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How corporate social responsibility reporting affects financial performance? Evidence from Saudi Arabia

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Abstract

This study examines the relationship between CSR disclosures and the performance of Saudi Arabian companies. It analyzes the annual financial reports of 90 non financial companies listed on the Saudi Stock Exchange (Tadawul) from 2019 to 2023. Using content analysis software, the study evaluates the quality of financial reports and identifies the extent of philanthropic, environmental, and social related disclosures. Subsequently, the impact of philanthropic, environmental, and social disclosures on key performance indicators, such as return on assets (ROA) and return on equity (ROE), is assessed. A CSR disclosure list was developed through a principal content analysis of the annual financial reports. The findings reveal a significant positive relationship between CSR disclosure and corporate performance metrics across all models. These results align with stakeholder and signaling theories, suggesting that robust CSR practices enhance financial performance and serve as credible signals to stakeholders. Notably, sector specific variations were identified, with non manufacturing firms exhibiting stronger positive correlations between CSR disclosures and performance measures compared to manufacturing firms. Additionally, firm characteristics such as size were found to significantly influence the CSR performance relationship. This research contributes to the expanding body of literature on CSR and corporate performance in emerging markets. It offers valuable insights for policymakers, investors, and corporate leaders navigating the evolving sustainable business landscape in Saudi Arabia. The findings

underscore the pivotal role of CSR disclosure in fostering sustainable and responsible business practices in the region.

Keywords: Corporate Social Responsibility, Disclosure, Philanthropic, Social, Environmental, Financial Performance.

OVERVIEW OF CSR DISCLOSURES PRACTICES

Corporate Social Responsibility (CSR) has emerged as a cornerstone of modern business practices worldwide, emphasizing the integration of social and environmental considerations into corporate strategies. Scholars such as Carroll (1991) and Porter and Kramer (2006) have argued that CSR is not merely a moral obligation but a strategic tool that can enhance brand reputation, foster customer loyalty, improve employee engagement, and drive long-term profitability. Numerous studies, including those by Margolis and Walsh (2003) and Orlitzky et al. (2003), have demonstrated a positive correlation between CSR and financial performance, reinforcing the notion that socially responsible practices can lead to competitive advantages in both developed and emerging markets. Globally, the increasing urgency to address challenges such as climate change, social inequality, and resource scarcity has amplified the relevance of CSR. Companies are now expected to align their operations with sustainable development goals while meeting the expectations of stakeholders, including investors, consumers, and regulators. This trend has led to a broader recognition of CSR's potential to drive financial performance while fostering resilience and innovation.

In this context, Saudi Arabia presents a unique environment for examining the relationship between CSR and financial performance. As the Kingdom implements its Vision 2030 agenda, aimed at economic diversification and sustainable development, Saudi businesses are increasingly adopting CSR frameworks inspired by global best practices. Researchers such as Alotaibi and Hussainey (2016) have explored the evolving role of CSR in the Saudi context, noting how cultural, economic, and regulatory factors shape its adoption and impact.

This introduction examines the interplay between CSR and financial performance in Saudi Arabia, providing insights into how organizations can leverage responsible disclosure practices to achieve both economic and societal goals.

Scope and Objectives of the Paper

This paper examines how CSR disclosure practices affect financial performance in Saudi Arabia by exploring the intricate connection between responsible disclosure practices and financial performance. It provides an in-depth analysis of the philanthropic, environmental and social disclosure practices unique to the Saudi context, which influence the non financial companies' financial performances.

This study addresses the critical question of whether CSR disclosure lead to measurable financial benefits or if they represent a cost that companies in Saudi Arabia must bear due to regulatory and societal pressures. This problematic reflects the global debate surrounding the true value of CSR, particularly in emerging economies where resources are often directed toward rapid development.

The scope of the article is deliberately broad, encompassing a variety of non financial companies operating in diverse sectors and of various sizes in a developing country adhering to global trends of sustainability and social responsibility. This approach allows for a comprehensive analysis of the subject, capturing perspectives from both emerging and developed markets.

This paper has three main objectives:

- To investigate the effect of (CSR) practices on two key measures of financial performance which are Return on Assets (ROA) and Return on Equity (ROE).
- To disaggregate CSR into three distinct dimensions which are philanthropic, environmental, and social practices.

- To identify which specific dimensions contribute most significantly to improving financial outcomes.

By achieving these objectives, this analytical approach provides a robust framework for examining whether philanthropic, environmental or social disclosure practices drive measurable financial gains. The findings of this research will offer valuable insights for policymakers and corporate leaders aiming to align CSR strategies with financial and strategic goals. By bridging the gap between CSR practices and financial performance, this study will contribute to a deeper understanding of how businesses can effectively integrate sustainability and social responsibility into their growth models to achieve long-term profitability and stakeholder satisfaction.

THEORITICAL FRAMEWORKS

Theoretical Foundations regarding the Benefits of CSR Disclosure

Stakeholder Theory, introduced by Freeman (1984), emphasizes that businesses must manage relationships with a diverse range of stakeholders, such as employees, customers, communities, and regulators, to maintain legitimacy and achieve long-term success. This theory supports CSR activities in three key areas: philanthropic, social, and environmental. Philanthropic CSR, involving donations and community engagement, helps meet societal expectations and enhance reputation. Social CSR, focusing on fair labor practices, diversity, and customer welfare, addresses stakeholder needs and strengthens internal and external relationships. Environmental CSR, aimed at reducing carbon footprints and adopting sustainable practices, ensures alignment with environmentally conscious stakeholders and regulatory requirements. By addressing these areas, businesses foster trust and ensure sustainable success.

Similarly, Agency Theory, Jensen & Meckling (1976) suggests that CSR disclosure helps reduce information asymmetry between managers and stakeholders, enhancing transparency regarding philanthropic, social, and environmental actions. Philanthropic CSR disclosures, such as charitable donations, signal a commitment to societal well-being, building trust. Social CSR, including reports on labor practices and diversity policies, reassures stakeholders about the company's ethical conduct, safeguarding its reputation. Environmental CSR, with disclosures on carbon emissions and sustainable initiatives, aligns with global environmental goals, attracting conscious stakeholders and mitigating regulatory risks.

Signal Theory, Spence (1973) further reinforces this idea, proposing that CSR disclosures act as signals of a company's ethical values. Philanthropic CSR signals altruism, social CSR demonstrates commitment to equity, and environmental CSR showcases environmental stewardship. These disclosures build credibility, strengthen relationships with stakeholders, and ensure long-term support, fostering transparency and accountability in corporate practices.

Corporate Social Responsibility (CSR) has indeed become a crucial focus for investors, and the debate around mandating CSR disclosure for listed companies is gaining traction. This discussion is significant as it raises essential questions about the influence of transparency and ethical practices on a company's core operations and its stock market performance. Proponents of mandatory CSR disclosure argue that it enhances corporate transparency, reduces information asymmetry, and strengthens firms' reputations. These advantages can lead to lower financing costs, mitigate agency conflicts, and boost customer satisfaction, as highlighted by Zhiyan et al. (2024). Increasingly, CSR reporting frameworks are converging with ESG metrics, making it easier for stakeholders to assess non financial performance. Reports often align with standards like the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and Task Force on Climate Financial Disclosures (TCFD). Recent reports highlight the growing importance of Corporate Social Responsibility (CSR) disclosure. According to KPMG's 2022 Global Survey, over 80% of companies now report on sustainability, with a significant rise in climate related disclosures driven by new regulations in Europe and North America.

Deloitte's 2023¹ Report emphasizes that companies are increasingly aligning their CSR disclosures with the United Nations' Sustainable Development Goals (SDGs), particularly in areas such as climate action and social equality. Additionally, McKinsey's 2024 Study² shows that investors are using CSR disclosures as part of risk assessments, with a focus on sectors like energy and finance. The Global Reporting Initiative (GRI) which established in 1997 through a collaboration between the United Nations Environment Program (UNEP) and the Coalition for Environmentally Responsible Economies (CERES), promotes accountability by ensuring organizations disclose their environmental, social, and governance (ESG) impacts and report on their sustainability practices in a transparent and comparable way through reports and other communication channels like websites or press releases.

In Saudi Arabia, CSR standards are evolving in line with the country's Vision 2030, which promotes sustainability and social responsibility. While comprehensive CSR disclosure is not yet mandatory for all companies, publicly listed firms on the Saudi Exchange (Tadawul) are encouraged to include CSR in their reports, and financial institutions are subject to certain CSR regulations by the Saudi Arabian Monetary Authority (SAMA). Larger companies, particularly those with international ties, often follow global CSR frameworks such as the Global Reporting Initiative (GRI) and the UN Sustainable Development Goals (SDGs), Qasem et al. (2024).

Evidence on the relation between CSR and Financial Performance

The evidence on the relevance of CSR disclosure in predicting financial performance has rapidly accumulated over the last decade, with recent studies investigating the moderating role that a company's attitude toward CSR can have on this relationship, Candio (2024). In fact, the pioneering study on this relationship, namely the study by Moskowitz (1972), assured investors of the considerable importance of following in their investment policies the securities relating to companies behaving in a socially responsible manner. As such, CSR has become a fundamental element of business strategy, with existing evidence indicating that the financial markets tend to respond to CSR initiatives, Orazalin et al. (2023). In addition, Ang et al. (2022) states that, according to Stakeholder theory, the basic mode of enterprise development in modern market economy is to maintain long-term cooperation between enterprises and various stakeholders by signing a series of contracts, Yoon and Chung (2018).

Regarding the previous results, Ben Lahouel et al. (2020) confirm a positive relationship between Corporate Social responsibility disclosure and Corporate Financial Performance. Thus, the results of Rhou et al. (2016) support the notion that stakeholders' CSR awareness affects the manner in which CSR initiatives can result in financial gain. In addition, Maome and Zondo (2024) found that CSR can boost financial performance by minimizing business risks and compliance expenses, which leads to increased profitability and lower production costs. Any rise in profitability boosts the organization's financial performance, while any drop in production costs improves the company's financial performance.

At this level, we can conclude that the best performing companies in terms of CSR will be considered by investors as less risky and more financially efficient. This will have a direct positive impact on the financial value of the company. For the present study, we try to approve that a strong social commitment with a CSR disclosure policy is a guarantee of present and potential financial performance. Our study focuses on the Saudi context and, more precisely, Saudi listed companies. So, we opt for the reformulation of our main research hypothesis: The practice of CSR disclosure has a positive influence on financial performance in Saudi listed companies. This study breaks the Hypothesis above further down into three sup-hypotheses:

H1: The practice of philanthropic disclosure has a positive influence on financial performance in Saudi listed companies.

¹ Deloitte. (2023). *Sustainability and climate action: 2023 report*.

² McKinsey & Company. (2024). *ESG reporting and investor focus: 2024 insights*.

H2: The practice of environmental disclosure has a positive influence on financial performance in Saudi listed companies.

H3: The practice of social disclosure has a positive influence on financial performance in Saudi listed companies.

METHODOLOGY

The research design comprises two main steps: (1) a content analysis to examine the depth of CSR annual reports and (2) a descriptive analysis to evaluate the relationship between the quality of annual reports and financial performance of Saudi listed companies in Tadawul. The study employs a literature-based data collection method, with data sourced from publicly annual reports accessible online platforms. This study encompasses annual reports of 90 publicly listed Saudi firms on Tadawul over the period from 2019 to 2023, aiming to conduct a comprehensive content analysis across sectors using a quantitative content analysis methodology. However, the original PDF format of many reports posed readability and analysis challenges due to varying quality levels, making direct examination difficult. To address these challenges, we employed Atlas.ti software, a widely used method that converts printed or handwritten text within images into machine readable text data. Atlas.ti software facilitated the transformation of PDF reports into clear, searchable documents, suitable for a detailed content analysis approach. This conversion process was both meticulous and time intensive, requiring a minimum of 35 minutes per report to ensure readability and accuracy. After an exhaustive application of Atlas.ti, all 450 annual reports were successfully processed into high quality, readable text documents, laying the groundwork for robust sectorial analysis. The table 1 presents the breakdown of sectors, and the number of companies included in our dataset, reflecting the comprehensive nature of the study.

Table 1

Company's Sectors

Sector	Number of companies
Consumer discretionary	25
Industry	17
Energy	5
Materials	43
Total	90

Variable Measurement

Our variables include the quality of CSR, assessed through three components: philanthropic, environmental, and social items along with two financial performance metrics, ROA and ROE, and two control variables: company size and sector.

Quality of CSR Measure

The quality of CSR annual reports was assessed using three measurement indicators, adapted from the stakeholder, agency and signal approaches. These indicators include philanthropic, environmental and social items, specifically focusing on depth and outlook. This section explains the measurement of Corporate Social Responsibility (CSR) disclosures using content analysis of annual reports and corporate statements. Content analysis, widely used in prior research, systematically categorizes CSR information by counting CSR related sentences. Annual reports, as accessible and vital communication tools, provide a reliable basis for this method, ensuring consistent and structured measurement. In the current study, we relied on a set of 90 terms adopted in previous related studies on CSR activity disclosures. These terms were categorized into three groups based on the variables used in the study: philanthropic (24 words), environmental (30 words), and social (36 words). A detailed list of these terms is provided in Table 1 of the attachments. The Atlas software facilitated the evaluation of 90 CSR disclosure word sentences, enabling a detailed observation of disclosure frequency across the sample. The findings reveal that using ATLAS.ti significantly expedited and enhanced the

robustness of the analysis compared to manual methods. Additionally, the software contributed to producing more consistent and coherent results, underscoring its utility in qualitative content analysis. This, significantly, simplified our process of preparing the measurement of this variable and advancing to the regression analysis.

Financial Performance Measure

This section outlines a framework for measuring a firm's financial performance using return on assets (ROA) and return on equity (ROE). Previous studies by Berman et al. (1999) and McGuire et al. (1988a) support ROA as a reliable metric for financial performance.

The formula for Return on Assets (ROA) is:

$$\text{ROA} = \text{Net Income} / \text{Total Assets} \times 100 \quad (1)$$

Where:

- Net Income: The profit after taxes and all expenses.
- Total Assets: The company's assets during a specific period,

ROA measures how efficiently a company uses its assets to generate profit. The result is expressed as a percentage.

The formula for Return on Equity (ROE) is:

$$\text{ROE} = \text{Net Income} / \text{Equity} \times 100 \quad (2)$$

Where:

- Net Income: The profit after taxes and all expenses.
- Equity: The company's assets after subtracting liabilities

ROE measures how efficiently a company uses its equity to generate profit. The result is expressed as a percentage.

Control Variables Measure

Sector of Activity Industries with significant environmental or social impacts, such as oil and gas, mining, and manufacturing, tend to disclose more CSR information to address public scrutiny, maintain legitimacy, and meet regulatory requirements, while sectors with lower environmental footprints disclose less. Studies by Deegan and Gordon (1996) and Clarkson et al. (2008) reveal that environmentally sensitive industries face greater societal and stakeholder pressures, leading to more extensive CSR disclosures, particularly in sectors with high pollution risks. In our study, this variable has a numerical value and sample firms are classified into 4 activity sectors: Industry, Energy, Consumer discretionary and Materials.

Size Company size significantly influences CSR disclosure, as larger firms typically face greater public visibility, stakeholder expectations, and regulatory scrutiny, driving them to disclose more information to maintain transparency and legitimacy. Measured through variables such as total assets, revenue, market capitalization, and workforce size, larger companies have greater resources to engage in CSR activities and reporting. Studies by Roberts (1992), Adams et al. (1998), Hackston and Milne (1996), and Hossain et al. (1994) consistently highlight a positive correlation between firm size and the scope and quality of CSR disclosures, with larger firms adopting more comprehensive practices to address their increased exposure and accountability.

The formula to calculate size as the natural logarithm of total assets is:

$$\text{Size} = \text{Ln}(\text{Total Assets}) \quad (3)$$

Where:

- Ln represents the natural logarithm function.
- Total Assets is the sum of all the company's assets.

This formula standardizes the size variable, making it easier to analyze and compare across firms with varying asset levels.

Finally, we can establish two regression models to analyze the impact of CSR practices on financial performance.

$$\text{Model 1: } \text{ROA}_{it} = \alpha_0 \text{PHIL}_{it} + \alpha_1 \text{ENVT}_{it} + \alpha_2 \text{SOCL}_{it} + \alpha_3 \text{SIZE}_{it} + \alpha_4 \text{SECTT}_{it} + \alpha_{it} \quad (4)$$

$$\text{Model 2: } ROE_{it} = \alpha_0 \text{PHIL}_{it} + \alpha_1 \text{ENVT}_{it} + \alpha_2 \text{SOCL}_{it} + \alpha_3 \text{SIZE}_{it} + \alpha_4 \text{SECTT}_{it} + \alpha_{it} \quad (5)$$

RESULTS

Descriptive Analysis

The research population of this study is Saudi companies which have published annual reports on the Tadawul portal web site for 2019 and 2023 and capital market website. Based on random sampling and the completeness of the required data according to the regression analysis model, we obtained 450 (n) samples of 90 manufacturing and energetics companies in Saudi Arabia for 5 years.

Tableau 2
Descriptive Statistics

	Mean	Std. Deviation	N
ROA	.7618494	7.963555	450
PHIL	24.91	25.828	450
ENVT	25.74	28.991	450
SOCL	31.53	31.709	450
SIZE	13.63976	3.689793	450
SECTT	2.87	1.277	450

Table 2 presents descriptive data for Saudi company samples. The mean ROA of 0.76 indicates a low average profitability per asset, while the high standard deviation of 7.96 highlights substantial variability, suggesting that some firms experience significant gains while others face considerable losses. This wide dispersion may result from differences in industry conditions, market dynamics, or operational efficiency, reflecting inconsistent performance across the dataset. Such variability can be a concern for investors and managers, as it signals unpredictability in financial outcomes and poses challenges for effective decision-making and risk management. The mean value of 24.91 for PHIL indicates a moderate level of philanthropic activity on average, while the high standard deviation of 25.83, nearly equal to the mean, reflects substantial variability among firms. This suggests that some firms allocate significant resources to philanthropy, while others contribute minimally or not at all, likely due to differences in industry norms, firm size, financial capacity, or strategic priorities. Such variability highlights the diverse approaches firms take toward social responsibility, influenced by their budgets, market focus, and geographic or cultural factors, offering opportunities for benchmarking and further analysis. The mean ENVT value of 25.74 reflects a moderate average level of environmental performance, while the high standard deviation of 28.99, exceeding the mean, indicates significant variability among firms. This suggests that some companies are highly proactive in their environmental activities, while others contribute far less. Such differences may arise from varying regulatory pressures, industry specific environmental standards, or diverse approaches to corporate sustainability strategies, highlighting the uneven commitment to environmental responsibility across the dataset. The mean SOCL value of 31.53 indicates a moderately high average level of social engagement or responsibility among firms, while the standard deviation of 31.71, nearly equal to the mean, reveals substantial variability. This suggests that some firms demonstrate significant social activity, whereas others invest minimally, likely due to differing strategic priorities, resource availability, or market focus. The wide dispersion underscores the varying importance placed on social responsibility across firms in the dataset. The mean SIZE value of 13.64 suggests that the firms in the dataset are of average or mid-sized scale, and the relatively low standard deviation of 3.69 indicates less variation in firm sizes compared to other metrics, implying more consistency in this attribute. This suggests that the sample likely consists of firms within a specific size range, making comparisons between them more relevant. Similarly, the mean SECTT value of 2.87 suggests that the dataset spans several industries, but the low standard

deviation of 1.28 indicates that the sample is concentrated in a smaller number of sectors. This limited industry diversity could affect the generalizability of findings across all sectors.

Effect of CSR Disclosure on Financial Performance in Saudi Arabia

To find out whether CSR disclosure affects the financial performance of companies in SA, multiple linear regression models are used to test the effect of independent variables on dependents. The company’s performances’ proxy is measured using Return On Assets ROA (Table3A), and Return On Equity ROE (Table3B). Regression is performed using a backward stepwise approach, resulting in two models that help identify the variables with a consistent and significant contribution to the company's financial performance. Let’s begin with ROA regression.

Table 3A

ROA Correlations

		ROA	PHIL	ENVT	SOCL	SIZE	SECTT
Pearson Correlation	ROA	1.000	.715	.835	.648	.553	.577
	PHIL	.715	1.000	.796	.639	.105	.238
	ENVT	.835	.796	1.000	.708	.089	.215
	SOCL	.648	.639	.708	1.000	-.008	.006
	SIZE	.553	.105	.089	-.008	1.000	.200
	SECTT	.577	.238	.215	.006	.200	1.000
Sig. (1-tailed)	ROA	.000	.000	.000	.010	.005	.001
	PHIL	.000	.000	.000	.000	.013	.000
	ENVT	.000	.000	.000	.000	.030	.000
	SOCL	.010	.000	.000	.000	.437	.453
	SIZE	.005	.013	.030	.437	.000	.000
	SECTT	.001	.000	.000	.453	.000	.000
N	ROA	450	450	450	450	450	450
	PHIL	450	450	450	450	450	450
	ENVT	450	450	450	450	450	450
	SOCL	450	450	450	450	450	450
	SIZE	450	450	450	450	450	450
	SECTT	450	450	450	450	450	450

The strong positive correlation (0.715) between ROA and PHIL suggests that companies engaging in philanthropy or CSR initiatives tend to achieve higher profitability. The p-value of 0.000 indicates that this correlation is statistically significant at a 1-tailed test level, which means the relationship between ROA and PHIL is likely reliable and not due to random chance. These activities enhance brand reputation, customer loyalty, and investor interest, leading to increased revenues and a better return on assets. CSR also provides financial advantages, such as tax deductions and improved access to ethical investment funds, which reduce costs and boost profitability. This highlights that socially responsible practices not only benefit society but also serve as a strategic driver for financial performance. These results confirm our first hypothesis on the positive relation between philanthropic activity disclosure and Saudi company financial performance, which is in accordance with many prior studies, Houssain et al., (1994).

The very strong positive correlation (0.835) between ROA and ENVT suggests that companies prioritizing environmental sustainability tend to achieve higher profitability. The p-value of 0.000 indicates that this correlation is statistically significant, meaning the relationship is likely valid and consistent in the population. Such practices often result in cost savings through energy efficiency, waste reduction, and resource optimization, while tapping into the growing demand for eco-friendly products. Furthermore, these companies may benefit from government incentives, such as tax breaks or grants, enhancing financial performance. This indicates that adopting sustainable practices not only aligns with regulatory and consumer trends but also serves as a strategic advantage for improving returns on assets. These results confirm our

second hypothesis on the positive relation between environmental activity disclosure and Saudi company financial performance, which is in accordance with many prior studies, Petrenko et al. (2019) and Su et al. (2021).

The moderate positive correlation (0.648) between ROA and SOCL indicates that companies with strong social capital, such as community engagement or social responsibility, tend to achieve higher profitability. The p-value of 0.113 is not statistically significant at the 0.05 level, meaning that this relationship may not be reliable or could be due to random variation. This stems from enhanced customer loyalty, goodwill, and retention, which boost sales. Additionally, positive social relationships foster partnerships and collaborations, improving operational efficiency and access to resources. These factors highlight how social engagement can act as a key driver for financial success. These results confirm our third hypothesis on the positive relation between social activity disclosure and Saudi company financial performance, which is in accordance with many prior studies, Deng et al. (2020).

The moderate positive correlation (0.553) between ROA and SIZE suggests that larger companies tend to achieve higher profitability. The p-value of 0.005 is statistically significant, suggesting that this correlation is likely valid and not due to random chance. This is largely due to economies of scale, which reduce costs as production increases, and the ability to leverage market influence for better supplier and customer terms. Additionally, larger firms often secure financing at favorable rates, enabling greater investment in innovation and growth, further boosting returns on assets.

The moderate positive correlation (0.577) between ROA and SECTT suggests that companies in specific sectors tend to achieve better returns on assets. The p-value of 0.001 is statistically significant, suggesting that this relationship is likely to be meaningful and reliable. This can be attributed to industry factors such as higher profit margins, efficient asset utilization, and growth potential. Sectors like technology or pharmaceuticals often outperform due to their reliance on intellectual property, innovation, and strong market demand, which enhance profitability and asset efficiency.

To interpret the results related to ROE (Return on Equity), it is important to follow a methodology similar to that used for ROA, by analyzing the correlations, their statistical significance, and the potential causes behind the observations.

Table 3B

ROE Correlations

		ROE	PHIL	ENVT	SOCL	SIZE	SECTT
Pearson Correlation	ROE	1.000	.839	.782	.831	.642	.730
	PHIL	.839	1.000	.796	.639	.105	.238
	ENVT	.782	.796	1.000	.708	.089	.215
	SOCL	.831	.639	.708	1.000	-.008	.006
	SIZE	.642	.105	.089	-.008	1.000	.200
	SECTT	.730	.238	.215	.006	.200	1.000
Sig. (1-tailed)	ROE	.000	.000	.000	.000	.187	.003
	PHIL	.000	.000	.000	.000	.013	.000
	ENVT	.000	.000	.000	.000	.030	.000
	SOCL	.000	.000	.000	.000	.437	.453
	SIZE	.187	.013	.030	.437	.000	.000
	SECTT	.003	.000	.000	.453	.000	.000
N	ROE	450	450	450	450	450	450
	PHIL	450	450	450	450	450	450
	ENVT	450	450	450	450	450	450
	SOCL	450	450	450	450	450	450
	SIZE	450	450	450	450	450	450
	SECTT	450	450	450	450	450	450

The very strong positive correlation between ROE and PHIL (0.839) indicates that companies engaged in philanthropic activities or corporate social responsibility (CSR) initiatives tend to achieve higher returns on equity. The p-value of 0.000 confirms that this relationship is statistically significant, suggesting that the positive correlation is reliable and not due to random chance. Financially, CSR programs enhance brand loyalty, attract ethical investors, and provide tax benefits, all of which contribute to increased revenue, a stronger capital base, and ultimately higher ROE. This shows that socially responsible practices are not only beneficial for society but also serve as a strategic advantage for improving financial performance. Such result is in accordance with prior studies, Alatawi et al. (2023).

The very strong positive correlation between ROE and ENVV (0.782) suggests that companies prioritizing environmental sustainability are likely to achieve higher returns on equity. The p-value of 0.000 confirms the statistical significance of this relationship, indicating that it is reliable and not due to random chance. Financially, sustainable practices lead to long-term cost savings by enhancing energy efficiency, minimizing waste, and optimizing resource use. Additionally, these companies may benefit from government incentives, such as tax rebates or grants, for adopting eco-friendly technologies. The increasing consumer demand for sustainable products drives higher sales, leading to greater profitability and enhanced returns on equity. Such result is in accordance with prior studies, Bochkay et al. (2023).

The very strong positive correlation between ROE and SOCL (0.831) suggests that companies with robust social capital, such as positive community engagement or social responsibility, tend to experience higher returns on equity. The p-value of 0.000 confirms the statistical significance of this relationship, indicating that it is meaningful and not a result of random chance. Financially, strong social capital fosters customer loyalty, community goodwill, and valuable stakeholder relationships, which lead to enhanced sales and revenue growth. Additionally, companies with a positive social standing often form strategic partnerships that improve operational efficiencies and access to resources, ultimately contributing to better returns on equity. Such result is in accordance with prior studies, Haque and Ntim (2020).

The moderate positive correlation between ROE and SIZE (0.642) suggests that larger firms tend to achieve better returns on equity. The p-value of 0.000 indicates that this relationship is statistically significant and unlikely to be due to random chance. Large companies benefit from economies of scale, which help reduce production costs as output increases. Additionally, they have better access to capital markets, often securing financing at more favorable rates, which supports their growth and innovation efforts. These factors contribute to higher profitability, ultimately driving improved returns on equity.

The strong positive correlation between ROE and SECTT (0.730) suggests that companies operating in specific sectors tend to achieve higher returns on equity. The p-value of 0.003 confirms that this relationship is statistically significant. Sectors like technology, pharmaceuticals, and finance often experience higher equity returns due to their capital-intensive nature, reliance on intellectual property, and strong market demand for their products or services. These industries leverage assets efficiently, leading to improved profitability. Additionally, barriers to entry in these sectors allow established companies to maintain competitive advantages, further driving high returns on equity.

CONCLUSION AND RECOMMENDATION

This study investigates the relationship between Corporate Social Responsibility (CSR) practices and financial performance in Saudi Arabia, focusing on listed companies across multiple sectors. The findings underscore that CSR activities, particularly those related to philanthropy, environment, and social practices, play a nuanced role in influencing financial outcomes. While CSR disclosure generally aligns with the expectations of global frameworks and contributes to stakeholder trust, its financial impact varies depending on the components of CSR being evaluated.

Our empirical study examines the annual reports of 90 publicly listed Saudi firms on the Tadawul exchange from 2019 to 2023, conducting a thorough content analysis across various sectors.

Our results demonstrate a positive correlation between CSR and financial performance, supporting the hypothesis that socially responsible practices can enhance profitability and competitiveness. However, the magnitude and consistency of these effects differ across the philanthropic, environmental, and social dimensions. This suggests that Saudi companies adopting targeted and strategic CSR initiatives, aligned with Vision 2030 and international sustainability frameworks, are better positioned to obtain financial benefits while fulfilling societal and environmental goals.

These insights provide valuable implications for regulators, corporate leaders, and investors. Policymakers should continue to promote CSR disclosure regulations. Saudi legislators should establish unified mandatory CSR disclosure standards aligned with international best practices, such as GRI and SASB, to ensure consistency and transparency. Strict oversight and clear penalties for non-compliance should be enforced to enhance credibility and accountability. Additionally, offering tax or financial incentives to companies adhering to accurate and comprehensive CSR reporting would encourage further commitment. Launching awareness campaigns to educate stakeholders on the importance of CSR disclosure and its positive impact on the national economy will promote greater adoption and understanding of these practices.

While companies must adopt a balanced approach to CSR that aligns with stakeholder priorities, Saudi companies should commit to transparency by adopting a clear approach to disclosing all social, environmental, and economic activities. Utilizing internationally recognized reporting frameworks, such as GRI, will enhance reliability and build trust among investors and stakeholders. CSR should be integrated into the company's overall strategy to ensure long-term sustainability. Strengthening community engagement through expanded communication channels will help share and explain disclosure reports, increasing awareness among consumers and stakeholders. Additionally, investing in impactful social programs that contribute to sustainable development will demonstrate a direct positive effect on society and the environment.

Future research could further explore sector-specific analyses to understand how CSR impacts financial performance differently across industries in Saudi Arabia, particularly those with high environmental and social exposure. Longitudinal studies could capture the evolving dynamics under Vision 2030, while comparative research with other emerging markets would highlight global trends and regional nuances. Examining stakeholder perceptions, such as those of investors and consumers, could shed light on how these views mediate the CSR-financial performance link. Additionally, exploring the role of mediating factors like innovation and corporate governance, as well as the implications of mandatory versus voluntary CSR disclosure, would offer valuable insights into optimizing CSR strategies for sustainable financial success.

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Table 4
List Keywords of Content Analysis

Variables	Variables keywords of content analysis
Philanthropic CSR	Charity
	Charitable work
	Donations
	Innovation
	Impact
	Social
	Transparency
	Review

	Disclosure
	Ethics
	Corruption
	Awareness
	Education
	Leadership
	Culture
	Identity
	Heritage
	Cohesion
	Discrimination
	Inclusion
	Volunteering
	Upbringing
	Inequality
	Exclusion
	Environment
	Environmental
	Responsibility
	Service
	Community
	Social
	Air
	Water
	Land
	Sustainability
	Renewable energy
	Recycling
	Pollution
	Carbon
Environmental CSR	Carbon-related
	Practices
	Governance
	Climate change
	Climate
	Resources
	Natural
	Efficiency
	Waste
	Biological
	Ecological
	Green
	Greener
	Emissions
	Afforestation
	Global warming
Social CSR	Participation
	Diversity

Inclusion
Ethics
Profession
Professional
Impact
Activities
Investment
Social
Protection
Justice
Value
Added value
Commitment
Support
Workplace
Training
Development
Community
Social responsibility
Employment
Accountable
Equality
Wages
Poverty
Combating
Collaboration
Endowment
Relief
Education
Care
Funds
Donor
Beneficiary
Grantor
