CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE: CAUSAL ANALYSIS OF THE LISTED COMPANIES OF PAKISTAN

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ABSTRACT

Purpose
This paper examines the role of corporate social responsibility disclosure and its causal analysis on the listed companies of Pakistan
Design: The study uses panel data from 50 non- financial firms in the manufacturing sector for the years 2008 to 2012 from the Karachi Stock Exchange.
Findings: The findings of the study suggest that variables such as ownership concentration, foreign ownership, government ownership and board size are positively and significantly associated with CSR disclosure and Granger causality shows that government ownership, foreign ownership, board independence and firm's profitability have unidirectional causality running towards CSR disclosure.
Originality: The paper extends the literature by analyzing the corporate social responsibility disclosure and its causal analysis on the listed companies of Pakistan by using Granger causality test for the causal analysis.
Practical Implications: The results are valuable as they suggest the causal relationship of CSR disclosure on the listed companies of Pakistan.

Type of paper: Research paper

Keywords: CSR Disclosure, Granger causality, listed companies of Pakistan

1. Introduction:

Corporate social responsibility (CSR) is considered as the main research theme in the literature of management from various perspectives over the few decades (e.g., Mc Williams and Siegel, 2000; Cochran and Wood, 1984; McGuire et al., 1988; Pava and Krausz, 1996; Pino et al., 2016; Zhu and Zhang, 2015). CSR can be defined as the business commitment in order to bring economic development in the region and improves the standard of living of their employees and community (Aguilera-Caracuel et al., 2015). CSR is a behavior that is concerned with business ethics; it means the firm has an obligation to social and environmental concerns (Patari et al., 2014; Wang et al., 2015). It is obligatory under the law that companies conduct their social responsibilities but CSR is a practice through which they show more social responsibilities towards society (Yu and Choi, 2014). CSR is considered as an important discipline in management research (Godfrey et al., 2009; Windsor, 2006). Now a day's most of the companies are actively participating in CSR activities (Dahlsrud, 2008; Liu et al., 2011; McWilliams et al., 2006). CSR is an important concept as it is the interaction of the company with its social and physical environment and the disclosure includes activities related to human resource, community involvement, environment, energy usage, and products (Deegan and Rankin 1996). Corporate social responsibility (CSR) get attention in different fields of management sciences (Aguinis and Glavas, 2012; Campbell, 2007). Previous studies have focused on the relationship between corporate social responsibility disclosure and the corporate governance determinants in order to measure the level of CSR disclosure.

According to Azim et al., (2009) in developing countries there is a little research conducted on CSRD but the prominent research of Roberts (1992); Guthrie and Parker (1990); Gray, Kouhy, and Lavers (1995) and Gray, Javad, and Sinclair (2001) are conducted on CSRD in western world. Studies include Idowu and Towler (2004) and Gray et al. (1995); are conducted on CSRD in the UK. Similarly, Zeghal and Ahmed (1990) conducted their research in South Africa and the research of Adams, Hill, and Roberts (1998) is done in the UK and Germany. Very few Studies on developing countries but few researchers on CSR are done in Bangladesh (Khan, Muttakin, & Siddiqui, 2012). Hossain et al., (2007) and Porwal and Sharma (1991) in India. So in literature, there is a need to do a study on the causal analysis of corporate social responsibility disclosures and determinants of corporate governance in the developing and developed countries.

Literature concerning the causal relationship of corporate social responsibility disclosure and the determinants of corporate governance of listed companies in Pakistan suggests a mixed relationship between the variables. In developing countries, there is little research conducted on corporate social responsibility disclosure such as Pakistan, Malaysia, Bangladesh, Singapore, and Jordan but they have not incorporated the important factor such as causal analysis between CSR disclosure and determinants of corporate governance determinants (Belal, 2001). Suwaidan and Al-omari (2004) carried out the significant relationship of corporate governance determinants and CSR disclosure to measure the level of corporate social responsibility disclosure.

Waddock and Graves (1997) found out a positive and a significant association of corporate social responsibility disclosure and corporate governance determinants of the firm. There is a significant and a positive association between CSRD and firm's profitability (Hillman and Keim, 2001). McGuire et al. (1988) found that level of CSRD is increased if there is an improvement in financial performance of the firms. In literature, most of the studies are regarding the effects of firm's CSR activities, revealing that CSRD can affect corporate reputation (Bear et al., 2010 and Park et al., 2014), corporate political activity (Hond et al., 2014), brand performance (Lai et al., 2010), customer satisfaction (Pérez and Bosque, 2015a), and financial performance (McGuire et al., 1988; Saeidi et al., 2015). However, the common topic found in this work is still the causal relationship of corporate social responsibility disclosure. CSRD is a vital approach to generate wealth and improve firm performance (Gallardo-Vazquez and Sanchez-Hernandez, 2014; Garriga and Mele, 2004). Many scholars have indicated a close link between CSRD and the determinants of Corporate Governance (Kurapatskie and Darnall, 2013; Margolis and Walsh, 2003), but controversy remains there regarding the impact of CSRD efforts as they pertain to financial performance. Here, some researchers have demonstrated that CSRD and determinants of corporate governance are positively related. (Alafi and Hasoneh, 2012; Lin et al., 2009; Sun and Kim, 2013; Wang et al., 2015). From this perspective, Waddock and Graves (1997) suggested that the benefits to be gained from CSRD practices are greater than the costs involved. In this research to address the given gap, we extend the paper of Nelling and Webb (2009) to use the Granger causality approach and that the causality exists between corporate social responsibility disclosure and firm's profitability and they are significantly related through ordinary least square (OLS) regression model. When focused on the individual variable of CSRD, it shows that the causality of the stock market running towards CSRD. Mahoney and Roberts (2007) also investigated the significant relationship of CSRD and FP and find out that there is unidirectional causality running towards corporate social responsibility disclosure to financial performance in the Canadian context. Mackni (2009) also find a unidirectional Granger causality running towards CSRD to corporate governance determinants. Based on the 50 non-financial listed companies of Pakistan, this paper depicts that data will be collected from manufacturing firms for fifty companies for 5 years period (2008-2012), that includes textile, food, cement, sugar mills and fertilizers. Independent variables include board size, CEO duality, audit committee, board independence, government ownership, managerial ownership, foreign ownership and ownership concentration. Their data is collected by using the data of the company's website, State Bank of Pakistan and Karachi Stock Exchange. Finally, the dependent variable (CSR Disclosure) is collected by using the accounting data to calculate the CSR Disclosure index. Five categories are used i.e., Human resource, community, environment, product, and energy is gathered from the companies' financial reports and from the companies websites. Board size, ownership concentration, foreign ownership and government ownership are positively and significantly related with CSR disclosure and Granger causality shows that government ownership, foreign ownership, board independence and Firm's profitability have unidirectional causality running towards CSR disclosure. The tests of robustness are also carried out to check out the validity of the study.

The research paper is structured as follows. Section 1 includes the introduction of the paper. Section 2 presents the literature review. Section 3 presents hypotheses development. Section 4 includes methodology of the model. The results of the study are presented in section 5. Section 6 presented the explanation of the results, section 7 presents the findings and recommendations of the paper and finally section 8 includes limitations of the study

2. Literature Review

2.1 Corporate Governance

When the companies start increasing their production then there is exploitation of natural resources which destruct the nature and affect the human life. Nowadays, the company responsibility is not only limited to the shareholders but they have the broad responsibility of social, environmental and financial aspects which is called Corporate Social Responsibility (CSR).

Nowadays, one of the important indicators to access company performance is corporate social responsibility. CSR is an important social capital investment of the company, therefore, should not consider it as a burden. Corporate social responsibility makes a bridge between the company and its society by getting maximum profit for the company and to prosperous the society. CSR basically fulfills the liabilities of their stakeholders which include employees, customers, investors; government, communities, suppliers, and competitors Nurlela and Islahuddin (2008) suggested that the company responsibility towards society will take place between the company and its stakeholders.

As there is inequality in society and degradation of the environment so the company should pay more attention to the society rather than profit. When the company shows their concern about the social and environmental activities, then there is assurance about the continuity of the business. Now a day Corporate Social Responsibility is compulsory for companies especially the Limited Company. In the year 2007 under Companies ordinance regarding Limited Liability Company act No. 40 provided the rule that the company specifically Limited Company that provided the services related to human resources or natural resources would be required to conduct social responsibility to the society.

There are two types of information required for investors while investing, one is financial and other is non-financial information CSR is non-financial information, besides financial information, non-financial is also required by the investors while investing. CSR report is a way of communicating the company's performance to its stakeholders, a sustainable CSR report provide benefit to the company by attracting many customers and increase the value of the firm Nowadays, developing counties has changed their approach from profit-oriented to social-oriented approach, the businesses are not only answerable to their stockholders but also to their shareholders because the companies helping the society by creating wealth and increasing job opportunities.

Corporate social responsibility is a recent phenomenon but globalization gives more dominance to it. CSR is an important concept in the areas of gender equality, equality of region, race, non-employment, human rights, and environment, social and marketing activities. The corporate social responsibility includes the area of environment, social, human rights, product, and community (Suwaidan and Al-omari, 2004), other than developed and industrialized countries many developing and the third world country take CSR concept seriously (Hossain et al., 2007). There are so many debates about the definition of corporate responsibility but still there is no consensus among the researchers and the academicians Mohan (2001) and Saleh et al., (2008) stated that business is not separate from the society but they are part of it.

2.2 Corporate Social Responsibility Disclosure

In the worldwide, the role of business has now shifted from profit-maximizing approach to socially responsible approach because the businesses are not only responsible to stockholders but also to their stakeholders. The reason for shifting the business from classical approach to socially responsible approach is that organizations create capital and job opportunities for society and on the other side they pollute the environment and affects human health. Corporate social responsibility is a recent phenomenon but is more prominent due to globalization. The concept of CSR is taken seriously in developed and developing countries (Hossain, et al, 2006). There is still no consensus among the researchers on the definition of social responsibility (Mohan, 2001; Saleh et al., 2008). They are of the view that business is the part of society and not separated from it (Hossain et al, 2006; Saleh et al., 2008; Porwal and Sharma, 1991). Corporate social responsibility disclosure and corporate attributes are associated empirically and measured the extent of social responsibility disclosure.(Suwaidan, 2004; Saleh et al, 2008; Hossain et al, 2006). Most of the studies on CSR disclosure is conducted in developed countries (e.g. Suwaidan, 2004 in Jordanian; Adams et al, 1998 in Western Europe; Saleh et al, 2008 in Istanbul; Roberts, 1992 in Western Europe). Very few studies conducted on CSR in developing countries (e.g. Hossain et al, 2006; Porwal and Sharma, 1991 in India). If there are good practices of CSR in organizations then it will attract investors and also meet the challenges due to increased competitions in markets Anwar (2005).

Porwal and Sharma (1991) argued that CSR disclosure depends on various factors of the corporation. Suwaidan and Al-omari (2004) carried out the significant relationship between corporate social responsibility disclosure and determinants of corporate governance by measuring the level of CSR disclosure. In developed countries, most of the research is done on CSR disclosure. Adams et al., (1998) in Western Europe, Roberts (1992) in the USA. Saleh et al., (2008) in Malaysia, Suwaidan, and Al-omari, (2004) in Jordanian, Very few studies concentrated on developing countries. Hossain et al., (2007) and Porwal and Sharma (1991) in India.

Corporate social disclosures gain the attention of academic researchers since the mid-1970's. This popularity of CSR disclosure is due to the business community who realizes the fact that the stakeholders are attached to the environment socially and are responsible for the corporate behavior (Zadek, 1998).

Corporate social responsibility disclosure consists of those activities that are related to the company's environment, employees, customers, energy, fair trade and corporate governance activities. The company can disclose information through different sources like annual reports of the company, websites, advertisements, booklets, seminars and media (Gray et al., 2001).

In this research, we follow the study of Hackston and Milne (1996), the information obtained from the five themes that include environment, human resource, energy, community, and product is easily available on the website and in the company's annual reports. According to Gray et al. (2001), the environmental and social information can be disclosed through websites, annual reports of the company, booklets, and advertisements.

2.3 Theories about CSR disclosure

There are different theories related to CSR. It includes agency theory, the political economy of accounting theory, institutional theory, the theory of legitimacy, the theory of stakeholder and theory of resource dependence (Hackston and Milne 1996). There is no such theoretical framework for CSR that is accepted universally (Hackston and Milne 1996). There is a consensus in the literature that the various theories of CSR disclosure are overlapping theories rather than being distinct (Chen and Roberts 2010). In examining CSR disclosures the most widely used theories are legitimacy theory and stakeholder theory.

Legitimacy theory is about the interactions with society as a whole and is based on the assumption that managers use strategies in order to demonstrate the society that organization is according to society's expectations. When the values of society change with the passage of time then organizations also have to legitimate their operations according to the change in society. But when organizations operations are not according to the society then there should be remedial strategies to be implemented. For any strategy used by the management must be disclosed that have an effect on society.

Stakeholder theory is about an interaction of the organization with stakeholders (Deegan and Blomquist 2006). The theory is also used to solve the conflicting situations (Ansoff, 1965). Pfeffer and Salancik (1978) focused on external stakeholders that demand certain actions from organizations and also provide resource support. Similarly, Freeman (1984) and Ullmann (1985) stated that the role played by managers to manage the various demands of different stakeholder in order to achieve firm's objectives

Table 2.1 Summary of CSR disclosure

Study	Variables used	Sample/country/period	Results and finding
Tsui and Gul (2000)	CEO duality, board composition and CSR disclosure	Hong Kong	Single person holds both CEO and chairman positions then it will decrease the effective control of the firm performance.

Ho and Wong (2001)	Audit committee, corporate governance and disclosure	Hong Kong	Audit committee and CSR disclosure are significantly related
Samad and Wilson (2002)	Corporate governance, financing, investment pattern and firm performance	Malaysia	Concentrated ownership means that the majority shareholders implement their plans and the minority has no powers to prevent majority shareholders for implementing the plans.
Haniffa and Cooke (2002)	Foreign ownership, Culture, corporate governance and disclosure	Malaysia	CSR disclosure are significantly and positively related to foreign shareholders.
Eng and Mak (2003)	Managerial ownership, voluntary disclosure, govt ownership and board composition	Singapore	CSR disclosure and managerial ownership are negatively related.
Chambers et al. (2003)	Foreign ownership, corporate governance and CSR disclosure	50 companies in Asia/2002	In public listed companies, CSR disclosure increases due to the involvement of foreign shareholders.
Webb (2004)	Independent directors, CEO duality and CSR disclosure	349 SR firms	Socially responsible firms have more independent directors as compared to other firms.
Nasir and Abdullah (2004)	CG characteristics, disclosure and ownership structure	Malaysia/2001-04	Shareholders and firm's voluntary disclosure are positively and significantly related.
Haniffa and Hudaib (2006)	Ownership concentration, corporate governance and organization culture	250 listed companies in Malaysia	When maximum no of shares are held by few largest shareholders then it means there is concentrated ownership in the company.
Ghazali and Wheetman (2006)	director ownership, govt ownership and CSR disclosure	Malaysia	The variable of govt shareholding is not significant in explaining disclosure.
Alsaeed (2006)	Ownership concentration and CSR disclosure	Saudi Arabia/2003/40 firms	Ownership concentration and voluntary disclosure are not significantly related.
Guan Yeik (2006)	Managerial ownership, the board of directors and CSR disclosure	Malaysia	In Public listed companies, corporate social responsibility disclosure, and managerial ownership are negatively related.
Muttakin and Arifur Khan (2014)	CSR disclosure, firm size, types of industries, family ownership	Bangladesh	Important determinants of CSR disclosure are Number of firm and industry Characteristics
Dhaliwala et al. (2014)	Corporate social responsibility disclosure, financial transparency and cost of equity capital	USA	Finance and CSR disclosures act as substitutes for each other in reducing the cost of equity capital.
Monika et al. (2014)	CSR disclosure, Indian companies, corporate reputation	India	Size of the corporation are related to CSR disclosure

			of the companies
Chena et al. (2015)	CSR disclosure, social and financial performance.	Sweden	CSR practices are important in the manufacturing industry for development.
Angelia et al. (2015)	Environmental and financial performance, CSR disclosure	Indonesia	CSR disclosure is significantly related to ROE but is not related to ROA
Ballesterosa et al.(2015)	Independent directors, CSR disclosure, board of directors	Spain, Sweden, Canada, Belgium, Finland, Germany, Italy and Netherland	Higher the proportion of independent directors then higher the level of CSR information disclosures.
Wirtha et al (2016)	CSR strategies, safety issues, Developing economies	Poland	Large producers of copper have a long-term policy of CSR, therefore, have a wider scope of CSR activities.
Akin et al (2016)	Stock exchange, ownership, bank type, CSR disclosure	Turkey	Stock exchange listing, Ownership and bank type influence the CSR disclosure of banks.
Liu and Zhang (2017)	Corporate governance, CSR disclosure and firm value	China period of study 2008-2014	CSR disclosure increases firm value in long-term

2.4 Corporate Social Disclosures in Pakistan
The performance of the corporation mainly depends on the practices of corporate governance. (Nazir et.al., 2009). The corporation should consider the social responsibility of the firms into general managerial practices by considering social, culture, ethics and regulatory issues. The firms get a competitive advantage by incorporating corporate governance issues into business practices (Wise and Ali, 2008). There has been a little work done in the area of corporate governance in the developing economies like Pakistan. There is a desperate need to address Pakistani firms regarding the issues of environmental governance, the performance of environmental indicators and their measurement and strategies of the firms related to corporate governance practices (Nazir, 2009).

2.5 Board Independence
According to the statistics provided by agency theory, if board comprises directors who do not rely on any assistance then according to this theory more effective measures can be taken in controlling and monitoring the management of the board. In addition, CSR disclosure provides assistance to firms in activities which are long-term goal orientated and thus, increases firm value in terms of independent directors. Therefore, the management is able to assess the performance of board more objectively as compared to the inclusive scrutiny of executive directors who are not involved in making goal-oriented policies and strategies to keep the performance of the firm up to the mark.

Furthermore, independent directors are assumed to be able to assess management performance more objectively in terms of performance evaluation than executive directors, as they are less deeply involved in the development process for strategizing business policies for firms. In addition, independent directors are less likely dependent on the CEO's altruism than executive directors and, thus, affiliate business links of non-executive directors to the firm. Therefore, it can be concluded that a higher proportion of independent directors are expected to lead a better control and monitoring of management on board (John and Senbet, 1998; Ahmed, Hossain and Adam, 2006; Cheng and Courtenay, 2006). Moreover, independent non-executive directors' remuneration is not fixed to the firm's annual growth and financial performance, unlike the remuneration of top executives and the business tycoons of affiliated non-executive directors. Consequently, independent directors are also expected to be less likely focused on short-term financial goals and performance targets and, thus, are more interested in enhancing firms' long-term sustainability, such as engaging and reporting on CSR (Ibrahim, Howard and Angelidis, 2003). Hence, banks with independent boards are therefore expected to display a border engagement in CSR reporting (Jamali et al., 2008; Arora and Dharwadkar, 2011). Indeed, empirical researchers suggests that independent directors are more abetting to firms' investment in CSR activities (Johnson and Greening, 1999) and pay more attention to the perception of the firm's social impact than executive or affiliated non-executive directors. Moreover, prior studies indicate that boards of directors with a high proportion of independent directors tend to facilitate a comparatively high degree of transparency and voluntary disclosure (Cheng and Courtenay, 2006; Patelli and Prencipe, 2007; Donnelly and Mulcahy, 2008; Li et al., 2008; Chau and Gray 2010). This suggests that independent directors are likely to support the disclosure of CSR activities to reduce information asymmetry between insiders and outsiders.

2.6 Board Size
In institution dynamics, smaller firms are frequently expected to be extra effective at tracking and controlling management than large firms. Because of their confined length, they may be predicted to benefit from greater efficient communiqué and coordination as well as higher ranges of commitment and accountability of person board contributors (Ahmed et al., 2006; Dey, 2008). However, the drawback of small firms is that the workload of man or woman members has a tendency to be excessive,

which might limit the tracking potential of the board (John and Senbet, 1998). Furthermore, smaller firms can draw on a much less diversified range of information than large boards, that can impact at the first-class of the advice and tracking provided (Guest, 2009). Empirical research shows that board length is decided by using an expansion of things consisting of enterprise, firm size and the complexity of the firm's business (Krishnan and Visvanathan, 2009; Pathan, 2009). As large organizations are complicated corporations which might be challenging to extensive-ranging regulation (Grove et al., 2011), we anticipate that during this context workload issues are of last importance. Subsequently, we expect that larger boards may be higher able to direct control to interact in CSR activities and to effectively talk their social overall performance to the financial institution's stakeholders.

2.7 CEO Duality

CEO duality can be seen as a signal and a tool of managerial power. CEOs are much more likely to be appointed as chairs of the boards of administrators if they have a success track document or in the event that they control a large percentage of the firm's stocks (Hermalin and Weisbach, 1998). Furthermore, as chairs of boards of directors have the capacity to set the board's agenda and impact the statistics provided to the opposite board participants, CEOs who also act as chairs can disguise essential information greater effortlessly from different, mainly non-government, directors (Haniffa and Cooke, 2002; Li et al., 2008; Krishnan and Visvanathan, 2009). Being chair may additionally enable CEOs to persuade board appointments in their favour (Haniffa and Cooke, 2002). Therefore, non-executive directors are probably much more likely to just accept managerial selections in opposition to their higher judgement, because they are trying to keep away from confrontations with effective CEOs, as an example to keep their locations on the board (Dey, 2008). Empirical research shows that forums of administrators' attention to tracking is negatively tormented by CEO duality (Tuggle, Sirmon, Reutzel, and Bierman, 2010), as is the extent of voluntary disclosure (Donnelly and Mulcahy, 2008; Chau and gray, 2010). As previously mentioned, while it's miles often assumed that bank CEOs are much less hazard satisfied than their different shareholders, changes in banks' govt remuneration would possibly have modified this. Empirical studies suggest that govt remuneration in US keeping banks has come to be more and more risk touchy, which has advocated managers to take extra dangers so that it will maximize their brief-term pay. Research by Bai and Elyasiani (2013) indicates that company governance and CSR Disclosure between 1992 and 2008 the risk sensitivity of CEO pays in US financial institution conserving agencies extended drastically and that this is associated with a growth in bank risk. Further, studies via Hagendorff and Vallascas (2011) discover that among 1993 and 2007 CEOs of us banks increasingly engaged in risky enterprise transactions, as the proportion of fairness-based totally pay in their performance contracts rose. This shows that managers' normal inclination to restriction their threat exposure to defend their human capital has been eroded with the aid of the shape of their government pay applications. As CSR engagement and disclosure have a tendency to lessen corporations' risk profiles (Simpson and Kohers, 2002; Scholtens, 2008; Salama et al., 2011; Ghoul et al., 2011), CEOs might view CSR reporting as destructive to maximising their remuneration. Moreover, if powerful CEOs are able to use CSR to similarly their personal pursuits and ethical convictions, in preference to the activities of shareholders and other stakeholders, they're probably to be reluctant to provide comprehensive, high exceptional disclosure of CSR sports. for the reason that provision of statistics increases the effectiveness of external manage no longer most effective via knowledgeable traders, financial analysts and the commercial enterprise press (Healy and Palepu, 2001; Li et al., 2008; Beyer, Cogen, Thomas and Walther 2010) however additionally by means of different key stakeholders and the public, effective CEOs are expected to apply their effect to curtail voluntary disclosure, inclusive of CSR disclosure. Due to the improvements of executive remuneration in banks over the last 15 years and the capacity of CEOs, who additionally act as chairs of the boards of directors have to influence board behavior.

2.8 Audit committee

As CSR reporting is essentially voluntary disclosure, we expect that corporate governance structures, which effect on the provision and fine of voluntary disclosure, will also affect CSR disclosure. On this context, organization theory suggests that powerful audit committees are probable to improve the reliability of corporate reporting and thereby to lessen statistics asymmetry among management and out of doors traders and other stakeholders (McMullen, 1996). The effectiveness of audit committees is possible to rely on their size and know-how, due to the scope and complexity of the duties of audit committees. Large audit committees are predicted to be extra powerful and to position extra stress on managers to disclose facts voluntarily to growth transparency (Li et al., 2008; Goh, 2009). This is especially relevant to banks, which conduct specifically complicated and risky commercial enterprise operations (Laeven and Levine, 2009; Pathan, 2009). The literature on voluntary disclosure and disclosure first-class additionally suggests that audit committee members with financial expertise have a tendency to have a high quality effect on the volume and reliability of company reporting (Bédard, Chtourou, and Courteau, 2004; Karamanou and Vafeas, 2005; Hoitash and Hoitash, 2009). Even though it appears not going that the know-how of audit committee company governance and CSR Disclosure of 17 participants of CSR related information is related to their economic knowledge, we suggest that such members may have a greater fantastic attitude to statistics disclosure in general. In keeping with Lee, Mande and Ortman (2004), the range of audit committee and board conferences might be a degree of diligence and, consequently, board and audit committee effectiveness. With regard to corporate reporting, Kent and Stewart's (2008) research indicates that the frequency of board and audit committee meetings is definitely associated with voluntary disclosure. Managers of corporations which perform well financially may have spare resources beneath them manipulate, which may be used to engage extra actively in CSR and CSR reporting to placate stakeholders or pursue managerial hobbies. It is, therefore, crucial to manipulate for corporations' economic overall performance (Haniffa and Cooke, 2002, 2005; Lim, Matolcsy and Chow, 2007; Arora and Dharwadkar, 2011).

2.9 Managerial Ownership

The effect of managerial ownership on voluntary disclosures has been of interest to the accounting researchers for a long time. In large part, the earlier literature reveals managerial ownership to be negatively related to tiers of voluntary disclosure (for instance, Eng and Mak 2003; Chau and gray 2010). As mentioned earlier as the owner-managed organizations are very commonplace in Bangladesh, and in most of the instances, the board of directors includes usually of family individuals (Farooque et al. 2007). Such focused managerial possession allows managers to dominate the corporation and decide upon the techniques and rules about organizational social behavior. The dominance of circle of relative's contributors in corporation management leads to the development of a bent for critical decisions to be first made in family meetings, after which regularized in formal board conferences, making such meetings largely symbolic (Ahmed and Siddiqui 2011). For this kind of companies, public accountability may be much less of an issue because outsiders' pursuits can be tremendously small. Villalonga and Amit (2006) and Kuo and Hung (2012) for a review of agency problems in family firms and the extent of the public hobby in carefully held agencies can be predicted to be exceedingly low, this form of corporations can be much less lively in social activities. In other words, managers of carefully held businesses may not invest heavily in socially accountable activities because the fees of investing in those activities may some distance outweigh its potential blessings. Therefore, fewer amounts of CSR statistics may be predicted in intently held or owner-managed groups. The findings of confined earlier evidence additionally report a bad relationship between managerial ownership and the extent of CSR disclosures (Oh et al. 2011; Ghazali 2007).

2.10 Foreign Ownership

The needs for disclosures are generally higher when foreigners invest in corporations, because of the separation among management and owners geographically, maintain a high proportion of stocks (Schipper 1981; Bradbury 1991). Moreover, overseas buyers are probably to have different values and knowledge because of their foreign marketplace exposure. As a consequence, an employer with overseas possession is predicted to reveal extra statistics such as social and environmental information to assist them in selection making. Haniffa and Cooke (2005) find a high-quality enormous dating among overseas ownership and CSR disclosures in Malaysia indicating that Malaysian agencies use CSR disclosure as a proactive legitimating method to attain endured inflows of capital and to please moral investors. It is consequently viable that this organization of traders can influence corporate disclosure practices which include CSR disclosures of indexed agencies in Bangladesh. But, in Bangladesh, despite the fact that foreign ownership is turning into increasingly commonplace due to the growth in multinational ventures, the percentage of stocks held by foreign investors are nevertheless very confined. Therefore, it's also viable that foreign investors, because of the constrained nature of their scale of investments in Bangladesh, will not have the ability to persuade CSR disclosure practices.

2.11 Ownership concentration

In starting of the 20th century, enterprise companies are characterized by using separation of possession from control. This offers upward thrust to the enterprise ensuing in conflicts of possession and management. In such instances of distributed or wider ownership, shareholders will demand better information from corporations for monitoring them. Consequently, the expert managers of such groups would really like to guarantee the shareholders that they may be appearing in the activities of the shareholder and will give extra disclosures. The sample of possession has the super impact at the running of an organization. Fama and Jensen (1983) have theorized that a low concentration of possession causes struggle of interest among the major (shareholders) and the agent (management). While there is dispersed ownership, person shareholders do no longer have more impact on the organizations and their disclosure regulations (Zeckhauser and Pound, 1990). In order to alleviate the capacity better organization expenses, greater disclosure of data is predicted. McKinnon and Dalimunthe (1993) have empirically examined the nature of relationships and found support for this concept. Prior studies indicate that low ownership concentration leads to better voluntary disclosure (Chau and gray, 2002). ownership attention is governance mechanism in which owners can control and have an effect on the managers to shield their interests (Maug, 1998). Therefore, the attention to ownership is a massive inner mechanism of corporate governance. The empirical proof shows that diffuse ownership shape yields higher information asymmetry (Warfield et al., 1995) because it results in the conflicts of activities among out of doors traders and executives. Business enterprise problems will be higher within the extensively held organizations (Lins, 2003). While the possession is widely dispensed, no single proprietor may additionally have enough power to influence the charter of the board, which makes the function of the board even more important in tracking firm control as with dispersed ownership, shareholders rely extra heavily on outdoor administrators to reveal control upon. The shareholders have the rights and risks related to the manager of their ownership (Grossman and Hart, 1980). While ownership is dispersed, they're weaker because of poor shareholder tracking because of the "loose-rider" hassle as dispersed proprietors lack both the manner and motives to deal with managerial corporation problems (Morck, 2000). Earlier studies have shown that focused ownership has negative courting with the disclosures. Chen and Jaggi (2000) discovered a robust relationship between the ownership sample and disclosures of the countries in Hong Kong and Singapore. In countries in which the significant possession of shares is concentrated inside the arms of families or in banks like in Germany, higher insider possession implies higher incentives to screen and more incentive alignment. In such instances, the disclosure of records is typically low as the information is already with the dominant shareholders.

2.12 Government ownership

The organizational idea suggests that accelerated disclosure of CG practices can help clear up enterprise problems between managers and government as an influential shareholder (Jensen & Meckling, 1976). Furthermore, ability political interference and conflict of hobbies' problems among shareholders and authorities that is frequently associated with government possession may be minimized through accelerated voluntary disclosure (Eng & Mak, 2003; Ntim & Soobaroyen, 2013a, 2013b). previous proof relating to the connection among government possession and voluntary disclosure is limited, although Eng and Mak (2003) and Al-Janadi et al. (2013) locate that authority's possession is undoubtedly associated with voluntary disclosure, while Ntim and Soobaroyen (2013a, 2013b) and Ntim et al. (2013) report that government possession impacts positively on voluntary CSR. with regard to the Saudi company setting, the government holds massive possession stakes in large public and personal agencies through a number of institutions, which include the general organization for Social coverage (GOSI), Public Investment Fund (PIF), and Public Pension organization (PPA) with eager interest in CG and stakeholder issues.

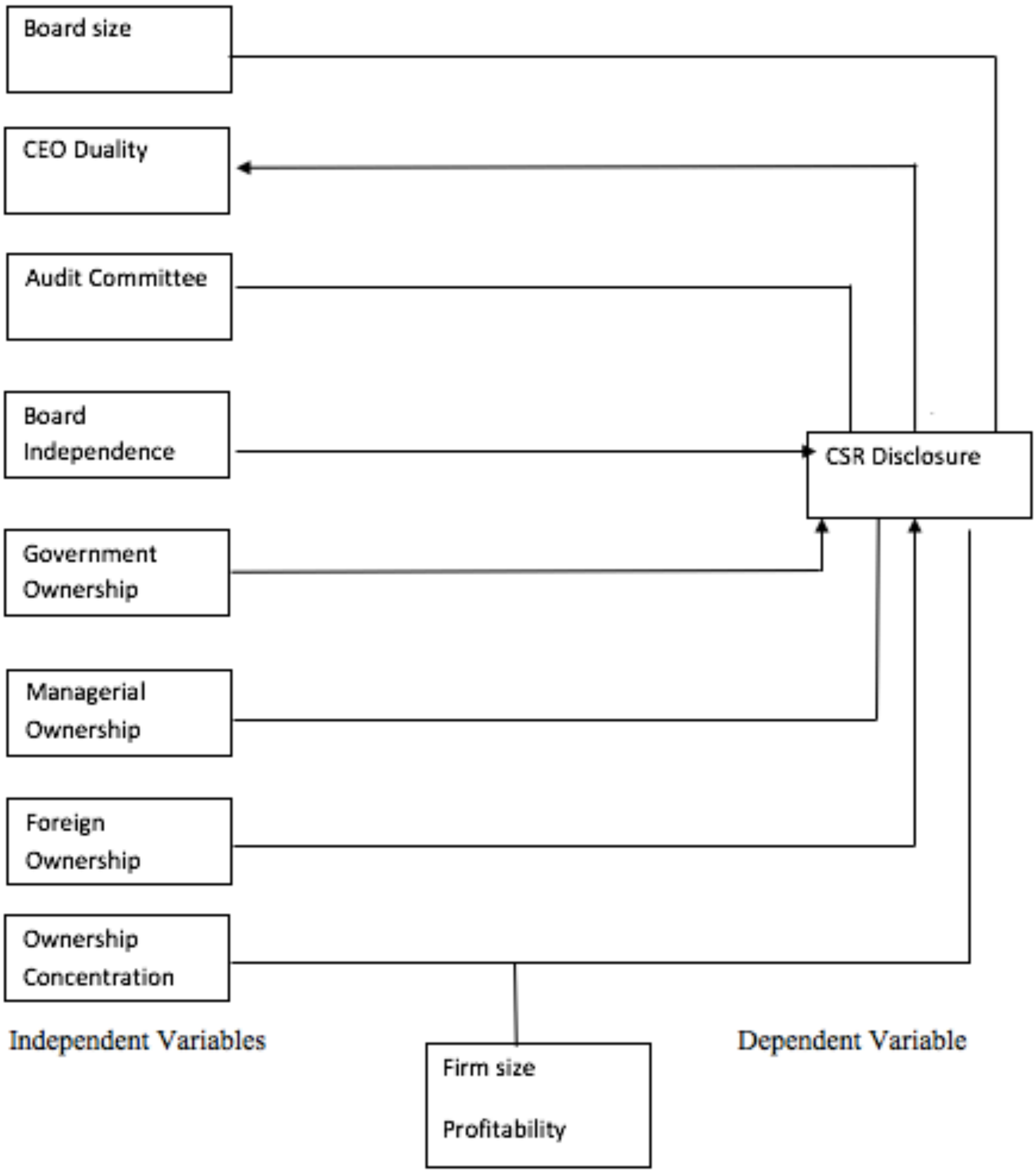
2.13 Corporate Social Disclosure and Control Variables
In the research, we used firm size and profitability as control variables. We take total assets for the measurement of firm size and ROE or ROA for the measurement of profitability. When we control these variables then the association between CSR disclosure and attributes of corporate governance will increase. Total assets are used as a proxy for the size of the firm. In literature total assets as a proxy for the firm, size is also used (Ho and Wong, 2001). The other control variable ROE is used for the measurement of profitability. Researchers mostly used ROE as a proxy for profitability (Haniffa and Cooke, 2002).

2.14 Causal relationship
Waddock and Graves (1997) found out a positive and a significant association of corporate social responsibility and financial performance of the firm. Similarly, Hillman and Keim (2001) also stated the significant and a positive association between corporate social responsibility and firm's profitability. McGuire et al. (1988) found that level of CSR is increased if there is an improvement in financial performance of the firms. Nelling and Webb (2009) introduced Granger causality approach and that causality exists between corporate social responsibility and firm's profitability. They are significantly related to ordinary least square (OLS) regression model. When focused on the individual variable of CSR, it shows that the causality of the stock market running towards CSR. Mahoney and Roberts (2007) find out the significant relationship and unidirectional causality between CSR and financial performance of the firms. Makni et. al (2009) also finds a negative and unidirectional Granger causality running towards CSR to financial performance measures.

Table 2.2 Summary of Causal relationships

Study	Variables used	Sample/country/period	Results and finding
Nelling and Webb (2009)	CSR, financial performance and CG characteristics	`USA	Causality exists between corporate social responsibility disclosure and firm's profitability
Mahoney and Roberts (2007)	CSR, institutional ownership and financial performance	Canada	In this study a single causality is running from Corporate Social Performance towards Financial Performance. There is a significant relationship exist between individual measures of a firm's corporate social performance.
Makni (2009)	Corporate governance determinants, and CSRD	Canada	In this study we used the Granger causality test and find out a significant and causal relationship between CSRD and CG determinants.

The given figure depicts the relationship of corporate governance determinants and CSR disclosure



(Based on Said et al., 2009) Control Variables

3. Hypothesis Development:
The purpose of the study is to test the hypothesis regarding the variables such as board size, CEO duality, Audit Committee, Board Independence, Government ownership, Managerial ownership, foreign ownership and ownership concentration in Pakistan.

3.1 Corporate Social Disclosure and Board Size
The important element in corporate governance mechanism is Board of directors who properly conduct their company business through their agents. Literature finds out that less effective coordination, communication, and decision making is due to board size. Lipton and Lorsh (1992) stated that if there is small board size then it will reduce the conflict between managers and the shareholders.

According to Jensen (1993), if the board is large then there is ineffective communication, decision making, and coordination. It is found out that less financial disclosure is due to less effective communication, coordination and decision making because in the large board the directors are not able to perform their functions efficiently and effectively, thus leading to the following hypothesis:

H1: There is a positive relationship exists between the level of CSR disclosure and board size in Pakistan.

3.2 Corporate Social Disclosure and CEO Duality

CEO Duality occurs when one person holding both the position of CEO and chairman of the board of the firm (Rechner and Dalton, 1989).The governance and leadership problems arise in organizations is due to the combination of both CEO and chairman positions. By vesting the power of both the chairman and CEO to one person will affect the board's ability of decision making (Tsui and Gul, 2000). The company providing great power to a person by assigning his dual position of both CEO and board chairman and is making decisions not only for shareholder's wealth but also to disclose information for the stakeholder's. The second hypothesis derives as:

H2: There is a positive relationship exists between the level of CSR disclosure and CEO duality in Pakistan.

3.3 Corporate Social Disclosure and Audit Committee

Literature shows that audit committee has an important role in increasing CSR disclosure. Wright (1996) investigated the positive association of audit committee with the financial performance of the firms. McMullen and Raghunandan (1996) also find out the significant relationship between the audit committee and financial reports of the firms. According to Ho and Wong (2001), the audit committee is positively and significantly related to corporate social responsibility disclosure.

The presence of an audit committee in an organization means that they are producing financial reporting of good quality and also a better review of the company's processes. The company should establish the board in such a way that there should be at least three independent directors in an audit committee. When the board comprises more independent directors then it will minimize the agency conflicts and bring improvements in their management system due to which the voluntary disclosures will also be increasing (Forker, 1992). The third hypothesis formulated is given below:

H3: There is a positive relationship between the level of CSR disclosure and proportion of independent non-executive directors sit in audit committee in Pakistan.

3.4 Corporate Social Disclosure and Independent Non-Executive Directors

In literature, board independence means independent of total directors on the board and the board is effective when there is the maximum number of independent directors. Webb (2004) investigated social and non-social oriented firms and stated that socially oriented firms have the maximum number of independent directors which will also protect the interest of shareholders. Independent directors have an important role in improving the company's image and also depict the positive image to stake holder's that the management is properly performing its functions. The bad image of the company is reflecting due to not involving in the CSR activities. When there will be more independent directors involved in the management of organizations then there will be more voluntary disclosure of the corporation (Rosenstein, 1990). According to Forker (1992), if the board comprises more independent directors then it will increase CSR disclosure and will reduce the incentives getting from not disclosing information. The fourth hypothesis derives from the above study is as:

H4: There is a positive relationship exists between the level of CSR disclosure and the proportion of independent directors in Pakistan.

3.5 Corporate Social Disclosure and Government Shareholding

Ghazali and Wheetman (2006) examined the relationship between CSR disclosure and government ownership and the result shows that only government ownership is not significant in explaining CSR disclosure.

General public mostly trusted by the government. If there are more government interventions in the company the more will be voluntary disclosure because the government can put pressure on the company to disclose information. Eng and Mak (2003) also find out the positive association between government ownership and voluntary disclosures. Nasir and Abdullah (2004) stated that government interventions in the company will increase the voluntary disclosures. This discussion leads to the fifth hypothesis is as given below:

H5: There is a positive relationship exists between the extent of CSR disclosure and proportions of shares held by the government in Pakistan.

3.6 Corporate Social Disclosure and Managerial Ownership

Agency theory stated that conflicts between the managers and the shareholders arise at a time when the manager is holding less ownership in a corporation. (Jensen and Meckling, 1976). If there is an increase in managerial shareholdings in a company then it will reduce the agency problems and increased voluntary disclosures. Nasir and Abdullah (2004) have done research on ownership structure and voluntary disclosure in financially distressed firms. Their findings suggest the direct association between managerial ownership and corporate social disclosure. Coffey and Wang (1998) found out the significant and positive association between managerial control and the charity. According to Guan Yeik (2006), managerial ownership and corporate social responsibility disclosure are significantly related and there is a negative association between managerial ownership and voluntary disclosure of the public listed companies. In this research, they stated that corporations in which there is 45 percent above the level of managerial ownership then there will be lower voluntary disclosures. Eng and Mak (2003) found that higher corporate social disclosure is related to lower managerial ownership. The sixth hypothesis derives as:

H6: There is a positive relationship exists between the level of CSR disclosure and proportions of shares held by executive directors in Pakistan.

3.7 Corporate social Disclosure and Foreign Ownership

Chambers et al. (2003) find out the association of foreign ownership and CSR disclosure and their findings suggest that by investing foreign ownership in the company then it will increase voluntary disclosures in the public listed companies. According to Haniffa and Cooke (2002), CSR disclosure and foreign ownership are positively and significantly related to each other. The maximum number of foreign shareholders in a company shows that the companies use voluntary disclosure for the purpose of getting the maximum output by helping the stakeholders. Samad and Wilson (2002) also find out the relationship between foreign shareholdings in a company and the voluntary disclosure and they stated that foreign shareholdings should be 5% of the public listed companies. The seventh hypothesis derives from the given study is given below:

H7: There is a positive relationship exists between the extent of CSR disclosure and proportions of shares held by foreign Ownership in Pakistan.

3.8 Corporate Social Disclosure and Ownership Concentration

Samad and Wilson (2002) investigated that due to high ownership concentration in a company, the minority shareholders have less power to implement company's plan. According to Haniffa and Hudaib (2006) find out that if few largest shareholders holding maximum no of shares in a company then it means that there is concentrated ownership. Halme and Huse (1997) find out no association of corporate social disclosure with ownership concentration. Ghazali and Wheetman (2006) also found out that there is no association of concentrated ownership with voluntary disclosure. These results are consistent with the study done by Halme and Huse (1997). Only the variable of ownership concentration is not significant in order to explain the level of corporate social disclosure (Ghazali and Wheetman 2006). Alsaeed (2006) stated that ownership concentration and corporate social disclosure are not significantly related. These results are inconsistent with the study done by Chau and Gray (2002) which stated that there is a significant and positive relationship between ownership concentration and CSR disclosure. There are concentrated shareholdings in public listed companies and dispersed ownership is negatively associated with voluntary disclosure (Wang and Coffey 1992). Haniffa and Cooke (2002) also discovered the significant association of ownership concentration and voluntary disclosures. This study leads the eighth hypothesis is as:

H8: There is a positive relationship exist between ownership concentration and the level of CSR disclosure in Pakistan.

4. Methodology

This section includes methods for data collection, the methodology used for the construction of variables and a Granger causality test is used for causal analysis between the dependent and the independent variables.

4.1 Data Collection methods

Data is collected from manufacturing firms for fifty companies for 5 years period (2008-2012), that includes textile, food, cement, sugar mills and fertilizers. The secondary data is collected from the company's website and financial reports of the company. Simple random sampling technique is used. Data is collected for dependent, independent and control variables. The data for control variables (Firm size and profitability) is collected by using financial information from the companies. Data for independent variables that includes board size, CEO duality, audit committee, board independence, government ownership, managerial ownership, foreign ownership and ownership concentration is collected by using the data of the company's website, State Bank of Pakistan and Karachi Stock Exchange. Finally, the data for the dependent variable (CSR Disclosure) is collected by using the accounting data to calculate the CSR Disclosure index. Five categories are used i.e., Human resource, community, environment, product, and energy is gathered from the companies' financial reports and from the companies websites.

4.2 Methodology of the Variables

The methodology used for the construction of dependent and independent variables is as follows. In the study, CSR disclosure is used as a dependent variable which is calculated by extracting the disclose items from the annual reports and from company's websites and adding the items which covered these five themes that include Human resource, community, environment, product, and energy. In the construction of the index, we use a dichotomous scale, in which we assign the value of '1'when the firm disclosed that item and assign '0' when the firm has not disclosed that item. Through this process, we add up all the scores and give equal weight (Said et al., 2009).

The independent variables are constructed as follows. Board size is calculated by counting the number of directors on the board. The variable data is extracted from the annual reports of the companies that are listed on the Karachi Stock Exchange. We expect a positive relationship between the variable and the level of CSR Disclosure of the firms (Jensen, 1993).

CEO duality is used to testify the leadership structure in organizations that are affecting the level of CSR Disclosure. The variable is measured through dummy variable and its value is 1 when the position of CEO and chairman are holding by a single person and the value is 0 when CEO and Chairman are two different persons. We expect a positive relationship between the CEO duality and the level of CSR disclosure as a single person holding both the positions (Tsui & Gul, 2000).

Audit committee in this study is used to calculate the total number of non-executive directors to the number of total directors sitting in an audit committee (Ho & Wong, 2001). We expect there is a positive relationship between the audit committee and the CSR Disclosure.

The next independent variable is the board independence in affecting the level of CSR disclosure. Board independence in the model is calculated by the proportion of non-executive to total directors in the board (Forker, 1992). The variable data is gathered from the annual reports of the company's. We expect a positive relationship exists between the board independence and the level of CSR disclosure.

Table 4.1
Variables used for the model

Variables	Proxied by	Symbol	Expected Sign
Dependent variable			
CSR Disclosure	CSR disclosure index	CD	
Independent variables			
Board size	Comprises no of directors in board	BS	Positive
CEO Duality	The variable is measured through dummy variable and its value is 1 when the position of CEO and chairman are holding by a single person and the value is 0 when CEO and Chairman are two different persons	CD	Positive
Audit Committee	The total number of non-executive directors to the number of total directors sitting in an audit committee	AC	Positive
Board Independence	Proportion of non-executive to total directors sitting in board	BI	Positive
Government Ownership	The shares held by the government to the total number of shares issued by the firm.	GO	Positive
Managerial Ownership	Shares held by executive directors to the total number of shares issued by the firm	MO	Positive
Foreign Ownership	Shares held by foreign investors to the total number of shares issued by the firm.	FO	Positive
Ownership Concentration	Number of shares issued by ten largest shareholders to the total number of shares issued.	OC	Positive

Government ownership is calculated by using the shares held by the government to the total number of shares issued by the firm (Eng & Mak, 2003). We expect a positive relationship between the variable and the level of CSR disclosure.

Managerial ownership is calculated by using the shares held by executive directors to the total number of shares issued by the firm (Nasir & Abdullah, 2004). We expect a positive relationship between the variable and the level of CSR disclosure.

Foreign ownership in the study is used to calculate the shares held by foreign investors to the total number of shares issued by the firm (Haniff & Cooke, 2002). We expect a positive relationship between the variable and the level of CSR disclosure.

Ownership concentration in the study is used to calculate the number of shares issued by ten largest shareholders to the total number of shares (Chau & Gray, 2002) and expected a positive relationship between CSR disclosure and ownership concentration.

4.3 Econometric testing

Simple regression is used to testify the relationship between the dependent variable, independent variables, and control variables.

The simple regression analysis of the model is given below in the equation:

$CSD = \beta0+ \beta1BS + \beta2CD + \beta3AC + \beta4BI + \beta5GO + \beta6MO + \beta7FO + \beta8OC + \beta9ROE+$
$\beta10TA + e$ …………………………………………………………………(1)

Where as

CSD =CSR disclosure
BS=board size.
CD =CEO duality.
AC = Audit committee.
BI =Board Independence

GO = Government ownership.

MO =Managerial ownership.
FO =Foreign ownership.
OC = Ownership concentration
ROE= Proxy for profitability.
TA =Proxy for size.
e = Error term

5. Econometric Results

In this section, the descriptive statistics, regression analysis and test of robustness are discussed. The results of descriptive analyses are presented in tables 5.1, 5.2 and 5.3 and their details are as below

5.1: Descriptive analyses

The multivariate data analyses are used to find out the mean and standard deviation of the CSR Disclosure. The highest mean value among independent variables is of Ownership Concentration. The value is 77.081, it depicts that majority shareholders in the developing country can play an effective role in disclosing the CSR information. Mean value for board independence is 67.028, which means that non-executive directors in developing market disclose non-financial information of the company as compared to executive directors. The mean value for the CSR disclosure index is 0.59.The mean value is very low so it means in developing the market like Pakistan the firms disclose their corporate information at a low level.

Table 5.1

Descriptive Statistics for the Variables

	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
CD	250	0	1	0.188	0.391
BI (%)	250	29	90	67.028	16.300
BS	250	6	13	8.068	1.541
AC (%)	250	33.33	80	64.961	10.669
log fs	250	4.717	10.582	6.780	0.932
FP	250	0.100	0.999	0.569	0.346
OC (%)	250	40.01	99.04	77.081	13.275
FO (%)	250	0	0.71	0.050	0.114
GO (%)	250	0.000003	0.3816	0.058	0.078
MO (%)	250	41.57	61.47	54.027	3.622
CSR Disclosure	250	0.256	0.933	0.597	0.174
Valid N (list wise)	250				

CEO Duality

The minimum value for CEO Duality for firms is 0 and the maximum value is 1.Mean value for CEO Duality is 0.188. It means by vesting the power of both the chairman and CEO to one person will affect the board's ability to decision making. The company assigning a dual position to a single person will take decisions not only for shareholder's wealth but also to disclose information for the stake holder's.

Board Independence

The minimum value for board independence for firms in Pakistan is 29 and the maximum value is 90. The mean value for board independence is 67.028.

The descriptive statistics show the percentage of non-executive directors to total directors is max then it will protect the interest of shareholders and there will be more voluntary disclosure of the corporation.

Board size

The minimum value for board size for firms is 6 and the maximum value is 13.The mean for board size is 8.068.The descriptive statistics show that the mean value of the board size supports the findings by Jensen (1993) suggest that the suitable number of members in the board should be seven or eight.

Audit committee

The minimum value for audit committee for firms is 33.33 and the maximum value is 80. The mean value for audit committee is 64.961.

Descriptive shows that the company should make the board in such a way that there should be at least three independent directors in an audit committee. If the board consist more independent directors then it will minimize the agency conflicts and bring improvements in their management system due to which the voluntary disclosures will also be increasing (Forker, 1992).

Firm size

The minimum value for firm size is 4.717 and the maximum value is 10.582The mean for firm size is 6.780.Firm size serves as a proxy for CSR disclosure in the model. The mean value shows that to control such variable then it will increase the association of corporate governance attributes and CSR disclosure.

Firm's Profitability

The minimum value for firm's profitability is 0.100 and the maximum value is 0.999. The mean value for Firm's profitability is 0.569. The mean value shows that to control such variable will increase the association of CSR disclosure and corporate governance attributes.

Ownership Concentration

The minimum value for ownership concentration is 40.01 for firms and the maximum value is 99.04. The mean value of ownership concentration is 77.081.

The mean value shows that the maximum no of shares is held by few largest shareholders in a company then it means that there is concentrated ownership and will increase voluntary disclosures of the company.

Foreign ownership
The minimum value of foreign ownership for firms is 0 and the maximum value is 0.71. The mean value of Foreign Ownership is 0.050

The mean value of foreign ownership shows that investing foreign ownership in the company will increase voluntary disclosures and also getting the maximum output by helping the stakeholders.

Government Ownership
The minimum value for Government Ownership for firms is 0.000003 and the maximum value is 0.3816. The mean value of Government Ownership is 0.058.

The mean value of government ownership shows that the max interventions in the company by the government will increase voluntary disclosure because the government can put pressure on the company to disclose information.

Managerial Ownership
The minimum value for Managerial ownership for firms is 41.57 and the maximum value is 61.47. The mean value of Managerial Ownership is 54.027

The descriptive statistics show that increase managerial shareholdings in a company will reduce the agency problems and increased voluntary disclosures.

CSR Disclosure
The minimum value for CSR Disclosure for firms is 0.256 and the maximum value is 0.933. The mean value for CSR Disclosure is 0.597.

Mean value of CSR disclosure is very low in Pakistan which means in developing economy the firms shows their CSR disclosure at a low level.

In order to detect multicollinearity in the model, we perform the test of robustness. Table 3 presents the results and it also includes variance inflation factors(VIF) of the variables. The values of VIF are tabulated if we make all the independent variables as the dependent variable and then find out the value of R squared. When we subtract the R squared from 1 and then divided by 1 then we get the result of VIF (Gujarati, 2003). The formula of VIF is given below

VIF=1/1-R2

The values of VIF ranges from 1.17 to 1.57, it shows that there is no multicollinearity exists in the model.

Table 5.2: Values for VIF for the developing market

	2008	2009	2010	2011	2012
CD	1.55	1.572	1.492	1.744	1.571
BI	1.285	1.261	1.312	1.279	1.335
BS	1.576	1.525	1.464	1.663	1.548
AC	1.501	1.553	1.384	1.448	1.511
Log fs	1.269	1.300	1.175	1.172	1.203
FP	1.499	1.397	1.403	1.515	1.427
OC	1.161	1.089	1.112	1.122	1.160
FO	1.257	1.203	1.274	1.46	1.242
GO	1.281	1.309	1.212	1.207	1.243
MO	1.387	1.283	1.371	1.333	1.296

5.2 Regression analysis

Table 5.3: Econometric result for the model dependent variable: (CSR disclosure).

Variables	Model
Constant	0.33 (2.37)**
AC	-0.00022 (-0.17)**

BI	-0.000451 (-0.58)**
BS	0.012 (1.63)**
CD	-0.035 (-1.25)**
FO	0.14 (2.03)**
FP	0.015 (0.76)**
LOG_FS	0.0197 (1.88)*
GO	0.322 (2.42)**
MO	-0.000625 (-1.34)**
OC	0.0013 (1.93)**
R2	0.73
Mean dependent variable	0.59
F-statistic	(59.44)**

Notes:

In the first row, the values of coefficients are given

In the second row, the values of T statistics are given in parenthesis.

Total observations=250

The single asterisk (*) means that the variable is significant at 10% of Significance level

The double asterisk (**) means that the variable is significant at 5% of Significance level

5.3 Results of the model

The quantitative form of the model is given below
Yt =0.33-0.00022AC-0.000451BI+0.012BS-0.035CD+0.14FO+0.015FP+0.322GO-0.000625 MO +0.0013OC + 0.0197FS.
(-0.17)** (-0.58)** (1.63)**(-1.25)** (2.03)** (0.76)** (2.42)** (-1.34)** (1.93)** (1.88)**
2 =0.73

In the above equation, the value of coefficients is given in the first row. The value of t-statistics is in the second row in parentheses. The value for the R squared is 73%. It means that 73% variation in the dependent variable of the model is explained by independent variables and 27% variation is not explained by the independent variables. The significant and high value of F-statistics shows that the model is reliable and stable. The mean value of the dependent variable is 0.59 which means that firms create value for shareholders.

Explanation of the Results:
Simple regression analysis is used to find out the role of CSR disclosure of the listed companies of Pakistan. The independent variables (board size, CEO duality, audit committee, board independence, government ownership, managerial ownership, foreign ownership, Ownership concentration) into percentage forms. The result given in Table 5 shows that the value of R-squared is 73.39% for the given model. It means that the 73.39% of the variation in the CSR disclosure is explained by independent

variables in the model. The Durbin Watson test for this model is 1.89. The value for F-statistic is 59.44 and significant at 5% level of significance.

Board size
Board size is one of the instruments of corporate governance which is used to test the hypothesis that there exists a positive relationship between board size and CSR disclosure. The result shows that board size is significant with a positive value of 0.012 and is at 5% of significance level due to which there is acceptance of first hypothesis (H1). These results are also consistent with the findings of Lipton and Lorsh (1992) and Jensen (1993).

CEO Duality
CEO duality is used to find out the relationship exist with CSR disclosure. This variable shows a qualitative dimension in the regression model. When a person is holding the positions of both CEO and chairman then the value of this dummy variable is 1 and is 0 when the position of CEO and chairman holds by two different persons. CEO duality is statistically insignificant due to which there is a rejection of second hypothesis (H2), says about the positive association of CEO duality and CSR disclosure.

Audit Committee
The audit committee is used to testify the relationship of CSR disclosure and audit committee. The results are not statistically significant due to which we reject the third hypothesis (H3) of about the positive relationship of CSR disclosure and audit committee.

Board Independence
Board independence is statistically insignificant, which says the positive relationship between board independence and the level of CSR disclosure which rejects the fourth hypothesis (H4).

Government Ownership
The most significant variable is government ownership, which is positively related with 0.322 at 5% of significance level, it leads to the acceptance of fifth hypothesis (H5) which says the positive association of government ownership and the CSR disclosure. Similarly, the results are consistent with the findings of the study done by Eng. and Mak (2003) and Nasir and Abdullah (2004).

Managerial Ownership
Managerial ownership is statistically insignificant and there is a rejection of sixth hypothesis (H6) about the positive relationship of shares holding by the management committee and the level of CSR disclosure.

Foreign ownership
Foreign ownership is statistically significant and the value of the coefficient is 0.14, it leads to the acceptance of seventh hypothesis (H7), which says there is a positive relationship between foreign ownership and CSR disclosure. Haniffa and Cooke (2002) also reported a positive association between foreign ownership and CSR disclosure. Chambers et al. (2003) stated that the level of CSR disclosure is increased through foreign shareholders in Public Listed companies.

Ownership Concentration
Ownership concentration is statistically significant and there is a positive value of coefficient which is 0.0013, due to which there is acceptance of eighth hypothesis (H8), which says there exist a positive relationship of ownership concentration and the CSR disclosure. These results are consistent with the result of Chau and Gray (2002). According to their study, the ownership concentration and CSR disclosure are significantly associated. Similarly the results of Haniffa and Cooke (2002) also significantly related ownership concentration and CSR disclosure.

Firm Size
Firm size serves as a proxy for CSR disclosure in the model because it shows the value of the size of a firm. There is a positive relationship between the firm size and CSR disclosure which is proved at the 5% significance level. The coefficient value for firm size is 0.0197 it means that if there is one percent increase in firm size then it will lead to increase of CSR disclosure by 0.0197.

Firm's profitability
The relationship between firm's size (total assets) and CSR disclosure is positive and significant. The sign has a value of 0.061. This variable has an insignificant association with CSR disclosure

5.4 Robustness tests
The robustness tests are performed to check out whether the alternate hypotheses are relevant for the model. Robustness tests include a test of incremental regression. This test is performed by removing individual independent variables and capturing the effect on the value of the R squared. The result shows that the value of r squared has decreased from 73% to 70% when removing all the variables from the model. This decrease in the value of r squared shows that the 3 percent variation of the CSR disclosure is explained by Corporate Governance characteristics. R square change of 3 percent means that if we control firm's size and firm's profitability still the variance of 3 percent in CSR disclosure is explained by CG characteristics.

Table 5.4: Incremental Regression

Models	Variables removed	
	Fs	Log fp
R square (Original)	0.732	0.732
R square (after the removal)	0.7060	0.7063

6.1 GRANGER CAUSALITY: (PAIRWISE)

The Granger causality test is one of the techniques in statistics which have to find out that whether one time series is useful in forecasting another. In economics, causality is reflected by measuring the ability to predict the future values of a time series using past values of another time series. Econometricians assert that the Granger test finds only predictive causality. A time series X is said to Granger-cause Y if it can be shown, usually through a series of t-tests and F-tests on lagged values of X (and with lagged values of Y also included), that those X values provide statistically significant information about future values of Y.

Table 6.1: Granger causality test

RELATIONSHIP FOUND:

Relationship		F-Statistic	Prob.	**Direction**
GO does Granger Cause **CSRD**		2.33257	0.0036	GO→ CSRD
FO does Granger Cause **CSRD**		1.92269	0.0198	FO →CSRD
FO does Granger Cause MO		2.19810	0.0063	FO→ MO
OC does Granger Cause GO		2.23644	0.0054	OC→ GO
FP does Granger Cause CSRD		1.81059	0.0310	FP→ CSRD
OC does Granger Cause FP		1.63553	0.0612	OC→ FP
OC does Granger Cause FS		1.52700	0.0915	OC→ FS
FS does Granger Cause FP	1.64552	0.0589		FS→ FP
BS does Granger Cause OC		1.50593	0.0988	BS→ OC
BI does Granger Cause **CSRD**		1.52266	0.0930	BI →CSRD
CSRD does Granger Cause CD	131	2.28343	0.0044	CSRD →CD
AC does Granger Cause CD	131	2.20682	0.0061	AC→ CD
BS does Granger Cause CD	131	1.53679	0.0883	BS→ CD
BI does Granger Cause CD	131	2.57706	0.0013	BI →CD

Granger causality test is applied to see the direction of the relationship of CSR disclosure with the independent variables that include board size, CEO duality, audit committee, board independence, government ownership, managerial ownership, foreign ownership and ownership concentration.

From the above table, it shows that GO does Granger Cause CSR disclosure that shows the unidirectional causality running towards GO to CSRD only but not vice versa. The most significant variables that influence CSR disclosure, is the government ownership. The maximum number of government ownership in a company means that the value of CSR disclosure is high. As we know, general public trusted the government, so if there are higher shares of government in a company then they put pressure on companies to disclose information. FO does Granger Cause CSR disclosure that shows the unidirectional causality running towards FO to CSRD only but not vice versa. Foreign investors in a firm will improve their internal control and it will also lead to greater quality of disclosures. Similarly, FO does Granger Cause Mo that shows the unidirectional causality running towards FO to MO only but not vice versa. OC does Granger cause GO that shows the unidirectional causality running towards OC to GO only but not vice versa. The control variable FP does Granger cause CSR disclosure that shows the unidirectional causality running towards FP to CSRD only but not vice versa. OC does Granger cause FP that shows the unidirectional causality running towards OC to FP only but not vice versa. The control variable FS does Granger Cause FP that shows the unidirectional causality running towards FS to FP only but not vice versa. BS does Granger Cause OC that shows the unidirectional causality running towards BS to OC only but not vice versa. BI does Granger Cause CSR disclosure that shows the unidirectional causality running towards BI to CSRD only but not vice versa. The board independence has also unidirectional Granger causal relationship with CSR disclosure. There is a high level of disclosure when the firm has maximum no of non- executive directors on their board. Independent directors are considered important for monitoring management behavior because of more voluntary disclosure of corporate information (Rosenstein, 1990). The high percentage of independent directors sit on the board will increase the disclosure of information (Forker, 1992).

CSRD does Granger Cause CD that shows the unidirectional causality running towards CSRD to CD only but not vice versa. CSR disclosure and CEO duality have also a unidirectional Granger causal relationship. Tsui and Gul (2000) find out that assigning the responsibility of both CEO and chairman to one person can minimize the ability of the board for effective control.
AC does Granger Cause CD that shows the unidirectional causality running towards AC to CD only but not vice versa. BS does Granger Cause CD that shows the unidirectional causality running towards BS to CD only but not vice versa. BI does Granger Cause CD that shows the unidirectional causality running towards BI to CD only but not vice versa.

7.0 Findings and Recommendations:

The research yielded five major findings which are given below:

1. The result shows that the four variables i.e., government ownership, ownership concentration, foreign ownership and board size have a positive and significant impact on CSR disclosure.
2. The government intervention is a vital attribute of corporate governance which increases the level of voluntary disclosure in Pakistani companies. Companies should try to increase the government shareholding to enhance the level of CSR disclosure. The government interventions can reduce agency conflicts between the company and their shareholders and also between society and stakeholders. If there is CSR disclosure then it indicates to society and to stakeholders that firms are busy in solving social problems of the society.
3. In Pakistan there should be small board size in the companies, in order to reduce the conflict arises between managers and shareholders and to increase coordination, communication and decision making. In the large board, the directors are not able to carry out their functions efficiently due to which less effective coordination, communication and decision making will lead to low quality of financial disclosure.
4. In order to increase CSR disclosure, there should be diffused ownership because when shares owned by ten largest shareholders in the company then it increases the voluntary disclosure.
5. CSR disclosure is also increased if there is involvement of foreign ownership in the company. Foreign investors put force on companies to disclose additional information.

8. Limitations and Future Research:

Besides numerous implications this research is confronted with a few limitations that should be acknowledged. The first limitation was the selection of a sample of the non-financial companies due to which the result may not extend to all companies across Pakistan. Another limitation was about the construction of disclosure index, which will affect the result if the information of the selected items is not properly stated. This study considered only a few years to analyze the result and the result may vary for multiple years. In this study, the comparative research among different industries is not done. Because of these limitations, the results can be interpreted. In future, we can conduct the research on corporate social responsibility disclosure if we take companies of non-financial sector listed on Karachi stock exchange. If the same research is conducted on different industrial sector then it may disclose some different results due to variations in the industrial sectors and this would be an interesting extension of the study.

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