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Article

The relationship between corporate social responsibility and firm performance: evidence from Jordan

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ACCOUNTING, CORPORATE GOVERNANCE & BUSINESS ETHICS | RESEARCH ARTICLE

The relationship between corporate social responsibility and firm performance: evidence from Jordan

Moawiah Awad Alghizzawi¹, Mayada A. Youssef^{2*}, Mohammed Abu Zriaiq⁴ and Moataz Elmassri^{2,3}

Abstract: This study aims to investigate the relationship between corporate social responsibility (CSR) and Jordanian firm performance. CSR is measured using three dimensions: philanthropy, community, and environment. Meanwhile, firm performance is measured by two accounting-based measurements; Return on Assets (ROA) and Return on Equity (ROE). We employ the legitimacy theory as a theoretical perspective for the current study. The data included 200 observations of 100 service and industrial Jordanian companies listed on the Amman Stock Exchange. SPSS is used for data analysis. The results indicate a significant positive association between community and environment with both ROA and ROE. However, Philanthropy does not significantly affect ROA and ROE. Additionally, Jordanian companies seem to apply “form” when it comes to philanthropy. Organizational

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legitimacy is their principal management objective, not improving philanthropy disclosure practices. However, regarding community and environmental disclosures, firms seek organisational legitimacy by adopting substantive changes to the information content of such parameters. This study's contributions are twofold. First, we expand the literature by exploring the effect of CSR disclosure on firm performance in an emerging economies context. Secondly, to our knowledge this is the first study that examines whether managers use CSR disclosures as symbolic or substantive actions to gain organisational legitimacy. As a practical implication of this study, investors should consider the companies' community and environmental CSR activities when making investment decisions. Future research may include the mediating or moderating effect of other variables on the relationship between CSR and firm performance.

Subjects: Corporate Finance; Accounting; Corporate Social Responsibility

Keywords: corporate social responsibility; Legitimacy theory; community; environment; Philanthropy; firm performance; Jordan

1. Introduction

Corporate social responsibility (CSR) has emerged as a critical concern for businesses, particularly in light of the numerous corporate scandals that have surfaced since the turn of the millennium. The scandals have caused a drop in the degree of trust that organisations once had with their stakeholders. Organisations have realised that a thriving organisation is focused on more than just the financial aspects of its operations, such as revenue and expenses. As a result, companies announce CSR initiatives regularly to demonstrate the effects of their actions on the environment and society at-large. As Weshah et al. (2012), mentioned in their study that CSR relate to society's needs and the nature of the surrounded environment. In this regard, businesses are expected to provide information on their environmental, social, and economic activities. (Rashid, ; Abid & Dammak, 2021; Gangi et al., 2019).

The relationship between the corporate CSR performance and various themes has been examined in several previous studies. For instance, the credibility of CSR reports (Brown-Liburd & Zamora, 2015; Cheng et al., 2015), analyst forecast accuracy (Dhaliwal et al., 2012), cost of capital (J. L. Weber, 2018; Plumlee et al., 2015; Zouari-Hadji & Chouaibi, 2021), shareholders value (Matsumura et al., 2014; Rashid, 2018), Firm profitability (Hussainey et al., 2011), corporate governance (Ananzeh et al., 2022; Al Maeeni et al., 2022); ownership structure (Alodat et al., 2021; Ananzeh et al., 2021); earning management (Almahrog et al., 2018; Amar & Chakroun, 2018); tax avoidance (Alsaadi, 2020) making better internal decisions (Cohen & Simnett, 2015) and firm performance (Madueno et al., 2016; Qadorah & Fadzil, 2018; Saleh et al., 2020; Auliyah & Basuki, 2021; Almasarwah et al., 2021; Afifa et al., 2021). Whereby, CSR has become an important issue for corporate strategies during the previous decade due to the growing awareness of social impact, environmental care, and sustainability, which significantly expanded the literature of CSR in order to uncover the pros and cons for adopting CSR at corporate levels (Zraquat et al., 2021). In particular, the CSR disclosures and its relation to firm performance have piqued the interest of academics in the accounting literature recently. Numerous empirical studies have examined the relationship between CSR and firm performance in many countries and provided conflicting findings creating a gap in the literature that needs to be addressed. For instance, some studies discovered a positive relationship between CSR and firm performance (Bird et al., 2007; Crifo et al., 2016; Madueno et al., 2016; Nguyen & TU, 2020; Orlitzky et al., 2003; Teanpittayamas et al., 2021). According to other studies, there is either no relationship between them (Afifa et al., 2021; Auliyah & Basuki, 2021; Chih et al., 2010; Hillman & Keim, 2001; Mulyadi & Anwar, 2012;

Surroca et al., 2010), or a negative relationship (Brammer et al., 2006; Crisóstomo et al., 2011; Muñoz et al., 2015).

Although CSR practices are not consistently linked to firm performance, disclosing CSR practices is essential for ensuring that all stakeholders' needs are met. Additionally, the implementation of CSR practices may allow a company to get a competitive advantage, as well as have an impact on its reputation, employee loyalty, employment, activity efficiency, sales volume, and performance. It is noteworthy that good CSR practices in Jordan are considered limited compared to those in other countries. This is because CSR practices and their disclosure are not seen as a profitable investment in Jordanian companies, which can be explained by the lack of awareness and understanding of the implications of CSR especially as it relates to performance (Zraqat et al., 2021). Using this premise, this paper's objective is to empirically examine the effect of corporate CSR practices on firm performance. In doing so, we focus on three dimensions of CSR practices; Philanthropy, Community, and Environment. These variables ensure relevance to all groups in terms of pollution control, environmental programs, participation in healthcare initiatives, charity donations, support for children's education as well as increasing employment in the community.

In addition, we apply this research in the Jordanian context as one of the emerging economics contexts. The need to conduct studies on CSR initiatives and corporate success in developing nations is emphasized in the literature (Abu Qa'dan & Suwaidan, 2019). Some studies have addressed practices by Jordanian companies (Abu Farha & Alkhalailah, 2016; Alkayed & Omar, 2022; Ibrahim & Hanefah, 2016; Omar & Zallom, 2016). Recently, CSR has gained popularity among Jordanian stakeholders, and some firms have shown deep interest in social and environmental added value (Gangi et al., 2019). Despite this, the business community still does not fully grasp CSR and views it as a philanthropy framework instead of elevating it to a strategic approach to sustainability. Therefore, the motive of this study is to extend the existing literature by filling in the gaps and emphasising the relationship between CSR disclosures and firm performance in the Jordanian context. We measured the three dimensions of CSR (philanthropy, community, and environment) via disclosure index components and the firm performance was assessed using accounting-based measurements collected from the ASE database¹.

According to the regulatory standards, publicly listed companies in Amman Stock Exchange (ASE) are obligated to provide disclosures of specific information that falls under the purview of social responsibility in its annual report. This disclosure covers information on the firm's contributions to environmental protection, community service, charity donations, and grants. Although these CSR information disclosure standards are significant, they are still scarce in comparison to the various components and dimensions of CSR. According to Weshah et al. (2012) there are a limited number of CSR dimensions in Jordanian companies to measure the effect of this factor on the firm performance. Furthermore, the disclosures are also stated in common parlance.

One of the motives that drives firms to disclose information about their CSR practices is to gain organisational legitimacy. Firms can over-present their CSR disclosures to polish their corporate images even with poor CSR performance (Alshatti, 2015). Even firms with poor CSR performance have the incentive to conduct CSR assurance to enhance organisational legitimacy (Abu Farha & Alkhalailah, 2016). There is a need for a socio-political theory to explain the firm's motives for conducting CSR disclosures, we argue that legitimacy theory (LT) fits this study's argument. LT provides in-depth explanation of whether firms conduct CSR disclosures as a *symbolic* action to superficially appear as they believe in the CSR engagement without acting towards that, or as a *substantive* action those results in significant enhancement of firm performance. In addition, as far as we know, symbolically versus substantive practices haven't been explored within CSR literature, introducing a gap in the field.

Based on 200 observations of 100 service and industrial Jordanian companies listed on the Amman Stock Exchange. The results show a positive and significant association between each of

the community and environment with both Return on Asset (ROA) and Return on Equity (ROE). To the contrary, philanthropy has a relatively insignificant impact on ROA and ROE. Based on findings of the study, investors may consider the companies' community and environment CSR activities when making investment decisions.

Therefore, this study's contributions are twofold. First, we expand the literature by exploring the effect of CSR disclosure on firm performance in an emerging economies context. Given the economic conditions, inadequate government incentives, and the lack of transparency, disclosure, and corporate governance within the Jordanian context, this enables us to grasp better understanding about the CSR practices in Jordan. We examine how the social and instructional challenges in the Jordanian context can contribute to understanding the relationship between CSR disclosures and firm performance. Second, no study to our knowledge examined whether managers use CSR disclosures either as symbolic or substantive actions to gain organisational legitimacy. This could be considered a theoretical contribution to the CSR literature. The following parts of the paper is structured as follows: the following section presents the theoretical background and hypotheses. Section 3 focuses on the research method and the study models. Section 4 concentrates on the empirical results and their discussion. This is followed by the conclusion.

2. Theoretical background and hypotheses development

Firms in Jordan have become increasingly aware of CSR disclosure guidelines in recent decades. Thus, these guidelines aim to institutionalise CSR on a global scale by establishing CSR principles, laws, and procedures. Also, consensus with the recommendation of Weshah et al. (2012), companies should take into their consideration the positive effect of CSR on their firm performance. In addition, stockholders should support the management to use CSR because of its great impact on the surrounded society. Conversely, CSR disclosure remains a voluntary practice in Jordan today (Waworuntu et al., 2014). In addition, limited empirical research has been undertaken recently, especially in the Jordanian context, to examine the effect of CSR dimensions such as philanthropy, community, and environment on firm performance (Abu Qa'dan & Suwaidan, 2019). The following section sheds the light on the theoretical lens of the research, followed by the rationale behind determining the research hypotheses.

2.1. Theoretical background

There are many theoretical lenses that have been employed in the CSR literature. For example, agency theory (Barnea & Rubin, 2010), stakeholders' theory (Islam & Deegan, 2008), institutional theory (Berrone & Gomez-Mejia, 2009), and legitimacy theory (Deegan & Soltys, 2007) are among the ones intensively used.

In terms of theoretical foundation, the CSR concept is mainly based on the Stakeholder Theory, which states that a company should evaluate the advantages of various parties in societal structure besides its investors. There is strong evidence that Stakeholder Theory can be applied to firms to better understand management reflections on stakeholder expectations of their initiatives (Di Bella & Al-Fayoumi, 2016). Thus, a compelling argument behind the motivation of companies to invest in CSR programmes is based on the Stakeholder Theory (J. H. Friedman, 1984). In contrast, company philanthropy involves corporate gifts and financial contributions (M. Friedman, 1970). Yet, lately, companies' rising influence in different sectors of social life has sparked a renewed interest in the economy and the societal implications of their activities. Therefore, stakeholders view corporate philanthropy as a proper and legal business activity. In addition, based on agency theory, the CSR practices enable stakeholders (principals) identify if management (agents) acting in favour to their interest, as CSR signal the quality of the management skills to stakeholders, which in turn reduces the agency costs (Anil et al., 2008; Al Maeni et al., 2022)

We employ the LT as a theoretical perspective for the current study due to its relevancy. LT implies that a "social contract" exists between a business organisation and its society (Deegan, 2006). This social contract deals with whether an organisation operates within the bounds and norms of society or, simply, fulfils the expectations of society (Fernando & Lawrence, 2014). Since

CSR information represents the social contract between an organization and its society, it should fulfil the expectations of various stakeholders. Thus, in terms of LT, legitimising an organisation's operations through CSR engagement and reporting is considered as a driven motivation of managers. As such, "corporations will do whatever they regard as necessary in order to preserve their image of a legitimate business with legitimate aims and methods of achieving it" (De Villiers & van Staden, 2006, p. 763).

Many scholars employed LT to explain CSR practices in different contexts (Deegan & Rankin, 1996; Campbell 200; De Villiers & van Staden, 2006). Given that adopting CSR practice does not necessarily mean enhancing firm performance, we argue that most of prior literature failed to test the effectiveness of CSR practices on firm performance. Most of previous studies use LT to explore how CSR reporting acts as a legitimise tool to meet the expectation of various stakeholders. We extend this investigation by positioning firm performance, as a legitimate practice that is enhanced through adopting CSR practices.

We employ LT to understand whether managers conduct CSR practices to seek legitimacy through symbolic actions or they provide substantive actions to their stakeholders. The symbolic actions give space to managers to create "superficial impressions to project an appearance that the organisations activities are consistent with social values and expectations" (Soobaroyen & Ntim, 2013, p. 95). However, managers seek organisational legitimacy through adopting substantive actions which "involve real, material change in organizational goals, structures, and processes or socially institutionalized practices" (Ashforth & Gibbs, 1990, p. 178).

Given the CSR literature, some studies address the symbolic view of CSR reporting and others address the substantive view. Based on the symbolic view, some previous studies found significant inconsistencies between CSR reporting and CSR performance, firms that tend to disclose more CSR-related information have reported poor CSR performance (Cho & Patten, 2007; Patten, 2002). On the other hand, consistent with substantive view of CSR practice, other studies have shown that much CSR-related disclosure results in enhancing CSR performance (Soobaroyen & Ntim, 2013). We extend this line of research by examining whether CSR disclosures act as a symbolic or substantive action. We investigate whether firms adopt symbolic actions without significant reflections on the firm performance or believe that conducting CSR practices can lead to real substantive changes in terms of enhancing firm performance.

Based on LT, the following sub-sections develop the study's hypotheses by building on the relevant literature.

2.2. Philanthropy and firm performance

A compelling argument behind the motivation of companies to invest in CSR programmes is to gain organisational legitimacy (Deegan, 2006). A company's philanthropy involves corporate gifts and financial contributions (M. Friedman, 1970). Yet, lately, companies' growing influence in different sectors of social life has sparked a renewed interest in the economic and societal implications of their activities. Therefore, stakeholders view corporate philanthropy as a proper and legal business activity. Governments in certain countries, such as Jordan, support corporate philanthropic action because it assists in reducing government expenditures. When governments have scarce resources of their own or are unable to provide resources directly to specific community areas, businesses' donations are seen as legitimate and are promptly welcomed (Abu Qa'dan & Suwaidan, 2019). It also found that corporate philanthropic contributions are positively associated governmental ownership (Ananzeh et al., 2021).

In this light, corporate philanthropy could be regarded as a way for companies to improve their relationships with their major stakeholders to gain favourable responses such as greater cooperation and involvement. Interestingly, the practice of philanthropy has been in existence since

business activities started and have remained until today since organisations usually share their profit with society in philanthropic activities (Olagoke, 2015).

Based on Stakeholder Theory, a positive correlation is anticipated between CSR and company performance. The ability of a business to maintain relationships with its stakeholders is critical to its success. In addition, in terms of LT, the social contract concept drives companies to maintain relationships with its stakeholders as this is critical to its success. The primary premise of LT denotes that CSR could be a legitimate tool that promotes efficient resource utilisation that improves business performance (Deegan, 2006). Prior empirical studies examining the relationship between philanthropy and firm performance found a positive correlation between the two variables. For example, Wang et al. (2008) examined the effect of corporate philanthropy on firm performance in USA. According to panel data collected from 817 companies listed in the Taft Corporate Giving Directory, they found a strong positive correlation between the variables. Similarly, Wang and Qian (2011) found a positive relationship between philanthropy and firm performance for publicly listed Chinese firms. In addition, Bhattacharyya and Rahman (2019) concluded that philanthropic activities have a positive impact on Indian firm performance. The positive relationship is further confirmed by Miller et al. (2020) in their study of 7317 US banks. Comparatively, Chai (2010) results based on data collected from 1,017 listed Korean companies do not reveal any significant relationship between the variables. Therefore, based on the discussion mentioned above, the following hypotheses were proposed:

H1: *There is a positive relationship between philanthropy and firm performance.*

H1a: *There is a positive relationship between philanthropy and ROA.*

H1b: *There is a positive relationship between philanthropy and ROE.*

2.3. Community and firm performance

In terms of LT, CSR is derived from a corporation's responsibility to the community. Thus, the disclosure of community engagement initiatives is among the most significant parts of CSR when evaluating an organisation (Abu Qa'dan & Suwaidan, 2019; Weshah et al., 2012). The disclosure of community engagement examines how businesses might assist their communities' welfare by incorporating societal norms and values into their business strategies. Assistance for education, sponsorship of recreational events, skill acquisition training for communities, water supply, and contribution for medical health care facilities are examples of community initiatives in corporate organisational strategies (Lu et al., 2018). Baba (2017) asserted that companies improve their performance through commitment to their host community's societal values. He discovered a significant relationship between CSR and societal progress that translates into better performance.

Community engagement activities are regarded to be mutually beneficial as CSR is a voluntary company action that improves community wellbeing. The companies' reputation improves when firms actively participate in CSR, and the community benefits from the various programmes that the firm implements (Lu et al., 2018). Usman and Amran (2015) investigated the relative impact of various aspects of community involvement initiatives. Their findings imply that such initiatives aid corporations in developing positive stakeholder relationships. Therefore, corporations can establish a brand reputation at a lesser cost than what would be possible via advertising and public relations, resulting in improved organisational performance.

CSR aids in the achievement of competitive advantage via more efficient procedures, increased production, reduced compliance costs, generate new market opportunities and enhance the community. Overall, CSR empirically presents a direct and indirect impact on the company. The

direct impact can emerge from the positive firm performance, while indirect impact can be exhibited by the brand image or market reputation achieved through media attention (Al-Smadi & Almsafir, 2016; Kim et al., 2018). Several scholars have examined the relationship between community and firm performance. For example, Simpson and Kohers (2002) determined that community reinvestment positively influenced the performance of 385 USA banks. Based on their study of 61 socially responsible mutual funds in the US, Barnett and Salomon (2006) found a strong correlation between community and firm performance. A study by Bahta et al. (2021) found that CSR (community) positively affects firm performance of 402 Eritrean firms (SMEs). Phan et al. (2020) found that sustainable development practices (community) significantly impacted the performance of 389 textile firms in Vietnam. Considering the existing research, the following hypotheses are presented:

H2. *There is a positive relationship between community and firm performance.*

H2a. *There is a positive relationship between community and ROA.*

H2b. *There is a positive relationship between community and ROE.*

2.4. Environment and firm performance

Discussion on the safety environment maintenance has dominated the literature on social and environmental disclosures and the potential effect on firm performance. A significant association among companies' cost of environmental conservation, net income and economic benefit of environmental conservation was associated with firm performance. Several studies have evidenced that environmental CSR disclosure leads to better firm performance (Kim et al., 2018; Weshah et al., 2012).

Business commitment to environmental concern can be determined by the extent of companies' transparency in the disclosures of implementation of environmental programmes through various means, such as websites and annual reports. Additionally, the extent of environmental reporting is also influenced by the level of stakeholders' consciousness in evaluating firm performance (Baba, 2017). CSR was found to assist businesses in achieving long-term profitability and a competitive market position. Furthermore, CSR is advantageous for ensuring a positive brand reputation and image, better public credibility and decreased potential responsibility for ecological harm (Al-Smadi & Almsafir, 2016).

Numerous research has explored the correlation between CSR and organisational performance and discovered a considerable link between both variables. A literature review by Molina-Azorín et al. (2009) examined the impact of environmental activities on firm performance. In their review of 32 studies, they found that 21 of them confirmed the positive impact of environmental activities on the performance of firms. O. Weber (2017) found that the performance of 46 Chinese banks was enhanced by their sustainability performance (environmental and social activities). Similarly, Partalidou et al. (2020) found that environmental investment has a significant impact on the performance of 45 food companies in Greece. The same finding was made by Phan et al. (2020) in their study of 389 textile firms in Vietnam. On the other hand, Ho-Jin et al. (2019) found that corporate performance has been negatively impacted by the increase in costs for environmental CSR activities, such as recycling packaging and reducing waste and packaging materials.

Drawing on the above-mentioned discussion, the following hypotheses are proposed:

H3. *There is a positive relationship between environment and firm performance.*

H3a. *There is a positive relationship between environment and ROA.*

H3b. *There is a positive relationship between environment and ROE.*

3. Research method and the study model

3.1. Sample and data

The research involved Jordanian companies listed on the Amman Stock Exchange (ASE) as a sample for this study, excluding those in the financial sector. The exclusion was underpinned by these firms being subjected to a dissimilar set of rules and regulations, rendering them not parallel with those of other sectors (Alodat et al., 2021). Thus, a total of 200 observations from service and industrial companies were collected during the research period of 2017 and 2018. Table 1 displays the study sample and distribution of the observations.

This time period was chosen because of the new regulations issued on the provisions of Articles (12/N) and (118/B) of the Securities Law No. 18 of 2017, which were authorized by the Resolution of the Board of Commissioners of the Securities Commission No. (2017/146). This research was suspended till 2018, in order to avoid the severe impact of COVID-19 on the Jordanian companies' performance. Moreover, the profits of the industry and service sector in Jordan declined between the years 2017 and 2018 (Alodat et al., 2021). Whereas, CSR dimensions (such as philanthropy, community, and environment) were collected from the annual reports of Jordanian companies.

Table 1. Summary of the study sample

	Industrial sector firms	Obs.	%
1	Pharmaceutical and Medical Industries	8	8.17
2	Chemical Industries	16	16.02
3	Food and Beverages	20	20.555
4	Tobacco and Cigarettes	4	4.165
5	Mining and Extraction Industries	24	24.64
6	Engineering and Construction	12	11.856
7	Electrical Industries	6	6.29
8	Textiles, Leathers and Clothing's	6	5.894
9	Printing & Packaging	2	2.41
	Total	98	100%
	Services sector firms		
1	Health Care Services	9	8.23
2	Educational Services	13	12.87
3	Hotels and Tourism	18	17.75
4	Transportation	18	17.75
5	Technology and Communication	6	5.94
6	Media	4	3.92
7	Utilities and Energy	13	12.85
8	Commercial Services	21	20.69
	Total	102	100%
	Total for all segments	200	

Table 2. Descriptive Statistics

Variable	Obs.	Mean	Std. Dev	Min	Max
Philanthropy	200	0.54	.497	0	1
Community	200	0.57	.497	0	1
Environment	200	0.29	.455	0	1
ROA	200	1.30	8.70	-91.90	29
ROE	200	0.99	6.40	-36.70	22.36

Table 3. Testing for Multicollinearity for ROA and ROE model

Variable	VIF	Tolerance
Philanthropy	1.12	0.895
Community	1.44	0.697
Environment	1.31	0.766

Table 4. Pearson Correlation Coefficients

	ROA	ROE	Philanthropy	Community	Environment
ROA	1.0000				
ROE	0.801*	1.0000			
Philanthropy	0.107	0.151*	1.0000		
Community	0.351**	0.457**	0.302**	1.0000	
Environment	0.474**	0.608**	0.039	0.472**	1.0000

***Significant at the 0.01 level ** Significant at the 0.05 level * Significant at the 0.1 level

Table 5. Regression Results of Model (Dependent = ROA & ROE)

Variable	ROA Model		ROE Model	
	T	Sig	T	Sig
Philanthropy	0.720	0.472	1.264	0.208
Community	1.978	0.049**	2.924	0.004***
Environment	5.696	0.000***	8.226	0.000***
_Cons	-3.215	0.002***	-5.110	0.000***
R-square	0.248		0.412	

***Significant at the 0.01 level ** Significant at the 0.05 level

Organisational performance was assessed using accounting-based measurements (ROA and ROE) collected from the ASE database (<http://www.ase.com.jo>).

3.2. Variables measurements

3.2.1. Firm performance measurement

Following previous studies (Alshatti, 2015; Angelia & Suryaningsih, 2015; Hsu & Jang, 2007; Al Manaseer et al.), the present study measured firm performance using accounting-based ROA and ROE. ROA (net income to total assets) and ROE (after-tax net profit divided by shareholder equity) are forward-looking metrics that reflect shareholder expectations for the company's future performance based on its past performance (Abdoush, 2017; Nollet et al., 2016; Weshah et al., 2012). Also, they are considered traditional indicators of predicted long-term business performance (Zabri

et al., 2016). In their study, Al-Matari et al. (2014) found that ROA was the most widely used accounting-based measure (46%), followed by ROE (27%). In addition, profitability is an indication of the management's efficiency to generate profit using all available resources. Other indicators, such as Tobin-q, EPS, and MV, are particularly useful for making evaluations and assisting investors in tracking market fluctuations. (Alswalmeh & Dali, 2020).

3.2.2. Corporate social responsibility measurement

The CSR index was designed and used, with philanthropy, community, and environment as disclosure index components. Philanthropy is a type of social activity that involves giving money to a community welfare program or donating medical equipment to a hospital. The community component, on the other hand, focuses on people and social issues while still providing some valuable benefits. Finally, the environment component focuses on environmental protection and natural resource sustainability, both financially and non-financially. The components were chosen following a detailed and thorough analysis of the CSR literature (Alia & Mardawi, 2021; Almahrog et al., 2018; Al-Smadi & Almsafir, 2016; Baba, 2017; Kim et al., 2018; Lin et al., 2019; Lu et al., 2018; Martinez-Conesa et al., 2017). Additionally, two international initiatives related to CSR disclosure and practice were examined. The Global Reporting Initiative (GRI)—Sustainability Reporting Standards (G4 edition) of the Global Sustainability Standards Board is the first initiative. The GRI Standards are a series of interconnected standards that assist organisations in publicly disclosing their activities' impacts on philanthropy, society, and ecology on a voluntarily basis. Finally, this study uses these index because there is no other indexes in Jordanian companies to include it in this research (Weshah et al., 2012).

International Organisation for Standardisation (ISO) 26,000—Guidance on Social Responsibility is another global initiative for CSR disclosure. It is a voluntary guide covering the most important topics and themes in social responsibility; such as, philanthropy, environment and community (International Organisation for Standardisation, 2016). Furthermore, the legislative and regulatory reporting obligations for publicly listed businesses on the ASE are considered when constructing the CSR disclosure index.

Every annual report was thoroughly scrutinised to establish whether or not the disclosure items were present. The CSR disclosure score for each annual report or organisation was calculated using a dichotomous process. One point was given if the corporation exposed the item, whereas zero points were provided if the company failed to disclose the item (Habbash & Haddad, 2019; Naseem et al., 2017).

3.3. Model specification

The model specifications for ROA and ROE are formulated in the following two Equations to investigate the association between CSR and firm performance in Jordanian listed companies for 2017 to 2018.

$$ROA = c + \beta_1PHI + \beta_2COM + \beta_3ENV + \epsilon$$

$$ROE = c + \beta_1PHI + \beta_2COM + \beta_3ENV + \epsilon$$

Where: Return on Asset (ROA) and Return on Equity (ROE) are the dependent variables, CSR dimensions (i.e., PHI, COM and ENV) represent the independent Variables, c represent the intercept terms; β_i ($i = 1, \dots, 4$) denotes the coefficients of variables and; ϵ is the errors term.

4. Data analysis and results

This section discusses the findings of the present study. In this sense, special emphasis was given to descriptive analysis, multicollinearity test and hypotheses testing. The association between CSR dimensions (philanthropy, community, and environment) and firm performance dimensions (ROA and ROE) was analysed using SPSS software.

4.1. Data validity and reliability

The data of CSR was collected manually, and this can lead to certain limits in terms of validity. While these limitations are recognized, they do not reduce the strengths of this study and the importance of the findings. Regarding the reliability, this study measures the CSR items as follows; indicator for Philanthropy, indicator for Community and indicator for environment. Each item is a binary variable; it takes 1 if it is disclosed in the annual reports, 0 otherwise. The coding process was conducted by the researcher alone and recoding was conducted after a week for a sample of data to ensure their consistencies as suggested by Mackey and Gass (2005).

4.2. Descriptive analysis

Descriptive statistics are used to characterise the fundamental characteristics of the research data and aim to summarise a data set. Table 2 presents the descriptive results of the variables utilised in the research. The descriptive statistics of the independent and dependent variables utilised in the investigation are shown in Table 2. The independent variables were CSR (PHI, COM and ENV), while ROA and ROE assessed the dependent variable (firm performance). The descriptive statistics display the standard deviation, mean, observation, maximum and minimum of the variables.

The finding of this study showed that 200 observations for the 2 years between (2017–2018) for the Jordanian companies. The mean of the dependent variables (ROA and ROE) was 1.30; 0.99, respectively. The higher the percentage of ROA rate indicate to the efficiency of the Jordanian companies' management in investment of its assets in a right way. Consequently, it's higher than ROE due to the Jordanian companies' management focus on the use of investment funds to regenerate earnings growth which that lead to success of the company. Moreover, the results show that the Jordanian companies disclose more philanthropy and community activities (with means of 0.544 and 0.57 respectively) than environment practices (mean of 0.29).

4.3. Multicollinearity test

The goal of the analysis is to examine multicollinearity issues between the independent and dependent variables and the relationship between independent variables. Pearson Correlation (correlation matrix) and Variance Inflation Factor (VIF) were utilised to find multicollinearity concerns in the models in this research as indicating in Table 2 and Table 3. VIF was also used to test the assumption of multicollinearity. Collinearity values of less than ten from VIF are acceptable (Hair et al., 2014).

A multicollinearity issue develops when the correlation between independent variables is greater than 0.90 (Hair et al., 2014). As shown in table 3, ROA is significantly related to both Community and Environment (35 and 47 percent, respectively), but not to Philanthropy. In addition, ROE is strongly linked to the three components (Community, Environment and Philanthropy). However, the link between ROE and philanthropy is weak (15 percent). As shown in table 4, the Pearson Correlation results indicate the three independent variables used in the analysis are significantly related (Based on different significant levels see table_footnote 3) to each other's, ($r = 30\%$), ($r = 39\%$) and ($r = 47\%$) consecutive.

4.4. Hypotheses testing

Hypotheses were developed and presented to fulfil the study objectives. Table IV displays the findings of regression analysis between CSR and firm performance. The finding suggests that the community and environment correlate with higher firm performance (please refer to Table 5). Therefore, hypotheses H2 and H3 are supported. These results align with prior research that has identified a positive association between CSR and corporate performance (Bahta et al., 2021; Barnett & Salomon, 2006; Masoud & Viji, 2021; Molina-Azorin et al., 2009; Partalidou et al., 2020; Phan et al., 2020; Simpson & Kohers, 2002; Waheed et al., 2021; O. Weber, 2017; Weshah et al., 2012). The investment in CSR activities (Community and Environment in this study) may enhance firm performance and long-term growing which in turn contributing to firm value. In addition, by contributing to the community and to the environment, the firm can improve its reputation among

the upper and middle classes, which will result in positive results. Members of such classes have an excess of cash they can spend on the firm's goods and services, thereby increasing net profit, which ultimately leads to higher returns on assets and returns on equity.

Conversely, hypothesis **H1** is rejected. This contradicts previous empirical studies (Bhattacharyya & Rahman, 2019; Miller et al., 2020; Wang et al., 2008; Wang & Qian, 2011) that found a positive relationship between philanthropy and firm performance. On the contrary, the results are in line with Chai (2010), who found no significant relationship between the two variables. The insignificant correlation observed in this study might be explained by the fact that philanthropy is offered to the lower income class in society. In such a class, people are poor and unable to purchase their essential needs from goods and services. As a result, providing philanthropy will have no direct impact on the company's sales and thus profitability. Moreover, in developing countries governments are in favour of CSR work because it helps reduce governmental burdens, contributions of enterprises are considered legitimate and are immediately appreciated. As a result, there has been an increase in interest in not only the economic but also the social consequences of CSR practices in recent years. This can be interpreted as a solution to problems associated with social costs to the community; however, the impact on the companies' net profit may be limited. (Galaskiewicz, 1991); Marquis et al. (2007), indicated that philanthropic activities do not necessarily result in better financial performance, as some companies invest in the philanthropic activities without apparent financial gains. Often, philanthropic activities are undertaken by senior managers of firms for personal reasons. It may also be because some companies in similar industries engage in philanthropic activities. Therefore, firms' philanthropic activities in these cases are driven by institutional pressures, not by the desire to maximize long-term profits.

As to releasing information on community and environmental parameters, according to legitimacy theory, Jordanian companies do not offer only the symbolic disclosures, they adopt substantive practices. Corporate reports do not provide superficial information on community and environmental aspects; however, they provide informative information that leads to a significant impact on the firms' performance. Thus, companies seek organisational legitimacy through adopting substantive actions. Suchman (1995: 600) identifies several substantive approaches, such as seeking certification and conforming to reporting standards, as a mean to gain legitimacy. In this regard, we argue that compliance with ASE requirements companies constitute a substantive action because it reflects a decision to comply with an external standard of corporate reporting. Although releasing information about community and environmental aspects is voluntary but managers in Jordan are motivated to adopt substantive actions to maintain organizational legitimacy. It is better to perform substantive actions or a mix of symbolic and substantive practices rather than adopting only symbolic action to attain long-term organizational legitimacy (Berrone et al., 2009).

In regards to philanthropy parameter, it is concluded that companies prefer to act symbolically rather than provide substantive actions. We found that the information disclosed on the philanthropy aspects has no significant impact on the firm performance. In this sense managers provide minimum information on their charitable activities. It was argued that exceeding minimum requirements (reporting standards) may also confer legitimacy (Ashforth & Gibbs, 1990; Suchman, 1995), so that "once minimal standards are met, corporations are likely to continue working ... to be the best or the most admired" (Staw & Epstein, 2000, p. 526). There is always a conflict between managers and constituents over the form of legitimation actions, with managers favouring the flexibility of symbolism, whereas constituents prefer more substantive responses (e.g., Ashforth & Gibbs, 1990). Arguably, in the Jordanian context, based on the stakeholders' expectations, managers are motivated to emphasis both the community and environmental disclosures not just adopting the guidelines without any significant changes on their reporting actions.

5. Conclusion

In this study, CSR was investigated in relation to business performance within Jordanian enterprises. Our primary goal was thus achieved. The study included a total of 100 companies. Results indicate that corporate social responsibility (COM and ENV) has a significant positive effect on business performance in Jordanian listed companies. However, there is no significant correlation between philanthropy and corporate performance.

CSR and Legitimacy theory are both central concepts in this paper's theoretical contribution. CSR is concerned with a company's activities oriented toward society at large, such as charitable giving, volunteering, environmental efforts, and ethical labour practices. In terms of legitimacy theory, firms legitimize its practices through undertaking symbolic and/or substantive actions to respond to changes in business environment (Soobaroyen & Ntim, 2013; Vourvachis et al., 2016). Through symbolic actions companies follow the "form" rather than "substance", so management adopt rules and mechanism to control the organization resources and maintain legitimacy (Berrone & Gomez-Mejia, 2009). We found that Jordanian companies apply "form" regarding the philanthropy parameter. Organizational legitimacy is the principal management objective, not improving philanthropy disclosure practices. However, regarding community and environmental disclosures, firms seek organisational legitimacy as well by adopting real (substantive) changes regarding the information content of such parameters.

The research's findings have several practical implications. It could be useful for investors, researchers, and businesses in determining if a company complies with corporate governance standards related to CSR in Jordan. While no systematic process or standardised system exists in Jordan to assess firms' compliance with its corporate governance code in terms of CSR, the results demonstrate unique characteristics and extensive governance practices in Jordan's industrial and service sectors. This rating is useful for investors to evaluate companies and make sound investment choices. Numerous suggestions for future research are provided in this paper. First, this research focused on the direct relationship between the variables. However, only limited previous research is available on the mediating or moderating effect of other variables on the relationship between CSR and company performance, such as ownership concentration, board composition, culture, and regulation aid in enhancing performance. Future researchers should delve deeper into the correlation between CSR and firm performance by including new variables, such as product, employees, workplace, and marketplace. Finally, future research should broaden the proxy of company performance by incorporating accounting and marketing measures to determine short- and long-term performance.

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Disclosure statement

The authors report that there are no competing interests to declare.

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Note

1. More detailed information about how we operationalise the CSR disclosures and the firm performance are explained in section 3.

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