

Corporate Social Responsibility Spending and Financial Performance: Generalised Method of Moments

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The current study analyses the relationship between Corporate Social Responsibility (CSR) Spending and Financial Performance (FP) in both directions, for a sample of 164 listed Jordanian firms. The dynamic panel system GMM measurement was used and the results show that there are positive relationships between CSR spending and accounting-based measurements. Conversely, there are no relationships between CSR spending and market-based measurements. The results confirmed that Jordanian listed firms have ample scope of improvement in terms of disclosing their practice of CSR activities in various dimensions which in turn could assist the Jordanian government in their on-going economic and social transformation program.

Key words: *CSR Spending, Financial Performance, ASE, GMM.*

Introduction

Corporate social responsibility (CSR) has grown effectively in global markets besides being one of the hot subjects in financial studies. The markets are witnessing an evolution of this concept in business organisations. Companies can fulfil the needs of various stakeholder groups by performing social responsibility activities for the benefit of the society (Muritala & Tella, 2014). A corporation adopts CSR for its benefits to society and companies. The presence of the companies is apparent when they participate in CSR activities, improving upon their reputation, offering goods and services in an ethical manner, showing concern for the environment (Dahlsrud, 2006; Karlsson et al., 2015; Jitaree, 2015), increasing its competitiveness and being able to face the risk of losing the existing market share (Ozcelik et al., 2014, Jitaree, 2015). Furthermore, CSR can increase profit, maximise productivity, lower operating costs, offer better access to capital (Aras et al., 2010), improve the confidence of

existing investors, attract new investors (Lev et al., 2010; Karlsson et al., 2015), increase employees' motivation and retention, and attain customers' loyalty (Jitaree, 2015; Koo, 2016).

Many previous studies investigated the connection between CSR practices and financial performance (FP) which presented many different results. For example, some studies stated that CSR and FP have a positive relationship (Saleh et al., 2011; Ahamed et al., 2014; Estiasih et al., 2019; Adiputra & Hermawan, 2020), a negative relationship (Lopez et al., 2007; Iqbal et al., 2012; Karlsson et al., 2015; Hashim et al., 2019), and no relationship at all (McWilliams & Siegel, 2000; Fauzi et al., 2007; Fernite et al., 2014). However, the outcomes were contradicted with some ambiguity as a result of the different study periods, sample size, and sample nature. The adoption of different methods for measuring CSR or limited financial indicators in measuring the FP may be the main cause for the differences in the results (Palmer, 2012; Weshah et al., 2012; Ducassy, 2013; Nasieku et al., 2014; Jitaree, 2015; Koo, 2016). In addition, earlier studies used CSR disclosure to measure CSR practice. In fact, CSR disclosure depends on the companies' report which may not represent the real commitment of the companies. They may do fewer activities of CSR but report more or vice versa (Aras et al. 2010). Therefore, in order to get clear results and a comprehensive view this study used CSR spending in order to measure CSR practice. CSR spending represents the firms' actual expenditure on social responsibility activities, as disclosed in the financial statements of these businesses (Mahbuba & Farzana 2013).

In context of the current study, the concept of CSR began to spread widely especially after the recent global crisis. The government of Jordan has urged companies to play their role in the direction of society and practice various social responsibility activities that meet the needs of society. Therefore, the main aim of the present study is to investigate the connection (in both directions) between CSR spending and FP among the Jordanian companies listed on the Amman Stock Exchange (ASE) from 2011 to 2014. The current research used all the factors (sample size, period of study, different methods for measuring CSR practice, and number of financial indicators) in order to measure FP which may have been the reason for the inconsistencies in the prior studies. Furthermore, this study used a large sample size (two main sectors in Jordan, namely, the service sector and industry sector) and long periods so as to provide a comprehensive and complete understanding regarding the link between CSR spending and FP. Besides that, the current study used four financial indicators for accounting measurement and market measurement to measure FP, namely Return on Assets (ROA), Return on Equity (ROE), Earning per Share (EPS) and Price to earnings ratio (P/E). This study also employed CSR spending to measure CSR practice.

This paper is structured as follows: 1) Section 2 provides a summary of relevant literature; 2) Section 3 presents the data collection and methodology; 3) Section 4 describes the empirical results and analysis; 4) Section 5 discusses the policy implications and conclusions.

Literature Review

Several studies have investigated the connection between CSR practices and FP in which the independent variable is CSR and the dependent variable is FP (McPeak & Bi, 2012; Weshah et al., 2012; Ahamed et al., 2014; Karlsson et al., 2015). Some studies used CSR as the dependent variable and FP as the independent variable (Aras et al., 2010; Al-Shwiyat et al., 2013; Ozcelik et al., 2014; Koo, 2016). There were previous studies that investigated the two directions for the relationship (Waddock & Graves, 1997; Palmer, 2012; Santoso & Feliana, 2014; Jitaree, 2015) which presented different results. For example, some studies stated that CSR and FP have a positive relationship (Saleh et al., 2011; Palmer, 2012; Ahamed et al., 2014; Adiputra & Hermawan, 2020), a negative relationship (Lopez et al., 2007; Iqbal et al., 2012; Karlsson et al., 2015; Hashim et al., 2019), and no relationship at all (McWilliams & Siegel, 2000; Fauzi et al., 2007; Fernite et al., 2014).

Several studies in Jordan examined the relationship between CSR and FP which obtained different results (e.g., Al-Shubiri et al., 2011; Weshah et al., 2012; Al-Qadi, 2012; Dabbas & rawashdeh, 2012; Al- Shwiyat et al., 2013; Al-Moumany et al., 2014; Mohammad et al., 2014). These studies used a small sample size to study the relationship between CSR and FP as follows: 60 firms in the industry sector (Al-Shubiri et al., 2011), 50 workers in the industry sector (Dabbas & rawashdeh, 2012), banking sector (Weshah et al., 2012), 58 firms in the service sector (Al- Shwiyat et al., 2013), and the industry sector (Al-Moumany et al., 2014). However, Mohammad et al. (2014) used 120 workers from one company in the service sector. Also, several studies used a short time period of only one-year (Weshah et al., 2012; Al-Shwiyat et al., 2013). Many studies used CSR disclosure to represent CSR practice (e.g., Dabbas & Rawashdeh, 2012; Al- Shwiyat et al., 2013; Mohammad et al., 2014; Al-Moumany et al., 2014), as well as CSR spending to represent CSR practice (e.g., Al-Shubiri et al., 2011; Weshah et al., 2012). Moreover, Dabbas and Rawashdeh (2012) and Al-Moumany et al. (2014) used a questionnaire to evaluate CSR disclosure, whereas Al- Shwiyat et al. (2013) developed a CSR index to determine CSR disclosure. It was found that many studies used return on assets (ROA) to determine FP, including Weshah et al. (2012), Dabbas and Rawashdeh (2012). Al-Moumany et al. (2014) used return on stock to calculate FP and Al- Shwiyat et al. (2013) used three financial indicators to measure FP, namely ROA, ROE, and EPS.

Saleh et al. (2011) investigated the connection between CSR disclosure and FP besides each dimension of CSR and FP on 200 of the biggest companies recorded in Bursa, Malaysia. It was concluded that CSR disclosure and FP have a positive relationship. Oeyono et al. (2011) revealed that 45 out of 50 companies practiced CSR activities in all dimensions under the GRI framework in Indonesia. Weshah et al. (2012) provided a framework for CSR and obtained the relation between CSR and FP in the Jordanian banks as listed on the ASE in 2011. They found

that CSR spending and FP has a positive relationship in which spending more on CSR activities could lead to high financial performance.

Edmans (2012) affirmed that job satisfaction and the value of the company has a positive relationship. McPeak and Bi (2012) stated that there is a positive link between CSR efforts and its relative financial performance. Yin (2012) revealed the positive connection between prior financial performance and the current CSR disclosure that provided a positive effect on the financial performance in the following year. Ehsan and Kaleem (2012) suggested that ROA, ROE, and EPS have a positive effect on CSR expenditure besides the negative link between firm growth and CSR expenditure. The statement is in line with a study by Bayoud (2012). The results revealed that CSR financial performance and corporate reputation has a positive relationship, whereas the level of CSR disclosure and employee commitment has no connection. Ducassy (2013) stated that CSR has a significant positive link with FP in the second half of 2007. Mahbuba and Farzana (2013) suggested that CSR expenditure has a positive and significant relationship with FP when measured by net profit.

Santoso and Feliana (2014) revealed that CSR disclosure has a positive and significant effect on ROA for the companies listed in the Indonesian Stock Exchange for the same and the following year, as well as the positive effect on ROE in the same year. Koo (2016) indicated that ROA has a positive effect on Tobin's Q for CSR performance and that Debt ratio has a negative effect on CSR performance. A study by Bagh et al. (2017) showed that CSR spending has a positive and significant impact on ROA, ROE, and EPS.

Karlsson et al. (2015) stated that CSR performance has a negative relationship with FP. Besides that, Gras-Gil et al. (2016) found that CSR practice has a negative effect on the earning management of Spanish firms. Several studies found that there was no relationship between CSR and FP (McWilliams & Siegel, 2000; Fauzi et al., 2007, Nelling & Webb, 2009; Ozcelik et al. 2014; and Fernita, et al. 2014). Ducassy (2013) used the market and accounting to determine FP and Fauzi et al. (2007), Aras et al. (2010), and Ozcelik et al. (2014) used an accounting strategy to estimate FP.

Based on the above discussion regarding the previous studies, the current study examined the multivariate relationship between CSR Spending and FP in developing countries, particularly Jordan. With that, this study proposed the following hypotheses. The first group of hypotheses are based on the relationship that exists between actual spending on CSR activities and FP. Here, the actual spending on CSR activities represents the independent variable. The alternative hypotheses are:

H_{a1}: A significant positive relationship exists between the CSR spending and ROA.

H_{a2}: A significant positive relationship exists between the CSR spending and ROE.

H_{a3}: A significant positive relationship exists between the CSR spending and EPS.

H_{a4}: A significant positive relationship exists between the CSR spending and P/E.

The second group of hypotheses represents actual spending on CSR activities as a dependent variable, whereby the alternative hypotheses are:

H_{b1}: A significant positive relationship exists between the ROA and CSR spending.

H_{b2}: A significant positive relationship exists between the ROE and CSR spending.

H_{b3}: A significant positive relationship exists between the EPS and CSR spending

H_{b4}: A significant positive relationship exists between the P/E and CSR spending.

Data and Methodology

This study examined the connection between CSR spending and FP by selecting firms listed on the Amman Stock Exchange (ASE) which is one of the main stock exchanges in the Middle East. In 1964, Law No. 12 was the first company law in Jordan, as well as the administration of the first commercial law in 1966. Jordan became the centre in the Middle East due to its tactical locality in becoming the economic channel for large markets with approximately one billion users (Matar et al., 2018; Al-Rdaydeh et al., 2019). Besides that, Jordan has played a significant role as one of the central developing economies. However, the Jordanian non-financial sector has encountered complications and obstacles that have affected its accomplishments in the past few years (Alabdullah et al., 2014; Al-Rdaydeh et al., 2018; Al-Rdaydeh et al., 2019). The current study selected a sample of all non-financial listed businesses (164 firms) that complied with the requirement to make their complete data available during the same period (2011 to 2014) collected from the data stream of Amman Stock Exchange (ASE). This study analysed the data using a dynamic panel approach namely, the Generalised Method of Moment (GMM) to determine the connection between CSR spending and FP in Jordan.

Four indicators were employed to measure FP, which are: Return on Assets, Return on Equity, Earnings per share and Price to earnings ratio. Also, three control variables were employed: Firm size, Leverage, and Ownership. Table 1 present all the study's variables and their measurements.

Table 1: The Study's Variables and Measurements

Variables	Measures	Notation
Corporate Social Responsibility Spending	Total amount paid on items related to social responsibility	CSRS
Return on Assets	Earnings before Interest and Tax /Average Total Assets	ROA
Return on Equity	Earnings before Interest and Tax / Average common Share Outstanding	ROE
Earnings per share	Net Income - Preferred Dividends / Average Common Share Outstanding	EPS
Price to earnings ratio	Market Price of Share / EPS	P/E
Size	Natural Logarithm of Total Assets	SIZE
Financial Leverage	Total long-term debt / Total assets.	LEV
Ownership	Number of share owned by local investors / total outstanding shares	OWN

The following models demonstrate the mathematical explanations that were employed in this study. The first four model's specifications were formulated in order to examine the relationship between CSR spending and FP.

$$ROA_{it} = a + \beta_1 ROA_{it-1} + \beta_2 CSRS_{it} + \beta_3 SIZE_{it} + \beta_4 LEV_{it} + \beta_5 OWN_{it} + \sum_{YEAR_t=2011} (1)$$

$$ROE_{it} = a + \beta_1 ROE_{it-1} + \beta_2 CSRS_{it} + \beta_3 SIZE_{it} + \beta_4 LEV_{it} + \beta_5 OWN_{it} + \sum_{YEAR_t=2011} (2)$$

$$EPS_{it} = a + \beta_1 EPS_{it-1} + \beta_2 CSRS_{it} + \beta_3 SIZE_{it} + \beta_4 LEV_{it} + \beta_5 OWN_{it} + \sum_{YEAR_t=2011} (3)$$

$$P/E_{it} = a + \beta_1 P/E_{it-1} + \beta_2 CSRS_{it} + \beta_3 SIZE_{it} + \beta_4 LEV_{it} + \beta_5 OWN_{it} + \sum_{YEAR_t=2011} (4)$$

The following model represents actual spending on CSR activities as an dependent variable and all financial indicators selected to measure FP as independent variables are shown as follows:

$$CSRS_{it} = a + \beta_1 CSRS_{it-1} + \beta_2 ROA_{it} + \beta_3 ROE_{it} + \beta_4 EPS_{it} + \beta_5 P/E_{it} + \beta_6 SIZE_{it} + \beta_7 LEV_{it} + \beta_8 OWN_{it} + \sum_{YEAR_t=2011} (5)$$

Results and Analysis

Table 2 presents the overall mean values of 502,610 JD for the total CSR spending in Jordanian Dinar (JD) from 2011 to 2014. The most common CSR activities engaged in by Jordanian firms

are as follows: social security expenditure, health insurance expenditure, training courses expenditure, indemnity expenditure, and donation expenditure. Most of the Jordanian firms conducted CSR activities that were related to their employees and they rarely focused on the environment or external society. It was found that the value of spending on CSR activities has increased during the period of study for the use of the employees or product for the company and not on external CSR activities.

Table 2: Descriptive Statistics of CSR Spending (all Sectors)

Year	2011	2012	2013	2014	Overall Spending (JD)
Mean	440,748	552,811	493,095	523,786	502,610
Median	72,016	76,530	73,898	78,204	75,162
St. Deviation	1,709,619	2,104,902	1,847,348	1,847,836	1,877,426

Table 3 shows the overall actual spending on CSR activities for services by the firms and industries in (JD) which amount to 381,909 JD and 701,183 JD respectively. The overall spending on CSR activities for industrial companies is almost twice compared to service companies for each year of study. It is believed that industrial businesses show more awareness of the importance of CSR. The reason for this situation is due to the nature of the activity of producing goods and the production process affects various dimensions of social responsibility, including the environment, community, employee's relationship, and product. Therefore, the company should consider the different stakeholder groups (Al Mubarak, 2019).

Table 3: Descriptive Statistics of CSR Spending (each sector)

Year	2011	2012	2013	2014	Overall Spending (JD)
			<i>Service</i>		
Mean	338,155	394,759	372,945	421,776	381,909
Median	42,452	44,849	44,587	44,812	44,175
St.de	1,666,373	1,878,588	1,739,478	1,835,939	1,780,094
			<i>Industry</i>		
Mean	609,531	812,833	690,762	691,608	701,183
Median	136,557	133,621	147,247	172,904	147,582
St.de	1,779,296	24,259,923	2,011,323	1,870,033	2,021,661

Table 4 shows the descriptive statistical analysis of financial indicators which measure FP for the study sample. For the FP, the results reveal that firms are diverse as seen in the standard deviation values and the extent of minimum and maximum values for all financial indicators. The differences among the companies are according to their size, operations, and sector. For instance, ROE is spread from -7.00 to 1.97 for the whole period and EPS from -1.15 to 5.71 for the same period. Some indicators have negative figures, namely ROA and ROE. The positive averages are EPS 6%, P/E 73.92 times.

Table 4: Descriptive Statistics of Financial Indicators which measure FP

Category	ROA	ROE	EPS	P/E
Mean	-0.022	-0.061	0.061	73.92
Median	0.003	0.007	0.006	15.31
St. deviation	0.302	0.536	0.384	321.50
Max	1.45	1.97	5.71	5690
Min	-5.14	-7.00	-1.15	0.44

Hypothesis Testing

The next sections show the regression analysis conducted in order to investigate the relationship between CSR spending and FP in both directions. Based on the results in the tables below, the indication is that the variables are rejected in different significance levels, 1%, and 5%. The results of both specification tests, namely AR (2) for testing the serial correlation and the Hansen test for testing the validity of instrument adopted, are valid. The p-values for the AR (2) and Hansen tests are higher than 0.10. This means that the statistical analysis is significant. It implies that all models are free from the problems of autocorrelation.

Table 5 shows an investigation of the connection between CSR spending as the independent variable and ROA as the dependent variable. The time factor has a positive effect on the trend of ROA at a 5% significant level. Hence, the value of ROA in the current year can rise by 4.7% compared to the previous year. The result reveals that CSR spending and ROA have a positive significant relationship at a 1% significance level. ROA can rise by 4.2% if the CSR spending rises by 1%. Hence, the alternative hypothesis is accepted that CSR spending has a positive effect on assets ROA.

Table 5: Dynamic Panel-Data Estimation, One-Step System GMM of CSRS & ROA

	Model 1		
Variables	Coefficients	Standard Error	P-Value
ROA	0.0469320**	0.0202534	0.013
CSRS	0.0425586***	0.0113306	0.000
Control Variables			
SIZE	0.0950246	0.0648490	0.143
LEV	0.3025199***	0.0652906	0.000
OWN	0.2178952	0.2015988	0.280
Number of instruments	11		
Number of observations	326		
Number of groups	164		
AR (2)-p value	0.241		
Hansen/Sargan test –p value	0.688		

Note (1): *, **, *** denote 10%, 5% and 1% significance levels, respectively. (2) Year dummies and constants are not included in order to save space. All p-values of the difference in Hansen tests of exogeneity of instrument subsets have also been rejected at a 10% significance level.

Table 6 shows the investigation on the link between CSR spending as the independent variable and ROE as the dependent variable. This shows the outcome of the one-step system GMM in which the trend of ROE is not affected by the factor of time. Hence, the previous value of ROE cannot influence the current value of ROE because the p-value is more than 10%. Besides that, the results reveal that CSR spending has a significant relationship with ROE at a 1% significance level. Moreover, ROE has a positive significant relationship with debt ratio (Leverage). Conversely, total assets and ownership with ROE have no relationship. The effect of CSR spending on ROE is positive, in which ROE will rise by 8.2% when CSRDI increases by 1%. Hence, the alternative hypothesis is accepted.

Table 6: Dynamic Panel-Data Estimation, One-Step System GMM of CSRS & ROE

	Model 2		
Variables	Coefficients	Standard Error	P-Value
ROE	0.0604334	0.0471254	0.200
CSRS	0.0829710***	0.0204676	0.000
Control Variables			
SIZE	0.1330370	0.1191986	0.261
LEV	0.8641463**	0.3652783	0.018
OWN	0.6484616	0.5066668	0.201
Number of instruments	11		
Number of observations	326		
Number of groups	164		
AR (2)-p value	0.217		
Hansen/Sargan test– p value	0.657		

Note (1): *, **, *** denote 10%, 5% and 1% significance levels, respectively. (2) Year dummies and constant are not included in order to save space. All p-values of the difference in Hansen tests of exogeneity of instrument subsets have also been rejected at a 10% significance level.

Table 7 shows the investigation on the connection between CSR spending as the independent variable and EPS as the dependent. CSR spending has no significant relationship with EPS. Furthermore, control variables have a significant impact appears only for the leverage at 1% significant level. However, the size and ownership of the firm with ROE have no link. Hence, the alternative hypothesis is rejected.

Table 7: Dynamic Panel-Data Estimation, One-Step System GMM of CSRS & EPS

	Model 3		
Variables	Coefficients	Standard Error	P-Value
EPS	0.0251086	0.022994	0.275
CSRS	0.0351911	0.0455893	0.440
Control Variables			
SIZE	0.1474045	0.0958659	0.124
LEV	0.5922078***	0.2030367	0.004
OWN	0.6191224	0.3916155	0.114
Number of instruments	11		
Number of observations	326		
Number of groups	164		
AR (2)-p value	0.23		
Hansen/Sargan test– p value	0.589		

Note (1): *, **, *** denote 10%, 5% and 1% significance levels, respectively. (2) Year dummies and constant are not included in order to save space. All p-values of the difference in Hansen tests of exogeneity of instruments subsets have also been rejected at a 10% significance level.

Table 8 shows the investigation of the link between CSR spending as the independent variable and P/E as the dependent variable. The results reveal that CSR spending and the P/E ratio have no significant relationship because the p-value is 0.584. Furthermore, the significant impact of control variables on P/E ratio does not appear for any of the control variables. Hence, the alternative hypothesis is rejected.

Table 8: Dynamic Panel-Data Estimation, One-Step System GMM of CSRS & P/E

	Model 4		
Variables	Coefficients	Standard Error	P-Value
P/E	-0.0071831	0.0306133	0.814
CSRS	12.48629	22.81775	0.584
Control Variables			
SIZE	35.92404	44.92654	0.424
LEV	-20.11586	87.52530	0.818
OWN	-14.61505	152.4507	0.924
Number of instruments	11		
Number of observations	326		
Number of groups	164		
AR(2)-p value	0.337		
Hansen/Sargan test– p value	0.395		

Note (1): *, **, *** denote 10%, 5% and 1% significance levels, respectively. (2) Year dummies and constant are not included in order to save space. All p-values of the difference in Hansen tests of exogeneity of instrument subsets have also been rejected at a 10% significance level.

Table 9 shows the investigation of the relationship between CSR spending as a dependent variable and all financial indicators included as independent variables. As indicated by Table 9, the time factor positively affects the trend of CSR spending at a 1% significance level. This means that the value of actual spending on CSR activities in the current year is expected to increase by 3.4% compared to its value in the past year. Aside from that, the outcomes demonstrate that there are significant relationships between CSR spending and both ROA and ROE at a 5% significance level for ROA and a 1% significance level for ROE. Conversely, there are no relationships between CSR spending on one side and EPS and P/E, on the other side. This means that any change in the EPS and P/E does not have an effect on actual spending on CSR activities in Jordanian companies. Moreover, there is a significant impact of total assets (SIZE) as a control variable on CSR spending at a 1% significance level. Additionally, there is a negative significant relationship between leverage and CSR spending at a 5% significance level. Conversely, the ownership variable doesn't have an effect on the CSR spending because there is an insignificant level at 92.1%.

Table 9: Dynamic Panel-Data Estimation, One-Step System GMM of FP & CSRS

	Model 6		
Variables	Coefficients	Standard Error	P-Value
CSRS	0.0343035***	0.0105094	0.000
ROA	0.0819265**	0.0332540	0.014
ROE	0.0387567***	0.0107861	0.000
EPS	0.0933637	0.0712383	0.190
P/E	0.0000304	0.0000596	0.610
Control Variables			
SIZE	0.7522889***	0.1701609	0.000
LEV	-0.7993556**	0.3588403	0.026
OWN	0.0523793	0.5254807	0.921
Number of instruments	11		
Number of observations	326		
Number of groups	164		
AR(2)-p value	0.819		
Hansen/Sargan test- p value	0.839		

Note (1): *, **, *** denote 10%, 5% and 1% significance levels, respectively. (2) Year dummies and constants are not included in order to save space. All p-values of the difference in Hansen tests of exogeneity of instrument subsets have also been rejected at a 10% significance level.

The results from the GMM test show that the CSR spending and accounting-based performance which have a significant relationship are ROA and ROE, whereas the actual spending on CSR activities and market-based performance have no significant relationship which are EPS and P/E. Accordingly, this study accepted hypotheses H_{a1} , H_{b1} , H_{a2} , and H_{b2} which are related to ROA and ROE. The increase of CSR spending by 1% will cause the increase in ROA by 4.2% and ROE by 8.2%. On the other hand, CSR spending can rise by 8.1% when ROA increases by 1%. Besides that, CSR spending increases by 3.8% when ROE increases by 1%. This result reveals that CSR spending can affect the productivity of Jordanian companies. These results are parallel with a study by Al-Shubiri et al. (2011) who concluded that CSR spending has a positive significant relationship with FP which is measured by ROA and ROE.

Conversely, this study rejected hypotheses H_{a3} , H_{b3} , H_{a4} , and H_{b4} which are related to EPS and P/E. There is no relationship between these financial indicators and actual spending on CSR activities. Hence, any change in the value of financial market indicators will not affect CSR spending and vice versa. These results contradicted with the results by Yin (2012), namely, that CSR spending has a positive relationship with market performance which might be due to financial market efficiency. The financial market is inefficient in Jordan because the



information on the listed firms are not systematic as well as unavailable for all shareholders and stakeholders (Bekhet & Matar, 2013).

Conclusion and Policy Implications

This study contributed important knowledge regarding CSR in Jordan. The study investigated the link between CSR spending and FP in both directions for Jordanian listed firms on the ASE in which CSR practice is assessed using CSR spending. Most previous studies used a small sample size, a short time period, and a few financial indicators to measure FP. Conversely, the current study used a large sample size covering all the listed companies in service and industrial sectors from 2011 to 2014 and combined the accounting-based performance with market-based performance using four financial indicators (ROA, ROE, EPS and P/E) in order to measure FP. This study utilised a dynamic panel Generalised Method of Moments (GMM) analysis to study the link between CSR disclosure and CSR spending with FP. The results reveal that CSR spending and accounting performance (ROA and ROE) have a positive and significant relationship. The results explain that better CSR spending is linked with better accounting performance in which high spending on CSR activities can lead to high profitability and vice versa. Furthermore, the results show that CSR spending has no relationship with market performance (EPS and P/E). Such results could contribute to the literature of CSR in developing countries especially in Jordan. The results provide new perspectives for stakeholders as CSR activities have important advantages to firms and stakeholders. Firms will increase their competitiveness by building greater reputation, maximising productivity, lowering operating costs, increasing profit, getting better access to capital, increasing employee motivation and retention, attaining customers' loyalty, providing goods and services ethically, caring for the natural environment, and reducing pollution when they participated in CSR activities. At the level of local community, CSR will increase the financial assistance that can help deal with poverty, support charities, and improve health and education services.

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