International Journal of Innovation, Creativity and Change. www.ijicc.net
Volume 15, Issue 7, 2021

Impact of Accounting Disclosure of Social Responsibility on Market Performance for Banks

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The study aimed to figure out the impact of accounting disclosure of social responsibility on market performance of the commercial and Islamic banking sector listed in the ASE for the period 2014-2018. The study adopted the descriptive analysis approach using the content analysis of annual reports of fifteen banks through an index consisting of four dimensions (environmental protection, human resources, interaction with the community, and services provided to customers). Two main indicators were adopted to measure market performance: Stock turnover, and the Tobin's Q. Multiple linear regression analysis was applied to test the study hypotheses. The study's results showed that the level of the disclosure of social responsibility was 57.24%, which is an indication that the banks - in general - disclose social responsibility in its dimensions. Commercial banks have a greater disclosure, whereas Islamic banks were less dispersed. Results also revealed a significant impact of the disclosure on the market performance of these banks. In light of these results, the study recommended banks to increase their interest in the disclosure of that activities related to social responsibility, as this improves the positive mental image of these banks, thereby increasing their market performance.

Keywords: *Accounting Disclosure, Social Responsibility, Market Performance*

Introduction

The banking sector has an important role in supporting economic activity in the country. With the successive developments of the economic activity, commercial banks have emerged, providing their services to multiple sectors of society. The activity of the Islamic banks took place on special legitimate, which led to the development of the performance of the banks in Jordan. Whether commercial or Islamic, both are considered the main components of the financial sector in Jordan (https://ww.cbj.gov.jo).

Due to the rise in the role of banks in providing services to society, the importance of the disclosure of additional non-financial information by the banks in their annual reports has become evident, especially information that is related to social responsibility because of the importance of the social role provided by these banks. This kind of disclosure will add a competitive advantage that might be reflected in the trends of the customers by increasing the market share. Al-Da'our, Zamlout and Abu Ghaben (2016) found that the banks have formed a mental image among civil society organisations and there is a reasonable degree of commitment by the banks in the field of social responsibility which affected their competitive position. Also, Quraishi (2014), which was conducted in Algeria, concluded that the social and environmental responsibility in the banks has become an approach imposed by the current changes related to the culture of the society and the intensity of competition.

Thus, the problem of the study is to investigate the effect of the Jordanian banks' disclosure of social responsibility with each dimension (environmental protection, human resources, interaction with the community, and the services provided to customers) on their market performance.

Study Hypotheses

A main hypothesis was formulated as follows:

Ho1: There is no statistically significant impact at sig. $\alpha \leq 0.05$ for accounting disclosure of social responsibility with its dimensions (environmental protection, human resources, interaction with community and services provided to customers) on market performance of Jordanian commercial and Islamic banks listed in the ASE.

It has two following sub-hypotheses:

Ho1-1: There is no statistically significant impact at sig. $\alpha \leq 0.05$ for accounting disclosure of social responsibility on stock turnover of Jordanian commercial and Islamic banks listed in the ASE.

Ho1-2: There is no statistically significant impact at sig. $\alpha \leq 0.05$ for accounting disclosure of social responsibility on Tobin's Q ratio of Jordanian commercial and Islamic banks listed in the ASE.

Related Studies

Several studies examined various aspects of the disclosure of social responsibility including those applied in the local community in Jordan. Al-Nuaimat and al-Sufi (2011) found that the Jordanian commercial banks are committed to applying socially responsible accounting. Bashatweh, & AlMomani (2020) found that the disclosure of the environmental, social and economic dimension had an impact on the going concern of the Arab Bank. Al-Zyoud (2013) also concluded that the banks assume their social responsibility in relation to the local community which is included in their plans and policies to achieve sustainable development. However, it was found that there are shortcomings in relation to the expenditure on the employees where there is no sufficient attention to train them and develop their skills.

However, the studies that examined the Islamic banks have various results: Al-Ani (2017) found that the Islamic Bank of Jordan is committed to being socially responsible towards the community through providing the Qard Al-Hasan 'good loan', increasing mutual insurance fund allocations, and supporting the educational institutions, poor groups, professionals and craftsmen, and small entrepreneurs. Also, Al-Nabulsi, Al-Hanini and Al-Dabai (2018) examined the impact of the disclosure of social responsibility on achieving the competitive advantage of the Islamic banks and found an impact for the disclosure of social responsibility through the variables of: employees, customer protection, environment, and society, on achieving a competitive advantage among the Islamic banks in Jordan.

Other studies that have been applied in different environments include Abed (2018) from Palestine, which examined the impact of the financial performance of the banks and their market value on social responsibility in the banks listed in the Palestine Stock Exchange. It found an impact for the return on equity on social responsibility, while there was no effect for the market value indicators on social responsibility. Quraishi (2014) from Algeria concluded that social and environmental responsibility through its four dimensions: the environment, employees, shareholders, and customers in the Algerian banks have become an essential approach imposed by the current changes related to the culture of society and the intensity of competition. Al-Zahim (2015) from Iraq linked some internal governance mechanisms consisting of: the Board of Directors, the ratio of the administrative ownership, and the ownership concentration to the social costs of the Iraqi banks. The results showed a significant impact on the growth rate of the social costs of the banks.

Regarding studies outside Arab countries, Botshabelo (2017) indicated that the majority of the banks in the Republic of Botswana are widely involved in societal activities and human resource activities. However, Lipunga (2013) in the Republic of Malawi showed that the banks focused more on disclosing community-related activities, while the least focus was on environmental activities.

In terms of the relationship of the disclosure of social responsibility and performance, Lenka & Jiri (2014) found a medium impact for social responsibility on the Czech banks while Balagobei & Anandasayanan (2018) found that there is no impact for social responsibility of the banks in Sri Lanka on their performance. Klerk, Villiers & Staden (2015) found that the stock prices are positively linked to an increase in the volume of the disclosure of social responsibility among British banks.

This study focused on measuring the disclosure of social responsibility with four dimensions (environmental protection, human resources, interaction with community, and services provided to customers) on market performance of the banking sector in Jordan, which is represented by the commercial and Islamic banks through a set of performance measures.

Methodology

The study population consists of all Jordanian commercial and Islamic banks listed in the ASE, the study sample consisted of 15 banks, for the period 2014-2018.

Variables measured as follows:

1. The independent variable is the disclosure of social responsibility.

This study adopted the content analysis method to measure the degree of the disclosure of social responsibility in the accounting reports of the examined banks. The disclosure of each type of social responsibility towards environmental protection, human resources, interaction with the community, and services provided to customers.

2. Market performance is the dependent variable measured by the following indicators:

• Stock Turnover = number of shares traded ÷ number of shares subscribed and issued
• Tobin's Q ratio = the bank's market value ÷ assets' book value

Several statistical methods were used; multiple linear regression analysis was applied to test the study hypotheses through the E-views program and descriptive statistics of stock turnover, and Tobin's Q was conducted to measure the dependent variable: market performance, correlation matrix between independent variables was conducted, and variance inflation factor (VIF) was calculated to confirm the results.

Results

This section shows the results of statistical analysis of independent and dependent variables of the study sample.

Dependent variables

The results of the market performance indicators were as follows:

1- Stock turnover

Table 1 shows the results of the descriptive statistics for the stock turnover.

Table (1) Descriptive statistics of the stock turnover in the commercial and Islamic banks

Sector	Minimum value	Maximum value	Mean	Std
Commercial banks	0.10	52.58	6.56	9.40
Islamic banks	3.55	79.28	15.82	23.39
Total Scale	0.10	79.28	7.79	12.38

Table 1 shows that the mean of stock turnover was 7.79 by a standard deviation of 12.38. The mean in the commercial banks was 6.56 and that of the Islamic banks was 15.82. The highest value was 79.28 for the Islamic banks, while the lowest value was 0.10 for the commercial banks. The values show that stock turnover in the Islamic banks was higher than commercial banks, but with a higher standard deviation than commercial banks.

2- Tobin's Q ratio

Table 2 shows the results of the Tobin's Q descriptive statistics

Table (2) Tobin's Q descriptive statistics in the commercial and Islamic banks (million JD)

Sector	Minimum value	Maximum value	Mean	Std
Commercial banks	5.87	32.37	13.67	6.40
Islamic banks	9.99	15.60	13.65	1.64
Total Scale	5.87	32.37	13.67	5.80

Table 2 shows that the mean of the Tobin's Q was 13.67%, with a standard deviation of 5.80% while the mean in the commercial banks was 13.67% while it was 13.65% for the Islamic banks. The highest value was 32.37% for the commercial banks, and the lowest value was 5.87% for the commercial banks. The values show a convergence in the Tobin's Q ratio between the Islamic banks and the commercial banks. While a standard deviation is more dispersed among commercial banks than Islamic banks.

Independent variables

The results of disclosure towards social responsibility were as follows:

Table (3) Descriptive Statistics for the disclosure towards social responsibility in commercial and Islamic banks

Independent variables	Sector	Minimum value	Maximum value	Mean	Std
Social responsibility	Commercial banks	0.00	82.14	58.35	19.20
	Islamic banks	46.43	53.57	50.00	2.38
	Total Scale	0.00	82.14	57.24	18.11

Table 3 shows that the mean for the disclosure of all social responsibility items was 57.24%, with a standard deviation of 18.11%. The mean in the commercial banks was 58.35%, and that of the Islamic banks was 50.00%. The highest value was 82.14% for the commercial banks, and the lowest value was 0.00% for the commercial banks too.

The values show that the level of social responsibility disclosure in the commercial banks was greater than Islamic banks. On the other hand, there is more convergence among Islamic banks than commercial banks.

Correlation Matrix

The correlation coefficient is used to measure the relationship between two variables, and to test the presence of multicollinearity in the study model. The correlation coefficient for the data of the banks in general and for each group of banks, was calculated as follows:

Table (4) Correlation matrix among independent variables for all banks

No.	Variable	1	2	3	4
1	Disclosure towards environmental protection	1.00			
2	Disclosure towards human resources	0.326	1.00		
3	Disclosure towards interaction with community	-0.326	-0.586	1.00	
4	Disclosure towards services provided to customers	0.127	0.196	0.002	1.00

Significant at sig. ($\alpha \leq 0.05$)

Table 4 indicates that the highest value of the correlation coefficient was -0.586, which indicates a significant negative relationship between the disclosure towards human resources and the disclosure towards interaction with community.

Table (5) Correlation matrix link among the independent variables in the commercial banks

No	Variable	1	2	3	4
1	Disclosure towards environmental protection	1.00			
2	Disclosure towards human resources	0.436	1.00		
3	Disclosure towards interaction with community	-0.468	-0.581	1.00	
4	Disclosure towards services provided to customers	0.187	0.527	-0.358	1.00

Significant at sig. ($\alpha \leq 0.05$)

Table 5 indicates that the highest value of the correlation coefficient was -0.581, which indicates a significant negative relationship between the disclosure towards human resources and the disclosure towards interaction with community.

Table (6) Correlation matrix link among the independent variables in the Islamic banks

No	Variable	1	2	3	4
1	Disclosure towards environmental protection	1.00			
2	Disclosure towards human resources	-0.333	1.00		
3	Disclosure towards interaction with community	-0.001	-0.201	1.00	
4	Disclosure towards services provided to customers	-0.775	0.430	-0.389	1.00

Significant at sig. ($\alpha \leq 0.05$)

Table 6 indicates that the highest value of the correlation coefficient was -0.775, which indicates a significant negative relationship between the disclosure towards environmental protection and the disclosure towards the services provided to customers.

To confirm the previous results, the Variance Inflation Factor (VIF) was calculated for all the banks and for the commercial banks and Islamic banks separately.

Table (7) VIF Values

Variable	Commercial banks	Islamic banks	All banks
Disclosure towards environmental protection	1.359	3.417	1.166
Disclosure towards human resources	1.946	1.230	1.655
Disclosure towards interaction with community	1.667	1.613	1.615
Disclosure towards services provided to customers	1.402	4.200	1.073

Table 7 shows that the VIF for all the variables for all banks was greater than the number (1) and less than the number (10). This confirms that the data has no multiple linear link (Gujarati, 2004).

Hypotheses' Testing

This part of the analysis presents the results of testing the hypotheses as follows:

HO1-1: There is no statistically significant impact at sig. $\alpha \leq 0.05$ for accounting disclosure of social responsibility on stock turnover of Jordanian commercial and Islamic banks listed in ASE.

Table (8): Results of testing the impact of accounting disclosure dimensions of social responsibility on stock turnover rate of Jordanian commercial and Islamic banks

Dependent variable	Model summary		ANOVA		Coefficients table				
	R^2	Adj.R^2	F	Sig F*	Independent variable	B	Std-Error	T	Sig t *
Stock turnover	0.168	0.124	3.784	0.007	Environmental protection	0.121	0.021	5.658	0.000
					Human resources	0.185	0.043	4.313	0.000
					Interaction with community	0.064	0.020	3.210	0.002
					Services provided to customers	0.024	0.009	2.626	0.011
					Steady regression	12.751	3.297	3.867	0.000

Statistically significant at sig. $\alpha \leq 0.05$

Table 8 shows that the impact of the independent variables accounting disclosure's dimensions of social responsibility on the dependent variable stock turnover rate is statistically significant. F value was 3.784 at Sig=0.007 which is below 0.05. R^2=0.168 which indicates that 16.8% of the variance in the stock turnover rate can be explained by the variance in the accounting disclosure dimensions of social responsibility.

The coefficients table showed that the impact of all the accounting disclosure dimensions is significant.

Based on the above, we reject the first sub-hypothesis of the main hypothesis and accept the alternative hypothesis: There is a statistically significant impact at sig. $\alpha \leq 0.05$ for accounting disclosure of social responsibility on stock turnover rate of Jordanian commercial and Islamic banks listed in ASE.

HO1-2: There is no statistically significant impact at sig. α ≤ 0.05 for accounting disclosure of social responsibility on Tobin's Q ratio of Jordanian commercial and Islamic banks listed in ASE.

Table (9): Results of testing the impact of accounting disclosure dimensions of social responsibility on the Tobin's Q ratio of Jordanian commercial and Islamic banks

Dependent variable	Model summary		ANOVA		Coefficients table				
	R^2	Adj.R^2	F	Sig F*	Independent variable	B	Std-Error	T	Sig t*
Tobin's Q	0.706	0.690	44.976	0.000	Environmental protection	0.017	0.014	1.209	0.231
					Human resources	0.016	0.018	0.861	0.392
					Interaction with community	0.105	0.006	18.158	0.000
					ervices provided to customers	0.032	0.003	9.847	0.000
					Steady regression	18.447	0.673	27.427	0.000

Statistically significant at sig. α≤0.05

The results of Table 9 indicate that the impact of the accounting disclosure dimensions of social responsibility on Tobin's Q ratio is statistically significant, with the calculated Value F of 44.976 at Sig = 0.000 which is below 0.05. R^2 = 0.706. This means 70.6% of the variance in Tobin's Q ratio can be explained by the variance in the accounting disclosure dimensions of social responsibility.

The coefficients table showed that the value of B at the disclosure towards environmental protection was 0.017 and its T value was 1.209 at Sig = 0.231, indicating that the impact of this dimension was not significant. The value of B at the human resources disclosure was 0.016 and its T value was 0.861 at Sig = 0.392, indicating that the impact of this dimension is not significant. The value of B at the disclosure of the interaction with the community was 0.105 and its T value was 18.158 at Sig =0.000. This result reveals that the impact of this dimension is significant. The value of B at the disclosure of the services provided to customers was 0.032 and its T value was 9.847 at Sig = 0.000, indicating that the impact of this dimension is significant.

Based on these results, we reject the second sub-hypothesis and accept the alternative one:

There is a statistically significant impact at sig. $\alpha \leq 0.05$ for accounting disclosure of social responsibility in its dimensions on Tobin's Q for Jordanian commercial and Islamic banks listed in ASE.

Conclusions

Based on the analysis of the study data and the hypotheses' testing, we found that:

- The stock turnover values of Islamic banks are higher than commercial banks, despite a higher standard deviation of Islamic banks than commercial banks. These results reflect increasing demand for Islamic bank's shares compared to that of commercial banks.

- The values show a convergence in the Tobin's Q ratio between Islamic and commercial banks. These results indicated that Jordanian banks, in general, are achieving an increase in the market values compared to book values. However, Islamic banks have shown a greater convergence than commercial banks.

- Results reveal that Jordanian banks disclose social responsibility with their dimensions. It is also evident that the disclosure level of commercial banks is greater than Islamic banks. Despite this result, Islamic banks have higher convergent rates.

- The results of testing the main hypothesis showed a statistically significant impact for the level of disclosure of social responsibility dimensions on the market performance indicators for commercial and Islamic banks. The impact of disclosure of social responsibility dimensions has varied with the different market performance index.

The first sub-hypothesis showed that the significant impact on stock turnover was evident in all the dimensions: the disclosure of environmental protection, human resources, interaction with community and the services provided to the customers.

The second sub-hypothesis showed that the significant impact on Tobin's Q ratio was for the disclosure related to the interaction with community and to the services provided to the customers.

These results are consistent with Al-Nuaimat and Sophie (2011) which concluded that the Jordanian commercial banks are committed to applying socially responsible accounting, and with Al-Zyoud (2013) which concluded that the banks are committed to their social responsibility in terms of the local community to achieve sustainable development. This conclusion is also consistent with the results of Lipunga (2013) which concluded that the commercial banks focus more on detecting the activities related to the community followed by customer activities. While Al-Ani (2017) concluded that the Islamic Bank of Jordan is keen to enhance social responsibility at all levels.

Recommendations

Based on the findings, the study recommends:

- The commercial and Islamic banks should increase the disclosure rate of the activities related to the dimensions of the social responsibility, in order to highlight the extent of its commitment towards all stakeholders, including human resources, customers, community and environment, thus enhancing the positive mental image of banks, improving their reputation, thereby increasing demand for their shares and maximising the banks value.

- Banks should monitor market reactions toward their commitment to social responsibility in order to improve and enhance their performance.

- When making investment decisions, investors should take into consideration the extent of banks' disclosure of social responsibility

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