

VOLUNTARY DISCLOSURE ON CORPORATE SOCIAL RESPONSIBILITY: A STUDY ON THE ANNUAL REPORTS OF PALESTINIAN CORPORATIONS.

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ABSTRACT: *This is an exploratory study designed to investigate the extent and nature of social and environmental reporting in the annual reports of the 48 corporate that were listed on the Palestine Exchange(PEX) in 2012. Specifically, we examine the relationship between Corporate Social Responsibility(CSR) disclosure and the variables which may determine. In order to do this, we have developed and utilized a disclosure index to measure the extent of disclosure made by companies in corporate annual reports also by using the guidelines (Global Reporting Initiative (GRI-G3)) . This study reports significant differences in levels of social and environmental disclosure, as measured by the mean values of the social and environmental disclosure index in Palestine. This study indicates that the level of CSR disclosure is fairly low in Palestine corporations. The findings show that there is correlation between CSR disclosure level and the size of the firm. also there are differences in the level of disclosure of CSR of the firms due to the kind of economic sector. However, that the level of disclosure CSR evidence a statistically did not significant association with the profitability of the firms are listed on the PEX.*

KEYWORDS: Corporate Social Responsibility, Annual Report, Global Reporting Initiative, Palestine Exchange.

INTRODUCTION

The phenomenon of Corporate Social Responsibility (CSR) is attracting increasing international attention. Companies today are expected not merely to pursue profit but also to undertake corporate social responsibility (CSR). In general, CSR means that companies take into consideration the concerns of a wide range of corporate stakeholders (e.g., shareholders, employees, suppliers, customers, government, and the local community) and incorporate principles of social fairness and environmental sustainability into the business process. CSR developed because the expansion and globalization of the world economy led to the emergence of multinational companies with economic power greater than the gross domestic product of many small or developing countries. Therefore, business activities correspondingly have a more extensive effect on society than ever before. In addition, with many developed countries recently experiencing severe financial crisis, society increasingly requires that companies take responsibility for environmental conservation, employment, safety, and local community

development—areas that previously were primarily the responsibility of national governments. Neglect of these broader social responsibilities therefore threatens both the sustainability of the companies themselves and society as a whole. Now a days, so many companies all over the world are reporting on their corporate social responsibility activities in their annual reports and in most of the cases this is voluntary disclosure. This tendency can be noticed in case of the Palestinian corporations also.

LITERATURE REVIEW

Corporate Social Responsibility (CSR) can be described as the voluntary commitment of the business organizations to contribute to social and environmental goals. Modern society presents business with immensely complicated problems it did not have formerly (Davis, 1975). There is no doubt that business is a social unit and in order to exist and survive in the society it has to respect the ethical values of the society. It is said that, today a business lives in a ‘Glass House’ and that is why business has greater ‘Public Visibility’ (The extent that an organization’s activities are known to persons outside the organization) in comparison to other institutions in the society (Davis, 1975). Society is very much eager to know the activities of the business. The growing popularity of ‘social welfare’ is also compelling the business to perform some social responsibilities. 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. Survey and anecdotal evidence show that corporations are disclosing social and environment information in corporate annual reports and this has increased over years. It has been argued by the researchers that the level of Corporate Social and Environmental Disclosure is dependent on several corporate attributes and there are studies which empirically examined the extent of social and environmental disclosure and measured the relationship between environment disclosure and several corporate attributes. Despite the necessity for disclosures on social and environmental issues, there has been a variety of factors, which may affect either positively or negatively firms to provide these reports. Firm’s size, Profitability, and the kind of the economic sector seem to play the most important role in the disclosure of environmental issues, according to many studies (Da Silva Monteiro and Aibar-Guzmán, 2009; Brammer and Pavelin, 2008; Magness, 2006; Macarulla and Talalwe, 2012). That is why the concept of ‘Corporate Social Responsibility (CSR)’ is a burning question in today’s world.

The Concept of CSR and Rationale of Reporting on CSR:

A Corporate Social Responsibility study “can arguably be seen implicitly as a proxy for stakeholder studies” (Cummings and Patel, 2009, pp.23). Stakeholder theory is based on

examination of groups to which a firm reacts responsibly (Moir 2001, pp.20) and adopted by many authors as the basis for analysis on CSR issues. Freeman (1984, pp.5) defined a stakeholder as “any group or individual who can affect or is affected by the achievement of the firm’s objectives”. According to Pesqueux and Damak- Ayadi (2005) and the literature review of Cummings and Patel (2009), stakeholders could be classified in categories: shareholders, internal stakeholders (employees), operational partners (customers, suppliers) and social community (state authorities, non-governmental organizations, civil society). In this specific case, stakeholder theory can be used as to describe the reasons for which a company may undertake CSR activities as to gain maximized long-term returns (Samy et al., 2010). Stakeholders’ pressure made companies to become more sustainable because of the formers’ influence. Sustainability, which depicts the necessity of corporations to give importance in issues as human resources and environment as well as not to destroy resources needed for next generations, becomes a way for companies to develop (Isaksson and Steimle, 2009). The disclosure of CSR information began in the 1980s. Initially, firms engaging in CSR disclosure were mainly in the petroleum, gas, and chemical industries, and they did so mostly because of strong pressure from regulatory authorities and environmental activists (CorporateRegister.com 2008, 4). Subsequently, several countries and international institutions, including the Global Reporting Initiative (GRI), started to develop regulations and guidelines regarding CSR information disclosure. As a result, the number of firms disclosing CSR information increased substantially. Is worth noting to the most widely used guidelines are Global Reporting Initiative (GRI), founded in 1997 by the Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environmental Programme (UNEP). The current version of the guidelines (GRI-G3) was published in 2006. GRI provides indicators to companies in order to measure and report their economic, social and environmental performance (GRI, 2006). GRI guidelines were selected by Adams (2004) because of their high international profile and influence. Samy et al., (2010) used the GRI guidelines in their research, pointing out that GRI is an attempt to overcome possible problems for companies that may occur using other measurement standards. Moreover their opinion is granted on the perception of WBCSD, which face GRI as widely acceptable reporting guidelines. GRI guidelines could become a mean of evaluation for investment decision as shareholders will be able to understand past performance and future objectives (Willis, 2003). GRI has been an object of research in many studies, either as a measure of CSR measurement (Panayiotou et al., 2009a) or as a way for qualitative evaluation of sustainability reporting (Stiller and Daub, 2007; Skouloudis et al, 2009; Skouloudis et al., 2010; Gallego, 2006; Tagesson et al., 2009; Mio, 2009; Clarkson et al., 2008; Sutantoputra, 2009; Karagiorgos, 2010). According to all above, GRI reporting can be used as a tool for research in CSR practices in the Annual Reports of Palestinian Corporations that were published on Palestine Exchange website, to providing strict guidelines and a wide variety of issues for evaluation on the economic, social and environmental field. The use of GRI guidelines as an instrument in order to measure CSR practices is justified by the research of Gjørlberg (2009).

As discussed, the purpose of CSR information disclosures is to provide relevant information not only to the limited set of stakeholders assumed in traditional financial reports, but also to an extended set of stakeholders. We can assume that different stakeholders are interested in

different types of information in firms' CSR disclosures and induce firms to meet their demands for their preferred information.

Corporate Social Responsibility in Palestine :An emerging field.

The newly emerged phenomenon of Corporate Social Responsibility started to be integrated by prominently business leaders in the world extended to become policies and strategies merged within the Palestinian local and regional private sectors, the root of this phenomenon existed in Palestine, emanated from a philanthropic and ethical responsibility of people since many years to past. The notion of CSR arose by the leading industrial and commercial firms with a proportional allocation of revenues expended for humanitarian goals.

The concept of Corporate Social Responsibility is new perspective in Palestine; however it has been practiced at minimal levels when initially monopolized by Palestinian wealthy individuals particularly in family businesses. Contributions to the local citizens exhibited direct financial aid derived from personal initiatives and addressed to local philanthropic or education local entities. Unlike other countries in the MENA region, the CSR concept or practices in Palestine have been applied through an ad hoc methodology applied by each business corporate or noble individuals. This means that the corporate or businesses takes particular measures that would correspond to the surrounding environment in compliance with the emerging needs of the community ,Ghanim(2006).

The concept of CSR definition varies in vocabularies from one firm to another, however it is most likely to be shared in values and encompasses similar principles, giving high consideration to the employment as an important element for assessment to CSR applications within corporate priorities and as a best contribution to the society. However, such element is not less significance when balancing the sustainability factor of the corporate. In other words, CSR definition according to local corporate perspective is the balance between corporate sustainability and its moral obligations towards the well-being of the civil society as a safety valve for monitoring and maintaining the private corporate survival.

About Palestine Exchange (PEX):

Palestine Exchange (PEX) was established in 1995 to promote investment in Palestine. The PEX was fully automated upon establishment- a first amongst the Arab Stock Exchanges. The PEX became a public shareholding company in February 2010 responding to principles of transparency and good governance. The PEX operates under the supervision of the Palestinian Capital Market Authority.

The PEX strives to provide an enabling environment for trading that is characterized by equity ,transparency and competence, serving and maintaining the interest of investors.

The PEX is very appealing in terms of market capitalization, it is financially sound, and well capitalized to maintain a steady business in a volatile world, as it passed with the minimum level of impact of the global financial crisis compared to other MENA Exchanges.

There are 49 listed companies on PEX as of 13/11/2013 with market capitalization exceeded

\$ 3,052 million across five main economic sectors; banking and financial services, insurance, investments, industry, and services. Most of the listed companies are profitable and trade in Jordanian Dinar, while others trade in US Dollars. Only stocks are currently traded on PEX, but there is potential and readiness to trade other securities in the future.(PEX, 2014)

METHODOLOGY

Measuring Corporate Social Responsibility

In order to measure CSR, because of the lack of data availability in Palestinian Corporations, we use the method of content analysis on CSR annual reports. So far, we have to point out that there are a lot of Palestinian Corporations, listed on Palestine Exchange, which undertake CSR activities but neither have disclosed them in annual reports nor have they disclosed them in reports under certified guidelines. This problem is also indicated by Panayiotou et al. (2009c). As a result, and for the reasons of accuracy and reliability of data, as our main instrument of research, we choose annual reports under specific certified guidelines. Content analysis is defined as “a systematic, replicable technique for compressing many words of text into fewer content categories based on explicit rules of coding” (Montabon et al., 2007, pp.1002). This method was used by many authors in their studies (Montabon et al., 2007; Khan, 2010; Aras et al., 2010; Rolland and Bazzoni, 2009; Karagiorgos, 2010; Macarulla and Talalwe, 2012). According to Cochran and Wood (1984), content analysis is an objective procedure. We choose GRI as reporting guidelines in order to achieve greater reliability and accuracy. Moreover, GRI guidelines have been used by a lot of researches, something that indicates GRI's great acceptance. Based on GRI reports according to G3 guidelines, we tried to create a CSR index. Using the rating systems of Sutantoputra (2009) on social performance and Clarkson, et al., (2008) on environmental performance which were developed based on GRI reporting, we evaluate firms' CSR performance. Social performance was evaluated by 16 indicators on policies and systems on social issues (Table 1). Environmental performance was evaluated by 10 indicators (Table 2). In order to achieve a proper scale score for our research, we followed the studies of Graves and Waddock (1994) and Fiori et al., (2009).

Table 1: List of social performance indicators

<i>Labour practices and decent work (La&Decet)</i>	<i>Human rights (Hu-rig)</i>	<i>Society</i>	<i>Product responsibility (Pro-resp)</i>
Employment Information	Strategy and Management	Community	Respect for Privacy
Labour/management Relations	Non-Discrimination	Bribery and Corruption	Products and Services
Health and safety	Child labour	Political Contributions	Customer health and

			safety
Training and Education	Freedom of association and collective bargaining	Empty, but you can innovate.....	Empty, but you can innovate.....
Diversity and Opportunity	Forced and Compulsory	Empty, but you can innovate.....	Empty, but you can innovate.....

Table 2: List of environmental performance indicators

Energy use Efficiency	Toxics release Inventory	Green house gas Emissions	Environmental impacts of products and services	Compliance Performance
Water use Efficiency	Other discharges	Other emissions air	Land and resources use-biodiversity-conservation	Waste generation and management

3.2 Scoring in the Social and Environmental Disclosure Index

There are various approaches available to develop a scoring scheme to determine the disclosure level of corporate annual reports from the works of other researchers. Among the alternative approaches, unweighted disclosure index approach has been used to measure the extent of disclosure of social and environmental information *where an item scores one if disclosed and zero if not disclosed*. Hossain et al. (2006); Macarulla and Talalwe, 2012, An unweighted environmental index *is the ratio of the value of the number of items a company discloses divided by total value that it could disclose*. Under an unweighted environmental disclosure index, all items of information in the index are considered equally important to the average user.

In the unweighted environmental disclosure index disclosure of individual items has been treated as a dichotomous variable. Here, the only consideration is whether or not a company discloses an item of environmental information in its corporate annual report. If a company discloses an item of social and environmental information in its annual report it will be awarded '1' and if not it will be awarded '0'. The disclosure model for the unweighted social and environmental disclosure thus measures the total disclosure (TD) score for a company as additive as follows:

$$TD = \sum_{i=1}^n d_i$$

Where,

$d_i = 1$ if the item d_i is disclosed

0 if the item d_i is not disclosed

n = number of items

The Dependent Variables, Explanatory Variables and Hypotheses

The dependent variable used in this study is Social and Environmental Disclosure Index (SEDI) and the disclosure index has been calculated for each of the companies studied. The explanatory variables used in the study have taken into the account previous studies undertaken by other researchers. The corporate attributes considered are *Size* (proxied by total sales), *Profitability* (proxied by rate of return on assets-ROA), and *the Kind of the economic sector*. The following paragraphs provide a rationale for taking into consideration the corporate variables chosen as explanatory variables:

The main measurable and determinant characteristics of a firm include profitability, size of the firm and the kind of the 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 kind of the economic sector are not sufficient to explain the level of disclosure of CSR information, so we will add other factors such as profitability, 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 of the company and the extent of corporate social and environmental disclosure in the corporate annual report in both developed and developing countries such as, Haniffa and Cooke (2005), Ponnu and Okoth (2009), Branco & Rodrigues (2008), Hossain et al. (2006) and Macarulla and Talalwe (2012). However, other researchers like Roberts (1992), Ng (1985) and Davey (1982) found that the size of the company did not significantly explain an association with the level of corporate social and environmental disclosure and its variability.

Larger companies may be hypothesized to disclose corporate social and environmental information in their company annual reports than smaller companies for a variety of reasons. According to the Agency Theory, social responsibility disclosure campaigns can be used to reduce political costs, which in turn, could reduce wealth of a firm. As the magnitude of political costs is highly dependent on firm size, it is inferred that there will be a positive size and corporate social and environmental disclosure relationship. There are several measures of size available (e.g., number of employees, total asset value, total sales volume, etc.). However, 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 social and environmental information of the firms listed on the Palestine 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). Whereas Cowen et. al (1987) found no association between the variables. Again, the results Belkaoui and Kirkpik (1989) tend to be more intriguing. They showed a significantly pair-wise correlation, yet an insignificant negative regression co-efficient for return on assets and corporate social and environmental disclosure. There are researchers those used log of profits and among these researchers, Roberts (1992) has found a positive relationship between profitability level of a company and corporate social and environmental disclosure. However, Patten (1991) fails to find any significant positive relationship between profitability and corporate social and environmental disclosure.

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 social and environmental information of the firms listed on the Palestine Exchange.

kind of the economic sector

Kind of the economic sector has been used by a very few number of researchers as an explanatory variable for differences in disclosure level, 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 are no differences in the level of disclosure of social and environmental information of the firms listed on the Palestine Exchange due to the economic sector.

Sample and Data of the Corporations

The initial sample of research was constituted by all the companies that are listed on the Palestine Exchange. The total number at the time we accessed the website (<http://www.pex.ps>) Accessed: 15/01/2014) was 49, After accessing their websites in order to get and evaluate CSR reports based on GRI guidelines for one year (2012), our sample is constituted by 48 companies after one of the new company was discarded, that was listed on the Palestine Exchange in the current year. The classification of sectors on the Palestine Exchange is normalized into five sectors see (Table 6).

The researcher seek to understand and explain the nature of causal relations between to variables. Hence, correlations serve as empirical indications of possible relationships between for quantitative variables. But used the ANOVA test (Analysis Of Variance) because it used to test hypotheses about differences in the average values of some outcome between two groups; thus, 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.

RESULTS OF THE STUDY

The results of the study are presented in two sections. In the first section, the nature and extent of the corporate social and environmental disclosure has been analysed and discussed. The second section focused on the discussion on Spearman Rank Correlation Co-efficient, and ANOVA (Analysis Of Variance) were used to test the hypotheses of the study.

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Disclosure Levels by the Sample Corporations in Palestine

This section focuses on the measurement and analysis of the extent of social and environmental disclosure in corporate annual reports .In most of the studies reviewed, a disclosure index was prepared in order to measure the extent of social and environmental disclosure in the annual reports of the companies under study.

The score received by all Corporation in the sample has been made. A summary descriptive statistics of values for the companies are provided in Table 3.

Table 3: Destructive statistics of the social and environmental disclosure in Palestinian Corporations

Means	7
Standard Deviation	4.78
Maximum	19
Minimum	0

Comparison of social and environmental disclosure patterns may also be made by comparing the distribution of scores under the disclosure index in the Palestine. Table 4 contains data on the dispersion of the disclosure scores (range as given by the differences between minimum and maximum scores and standard deviation).

Table 4 : Disclosure Levels made by the sample Palestinian Corporations

Score Range	Corporations with disclosure	
Total number of items in Disclosure index	No. of Corporations	% in the sample
zero	19	39.58%
1-5	19	39.58%
6-10	6	12.5%
11-15	1	2.09%
16-20	3	6.25%
21-over	zero	0
Total	48	100%

Table 4 shows the distribution of disclosure performance by expressing the number of items disclosed as percentages of the total of 26 indicators based on GRI-G3 (Global Reporting Initiative) comprising the social and environmental disclosure score. Column one of Table 4 distinguishes ranges of disclosure performances in these terms. Table 4 shows the modal disclosure to be less than 6 items made by in Palestinian companies in their corporate annual reports. The distribution shows a skew towards relatively low levels of the social and environmental disclosure for the sample corporations in Palestine.

After calculating the indices for each company, has carried out analyses that allowed us to observe the behavior of the companies in the sample with respect to the disclosure of social, and environmental information. Below, have describe the most important results. Table 5 shows the number of firms that do or do not disclose social, and environmental information. Disclosure is considered to exist if the company publishes information corresponding.

Table 5 : The number of firms analyzed

Disclosing firms	No. of Palestinian Corporations	Percentage
Disclosing Firms	29	60.4%
Non-disclosing Firms	19	39.6%
Firms analyzed	48	100%

After calculating the indices for each firm, we carried out analyses that allowed us to observe the behavior of the companies in the sample with respect to the disclosure of social, and environmental information. Below, we describe the most important results.

Table 5 shows the number of companies that do or do not disclose social, and environmental information. Disclosure is considered to exist if the company publishes information corresponding to social, and environmental information. In general terms, it can be seen that, in the sample of companies analyzed, the level of disclosure is high. 19 companies out of a total of 48 (39.6%) do not publish the information studied while the 29 remaining companies (60.4% of the sample) publish CSR information.

Table 6 shows that most sectors follow the global distribution of the sample, publishing more social information than environmental information, Bank and financial services sector was the highest discloses social indicators (40.2%) than the other sectors, could be because focused on the training, education their employees and their expenditure on the surrounding community. also table 6 shows Investment sector which focused on infrastructure, was the highest discloses social indicators (12.5%) than the other sectors could be because focused on the Energy use efficiency and Water use efficiency.

Table 6: CSR Disclosure, level by economic sectors

	Social performance indicators	Environmental performance indicators	Total N. of Corporations
Banks and Financial Services Sector	40.2%	8.8%	9
Industry Sector	15.3%	0.9%	11
Insurance Sector	15.1%	5.7%	7
Investment Sector	17.1%	12.5%	8
Service Sector	14.4%	7.6%	13
Total N. of Corporations			48

The sample companies were ranked on the basis of the value of the disclosure for each of the companies. Table 7 shows the top ranked corporations by the size of the disclosure index. The table also provides the disclosure score and the percentage of disclosure made by the corporations under study. Further, these provide insights about which corporations are disclosing more social and environmental information in the corporate annual reports.

Table 7 indicates that the highest disclosure index in Palestine Exchange was obtained also were concentrated on the Investment Sector, Banks and Financial Services Sector and Service Sector.

Table 7: Ranking Palestinian Corporations based on the highest disclosure of social and environmental indicators.

Name of the corporation	Economic Sector	No. of Item Disclosed	Ranking
PALESTINE DEVELOPMENT & INVESTMENT-PADICO	Investment Sector	19	1
BANK OF PALESTINE	Banks and Financial Services Sector	19	1
WATANIYA PALESTINE MOBILE TELECOMM.	Service Sector	16	3
AL QUDS BANK	Banks and Financial Services Sector	13	4

H1: There is a relationship between the size of the firm and the level of disclosure of social and environmental information of the firms listed on the Palestine Exchange.

H2: There is a relationship between the profitability of the firm and the level of disclosure of social and environmental information of the firms listed on the Palestine Exchange.

To examine the correlation between two variables even when the distribution of one of them is non-normal or we find the presence of outliers, We use Spearman's rho.

Table 8 - Correlation between CSR disclosure level and the size of the firm

CSR			
0.490	Correlation Coefficient	Size(Total sales)	Spearman's rho
0.000	Sig. (2-tailed)		
48	N		

Note: Correlation is significant, significant < 0.05.

Table 8 shows that the level of disclosure of social and environmental information evidence a statistically significant association with the size of the firm (expressed by the proxy of Total 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, Haniffa and Cooke (2005), Ponnu and Okoth (2009) , Branco & Rodrigues (2008), Hossain et al. (2006) and Macarulla and Talalwe(2012).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.

Table 9 - Correlation between CSR disclosure level and the profitability of the firm

CSR			
0.195	Correlation Coefficient	Profitability (ROA)	Spearman's rho
0.184	Sig. (2-tailed)		
48	N		

Note: Correlation is insignificant, significant > 0.05.

Table 9 shows that the level of disclosure of social and environmental information evidence a statistically did not significant association with the profitability of the firm (expressed by the proxy of Return on Assets-ROA). Because the results revealed that statistical significance is (0.184) which is larger than (0.05), this means that there is no correlation between CSR and ROA. confirming the results of some previous research such as, 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, also confirming the results such as (Webb & Nelling, 2006), (Altamimi, 2010), their results revealed that the profitability of firms that did social forecasting and those having a corporate social responsibility committee on their corporate boards wasn't statistically different from that of firms that did no forecasting or other firms.

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

H3: There are differences in the level of disclosure of social and environmental information of the firms listed on the Palestine Exchange due to the kind of economic sector.

Table 10 - Differences in the level of CSR disclosure level and the kind of the economic sector of the firm

Descriptives			
Std. Deviation	Mean	N	Economic Sector
5.48736	9.1111	9	1-Banks and Financial Services Sector
2.32379	2.0000	11	2-Industry Sector
2.70801	3.0000	7	3-Insurance Sector
6.48074	4.0000	8	4-Investment Sector
4.73259	2.6923	13	5-Service Sector
5.07392	4.0000	48	Total of Sectors

ANOVA**Variable: Economic Sector**

Sig.	F	Mean Square	DF	Sum of Squares	
0.012	3.676	77.085	4	308.342	Between Groups
		20.969	43	901.658	Within Groups
			47	1210.000	Total

Note: Correlation is significant, significant < 0.05.

Multiple Comparisons

Dependent Variable: CSR

Scheffe

Sig.	Economic Sector	Economic Sector
0.029	2. Industry Sector	1.Banks and Financial Services Sector
0.156	3. Insurance Sector	
0.278	4. Investment Sector	
0.048	5. Service Sector	
0.995	3. Insurance Sector	2. Industry Sector
0.925	4. Investment Sector	
0.998	5. Service Sector	
0.996	4. Investment Sector	3. Insurance Sector
1.000	5. Service Sector	
0.982	5. Service Sector	4. Investment Sector

Table 10 shows the main results of the **ANOVA test**. A relationship can be observed between the variable economic sector and the level of disclosure of social and environmental information. In these cases, as can be seen in the table, the F statistic indicates was significant values(0.012) < 0.05 ,it means there are differences in the level of disclosure of social and environmental information of the firms listed on the Palestine Exchange due to the kind of economic sector, also we use multiple comparisons by **Scheffe test** to disclose the reason for the differences, which are attributed to the Banks and Financial Services Sector and Industry Sector, also Banks and Financial Services Sector and Service Sector, which were statistic indicates was significant values(0.029 and 0.048 < 0.05) respectively, therefore ,based on the evidence of the ANOVA test, our results suggest that we should not reject H3, This result is in agreement with previous studies such as Patten (1991), Archel (2003), Ponnu and Okoth (2009) and Hackston and Milne (1996), Altamimi (2010).

Moreover, from the above we'll notice that some sectors are profitable but not that socially responsible, this support the result of hypothesis number two that encompasses no correlation between CSR and profitability.

The researcher believes that there are many other factors control the application of CSR other than profitability such as the firm size (capital and number of workers), type of product /service provided, and above all the privacy of our Palestinian community and its difficult circumstances that made it a duty on these companies to contribute regardless of their profitability, but there is no doubt that these contributions differ from one company to another according to their profitability.

CONCLUSION, IMPLICATION, FURTHER 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. The evaluation of CSR performance is held using the method of content analysis of sustainability reports according to GRI guidelines. It is very interesting to note that some companies in Palestine are making efforts to provide social and environmental information on a voluntary basis in their corporate annual reports. The study shows that on average 60.4% of Palestinian Corporations disclose social and environmental information in their corporate annual reports. These disclosures were voluntary in nature and largely qualitative. Contrary to the developed and some developing countries, the disclosure of environmental information made by the listed companies in their corporate annual reports in Palestine Exchange is very disappointing. Data are obtained for single year (2012-2013), The results of our research are consistent with the larger portion of studies. A positive and significant relationship between CSR disclosure level and the size of the firm, we found that there is no correlation between CSR disclosure level and Profitability, confirming the results of some previous research, also the results showed there are differences in the level of disclosure of social and environmental information of the firms listed on the Palestine Exchange due to the kind of economic sector.

This study considers the annual reports for a single year. Further research can be undertaken to measure the extent of environmental disclosure longitudinally to determine whether quality of disclosure has improved over time. Such a study would provide additional insights on corporate disclosure practices in Palestine. This study does not concentrate on any particular industry type. Further research can be undertaken based on particular industry type (e.g., the pharmaceutical industry and textile industries in Palestine). It should also be noted that the number of social and environmental disclosure items was limited to 26 items and the results may be different if the numbers of environmental information were increased or another set of environmental disclosure items was examined. As always, much more research is needed if we are to contribute to a more socially and environmentally responsible corporate practices in all corners of the world.

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Appendix :A

Ranking Palestinian Corporations based on the disclosure of social and environmental indicators.

No.	Name of the corporation	Item Disclosed	Ranking	% of disclosure
1	PALESTINE DEVELOPMENT & INVESTMENT-	19	1	73%
2	BANK OF PALESTINE	19	1	73%
3	WATANIYA PALESTINE MOBILE TELECOMM.	16	3	61.5%
4	AL QUDS BANK	13	4	50%
5	ARAB ISLAMIC BANK	10	5	38.4%
6	PALESTINE TELECOMMUNICATIONS	8	6	30.7%
7	AHLIEA INSURANCE GROUP	8	6	30.7%
8	PALESTINE SECURITIES EXCHANGE	8	6	30.7%
9	JERUSALEM PHARMACEUTICALS	8	6	30.7%
10	UNION CONSTRUCTION AND INVESTMENT	6	10	23%
11	PALESTINE ISLAMIC BANK	5	11	19.2%
12	NABLUS SURGICAL CENTER	5	11	19.2%
13	GOLDEN WHEAT MILLS	5	11	19.2%
14	PALESTINE MORTGAGE & HOUSING CORPORATION	4	14	15.3%
15	THE NATIONAL BANK	4	14	15.3%
16	BIRZEIT PHARMACEUTICALS	4	14	15.3%
17	THE VEGETABLE OIL INDUSTRIES	4	14	15.3%
18	GLOBAL UNITED	4	14	15.3%

	INSURANCE			
19	PALESTINE REAL ESTATE INVESTMENT	4	14	15.3%
20	PALESTINE INVESTMENT BANK	3	18	11.5%
21	JERUSALEM CIGARETTE	3	18	11.5%
22	AL MASHRIQ INSURANCE	3	18	11.5%
23	NATIONAL INSURANCE	3	18	11.5%
24	TRUST INTERNATIONAL INSURANCE	3	18	11.5%
25	PALESTINE INDUSTRIAL INVESTMENT	3	18	11.5%
26	PALAQAR FOR REAL ESTATE DEV.& MANAGEMENT	3	18	11.5%
27	PALESTINE ELECTRIC	3	18	11.5%
28	ARAB COMPANY FOR PAINTS PRODUCTS	2	26	7.6%
29	PALESTINE POULTRY	2	26	7.6%
No.	Name of the corporation-Non -disclosing Firms	Item Disclosed		
30	PALESTINE COMMERCIAL BANK	0		
31	AL SHARK ELECTRODE	0		
32	PALESTINE PLASTIC INDUSTRIES	0		
33	NATIONAL ALUMINUM AND PROFILE "NAPCO"	0		
34	THE NATIONAL CARTON INDUSTRY	0		
35	PALESTINE INSURANCE	0		
36	AL-TAKAFUL PALESTINIAN INSURANCE	0		
37	AL-AQARIYA TRADING INVESTMENT	0		
38	ARAB INVESTORS	0		
39	JERUSALEM REAL ESTATE INVESTMENT	0		
40	PALESTINE INVESTMENT & DEVELOPMENT	0		
41	AL-WATANIAH TOWERS	0		
42	THE ARAB HOTELS	0		
43	ARAB REAL ESTATE ESTABLISHMENT	0		

44	GLOBALCOM TELECOMMUNICATIONS	0
45	GRAND PARK HOTEL & RESORTS	0
46	ARAB PALESTINIAN SHOPPING CENTERS	0
47	THE RAMALLAH SUMMER RESORTS	0
48	PALESTINIAN DIST. & LOGISTICS SERVICES	0