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### THE IMPORTANCE AND SIGNIFICANCE OF CORPORATE SOCIAL RESPONSIBILITY IN DEVELOPING SAUDI

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#### **ABSTRACT**

There is big delay regarding corporate social responsibility (CSR) practice status in developing countries, however, these recent years CSR was increased in attention and considered as the business guidelines for an ethical and responsible behaviour. This study conducted in Saudi Arabia. The study aimed to identify and explored correlation of responsibility perception in the banking sector in Saudi Arabia. The study applied content analysis which is focused on examining components of financial statements mainly based on annual report examinations. The study indicated there was no impact between total assets and social responsibility disclosure level in Saudi Arabia banking sector. In additions, there was impact between return on assets and social responsibility disclosure level in Saudi Arabia banking sector. Based on debt ratio, the study revealed that there was no impact between debt ratio and social responsibility disclosure level. Finally, there also no impact between companies' performance and social responsibility disclosure level in Saudi Arabia banking sector.

#### **INTRODUCTION**

In Middle East and North Africa region, importance of social responsibility disclosure is increasing in awareness among enterprises rapidly. Howard Bowen had defined "social responsibility is a commitment of entrepreneurs to seek strategies to make such decisions or carry out such activities which are desirable in terms of goals and values of our society" [1]. Meanwhile, National Association of Accountants (NAA) (1974) mentioned identification, monitoring, measuring and reporting of social and economic influences of an organization toward society [2].

Social responsibility is an organization policy and practice which companies integrated social and environmental issues that combined properly with economic interest and relationship with all stakeholders, guided by respect for individual, community and environment [3]. CSR always correlate with ethical and moral aspects in corporate decision -making and behaviour [4].

The companies which integrated and disclose CSR in financial statement will gain better response from the public [5]. CSR disclosure is correlated with norms, values and choices of those who involved in corporate decision making and corporate governance mechanisms [6]. Meanwhile, the banks that practiced CSR had overwhelming outperform than banks without CSR practice in terms of return on assets and return on equity [7]. Duman et al. (2014) revealed regardless of its core business function, an organization need to communicate non-economic social concerns to construct public identity and gain legitimacy [8].

The study aimed to identify and explored correlation of responsibility perception in the banking sector in Saudi Arabia. The study had investigated relationship between CSR of Saudi bank sector and factors influenced CSR with suitable methods.

## **METHODOLOGY**

In this study, the secondary information from several banks for banks conducted their responsibility. The quantitative method was used in evaluate the relationship of corporate social relationship with other factors that affected banking sector such as bank reputation and financial performance. The data was collected from questionnaires and previous studies. The data was processed with statistical methods to determine relationship between dependent and independent variables.

## **RESULT AND DISCUSSION**

In this study, the multiple regression was used involved dependent and independent variables as shown in equation as below:

$$Y1 = B0 + (B1.X1) + (B2.X2) + (B3.X3) + e$$

Y1: Social responsibility disclosure level

B0-B3: Regression coefficient

X1: Total assets

X2: Return on assets

X3: Debt ratio

In Table 1, return on assets had minimum and maximum of -0.9649 and 0.7032 Meanwhile, ROA mean was 0.1117 with standard deviation of 0.2412.

In additions, debt ratio had minimum and maximum were 0.0049 and 0.9982. Mean of debt ratio was 0.3764 with standard deviation of 0.2518. Total assets had minimum and maximum were 1511192 and 138177190. Furthermore, total assets was 28066371.51 with standard deviation of 29781039.736.

The social responsibility disclosure level had minimum and maximum score were 0.18 and 0.73. The mean was 0.53 with standard deviation of 0.092.

**Table 1.** Descriptive Test Result

	Min.	Max.	Mean	Std. deviation
Return on assets	0.964	0.703	0.112	0.241
Debt ratio	0.005	0.998	0.376	0.252
Total assets	1511192	138177190	28066371.51	29781039.736
Social responsibility disclosure	0.18	0.73	0.53	0.09

The simple regression analysis for independent variable (total assets) toward social responsibility disclosure level showed R square with 0.0001 which indicated social responsibility disclosure level explained percentage in change in total assets. Besides, significant =0.866>0.5 which meant there was no impact between total assets and social responsibility disclosure level in Saudi Arabia banking sector.

**Table 2.** Relationship Between Total Assets And CRS Disclosure Level

Sig.	T-statistics	Coefficients	Constant B	Total assets B
0.866	0.170	0.022	0.526	6.919e-11
R square	0.0001			
Model F test	0.029			

In additions, simple regression analysis for independent variable (ROA) and affected on social responsibility disclosure level which showed R square was 0.095. This result indicated that social responsibility disclosure level described percentage change in ROA with significant of 0.017<0.05. The result showed there was impact between return on assets and social responsibility disclosure level in Saudi Arabia banking sector.

**Table 3.** Relationship Between Social Responsibility Disclosure Level Toward Return On Assets

Sig.	T-statistics	Coefficients	Constant B	Total assets B
0.017	-2.462	0.308	0.541	-0.001
R square	0.095			
Model F test	6.063			

Furthermore, simple regression analysis for influence of debt ratio toward social responsibility disclosure level had R square of 0.022. Meanwhile, the result indicated significant of  $0.261 > 0.05$  meant there was no impact between debt ratio and social responsibility disclosure level in Saudi Arabia banking sector.

The multiple regression test was conducted for all independent variables toward market price as in Table 4. The R square was 0.098 and adjusted R square was 0.050 which meant performance was explained by this change percentage of social responsibility disclosure level.

**Table 4.** Model Summary

Model	R	R square	Adjusted R square	Std. Error of estimation
1	0.314 <sup>a</sup>	0.098	0.050	\$0.09025

**Table 5.** ANOVA Test Result

Model		Sum of square	df	Mean square	F	Sig.
1	Regression	0.050	3	0.017	2.038	0.119 <sup>a</sup>
	Residual	0.456	56	0.008		
	Total	0.506	59			

**Table 6.** Coefficient

Model		Unstandardized coefficient	
		B	St. Error
1	(Constant)	0.531	0.025
	ROA	-0.001	0.001
	Total assets	1.28e-11	0.000
	Debt	0.000	0.000

**Table 7.** Coefficient

Model		Standardized coefficient	T	Sig.
		Beta		
1	(Constant)		21.448	0.000
	ROA	-0.289	-2.182	0.033
	Total assets	0.004	0.032	0.975
	Debt	0.063	0.466	0.643

## CONCLUSION

In conclusions, there was no impact between total assets, debt ratio and companies' performance toward social responsibility disclosure level. Meanwhile, there was impact between return on assets and social responsibility disclosure level. In this study, there was importance that corporate social responsibility implied brought corporate behaviour up to level was congruent with prevailing social norms, values and performance expectations.

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