The Relationship Between Firm Characteristics And Level of Corporate Social Responsibility Disclosure in Libyan Banks

BY

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DECLARATION

I hereby declare that this thesis is my original work except for quotations and citations which have been duly acknowledged and that it has not been previously or concurrently submitted for any other degree at University Utara Malaysia.

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ABSTRACT

The purpose of the study is to examine the relationship between bank characteristics which include bank size, ownership and profitability and level of corporate social responsibility disclosure in Libyan banks. This study employs the quantitative approach to examine the relationship between bank characteristics and the level of CSR disclosure in Libyan banks.

This study found that firm's characteristics influence the level of CSR disclosure information. Bank size, ownership and profitability were found to be positively significant associated with the corporate social responsibility (CSR) disclosure. This study provides crucial information for the understanding the benefit of CSR disclosure in the annual report in Libyan banks and extends the knowledge derived from previous studies in developing countries, especially Libya.

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TABLE OF CONTENT

Contents

DECLARATION ii

PERMISSION TO USE iii

ABSTRACT iv

ACKNOWLEDGEMENT v

TABLE OF CONTENT vii

LIST OF TABLES xii

CHAPTER ONE 2

INTRODUCTION 2

1.0 Introduction 2

1.1 CSR disclosure 4

1.2 Problem statement 6

1.3 Research questions 7

1.4 Research objective 8

1.5 Significant of the study 8

CHAPTER TWO 10

LITERATURE REVEW 10

2.0 Introduction 10

2.1 CSR in Libyan.......... 10
2.2 Determinant factors of CSR disclosure.......... 12
2.2.1 Corporate characteristics.......... 12
2.2.1.1 Size.......... 12
2.2.1.2 Group of industry.......... 12
2.2.1.3 Ownership status.......... 13
2.2.1.4 Company performance.......... 13
2.2.2 External factors.......... 13
2.2.2.1 Country of origin of the company.......... 14
2.2.2.2 Political and social context.......... 14
2.2.2.3 Corporate cultural.......... 14
2.2.2.4 Media context.......... 14
2.2.3 Internal factors.......... 15
2.2.3.1 Company chair and board of directors.......... 15
2.2.3.2 Corporate social reporting committee.......... 15
2.2.3.3 Governance procedures and Corporate structure.......... 15
2.2.3.4 Extent and nature of stakeholder involvement.......... 16
2.3 CSR and disclosure.......... 16
2.4 Empirical research studies.......... 19
2.4.1 Empirical studies of the relationship between CSR and performance.......... 19

2.4.2 Empirical studies of the relationship between CSR and ownership 22
2.4.3 Empirical studies of the relationship between CSR and company size 24
2.5 Conclusion 25
CHAPTER THREE 26
RESEARCH METHOD.. 26
3.0 Introduction.. 26
3.1 Theoretical framework.. 26
3.1.1 Legitimacy theory 27
3.1.2 Research framework... 29
3.2 Research hypothesis.. 30
3.2.1 Company Size and CSR Disclosure 30
3.2.2 Company ownership and CSR Disclosure 30
3.2.3 Company profitability and CSR Disclosure.. 31
3.3 Methodology 31
3.3.1 Research approach.. 31
3.3.2 Sample of study 32
3.3.3 Data collection.. 32
3.4 Measurements of variables 33
3.4.1 Measurements of dependent variables 33
3.4.1.1 Level of CSR disclosure 33

3.4.2 Measurements of independent variables 34
3.4.2.1 Size 34
3.4.2.2 Profitability 34
3.4.2.3 Ownership 34
3.5 Research model 35
3.6 Data analysis 35
3.7 Conclusion 36
CHAPTER FOUR 37
DATA ANALYSIS AND RESULT 37
4.0 Introduction 37
4.1 Descriptive analysis 37
4. 2 Correlations Analysis 38
4.3 Regression Analysis 40
4.4 Hypothesis Test 42
4.5 Conclusion 42
CHAPTER FIVE 43
CONCLUSIONS AND RECOMMENDATIONS 43
5.0 Introduction 43
5.1 Discussions 43
5.2 Conclusion 44

5.3 Implication of the study 45

5.4 Limitations of the Study.. 46

5.5 Suggestion and Recommendation for future studies 47

REFERANCE 48

APPENDIX 1.. 61

APPENDIX 2.. 62

LIST OF TABLES

Table 4.1: Descriptive Analysis 37

Table 4.2 Correlations Analysis………………………………………………………………….38

Table 4.3: The multiple correlation coefficient and coefficient of determination 40

Table 4.4: Regression results of selected variable 41

LIST OF FIGURE

Figure 2.1: Conceptual framework 29

CHAPTER ONE

INTRODUCTION

1.0 Introduction

Corporate social responsibility (CSR) has variously been described as a 'motherhood issue' (Ryan 2002) 'the hot business issue of the naughtiest' (Blyth, 2005) and 'the talk of the town in corporate circles these days' (Mees & Bonham, 2004). There are to be an infinite number of definitions of CSR, ranging from the simplistic to the complex, and a range of associated terms and ideas including 'corporate sustainability, corporate citizenship, corporate social investment, the triple bottom line, socially responsible investment, business sustainability and corporate governance' (Prime Minister's Community Business Partnership, 2007). There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engage in open and free competition, without deception or fraud. (Friedman & Turner 2006).

In July 2001, a Green Paper Promoting a European Framework for Corporate Social responsibility presented by the Commission of the European Communities provides a wider definition of CSR as a concept whereby companies integrate social and environmental concerns in their business operation and in their interaction with their stakeholders on a voluntary base as they are increasingly aware that responsible behavior leads to sustainable business success.

The most common occurring theories about SCR is the four-part prototype presented by Carrroll (1979) which companies must contain economic, legal, ethical, and discretionary aspects of business performance when they have to society.

According to Carroll (1979) economic responsibility is the obligation of the companies to produce what the society wants and sell the product to make profit. Legal responsibility, on the other hand means the laws of respect society which companies are expected to operate. Ethical responsibility is the additional behavior that companies are expected to do but the behaviors are not mandatory . The fourth area is a discretionary responsibility for example conduct programs for drug abusers. The voluntary CSR disclosure in the annual reports can be seen as a dialogue between the corporation and its stakeholders (Gray, 1995). With time the companies' engagements with the CSR issues have grown, and so as the extent to which they disclose the information.

Therefore, the emergence of stand-alone reports for CSR, sustainability reports, was normal in the late 1990's. When the CSR information becoming more important to satisfy the need for the information, the stakeholders of the companies have to think critically in order to prepare reports. It was clear that the critical stakeholders concerned with the CSR issues wanted an extended version. Therefore, some companies have chosen to have a shorter version of their annual CSR work in the annual report and then refer to a standalone report for more information, instead of having all information in the annual report (O'Dwyer, 2002). Most definitions of corporate social responsibility describe CSR as constituting actions whereby companies integrate societal concerns into their business policies and operations; these societal concerns include environmental, economic, and social concerns.

The most comprehensive definition for CRS was given by Waller (2009). 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.

Corporate social responsibility disclosure provides information to the public regarding corporate activities that relate to the society, such as about reducing environmental impact, improving waste management, compliance with environmental regulations, and efforts to protect employees.

1.1 CSR disclosure

Under capitalism, business organizations expect to generate profits. Friedman (2002) has argued that this is their sole role. From this has emerged ''the orthodox understanding of a corporation's principal objective profit maximization, by which is meant the maximization of present value and future earnings'' (Campbell & Lawler, 2002, p. 268). Indeed, Luetge (2005, p. 110) believes that ''under conditions of competition, individuals cannot comply with moral norms in case this leads to higher costs which in turn leave them worse off than their competitors. Situations like this systematically lead to an erosion of compliance with moral norms''.

The reasons for making disclosures can vary. Guthrie and Parker (1989) concluded that an organization needs to disseminate enough CSR information so that it is judged a good citizen. Bramner and Pavelin (2004) in their study of voluntary social disclosures by large UK companies argued that they were made ‘‘as a response to significant pressures from a firm’s external environment’’ (p. 88).

Firms can benefit from adopting an ethical stance, as this could maximize future earnings (Adams & Hardwick, 1998; Waddock & Graves, 1997; Pava & Krausz, 1996). Klein and Dawar (2004, p. 203) found that ‘‘firms have been found to engage is socially responsible behaviours not only to fulfil external obligations such as regulatory compliance and stakeholder demands, but also due to enlightened self-interest considerations such as increased competitiveness and improved stock market performance’’. Lantos (1999, p. 224) felt that ‘‘morally upright behavior can help fend off government regulation’’ which is unwanted as “excessive government regulations increasing compliance costs’’.

Idowu and Towler (2004) concluded that UK companies provided CSR information to increase customer loyalty, create more supportive communities, assist the recruitment of better staff, improve quality and productivity and avoid risks to reputation by environmental incidents. Bansal and Roth (2000) suggest that the ecological considerations being adopted by firms is a response to public pressure. A study of food retailers by Piacentine (2000) showed that the most proactive firms in the area of social responsibility ‘‘acted largely as a result of consumer pressure’’ (p. 34). Guthrie and Parker (1989) agree that environmental and social accounting disclosures ‘‘appeared to reflect public social priorities, respond to government pressure, accommodate environmental pressures and sectional interests and protect corporate prerogatives and projected corporate images”.

1.2 Problem statement

Corporate social responsibility (CSR) disclosure has received an increasing amount of attention in both the businesses and academics. Companies can benefit from adopting an ethical stance, as this could maximize future earnings (Adams, 1998). The corporate social responsibility activity can also be used to address, the social concerns of customers about a company as they create a brand image for the company and develop positive relations with stakeholders (Lucyanda, 2012). Many researchers studied the relationship between companies' characteristics consisting of company size, the owner of a company, the profitability that affects the company's corporate social responsibility. Company size is often used as a characteristic that affects the company's corporate social responsibility. The study done by Adams (2002), Nor Hawani and Mustaffa (2011), Anna and Blomback (2009) and Thomas (2011) found that company size has an effect on corporate social responsibility.

In Libya the disclosure of CSR within the traditional financial reports is no longer optional, but has become an important factor, to allow the government to ensure that this contribution is consistent with Libya's sustainable economic and social development plans. In addition, there is no Stock Exchange in Libya, which would require the disclosure of social responsibility information, as in the case of many developed and developing countries Stock Exchanges that require listed companies to provide information on their CSR activities. For example, in France all companies listed on the Paris Stock Exchange are required to include information about their social and environmental performance in their financial statements.

Few researchers have discussed the determinants of corporate social responsibility in emerging countries in general and in Libya in particular such as Jonh (2009) and Salem (2012).

In addition this study seeks to provide evidence about the factors that could affect the level of CSR disclosure, which can benefit Libyan government and companies in order to improve the quality and quantity of corporate social reporting. The aim of this study is to understand what motivate or demonstrate Libyan bank's CSR disclosure by empirically investigate the association between bank characteristics and level of corporate social responsibility disclosure in the annual reports of Libyan banks in 2010. Libya is selected as the country for study because of the fast growth of the Libyan economy compared with other developing economies (Dahawy & Samaha, 2010).

1.3 Research questions

This study builds upon the idea that there may exist a relationship between CSR and three variables firm size, profitability, and ownership. The present study aims to answer the following research questions

1. Is there any relationship between size and corporate social responsibility disclosure in Libyan banks?

2. Is there any relationship between ownership and corporate social responsibility disclosure in Libyan banks?

3. Is there any relationship between profitability and corporate social responsibility disclosure in Libyan banks?

1.4 Research objective

Generally, the objective of this study is to investigate the relationship between corporate social responsibility (CSR) disclosure of Libyan banks and company characteristics; namely size, profitability and ownership.

Specifically, this research attempts to achieve the following objectives:

1 To investigate the relationship between size and corporate social responsibility.

2 To investigate the relationship between ownership and corporate social responsibility.

3 To investigate the relationship between profitability and corporate social responsibility.

1.5 Significant of the study

This study focuses on corporate social responsibility in Libyan banks for the following reasons. First, most of the present literature of CSR disclosure focused on companies in developed countries such as the United States and the United Kingdom.

Second, there are a few studies on factors influencing corporate social responsibility disclosure by Libyan companies. John (2009) examined corporate social disclosure in Libya so as to determine if it follows the western capitalist. Salem (2012) explores whether company age, industry type and company size have a potential influence on levels of Corporate Social Responsibility Disclosure (CSRD) in the annual reports of Libyan companies. Third, there are limited studies, which attempted to explore and explain these factors in developing countries.

Finally, in contrast to the comprehension of CSR from common law developing countries, the factors influencing corporate social responsibility disclosure in Arab countries are still relatively unknown. Therefore, the aim of this study is to explore whether firm characteristic (ownership, profitability and size) have a potential influence on the level of corporate social responsibility disclosure in Libyan Banks.

CHAPTER TWO

LITERATURE REVEW

2.0 Introduction

According to Sekaran (1992), a literature review is a documentation of a comprehensive review of the published work from secondary sources of data in the areas of specific interest to the researcher. This chapter reviews the relevant literature and previous study about the research problem as a foundation for developing a theoretical framework to be tested in this research. Among the topic are discussed the relation between the three independent variable (company size, ownership and company profitability) and the corporate social responsibility.

2.1 CSR in Libyan

The social role of firms has become increasingly important in Libya, especially after the abdication of Libyan governments for many of the roles of economic and service, coupled with social programs was seen as something normal and expected in the absence of target-profit economic institutions run by governments. Recently corporate social responsibility has imposed itself strongly in the vicinity of economic relations, whether national or international (Bayoud, 2012).

Corporate social reporting and disclosure would provide information to a more extensive set of audiences in Libyan society about more than purely economic activities of the companies, one can see it as providing other new ways of accounting 38 disclosure in Libya that might improve the principles and creeds in this country especially, democracy, right to information, equality and social justice, liberty and rights, moral and ethical values (Elmogla, 2009).

Empirical studies concerned with the CSR disclosure by Libyan companies mainly include Elmogla (2009), Rizk (2008), Salama (2009) and Elmaghrabi (2010). Salama (2009) investigates the CSR in the annual reports of 82 non-financial Libyan listed companies for the period 2004-2008. She compares the general patterns of CSR between Libya and the UK, and found that although the CSR was lower in Libyan 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 conducted 12 semi-structured interviews with Libyan managers and found that although management retains its own culture, it is affected by Western capitalism. Rizk (2008) content-analyze the CSR information disclosed in annual reports of Libyan listed companies published in 2002. They used a disclosure index of 34 items covering environmental, energy, human resources, customer and community related issues. They found that CSR disclosure levels are relatively low. Moreover, they find that there are significant differences in reporting practices among the members of Libyan industry sectors. Furthermore, Elmaghrabi (2010) used the content analysis approach to measure and explore the corporate social responsibility practice of the largest Libyan companies. He claimed that although there are good examples of CSR practice in many Libyan listed companies working in the communication and construction industries, disclosure levels in other industries are still lower than expected.

2.2 Determinant factors of CSR disclosure

A small number of literature examines the determinants of the decision to disclose CSR. An organization might voluntarily report information for many reasons, for example to develop company image, to legitimize the current activity, to distract attention from other areas, to discharge accountability, to forestall legislation (Gray & Sinclair, 2001). The factors influencing corporate voluntary CSR disclosure that examined in Adams (2002) have been divided into three categories: corporate characteristics, external factors and internal contextual factors.

2.2.1 Corporate characteristics

Many recent studies of the influence of corporate characteristics on social reporting have tended to concentrate on these factors:

2.2.1.1 Size

Legitimacy theory suggests that larger companies have to respond to more disclosures to have a greater impact on social expectations because they have more stakeholders than small companies (Cowen, 1987). Many previous studies (Choi, 1999; Gordon; 2001, Deegan and Gordon, 1996; Ho and Taylor, 2007; Raar; 2002; Stanwick, P. , Stanwick, A. & Sarah, 1998) found a positive association between size and amounts of environmental disclosure in corporate annual reports. (Deegan & Newson, 2002)

2.2.1.2 Group of industry

Using the relationship between the levels of corporate environmental disclosure in annual reports and type of industry, many studies such as (Ahmad & Sulaiman, 2004; Choi, 1999; Ho & Taylor, 2007; Deegan & Newson, 2002) have found that companies in highly environmentally sensitive industries disclose more environmental information in annual reports than companies in low profile industries for example plantation and industrial products companies appear to be the most environment- oriented organizations.

2.2.1.3 Ownership status

Many studies have divided companies into two types of ownership status based on the percentage of corporate common stock held by either government or private companies. In Canada, Gordon (2001) found that government companies provide more environmental information in corporate annual reports than private companies. In Sweden, Tagesson (2009) found that government companies disclosed more environmental information than private companies because state-owned companies are under greater scrutiny, and there is pressure from the owner, the state, and from the mass media to comply with society's expectations.

2.2.1.4 Company performance

More recent research has found a positive link between environmental and financial performance and green companies perform than their non green companies (Edwards, 1998). Under the stakeholder theory framework, an argument is given that attention to the interests of the various stakeholders of the corporation may improve firm image and reputation, and that firm's concern about such interests are able to affect positively firm's productivity, financial performance and value creation (Hillman & Keim, 2001; Donaldson & Preston, 1995; Bowman & Haire, 1975; Wood, 1991).

2.2.2 External factors

As well as corporate characteristics, prior literature has examined the influence of external factors on CSR disclosure.

2.2.2.1 Country of origin of the company

Previous studies suggest that companies from developing countries make more social and environmental information disclosures than companies in developing countries (Adams, Hill, & Roberts, 1999; Kolk, Walhain & Wateringen, 2001). Possible associations between the country of origin of the company making the disclosures and the amount of corporate social and environmental disclosure have been found by Hackston and Milne (1996); Jahamani (2003); Niskala and Pretes (1995); Stanwick et al (1998).

2.2.2.2 Political and social context

There is a relationship between the nature of the corporate social responsibility disclosure and the social and political context. Burchell (1985) proved that the increase and decreased in social information in the UK was influenced by the political agenda.

2.2.2.3 Corporate cultural.

Sustainability reports involve input from a number of individuals and functions across an organization. The reports are therefore influenced by corporate culture, power relationships and communication flows. Individuals in different countries belong to distinctive teams each with different ways of working and this natural culture effect moral value which one expects in turn to influence at least the issues which company select as being worthy (Adams, 2000).

2.2.2.4 Media context.

There is a positive relationship between extent of reporting and media pressure. Deegan (2002) found a positive relationship between the level of environmental disclosure and media coverage of various industries environmental impacts.

2.2.3 Internal factors

2.2.3.1 Company chair and board of directors

The sustainability reporting division faces challenges from other organizational participants, such as board of directors, CEO, CFO, functional and business department managers. Thus the dynamics between members of the sustainability reporting team and other organizational participants influence the sustainability reporting (Adams & McNicholas, 2007).

2.2.3.2 Corporate social reporting committee

A sustainability reporting team includes individuals from different functions within the organization. Their different perspectives are frequently challenged. For examples the public relations and environmental teams often have opposing views on report content and style (Adams & McNicholas, 2007). The public relations team is more concerned with layout, style and presentation of the report while the environmental team emphasizes the facts and data. Thus, the ownership of the report, which staff that has the responsibility for the report influences the style of it and the issues covered. The outcome of the report can also be affected by the number of people involved in the process and how structured and formal the process is (Adams, 2002).

2.2.3.3 Governance procedures and Corporate structure

The governance procedures may differ depending on the appearance of corporate structure which can be influenced by the type of ownership. Adams and McNicholas (2007) studied a state owned company in Australia, and found that sustainability reporting was seen by the company as a means of introducing and reinforcing sustainability principles throughout the organization by improving their integration into planning and decision making leading to improvements in sustainability performance.

Local councils are in fact pressing ahead with policies and actions attempting to address the consequences of climate change and operating as far as possible, in a sustainable way, however defined. The composition of the annual report has and is continuing to change with additional disclosures on sustainability matters. The volume of this voluntary material suggests that stakeholders desire such disclosures for making assessments regarding the particular council (Meek, 1995).

2.2.3.4 Extent and nature of stakeholder involvement

Stakeholder engagement an important aspect of many organization sustainability reporting process, has the potential to be a particularly powerful driver because its purpose is to challenge the company's role in social and environmental sustainability (Adams & McNicholas, 2007). Along with very specific environmental or social scandals resulting from corporate action, robust stakeholder engagement processes are expected to be an important part of the process of organizational change to become more social and environmental (Adams & McNicholas, 2007).

2.3 CSR and disclosure

In recent years, there has been an increasing interest in the communication and reporting by large corporations on their social performance. Most of the attention has been devoted to either the need or the appropriate mode for corporate social disclosure. To disclose the information regarding CSR, more of the companies used the annual report as a mean public document. The most common occurring topics reported in companies reports were environmental social and economic issues (Ullman, 1985).

In other words, firms became morally accountable for their actions. Such accountability has been defined as the duty to provide an account or reckoning of those actions for which one is held responsible (Gray, 1996) and would occur when ‘‘a corporation is answerable in some way for the consequences of its actions” (Matten, 2004). It is now accepted that CSR information should illustrate how an organization relates to its stakeholders and would commonly include environment and energy related disclosure; community involvement related disclosure; work place related information; product and consumer relations (Deegan, 2002).

Practicing social responsibility will cost money. Likewise, failing to report on social responsibility also has costs in terms of fines, increased regulation, negative publicity, public disfavor, or loss of customers (Deegan, 2002). In the absence of legislative requirements, voluntary disclosure demonstrates a commitment to society (Mathews, 1995). Although not all benefits can be quantified in monetary terms (Evans, 2003), companies that report on social responsibility and account for social and environment impacts may gain specific benefits of: attracting and retaining talented people (Adams, 2002) having better internal control and decision-making systems; producing cost savings; and continuously improving products and services (Adams, 2002). By disclosing information on social and environmental issues, companies can minimize the risk of powerful consumer boycotts (Adams, 2002) communicate with the community and stakeholders (Adams, 2002) and construct a competitive advantage (King, 2002).

The companies want to build a corporate image or share the public concern regarding corporate impact. Manager continually encounters demands of multiple stakeholder groups, such as customer, employees, suppliers and governments, to devote resources to corporate social responsibility, demand from stakeholders are widely different, the customer is demanding ethical products and services with a quality or employees demanding a safe place to work and the following of collective agreements. In order to show society that the demands are addressed and met, company account for these sustainability issues voluntary in their annual report or in a stand-alone report. Voluntary CSR disclosure is thus seen as a part of the dialogue between companies and their stakeholders (Gray , 1996).

The European Commission (2001) defines CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”

Deegan (2002) found that companies can use social accounting information to manage or manipulate the stakeholders in order to gain their support and approval, or to distract their options and disapproval. Hence, voluntary information as CSR is disclosure in annual reports for strategic reasons rather than on the basis of any perceived responsibility.

Another explaining for companies make voluntary CSR disclosure is that they aim to establish congruence between the social values associated with or implied by their operation and the social norms or acceptable behavior in the larger social system they are part of (Donaldson and Pareston, 1995). The congruence can be achieved by voluntary account in the annual report or stand-alone for how companies work with the fulfilling of these social norms and acceptable behavior.

Many researchers have tried to identify the factors that influence the extent and nature of the reporting. The explanatory factors have until recently been divided into two groups, which both are external to the investigated companies. The first group is corporate characters which include factors such as size, industry and economic performance. The second group is general contextual factors with variables such as country of origin, social and political context.

In spite of growing research on social and environmental reporting in Libya, there is only one research John (2009) was focused on CSR disclosure. However, this study focused on corporate characteristics (size, ownership, performance) that effect level of social disclosure.

2.4 Empirical research studies

2.4.1 Empirical studies of the relationship between CSR and performance

For a period of over 40 years there has been a large number of studies that focused on the nature of the relationship between corporate social responsibility (CSR) and corporate performance. Empirical studies of the relationship between CSR and financial performance comprise essentially two types. The first uses the event study methodology to assess the short-run financial impact (abnormal returns) when firms engage in either socially responsible or irresponsible acts.

The results of these studies have been mixed. Uadiale (2012) discovered a positive relationship; Güler Aras (2010) reported a negative relationship, while Welch (1999) found no relationship between CSR and financial performance. Other studies, discussed in McWilliams (2010), are similarly inconsistent concerning the relationship between CSR and short run financial returns.

The second type of study examines the relationship between some measures of corporate social performance (CSP) and measures long term financial performance, by using accounting or financial measures of profitability. The studies that explore the relationship between social responsibility and accounting-based performance measures have also produced mixed results

Cochran and Wood (1984) in his studded locate a positive correlation between social responsibility and accounting performance of assisting for the age of the assets.

Ron and Lorenzo (2007) found that CSR activities conducted by the firm could have a positive effect on firm financial performance. Moreover, Imran and Kashi (2010) argued that CSR will be a good will for a firm in the long run. There are some advantages for the firm who conduct CSR such as the consumer will favor more on their products with environmental protection, good relationship with government, and easy access to the financial institution.

In contrast, Maman and Darmawan (2011) found that the improvement and development of the CSR could reduce the effect of the financial crisis in the future. Furthermore, Suttipun (2012) examined the influence of the following commonly cited characteristics: company size, industry type, ownership status, country of origin, and profitability and the result the company that only the size of the company had a significant relationship with the amount of environmental disclosure while type of company, ownership status, the country of origin of the company and profitability had no significant relationship with disclosure. In determining the relationship between CSR and firm financial performance will have some policy implications, for example, if the CSR has a positive effect on the firm financial performance, the firms should consider more on the existing CSR activities whereas if the CSR has a negative effect on the firm financial performance, the firms should evaluate the ineffective CSR activities on firmer financial performance. Therefore, this research is relevant for designing the policy for the firms involving in CSR activities as well as for the government who makes the regulations (Darmawan, 2011).

Guire (1988) used data from the Fortune survey of corporate reputations to examine two aspects of the relationship between corporate social responsibility and firm financial performance. They found that firstly, it may be more fruitful to consider financial performance as a variable influencing social responsibility than the reverse. Second, the company can reduce risk by report social responsibility. Another, study about influence profitability to corporate CSR disclosure by Mulyadi (2012) used return on equity to study the relationship of profitability to CSR disclosure which found that profitability is influential to corporate CSR disclosure which is significant at 1%.

According to studies made by Sadaf Ehsan and Kaleem (2012), the associated between CSR and corporate performance was positive in case of Pakistani manufacturing firms. Stanwick el at (1998) examined the relationship between the corporate social responsibility and the variables: size of the organization and the organizational performance of the organization. The results of the study show that a firm corporate social performance is indeed implicated by the size of firm the level of profitability.

Studies done by Li (2012) , Chen (2011) and Mustaruddin (2011) indicated that is a positive relationship between corporate social responsibility and corporate profitability. Li (2012) examined the relationship between CSR and firm performance by using approximately 24,283 firm-year observations. He found that, after controlling for firm size, risk, industry, and the age of long-term assets, CSR is positively associated with financial performance at a significant level. Chen (2011) tested the associated between corporate social responsibility and their performance in Chinese companies. The results show that is corporate social responsibility could improve the financial performance of the next. On the other hand reference study by Souza (2011) found a significant negative relationship between CSR and corporate value. In addition Barako (2007) found profitability to be positive and significantly related with two of the four disclosure categories, financial and forward looking disclosures, whereas the other categories ware negative and significant with the disclosure of general and strategic.

2.4.2 Empirical studies of the relationship between CSR and ownership

This study separates companies into two types of ownership status, based on the percentage of corporate common stock held by either government or private companies. In particular, if government organizations own more than 51 percent of the common stock of companies, then these firms are called government companies. On the other hand, if private organizations or individuals hold more than 51 percent of the common stock, these are classified as private companies. Actually, ownership status is not very often considered in research into environmental reporting, probably because such research is mostly conducted in an Anglo-American context where government companies are not common (Tagesson, 2009).

There are numerous studies on the relationship between corporate social performance and ownership structure in developed markets (Mahoney & Roberts, 2007; Cox , 2004; Johnson & Greening, 1999). Previous studies found the existence of a positive and neutral relationship between CSR and institutional ownership.

Mahoney and Roberts (2007) tested the impact of CSR on financial performance and institutional ownership, using four year panel data for a sample of Canadian companies. These companies exhibit no significant impact of companies' composite social measures on the number of institutions investing in a company's stock. However, they found a significant impact on companies' social ratings regarding their international activities and product quality towards the number of institutional ownership. It can be concluded that most studies in developed markets have a positive significant relationship between CSR and institutional ownership. Hence, this study aims to contribute to literature in examining the relationship between CSR and institutional ownership for Libyan Banks from the emerging market setting.

In relation to environmental information, government and private companies may differ in both the quantity and quality of their disclosures. In Malaysia, Nazli and Mohd Ghazali (2007) and Norhayah and Muhamad (2010) found that government companies disclosed more environmental information than private companies because state-owned companies are under greater scrutiny, and there is pressure from the owner, the state, and from the mass media to comply with society’s expectations. On the other hand, Mahoney and Roberts (2007) failed to find a significant relationship between institutional ownership and corporate social performance.

A study by Nazli and Mohd Ghazali (2007) to examine the association between ownership structure and CSR disclosure in annual report their results show that two ownership variables, which are director ownership and the government common substantial shareholder disclosed significantly in CSR disclosure in annual reports. However the third ownership variable, ownership of the ten largest shareholders is not statistically significant in explaining the level of CSR disclosure in annual reports. In reference study made by Norhayah and Muhamad (2010) that tested corporate social responsibility (CSR) disclosure and its relation to institutional ownership (IO) of Malaysian public listed companies (PLCs) and the result indicated that there are positive and significant relationships between CSR disclosure (CSRD) and IO.

Azhar and Lois (2007) examines the relationship between institutional ownership and corporate social responsibility, using one year of data for Indonesian companies. However, he could not find a relationship between CSR and institutional ownership.

2.4.3 Empirical studies of the relationship between CSR and company size

The prior studies conducted by Nor Hawani and Mustaffa (2011) and Thomas (2011) stated that the size of a business is an important variable in CSR and acts as a barometer as to why a company engages in CSR activities. Nor Hawani and Mustaffa (2011) conclude that there was positively significant associated between total CSR disclosure and company size. This signifies that large companies tend to disclose a greater amount of CSR information than small companies. The reason 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 & Pavelin, 2004). Ashbaugh (1999) argues 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 subject to greater demand by analysts for private information; therefore, voluntary disclosure costs may be lower for large firms than small ones (Oyeler, 2003). According to Suttipun (2012) there was a positive relationship between the amount of environmental disclosure in Thai corporate annual reports and the size of the companies.

Udayasankar (2008) found a U-shaped relationship between CSR participation and firm size. The small and large firms being equally motivated to engage in CSR compared to medium-sized firms which are being the least motivated. Size may be important because of the need to raise capital at the lowest cost (Choi, 1973) pressure from shareholders themselves and investment analysts for greater disclosure (Schipper, 1981); closer monitoring by regulatory authorities (Firth, 1979); the complexity of the business structure (Buzby, 1975) and greater demands to provide information to various user groups for entities of economic significance (Udayasankar, 2008)

2.5 Conclusion

In conclusion, this chapter highlights on the related studies that has been done regarding the studied variables. Based on the literature review, a research framework has proposed. The next chapter will discuss the research methodology used in this investigation.

CHAPTER THREE

RESEARCH METHOD

3.0 Introduction

This chapter aimed to highlight the methodology used in this study and explain the theoretical framework and hypothesis developed. This chapter will discuss research sample size, method of data collection, and method of measuring the data and how the data were analyzed. The research framework interpretation will be shown the relation between the variables in this study.

3.1 Theoretical framework

Many different theoretical approaches have been used to investigate factors that influence corporate environmental disclosure. Some studies have used political economy theory to determine the factors of corporate social responsibility (Williams, 1999) as well as social political theory (Huang & Kung, 2010). Some have used media agenda setting theory to explore the influence of the media on corporate environmental disclosure (Deegan, 2002). However, the social and political theory studies involve stakeholder theory, legitimacy theory and perspective from political economy accounting theories.

Researchers have referred to the three approaches to answer the question of how companies have responsibility, the shareholders approach, stakeholder approach and the social approach (Adams, 2002). These approaches can be further explained by the political economy theory, Stakeholder theory and legitimacy theory.

The Stakeholder theory and legitimacy theory both provide insights about voluntary CSR disclosure, however, these often overlap each others (Gray, 1995). Therefore the reader should look upon these theories as two integrated parts of an overall picture explaining why companies make voluntary CSR disclosure.

This study will employ legitimacy theory in discussing the issues of CSR disclosure which can be classified as a system-oriented theory that views companies as being part of a broader social system (Deegan, 2002). Within a system oriented theory, Deegan (2000) argues that companies are influenced by the society in which they operate. Which means that CSR disclosures are considered to constitute a strategy to influence corporate relationships with other parties with which they interact.

3.1.1 Legitimacy theory

Legitimacy theory explains the relationship between corporate social disclosure and community concerns so that management must react to community expectations and changes (Deegan, 2002). Legitimacy theory is related to explain why firms make voluntary disclosure; firms aim to find congruence between the social values associated with or implied by their operations and the social norms or acceptable behavior in the larger social system they are part of, (Donaldson & Preston, 1995). Organizations seek to operate within the bounds and norms of their respective societies so they try to ensure that their activities are perceived as legitimate by outside parties because a corporation is part of a broader social system (Deegan, 2002).

According to Gray (1995) companies could adopt four strategies to seek Legitimacy. First they can inform and educate its relevant stakeholders about changes in performance and activities in order to indicate that they play with open cards. Second, companies may seek to change the perception of the relevant public without changing its own behavior. Third, they could relate issues for example could a company with Legitimacy gap regarding its pollution ignore this and talk instead of its involvement in environmental charities. Forth, companies may want to change external expectations of its performance if they consider it relevant publics have incorrect expectation or unrealistic of its responsibility.

Legitimacy theory has been used in research on social and environmental reporting practices. Many studies have suggested that corporations legitimize their activities because corporate management reacts to community expectations (Donaldson & Preston, 1995). Deegan (2002) argued that corporate social and environmental responsibility disclosure practices are responsive to environmental pressures on the basis of legitimacy theory. Campbell, Craven and shrives (2003) postulated that legitimacy theory explained how social and environmental disclosure can be used to narrow or close the gap between company actions and social concerns. Companies must seek a relationship between outside perceptions of their social concerns and actions serving corporate needs or their activities (Deegan, 2002). Legitimacy theory places stress on how corporate management reacts to community expectations and annual or environmental reports are a means of reinforcing corporate responsibility for environmental situations (Deegan & Gordon, 1996).

Legitimacy theory posits that the greater the likelihood of adverse shifts in the social perceptions of how an organization is acting the greater the desirability on the part of organization to attempt to manage these shifts in social perceptions.

3.1.2 Research framework

Research framework is a conceptual model of how one theory of the relationship between the several factors that have been identified as important to the problem (Sekaran, 1992). According to Sekaran (1992) an independent variable is one that influences the dependent variable in either a positive or negative way. The research framework in this study shows three independent variables which are company size, ownership and profitability while the corporate social responsibility is the dependent variable.

This study aims to determine the relationships between company size, ownership and company performance towards CSR disclosure.

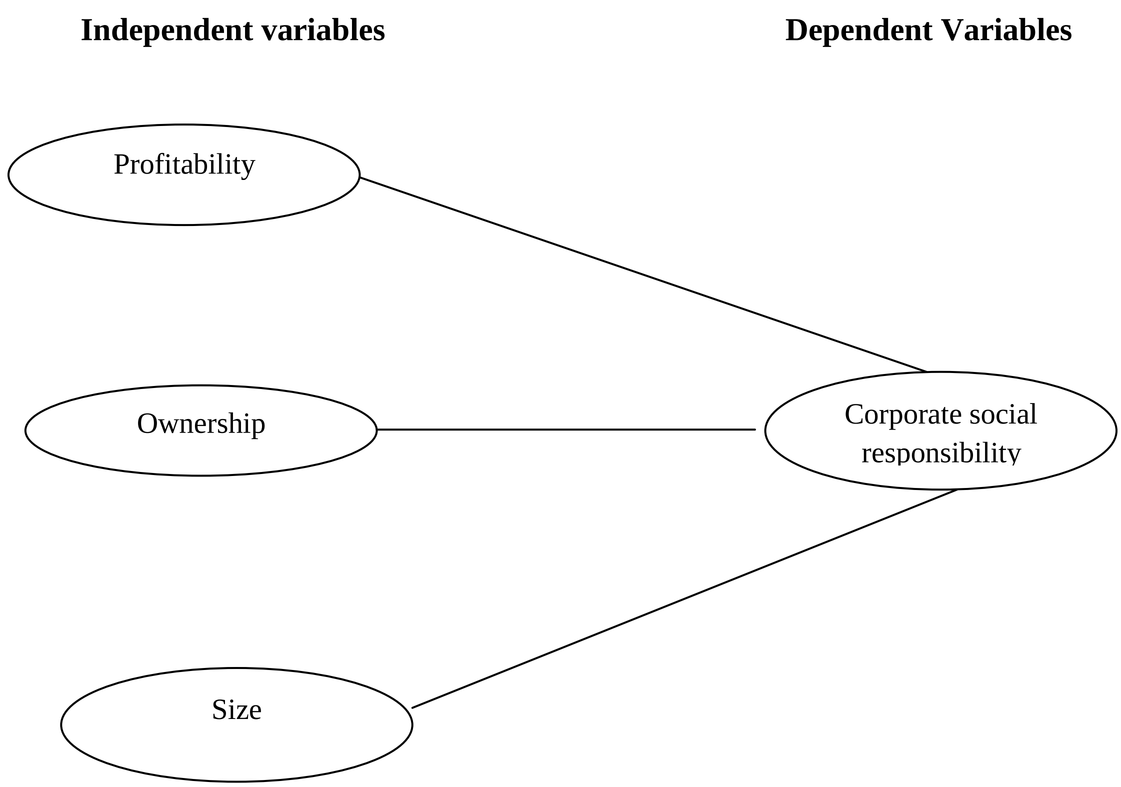

Figure 2.1 Conceptual framework

This framework is considered to have a relationship between independent variables (size, ownership and profitability) and dependent variables (CSR disclosure).

3.2 Research hypothesis

Based on the research objective and the literature reviews the hypothesis created for this research as follows:

3.2.1 Company Size and CSR Disclosure

Legitimacy theory suggested that large firms have to respond more disclosures to have a greater impact on social expectations than small firms. Many prior research (Nor Hawani & Mustaffa 2011); Laudal (2011) and Suttipun (2012) found a positive association between the size of companies and the level of disclosure in corporate annual reports.

Hypothesis 1

There is a relationship between the size of the bank and level corporate social responsibility disclosure in Libyan banks.

3.2.2 Company ownership and CSR Disclosure

In relation to CSR information, private and government companies might differ in both the quality and quantity of their disclosures. In Canada, Gordon (2001) found that government companies disclosed more information about corporate social responsibility in annual reports than private companies. In Sweden, Tagesson (2009) found that private companies disclosed less environmental information than government companies because state-owned companies are under greater scrutiny, and there is pressure from the owners, the state. On the other hand, in Bangladesh, Balal (2000) explored that private firms disclose more environmental information in annual reports than government companies. Therefore, the study proposes the following hypothesis.

Hypothesis 2

There is a relationship between ownership of the bank and corporate social responsibility in Libyan banks.

3.2.3 Company profitability and CSR Disclosure

Many studies found a positive relationship between social and CSR disclosure and financial performance (Russo and Fouts 1997; Cohen 1997) and that in order to encourage investors to invest in their company. Therefore, the study proposes the following hypothesis.

Hypothesis 3

There is a relationship between bank profitability and corporate social responsibility in Libyan banks.

3.3 Methodology

3.3.1 Research approach

There are two research approaches to choose from, either a qualitative or quantitative. The main difference between the two approaches are the assumptions they are built (Yang, 2003). In the qualitative research approach the data collection is based on “ soft” data, for example in the form of qualitative interview. The quantitative research approach refers to measurement by data statistical and collection facts (Davidson, 2006).

To achieve the research objective to determine whether the independent variables affect the dependent variables. This research will choose quantitative approach to examine the relation between firm characteristics and the level of CSR disclosure in Libyan banks.

The study use this particular approach since most of the studies in this area use the same techniques when study the determinant factors of level CSR disclosure.

3.3.2 Sample of study

This study used banking sector as a sample of the study. The sample was 32 banks that currently operate in the banking sector at the time of study. However, these banks were categorized into two main types.

State Banks: banks that are owned by Libyan government with a total number of 23.

Private Banks: Banks that local or foreign investors own more than 51% of their shares with a total number of 9.

3.3.3 Data collection

This study used secondary sources to gather information needed. The sample was drawn from Libyan bank websites and the Banks 2010 annual reports were collected. Consequently, a total of 32 banks that work in Libya were included in this research. Annual reports were chosen for several reasons. First, annual reports are widely viewed as major official and legal documents (Gray et al., 1995). Second, the annual report is the only regulated document that is widely accessible to researchers (Buhr, 1998). Third, the annual report is considered as a major source of information about an organization's financial and environmental performance (Deegan & Rankin, 1999). Fourth, the annual report has been widely recognized as a regulated document with a high degree of credibility (Unerman, 2000).

The Arabic text versions of the annual reports were used to collect the data since Arabic is the usual reporting language. Since was not the first study to examine non-English reports, there have been three previous papers reporting studies that looked at vernacular reports. Choi (1999) studied environmental disclosures in Korean corporate semi-annual reports using the Korean text versions, and Balal (2000) used Bangladeshi language versions of reports to examine environmental disclosures in Bangladeshi corporate annual reports and Suttipun (2012) using Thai languages to investigate the environmental disclosure in the annual report.

3.4 Measurements of variables

3.4.1 Measurements of dependent variables

3.4.1.1 Level of CSR disclosure

Level of CSR disclosure is the dependent variable in this research. Several studies used a disclosure index to measure the level of disclosure by the listed firms. The construction of the disclosure index is based on the information that firms supply in their annual financial reports to investors. In this research the disclosure index used is based on Meek (1995), Botosan (1997), Naser, Khatib and Karbhari, (2002) and Alsaeed (2006).

An index scoring scheme is utilized whereby an item score 1 if it is disclosed and 0 otherwise. The un-weighted index, as opposed to a weighted index suggested by Gray et al, (1995), is used where all items are given the same weight of importance in calculating the index. This is due to the attempt to avoid subjectivity in the index calculation as argued by Erny (2008).

3.4.2 Measurements of independent variables

The measurement of all independent variables namely the size and performance of the bank were measured by information that taken from bank annual reports while ownership was measured by both data appear in bank profile and annual reports.

3.4.2.1 Size

The Bank size is measured by the log of the book value of total assets, similar as in Naser et al. (2002), Alsaeed (2006), Donnelly and Mulcahy (2008) and Barako (2007).

3.4.2.2 Profitability

Bank Profitability is measured by net income available to shareholders divided by net sales, following Naser et al. (2002), Alsaeed (2006) and Barako (2007).

3.4.2.3 Ownership

This research also divides banks into two types of ownership status based on the percentage of bank's common stock held by either government or private bank. In particular, if government organizations own more than 51% of the common stock of the bank, then these banks have called government bank. On the other hand, if private organizations or individuals hold more than 51 percent of the common stock, that classified as a private bank. Actually, ownership status is not very often considered in research into environmental reporting, probably because such research is mostly conducted in an Anglo-American context where government companies are not common (Tagesson, 2009).

3.5 Research model

In order to measure the relationship between corporate social responsibility and size, ownership and profitability, this study used a linear regression model to identify the relationship between dependent variables and independent variables. The research model was used based on the following formula:

$CSR = a + \beta_1 S1 + \beta_2 O2 + \beta_3 p3 + e$

Where:

CSR = Corporate social responsibility

S = Size of total assets

O = ownership status, dummy variable with

1= government, 2= private

P = profit as measurement by net profit

e = Error term

a = Constant term

$\beta 1$, $\beta 2$, $\beta 3$ = Parameters

3.6 Data analysis

In this study descriptive statistics that are frequency and mean score is used to analyze the data by using statistical package for social science (SPSS) version 16. SPSS is a sophisticated part of the software used by related professional for statistical analysis and social scientists, (Steed, 2003). It offers a large range of capabilities for the entire analytical process. Simple linear regressions are also employed to test the relationship between independent variables and dependent variables.

3.7 Conclusion

This chapter has been discussed the method of this research which comprised the framework, hypotheses, research approach, sample of the study, data collection, measurement of the variables and data analysis. The following chapter will discuss the finding of the study.

CHAPTER FOUR

DATA ANALYSIS AND RESULT

4.0 Introduction

This chapter discusses the result of the study. The discussion of the research findings will be based on the research objectives in Chapter One and hypotheses identified in Chapter Three. This chapter is divided into four main sections. Section 4.1 starts with the descriptive analysis of the variables under study. Section 4.2 presents the correlation analysis. The next section discusses the results of the regression analysis together with hypothesis testing. The final section concludes the chapter.

4.1 Descriptive analysis

The first step that should be done in the analysis of data is getting a table of means and standard deviations (Genser, Barreto & Rodrigues, 2007) In multiple regression analysis, this score might have a great “influence” on the findings of the analysis. Table 4.1 includes the means and standard deviations of the data that we collected, besides clarifying the minimum and maximum inputs.

Table 4.1: Descriptive Analysis

	N	Minimum	Maximum	Mean		Std. Deviation
CSR	32	4.63	6.88	5.6250	0	.38686
Bank size	32	4.60	5.80	5.1231	.05365	.28049
Ownership	32	4.75	7.00	5.6250	0.03890	.43017
Profitability	32	5.25	6.50	5.7692	0.05965	.35302
Valid N (listwise)	32				0.04896	

Table 4.1 displays the descriptive statistics on each of the variables. The mean for CSR is 5.6250 with a standard deviation of .38686. This shows that there is little variation in the CSR in across the banks in the sample. The mean value of Bank size is 5.1231, with a standard deviation of .28049. This shows that there is little variation in the size across the banks in the sample. The mean value of ownership is 5.6250 with a standard deviation of.43017. The mean value of profitability is 5.7692 which means that the Bank profitability was high because the minimum value is 5.25 and the maximum is 6.50

With the confidence intervals for variables, bank size, ownership, and profitability not overlapping, Therefore, the research hypothesis is that there will be a significant relationship between the size of the bank, ownership, profitability and level corporate social responsibility disclosure in Libyan banks.

4. 2 Correlations Analysis

Table 4.2 illustrates the relations between the dependent variable CSR disclosure and the other independent variables; on the other hand, it illustrates the relations between the independent variables with each other. Correlation analysis gives us an initial step in statistical techniques to understand the relations between all variables in the study. It is worth it to know that the value of correlation 0 reveals no relation between two examined variables, on the opposite direction, a correlation of ±1.0 reflects a perfect positive or negative relationship. The interpreted values are between 0 and +1. Reflect imperfect positive or negative relationship, but vary in term of strength and weakness, as rates vary from 0 to + 1, wherein closer figure to +1, reflects stronger affirmative or inverse correlation, while as closer the number to 0, as the correlation is weaker between two respective variables.

Tables 4.2 Correlations Analysis

	CSR	Bank size	Ownership	Profitability
CSR	1			
Bank size	.777**	1		
Ownership	.979**	.739**	1	
Profitability	.794**	.926**	.807**	1

The null hypothesis usually and can be said that most commonly tested with Pearson's correlation coefficient is that, ρ equals zero, i.e. the population correlation coefficient equals zero and there is no linear relationship between the two variables in the population. However in our case, and as Table 4.2 shows, a significant correlation exists between CSR disclosure and profitability (0.794**; $p<0.01$) and between CSR disclosure and ownership

(0..979**; p<0.01), suggesting supports for two of the hypothesized relationships. Also, a significant correlation was found between CSR disclosure and bank size (0.777**; p<0.01).

4.3 Regression Analysis

A series of regression analysis were performed. Firstly, a regression analysis was performed on and size, ownership and performance to check the existence of the multicollinearity problem. The result is shown in Table 4.3 and Table 4.4

Multicollinearity analysis is used to check whether there is any relationship between independent variables the existence of the multicollinearity which is a high correlation between the independent variables means that is a serious problem in multiple regression because the effect of each independent variable becomes difficult to identify.

According to Hair, Anderson and Tatham (1995) one of the ways that is used to check whether is any relation between independent variables is multicollinearity analysis which describes the degree to which any variable effect can be predicted by other variables. A widely used method to detect for and measure multicollinearity is the variance inflation factors (VIF) for each independent variable (Gujarati, 1995).

In situations where the (VIF) is above 10, the independent variables are considered highly correlated, causing a multicollinearity problem (Schroeder, 1990). Based on the Table 4.4 all the VIF is less than 10 therefore it can be said that there is no multicollinearity problem.

Table 4.3: The multiple correlation coefficient and coefficient of Determination

Model	Sum of Squares	df	Mean Square	f	sig
Regression Residual Total	7.452 .180 7.633	3 48 51	2.484 .004	660.673	. 000[a]

The ANOVA analysis shows that F is 660.673; the significance of F test, then the regression is .000, which means that the leverage have been significantly explained by the three independent variables, which reflects also a valid model.

Table 4.4:Multiple regression results of selected variable

Model	Unstandardized Coefficients		Standardized Coefficients	t	sig	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1(Constant)	.227	.158		1.439	.157		
Bank size	.478	.081	.347	5.889	.040	.142	7.039
Ownership	.880	.034	.979	26.022	.033	.348	2.871
Profitability	-.347	.074	-.317	-4.719	.000	.109	9.148

a. Dependent Variable: CSR

From regression analysis of CSR shown in Table 4.4, it is noted that if the size increase by one unit then the CSR will increase by 0.478. If the ownership increase by one unit the CSR will increase about 0.880. If the profitability increase by one unit the CSR will decrease by about 0.347

4.4 Hypothesis Test

This section discusses the result of hypothesis testing. There are three hypotheses offered in this study. The statistics property is used to see whether the hypothesis are accepted or rejected is the significant value or (P value). Table 4.4 presented the regression result of the relationship between CSR and the bank size, ownership and profitability variables.

The first hypotheses which posited a positive relationship between bank size and CSR disclosure is found to be supported, the significant value for bank size is .040 . This value is not greater than 0.05 and means that the hypotheses is supported. Another world the result indicates there is impact of bank size of the CSR disclosure.

The second hypotheses which posited a positive relationship between ownership and CSR disclosure is found to be supported, the significant value of bank ownership is .033 . This value is not greater than 0.05 and means that the hypotheses is supported. Which means that there is a significant effect of bank ownership on CSR disclosure.

The third hypotheses which posited a positive relationship between profitability and CSR disclosure is found to be supported, the significant value for profitability which is .000. This value is not greater than 0.05 and means that the hypotheses is supported.

4.5 Conclusion

The chapter presented the result of analysis that was conducted by using several tools. After ensuring that meet the assumptions of regressions and there is no multicollinearity problem, the correlation analysis has been conducted. However, all hypothesis are supported because there was a significant relationship between bank size, ownership and profitability with CSR disclosure**.**

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter will discuss in the conclusion of this research as well as the future recommendation that will contribute more to the body of knowledge and as a guideline to the other researcher.

5.1 Discussions

This study is undertaken to investigate the influence of the bank characteristic of level of CSR disclosure. The correlation analysis is produced in Table 4.2 which shows positive correlation between bank size , ownership and profitability and CSR.

The relationship between level of CSR disclosure and company sizes. The objective is to identify whether the company size is associated with the CSR disclosure. The variable used to measure the company size is total assets. Company size was hypothesized to have a positive relationship with the level of CSR disclosure in the annual report. The test conducted is at .040 percent significance level. The statistical result reveals that total assets is positively and significantly related to level of CSR disclosure. This implies that Libyan banks with high total assets tend to disclose more CSR information than Libyan banks with lower total assets. This is consistent with evidence found in Gray (1995) Naser (2002) and Zain (2006) which found that there is a positive relationship between level of CSR disclosure and company size.

Relationship between level of CSR disclosure and bank profitability. The objective is to identify whether the company profitability is associated with the CSR disclosure. The variable used to measure the company profitability is net profit. Company profitability was hypothesized to have a positive relationship with the level of CSR disclosure. The results imply that profitability variable is significant in measuring the association with CSR disclosure and This finding is consistent with a study by Li (2012) and Chen (2011) indicated that is a positive relationship between corporate social responsibility and corporate profitability.

Relationship between level of CSR disclosure and ownership. The result indicated that there are positive and significant relationships between CSR disclosure and ownership. This result suggests that variable is significant in measuring the association with CSR disclosure and This finding is consistent with a study by Norhayah & Muhamad (2010).

5.2 Conclusion

The objective of this study is to determine the relationship between bank characteristics which include bank size, ownership and profitability and level of CSR disclosure in Libyan banks. To achieve the research objective to determine whether the independent variables affect the dependent variables. In this research a quantitative approach was chosen to examine the relation between characteristics factors and the level of CSR disclosure in Libyan banks. The sample was thirty two banks that currently work in the banking sector at the time of study. This study used secondary sources to gather information needed. The sample was drawn from Libyan bank websites and the Banks 2010 annual reports were collected.

Descriptive analysis was performed to provide the background statistics of the variables examined in the study. This was followed by regression analysis which forms the main data analysis method. The results indicate that all three variables which are bank size, ownership and profitability are significantly related to the disclosure level.

On the statistical results, bank size as measured by total assets is found to have a significant relationship with CSR disclosure. This signifies that large banks tend to disclose a greater amount of CSR information than small banks. This is consistent with previous studies which concluded that larger companies tend to disclose more information than small ones. There are several reasons for this but most importantly, large companies are closely watched by investors, and those companies have the ability to absorb extra costs for greater disclosure to maintain their good image and reputation to make sound investment decisions and to retain customer loyalty and talented employees (Alsaeed, 2006). However, the result shows a significant relationship between bank ownership and CSR disclosure. This signifies that state banks tend to disclose more amount of CSR information than private banks.

There are positive and significant related to bank profitability and CSR disclosure. This result support H3 and indicates that profitability is positive and significant related to CSR disclosure. The banks which invest more in their CSR practices will enhance their financial performance.

The positive relation between bank profitability and level of CSR information indicates that banks could increase their external reputation. Furthermore, companies are able to increase the morale of employees and enhance relations with investors (Waddock, 1997).

5.3 Implication of the study

This study contributes to the body of knowledge on financial disclosure of Libyan banks. This research provides crucial information for the understanding the benefit of CSR disclosure in the annual report. Even though there are already some studies done on this topic such as John (2009) and Elmogla, (2009). The use of a more recent data in this study provides more current evidence. This is the first paper that looks into the determinants of CSR disclosure in the annual reports of Libyan banks. The Libyan Government, Security Commission and other relevant parties could take heed of the findings to further improve CSR awareness, practices and disclosures and quality in Libyan banks.

Based on the findings, the study recommends that corporate entities in Libya should invest in CSR activities in all its ramification in order to boost their image/reputation thereby increasing their returns. Finally, The research has implications in enhancing the understanding of performance management through understanding the relationship between corporate social responsibility and financial performance particularly in a developing country, although it is necessarily limited by the size of the sample.

5.4 Limitations of the Study

Even though the result and the findings of this study may provide several insights that could be interested in scholars, shareholders, government, institution's investigation and other relevant stakeholders. The study like much other research have some limitations. The limitations of this study are mainly related to the time constraint. Thereby, the first limitation is that to complete this kind of research might need approximately one year in order to gather the relevant information.

The second limitation is that the study examined only three bank characteristics factors, bank size, ownership and bank profitability against the dependent variable, CSR. There are still many other characteristics of bank characteristics factors that may have a strong influence on level of CSR disclosure.

5.5 Suggestion and Recommendation for future studies

This study can be done and replicated in different sector . The researchers in the future suggested to include more variables which are not examined in this study. However there are many more improvements that could be suggested for future researchers in this topic such as the following:

1- Introduce new voluntary disclosure index that includes some items excluded in this study such as industry type.

2- Examine the linkage between the firm characteristics and mandatory disclosure information

Finally, it should be emphasized that the interpretation that be can placed on this findings is restricted by the fact that this analysis only includes Libyan banks. Hence it is believed that an important extension would be to conduct a similar study using data on companies in other countries and also to desegregate the CSR scores in order to be able to determine whether this findings could be generalized to individual types of CSR activities.

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