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THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE EXTENT AND QUALITY ON COMPANY'S FINANCIAL PERFORMANCE AND MARKET VALUE

Hani Alkayed¹, Bilal Omar²

¹University of Petra, hani.alkayed@uop.edu.jo, ORCID: <https://orcid.org/0000-0002-1947-7066>

²Higher College of Technology, bomar@hct.ac.ae, ORCID: <https://orcid.org/0000-0002-5472-4245>

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ABSTRACT

This study aims to examine the relationship between corporate social responsibility (CSR) extent and quality on the company's financial performance and market value in Jordan over a six-year period (2015-2020). A quantitative approach is adopted for this research, and a content analysis technique is used to gather CSR disclosure extent and quality from the annual reports. The sample is withdrawn from the annual reports of 115 Jordanian companies. A CSR is measured by constructing an index consisting of the following categories: environmental, human resources, product and consumers, and community. A special measurement of disclosure quality has been developed to fill the gap in the literature because of the overlooking of pictures and graphs. This 7-point scale will be adopted to distinguish between poor and excellent disclosures. Financial performance is measured using return on assets (ROA), and market value (MV), is measured by multiplying the number of outstanding shares with current share price. Two control variables were included: size and gearing (leverage). The results show an improvement in both, extent and quality of CSR for Jordanian companies. In addition, the findings reveal that there is significant positive relationship between both extent and quality of CSR disclosure and both financial performance and market value. Moreover, the study provides number of theoretical implications as support to the stakeholder's theory and signalling theory, and also practical implications for investors, regulators and managers. Finally, the study has some limitations that have implications for future research (e.g., comparative study for testing CSR quantity and quality before and after Covid-19 pandemic).

KEYWORDS: Corporate Social Responsibility (CSR), Financial Performance, Market Value, Content Analysis, Annual Reports.

1. INTRODUCTION

The rising interest in corporate social responsibility disclosure (CSR) has led to the emergence of a vital question regarding the company's benefits from this type of disclosure. Sharma and Aggarwal (2021) argued that firms that willingly disclose information about their social activities are convinced that this type of disclosure will have a positive impact on society and its business practices. "CSR is the commitment of a company to improve the welfare of communities through good business practices and to give contribution through some of its resource" (Kamaliah, 2020).

Gray (2006) claimed that the rise in corporate social reporting over the last decade, demonstrates that a decent number of managers look at CSR as a beneficial activity and has value. It has been argued that managers' key responsibility is to achieve financial benefits and increase shareholders wealth (Hillman & Keim, 2001). Purpawangsa et al. (2020) argued that CSR aims to increase the corporate value and to prepare the company to face free market. In addition, Haroun (2020) discussed that CSR activities provide insights beyond those in financial activities and can enhance the reporting credibility and improve the accounting information needed for firms' valuation. Moreover, companies can gain positive evaluation from investors in the future by focusing more on the environment which is reflected in its performance (Kamaliah, 2020).

"Therefore, a company with a high level of profitability will always strive to increase the disclosure of social activities conducted by the company as an attempt to convince the investors that the company does not only pay attention to the short-term goal (profit), but also to the long-term goal of increasing its firm value" (Kamaliah, 2002).

Awawdeh et al. (2022) argued that companies could build loyalty with stakeholders by investments in CSR which could lead to better financial performance. In addition, increased trust, acting as a buffer of goodwill and the accompanied competitive advantage are all aspects that can lead to improved performance and decreased risk, and firms can achieve this through CSR reporting (Aguilera et al., 2006; Money et al., 2007; Gill, 2008).

Moreover, incurring CSR includes outlays of limited financial resources for the companies (Kabir and Thai, 2017). Hence, "Whether it is profitable for firms to invest in CSR activities is a question of major importance not only for academics but also for firms and regulators" (Kabir and Thai, 2017). Moreover, Agyemang and Ansong (2017) argued that CSR is a

society-oriented concept and financial performance is a company-oriented concept. They (2017) stated that it is very interesting to test the relationship between both of them and how CSR affects financial performance.

Al-Shammari et al. (2022) argued that despite the large numbers of empirical studies conducted to examine the relationship between CSR and financial performance, the results show limited consensus on the exact nature of this relationship. "The studies till date support a positive, negative as well as a neutral relationship between these two indicators" (Sekhon and Kathuria, 2020).

Al-Shammari et al. (2022) discussed that CSR has a positive impact on financial performance as CSR can enhance the company's image which improves its access to resources. In addition, it can improve the company's credit rating and decrease the cost of capital. Moreover, Omar and Zallom (2016) argued that higher level of CSR enhances the company's image which could generate good relationships with stakeholders and improve the company's performance. "Because of the positive implications of CSR on firm performance, more and more firms, all over the world, big or small, are increasing their engagement in CSR" (Feng et al., 2017).

On the other hand, Ben Saad and Belkacem (2022) argued that CSR has a negative effect on financial performance as it creates extra costs that decrease the profitability and the competitiveness of the company. In addition, CSR can mislead managers from their objective of maximizing the profits.

"When financial performance is high, managers reduce social spending to maximize their own profits. Meanwhile, when financial results decrease, the managers will tend to invest more in social actions to compensate for disappointing results" (Ben Saad and Belkacem, 2022).

Moreover, Feng et al. (2017) stated that companies could be in a disadvantageous cost position when they trade-off between social responsibility and financial performance. Managers could spend valuable resources to be engaged in CSR activities which could lead to managerial benefits rather than financial benefits. (Agyemang and Ansong, 2017).

Furthermore, exploring the relationship between CSR and financial performance could indicate neutral relationship (Omar and Zallom, 2016). Sekhon and Kathuria (2020) argued that the ambiguity of measuring CSR activities could lead to such a result.

Furthermore, prior studies have looked empirically into the relationship between the level of

CSRD and market value, but their findings are mixed. A positive relationship between CSRD and market value is found by Wang and Li (2016) and Cahan et al. (2016). Harun et al. (2020) argued that CSR could enhance the disclosure signals to the market which decreases information asymmetry and leads to higher market value.

However, Guidry & Patten (2010) did not find a significant relationship between these two.

Moreover, a negative relationship was found between CSRD and firm value by Kim et al. (2014). Purpawangsa et al. (2020) argued that companies with low CSR activities, could create doubts from the investors and it responds by decreasing their market value.

Therefore, studies on the relationship between CSRD and a company's financial performance have yielded inconclusive results.

"However, with the increased adoption of socially responsible practices in emerging markets, this concept, has become a major subject of empirical research in various developing economies" (Sekhon and Kathuria, 2020).

2. THEORETICAL FRAMEWORK

2.1. Corporate Social Responsibility Definition and Theories

CSR is defined as those activities that are aimed to meet the noneconomic concerns of stakeholders and society (Al-Shammari et al., 2022). Kamaliah (2020) argued that CSR aims to improve the welfare of the societies through good practices and resource contributions. "Today CSR refers to firms' initiatives and values that promote the greater good of society in ways that go beyond legal obligations" (Ahmed et al., 2021).

Alkayed and Omar (2023) argued that different theories have been developed to interpret and to justify the CSR practices in society. Agency theory explains that CSR activities could be used as a tool to mitigate the conflict between managers and the stakeholders (Dakhli, 2021). Moreover, management are encouraged to disclose more CSR activities to satisfy the stakeholders' concerns about society and to convince them that they are acting optimally on their behalf regarding CSR issues (Harun, et al., 2020).

Political theory suggests that the existence of any firm in society depends on the CSR activities that support such a society (Alkayed and Omar, 2023). Hence, if the firm fail to be engaged in such activities, the society will take away support and the firm will be demised. Frynas and Stephens (2015) argues that such a theory provides a basis for CSR practices. "It

views the world in terms of a combination of social, economic and political factors and could be said to be concerned with altruism as a valid and important corporate motive" (Frynas and Stephens, 2015).

In accordance to legitimacy theory, companies should respond to social-environmental changes in order to keep it legitimate (Laskar, 2018; Noronha, 2018). "Organizations that ensure alignment to existing accepted green practices earn green or environmental legitimacy with stakeholders" (Baah and Macwango, 2021). In addition, management can adopt CSR reporting as an effective strategy to maintain an acceptable relationship with various stakeholders so as to legitimize the firm's operations (Lu et al., 2015). Moreover, Omar and Alkayed (2020) argued that CSR activities under required regulations could be an aspect of a legitimacy device rather than accountability device.

Stakeholder Theory provides one of the most important conceptual frameworks for CSR activities about new role of managerial responsibilities towards society (Noronha et al., 2018).

"In fact, CSR has strong relevance to stakeholder theory in the sense that firms are expected to operate based on standards, principles and practices while focusing on the concerns of the business model within which they operate" (Harun, et al., 2020).

From a stakeholder perspective, Dakhil (2021) argued that board of directors is responsible of balancing the interests of all stakeholders. Thus, investments in CSR activities enhance the relationship with different stakeholders. "Furthermore, this theory has brought to the fore the relationship between the interest of stakeholders and company activities that are more respectful to the environment and sustainable development" (Noronha et al., 2018).

In summary, CSR activities are complex and cannot be illustrated using a single theory (Alkayed and Omar, 2021). The above theories are the most widely used theories to explain the CSR activities (Harun et al. 2020; Alkayed and Omar, 2023). Meanwhile agency and legitimacy theories can both be used in the illustrations of the determinants of CSR activities, stakeholder theory could be employed to explain the economic consequences of CSR activities.

2.2. Literature Review

2.2.1. CSRD And Financial Performance

Several empirical studies have investigated the association between CSRD and financial performance (Saad and Belkacem, 2022; Al-Shammari et al., 2022; Sharma and Aggarawl, 2022;

Sekhon and Kathuria, 2020; Ikram et al, 2020; Feng et al. 2017; Agyemang and Agsong, 2017; Platonova et al., 2016; Drobetz et al., 2014; Jitaree et al., 2014; Grosbois, 2012; Inoue & Lee, 2011; Vurro & Perrini, 2011; Kang et al., 2010; Rettab et al., 2009). However, there is still ongoing debate on the results due to the inconsistencies in the methodological and theoretical frameworks.

The first group of studies support a positive relationship between the CSRD and financial performance. Saad and Belkacem (2022) tested 87 French Companies for a period between 2006-2017. They found a positive relationship between CSRD and company's financial performance. "The socially responsible companies build trusting relationships with stakeholders, which creates reputational wealth and improves firm financial performance" (Saad and Belkacem, 2022). In addition, Al-Shammari et al. (2022) examined a longitudinal panel sample of 137 S&P 500 firms for the years 2004-2013. They found that CSRD is positively related to financial performance and this effect is stronger for firms with higher levels of R&D capability and operational capability. The authors suggest that firms with higher levels of social and economic status will attain the highest level of financial performance. Furthermore, a study by Ikram et al. (2020) supported the positive relationship. The study collected data for 340 samples of small and medium size enterprises (SMEs) in Pakistan for the years 2016 and 2017. The study found that the social and environmental dimensions of CSR has a positive effect on financial performance. It also recommends that CSR strategies can be used in national and multinational companies to enable organizational slack, ensure survival over time, and lead in the market as companies invest in environmental and social programs. Similarly, Usman and Amran (2015) discovered that three dimensions of CSRD has a positive effect on financial performance for 68 Nigerian companies over the period 2010-2012. Community involvement, products and Human resources disclosures enhanced the financial performance. The study recommends that mandating CSR activities could strengthen the social behaviour for companies rather than the voluntary activities.

CSR theories have also engaged in the ongoing debate regarding the effect of CSR on firms' performance. The stakeholder theory assumes that a higher level of CSR is a cornerstone for creating a good relationship with stakeholders and could enhance the company's performance. Hence, there might be a positive association between CSR and financial performance (Mallin, Farag & Yong, 2014).

Moreover, Omar and Zallom (2016) argued that the positive relationship supports the social impact theory. They stated that CSR actions are a fundamental element in enhancing a company's image for customers, investors and employees.

The second group of the studies support a negative relationship between the CSRD and financial performance. Sharma and Aggarwal (2022) examined 153 Indian companies for a period between 2015-2019. They discovered that CSR has a negative impact on the firm's financial performance. They explained such a result as the disadvantage of high CSR expenditures on the competency level. This could lead to a highly vulnerable situation which could result in monetary losses and business distress. In addition, Sekhon and Kathuria (2020) supported the previous result as they tested 137 companies for a period between 2008-2017. They commented: *"This theory opines that companies by making CSR expenditures incur a direct cost, which leads to their competitive disadvantage among their concerned peers. This may lead to value destruction for the shareholders of the company"*.

Moreover, Usman and Amran (2015) found a negative relationship between environmental disclosure and financial performance for 68 Nigerian companies over the period 2010-2012. They attributed such a result to the low compliance of environmental disclosure from most of the companies which lead to a decrease in the financial performance. Hence, environmental disclosure among companies in Nigeria, maybe value-destructive.

2.2.2. CSRD And Market Value

Different empirical studies have investigated the association between CSRD and market value (Harun, et al., 2020; Kamaliah, 2020; Noronha et al., 2018; Omar and Zallom, 2016; Husser and Evraert-Bardinet, 2014; Arx and Ziegler, 2014).

The positive relationship supports the signalling and the legitimacy theories (Harun, et al., 2020). According to signalling theory, CSR enhances governance mechanisms and sends signals to the market which expected to increase its market value. In addition, firms are enthusiastic to disclose social information to legitimise their position in society. Hence, the firm's ability to attract more resources is improved and it increases its market value. Kamaliah (2020) tested the CSR practices for 45 Indonesian companies from the period 2013-2014. The study found that CSRD is a communication tool that could be used to provide information about the impact on the social contribution in society. Hence, the investor

responded positively by such an impact and the stock price is increased. On the contrary "If the company has poor environmental and social performances, it will raise the doubts from investors, so that it will get negative responses through the decline in stock prices". (Kamaliah, 2020). In addition, Noronha et al., 2018 examined the CSR contribution to the firm value for 1018 Chinese firms for the period 2007-2015. They discovered that CSR information has a positive effect on market value. The investors' confidence and reaction on CSR activities is an important role on their investment decisions. They commented: "It reflects the fact that Chinese investors consider not only financial information but also CSR information when they are making investment decisions". Similarly, Husser and Evraert-Bardinet (2014) studied the effect of corporate social and environmental disclosure on market value, by using a sample of 120 companies that were listed in the French stock exchange. The results confirm the existence of positive relationship between CSR disclosures and market value, since disclosures are considered to be a coherent and global set of information by investors, in order to evaluate and analyse the social and environmental issues that companies face. The previous result is consistent with Von Arx and Ziegler (2014) findings; they concluded that CSR and environmental disclosure have an effect on market value and particularly stock performance. The study was performed on two regions namely: the USA and Europe. The study suggests that engaging in CSR is worth it for the company, otherwise stakeholders might withdraw their support from the company and stop investing. For example, disclosure of some environmental information can reduce the risk of being attacked by non-governmental organisations (Von Arx & Ziegler, 2014).

The negative relationship was found in Harun et al., (2020) and Omar and Zallom (2016) studies. Harun et al., (2020) tested the CSR practices for 39 Islamic banks in Gulf countries for the period 2010-2014. He found a significant relationship between CSR and firm value. He argued that excessive information such as CSR information could cause uncertainty for the investors which could affect negatively on valuation for the firm stock price. In addition, while CSR could provide positive news for the owners, it could be misinterpreted as the competitor firms could benefit from such information.

Moreover, Omar and Zallom (2016) examined the effect of CSR themes (environmental, human resources, product and community) on market value

for 26 industrial Jordanian corporations in the period 2006-2010. The study tested this relationship in three industrial sectors: chemical, food and beverage and pharmaceutical and medicine (P&M). The results revealed that environmental, community and product activities decreased market value in the food and beverage industry, while human resources activities had no effect on market value in the same industry. Moreover, the community theme was found to have a negative effect on market value in the P&M industry, while the three other themes were found to have no effect on market value in the same industry. The four themes had no effect on market value in the chemical industry. They discussed that trading off between the benefits and the costs of CSR activities could affect negatively the market value. Moreover, managers may justify their failure in improving the market value by the excessive investments in social activities which affects the weak performance.

The above discussion provides evidence that the previous research yielded mixed results in regards to the relationship between CSR and financial performance and also between CSR and market value. "Despite a large number of empirical studies on the relationship between CSR and firm financial performance there is still only limited consensus on the exact nature of this relationship" (Al-Shammari et al., 2022). Some explanations of the inconclusive results were discussed in previous research (Omar and Zallom, 2016; Saeidi, 2014; and Inou and Lee, 2011). The previous research focused on testing the CSR extent on the financial performance quality which ignored the CSR quality on the financial performance. Hence, it could affect the results as the nature of CSR items are different among companies in different sectors (Omar and Zallom, 2016). Moreover, using accounting measures for profitability only (such as ROA or ROE) or market measures (such as Tobin Q) could limit the conclusion about the effect of CSR on profitability. Introducing both measures could provide better results and could allow better comparisons among the different measures of financial performance (Saeid, 2014; Omar and Zallom, 2016).

Therefore, the current study overcomes the main problems of the previous discussions. In particular, it focuses on manufacturing and services sectors and uses extent and quality CSR measures. Moreover, financial performance is measured by accounting and market measures instead of using one single measure of financial performance. Therefore, the main purpose is to investigate how the extent and the quality of CSR could affect financial performance in

the manufacturing and the services companies. The following discussion will explain the methodology used in the study

3. METHODOLOGY

3.1. Sample Selection

The sample of the study contains 115 companies from 2 sectors: 63 companies from industrial sector and 52 companies from services sector. The annual reports of companies on the Amman Stock Exchange (ASE) for the years 2015-2020 were selected for this study.

The year 2015 was chosen as it comes ten years after the review and introduction of a new Jordanian securities commission law. The sample will be taken over six years up till 2020 as this year was chosen before the start of the Covid-19 Pandemic, which had

a huge impact on the financial performance and market value.

The financial sector was excluded from the sample, as it follows a security law in terms of disclosure guidance that is exclusive for this sector. In addition, the transactions in such companies have a specific nature which is significantly different from industrial and service companies (Mohammadi and Saeidi, 2022).

The industrial and service sectors were further sub-divided into 18 sub-sectors, as shown in Table 1. After collecting the annual reports, the researcher found that the total number of annual reports found was 675, which means 15 annual reports were not found. The reason behind this shortage is that some companies were delisted during the period of study, which does not require them to issue annual reports.

Table 1: Sample of Industrial and Services Companies According to Sub-Sectors.

Sub sector	Number of companies	Number of annual reports examined	Sector
Electrical industries	4	24	Industrial
Educational Services	5	30	Services
Transportations	11	66	Services
Technology and Communication	2	12	Services
Media	2	12	Services
Mining and Extraction Industries	16	96	Industrial
Utilities and Energy	4	24	Services
Commercial Services	13	78	Services
Health Care Services	4	24	Services
Chemical Industries	9	54	Industrial
Paper and Cardboard Industries	3	18	Industrial
Printing and Packaging	1	6	Industrial
Hotels and Tourism	11	66	Services
Food and Beverages	11	66	Industrial
Tobacco and Cigarettes	2	12	Industrial
Engineering and Construction	6	36	Industrial
Textiles Leathers and Clothing	6	36	Industrial
Pharmaceutical and Medical Industries	5	30	Industrial
Total for each sector	63	378	Industrial
Total for each sector	52	312	Services
Total	115	690	

3.2. Content Analysis

Content analysis is defined as a technique of making replicable and inferences from data in accordance to their context (Laskar, 2018). It involves allocating codes to the contents of a textual nature following set norms and procedures to obtain quantitative scales for analysis. Content analysis has been used widely in CSR disclosure studies (Hooks Staden, 2011; Ling and Sultana, 2014; Usman and Amran, 2015; Kabir and Thai, 2017; Laskar and Maji, 2018; Laskar, 2018; Zaid et al., 2019; Sekhon and Kathuria, 2020; Omar and Alkayed, 2021; Alkayed

and Omar, 2023; Halim and Animah, 2023).

This method was used widely to collect data from annual reports, in specific, via counting sentences (Ling and Sultana, 2014; Usman and Amran, 2015; Laskar, 2018; Zaid et al., 2019; Omar and Alkayed, 2021; Halim and Animah, 2023), counting words (Kabir and Thai, 2017) or by constructing an index for CSR quality (Platononva et al., 2016; Omar and Zallom, 2016; Laskar and Maji, 2018; Sekhon and Kathuria, 2020; Alkayed and Omar, 2023).

Laskar (2018) argued that content analysis is an objective and reliable tool that codify the disclosed information into pre-defined categories to reflect the

pattern of such information. Content analysis is therefore, pitched for the data collection as well as the data analysis of this study as it affords for the construction of analytical categories of the content of CSR in the yearly reports under analysis, thereby enabling quantitative analyses.

3.3. Csr Index

CSR index was constructed based on previous studies in developing and developed countries (Ling and Sultana, 2014; Michelon et al., 2015; Platonova et al., 2016; Omar and Zallom, 2016; Laskar and Maji, 2018; Laskar, 2018; Zaid et al., 2019; Harun et al., 2020; Omar and Alkayed, 2021; Dakhli, 2021; Alkayed and Omar, 2023; Halim and Animah, 2023) and then amended accordingly to fit the Jordanian context. These studies focused on different categories of disclosures such as environmental disclosures, human resources, employees, community, ethics disclosures, energy disclosures and client disclosures. However, for the purpose of this research the disclosure index will include four categories: employees 14 items, environment 8 items, community and others 9 items, and product or service information 9 items as it shown in the appendix (Alkayed and Omar, 2023). The CSR index will include both: quantity and quality.

3.3.1. Corporate Social Responsibility Quantity (Csrqn)

A dichotomous approach is used, in which an item scores 1 if it is disclosed and 0 if it is not disclosed. Such a method has been used in previous studies (i.e. Usman and Amran, 2015; Platonova et al., 2016; Omar and Zallom, 2016; Laskar, 2018; Zaid et al., 2019; Harun et al., 2020; Chakroun and Amar, 2022; Alkayed and Omar, 2023; Halim and Animah, 2023). The dichotomous approach is an appropriate method as it provides the opportunity for an independent analysis of views of a specific group of users (Platonova et al., 2016). Moreover "It is suggested that unweighted indices are suitable for, which do not focus on a particular group of users of annual reports, but target all users" (Platonova et al., 2016).

The CSRQN is computed by dividing the actual scores awarded by the maximum possible scored (40) relevant for the company. Thus, CSRQN for each company was calculated as follows:

$$CSRQN = \frac{\sum_{j=1}^{n_j} X_{ij}}{N_j}$$

where:

CSRQN = corporate social disclosure quantity index;

N_j = number of items applicable to the company; and

X_{ij} = 1 if the item is disclosed and 0 if the items is not disclosed.

Such that $0 < ij < 1$.

3.3.2. Corporate Social Responsibility Quality (Csrql)

The reliance of the mere extent of CSR could be misleading and insufficient (Lu et al., 2015). "Counting the volume of CSR reporting does not provide an understanding of the type and importance of information being communicated" (Lu et al., 2015). Hence CSR quality measurement is used to distinguish between excellent and poor disclosure of CSR items (Omar and Alkayed, 2021). Omar and Alkayed (2021) argued that there is no well-accepted measure for the CSR quality. Some studies used different scoring schemes to capture quality such as assigning weights for the items if there are monetary, quantitative or qualitative. Other studies used different methods to weigh the information in accordance to whether it is descriptive, vague or immaterial (Omar and Alkayed, 2021).

The previous literature has overlooked pictures or graphs as an indicator for quality, and excludes them from the studies. However, in this research, a disclosure scoring method is developed with consideration of pictures and graphs, as a powerful tool for communication and a strong indicator for companies who have high-quality CSR.

Therefore, in this research, we adopted the method that was used by Alkayed and Omar (2023) to measure the CSR quality. A special measurement of disclosure quality has been developed to fill the gap in the literature because of the overlooking of pictures and graphs. This 7-point scale will be adopted to distinguish between poor and excellent disclosures. 0 will be appointed for the items that have no disclosures, 1 will be appointed for the general disclosures of the item, 2 will be selected for the items that was mentioned in general disclosures but has pictures, 3 will be appointed for descriptive and qualitative disclosures with specific details and has a clear qualitative description, while 4 will be chosen if the discourses were mainly qualitative and descriptive along with pictures or charts that support it, then 5 will be chosen for the numeric disclosures, or with the disclosures that give facts with numbers, whereas 6 will be allocated for the items that has been disclosed in full detail (numerically) accompanied with pictures or graphs.

The previous literature has overlooked pictures or graphs as an indicator for quality, and excludes them

from the studies. However, in this research, a disclosure scoring method is developed with consideration of pictures and graphs, as a powerful tool for communication and a strong indicator for companies who have real CSR. Consequently, volume is not considered as one of the measures of quality. Because CSRD requires actual involvement not just words.

Therefore, this research is going to be the first study in Jordan that uses the content analysis technique, and uses a 7 points scale to measure CSR disclosure quality. This new quality measurement provides a clear, specific and novel method to measure the quality of CSR disclosures, which all of the previous studies have failed to provide. This measurement also fills the gap in the literature and provides a novel technique to measure quality, since it provides detailed description of the quality of CSR disclosure. This research also seeks to provide evidence regarding the adoption of CSR behaviour and measuring the positive and negative impacts on company's financial performance and market value. The result of this research will fill the gap in the literature regarding Jordan as a developing country; also, it will fill the gap regarding the quality measurements in CSR studies.

3.3.3. The Reliability and Validity of CSR Extent and CSR Quality

Reliability can be defined as the ability to reproduce the same results when two or more researchers are using the same techniques (Omar and Alkayed, 2021).

To ensure the reliability of the index, the following steps have been applied:

- 1- Each annual report was reviewed twice: The first review aims to familiarize the researchers with the CSR activities, while the second review aims to avoid the possibility of each score to affect each other. Then, if there were to be differences between the first and second readings for any annual report, a third reading would be conducted so as to decrease or eliminate any differences.
- 2- A pilot study of twenty-five yearly reports of corporations spread over a longitudinal period of six years were chosen. A random sample of 150 observations was analysed in order to ensure all items are applicable to the Jordanian environment
- 3- The CSR index was reviewed independently by both researchers, as well as one external researcher involved in social activities in Jordan. Each one was asked to assess the

quality of the CSR index and its categories based on the quality scale given. Overall, a high degree of agreement was revealed among the three researchers and therefore, the reliability of the CSR index is enhanced and generalized.

In regards to the validity, it refers to whether the researcher has used the appropriate tool to achieve his objectives (Omar and Alkayed, 2021). The CSR index was constructed and supported by previous studies as it shows above in 3.3, and was amended to the Jordanian environment. In addition, in order to assess the internal consistency of CSR index, Cronbach's alpha test was employed and the results of which for the four themes being 0.84. Thus, it reflects a high-degree of internal consistency, as Cronbach's coefficient values between 0.60 and 0.80 are widely considered to be reliable (Omar and Alkayed, 2021).

3.4. Measuring Financial Performance and Market Value

Financial performance is measured using return on assets (ROA) The prior literature has used different measures to capture financial performance; the most utilised measures are return on assets (ROA) and return on equity (ROE) (i.e. Halim and Animah, 2023; Chakroun and Amar, 2022; Ben Saad and Belkacem, 2022; Sharma and Aggarwal, 2022; Dakhli, 2021; Sekhon and Kathuria, 2020; Kabir and Thai, 2017; Platonova et al., 2016 Usman and Amran, 2015). ROA is probably the most widely accepted measure of financial performance, it shows the managers ability to achieve the goals they set, this ratio is comprised of dividing return on the total assets and it is considered as one of the accounting performance measures (Jo & Harjoto, 2012).

Return on assets will be measured with the following formula:

$$\text{ROA} = \frac{\text{Net Income After Tax}}{\text{Average Total Assets}}$$

Market Value (MV), which is also known as the market capitalisation, is measured by multiplying the number of outstanding shares with current share price. This information will be collected from Data Stream.

Market value will be measured using the following formula:

$$\text{MV} = \text{Number of outstanding shares} \times \text{Current Share Price}$$

Overall, employing both accounting measures (i.e. ROA) and marketing measures (MV) would provide more comprehensive relationship with CSR. While accounting measures reflect past short term

financial performance, market measures (i.e. MV) and would assess the future performance of the corporation (Dakhli, 2021; Kabir and Thai, 2017; Omar and Zallom, 2016; Platonova et al., 2016). Kabir and Thai (2017) argued that the use of a market measure is preferred for future performance, since "a firm deliberately sacrifices some current financial performance to engage in CSR activities, which can be in the long-term interest of the firm".

3.5. Control Variables

In testing the effect of CSR on financial performance, we control 2 variables that systematically influence the financial performance: size and gearing. Such control variables were used in many previous studies (Mohammadi and Saeidi, 2022; Sharma and Aggarwal, 2022; Chakroun and Amar, 2022; Dakhli, 2021; Harun et al., 2020; Kabir and Thai, 2017; Omar & Zallom 2016; Platonova et al.). Size, which is measured by the log of total assets, controls for any possible effect created by different company sizes in relation to their performance (Kang et al., 2010).

"Large firms can engage in CSR activities in a better manner as they have adequate resources and experience to deal with diversified operations" (Sharma and Aggarwal, 2022).

Gearing, this is measured by the total debt divided by the total assets, could capture the possible effect of agency problem on CSR (Dakhli, 2021). Sharma and Aggarwal (2022) argued that having debt in the capital structure could impose discipline aiming managers which lead to better decision-making. Dakhli (2021) argued that high leverage ratio could have a negative effect on financial performance as firms with large debt may be more constrained and hence invest less in CSR activities. On the other hand, Lee et al. (2013:5) stated that 'a high leverage ratio could have a positive effect on the company's performance because interest expense is tax deductible (tax shield effect).

3.6. The Regression Model

In regards to the economic consequences of CSR, two regression models were employed. The first model will test the effect of CSR on company financial performance. The second model will test the effect of CSR on market value. Each of the previous models (company performance and market value) will be tested twice, the first one by using the CSRQN extent as independent variable, and the second time is by using the CSRQL quality as an independent variable. The model's robustness has been checked and passed the following tests: multicollinearity,

heteroscedasticity and normal distribution and autocorrelation.

The two models were as follows:

First: Market value Model

$$MV_{i,t} = \alpha + \beta_1 CSRQN_{i,t} + \beta_2 F.Size_{i,t} + \beta_3 Gearing_{i,t} + \omega_{i,t}$$

$$MV_{i,t} = \alpha + \beta_1 CSRQL_{i,t} + \beta_2 F.Size_{i,t} + \beta_3 Gearing_{i,t} + \omega_{i,t}$$

Second: Company performance model

$$ROA_{i,t} = \alpha + \beta_1 CSRQN_{i,t} + \beta_2 F.Size_{i,t} + \beta_3 Gearing_{i,t} + \omega_{i,t}$$

$$ROA_{i,t} = \alpha + \beta_1 CSRQL_{i,t} + \beta_2 F.Size_{i,t} + \beta_3 Gearing_{i,t} + \omega_{i,t}$$

Where:

MV= Market Value, measured by multiplying the number of outstanding shares with the current share price.

CSRQN= Corporate social responsibility disclosure quantity (extent).

CSRQL= Corporate social responsibility disclosure quality.

ROA= Return on Assets, measured by dividing Net Income after tax/ average total assets.

Size= firm's size (control), measured by natural log of average total assets.

Gearing= firm's gearing (control), measured by total long-term debt/ total equity.

4. RESULTS

4.1. Descriptive Results

Table 2 provides a summary of descriptive statistics for the period 2015-2020, regarding the variables used in this study: CSRQN (CSR quantity, 0-1), CSRQL (CSR quality, 0-6), ROA (proxy for financial performance), Market capitalisation (proxy for market value), size, and gearing.

The results in table 2 show that the mean CSRQN score of this sample was 62.3% and the minimum and the maximum number of disclosures for the extent of CSR disclosure (out of 40 items) was 5 items (0.125) and 38 items (0.95) respectively. This result shows an increase in the extent of the CSR comparing to other previous studies in Jordan such as Alkayed and Omar (2023). The mean of such a study for CSRQN was 53.5% for the period 2010-2015 and was increased to 62.3% in this study for the period 2015-2020. In addition, the maximum number of disclosures has increased from 92.5% to 95%. Moreover, the results in table 3 reveal that the extent of corporate social disclosures has been increasing steadily during the period of study, starting with 0.553 in 2015 and ending with 0.623 in 2020. This increase indicates that Jordanian companies, both manufacturing and services, are making

improvements regarding their CSR disclosures, even though it is not considered a fully mandatory requirement.

In regards CSRQL, table 2 shows that the mean CSRQL score of this sample was 3.153 (using a scale from 0 to 6). The minimum value of CSRQ was 15 (0.375 out of 6) and the maximum value was 218 (5.450). This result shows an increase in the quality of the CSR comparing to Alkayed and Omar (2023) study in Jordan.

The mean of such a study was 2.271 and was increased to 3.153 in this study. In addition, the maximum value has increased from 5.050 to 5.450. In addition, table 4 reveal that the quality of corporate social disclosures has been increasing during the period of study, starting with 2.295 in 2015 and ending with 3.153 in 2020.

Overall, the results show an improvement in both, extent and quality of CSR for Jordanian companies. One of the justifications for such an improvement is the role of mandating many items to be disclosed based on the latest regulations in Jordan (i.e. Securities Law No. 76). "Therefore, it is reasonable to think that the regulations in Jordan play a vital role

in increasing the level of disclosure" (Omar and Alkayed, 2021).

In terms of return on assets (ROA), the minimum percentage in the chosen sample is around -45%, which means loss, while the maximum ROA is 49%. The value of the mean concerning ROA is 1.6% which indicates that the performance of Jordanian companies an average is not that strong. Regarding the market value (MV), the descriptive statistics shows that the minimum value of the chosen companies around 0.5 million JD (\$.75 million), this value belongs to the National steel industry in the year 2016.

However, the maximum value for the companies' understudy is 3.8 billion JD (\$5.5 billion), and this value belongs to The Arab Potash in 2019. The mean value is 772 million (\$1.1 billion) which indicates that firm's value extremely varies between the minimum and the mean. Regarding size, these numbers represent a natural log of total assets; the minimum is 5.6 while the maximum is 9.2. While the gearing is debt to equity, the minimum value is 0.00 which indicates that there are some companies that do not have any debts, whereas the maximum is 2.27.

Table 2: Descriptive Statistics For Company Performance And Market Value Models.

	Descriptive Statistics							
	Minimum Statistic	Maximum Statistic	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Error	Std. Deviation Statistic	Range Statistic
CSRQN (0-1)	0.175	0.95	7	38	0.623	.008	0.157	0.700
CSRQL (0-6)	0.625	5.450	20	218	3.153	.036	.934	4.675
ROA	-45.737	49.059	-45.737	49.059	1.644	.411	10.679	94.795
MV	515364	3875096925	515364	3875096925	77263198	12507179	316162091	3874581561
Size	5.672	9.255	5.672	9.255	7.354	.024	.632	3.583
Gearing	.000	2.275	.000	2.275	.362	.010	.261	2.275

Table 3: Descriptive Analysis for the CSRQN longitudinally.

YEAR	Mean	Median	Minimum	Maximum	Std. Deviation	Minimum	Maximum
2015	0.553	0.575	0.125	0.925	0.189	5	37
2016	0.587	0.590	0.125	0.925	0.186	5	37
2017	0.635	0.650	0.175	0.950	0.185	5	37
2018	0.652	0.675	0.175	0.950	0.189	5	37
2019	0.667	0.685	0.175	0.950	0.188	5	37
2020	0.645	0.655	0.175	0.950	0.192	5	37
Total	0.623	0.638	0.125	0.950	0.188	5	37

Table 4: Descriptive Analysis For The CSRQL Longitudinally.

YEAR	Mean	Median	Minimum	Maximum	Std. Deviation	Minimum	Maximum
2015	2.295	2.175	0.375	4.950	0.951	15	198
2016	2.664	2.325	0.550	5.100	0.955	22	204
2017	3.032	2.915	0.625	5.200	0.945	25	208
2018	3.487	3.250	0.700	5.250	0.960	28	210
2019	3.878	3.756	0.850	5.450	0.965	34	218
2020	3.562	3.414	0.750	5.300	0.950	30	212
Total	3.153	2.973	0.375	5.450	0.954	15	218

4.2. Univariate Analysis

In this section, the univariate analysis has been

used to find the correlation between corporate social responsibility disclosure (CSR D) as the independent variable and both financial performance and market value. Along with size and gearing as control variables. Two separate models were proposed to find the consequences of disclosing CSR activities. The first model is used to find the relationship

between CSR disclosure and financial performance by using ROA as a proxy. The second model is looking into the correlation between CSR disclosure and market value by using market value as a proxy. **Table 5 demonstrate the correlation analysis for both financial performance and market value and CSR disclosure extent and quality:**

Table 5: Univariate Analysis For Company Performance And Market Value Models.

Correlations						
	Market Value	ROA	Extent (0-1)	Quality (0-6)	Size	Gearing
Market Value	1					
ROA	.489**	1				
Extent (0-1)	.586**	.273**	1			
Quality 0-6	.672**	.291**	.927**	1		
Size	.870**	.340**	.602**	.711**	1	
Gearing	.014	-.342**	.138**	.153**	.256**	1

** . Correlation is significant at the 0.01 level (2-tailed).

As shown in table 5 above, the correlation analysis between CSR disclosure and financial performance (ROA). The result shows that there is strong positive and significant relationship between both extent and quality of CSR disclosure and financial performance, this relationship is significant at 1% confidence level. In addition, Size was also found to have a positive and significant relationship with financial performance whilst leverage was found to have a negative and significant correlation with financial performance.

According to stakeholder theory, the firm has a social contract with the society, which can be fulfilled by adopting CSR activities and avoiding environmental issues. Corporate disclosures including CSR can be the method to communicate these activities to stakeholders and prove how the company is fulfilling its contract. CSR disclosure is considered a strategic method to provide stakeholders positive evidence of the existence of the firm (Chulkov and Wang, 2023).

Moreover, the results of the correlation analysis between CSR disclosure and market value (as shown in table 5) which is measured by market capitalisation, reveal that there is a positive and significant relationship between the extent and quality of CSR disclosure and market value. The result also demonstrate that size is highly correlated with market value, since market capitalisation can be considered as a proxy for size as well (Tamimi & Sebastianelli, 2017), while leverage was found not related to market value.

According to stakeholder theory, the success of a firm depends on its capability to meet with stakeholder's expectations and their need for information. Accordingly, CSR disclosures are the

main element that companies can use to respond to different stakeholders in order to gain their approval and support (Nekhili et al., 2017).

4.3. Multivariate Analysis

The multivariate analysis is used in to find the type of relationship that independent variables are having with the dependent by using panel data. This type of analysis is used to estimate the overall effect of CSR disclosure in the regression and the variables that is included in it. The following two models were constructed and tested:

Company performance model

$$ROA_{i,t} = \alpha + \beta_1 CSR D_{i,t} + \beta_2 F. Size_{i,t} + \beta_3 Gearing_{i,t} + \omega_{i,t}$$

$$ROA_{i,t} = \alpha + \beta_1 CSR Dq_{i,t} + \beta_2 F. Size_{i,t} + \beta_3 Gearing_{i,t} + \omega_{i,t}$$

Market value Model

$$MV_{i,t} = \alpha + \beta_1 CSR D_{i,t} + \beta_2 F. Size_{i,t} + \beta_3 Gearing_{i,t} + \omega_{i,t}$$

$$MV_{i,t} = \alpha + \beta_1 CSR Dq_{i,t} + \beta_2 F. Size_{i,t} + \beta_3 Gearing_{i,t} + \omega_{i,t}$$

The first model is used to find the impact of CSR disclosure extent and quality on company's financial performance, by using return on assets (ROA) as a proxy for financial performance. On the other hand, the second model tests the impact of CSR disclosure extent and quality on company's value, by using market capitalisation as a proxy for market value.

4.3.1. Company Performance Model

Table 6 shows the result of the multiple regression analysis regarding the impact of CSR disclosure on financial performance, and includes the three tests (pooled, random, and fixed effect). Consistent with the previous correlation test, the regression analysis

shows that the significance statistics of the above model which is represented in the R-squared value is

7.5%. This result is accepted since the model includes only one variable and two control variables.

Table 6: Multivariate Analysis For The Company Performacne (ROA).

Dependent variable	ROA											
	OLS				Random-effects (GLS)				Fixed-effects			
No. Obs	675	675	675	675	675	675	675	675	675	675	675	675
R-squared	0.075	0.318	0.085	0.315					0.616	0.701	0.622	0.703
Adjusted R-squared	0.073	0.315	0.084	0.312					0.030	0.244	0.046	0.249
F-test	54.332	104.420	62.456	102.906					7.798	11.155	8.008	11.251
P-value(F)	0.000	0.000	0.000	0.000					0.000	0.000	0.000	0.000
Const.	-6.654	-44.201	-5.925	-43.864	-8.171	-55.418	-7.837	-53.378	-12.531	-152.578	-13.198	-149.426
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0-1	15.517	5.424			18.217	6.969			26.509	14.335		
	0.000	0.007			0.000	0.005			0.000	0.014		
0-6			3.332	1.839			4.145	1.429			6.535	3.577
			0.000	0.007			0.000	0.001			0.000	0.002
Size		6.758		6.846		8.330		8.116		21.133		20.624
		0.000		0.000		0.000		0.000		0.000		0.000
Gearing		-18.676		-18.651		-22.037		-21.977		-24.477		-24.105
		0.000		0.000		0.000		0.000		0.000		0.000
Hausman test					2.358	35.935	5.052	38.906				
p-value					0.125	0.000	0.025	0.000				

The above table shows that CSR disclosure has a positive and significant impact on financial performance. Both extent and quality of CSR have a positive and significant impact on financial performance at 1%, as is shown in the three tests (pooled, random, and fixed effect). This result is consistent with many previous studies such as Saad and Belkacem (2022); Al-Shammari et al., (2022); Sharma and Aggarawl, (2022); Sekhon and Kathuria, (2020); Ikram et al, (2020); Feng et al. (2017); Agyemang and Agsong, (2017); Platonova at al., (2016); and Drobetz et al., (2014).

The results provide justification for the Jordanian companies to be keen regarding making more CSR disclosures. According to the legitimacy theory, CSR disclosure is made as a response to social and environmental factors that requires companies to act upon it in order to receive acceptance from society.

"Additionally, socially responsible companies build trusting relationships with stakeholders by addressing their legitimate needs and concerns, which creates reputational wealth and improves financial performance" (Ben Saad and Belkacem, 2022).

On the other hand, stakeholder theory argues that CSR disclosures are used to fulfil the social contract that has been established between the firm and the society. CSR activities could be used as a mechanism to build and sustain a trust-based relationship that can reduce transaction costs and improve the profits (Al-Shammari, et al., 2022). Consequently, CSR enhances firm performance by improving the firm's

reputation and strengthen the relationship with the stakeholders (Chakroun and Amr, 2022). Ikram et al. (2020) comments: "Organization and stakeholder theory support our findings that there is a motivation to build corporate reputation and close relationships through CSR activities".

Moreover, investing in CSR can create goodwill that is likely to protect the company in case of crisis or a negative event. This result is consistent with Drobetz et al (2014), they asserted that CSR disclosure is a significant method for stakeholders to evaluate firm's operations and performance. Adopting CSR disclosure activities can also create a positive atmosphere regarding the company's operations as it can show that the company is a good citizen and improve its reputation which will attract more customers and enhance their performance (Ben Saad and Belkacem, 2022).

Finally, the positive relationship between CSR and financial performance supports the signalling theory as firms tend to distinguish itself from an unsatisfactory organization by CSR disclosures which affect positively the profitability (Halim and Animah, 2023). The managers keen to satisfy the owners or investors about their profitability that can be attained as by conducting more CSR activities in order to be distinguished in the society (Halim and Animah, 2023). Therefore, financial performance is found to be one of the consequences of CSR disclosures in Jordan.

4.3.2. Market Value

Table 7 demonstrates the result of the multivariate analysis regarding the impact of CSR disclosure on market value. The number of observations is 639, 36 observations were missing because of being delisted from Amman stock exchange (ASE) during the study

period, thus no data available for the share prices in order to calculate market capitalisation. The result also shows that the regression R squared is almost 35%, which is considered high and that the model explains 35% of the data variability.

Table 7: Multivariate Analysis for Market Value.

Dependent variable	Market Cap											
	OLS				Random-effects (GLS)				Fixed-effects			
No. Obs	639	639	639	639	639	639	639	639	639	639	639	639
R-squared	0.344	0.820	0.451	0.819					0.947	0.964	0.948	0.964
Adjusted R-squared	0.343	0.819	0.450	0.818					0.019	0.333	0.036	0.334
F-test	333.655	961.617	523.384	958.882					83.627	122.523	85.229	122.796
P-value(F)	0.000	0.000	0.000	0.000					0.000	0.000	0.000	0.000
Const.	6.035	0.272	6.075	0.384	6.691	0.403	6.639	0.511	6.923	0.541	6.879	0.605
	0.000	0.065	0.000	0.020	0.000	0.131	0.000	0.066	0.000	0.277	0.000	0.225
0-1	2.123	0.284			0.896	0.146			0.488	0.019		
	0.000	0.000			0.000	0.004			0.002	0.005		
0-6			0.483	0.060			0.235	0.043			0.134	0.028
			0.000	0.001			0.000	0.048			0.000	0.005
Size		0.951		0.937		0.934		0.917		0.923		0.906
		0.000		0.000		0.000		0.000		0.000		0.000
Gearing		-0.682		-0.681		-0.494		-0.489		-0.449		-0.444
		0.000		0.000		0.000		0.000		0.000		0.000
Hausman test					28.987	4.629	39.860	3.189				
p-value					0.000	0.201	0.000	0.363				

The above table shows that CSR disclosure has a positive and significant impact on market value. Both extent and quality of CSR disclosure have a positive and significant impact on market value at 1% as is shown in the pooled, random, and fixed effect tests. These results provide evidence that CSR disclosures have a financial consequence, and that investors are interested in CSR information disclosure when they decide to invest.

Theoretically, the link between CSR disclosure and market value can be explained through stakeholder theory. Nekhili et al (2017) suggested that in order to achieve a successful firm, the stakeholder's needs for information have to be met, which in this case can be explained by the disclosure of CSR. In addition, Kamaliah (2020) argued that the company which has good CSR activities will reflect positive responses from the investors and this could increase the stock price. On the contrary, the company which has poor CSR activities will reflect doubts and this could decrease its stock price. "Thus, the implementation of CSR will increase the firm value, as can be seen from the stock price and profit of the company" (Kamaliah, 2020). In addition, Noronha et al. (2018) examined the relationship between CSR and market value for Chinese companies and found that the positive relationship suggests that the investors do take into consideration the firm's CSR activities when they take their decisions.

Moreover, Reverte (2016) found that CSR disclosures have a direct and indirect impact on stock prices, as he stated that companies with higher disclosures have higher market valuation. The higher valuation reflects that CSR disclosures provide more information which allows investors to make better assessment of the risks related to the firm or any future liabilities that may occur.

Furthermore, Mohammadi and Saeidi (2022) argued that CSR activities enhance the quality and transparency of information, and decreases information asymmetry by developing an appropriate ethical image for the firm and increases the efficiency of investing in stocks. They found that the willingness of companies to commit to all aspects of CSR has a significant effect on performance and consequently on stock prices and returns. "In fact, it encourages a for-profit entity to improve the environment, use lower energy and manage wastes and so on" (Mohammadi and Saeidi, 2022).

Finally, the positive relationship between CSR and market value supports the stakeholder theory as firms valued stakeholder and community rights, investors will be more encouraged to invest in the company portfolio leading to the improved firm's market value (Halim and Animah, 2023). Hence, as investors pay a lot of attention to financial performance, managers can make their firm attractive to prospective investors by employing effective CSR activities, which can improve the market value. Therefore, market value is one of the

consequences of CSR disclosure in the Jordanian market.

4.3.3. Robustness Check

An additional analysis of the relationship between corporate social responsibility disclosure and company's performance is performed using Tobin's Q as an alternative measurement of firm's financial performance. The analysis has shown a result that is consistent with previously reported results. Which is a positive and significant relationship between CSRD extent and quality and company's performance (measured by Tobin's Q). In addition, both robust and the original measurement yield results are consistent with the regression results (univariate and multivariate). To that end, CSRD extent and quality are found to have a positive and significant impact on company's financial performance in both measurements (ROA and Tobin's Q), which indicates the importance of CSR disclosure in improving company's performance and that our result can be seen as robust and reliable.

5. DISCUSSION AND CONCLUSION

The purpose of this study is to examine the relationship between CSR extent and quality on the company's financial performance and market value for Jordanian companies over a six-year period (2015-2020). The results of the descriptive analysis show an improvement in both, extent and quality of CSRD for Jordanian companies. The average extent of CSRD was 62.3%, while the average quality of CSRD was 3.153, which in terms of percentage equates 52.5%. Overall, the results show an improvement in both, extent and quality of CSRD for Jordanian companies. One of the justifications for such an improvement is the role of mandating many items to be disclosed based on the latest regulations in Jordan (i.e. Securities Law No. 76).

"Such results signify the essentiality behind the mandatory requirements for CSR, as they largely influence the extent and quality of CSR for Jordanian companies" (Omar and Alkayed, 2021).

In addition, the findings of univariate and multivariate analysis show that there is significant positive relationship between both extent and quality of CSR disclosure and financial performance (measured by ROA). The results support stakeholder's theory as companies seek to build reputation through CSR activities. Hence, Consequently, CSR enhances companies' performance by improving the firm's image and strengthening the relationship with the stakeholders (Ikram et al., 2023). Moreover, signalling theory

supports this result as distinguished companies seek to recognize themselves by CSR activities which affect positively on their performance. "Companies with high profitability is foreseen as one with a good future" (Halim and Animah, 2023).

Moreover, the findings of univariate and multivariate analysis show that there is significant positive relationship between both extent and quality of CSR disclosure and market value (market capitalization). In accordance to stakeholder's theory, shareholders employ CSR activities as a source of information and consequently, the stock's price increase.

"CSR disclosure cause to disseminate information influencing the market and gain investors' confidence in R&D projects by improving the social and technical image of the company, so firm value and stock return increase" (Mohammadi and Saeidi ,2022).

Furthermore, Harun (at al. 2020) argues that signalling theory is linked to CSR determinants which leads to improved market value. CSR send signals to the market which expect to improve the firm's net present value and hence, the stock market value. "Managers are also advised to use the CSR mechanism optimally to avoid additional costs to improve the firm's performance and consequently, market value-added" (Mohammadi and Saeidi, 2022).

Finally, the findings of this study provide social, cultural and practical implications for investors, regulators and managers. In regards the societal and cultural effect, CSR plays a vital role in the company's culture as it forms the believes, the values and the activities that the company practice (Ben Saad and Belkacem ,2022). Integrating CSR in the company's values promotes a culture of integrity, fairness and transparency. Hence, ethical culture would be adopted, and ethical violations could be prevented. Moreover, prioritizing CSR activities, could stablish employee, customer and community loyalty as the company will set a foundation for an ethical environment which will not achieve financial success, but will also lead a sustainable business in the larger community (Al-Shammari et al., 2022).

For investors, companies who improve their CSR activities, could affect positively their market value. (Alkayed and Omar, 2023). Hence, enhanced CSR provides investors with the appropriate mechanism to discipline the market more effectively.

"We recommend the investors integrate CSR in their investment choice. To ensure greater cost-effectiveness" (Ben Saad and Belkacem ,2022). Furthermore, the investors could take into

consideration the social activities (i.e community rights, environment protection activities...) of the firms as it affects their profitability and market's value. Thus, the investment's decision would be favourable for social-oriented firms rather than others (Ben Saad and Belkacem ,2022).

When it comes to regulators, they should pay attention to the recent changes in the business environments and amend the legislations. This could lead to an enhanced disclosure of CSR activities as a prompt reply for such changes (Zaid et al., 2019). In Jordan, regulators could formulate some articles in an easier and traceable format "Indeed, the increase in CSR extent and quality for the post-regulations period would increase the need to organize mandatory requirements in CSR" (Omar and Alkayed, 2021). Hence, Alkayed and Omar (2023) argue that regulators need to issue new requirements for companies to provide CSR reports. These reports could enhance the quality of CSR by illustrating such activities using images, charts and pictures. Ban Saad and Belkacem (2022) discussed that regulators could form an independent committee to ensure implementation of CSR activities. Moreover, Sharma and Aggarwal (2021) discussed that government could provide incentives for CSR activities by making such expenditures tax deductible.

Finally, managers should select the CSR activities which its benefit will exceed its cost (Omar and Zallom, 2016). "Such beneficial CSR projects, when aligned with company policies and programs, can improve their financial performance in future" (Sekhon and Kathuria, 2020). In addition, Al-Shammari et al. (2022) argued that meeting CSR expectations would impact positively the financial performance and hence managers could be compensated.

"It becomes largely important to behave ethically and implement social practices across firms. Managerial efforts lead to improve financial performance and corporate reputation". (Chakroun and Ben Amer, 2022).

6. LIMITATIONS AND FUTURE RESEARCH

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The study has some limitations which opens the avenue for future research. Firstly, the sample included companies from two main sectors, the services and industrial sectors, and ignored the financial sector since they have their own laws and regulations from the central bank regarding their disclosures. Further research could investigate the financial sector and others (eg, real estate) and compare it to the industrial and services sector in Jordan.

Secondly, only annual reports were used as a source of CSR activities which could limit the research's results. Future research could use company's websites and other environmental reports (e.g., sustainability reports) which focus more on social activities for Jordanian companies.

Thirdly, the study adopted a pure quantitative method; however, using triangulation methods such as interviews can improve our results. Conducting structured or semi-structured interviews with different user, specifically managers could provide better insights about the effect of CSR activities on the company's performance.

Fourthly, the study used only 2 measures for financial performance: ROA and market capitalization which could limit the conclusion about the relationship between CSR and market value. Additional financial performance measures could be used in further studies, including ratios and performance appraisal techniques and comparison of the outcomes made to further extend this relationship.

Finally, future research could be conducted about CSR quantity and quality before and after Covid-19 pandemic. It could be linked to how the relationship between the CSR and financial performance is compared before and after the pandemic. In addition, future research can investigate the opposite direction of the variables effect, for example: the effect of market value and financial performance on CSR, and test whether firms with high value and better performance disclose more CSR information.

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