCTION

Transparency is one of the basic principles of Social Corporate Responsibility (CSR). It is based on the accessibility of the information elaborated by the firm to satisfy the demands of different stakeholders, and is evidenced by the voluntary reporting of “social information”, defined by Guthrie and Parker (1989), Brown and Deegan (1998) and Moneva and Llena (2000) as the qualitative and quantitative corporate information the firm elaborates and diffuses voluntarily through the media about its social activity, including external and internal evaluations, in order to guarantee the reliability of that information. Gray *et al.* (1987) conclude that the disclosure of social information is a process of communicating the social and environmental effects of the firm’s economic activities to its interest groups and to society as a whole.

Recent research on social information has focused on the particular subjects disclosed, the firm’s motivations

and the elements that affect their reporting practices.

CSR disclosure is considered to be still a western phenomenon as the research has concentrated on studies for developed countries<sup>1</sup>. On the other hand, studies about developing countries, such as the Islamic ones, are still scarce (Samuels, 1990). Sustainability, social responsibility and the environment are not priorities for these countries, which have other, more prevalent needs. But if they want to integrate into the global economy they shall have to reach the same corporate social reporting practice levels as the developed countries (Abu Baker and Abdel Karim, 1998). Studies are also necessary to control that the international corporations present in these countries do not take advantage of the absence of laws on CSR and the environment to commit abuses that would be considered serious offenses in their countries of origin (Gray *et al.*, 1996).

Our paper will provide an up-to-date description of the reporting of CSR disclosure in the context of Saudi

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<sup>1</sup> The literature generally is dominated by USA studies but there is also extensive literature on the UK, Australia and New Zealand. Evidence is also available from Canada, Malaysia, Singapore, Germany, Sweden, Mexico, Japan and India. (Gray *et al.*, 1995).

Arabia and empirically examine the association between its quality and a series of selected characteristics of the firms that are listed on the Riyadh Stock Exchange.

Saudi Arabia, unlike more westernized countries such as Jordan and Egypt, has very little research on the reporting of information about corporate social responsibility disclosure. It is, however, the main economic driver of the region and one key world-supplier of oil and gas. This study investigates Saudi listed firms, and is -as far as we know- the first that deals on CSR disclosure through the firms' Web site and annual reports. We also believe that it will help to fill up the gap between developed and developing countries on CSR research.

Moreover, research about a typical Islamic country, with its specific traditions and the economic conditions of the country's citizens while retaining the society's Islamic values, contributes conclusions and tools to expand the literature and open future research lines. It may also help make the managers of Saudi Arabian firms aware of the advantages of transparency from the right achievement of corporate social responsibility (CSR).

After this introduction, Section 2 will review the theories and the literature that have dealt with CSR; Section 3 describes the methodology used in this paper; Section 4 presents the results of our work; while the final Section contains the conclusions.

#### **Review of the Theoretical Literature.**

The recent economic literature has tried to provide an explanation to firms' CSR information disclosure and its increase across the different world regions. Several non-exclusive theories, some of them ethics-based, have been suggested and will be dealt with in the following pages. Nevertheless, while in the West these codes ethical codes do not follow moral and religious principles *per se* (Lewis and Unerman, 1999), in the Islamic world they follow the religious point of view, expressed through the

Shari'ah<sup>2</sup> (Hamid *et al.*, 1993.).

Among those theories we examine some to find out their answer for the reasons of CSR disclosure, and later on we shall apply our findings to Saudi Arabia firms. In the *Stakeholder Theory*, a stakeholder is any individual, group, institution or agency, governmental or not, who holds control over the critical -political, social and financial- resources of a firm and can influence its managerial decision-making (Ullmann, 1985&Freeman 1984). Thus, stakeholders are important for the permanence and evolution of the firm. But management may also consider its stakeholders as a test-bed for decisions about future activities. CSR is a clear example of such a stakeholder-management relationship. Stakeholders may perceive CSR as essential for the legitimacy and expected performance of a firm, and demand it as a prerequisite. Meanwhile, management may perceive CSR reporting as a positive strategy to strengthen its image or increase its profitability and propose it to its stakeholders as something desirable.

However, as this theory depends on the pressure of stakeholders and their relationship to the firm's management, when a firm is controlled by a minority able to manipulate corporate policy at will, stakeholders are no longer important because they have not the power to influence decisions (Roberts, 1992).

In the *Legitimacy Theory* there is a generalized perception that the actions of a firm ought to adjust to what is considered as desirable or appropriate for social systems ruled by certain norms, values, beliefs or definitions (Suchman, 1995). According to this theory, firms have to gain the right to exist through socially

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<sup>2</sup>The Shari'ah is the Islamic law about human conduct and regulates everything referring to the life of the Muslim. It is based on the Holy Word of God revealed through the Koran, the deeds and expressions of the Prophet (the Sunna) and the consensus of Islamic scholars.

responsible behavior, consistent with the notion that companies have a social contract with society to perform certain tasks within the bounds of justice. To do so, managers should adopt strategies which show society that their organization intends to respond to its expectations (Deegan *et al.*, 2002). This theory depends on the management's perception of the Social Contract and the pressure of external legal measures.

Lastly, the *Social Responsibility Theory* is built on the ethical assumption that power –in this case social power- should be exerted with responsibility and fairness. Nowadays, many firms enjoy immense social power in fields such as employment and environmental pollution (Davis, 1975), and economic decisions have social consequences that may, sometimes, alter the way of life of entire regions. In this case, the decision to disclose information on CSR depends mainly on the ethical values of the management.

#### **Social Responsibility in the Western and Islamic Worlds.**

Corporate Social Responsibility (CSR) is a part of business ethics, but also a phenomenon whose implications are spreading rapidly across the world. CSR can be defined, according to the definition of the European Commission, as “a concept whereby companies decide voluntary to contribute to a better society and a cleaner environment” (COM 2001 4), by integrating “social and environmental concerns in their business operations and in the integration with stakeholders” (COM 2001 6), and is frequently overlapped with terms such as corporate sustainability, corporate sustainable development, corporate responsibility, and corporate citizenship that at the end make reference to the same issue. It is observed that there is not an universal unified definition, and although widely discussed in theory and practice, there is no general agreement about its definition.

Some of the theories which tried to explain the origins of CSR assume the existence of a social contract to which firms and their managers must answer. As Brammer *et al.* (2007) signal out, the ethical commitments of the firms' managers can be decisive when dealing with their choices and preferences in CSR.

The Western world culture currently considers religious moral principles and ethics to be a personal choice, while the social contract between firms and society is a response to external ethical or propagandistic motivations. Thus, managers are under external pressure from laws, media, competitors and stakeholders, but are free to follow their personal ethics and morals. Sustainability and environmentalism are two of the main subjects favored by its society nowadays.

In the Islamic world, faithful Muslims must follow revealed religious norms which require the fair distribution of wealth and dedication to the welfare of the community, and which are set out in the Shari'ah - which prevails over local and international regulations and is considered the ultimate law on such subjects; the *Koran* prescribes the carrying out of good works, alms, charity (*sadaqa*), interest-free loans and other philanthropic activities (Sadeghzadeh, 1995), and forbids usury, greed and exploitation. If managers and firms want to show their commitment to Islam, be it true or not, they must follow the Shari'ah and avoid any of the “bad” practices. Thus, CSR reporting in the Islamic world may be linked to a Social Contract based on religious moral principles, congruent with the larger value system of an Islamic society, not personal ethical choices. However, the stress is put mainly on social responsibility, which is the main goal of Islamic CSR, much more than the environmental aspects.

This suggests the importance of cultural patterns in economic issues such as the CSR.

### Data and Methodology

Data collection and building of the CSR Index.

A final sample of 132 of the 146 firms listed on the Riyadh Stock Exchange was selected. Those created after 2008 and those that do not have a website were discarded. The classification of sectors on the Saudi Arabian Stock Exchange is different to that normally used in Western countries, so it was normalized into six sectors (table 6).

Milne and Adler (1999) point out that an instrument is more reliable if constructed using well- specified decision categories, with well-specified decision rules. Thus, as there is no established classification that precisely defines the categories of Social Responsibility activities of a firm, the following three categories: labor, social and environmental, will be the ones chosen, because they are considered to be the prime movers of Social Responsibility. This choice was inspired by Moneva and Llana (1996) and Archel (2003), who signal out that: workers' rights, social activities and respect for the environment are the three key categories in the measurement of CSR.

1. Labor information, containing information relative to the workers in aspects such as working conditions, workers' rights and safety.

2. Social information, related to the interest shown by the firms in the social environment in which they act.

3. Environmental information, related to the impact of the actions of the firm on the environment.

We should point out that, due to the specific cultural environment of Saudi Arabia, we have included some modifications in the items referring to the categories of labor, social and environmental in order to adjust our technique to their particular characteristics.

Our study identifies twenty-three items that allow us to calculate the general index of CSR which, as can be

found in the Appendix 1, are distributed in the following way: 8 for the labor category, 8 for social and 7 for the environment.

The measurement of the information disclosed comes from the evaluation of the annual reports and the website of the firms in the sample through the application of *content analysis*, an ideal method for elaborating our evaluation and employed by Ernst and Ernst (1978) and Llana *et al.* (2007) in their research.

We count the number of items in each category in the annual report and in the website of the firm, taking the value of 1 as "complete," "0" as information unavailable or no evidence provided" as Hossain *et al.* (2006) did in their research. The analytical expression for the calculation of the information disclosure index for each category is the following:

$$I_j = \frac{100}{n_j} \sum_{i=1}^n i$$

$I_j$ , information disclosure index measured as a percentage corresponding to category  $j$  (Labor , Social or Environmental).

$i$ , value assigned to each item of category  $j$ , ( $i=0$  or  $i=1$ ).

$n_j$ , number of items of category  $j$ .

From the three indexes obtained, we build a general index of CSR disclosure which will be equal to the average of the three indices estimated. This index will allow us to homogenize the information obtained and help us in the comparison of the level of disclosure of labor information (LI), social information (SI), and environmental information (EI) in the firms of the sample.

$$CSR = (LI+SI+EI)/3$$

3.2 Independent variables and development of hypotheses

Empirical studies exploring putative association between CSR disclosure and other explanatory variables perceived as potential influences on CSR may generally be categorized as falling into three sub-stream: (1) social performance and economics performance; (2) firm characteristics, and (3) external socio-political influences (Hibbit, 2004). The focus of present study is on (2) which are discussed below.

The main measurable and determinant characteristics of a firm include profitability, size of the firm and economic sector. The internal environment of a firm is made up of non-measurable social, political and ideological factors that determine its particular activities and evolution and include the managers' ethics or beliefs, their cultural background and their attitude towards their stakeholders. Finally, the external influences include key elements of the general political, social and economic environment in which the firm operates such as the activity of NGOs and the media, pressure from competitors, public opinion and globalization.

Below will be studied the possible correlation between the level of the components of the CSR index and the characteristic variables of firms, focusing on those that are measurable, as it is not feasible to carry out empirical statistical studies with non-measurable elements.

Ernst and Ernst (1972), in the first empirical study in the United States, highlighted the *size of the firm* and the *economic sector* of the firms as determinant characteristics for the disclosure of CSR information. Gray *et al.* (1996) confirmed the effect of these variables, so we will use the *size* and the *economic sector* to check whether they affect disclosure.

Nevertheless, Hackston and Milne (1996) argue that the size of the firm and the *economic sector* are not sufficient to explain the level of disclosure of CSR information, so we will add other factors such as

*profitability*, the *type of auditor* and the regulated sector of the firm, following Suwaidan *et al.* (2004), Khasharmeh and Suwaidan (2010) and Moneva and Llena (2000).

#### *Size of the firm*

There are several studies which have been found that a significant positive association between the size firm and extent of CSR disclosure in corporate in both developed and developing countries for example Haniffa and Cooke (2005), Michiel *et al.* (2004), Ponnu and Okoth (2009) and Branco & Rodrigues (2008). However, other researchers like Roberts (1992), Ng (1985)) found that the size of the firm did not significantly explain association with the level of corporate social responsibility disclosure and its variability.

Previous empirical literature has used different proxies to measure size including the number of employees, total assets, pre-tax profits and sales (Archel, 2003; Patten, 1991). But there is not theoretical reason for using a particular measure of size (Hackston and Milne 1996); we discard total assets because it is not comparable between the financial sector and the others given that banks usually have much greater total assets. We will use *sales* as our proxy to measure size, especially because the banking and insurance sector is the largest in our sample. The hypothesis is as follows:

**H1** There is a relationship between the size of the firm and the level of disclosure of labor, social, and environmental information of the firms listed on the Riyadh Stock Exchange.

#### *Profitability*

Profitability gives the directors of the firms the liberty and flexibility to carry out more responsible social programs. Most empirical research has found the relation between CSR disclosure and the profitability of the firm to be inconclusive at best. A number of investigation have found no association (for example

Hackston and Milne, 1996; Moneva and Llana, 1996; Richardson and Welker, 2001). This pattern, however, does not seem to be confirmed for Arabic countries, possibly because of their different accounting culture. (Suwaidan *et al*, 2004). Among the methods used to measure corporate profitability, in this study has chosen the ROA. The hypothesis is as follows:

**H2** There is a relationship between the profitability of the firm and the level of disclosure of labor, social, and environmental information of the firms listed on the Riyadh Stock Exchange.

*Economic sector*

Abu Baker (2000) and Ponnu and Okoth (2009) point out that some firms have a different perception of CSR disclosure to others because of the type of activity that they carry out. On the other hand, they argue that industry, similar to company size, influences political visibility and this drives disclosure to ward off undue pressure and criticism from social activists (Hackston and Milne, 1996). Firms belonging to the oil and energy sectors, for example, usually publish more CSR information (Archel, 2003). This phenomenon also appears in the Islamic world (Mirfazli, 2008). The hypothesis is as follows:

**H3.** There is a relationship between belonging to an economic sector and the level of disclosure of labor, social and environmental information of the firms listed on the Riyadh Stock Exchange.

*Type of auditor*

This variable exerts a significant influence on the volume of information disclosed because it determines whether the firm opts for an information policy of transparency, showing its honesty and reliability (Lizcano, 2006), and can afford to do so. Recourse to one of the Big 4 shows this interest and capacity.

This variable has received little attention in the Western world because most listed firms are audited by

one of the Big 4. However, in many Islamic countries, this is not the case because they employ local or smaller auditors. Therefore, the application of this variable to these countries may contribute additional information about its influence on CSR disclosure, as Khasharmeh and Suwaidan (2010) did for the countries of the Persian Gulf. The hypothesis is as follows:

**H4.** There is a relationship between the type of auditor and the level of disclosure of labor, social and environmental information of the firms listed on the Riyadh Stock Exchange.

*Regulated sector*

Of the Saudi Arabian firms listed on the Riyadh Stock Exchange, 38% are regulated, that is, the government controls the prices of their products. Typical cases are the distribution of water and the production and distribution of electricity and gas. A common feature of developing countries is that the proportion of regulated firms is higher than in Western countries, so we will consider it an independent variable related to the level of CSR information disclosure, following Moneva & Llana (2000) who also use it in their paper. The hypothesis is as follows:

**H5.** There is a relationship between regulated sector and the level of disclosure of labor, social and environmental information of the firms listed on the Riyadh Stock Exchange.

The researchers seek to understand and explain the nature of causal relations between variables. Hence, correlations serve as empirical indications of possible relationships between quantitative variables. But used the ANOVA With questions as these, the preferred statistical tool is the ANOVA, (Analysis Of Variance). There are some similarities between the t-test and ANOVA. Like the t-test, ANOVA is used to test hypotheses about differences in the average values of some outcome between two groups; however, while the t-test can be used to

compare two means or one mean against a known distribution, ANOVA can be used to examine differences among the means of several different groups at once. More generally, ANOVA is a statistical technique for assessing how nominal independent variables influence a continuous dependent variable.

**Empirical Results**

After classifying the firms and calculating the indices for each firm, we carried out analyses that allowed us to

observe the behavior of the firms in the sample with respect to the disclosure of social, labor and environmental information. Below, we describe the most important results.

**Table 1** shows the number of firms that do or do not disclose social, labor and environmental information. Disclosure is considered to exist if the firm publishes information corresponding to, at least, *two of the three categories* defined.

**Table 1: the number of firms analyzed**

	<b>No. of Saudi Companies</b>	<b>Percentage</b>
Disclosing firms	21	16%
Non-disclosing firms	111	84%
<b>Firms analyzed</b>	<b>132</b>	<b>100%</b>

Source: own data collection.

In general terms, it can be seen that, in the sample of firms analyzed, the level of disclosure is low. 111 firms out of a total of 132 (84%) do not publish the information studied while the 21 remaining firms (16% of the sample) publish CSR information.

The results confirm the poor level of disclosure of firms in the Arab world. By comparison, Adams *et al.* (1995) find

a level of 97% in their study of the European Union.

Table 2 shows the number of firms in the sample that disclose information in each of the three categories that measure the breadth of CSR disclosure. A firm is considered “responsible” from the point of view of CSR disclosure when it publishes information about at least three elements of the “Social” category, three of the “Labor” category and two of the “Environmental” category.

**Table 2: CSR disclosure level by category**

	<b>Social information</b>	<b>Labor information</b>	<b>Environmental information</b>
Number of firms	39	28	16
Percentage	29%	21%	12%

Source: own data collection

The results indicate that the firms listed on the Riyadh Stock Exchange publish more social than labor or environmental information and support those of Aly Salama (2009) on Egypt and of Abu Baker (2000) on

Jordan. The priority of information by category in the Western world is labor, environmental and social (Hackston and Milne, 1996).

**Table 3: CSR disclosure, level by economic sectors**

Economic Sector	Social information	Labor information	Environmental information	Total N° of firms
Agriculture	25%	16%	8%	12
Industry	55%	20%	10%	23
Services	75%	53%	10%	41
Construction	66%	66%	47%	29
Energy	36%	42%	41%	16
Financial	45%	38%	10%	11

Source: own data collection

Table 3 shows that most sectors follow the global distribution of the sample, publishing more social information than labor or environmental information while the energy sector discloses more environmental and labor than social information. This difference could be because it is the industry with the biggest negative impact on the environment.

**H1:** There is a relationship between the size of the firm and the level of disclosure of labor, social, and environmental information of the firms listed on the

Riyadh Stock Exchange.

**H2:** There is a relationship between the profitability of the firm and the level of disclosure of labor, social, and environmental information of the firms listed on the Riyadh Stock Exchange.

We use Spearman's rho. This methodology allows us to study the degree of relationship between two variables even when the distribution of one of them is non-normal or we find the presence of outliers.

**Table 4: Correlation between CSR disclosure level and economic profitability and Sales**

	Economic profitability		Sales	
	Spearman Coefficient	p-value	Spearman Coefficient	p-value
<b>SI</b>	0.171	0.050	0.434	0.000
<b>LI</b>	0.124	0.156	0.456	0.000
<b>EI</b>	0.180	0.039	0.299	0.001
<b>CSR</b>	0.180	0.039	0.512	0.000

Note: Correlation is significant at the 0.05 level.

SI: social information.

LI: labor information.

EI: Environmental information.

**Table 4** shows that the three categories and CSR disclosure evidence a statistically significant association with the size of the firm (expressed by the proxy of Sales), confirming the results of previous research such as Naser *et al.*, (2006), Khasharmeh and Suwaidan (2010) and García –Sánchez, (2008), which cover both developed and developing regions.

The arguments larger firms disclose higher levels of CSR flow from a number of different theoretical perspectives. Agency and positive accounting theories predict that managers use CSR disclosure as part of their overall strategy to reduce agency costs and in particular political costs (Watts & Zimmerman 1978).

The social and environmental categories and CSR disclosure show a significant association with profitability( expressed by the proxy of economic profitability ) while the labor category is not significant, coinciding with the results of Suwaidan *et al.* (2004) and Teoh *et al.* (2000). On the contrary, Moneva and Llana (1996) indicate that profitability is a non-explanatory variable and deduce that firms that obtain a high profitability are not more socially responsible. We can also observe that the association with size is stronger than that with profitability<sup>3</sup>, as indicated by the higher value of the Spearman Coefficient.

In sum, and based on the evidence of the correlation test, our results suggest that we should not reject **H1** and **H2**.

**H3:** There is a relationship between belonging to an economic sector and the level of disclosure of labor, social and environmental information of the firms listed on the Riyadh Stock Exchange.

<sup>3</sup> The relationship between CSR disclosure and profit has produced inconsistent results, some studies find no relation, while some other studies find no relation or an inverse relation, and on the other hand some studies find a positive relation (Gray, et al, 2001).

We ran an analysis of variance (ANOVA) test. After considering the different degrees of freedom, we obtain the sum of squares for each case, which is used to carry out the test of significance. This procedure shows high statistical power to compare the averages of three or more groups because it avoids the increase of type 1 errors that would occur if we used repeated t-tests.

**Table 5: Relationship between economic sector and CSR disclosure level: ANOVA analysis.**

ANOVA	Sum of squares	Df	Mean square	(F)	Sig.
<b>Social</b>					
Inter-groups	0.297	5	0.59	1.207	0.310
Intra-groups	6.209	126	0.49		
<b>Labor</b>					
Inter-groups	0.514	5	0.103	3.076	0.012*
Intra-groups	4.213	126	0.33		
<b>Environmental</b>					
Inter-groups	0.397	5	0.079	4.246	0.001*
Intra-groups	2,358	126	0.019		
<b>CSR</b>					
Inter-groups	0.282	5	0.056	2.783	0.020*
Intra-groups	2.551	126	0.020		

\*Significance < 0,05, Df = degrees of freedom

Table 5 shows the main results of the ANOVA test. A relationship can be observed between the variable

*economic sector* and the level of disclosure of environmental and labor information and the global disclosure indicator. In these cases, as can be seen in the table, the F statistic indicates significant values with *p*-values of 0.012, 0.001 and 0.020, < 0.05) respectively. For the case of social information, we cannot prove the existence of this relation. Therefore, hypothesis H3 cannot be rejected for three of the four indicators that we use to proxy the level of information disclosure in Saudi Arabian firms. This result is in agreement with previous studies such as Patten (1991), Archel (2003), Ponnu and Okoth (2009) and Hackston and Milne (1996). With respect to the results about the disclosure of social information, it is considered that they may be affected by the practices of Islamic culture. Firms are expected to

carry out social work and their directors may prioritize the social dimension more than those of labor and the environment.

H4: There is a relationship between the type of auditor and the level of disclosure of labor, social and environmental information of the firms listed on the Riyadh Stock Exchange.

H5: There is a relationship between regulated sector and the level of disclosure of labor, social and environmental information of the firms listed on the Riyadh Stock Exchange.

We use the Chi square test. This test examines the relation between the level of disclosure of social and environmental information and the type of auditor and the firms belonging to regulated.

**Table 6: Correlation between CSR disclosure, level and the type of auditor and regulated sector**

	Type of auditor		Regulated Sector	
	Coefficient	p-value	Coefficient	p-value
<b>SI</b>	7,99	0,091	9,04	0,019
<b>LI</b>	9,08	0,057	5,17	0,150
<b>EI</b>	0,62	0,885	3,92	0,184
<b>CSR</b>	2,79	0,763	4,19	0,147

Note: Correlation is significant at the 0.05 level.

SI: social información,

LI: labor information,

EI: Environmental information.

In Table 6, we can observe that, at the 95% level of confidence, there is no significant relation between the level of information disclosure and the type of auditor. Our findings coincide with those of Barako *et al.*, (2006).

Haniffa and Hudiab (2007) indicate that there are differences in the way that Big 4 auditors work at an international level in countries like Saudi Arabia and the way they work in Western countries. They adapt to the accounting and management culture predominant in a

Muslim country that is, avoiding the requirements of the high standards of transparency of Western countries.

In sum, it seems clear that the type of auditor is not related to the disclosure of CSR information, so **H4** must be rejected.

We also observe that the regulated sector shows a significant relation with the social category but not with the environmental and labor categories nor with the general CSR index. We believe that the regulated firms disclose

information about the social category because it is more important in Muslim culture than the others but we cannot accept H5 because only one of the four indicators is significant. Finally the detailed functional models of their relationships between different measures of corporate social responsibility (CSR) disclosure and the corporate characteristics vary with both variables chosen and the time period selected. So, we are unable to claim that there is any unique and/or stable relationship between any measure of disclosure and any corporate characteristics.

Following these results, the authors it may be considered that Stakeholder's Theory does not affect

Saudi Arabia firms because most of them are family-owned, with the management -head of the family- firmly in control of decision-making and no external pressure groups. However, Legitimacy Theory may explain Islamic CSR disclosure, due to the importance of the Shari'ah and its religious-based laws. Social Responsibility Theory may have importance only if the management really assumes the ethical principles involved of power responsibility, which due to the weight of Islamic religious precepts should be so, but is much more difficult to evaluate.

**Table 7: summary of the results of previous studies their results are presented and deferent with this paper.**

Author(s)	Main results	Main results in this paper
Reberts (1992), Ng (1985)	Found that the size of the firm did not significantly explain association with the level of CSR disclosure.	In this paper the CSR disclosure evidence a statistically significant association with the size of the firm.
Moneva and Llena (1996)	Indicate that profitability is a non-explanatory variable and deduce that firms that obtain a high profitability are not more socially responsible.	The social and environmental categories and CSR disclosure show a significant association with profitability ,while the labor category is not significant
Archel (2003), Ponnu and Okoth (2009).	Found that the economic sector is significantly explaining association with the level of CSR disclosure.	The environmental categories and labor information disclosure show a significant association with economic sector ,while the social category is not significant
Barako <i>et al</i> , (2006)	there is no significant relation between the level of information CSR disclosure and the type of auditor	seems clear that the type of auditor is not related to the disclosure of CSR information
Moneva &Llena (2000)	There is significant relation between the levels of category of environmental information with the company belongs to a regulated sector.	The regulated sector shows a significant relation with the social category but not with the environmental and labor categories not with the general CSR index.

Source: Own elaboration

### Conclusion and Future Research

Corporate Social responsibility refers to the disclosure of information about companies interactions with society. It is an important instrument in the dialogue between business and society. This paper set out to describe the disclosure of CSR information published in the annual

We intended as well to examine the relationship between the characteristics of these firms and their level of disclosure.

Firms in developed countries pay greater attention to the disclosure of aspects related to human resources and environment than to the disclosure of social ones, (Guthrie and Parker, 1989). In Saudi Arabia, it was found that social category received more emphasis. Results suggest that legitimacy theory is an explanation of CSR disclosure by Saudi firms.

With respect to the variables, size firm and economic sector are found to have a positive significance as expected. But in Saudi Arabia, unlike in developed Western countries, profitability shows a noteworthy importance. This difference may arise, in one hand, from cultural characteristics because Islam, with its obligation to carry out charitable works, implies that the wealthier the firm, the greater its social responsibility; and in the other hand, new Saudi firms have set out to attract investors and use profitability as a tool to lure them. This result coincides with previous conclusions (Abu-Baker, 2000).

The results presented above suggest that the type of auditor is irrelevant because the Big 4 adapt their

standards to the Saudi Arabian accounting culture, a phenomenon not seen in other Arabic countries. On the other hand, regulated sector is also not significant, except in the case of the social category. The authors propose that these results are related to the cultural particularities of Saudi Arabia.

Some of the results obtained have implications concerning direction for further research in this paper will encourage new studies along the same research lines. Cultural characteristics are important when dealing with the economy in the Islamic world and it would be advisable to include explanatory variables accounting for the culture of the directors of the firms of Islamic World in future works. It would also be interesting to carry out case studies and evaluations of sustainability reports in the Islamic world as well as longitudinal studies to analyze the level of information disclosure. However, these are the agenda for future research.

As with any research, this study has some limitations. The flowing limitations are must pertinent. First, pointed out that only one financial year was analyzed because of the scarcity of data for other periods, and that most of our information came from Annual Reports, as there were few available websites.

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