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ISTANBUL OKAN UNIVERSITY

INSTITUTE OF SOCIAL SCIENCES

The Impact of Corporate Social Responsibility Disclosure on the Firm Value: An Empirical Study on Banks Listed in Borsa Istanbul

IMAD MOHAMED FENEIR

Ph.D. THESIS

BUSINESS ADMINISTRATION

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Dr. Öğr. Üyesi. Ali Altuğ BİÇER

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DEDICATION

To my dear parents... I pray to Allah to prolong their life...

To partner my life... My dear wife...

To my supporters in my life... my dear brothers and sisters...

To adornment of the worldly life... My dear children...

To all of them, dedicate my humble efforts…

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LIST OF ABBREVIATIONS

COEC : Cost of Equity Capital

CPSC : Consumer Product Safety Commission

CSR : Corporate Social Responsibility

EEA : European Economic Area

EEOC : Equal Employment Opportunity Commission

EMS : Environmental Management System

EMAS : Eco-Management and Audit Scheme

EPA : Environmental Protection Agency

FCF : Free Cash Flow

GRI : Global Reporting Initiative

GLS : Generalized Least Squares

ISEA : Institute for Social and Ethical Accountability

ISO : International Organization for Standardization

KLD : Kinder, Lydenberg, and Domini, Inc.

KPMG : Klynveld, Peat, Marwick, Goerdeler

MSCI : Morgan Stanley Capital International

NGOs : Non-Governmental Organizations

OSHA : Occupational Safety and Health Administration

PDP : Public Disclosure Platform

POLS : Pooled Ordinary Least Squares

PSI : Pacific Sustainability Index

ROA : Return on Assets

SAI : Social Accountability International

VIF : variance inflation factor

WBCSD : World Business Council for Sustainable Development

ABSTRACT

Maintaining the environment and optimizing the use of available resources is one of the main reasons for the stability, growth, and continuity of the firm. As well as the company practices and participation in society and protect and develop the employee of the most important means to create a good image of the company in the community. Therefore, the firms are required to pay attention and participation in social responsibility practices in different its categories and to communicate the results of these practices through the disclosure either through annual reports, sustainability reports, special reports, or periodicals.

The objectives of this research are to explore the nature and extent of CSRD practices in banks listed in Borsa Istanbul. In addition, examine the effect of categories of CSRD (Environmental, Labor Practices, Human Rights, Society and Product Responsibility) on the firm value based on a sample of the panel of 65 annual reports for 13 banks collected over a five-year period. CSRD was measured by the GRI (The Global Reporting Initiative) sustainability reporting that offer Reporting Principles and Standard Disclosures. Moreover, the current research measured firm value by using Tobin's Q ratio as a proxy of banks' value. Based on a sample of the panel of 65 annual reports collected over a five-year period.

The research found evidence of CSR engagement among listed banks, where the most disclosed categories were Society and Labor Practices while Product Responsibility was the lowest disclosed. The trend analysis findings suggested that CSRD practices as a whole or as categories unstable over the five-year period of this research. With regard to testing the impact of categories of CSR disclosure on the value of the firm, findings suggest that there is no significant relationship, in other words, banks listed in Borsa Istanbul do not experience benefits from participation and disclosure of social responsibility information in all categories.

Keywords: CSR Disclosure, Firm value, The Global Reporting Initiative, Tobin's Q ratio.

ÖZET

Çevrenin korunması ve mevcut kaynakların optimize edilmesi şirketin istikrarı, büyümesi ve devamlılığının başlıca nedenlerinden biridir. Ayrıca şirketin faaliyetleri ile topluma katkıda bulunmak ve çalışanların gelişimini sağlamak şirketin toplumda iyi bir imaja sahip olması için çok önemlidir. Bu nedenle şirketlerin farklı alanlarda sosyal sorumluluk projelerine katılım sağlamaları ve bunların sonuçlarını yıllık raporlar, sürdürülebilirlik raporları, özel raporlar veya düzenli raporlar aracılığıyla açıklamaları gerekmektedir.

Bu araştırmanın amacı Borsa İstanbul'da kote edilen bankaların KSSA (Kurumsal Sosyal Sorumluluk Açıklaması) uygulamalarının niteliğini ve kapsamını tespit etmektir. Bunun yanında, KSSA kategorilerinin (Çevresel, İşgücü Uygulamaları, İnsan Hakları, Toplum ve Ürün Sorumluluğu) şirketlerin değeri üzerindeki etkisini beş yıl içerisinde 13 bankadan toplanan 65 adet yıllık rapordan oluşan örnek grubu üzerinden değerlendirmektir. KSSA, GRI (Küresel Raporlama İnisiyatifi) tarafından hazırlanan Raporlama İlkeleri ve Standart Açıklamalar sağlayan sürdürülebilirlik raporları ile ölçülmektedir. Bununla birlikte, bu çalışmada bankaların değeri Tobin Q oranı kullanılarak ölçülmüştür. Beş yıl içerisinde 13 bankadan toplanan 65 adet yıllık rapordan oluşan örnek grubu kullanılmıştır.

Araştırma sonucunda kote edilen bankalarda KSS faaliyetlerinde bulunulduğu tespit edilmiştir. En çok açıklanan kategori Toplum ve İşgücü Uygulamaları olup, en az açıklanan kategori ise Ürün Sorumluluğudur. Trend analizi bulgularına göre bu araştırmanın beş yıllık süresi içerisinde KSSA uygulamaları bütün olarak veya kategorilere ayrılmış şekilde istikrar göstermemektedir. KSS kategorilerinin şirketlerin değeri üzerindeki etkisinin test edilmesiyle ilgili olarak elde edilen bulgulara göre bu ikisi arasında kayda değer bir ilişki bulunmamaktadır. Diğer bir deyişle Borsa İstanbul'da kote edilen bankalar bu kategorilerde katılım sağlamaktan veya sosyal sorumluluk bilgilerini açıklamaktan herhangi bir fayda sağlamamaktadır.

Anahtar Kelimeler: KSS açıklaması, şirket değeri, Küresel Raporlama İnisiyatifi, Tobin Q oranı.

CHAPTER 1

THE INTERODUCTION

1.1 Introduction

Since the industrial revolution, business organizations have lived in their golden age, where industrial development has been rising at any price. The trend towards maximizing profits has justified everything in favor of business at the expense of the interests of other parties.

The world has changed. Modern environmental issues, such as the implications of global warming like ozone depletion and climate change, made companies realize the negative indirect environmental effect of their daily business activities. Not only do the environmental themes are important, but also the present financial crises has contributed to global concerns.

At present, businesses are not always concerned with profit. The existence of business cannot unattached with social and ethical responsibility issues. Corporate Social Responsibility (CSR), appears to be everywhere and is known to be relevant to firms all over the world. Companies are not only responsible to shareholders alone but, also they have to be responsible for their social, environmental and financial sides, they have expended money on social projects, such as education, art, sport and investment in environmental facilities. They have taken the interests of employees into consideration and some other actions that service not only the company but also society as a whole.

The companies are facing increasing pressure after the customers growing consciousness of CSR-related issues to deliver their CSR efforts during mandatory and non-mandatory disclosure to assurance that shareholders are recognizing of the suitability of their procedures undertaken about environmental and social issues.

The concept of CSR is extremely broad and complex, with numerous definitions existing in the literature. However, the more important thing from the definition of CSR is the implicit anticipation of business to achieve a better social and environmental outcome without the regulation of governments. In order to, the aim of firms is to maximize earnings; the main is whether investing in social responsivity activities could fiscally advantage the business. Several studies presented that engagement in Corporate Social Responsibility practices benefited firms in various ways, for instance, by optimizing company picture, improving financial results or acquiring credibility with diverse stakeholders, or (Nguyen et al., 2015).

Carroll (1991) offered CSR as construction that includes the economic, legal, ethical and expectations that society has from organizations at a given in specific time. Through this definition, he suggested that these responsibilities are equally important for society as a whole and not just only for the firm. (Carroll, 1999) argued that an organization must always try to achieve all the four constructions of CSR – economic, legal, ethical, and philanthropic.

Corporate social responsibility disclosures (CSRD) consist basically of non-financial information and relate to the impacts of firms on social and environment. CSRD can be offered voluntarily, but regulatory demands growing authorization some form of CSRD, e.g. in the UK, South Africa and Denmark. The UK is one of the pioneering countries in CSR reporting (De Klerk et al., 2015). CSRD is a shape of accountable reporting, that could be important information to investors and potential investors in investment. As well as to the use of financial information, investors could also benefit from non-financial information, one of that is CSR information (Tjia and Setiawati, 2012).

The goal of this study is to examine whether there is a relationship between corporate social responsibility disclosure (CSRD) and the firm value during an empirical study on Banks listed in Borsa Istanbul.

1.2 Literature Review

There are many studies, that have focused on the relationship between the disclosure of corporate social responsibility and the value of the company, the following will review some of these studies and their findings.

The largest share was for Indonesian by applied on different population (Tjia and setiawati, 2012), (Bidhari et al., 2013), (Dagiliene, 2013), (Karim et al., 2013) and (Mukhtaruddin et al., 2014). In **Tjia and Setiawati (2012)** study, the researchers used a simple regression analysis to explore the effect of CSRD on the value of the firm for 21 banks in Indonesia. The banking companies listed on the Indonesia Stock Exchange were the sample for the study is in the interval 2008 – 2010. The result of this study showed that CSR disclosure had no effect on the firm's value. Nevertheless, after one year Bidhari and other researchers **(Bidhari et al., 2013)** analyzed and explained the effect of CSRD on financial performance and firm value in 15 banks from banking industry listed at Indonesia Stock Exchange in the period 2008 – 2011. They used secondary data derived from reports and financial statements that were issued annually. Moreover, they used the Path Analysis for data analysis. Their results show CSR disclosure effects on the firm value that measured by Tobin's Q. On publicly listed companies. **Dagilienė (2013)** examined the impact of CSR reporting on the value of listed companies. His results showed that the companies that have a market value and book value appear the highest rates from socially accountable. **Karim et al. (2013)** had explored the quality of voluntary CSRD and how effects on the value of company of service firms that are listed in the Indonesian Stock Exchange during the period of 2008-2010, by using 120 reports from 40 companies in the service sector and using crosstabs statistics and single regression method. This study showed a significant link between the quality of voluntary CSRD and value of the firm for companies in the service sector. After that in 2014. **Mukhtaruddin et al. (2014)** aiming at identifying the impact of the earning management on the company's value by searching into corporate social responsibility as a control variable. Their population was listed industry companies in Indonesia stock exchange in interval 2010 to 2012 that as well as involves disclosure of corporate social responsibility. The sample comprises of 38 firms, which had selected by random sampling. Their results appear that corporate social responsibility disclosure has a positive and significant influence on firm's value.

In 2015, **Nguyen et al. (2015)** had tested an association between CSRD and firm value in Vietnam. They collected data about a sample from 50 firms that listed in stock exchanges in Ho Chi Minh City and Hanoi, were examined from 2010 to 2013. By the analyzed content of the annual reports to measured corporate social responsibilities and Tobin's Q ratio as proxies for the value of the firm. Regression analysis tests pointed out that disclosure of social responsibility is related to the next year's value of the firm. Exactly, the connection between environmental information have provided and the next year's value of the firm was positive, while was negative between employee disclosures and the firm value. The results offer a positive indication for Vietnamese companies that adopt environmental responsibility. Furthermore, in the same year in the UK, **De Klerk et al. (2015)** checked the relationship between share prices as a company value in the market and the level of CSRD of big UK's firms a time-period and setting the UK that works in with rising the legislation and increase the public feeling of issues of corporate social and environmental. They have used Ohlson (1995) model after modification to scans the link between CSRD and stock prices for the 100 biggest UK firms and three various measures of CSRD are used to assure the accuracy of findings. The study found that higher levels of CSRD are linked with higher stock prices. Moreover, offers clues that CSRD by firms working in environmentally sensitive industries shows a relation strongly with stock prices than CSRD by firms engaged in the other industries.

Plumlee et al. (2015), their study re-investigate the correlation among the quality of a company's voluntary environmental disclosure and value of the company by discovering the link among the components of the value of the company in the USA (forecast future cash flows and cost of equity) and voluntary environmental disclosure quality. They scale optional environmental disclosure quality by using a disclosure indicator harmonized with the Global Reporting Initiative (GRI, 2006) disclosure framework for a sample of the USA companies across five industries. Their analyses provide proof that voluntary environmental quality is linked with firm value during both the cash flows and components of the cost of equity, proportionate for their anticipations.

Newly in 2016, will start with **Liu and Zhang (2017)** in China where they have taken Chinese firms in heavier pollution industries, which had listed in period 2008 - 2014 as purposes of study to test the association among responsibility disclosure, corporate governance, social and company value. Their study found that there is a dropped social responsibility disclosure level for listed companies in heavy-pollution industries. In addition, various corporate governance factors affect the CSR disclosure of listed firms in heavy-pollution industries to a certain limit. Moreover, they found that social responsibility information is not helpful for the short-term profit of the company but could greater its value of long-term.

Reverte (2016), he has examined a sample of Spanish firms that listed to the IBEX35 index for the time 2007–2011, whether those companies with high CSRD rankings are more valued by market engaged. In addition, the study completes the literature dealing with the value significance of CSRD by additional analyzing not only the immediate effects of CSRD on the stock price, but also its indirect implications via its interaction with major accounting variables (equity book value and earnings). Further analyzes whether (CSRD) by companies operating in environmentally sensible industries is evaluated differently by market participants than CSRD by firms operating in other industries. He has found that CSRD does have both indirect and direct effect on stock price by adjusting the value-relevance of the book value of equity and earnings. Furthermore, CSRD by firms operating in environmentally sensitive industries is linked with higher market valuations than CSRD by firms operating in no sensitive industries.

Bowerman and Sharma (2016) also have investigated whether CSRD is related with companies' market values to help in evaluating whether CSRD offers additional value related information to investors in Japan and the UK by using a modified Ohlson (1995) model, it is a broadly accepted stock assessment model in research of accounting. Their finding suggests that investors in Japanese investors do not found that CSRD offers extra information more and above financial information to help them in their assessments of companies, whereas in the UK consider CSR information in the total information set they use for their investment decision-making. These findings have influences for regulators and investors, specifically around the control and governance of companies.

Nekhili et al. (2017) They investigated the leading role of family participation in the relationship between (CSRD) and company market value, their experimental study analyzed the 120 greatest publicly traded companies in France, known as the SBF120 (Société des Bourses Françaises) that published a sustainability report between 2001 and 2010. Their results appeared that market-based financial performance, as measured by Tobin's q, is positively relevant to CSRD for family firms but negatively linked with CSRD for non-family firms. Family firms benefited greatly from communicating by CSRD; they can getting ratification of shareholders more easily than nonfamily firms could.

1.3 Research Questions

In the last decade, there was a rising emphasis on CSR practices around the world (Dhaliwal et al., 2011). Companies are stimulated by Stakeholders as customers, social groups, employees, providers of goods and services, governments and shareholders to invest in CSR. Many companies have responded positively to execute CSR and to offer their products and services in a responsible way (McWilliams and Siegel, 2000).

Moreover, companies began to report their ethical, social and environmental behavior. One of definitions CSR appeared it as an obligation of business to develop the sustainable economic–working with employees, their families, society and the local community to optimize the quality of life, in methods that are both good for development and good for business (Ward, 2004). The CSR point out to achieving business success in ways that obligation by ethical rules and respect people, social communities, and the natural environment.

According to the background and previous review of the literature, there are many studies were conducted about the relationship between CSRD and the firm value, the existing literature contains studies have various results that have found there is or there is no relationship. These contradictory results lead to add new empirical researches to explore the relation between CSRD and the firm value. Also, whereas Turkey one of the industrial nations experiencing significant economic growth and extend the size of the companies and the increase in impact on society.

The purpose of this research is to investigate whether there are the relationship and effect between the CSRD and the firm value through an empirical study on Banks listed in Borsa Istanbul.

Thus, the research sought to answer the following three main questions:

Q1: What is the nature and extent of CSRD in reports of banks listed in Borsa Istanbul?

Q2: What extent has CSRD in annual reports of banks listed in Borsa Istanbul improved over the five-year period of the study?

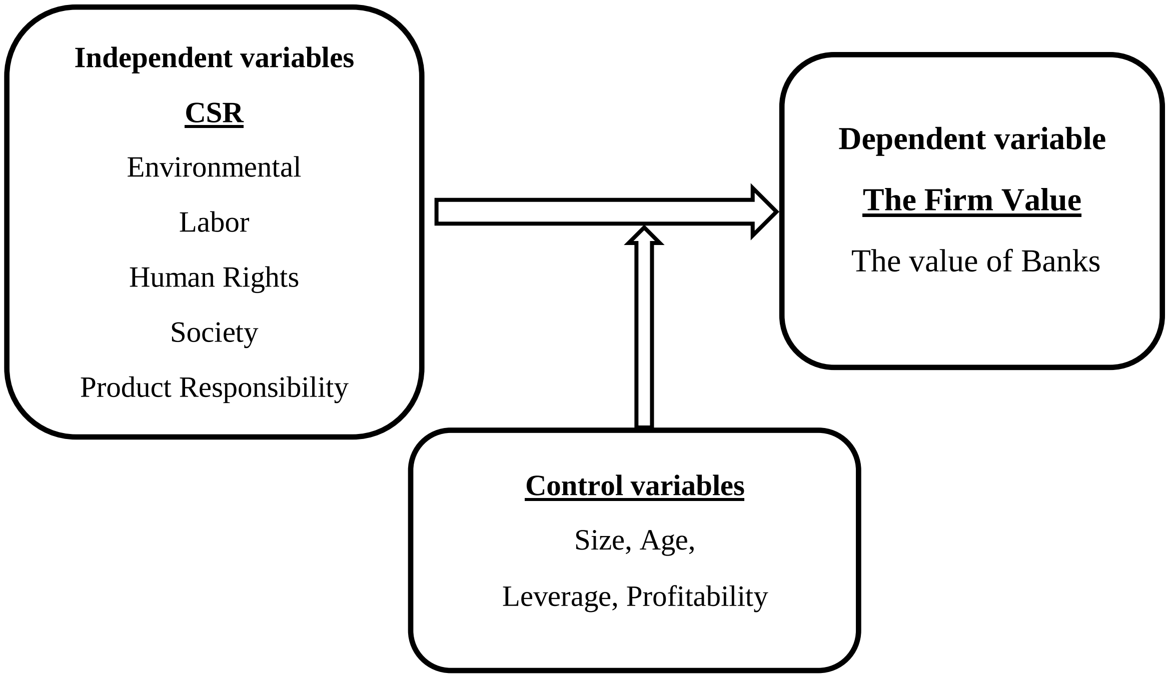
Q3: Is there an impact of CSRD categories practices on the value of listed banks in Borsa Istanbul?

1.4 Research Framework and the Variables

Pre-works on the model of firm performance demonstrated that how the CSR as a concept can reestablish the suspended association between social realization and social responsibility, therefore allowing CSR to serve as a central organizing concept for theory and research in society and business (Wood, 1991).

According to the previous studies, and the concept of CSR the companies obtain a financial benefit from engaging in CSR programs. Therefore, will be identified CSRD as an independent variable and the firm value (The value of Banks) as the dependent variable. Based on the formulation of the research questions the theoretical framework of the study was built as follows:

Figure 1.1: The Theoretical Framework



1.5 Hypotheses

After reviewing literature relevant to CSRD. Firstly, concentrated on the works of theorists, that after years of discussions about the suitability of the involvement in social operations by firms, they concluded that CSR, could be a valuable investment and a source of competitive advantage. Secondly, reviewed the existing literature regarding the empirical examination on the relations between CSRD and the firm value was highlighted before. Although the inconsistencies that are found in several pieces of research, the majority of the researches have indicated to there is a relationship

For my investigation, the hypotheses were developed by relying on the results that have confirmed so far. Therefore, it seems appropriate to set the hypotheses based on a relationship between CSRD and the firm value; this means the research prediction influence of CSRD on the value of the company, in agreement with the prevailing views. This agreement is lead us to the following hypotheses:

The First hypothesis related to Environmental disclosure:

($H_0 1$): There is no significant relationship between the Environmental Disclosure and the value of listed Banks.

($H_a 1$): There is a significant relationship between the Environmental Disclosure and the value of listed Banks.

The Second hypothesis related to Labor Practices disclosure:

($H_0 2$): There is no significant relationship between the Labor Practices Disclosure and the value of listed Banks.

(H_a2): There is a significant relationship between the Labor Practices Disclosure and the value of listed Banks.

The Third hypothesis related to Human Rights disclosure:

(H_03): There is no significant relationship between the Human Rights Disclosure and the value of listed Banks.

(H_a3): There is a significant relationship between the Human Rights Disclosure and the value of listed Banks.

The Fourth hypothesis related to Society disclosure:

(H_04): There is no significant relationship between the Society Disclosure and the value of listed Banks.

(H_a4): There is a significant relationship between the Society Disclosure and the value of listed Banks.

The Fifth hypothesis related to Product Responsibility disclosure:

(H_05): There is no significant relationship between the Product Responsibility Disclosure and the value of listed Banks.

(H_a5): There is a significant relationship between the Product Responsibility Disclosure and the value of listed Banks.

1.6 Research Methodology

As mentioned earlier, the focus has been on the relationship between CSRD and the firm value in Banks listed in Borsa Istanbul. There are two significant issues in the correlation between CSRD and the value of firm: direction and causality of the relation. The direction of the relation refers to the negative, positive and neutral of the relationship. The causality of the relation indicates; which one between CSRD and the firm value will be becoming independent or dependent variable. In this research, depending on the literature review, the relationship between CSRD and the firm value in most of the result of studies indicated to the positive relationship and this is what based upon it the premise of the study. In addition, according to the literature review, it has been identified CSRD as an independent variable and the firm value as the dependent variable. The variables were measured as follows:

i) Measures of CSRD:

There are many methods used to measure the quality of environmental and sustainability reporting. Some of those had invented independently by assessing firms that have analyzed by independent researchers. Other approaches used by various organizations internationally such as the Pacific Sustainability Index (PSI) that was developed based on the standards set in the GRI Guidelines. Other organizations that made standards and guidelines to assess and report the quality and quantity of sustainability reports are World Business Council for Sustainable Development (WBCSD) and Eco-Management Audit Scheme (EMAS) (Karim et al., 2013).

In this research, I was selected to use the Global Reporting Initiative (GRI) G4 sustainability reporting guidelines. It provides Principles of Reporting, Standard of Disclosures and an Implementation Manual for the preparation of sustainability reports by companies, no matter of their sector, size or location. GRI G4 is a framework, which offers instructions for measuring and reporting on a company’s economic, social, environmental, and governance performance. The instructions are used to producing sustainability/CSR reports that meant to enhance companies' transparency and disclosure in a consistent approach. It is prepared to use by organizations of any size, sector or location. GRI G4 provides a rating to the level of disclosure only.

It is the most important reasons to use this guide in measurement; it is used in the most recent studies on disclosure of social responsibility information. As well as the adoption of many companies listed in Borsa Istanbul to the standards and principles of the disclosure contained in this guide.

ii) Measures of the Firm Value:

Based on (Mukhtaruddin et al., 2014) they said that, the value of the company is often associated with stock prices. Value of company will be high if its stock price is high. A common value of the firm is referred by the price of the stock to book value. Higher price stock to book value makes the market believe in the future probability of the firm. This is the willing of the owner of the firm, because a firm with high value refers to growth.

Some analysts preferred free cash flow. Free Cash Flow to the Firm (FCFF) is formal as the cash available for all company's investors, comprising shareholders and bondholders, after the company has purchased and sold products, provide services, paid its working expenses in cash, and made long-term as well as short-term investments. After getting the (FCFF), the firm will then pay interests to its bondholders then borrow more money from bondholders or pay previous debts. The remaining cash after the firm has fulfilled its obligations to other investors is referred to as Free Cash Flow to Equity (FCFE) (Karim et al., 2013).

In the study of Liu and Zhang (2017) they used Tobin's Q ratio to reflect firm value. Tobin's Q ratio refers to the ratio of company market value to its asset replacement cost. In addition, (Nguyen et al., 2015) they selected Tobin's Q ratio because it is easy to measure, reliable and widely used. Tobin's Q ratio is usually calculated by dividing (Equity Market Value + Liabilities Market Value) / (Equity Book Value + Liabilities Book Value).

In this research, can use one of these ratios (Stock prices in the market (Market value-added) or Free Cash Flow or cost of capital or Tobin’s Q) or can use all, this depends on the quality and quantity of data to be collected and the methods of statistical analysis.

1.7 Statistical Analysis

In order to determine the relationship between CSR Disclosure and the firm value was used in principle regression analysis, the coefficient of determination and correlation analysis based on panel data (longitudinal) for five years.

In addition, descriptive statistics such as average, the minimum, maximum and standard deviation were conducted to analyze and interpret Quantitative and qualitative data.

The regression model of study have developed as the following:

$$FV = \alpha + \beta_1 EN + \beta_2 LA + \beta_3 HR + \beta_4 SO + \beta_5 PR + \beta_6 Size + \beta_7 Age + \beta_8 ROA + \beta_9 Lev + \varepsilon$$

Whereas:

FV: Firm Value

α: The intercept

β1 to β9: Coefficient of slope parameters

EN, LA, HR, SO and PR: The dimensions of social responsibility

Size, Age, ROA and Lev: Control variables (more explanation in Chapter 3)

ε: The error

1.8 Population of Research

The population consists of banks listed in Borsa Istanbul. Based on the PDP Information Service (Public Disclosure Platform), there are thirteen banks listed in Borsa Istanbul. These banks are:

- AKBANK T.A.Ş.
- ALBARAKA TÜRK KATILIM BANKASI A.Ş.
- DENİZBANK A.Ş.
- ICBC TURKEY BANK A.Ş.
- QNB FİNANSBANK A.Ş.
- ŞEKERBANK T.A.Ş.
- TÜRKİYE GARANTİ BANKASI A.Ş.
- TÜRKİYE HALK BANKASI A.Ş.
- TÜRKİYE İŞ BANKASI A.Ş.
- TÜRKİYE KALKINMA BANKASI A.Ş.
- TÜRKİYE SINAİ KALKINMA BANKASI A.Ş.
- TÜRKİYE VAKIFLAR BANKASI T.A.O.

- YAPI VE KREDİ BANKASI A.Ş.

These banks also provide full and adequate disclosure of financial and non-financial information. Since the number of registered banks are small would not be necessary to withdraw a sample of the study, the population has studied as a whole.

1.9 Research Contribution

Peloza and Shang (2011) stated that CSR activities could contribute to developing new sources of customer value, building positive stakeholder relationships, and creating a competitive advantage for firms.

This study tries to provide several contributions to the existing body of knowledge on the association between CSRD and the firm value. Moreover, will contribute, with the results of previous studies, in supporting a better understanding of the association between CSRD and the firm value.

In addition, the outcome of this study will help to bring new perspectives for stakeholders in the practice. If there is an association between CSRD and the firm value, the following groups have benefits: Executives, managers, employees, regulators, and auditors can use the information to make a better decision.

Since most of the prior studies concerned measuring the relationship between CSRD as a whole and the value of the company and did not measure each category separately. The most important difference between this research study and previous studies is that it examines the relationship between each category of CSRD and the firm value.

1.10 Structure of Research

Chapter 1: A general framework of research (Introduction).

Chapter 2: Theoretical framework of research (Literature of CSR, Disclosure of CSR, Definition and Components of CSR strategy, CSR Audit, CSR in Turkey and Firm Value).

Chapter 3: Methodology of the Study.

Chapter 4: Data Analysis and Results

Chapter 5: Conclusion

CHPTER 2

THEORETICAL FRMMEWORK

OF RESEARCH

2.1 Corporate Social Responsibility (CSR)

Corporate impact on society and the environment is facing global attention, and consumers, employees, investors, business partners and local communities are increasingly looking for the role of business in society. Governments and non-governmental organizations demand greater transparency and accountability, not only in the day-to-day operations of companies, but including their effect on society and environment, especially after recent financial and accounting scandals and their impact on capital markets as well as the big banks and firms.

These issues have become more imperative than before. Despite this widespread interest, it is still difficult to assess the impact of a firm on society, and measure it by setting norms. Stakeholder groups try to design valuation tools according to standards, professional organizations attempt to implement social audits, governments are working on developing legislation that requires the preparation of social reports, rating agencies classify the companies in rank, and institutions themselves publish an increasing number of reports about their social performance. Despite these many efforts, stakeholders are dissatisfied with the reports and demand to make a greater effort and work to minimize the negative effects of institutions on society, also how they harmonize this impact with the needs of society.

The main objective of this section is trying to give a complete picture of corporate social responsibility disclosure by defining CSR, explain its principles, its important dimensions, the most important theories that support it and the methods of measurement used to evaluate it.

2.1.1 Definition and History of CSR

The following will try recounting a brief history of social responsibility and the most important definitions for it.

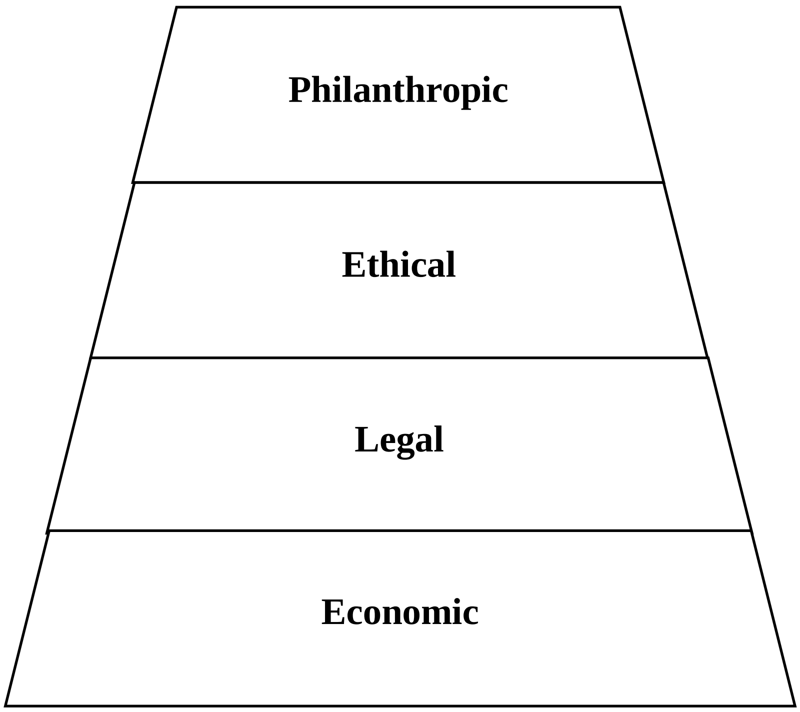
Throughout the 1960s until the early 1970s, the groups of social activists and others were calling for a wide idea of corporate responsibility. These messages became very clear and new governmental entities (the Equal Employment Opportunity Commission (EEOC), the Environmental Protection Agency (EPA), the Consumer Product Safety Commission (CPSC) and the Occupational Safety and Health Administration (OSHA)) assured that national public policy officially have confessed of the environment, employees, and consumers to be considerable and legitimate stakeholders of business. In that time, companies' administrator has had to combat with how they make equilibrium between obligations to the owners of the firm with their liabilities to an ever-widening group of stakeholders who request both ethical and legal rights (Carroll, 1991).

In the 1980s, the concentration had increased on improving and developing new definitions of CSR and research on it and a divided of writings into substitutional concepts and subjects such as corporate social responsiveness, social performance, public politics, ethics of business and stakeholder theory/management, etc. It was defined at that time as the idea that companies had to commit to constituent groups in society not just its shareholders. The commitment must be applied voluntarily and to be widespread, to extend beyond the classical duty to shareholders into other social groups such as customers, employees, suppliers, and neighboring societies (Jones, 1980).

In the early 1990s, quite a few single contributions to the definition of CSR occurred. Its concept became a base for other related concepts and themes, many of them adopted CSR thinking and were very compatible with it. Four forms of CSR are defined by corporate social responsibility pyramid (Carroll, 1999).

In addition, Brummer (1991) have tried to provide obvious definitions of responsibility and searching at the different philosophical methods. Through accurate review for the content of responsibility, Brummer suggested that the meaning of responsibility is directors are accountable for their activities. He totalized three kinds of corporate behavior demanding are introduced from executives: (1) when actions performed go beyond the company's domain of permissibility or authority. (2) If the company's activity is not within the limits of its responsibility. (3) Performance of acts was inferior.

Figure 2.1: The Pyramid of Corporate Social Responsibility



Source: Carroll, 1991, P 228

(Carroll and Shabana, 2010) have stated the definition of CSR as the social responsibility of companies include the philanthropic, ethical, legal, and economic predictions that the community has of companies at a specific point in time. In addition, they decided this definition might be a positive and appropriate definition to use because of its enduring application in CSR research at that time.

The early 2000s, in order to CSR continued, the search to find business legitimacy has increased and the concern and up growth with business ethics hid the persistent growth and expansion of the topic of responsibility of society, although important advances were achieved, particularly in Europe and the UK. The pursuit for the business case for CSR surely became a prevailing subject through this time, particularly the society of business were willing to rationalize and legitimize the activities it had begun and were continuing (Carroll and Shabana, 2010).

Some scholars consider CSR is a matter of public relations. Frankental (2001) submit that CSR is an innovation of public relations and it may only have a real presence if it takes in account all interest groups and it is enhanced by changes in firm law or rewarded in financial markets.

CSR was defined with the World Business Council for Sustainable Development as the moral behavior of a firm towards the community. The management has acted responsibly with other interest groups who have a lawfulness interest in the business, and CSR is the continuing obligation by working to manage, participate and ethically to economic development while optimizing the life quality of the labor and their families further of the domestic society and society at all (Moir, 2001).

Hancock (2005) identified a set of core CSR drivers, such as the main impact of the integration of social responsibility elements within the activities of the company. Reduce of investment risk premium in stocks, the direct link between reputation and financial result measures and share price and credit rating. The effect of scandals of companies as Enron, WorldCom and the like have obviously grown the understanding of greed among senior business officials in the corporate world. Finally, loyalty with customers could be built by the CSR programs, which offer a competitive advantage in diverse markets where consumers demand goods and services ethically delivered or produced.

Based on all, could be said that the CSR is a moral and national sense of social contribution toward environment and society that represented by people who worked in the organization or those living in society and the surrounding environment. In addition, the firms need to take a comprehensive and integrated approach to build a CSR system that allows them to instinctively behave in a socially responsible way. In exchange for exploiting the material and human resources of society and making profits.

2.1.2 Principles of CSR

Although the definition of CSR has not been settled yet, it has been known as a long-term business strategy. Its diverse approaches try to equilibrium between business corporates' economic rights and their social and environmental obligations. CSR linked these approaches with the companies' strategies observing four basic principles (Mermod and Idowu, 2014).

(a) **The societal approach:** this principle is supposed that business companies have to participate to construction preferable communities, therefore, they have to combine the social interests into their essential strategies consider the full extent to their influence on societies. Add to that, this principle claims business firms to support human rights as well as labor rights, and to deal with any other related ethical issues.

(b) **The economic principle:** this principle has emphasized the efficiency of business companies in producing or providing goods and services without causing harm for social or environmental values.

(c) **The environmental principle:** this principle is stated that the business companies must not damage the environment to maximize their profits, and they ought to play the main role in fixing any environmental harm caused by their unaccountable use of natural resources.

(d) **The stakeholder approach:** this principle holds the business firms responsible to take the legal interests of their stakeholders into account.

Because of the lack of clarity the nature of CSR practices, it is hard to define it and to be sure around any activity. Therefore, it is necessary to determine these activities(Crowther and Aras, 2008). Crowther and Aras (2008) believe that, three basic principles that together include all activity of CSR:

(i) **Sustainability:** It is worried about the influence of actions are taken in the current on the choices available in the future. The resources that are utilized now maybe will not be available for use in the future, and this is of special worry if the resources are limited in quantity. Thus, sustainability means that society must use no more of a resource that can be renewed.

(ii) **Accountability:** It is concerned with an enterprise admitting that its actions influence the external environment, and therefore supposing responsibility for the effects of its behaviors. It is also mean a measurement of the effects of actions taken, whether internal to the organization and externally.

(iii) **Transparency:** it implies that the external effect for the behaviors the company may be realized from the company's reporting and relevant facts are not masked within that reporting. The concept can be regarded to follow from the other two principles and be an integral part of the operation of admission of responsibilities on the side of the firm for the external implications of its procedures and equally part of the process of moving the power to external stakeholders.

2.1.3 Motivation for CSR

The motive and necessity that the business firm has some responsibilities towards society aside from generating revenues have existed for many centuries. CSR being broadly accepted by several industries through the years has been repeatedly studied under various names that include company citizenship, social responsibility, and strategic philanthropy among many others. The concept of CSR based the core idea of creating "shared value". The aim of CSR is to create value for the company, its consumers and the society as a whole, besides generating higher revenues. There are many reasons beyond the motivations of organizations for engaging in efforts of social responsibility (Sprinkle and Maines, 2010).

- Companies have altruism intentions; they merely think their CSR efforts are an integral part of being a good habitat. Recognized, it is hard to separate these intentions from profit-seeking ambitions.
- CSR can be a further cost for business: it is anything companies feel they should do with a view to avoiding negative advocacy and other reactions from various stakeholder groups, such as nongovernmental organizations (NGOs).
- Possible contracting benefits: companies suppose that CSR assists motivate, recruit, and hold over employees. Many sources listed these reasons as one of the most important benefits of practice CSR programs.
- Motivations of customer: CSR may attract consumers to buy a firm’s products or services. Such as, earn price premiums or set apart increases in market share.
- Firms’ focus on concerns of environment can lead to reduced production costs.
- CSR could be perceived as a part of a firm’s risk management efforts. To achieve this end, CSR can be an efficient instrument for reducing legal or regulatory limitations.

2.1.4 Dimensions of CSR

While companies are trying to reach ethical standards that can be applied globally, the focus is on the decision maker and his commitment to taking into account the CSR dimensions when decision-making. Carroll (1991) identified four dimensions of corporate responsibility through what is known as the corporate social responsibility pyramid:

1) The commitments of economic of companies are its duties to produce and goods and services that society needs and the effectiveness and efficiency as preconditions for other responsibilities of a business.
2) The responsibilities of legal of firms are its obligations to obey the laws that might be local, regional, national, or even transnational.
3) The obligations of ethical are its duties to follow social customs even those are not covered by the law.
4) The philanthropic responsibilities are at the top. They are not functions or commitments but it is simply anticipations or indicators of what society imagine desirable such as donating to charitable causes, funding of schools or sponsoring community events and programs.

Through analyzing the definitions of CSR (Dahlsrud, 2008), it became obvious that they were pointing to several of the same aspects of CSR. Therefore, the clauses, which indicated to the same dimension, were collected together. This process determined five dimensions that were named to express what the phrases content.

- ***<u>The environmental dimension:</u>*** refers to the natural environment for example environmental oversight, a cleaner environment and environmental worries in firms operations.

- ***<u>The social dimension:</u>*** refers to the relation between society and business for example merge social concerns in their business operations, contribute to the best society, consider the full extent of their influence on societies and contribute to economic development.

- ***<u>The economic dimension:</u>*** refers to financial aspects or socio-economic, involving describing CSR in the terminology of a business operation for example keeping the profitability, contribute to economic development and business operations.

- ***<u>The stakeholder dimension:</u>*** refers to stakeholder or stakeholders groups for example how companies interact with their workers, customers, suppliers, societies and interaction with their stakeholders, and addressing the stakeholders of the company.

- ***<u>The voluntariness dimension:</u>*** refers to actions not prescribed by law for example based on ethical values, beyond legal obligations and voluntary.

The European Commission Green Paper 2001 determines two dimensions of CSR; external and internal. The external dimension comprises business partners, local communities, consumers, suppliers, human rights and global environment. The internal dimension involves health and safety at work, human resource, environmental influences, and natural resources. The internal issues supposed to be those dealing with firms' internal management. Similarly, external issues concern external management (Nasrullah and Rahim, 2014).

2.2 Disclosure of CSR

The company that implements CSR activities have to report on these activities to target groups to inform the community about company social engagement by the aggregated method.

CSR Disclosure defined as the delivery transaction of the environmental and social effects of companies' economic business to specific interest groups inside society and to society as all (Gray et al., 1996). Also Heemskerk et al. (2002) mentioned that

CSR disclosure may be defined as an informed process of environmental and social effects caused by firm economic business to particular interest groups and the firm as a whole.

CSRD is the objective description of environmental and social practices so that stakeholders could use it dependably to assess the performance of the firm's responsibility for society. Intergovernmental bodies and governments as the Organization for Economic Cooperation, the United Nations, and Development and the International Labor Organization, have developed guidelines, announcements, principles and other instruments, which provide schema the social standards for acceptable behavior of companies. During the last decade, several national governments in Europe and the USA series of regulations have passed on environmental and social investments. Actually, several laws and regulations demand firms to participate in some of their CSR activities and practices with the public via the disclosure of non-financial information (Najah and Jarboui, 2013).

Quality CSR report should fulfill four main aspects (Moravcikova et al., 2015):

1) **Credibility:** the credibility of the report may be authorized by the obligation of higher management. Also the description of the introduction of personal responsibilities, company policy and methods of data gathering and the aims. As well as, credibility is affected by the level of main stakeholders' participation and it is has grown by an independent third party verification.
2) **Completeness:** the CSR report comprises all operations of business and offices in the State; it has completely informed about the key areas that influence of the company on the environment and society.

3) **<u>Significance:</u>** the firm has to optimize the using of qualitative and quantitative indexes to evaluate its social and environmental responsibility.
4) **<u>Appropriate form:</u>** the format of the report has significant role-play and help to know whether the report is moderately long and clear.

The demands for companies to take accountability for their environmental and societal impacts are rising. The consequence, many corporations make voluntary disclosures about the effects of their actions on society and the environment, and how they have managed them, leading to much interest among academics. Organizations expend time and money for voluntary CSR disclosure, so one expects companies to benefit from the decision to offer such disclosures, otherwise, they will not choose to do so. How companies benefit from optional CSR disclosure was investigated by researchers in a number of ways, with many concentrating on the value of information relevant to investments and investors (Bowerman and Sharma, 2016).

The main problem that has bothered the literature has been the lack of in generally accepted theoretical perspective about why companies have to participate in social disclosure and what its influences will be on the different stakeholder groups. Hence, a lot of the scholarly discourse in this field was, and persist to be, philosophical in nature, investigating the role of social accounting in institutions and society, and handling with issues regarding the sustainability of the recent company environment. These researches raise standard queries regarding the range to which accounting academics have to participate with and more the dispute on problems of the environmental and societal caused by companies. Some assume that the basic objective of company disclosure is to impact impressions about the future financial prospects of the company in the brains of external, mainly fiscal, stakeholders instead than to really attempt to decrease social or environmental damage. As well as, there are clues that when disclosures are voluntary, companies would only offer selected wisely part of the information that shows them in a positive image in a self-congratulatory method, which raises questions about the completeness of corporate social disclosures and a requirement for assurance of such reports (Brooks and Oikonomou, 2017).

2.2.1 Theories of CSRD

CSRD has demonstrated by means of a multi-theoretical framework including several alternative theories. Some of them and the most preferred are the agency theory, the stakeholder theory, and the legitimacy theory and signaling theory.

1) The agency theory

Economic agency theory (or positive accounting theory) sees the company as a link of contracts among differently economic agents who behave opportunistically within efficient markets. In this case, social and environmental disclosure may evidence useful in defining debt contractual liabilities, implicit political costs or administrative compensation contracts. Nevertheless, concentrate of agency theory on fiscal or wealth considerations among agents who trade in informationally efficient markets does limit the range of related environmental and social disclosure also its intended objective, in so far as many potential users of this type of information may not behave in these markets at all (pressure groups such as Greenpeace) (Reverte, 2016).

In the CSR respect, public interest attentions and image building can restrain the managers' decision to expand on social performance and to disclose social information.

Nevertheless, net income is decreased by social performance costs. Consequently, the companies that favors conducting social performance and uncover it are more probably have lower monitoring and contracting costs, and to have high political costs but the decision to uncover social performance is positively associated with social performance, political visibility, and economic performance, and is negatively associated with monitoring and contracting costs (Wuttichindanon, 2017).

In the view of agency theory, disclosure works as a control mechanism for manager performance. According to political cost theory, firms that are politically sensitive will be affected by high political costs (depending on the size of the firm), therefore will tend to disclose more information (Karim et al., 2013).

2) The stakeholder theory

Wuttichindanon (2017) fund that, a stakeholder can be defined as any individual or group who affect or is affected by the achievement of the company's objectives.

The stakeholder theory assumes that corporate disclosure is a tool, to manage the informational needs of the several powerful stakeholder groups (shareholders, investors, consumers, employees, public authorities and NGOs, etc.). directors use the information to manage or address the most powerful stakeholders in order to earn their support that is needed for survival and continue (Reverte, 2016).

The anticipations may be diverse for every stakeholder, so company management has to match firm policies and resources with the stakeholders' concerns. The CSR model is formulated to comprise the external effects that suppose adversarial attitudes to the firms, for instance, special concern groups, such as NGOs and regulatory. The principle of CSR then originally included obligations to society (Pintea, 2015).

Like the firm, the stakeholders have a negative or positive effect on the persistence of business. Stakeholders are individuals and groups that influence or be impacted by the policies, decisions, and operations of the Organization. Business persists to become more complex, the correlation between firms and stakeholders are now not limited to investors, employees, and customers. Stakeholder theory states that firms must disclosures to be one of social responsibility to their stakeholders (Tjia and Setiawati, 2012) .

In sum, a company's financial success depends on the capability to formulate and implementation CSR strategy that runs effectively its relations with stakeholders as the stakeholders have their rights to seek for information about how the company is affecting on them (Tanggamani et al., 2017).

3) The legitimacy theory

Roots of this theory in the idea of a social contract between the corporation and society. A firm's growth and survival depend on its ability to reach the desired results from the groups from which it derives its power (Duff, 2017).

The legitimacy theory considers that organizations will thrive to convince that their activities are conducted within the acceptable scope and norm set by the society where they work. This theory is based on the assumption that there is a social contract between the organization and its social environment that demands that the organization report their activities voluntarily provide that the management views that it is expected by the community. Information disclosure is used as a means for an organization to create a respectable image and to justify that it operates in accordance with social values held by the society in order to maintain or gain social legitimacy. Legitimacy theory is used to analyze social and environmental accounting of the firm. It is closely tied to intellectual capital reporting. Firms tend to report intangibles if they need to do so for certain purposes. In other words, firms cannot legitimate their status only by revealing tangible asset that is considered to be a traditional symbol of the firm's success (Karim et al., 2013).

4) The signaling theory

Signaling theory is one of the theories that underlie the voluntary disclosure of where the firms were driven to offer information to external parties. The push was because of the asymmetry of information between outside parties and management. The existence of information asymmetry happens due to one party knows additional information than others. Manager of the organization has full information about the activities of the firm while stakeholders and shareholders lack the completeness of the information. The signaling theory declares that the companies give signals to the external firms with the goal to enhance shareholder value. In this case, the information will be meaningful if used by investors in considering the decision to invest in the stock market. Accordingly, to minimize the asymmetry of information, disclosure has to be carried out by the firm (Tjia and Setiawati, 2012).

Signaling theory demonstrates why companies have a motivation to disclose information voluntarily to the financial market: voluntary disclosure is necessary due to for companies to rival successfully in the market for risk capital (Omran and Ramdhony, 2015).

2.2.2 Models for CSRD

Methods of social and environmental accountability have been progressed for various purposes. Grading them under the umbrella of CSRD, below some of the models used will be introduced and discussed, which may provide more benefit (Reynolds and Yuthas, 2008):

1) Eco-Management and Audit Scheme (EMAS, 1995, 2001)

The European Commission identified the basic principles which they have based the EMAS scheme in Council Regulation 1836/93 -EMAS of the European Commission. The main point was the improvement of ecological and social execution and was at first aimed at industrialization organizations. That has been reached out to permit wide investment by any private or public company craving to take part. The guideline is requiring environmental reporting from the firm and requiring reviewing. Moreover, there is a request to document continual improvement through following the policies, programs and the board frameworks by a deliberate, objective, and patrol assessment of execution. There is likewise a commitment to educate the general population of the results of the assessment. The section on engagement mentioned that the system is open to general or private companies working in the EU or the European Economic Area (EEA). Maybe the site registered if the site has a policy, an environmental audit, and goals for continuous optimization a statement from every site, confirmation involving policy, the management system, programs, the check and audit procedure, and the report provided. The authenticated environmental report is then posted to the relevant body in the Member State. This report is also published to the public after the enrolment of the site has been finished. The report has to be a summary, understandable description of all activities at the site; also an evaluation of important relevant environmental issues. Including waste generation, emissions, consumption of raw materials, water and energy, noise and other important aspects; a presentation of the firm's environmental policy, program and management system at the site, the deadlines for the next statements, and the name of the adopted environmental verifier. The EMAS 2001 was strengthened by requiring ISO 14001 as the environmental management system.

2) International Organization for Standardization (ISO 14000 series, 1997, 2002)

The International Organization for Standardization (ISO) issued the 14000 series (1997, modified 2002) as an environmental management system (EMS) standard similar to the issuance of the ISO 9000 quality control standard. The aim is to present some consistency that enables outside gatherings to make decisions and survey patterns. This EMS show incorporates prerequisites for the executives promise to the ecological and social approach. This policy is to be specified with documentation for organizational responsibility and personnel, program implementation, control procedures, emergency readiness, verification and review, documentation and connections. Arguably, the last three features made EMS models under the specialty of professional accounting and auditing entities (Mathews and Reynolds, 2000). Beyond this standard, there is a significant shift from command and control to prevention and continuous improvement with a focus on the ISO Company or entity. Therefore, the organization must provide documents and make them available to the public upon request. Thus, though this is an optional standard, the moment that it is adopted by the organization all societal stakeholders have the right to check the information.

3) Council on Economic Priorities Accreditation Agency Social Accountability Standard (SA 8000, 1998). Renamed Social Accountability International (SAI)

The standard contains a change of focus and is concerned with fair business practices around the world. It is divided into objective and range, important standard elements and their interpretation, concepts, conditions of accountability and social accounting. Social security requirements include the work of minors, forced labor, safety and safety, association licensing and the right to collective bargaining, discrimination, discipline, daily working hours, compensation, management systems and methods, internal control corrective, external communications, access to investigations and records. Entities that choose to adopt this standard are supported to require their suppliers to comply with their requirements as well. Thus, this helps to apply them in the global community. Companies can adopt these standards voluntarily and may disclose their compliance with the provisions of the Standard as part of other issued statements.

4) Institute of Social and Ethical Accountability Standard AA1000 (1999)

In November 1999, the first norm for building corporate accountability and trust was issued by the Institute for Social and Ethical Accountability (ISEA). ISEA stated that the AA 1000 standard provides a clear framework that companies can apply to identify and improve their ethical performance and is considered a tool to judge the validity of ethical desires. The AA 1000 norm is described as a responsibility standard, concentrated on guaranteeing the quality of ethical and social accounting, auditing and reporting. AA1000 (2008) includes principles as characteristics for a quality process, also a collection of practicability norms. The practicability standards are covering the planning, auditing and reporting, accounting, stakeholder engagement and merging. The concentrate is on improving total performance out of quality management, measurement, retention and recruitment of workers, outward stakeholder engagement, copartnership, investors, risk management, governance, and regulatory relations and practice. As a part of the system, Auditing and quality confirmation are required. The users of AA1000 are expected to comprise adopting Entities, stakeholders, service suppliers, and standards developers. Consequently, the inclusion of social stakeholders as constituents.

5) The Copenhagen Charter (1999)

The guide was released at the 3rd International Conference on Social and Ethical Accounting, Auditing and Reporting, This convention was an introduction in the Danish offices of Ernst and Young, KPMG, PriceWaterhouse Coopers and the House of Mandag Morgan. The requisite attention of the convention is upgrading the sensibility to the worth of stakeholders. It goals to develop, briefly and accurately, the most important motivations and principals engaged. The scripts of the convention display the focus on stakeholders as an integrated part of the decisions and values of the firm. Dealing with reporting and its ingredients are directly and the principles are developed. The principles were listed in three groups: lay essentially, embedding, and communication. Lay the essentially comprises the participation of top management, that have to show commitment, select purposes and resource devote, create task groups and get ready employees and management. The embedding process comprises reviewing values and vision strategies, determining key stakeholders and concentrate regions, determining values and crucial success factors, discussion with stakeholders, identifying the key performance indexes, an adaptation of administration information systems, and following efficiency for persistent enhancement. Communication is divided into having goals, preparing reports, conduct plans for improvements and budgets, checking reports, publication reports, and consulting shareholders about values and performance. Next part, Credibility in Stakeholder Reporting and includes principles of accounting (not necessarily GAAP), appropriate information (involving even the negative information if needed) and verification. The perfect framework directly dealings stakeholder communication. The announced goal is frequent react and communication that depends on stakeholder values as expressed. It was launched as a management guide to stakeholder connections.

6) Global Reporting Initiative Sustainability Reporting Guidelines (2000, 2002)

It was structure founded in 1997 as a section of the Coalition for Environmentally Responsible Economies (CERES). The purpose is to give internationally viable directions for setting up sustainability reports, in contrast to reports of environmental, the sustainability is held to comprise environmental, social and ethical sides. One aim is the offering of uniform disclosures about the economic, social and environmental information in annual reports and a media. The international guidelines committee, that supervises the activities of the GRI, involves NGOs, professional accounting bodies, corporations, and the United Nations. This approach is suitable with that of ISO 14000 and the World Business Council for Sustainable Development (WBCSD).

2.2.3 Measures of CSRD

Based on previous studies the CSR is measured by diverse ways including the analysis of CSR information in corporate publications, questionnaires, ethical rating, spending measures, reputational measures and unidimensional and multidimensional ratings depend on some observable social responsibility indicators (Soana, 2011):

1) **<u>Content analysis:</u>** Includes the assessment of the part dedicated to social responsibility in reports published about the firm. Maybe progressed with a simple number of words, sentences or lines, to the computation of the quantity of social information or an analysis of their quality. Use this way assumed the acceptance of the hypothesis that social disclosure is a better representative of corporate social performance.

2) **<u>Surveys by using questionnaires:</u>** This questionnaire sends to senior administrators of the company, analyzed by researchers then separate the answers received and give an evaluation of the level of social performance achieved by the companies. The point is that the judgment is internal and most likely reflects the perception and the orientation of managers on the subject of social responsibility.

3) **<u>Measures of reputational:</u>** Ratios formulated by specialized journals or researchers that based on an individual definition of social performance, calculate a mark on the goodwill linked with the reputation a company may have. The approximation of CSRD with reputational indexes means the acceptance of two hypotheses: (i) the reputation perceived by external parties is a better proxy of responsible behavior actually practiced by firms and (ii) the reputational measures not affected by the well financial-economic performance of firms.

4) **<u>Unidimensional indicators:</u>** Concerns indexes that express a judgment on one side of diverse socially responsible activates that firms may conduct. The CSRD proxies most used in the literature are; orientation towards the customer, interlocutor with domestic society and charity, the degree of engagement in illegal practices and respect for the environment.

5) **<u>Measures of spending:</u>** The CSR could measure by the level of expenditures like the voluntary donations and the charitable contributions made by the firm toward improving the environmental and social wellbeing of the stakeholders.

6) **<u>Rating of ethical:</u>** A multi-dimensional indicator designed by specialized entities. Each one of these has inventive its own model of quantification on the social outcome of firms for the identification of some indicators (for the most part concerning stakeholder typologies with which firms link) to which is singularly attributed a score, then aggregated into a synthetic result (ethical rating) according to an weighted or arithmetic average.

There are many tools of rating CSRD also are considered ways of measurement and guidelines for CSRD. For example, KPMG that used in (De Klerk et al., 2015), MSCI (The KLD) it has been used in studies (Birkey et al., 2016), (Ding et al., 2016) and (Wuttichindanon, 2017), as well the GRI in studies like (Mukhtaruddin et al., 2014), (Plumlee et al., 2015), (Reverte, 2016) and (Nekhili et al., 2017).

Ratings are prepared for several objectives, including the provision of information to assist investors with the estimate of the environmental, social and financial business risk of firms. Rating institutions provide company sustainability information, mainly for moral investors and managers examining weak points in their firms that are seen to be exposed to their mistakes or to their company competitors. Ratings are both the process and the consequence of assessment based on the norms. In this process, information is exchanged between the rating institution and the company being evaluated. Ratings can be grouped as solicited and unsolicited. Solicited ratings that requested by the company seeking to be evaluated, and there is in general an explicit contractual relationship between the firm and the rating institution. Unsolicited ratings are not based on an explicit contractual relation, and the rating institution conducts the rating on its own deal. Ratings serve as a type of disclosure, since the evaluated company is making data public that stakeholders would otherwise not be able to learn and in this way rating institutions certify the truth and trustworthiness of the ratings they made (Schäfer et al., 2006).

The following is a definition of these tools:

1) KPMG

The KPMG "Klynveld, Peat, Marwick, Goerdeler" survey of corporate responsibility reporting, it surveys depends on many months of research by specialists at KPMG member companies across the world, who analyzed thousands of corporate responsibility (CR) reports, firm annual financial reports, and websites (KPMG, 2015).

The study is provided in three parts:

Part 1: Accounting for carbon: a report card

Part 2: Quality of CSR reporting among the G250

Part 3: Global trends in CSR reporting

In Parts 1 and 2, KPMG assessed the quality of CSR reporting from the world's 250 largest companies by revenue (G250) with a particular focus on the carbon information these firms publish in their annual financial and/or CSR reports. The quality was valued by using scoring methodologies depend on KPMG professionals' view of leading reporting practices.

In Part 3, the study offers global CSR reporting trends based reports issued by the top 100 firms in the 45 countries.

The report searches how the world's biggest 250 firms report on carbon in their annual reports. Further, it covers quantitative data on CR reporting trends, covering 4,500 firms across 45 countries. KPMG has published this survey at orderly periods since 1993. The growth in the number of countries and firms covered is just one indication of how CR reporting has progressed into a mainstream business practice over the last two decades.

2) <u>MSCI (The KLD)</u>

Morgan Stanley Capital International (MSCI) is a leading of investment decision support. MSCI ESG STATS (known under the name of KLD Research & Analytics Inc. "the Kinder, Lydenberg, and Domini, Inc.") is a statistical summary of MSCI ESG Research's US environmental, social and governance research database. KLD offers an aggregate rating of corporate social responsibility for more than 3000 U.S. companies. To satisfy the needs of social investors, KLD provides research, benchmarks, compliance, and consulting services similar to those provided by financial research service companies. KLD has been providing continuously research products and services to the financial services market since 1988. Featuring the biggest corporate social research crew in the world, KLD produces high-quality consistent research that institutions rely on. This rating is based on 8 social and environmental dimensions, which are in turn, integrated by more than 60 criteria. None the less, because of their heterogeneity, SER investors are motivated by various values and will seek firms respecting specific dimensions of Corporate Social Responsibility (CSR) (Cabello et al., 2014).

The KLD measures, ratings and analysis both the strengths and concerns of CSR program in each dimension of CSR (community relations, diversity issues, employee relations, environmental issues, product issues, governance and human rights) through a binary system. If the corporation meets the criteria, it scores a (1). Otherwise, it scores a (0). It uses sources both internal to the firm (annual reports) and external (articles in the business press) to conduct year by year assessments of the social performance of 650 firms, including all the firms listed in the Standard & Poor's 500 Composite Index and the ones listed in the Domini 400 Social Index. Since 2001, KLD has expanded its coverage universe to incorporate the largest 1000 US companies in terms of market value, an expansion which advanced further in 2003 with the inclusion of the 3000 largest US firms. Independent researchers consistently apply the aforementioned criteria and discuss ambiguous judgments to minimize the subjectivity of the whole process (Waddock, 2003).

3) **The GRI**

The Global Reporting Initiative (GRI) Sustainability Reporting Guidelines offer Reporting Principles, Standard Disclosures and an Implementation Manual for the development of sustainability reports by businesses, regardless of their size, sector or location. The guidelines as well offer an international reference for all those concerned in the disclosure of government approach and of the environmental, social and economic I performance and impact II of organizations. The guidelines are beneficial in the preparation of any type of document, which demands such disclosure. The guidelines are developed out of a global multi-stakeholder process including representatives from business, financial markets, labor, civil society, and as well as auditors and experts in different fields; and in close discussion with regulators and governmental agencies in many countries. The Guidelines are developed in alignment with internationally recognized reporting related documents, which are referenced throughout the Guidelines (GRI, 2013).

The Guidelines are presented in two parts:

* Reporting Principles and Standard Disclosures

* Implementation Manual

<u>The first part</u> – Reporting Principles and Standard Disclosures: contains Reporting Principles, Standard Disclosures, and the criteria to be applied by an organization to prepare its sustainability report 'in accordance' with the Guidelines. Definitions of key terms are also included. The most important categories are:

a) **Economic:** Includes Economic Performance, Market Presence, Indirect Economic Impacts and Procurement Practices.
b) **Environmental:** Includes Materials, Energy, Water, Biodiversity, Emissions, Effluents and Waste, Products and Services, Compliance, Transport, Overall, Supplier Environmental Assessment and Environmental Grievance Mechanisms.

c) **Social:** Includes Sub-Categories (Labor Practices and Decent Work, Human Rights, Society and Product Responsibility.

The second part – Implementation Manual: contains explanations of how to apply the Reporting Principles, how to prepare the information to be disclosed, and how to interpret the various concepts in the Guidelines. References to other sources, a glossary and general reporting notes are also included.

Bowerman and Sharma (2016) found that CSRD that followed the GRI guidelines aided investors in making a more precise market valuation of the firm. This indicates that information from CSRD reduces information asymmetry and has incremental value to investors. According to KPMG (2008), the GRI framework is globally the most widely used framework for CSR reporting (De Klerk et al., 2015).

2.2.4 Challenges of CSR Disclosure

The requirement to get benefits related to CSR is the consciousness of CSR activities. Companies are facing rising pressure from stakeholders to participate in social responsibility activities and are expected to reporting their CSR efforts (Grougiou et al., 2016). Companies report CSR related information to stakeholders via a different range of channels. These involve environmental, social, and sustainability annual reports, firm websites, media releases, and CSR declaration. Among these channels, CSR reporting has become an essential means used to deal with stakeholders' informational needs concerning firms' social and environmental performance. CSR reporting is knowing as the practice of communicating the environmental and social influences of organizations' economic actions to specific interest groups inside society and to the community as all (Gray et al., 1996). The annual report can be used to enhance the society's impressions of the organization's responding to certain CSR issues, or to turning attention from negative situations. The disclosures are optional, uncover certain information that is anticipated to contribute to formulating the way stakeholders perceive the company (Neu et al., 1998).

Several surveys showed that there are uncertainties concerning the level of reliability of CSR information that companies offer it in their annual reports. The lacking of standards for CSR disclosure, particularly regarding the type of information and the quantity disclosed in companies' annual reports to stakeholders, made CSR disclosure practices highly various and asymmetric and do not help to make comparisons (Nekhili et al., 2017). The lack of consensual on what has to be included (or excluded) in CSR investments causes confusion in the interpretation of the contents of the report as well as, CSR relevant information reported by firms is overall positive and descriptive or “self-laudatory”. Consequently, CSRD tends to avoid negative or possibly harmful information, and little motivations exist to report in areas where the firm has a worse track record (Aerts et al., 2008). Several companies that participate in CSR disclosure increase the size of information and over-report CSR investments for impression management. CSR reporting represents a strategy to impact the public's imaginings of the firm and to shape the way in that these stakeholders view the company (Perks et al., 2013). Many firms see their CSR disclosure as a public links method designed to build a good image and to achieve a strong reputation in the market. Companies may use CSR reporting to reinforce stakeholders' imaginings of the convenient of their firm's pro-social and environmental procedures and optionally disclose positive CSR actions, resulting in misleading and biased reporting (Mahoney et al., 2013).

Previous CSR studies have stressed that the massive variety of voluntary CSRD casts uncertainty on the correct of the declared CSR investments. Some CSR scandals have negatively influenced audience opinion about companies and their CSR report, increasing questions about the honesty and reliability of CSRDs (Du et al., 2010). Stakeholders have robust intuitive beliefs that companies spend more money and time on demanding to be responsible than on implementing CSR activities and practices that reduce the social and environmental effect of their operations. The voluntary nature of CSR disclosure provides with the flexibility to manage information through selective disclosure of positive environmental and social actions (Panwar et al., 2014).

2.3 Definition and Components of CSR Strategy

CSR strategy is defined as activities are those directed at improving stakeholder relations and, at the same time, improving social welfare. The right CSR strategy is the one that pursues issues which demonstrate a convergence between economic and social goals (Carroll and Shabana, 2010).

The designing of the essential components of social strategy is a necessary element for describing such strategies. In 1987 pointed to the four components of the strategy formulation and decision, which are: (1) market opportunities; (2) corporate resources and skills; (3) values and aspirations; and (4) knowledge of obligations to society and shareholders. Thus, the author includes a variable that corresponds to concerns with society among the essential elements of the social strategies (Filho et al., 2010).

Husted and Allen (2001) used business strategy tools and concepts to formulate new models of CSR strategy. The strategy of CSR therefore needs to be linked to the following four elements: (a) structure of the industry; (b) internal resources of the firm; (c) corporation ideologies and values; and (d) the relationship with stakeholders.

CSR is a part of corporate strategy, as it can help company management find innovative solutions based on the expectations of stakeholders. The author proposes an innovation model based on social responsibility, affirming that this can be a creative factor in the development of competition. Several ways or tiers in which competition takes place, such as, innovation and flexibility, corporate responsibility clusters as well as direct and specific business benefits (Filho et al., 2010).

A firm can use social initiatives to get better its competitive context, enhancing the quality of the business environment in the places it operates. Focusing on context allows the company to increase its potentialities in the support of social responsibility actions and contribute toward the society in a structured fashion. Consequently, the company's action should be directly connected to its core business in order to maximize the potential of these actions (Zadek, 2006).

In the foreground there is a business strategy itself, how far does your company's business strategy embrace corporate responsibility at its heart. In the middle, we have learning: engaged learning, engaging with society. Society means many different possible players: civil activists, labor, government, and other businesses domestically, locally, internationally — whomever you engage within your business. At the bottom left, we have leadership. What we mean by that are companies who are able to operate in the discomfort zone, driving innovation along the axis of responsibility and the company's core strategy. On the right is operational excellence. Excellence is another kind of leadership, but not discomfort. Excellence is when you know what to do and you just do it incredibly well — if you like, operational excellence (Filho et al., 2010).

The reality is that CSR and companies strategy has been taken into account separately, where social responsibility is contributing to social goals and companies strategy is contributing to economic aims. Whatever, they have to been seen together with respect to maximizing both social and economic results (Husted and Allen, 2001).

2.4 CSR Audit

The phrase “social auditing/audit” was used for the first time in the 1950s. Earlier, a lot of work took the form of external investigative to assess the effect of large companies on their workforce, customers, and society. In the 1990s, other wide developments of social auditing surfaced, motivated by grew pressure on organizations to illustrate the ethical performance, environmental, social, and accountability. The concentration has been transformed far away from compared to involve stakeholders to evaluate and account for its broader environmental and social performance. Scholars and practitioners of social auditing have offered numerous definitions of social audit. The first specialized conference on the social auditing organized by the NEF (New Economics Foundation) in Edinburgh on 30th March 1995, social auditing was defined as The procedure on which it is based organization measures and reports on its performance in achieving its announced community, social or environmental targets. At a wide level, social auditing can be declared as an exercise that allows an enterprise to evaluate its performance in relationship with society’s expectations and requirements (Gao and Zhang, 2006).

Generally, the auditing of social is considered a critical operation that a company follows to compute for and optimize its performance, comprised of accounting, auditing and reporting, planning, embedding and stakeholder participation. It offers machinery for decision-makers to assess ethical, social, environmental, and planning and simplify stakeholder participation in the ethical, environmental and social decision-making process of a company. It is seen as a method of managing “rivaling interests and pressures from stakeholders”. Depending on to the NEF (1996), the report on ethical and social issues will enable firms to enhance relations with stakeholders and build organizational worth, where the general public is becoming increasingly worried about organization influence, objective, behavior, and trust. Nevertheless, it will be wrong to consider social auditing only disclosure of a company's social and environmental performance. Gao and Zhang (2001) wrote that the report on social and environmental performance is not just an important disclosure but as well as a process of contacts between main stakeholders and the organization. The reporting is a method that stakeholders can discover if the organization take into account their interests, and over time, whether it has a response in practical terms. Therefore, the reporting is a piece of the integrated communication, dialogue, learning and decision-making process, and not the endpoint in an aftereffect process (Zhang et al., 2003).

Despite the identified role of auditing of social, have to be discussed in the context of business and enterprise nature, the final goal of social auditing is to make a company more transparently and accountable (Hill et al., 1998). The auditing of social is growing undertaken and accepted as a method in which companies are transferring to become more transparent and outward to stakeholders and the discussion is well developed (Rotheroe et al., 2003).

By working with a company Traidcraft, the first social auditing model in 1993 was the NEF developed its first social auditing model in 1993. The model was used by diverse organizations containing business companies such as the Body Shop International (UK), BT (UK), Ben & Jerry's (US), Sbn Bank (Denmark). The other models of social auditing have been developed in South Africa, Italy, Scandinavia (called the ethical accounting statement), Mexico, Belgium, and the Philippines. The Traidcraft social audit process includes three main phases. The first phase is to determine the main stakeholder groups. The second phase is to start a process of consultation with every stakeholder group that permits them initially to putting norms against which they feel Traidcraft's social effect and ethical attitude should be judged, and then to evaluate the company's activities on this basis. This phase demands advisory approaches designed to the characteristics of every stakeholder group, covering concentrate group face-to-face debate, postage questionnaire survey, and group workshops. The third phase is the output of draft social accounts (Gao and Zhang, 2006).

Even after decades of development, current social and environmental auditing practices are still in their infancy. Doubts still exist regarding the capability of the accounting profession to handle the situation especially when companies and their approaches to social auditing vary so significantly between them. Whilst concrete attempts have been made to implement social accounting procedures amongst an increasing number of international firms, the absence of guidance present in the field has undermined many of these attempts. The lack of a reliable monitoring system, in turn, is threatening the potential benefits gained from the current increasing trend of adopting CSR reporting practices, by not being able to guarantee the level of quality of

CSR reports. The most effective way of achieving a social auditing system that can be trusted and relied upon by stakeholders is to implement specific regulation and guidelines, which help to ensure a satisfactory collation of data as well as a high level of impartiality by the auditor. Furthermore, in addition to making sure that social audits are conducted effectively, it is equally important to ensure that regulation would guarantee stakeholders full access to this information. Without such a guarantee, there would be a significant risk that the benefits of implementing a social auditing system would not be achieved. In order for social audits to really be effective they must not be hidden and obscured but should instead be released and disclosed in an adequate and clear manner. As there is currently, an increasing worldwide trend to implement CSR legislation it appears that now would be the best time to seriously consider the implementation of social auditing legislation with the desired effect of ensuring a substantial improvement in global CSR (Rahim and Idowu, 2015).

One strand of research focusing on the credibility of CSR disclosures examines the association between firms' CSR disclosures and actual CSR performance. Taking advantage of the discretionary information environment for CSR reporting, poorer CSR performers that are subject to greater exposure to the potential public and regulatory scrutiny disclose CSR information with selective bias in order to portray themselves as better CSR performers. The self-laudatory tone in CSR disclosure can be utilized in an attempt to change perceptions or divert public attention from environmental issues, cover up corporate misconduct, window dress or obtain a form of reputation insurance. also provide evidence showing opportunistic use of CSR disclosure by managers to advance their careers or to achieve other personal gains, rather than to advance the interest of stakeholders (Carey et al., 2017).

2.5 CSR in Turkey

The behavior of a company is based on decisions made by management (leadership) whose judgments are influenced by the values driven from the societal and organizational culture. In a global study conducted in 2001 by Environics International (www.environics.com), it is found that Turkish consumers value business ethics, labor practices, environmental impacts and demonstrated social responsibility much less than brand quality when forming an impression of a company. The same study also found that in low to mid-income level countries, companies are considered socially responsible based on reasons that are not CSR related. The study notes that although the level of education has an influence on the public's expectations of corporations; society predominantly expects economic performance (Jobs) from the business in those countries and, consistent with the findings, in Turkey (Habisch et al., 2005).

Through reviewing the research regarding the cultural characteristics of Turkey and the limited number of surveys and research on ethical values and corruption in Turkey, Habisch et al., (2005) conclude that the observed poverty of CSR in Turkey may partially be attributed to cultural characteristics. Given also, the weaknesses in the institutional framework, the cultural characteristics of business organizations and leadership behavior in Turkey, could argue that the drivers for CSR may exogenous (CSR practices of multinational companies, laws and regulations imposed upon Turkey by international agreements, international NGO activism, rational choices driven by the desire to join EU, academic research and management education etc.). Can note that the quality culture in Turkish organizations may be exploited as a driver of CSR. They consider Corporate Governance and CSR as mutually supporting concepts and as such, draw attention to the potential impact of a change in investors' attitudes toward CSR and the need for innovation in the area of financial modeling to incorporate CSR. By the researches and the interviews conducted with companies and stakeholders groups, the National Team of Turkey has concluded the following key findings regarding the situation of CSR in Turkey: In the business environment of Turkey, there is confusion over the definition of CSR and this confusion reflects itself on the practices of CSR. However, on the part of the business community, a strong incentive for efforts developing business and society is observed. The sponsorship activities as well as social projects organized with Non-Governmental Organizations (NGOs) are among those efforts (Göcenoğlu and Onan, 2008).

Concerning consumers, the consumers' positive perceptions of a company's effective CSR activities influence their purchase behavior towards the relevant company's products and services. For that reason, it can be suggested that the producers and companies in Turkey should try to find out the social, educational, and environmental issues, which require CSR related actions, and then develop CSR activities around those issues. In addition, the companies should view CSR matters as a part of their overall corporate strategies both (the short term and long term) (Mermod and Idowu, 2014).

European Union in its report "Turkey Sustainability Reporting National Review Report" (2016) identified that significant and positive changes have been achieved in the past two years in the CSR awareness level of the companies in Turkey. Within the project, when the survey from 2013 is examined, it is a noteworthy factor that the 52.9% rate of awareness level is increased to 95.5% in the application for the year 2015. It is assumed that, the works which have been carried out within the scope of the last term's project, the informative service of the CSR experts in the unions for working and companies and the award ceremonies and communication were effective for this positive achievement. It can be observed that this positive awareness development – as we would see in the future analysis – observed in the general view is reflected independently from the company's ownership structure, origin and size, and the informing have a nature to affect the overall (EU, 2016).

2.6 Firm Value

Firm value has traditionally been defined as the present value of expected future net cash flows discounted at the appropriate risk-adjusted rate of return. Financial statements are an important source of information about a firm's current performance. This information can be used to assess a firm's future cash flows, and thus a firm's value. This use of financial statement information aligns with the objectives of financial reporting which are (Owens, 2003):

(1) to help in assessing the amounts, timing, and uncertainty of future cash flows,

(2) to provide information to present and potential investors and creditors for making rational decisions, and

(3) to provide information on how management has discharged its stewardship responsibilities.

Miller and Modigliani in 1961 who examined the associations between a firm's operations in the real economy and its financing decisions in the financial economy proposed initial theories of firm value. Miller and Modigliani showed that under an assumption of no taxes firm value is the same regardless of whether it is financed through equity or debt. The only impact that the type of financing made was on the distribution of a firm's value between its investor types. They also suggested that establishing firm value enabled the valuation of the firm's stock, bonds and other claims on the firm. A firm is represented by the present value of the firm's free cash flows discounted at a risk-adjusted interest rate, with the assumption that financing, the ratio of equity and debt, had no influence on the firm's operating cash flows and therefore on firm value. Once the value of the firm is established the market value of debt is deducted to arrive at the firm's capitalization. Firm value is equivalent to the firm's total capitalization, which is equivalent to the market value aggregate of the firm's equity, bonds and any other claims, or the present value of all the claims on the firm. The value of the firm is therefore the present value of all free cash flows created from the firm's business model that is available to claimants on the firm. The concepts behind the analysis of real asset investments are equivalent for either the value for specific projects, or the firm itself, as the firm represents a collection of projects. Capital structure is defined as the way in which a firm finances its balance sheet through the weighting of equity, debt and other security types. A firm's leverage is the ratio of firm debt to total financing. The goal of defining a firm's capital structure is to finance the assets to maximize firm value (Rogers, 2013).

2.6.1 Measures of Firm Value

Firm valuation can be obtained through different measures, each of which is likely to give a value that differs from that obtained by another measure. The question of how to determine the value of a firm is interesting. Firm valuation is essential for deriving stock prices and future earnings forecasts. Sometimes, the stock price is the sole measure of performance. In addition, it has been known as a prime component of a weighted average that includes other measures. Certainly, no total investment in companies of all types and sizes can be complete without a measure of the value of firms (Thavikulwat, 2014).

The first and most readily available measure of the value of a firm is its accounting net worth, or book value. Goosen et al. (1999) pointed out this measure is problematic, because conformance with some generally accepted principles, such as historical cost and conservatism, can lead to values that are far removed from what is reasonable. The second measure is the market value of all its outstanding shares. This is a popular everyday-world method of evaluating public corporations. Its application, however, requires an efficient real market for shares. The third measure is the capitalized value of its projected future performance. although four distinct methods of capitalization can be applied for this purpose, all four give rise to precisely the same valuation when markets are perfect, people are completely rational, and the future is known with perfect certainty. The fourth measure is the deductive application of human judgment. With this method, firms are rated along a psychometric scale. The results are then converted by formula to monetary values.

An enterprise value of investors' perception of the company is often associated with stock prices. High stock price makes the value of the company high. Common enterprise value is indicated by the price to book value. High price to book value makes the market believe in the future prospects of the company. This is the desire of the owner of the company, because a company with high value indicates prosperity (Mukhtaruddin et al., 2014).

The free cash flow is preferred by analysts compared to dividend-based valuation because of many companies pay a low amount of cash dividends if not at all. Dividends are paid at the discretion of the board of directors therefore, it is a poor reflection of the firm's long-term profitability; if a firm becomes an acquisition target, and free cash flow is a more appropriate measure because the new owners will have discretion over its distribution (Karim et al., 2013).

The most common method in financial literature to measure the firm value is Tobin's Q, which is determined as the ratio between the firm's market value and its booking value. As normally in the finance literature, the firm's market value complies with the sum of market value and debt (Crisóstomo et al., 2011) (Maury and Pajuste, 2005). Tobin's Q plays an important role in many financial interactions. It is defined as the ratio of the market value of a firm to the replacement cost of its assets. Q has been employed to explain a number of diverse corporate phenomena such as cross-sectional differences in investment and diversification decisions, the relationship between managerial equity ownership and firm value, the relationship between managerial performance and tender offer gains, investment opportunities, tender offer responses and financing, dividend and compensation policies (Chung and Pruitt, 1994).

James Tobin in 1969 introduced the Concept of Q ratio to predict the firm's profitable investment. Especially, the Q ratio is used as a measure of the company's intangible asset. It is based on the supposition that the long run of equilibrium market value has to be equal to the value of replacement of its assets, given a Q value close to unity. The benefit of using Tobin's Q is avoiding the hard problem of assessing marginal cost or the rate of return. On the other hand, for Q to be worthwhile, need precise measures of both the replacement cost of a company's assets and market value. It is normally potential to get a precise assess for the value of the market of a company's assets by collecting the values of the securities that a company has issued, such as bonds and stocks. It is difficult to get an assessment of the replacement costs of its assets unless the used equipment still exists in the market. Additionally, the costs of research and development and advertising create intangible assets that might difficult to value. Usually, researchers who used Tobin's Q omit the replacement costs of these intangible assets from their computations (Tobin, 1969).

2.6.2 CSRD and Firm Value

The major goal of the firm is to increase the value of the firm continuously. This goal can be achieved when firms give more attention to environmental, social and economic factors. In the execution of CSR that will take place as corporate responsibility and attention to the environment surrounding the firm. CSR disclosure in the annual report that the firm went public has an effect on the shares value of firms included in the firm's high profile. Depend on these findings, it may be said that the investors directly reaction good to any social information referred in the firm's annual report (Mukhtaruddin et al., 2014).

Previous studies examining the relationship between social and environmental disclosure and company value focus on linkages between events and specific environmental issues or any changes in shares prices or stock prices. For example, Barth and McNichols (1994) noted that the market evaluated Super Fund obligations in a surplus of the amounts disclosed by companies, harmonious with these companies having unrealized environmental and social liabilities. While chemical firms faced negative stock price returns after a large chemical dropout (the Union Carbide Bhopal leak), the share price reaction was reduced for companies with top social and environmental disclosures, and chemical companies with more broadly environmental disclosure inserted in their 10-K reports had a fragile negative reaction for regulation of environmental than other companies did. The studies offered evidence of the association between environmental and social disclosures and firm value. Despite the focus was on compulsory disclosures and environmental events or liabilities and there is no oversight for the performance of environmental.

In studies that consider disclosure absent identified obligations or events, Richardson and Welker (2001) investigate the relationship between social disclosure in annual reports that comprise environmental disclosure, and the cost of equity capital COEC for a sample of Canadian companies. They mentioned that an unforeseen positive relationship between social disclosure and the COEC and figure whether that relationship is due to biases in social disclosure. While their outcomes suggested that improved social disclosure greater COEC and reduce company value, the authors declare that does not mean that social disclosures have an extensive negative influence on the company and suggested that next researches consider other meaningful implications of social disclosure.

Cormier and Magnan (2007) investigated how reporting of environmental effects on the linking between company profits and value of the stock market, using environmental disclosure from Germany, France, and Canada from 1992–1998. Their results document that a link exists for German companies, even though their failure to find a consistent relationship between the disclosure and share valuation multiples for Canadian and French companies. These studies offered an association between firm value and environmental disclosure.

Aerts et al. (2008) noted that optimized environmental and social disclosures offered by North American firms and European in 2002 are linked with more accurate analysts' gains forecasts, which may reduce COEC through a limiting in information risk. The authors consider voluntary and mandatory, print and web-based environmental disclosure and find that the links very different by country (stronger for European than North American companies), industry (weaker for environmentally sensitive industries), and disclosure location (stronger for print for North American companies and for web-based disclosures for European companies).

Dhaliwal et al. (2011) examine whether the initiation of voluntary disclosure of corporate social responsibility (CSR) activities via a stand-alone CSR report is associated with a firm's COEC. They found that companies with a high COEC are more probably to release an independent CSR report. As well as, the COEC reduces for companies that release reports with CSR performance above the industry main. They studied the relationship between COEC and voluntary disclosures, even though their concentration is on how the release of a CSR is linked with a firm's COEC.

Griffin and Sun (2013) use an event study to investigate shareholders' rejoinder to companies' voluntary disclosure about greenhouse gas emissions. They found that shareholders respond positively to the disclosure and that the responses are more positive for smaller firms with limited public information availability. In addition, the value of a company is related to carbon emissions and companies voluntarily disclose that information. These results indicate that investors see disclosures of environmental as related for company value.

(Clarkson et al., 2013) investigate the effect of environmental voluntary disclosure on firm value and the COEC. They catch diversity in environmental voluntary disclosures displayed by CSRs and firm web sites for companies within five environmentally sensitive industries and document a positive correlation between the overall value of company and disclosure quality, even after controlling for negative environmental performance. When they investigate whether this relationship is through the COEC, nevertheless, they failed to document an important relationship. To discover whether a factor of cash flow is the reason for the firm value and positive relationship between voluntary environmental disclosures, Clarkson et al. regress future realized profitability (ROA) on their disclosure measures. In this setting, they document a positive relationship, Clarkson et al. regress future realized profitability (ROA) on their disclosure measures. In this setting, they document a positive relation. Clarkson et al. focus on firms within environmentally sensitive industries over two sample years and do not directly test the link between VEDQ and the anticipated cash flow factor of company value. Rather than, they offer a clue that companies with higher quality disclosures create higher future ROA from their rivals.

In short, previous studies provide mixed outcomes about the link between social and environmental disclosures and firm value. They focus on the denominator of company value (COEC). The results in these studies indicate that the link differs based on the kind of disclosures (mandatory or voluntary/social or environmental), the disclosure place, or the industry. The cash flow factor of firm value is examined less frequently, and these analyses are often related to likely environmental liabilities.

2.7 Summary

Through this chapter, a theoretical framework was developed for the main variables of the study, namely the disclosure of corporate social responsibility and the firm value. The chapter provided us with a set of definitions and a brief description of the history of social responsibility practices and their disclosure, as well as explanations of the most basic principles agreed upon it.

The chapter explains a number of theories that call for disclosure of social responsibility information. Also showed some models and methods used to measure the disclosure of CSR and its most important dimensions according to the literature, as well as giving an overview of the challenges of CSR practices and its disclosure and the definition of corporate social responsibility strategies and the most important components. Through this chapter, the audit of Corporate Social Responsibility was discussed, as well as an overview of the reality of CSR practices in Turkey.

As for the second main variable, the firm value, it was introduced and discussed the most important means and methods used to measure the value of the company, as well as highlighting their relationship to the disclosure of corporate social responsibility as contained in the relevant literature.

CHAPTER 3

THE METHODOLOGY OF THE RESEARCH

3.1 Introduction

Research methodology refers to the theory of how to conduct a scientific investigation and Clarify the philosophical assumptions reinforce the focus of the study and the selection of the appropriate method for that (Saunders et al., 2016).

Corporate social responsibility disclosures (CSRD) are ways through which a company reported its stakeholders, especially its investors, regarding how it has treated its social and environmental responsibility. Taking into account the voluntary nature of this type of disclosure, researchers approaching from the economics and accounting perspective have shown great interest in exploring the consequences and the determinants of these disclosures.

The previous chapters helped to word the research focus, formulation and composition of the theoretical framework and provide the grounds for developing the research hypotheses of this study. The main research objective is to explore if there is a link between CSRD and the value of Banks listed in Borsa Istanbul.

In this chapter will detail the research's philosophical position and the research strategy and approach employed to address the research objectives. In other words, the purpose of the current chapter, therefore, is to describe this part of the research process pertaining to the research methodology and method.

Accordingly, the chapter reports the research methodology followed for this research. The chapter consists of seven main sections. The discussion in this chapter starts with an explanation of research philosophy, strategy, approach and design in four sections. The rest of the sections explain the sample and its characteristics and discuss the measurement of CSRD, firm value and control variables, respectively.

3.2 Research Philosophy

The terminology of the philosophy of research indicates to a framework of assumptions and convictions around the upgrading of knowledge. Even though it seems deep, that what you do specifically when initiation on any study: improving the knowledge in a certain area. The development of knowledge you are initiation might not be as exactly as a new theory of human-driven, but even resolving a certain problem in your an especially organization, despite, improving new knowledge (Saunders et al., 2016).

In order to render the purpose of scientific inquiry researchable and achieve its ultimate aim, the research problem must be addressed, the research objective must be defined and the research questions must be formulated. Taken together, these steps help to clarify the research project's philosophical stand and knowledge acquisition process, consequently preparing the inquired phenomenon for investigation. As it is argued that the selection of methods is dependent upon the underlying paradigm that guides the research process (Guba and Lincoln, 1994). The purpose of the current research study has been discussed in Chapter 1, along with the research problem, objective and questions.

The methodology is concerned with the methods employed to acquire knowledge, whether it involves personal knowledge of a situation or focuses on the process of scientific testing of hypotheses. Human nature is concerned with the relationship between human beings and their environment, whether humans play a responsive or creative role in the environment. Each set of assumptions has implications for the other and provides a range of choices (paradigms) for the research (Burrell and Morgan, 2005). In this context, accounting research is characterized by three dominant paradigms: a positivist, interpretivist and critical perspective (Smith, 2003) but (Saunders et al., 2016) has identified five major philosophies in business and management: positivism, critical realism, interpretivist, postmodernism and pragmatism.

- ***Positivism*** relates to the philosophical attitude of the natural scientist and involves working with an observable social reality to produce generalizations similar to the law. It concentrates on accurately scientific empiricist method designed to result in pure data and facts uninfluenced by humanity interpretation or bias. Theoretically, you should concentrate on exploring measurable and observable regularities and facts, also only phenomenological that you could observe it and measure it will guide to the production of worthwhile and reliable data.
- ***Critical realism*** is not necessary to confuse the extreme form of realism supports the positivist philosophy with the philosophy of critical realism. The first, occasionally defined as direct realism, argues that what you see is what you obtain: what we faced via our senses it what pictures the world accurately. In contrast, the critical realism philosophy concentrates on demonstrating what may see and experience, from where the essential structures of reality that form the noticeable events.
- ***Interpretivism***, such as critical realism formulated as a critical for positivism but from a subjectivist view. Interpretivism confirms that people are very different from physical phenomena due to they generate meanings. Interpretivism says that

humans and their social worlds could not be considered in the same method as physical phenomena, hence social sciences study needs to be various than natural sciences study rather than attempting to simulate the last.

- ***Postmodernism*** emphasizes the purpose of language and of power relations, pursuing to question accepted methods of thinking and give alternative marginalized views. Postmodernists went far further than Interpretivism in their criticism of positivism and objectivism, attributing even more significant to the role of language. They conviction that any sense of order is temporary and foundationless, and may only happen about through our language with its categories and classifications.
- ***Pragmatism*** confirms that concepts are only related where they support action. It seeks to match both subjectivism and objectivism, values and facts, accurate knowledge and different contextualized experiences. It does that by considering concepts, theories, ideas, studies results and hypotheses not in abstract shape, but in terms of the turns, they play as tools of thought and work, and in terms of their practical implications at definite contexts.

In this research study, the positivism philosophy will be followed, because it is investigating the reality of an already existing phenomenon "CSRD in Banks listed in Borsa Istanbul". It seeks to examine the status quo, not to critique and change practice. As a result, the study does not seek personal experience or insights. It attempts to determine the status of CSRD practices in the context of Turkey and examines the extent of CSRD and trends over time. In addition, this study examines the relationship between CSRD and the value of Banks.

3.3 Research Strategy

A strategy of research could be defined as a scheme of how a researcher would do about answering her or his study question. It is the methodology connector between your philosophy and the next choice of techniques for gathering and analyzing data (Saunders et al., 2016).

Sciences of social have two essential strategies of research that are commonly bringing together. The first is the quantitative strategy and concentrates on a computation form that demands the quantification of gathered data. This method is used to link the cause and effect in indicating to the theories and examining the hypotheses of specific research. The qualitative strategy is the second and concentrates on the interpreting of the statement. It is a step is further than the measuring of collected data, it is using the analysis due to exploring knowledge (Hassanein and Hussainey, 2015).

A further distinction between the two research strategies is centered on how the nature of social reality is viewed. Quantitative research views social reality as an external objective reality, which intimately reflects the positivist paradigm (Onwuegbuzie and Leech, 2005). External objective reality necessitates separation of the researcher from the participants in order to keep subjectivity to a minimum. It entails a deductive reasoning approach as it is based on testing rather than generating a theory (Collis and Hussey 2013). This type of research strategy involves numbers, timings, measurements, correlations and statistical modeling and analysis, which allow for the use of a large number of samples, the identification of patterns and causal relationships, testing of hypotheses, and generalization (Blaikie, 2000). This type of research strategy is particularly suitable for gaining a wider understanding of the phenomenon being investigated and deducing explanations for the research by providing a framework for working with statistics. It also facilitates the testing of ideas and modeling of problems (Curwin et al., 2013).

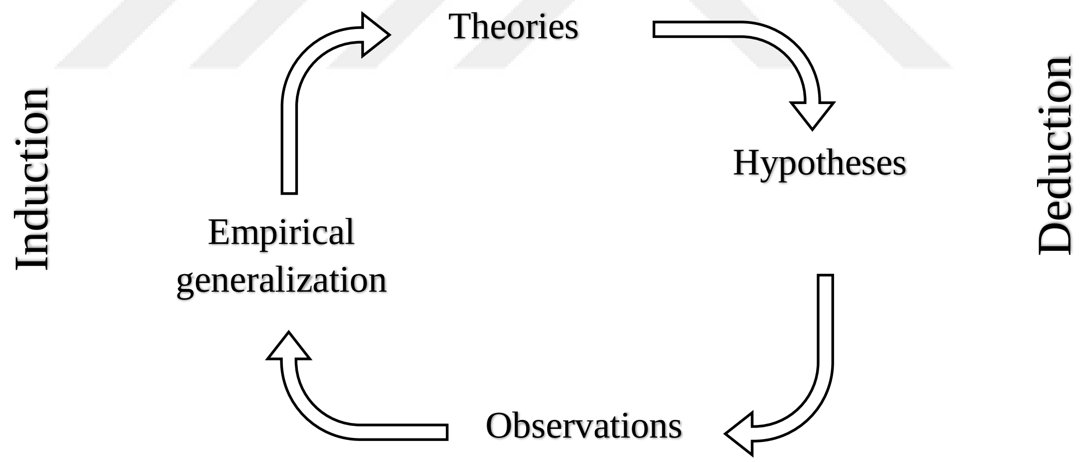
Qualitative research views social reality as a product of social actors, which necessitates understanding personal experience and perceptions that cannot be measured or quantified. For these reasons, it is more closely related to non-positivist paradigms. It aims to discover a certain phenomenon and generate a theory that entails an inductive reasoning approach. Research of qualitative includes cultural or social events study. The researcher is usually engaged in research, conducting observing, interviews, and recording behaviors. It focuses on the gathering of primarily verbal data rather than measurements, which are then analyzed in a non-statistical, subjective and interpretative manner (Blaikie, 2000). This type of research strategy is particularly suitable for gaining an in-depth understanding of the underlying reasons for and motivations behind the phenomenon being investigated. It presents perspectives into the specifics of a problem. At the same time, it probably creates ideas and hypotheses for subsequent research of quantitative (Creswell, 2014).

The research strategy used in this study is compatible with the quantitative strategy. Hence, CSRD trends must be measure and quantify in order to find patterns and summarize and describe the collected data for listed banks. Such a strategy uses the theories that help the researcher with found links between the variables under study, and it achieves the research targets, that aims to examine the relationship between CSRD and the value of Banks.

3.4 Research Approach

There are two major research approaches: deductive and inductive. **Induction**, or inductive logic, transits from the specific to the general, from a collection of certain observations to the exploration of a pattern that constitutes some extent of order between the particular events. **Deduction** or deductive logic, transits from the general to the particular. It transfers from (1) a pattern that may be reasonably or theoretically anticipated to (2) observations that exam whether the anticipated pattern really takes place (Babbie, 2013).

Figure 3.1: Research Approach



Source: Babbie, 2013, P 22

A third approach can be added, rather than start move from data to theory (induction) or theory to data (deduction), an abductive technique transfers forth and back, in reality bringing together induction and deduction. This matches what several management and business researchers already done. Abduction initiates with the noticing of a surprising fact; it then runs out a reasonable theory of how this could have happened. Some reasonable theories may account for what is observed better than others and these theories that will help uncover more ‘surprising facts’ (Saunders et al., 2016).

In this research study, the deductive approach was applied, as the research developed hypotheses depending on existing literature and theories. It then the establishment of statistical models for data analysis to test the hypotheses. This is consistent with the objectives of the study, which are to identify if there is a relationship between CSRD and firm value, and direction of this relationship.

3.5 Research Design

Design of research includes a group of decisions about what subject is to be studied with what research methods for what population and what purpose. Despite the researcher need and will want to take in account several ways to studying a topic and use his or her imagination further his or her knowledge of a diversity of methods research design is the process of concentrating his or her viewpoint for the specific purposes of the study (Babbie, 2013).

The design of research is the method research objectives and question are implemented in a research project. The research design transaction comprises a series of decisions that need to bringing together in a consistent research project. A decision would be made to use one or more searching strategies, relevant to the objectives and nature of the research question and to warrant harmonization with the other components of your research design. Possible research strategies include Survey; Experiment; Documentary Research and Archival; Case Study; Action Research; Ethnography; Narrative Inquiry and Grounded Theory. The choice of strategy of research will be linked to the use of a related time horizon. Illustrating the research quality is also a significant part of formulating a design of research. Different standards have developed by researchers from diverse research traditions to judge and assurance the quality of research. operational considerations will also influence the design of research, involving the role of the researcher (Saunders et al., 2016).

In this research study, content analysis was used to gather the data that are included in financial statements, annual reports and sustainability reports. Content analysis may be defined as a method of research that tries to make valid inferences and repeatable from collected data depending on their framework. The main advantage in content analysis is that the gathered data is scaled in a way that is credible. The approach utilized in content analysis requires the determination of documents used in the analysis (as the annual reports) (Favotto et al., 2016). Accordingly, the researcher investigated the quality and quantity of CSRD in listed banks in order to identify the relationship and its direction between CRSD and banks value, that is processed through topic selection, a literature review, developing hypotheses, data collection from annual reports, data analysis and Interpret it.

3.6 Research Population and Data Collection

As explained in the first chapter, this research seeks to discover the relationship between the disclosure of social responsibility practices and the value of the company. It is also trying to identify the direction of this relationship by conducting a field study on the banks in Istanbul. The Banks listed in Borsa Istanbul were selected as a study population. Since the number of these banks is not more than thirteen (Based on the

PDP Information Service), all of them have been dealt with (a comprehensive survey) and it was not necessary to select a sample. These banks are:

- AKBANK T.A.Ş.
- ALBARAKA TÜRK KATILIM BANKASI A.Ş.
- DENİZBANK A.Ş.
- ICBC TURKEY BANK A.Ş.
- QNB FİNANSBANK A.Ş.
- ŞEKERBANK T.A.Ş.
- TÜRKİYE GARANTİ BANKASI A.Ş.
- TÜRKİYE HALK BANKASI A.Ş.
- TÜRKİYE İŞ BANKASI A.Ş.
- TÜRKİYE KALKINMA BANKASI A.Ş.
- TÜRKİYE SINAİ KALKINMA BANKASI A.Ş.
- TÜRKİYE VAKIFLAR BANKASI T.A.O.
- YAPI VE KREDİ BANKASI A.Ş.

These banks provide full and adequate disclosure of financial and non-financial information. As it is listed on the Borsa Istanbul, it is therefore obliged to disclose and publish its reports on the website Public Disclosure Platform.

The Borsa Istanbul was established on 30 December 2012 for the purpose of serving as a securities exchange. And were registered and operational on 3 April 2013

(Borsa Istanbul website). Accordingly, the required data for the banks were collected over a five-year period, from 2013 to 2017.

Data on corporate social responsibility disclosure have been compiled from sustainability reports issued annually by most target banks and through published information about CSR practices on banks' websites. As for the compilation of the financial data and information used to calculate the value of the bank, they were collected from the integrated and annual reports and financial statements these were issued by the banks. Since the annual reports of most banks did not contain closing prices for their shares traded at the end of each year, the prices were obtained from trading's websites (tradingeconomics.com, bloomberg.com, foreks.com and finans.mynet.com).

3.7 Measurement of Variables

In this section, will be introduce the ways of measurement that used to measure the variables of the study, namely as following the independent variable is the corporate social responsibility disclosure and the dependent variable is the firm value as well as the control variables that have been identified in the size of the company, profitability and banking risks.

3.7.1 Measuring CSRD

Based on what was mentioned in the prior studies and its findings, as well as on the basis what theories assumed (agency theory, stakeholder theory, the legitimacy theory, and the signaling theory) the corporate social responsibility disclosure (CSRD) was chosen as an independent variable, and the basic concept of this study. It has been measured like many previous studies using the content analysis method through compared annual and sustainability reports with the GRI Sustainability Reporting that offer Reporting Principles and Standard Disclosures (Nekhili et al., 2017) (Wuttichindanon, 2017) (Bowerman and Sharma, 2016) (Reverte, 2016) (Plumlee et al., 2015) (Najah and Jarboui, 2013).

An important feature of the content analysis method when compared to other methods employed in social studies is that it is less subject to contaminated observations. This is because subjects in methods such as surveys, interviews and focus groups are aware of observed or tested. Subsequently, they may react favorably or unfavorably to the phenomenon being assessed, and the results become vulnerable to contamination (Krippendorff, 2004).

GRI is an independent international organization leader in reporting of sustainability since 1997. GRI assists governments and enterprises universality to understand and reporting their influence on significant sustainability problems, for example, human rights, climate change, social and governance luxury. This allows an effective procedure to create environmental, social and economic advantages for everyone. The GRI Sustainability Reporting Standards are formulated with actual multi-stakeholder contributions (GRI, 2013).

This study was conducted in accordance with the latest version of GRI Standards issued in 2016 and taking into account its updates about occupational health and safety management, and water stewardship in June 2018. In that version of GRI standards, the items to be disclosed were identified in 72 items divided between environmental disclosure (32 Items) and social disclosure (40 Items) (social disclosure includes the following categories: Labor Practices and Decent Work, Human Rights, Society and Product Responsibility).

The information disclosed by banks about CSR topics was analyzed quantitatively by defining an index to the percentage of the number of items are disclosed to the total number of items have to be disclosed. This is in line with (Tjia and Setiawati, 2012) (Bidhari et al., 2013) (Mukhtaruddin et al., 2014) (Nekhili et al., 2017). The index has been implemented in two cases:

First, to answer the First and second question of the study:

Q1: What is the nature and extent of CSRD in reports of Banks listed in Borsa Istanbul?

Q2: What extent has CSRD in annual reports of Banks listed in Borsa Istanbul improved over the five-year period of the study?

The social responsibility information was dealt with as one category, as contains 72 items. The percentage of items disclosed was calculated to the total number to be disclosed, which is 72 for the five-year period as follows:

CSRD index = (Xj / Nj)*100

Nj = The total number of items have to disclosure. (72 Items depend on GRI standers)

Xj = Number of items are Disclosed.

Second, in order to test hypotheses and answer the main question of the study: Q3: Is there a relationship between corporate social responsibility disclosure (CSRD) and the value of Banks listed in Borsa Istanbul?

The percentage of disclosure of social responsibility information for each category was calculated separately for the five-year period. The number of items has to be disclosed for each category of social responsibility are as follows: Environmental 32 items, Labor Practices 19 items, Human Rights 9 items, Society 5 items, and Product Responsibility 7 items.

3.7.2 Measure Firm Value

The value of the firm is the imagination of the stockholders to the success of the firm. It is reflective of the stock price of the firm. The greater of the stock price appears the trust of the stockholders to the firm, so they are desirous to pay more to get a higher return (Haryono and Iskandar, 2015). In this study and based on the previous studies, the value of the firm was determined as a dependent variable and is defined as the market value.

The firm value was measured by using the model of Tobin's Q Ratio. For three main reasons, Tobin's Q was used as an Indicator of banks' value. First, it is considered as a forward-looking and future measurement due to it depends on share market prices. Second, this market measures reflective the ideas of external stakeholders and might best absorb the long-term value of CSRD practices; Tobin's Q is often perceived as an evaluation of reputational effects. Third, the Tobin's Q could be used to benchmarking companies through industries due to it is not influenced by accounting agreements, many scholars stating that market measures are more suitable than accounting measures for getting the fiscal benefits of CSR (Nekhili et al., 2017).

As is common in the financial literature (Crisóstomo et al., 2011) (Tjia and Setiawati, 2012) (Bidhari et al., 2013) (Haryono and Iskandar, 2015) (Nekhili et al., 2017), Tobin's Q was calculated by using the following formula for five years from 2013 to 2017:

Tobin’s Q = EMV + DEBT / TA

Whereas:

EMV = Equity Market Value (EMV = closing price * number of Outstanding shares).

DEBT = Total debt of the company.

TA = Total asset.

Related financial data was extracted from the financial statements of annual reports of banks. Some stock market sites and Istanbul Stock Exchange website have also been reviewed to supplement some historical data related to closing prices of shares, which are not available in the annual reports of banks (borsaistanbul.com) (tradingeconomics.com) (bloomberg.com) (foreks.com) (finans.mynet.com).

A higher Tobin’s Q value indicates that the market believes that a firm’s management has the competency to effectively use its resources to create value (Guenster et al., 2011). In the current study, the main variable is CSRD practices. Accordingly, a higher Tobin’s Q reflects a firm’s management ability to create value through CSRD.

3.7.3 Measure Control Variable

Several previous studies have suggested that the association between a firm’s value and corporate social responsibility disclosure is influenced by many factors (McWilliams and Siegel, 2000) (Clarkson et al., 2013) (De Klerk et al., 2015) (Liu and

Zhang, 2017) (Reverte, 2016) (Nekhili et al., 2017). Consistent with the literature and theories related to the subject of the study as well as the nature and sample of the study (which are banks), four factors were identified as control variables that have an impact in determining the relationship between the CSRD and firm value (Firm Size, Firm Age, Profitability and Leverage).

Firm Size: It is an important factor, which might determine the firm's CSRD practices (Fifka, 2013). In these days, social and environmental issues have been receiving increased attention and discussion in the media and press, which suggests that the public has increased awareness and consciousness concerning those issues (Brammer and Pavelin, 2008). Therefore, large firms have the potential to exploit this situation for their benefit by managing their relationships with the various stakeholder groups as a source of legitimacy for the firms' survival and growth (da Silva Monteiro and Aibar-Guzmán, 2010). In this regard, large companies are facing a greater requirement for communication and consequently have more motivation to apply CSR disclosure (Nekhili et al., 2017). In this study, to be consistent with many studies (De Klerk et al., 2015) (Nguyen et al., 2015) (Reverte, 2016) (Nekhili et al., 2017) the natural logarithm of total assets is used to measure the firm size. For the purpose of statistical analysis, the natural logarithm was used instead of the real number of total assets.

Firm Age: A firm's existence depends on its legitimacy as a resource for its survival and growth through the acceptance of its environment within which it operates (Pfeffer and Salancik, 2003). In this context, older firms may gain more experience and knowledge over time than newer firms. Older firms are more likely to have the competence to build quick and affirmative relationships with various stakeholder groups, which has implications for the firms' reputation and ability to compete for and access critical resources (Gray et al., 1995). Age of a firm is one of the important factors that can influence the quantity of CSR disclosure. The connection between CSRD and financial performance could be influenced by the age of the company (Schreck, 2011). Company age has been used in previous researches to examine the association between CSRD and firm value (Moore, 2001) (Elijido-Ten, 2007) (Rettab et al., 2009) (Alhazmi, 2017). Accordingly, the company's age was measured as the difference between the annual report date and the firm establishment date.

Profitability: Profitable firms are likely to have the required resources to network with wide social groups, improve their public image, compete and raise cheap capital, by engaging and disseminating social and environmental information. Furthermore, profitable firms have an incentive to distinguish themselves (Brammer and Pavelin, 2008) (Dhaliwal et al., 2011) by paying considerable attention to CSRD practices to demonstrate their contributions to society and to reassure that generated profits are not at the expense of society as an approach to legitimizing a firm's existence (Haniffa and Cooke, 2005). Moneva and Llena (2000) explain that directors in companies that seek to make a profit are more possible to engage voluntary disclosure through their annual report, for the strategic cause of keeping their situation and greater levels of both present and future offset. According to these studies and others such as (Reverte, 2016) and (Nekhili et al., 2017) firm profitability, measured as returns on assets (ROA) = net income/total assets.

Leverage: leverage of the firm is a factor that impacts decisions to report CSR information. More firms that are indebted are driven to consider creditors' expectations regarding information relevant to CSR (Nekhili et al., 2017). Companies with higher debts should disclose more information to ensure creditors that they are in a pretty situation and they will be able to pay their obligations towards them. Companies with High leveraged suffered observing costs, thus they attempt to reduce the costs by reporting more information in the company's annual reports (Ahmed and Courtis, 1999). The signaling theory displays that when administrators have an adequately high leverage ratio to attract investors, they will voluntarily disclose further information to inform creditors that the company is capable of the requirements for both long-term and short-term (Elzahar and Hussainey, 2012). Many pieces of research emphasize a positive relationship between CSRD and leverage (Hassan et al., 2009) (Elshandidy et al., 2013) (De Klerk et al., 2015) (Plumlee et al., 2015). Therefore, it was included as one of the control variables and calculated as total Debt / Total Equity.

The following table includes a summary for the dependent variable, independent variables and the control variables.

Table 3.1: The Definition and Measurement of Variables

Variable	Definition	Measurement
FV	Firm Value	Tobin's Q = Equity Market Value + Total debt / Total asset
CSRD EN LA HR SO PR	CSR Disclosure as all Disclosure of Environmental Disclosure of Labor Practices Disclosure of Human Rights Disclosure of Society Disclosure of Product Responsibility	Dependence on GRI Standards The percentage of items disclosed was calculated to the total number have to be disclosed. CSR index = (Xj / Nj)*100
Size	Firm size	The natural logarithm of total assets
Age	Firm age	Difference between the annual report date and the firm establishment date
ROA	Profitability	Returns on assets (ROA) = Net income/Total assets.
Lev	Leverage	leverage ratio= Total Debt / Total Equity

3.8 Statistical Analysis and Research Model

There are several methods of quantitative data analysis are available to describe the characteristics of the concepts under examination, to understand their patterns, and to explain the relationships among them (Blaikie, 2003). Therefore, in the current research, the data analysis process includes descriptive analysis and inferential analysis, which will be discussed below.

3.8.1 Descriptive Analysis

A necessary step before any inferential analysis is to present and summarize the research data in order to gain an understanding of the data (Cameron and Trivedi, 2009).

Descriptive analysis is used to investigate the characteristics of CSRD practices, as well as corporate factors (control variables), and Tobin's Q ratio as firm value. Generally, this can be accomplished by categorizing the quantitative data into measures of location (i.e., mean and median) and measures of spread (standard deviation and range) to understand the data in a meaningful way. The descriptive analysis, in particular, is important in answering the first and second research questions regarding CSRD practices in Turkey by describing the quantity and quality of disclosure in Turkey and the extent of development in disclosure in the annual report of companies.

3.8.2 Inferential Analysis

The basis for any attempt to establish connections or patterns in quantitative data is bivariate relationships (Blaikie, 2003). Since the third research question involves the investigation of relationships between different variables, the associational analysis was conducted to initially explore the correlations of the variables. The correlation between two variables is described when the value of one variable concurrently changes with the value of another variable. In other words, the technique of correlation assesses (i) the strength or magnitude of the associative pattern between two variables as reflected in the absolute value of the correlation coefficient; and (ii) the direction of the association between both variables as reflected by the negative and positive sign of the correlation coefficient value (Pallant, 2016).

To test the hypotheses related to the association between categories of CSRD and firm value (H_1, H_2, H_3, H_4, and H_5). The most commonly employed statistical technique for CSRD study is multiple linear regression analysis (Fodio et al., 2013). The technique of regression analysis is a tool at the researcher's disposal that allows for the examination of influences between variables (Blaikie, 2003). Regression analysis attempts to understand the effect of independent and dependent variables by means of an econometric model holding all other independent variables in the model constant. For more specifically, regression analysis attempt to explain movements in a variable by observing the movements in one or more other variables (Brooks, 2014).

In addition to identifying the research model and before starting to analyze the data by the regression analysis, the regression technique requires the testing of certain assumptions as standard benchmarks for regression analysis. These assumptions include testing for normality, multicollinearity, homoscedasticity, and autocorrelation, which are discussed below.

(a) Normality

The assumption that all variables and all linear combinations of the variables are normally distributed is called Normality. When the supposition is realized, the residuals of analysis are independent also normally distributed. The assumption of multivariate normality is not easily tested because it is very difficult to exam an infinite number of linear configurations of natural variables. The available tests are very sensitive. The supposition of multivariate normality is made as part of the derivation of many significance tests. Despite it is attractive to infer that the majority of inferential statistics are powerful to violations of the supposition, but that inference may not be justified (Tabachnick and Fidell, 2014).

It should note that the supposition of randomness does not bear with it the presumption of normality. This assumption is made frequently for random impacts, but it is a separate assumption made after the randomness assumption. Most assessment procedures do not need normality, despite if properties of distributional the resulting estimators are to be investigated, then normality is often supposed (Hsiao, 2014).

Normality can be tested either numerically by using statistical tests or visually by using graphs (Tabachnick and Fidell, 2014). In the current research, the method of testing normality was used. Specifically, standard tests for skewness and kurtosis were used to statistically test the normality of the research data. Skewness is concerned with how symmetrical the distribution is, and kurtosis is concerned with the weakness of the distribution. The statistical tests of normality are quite powerful and sensitive and can capture even a small departure from normality (Acock, 2014).

The test results provided prob> chi2 = 0.053 which is slightly greater than 0.050 and thus the assumption of the test can be accepted that the residuals of analysis are normally distributed. However, since the difference is too small the standard approach of transforming the data of main variables was used. Data transformation is concerned with the replacement of a variable by a mathematical function of itself, with the purpose of changing the sample distribution shape (Hamilton, 2012). Data transformation can correct for outlier, non-normality, nonlinearity, and heteroscedasticity (Tabachnick and Fidell, 2014). There is a wide range of mathematical functions for transforming the data, including natural logarithms, square, square root, cube and reciprocal (Acock, 2014). In this research study, therefore, the main variables were transformed using the logarithmic function whereas to mitigate any estimation problem when running the regression (Tabachnick and Fidell, 2014).

(b) Multicollinearity

The terminology of Multicollinearity has introduced by Ragnar Frisch (1934). Primarily, it indicated there is an ideal linear relationship among some or all interpretative variables of a regression model. Strictly speaking, collinearity refers to "the existence of a single linear relationship", whereas multicollinearity is defined as "the existence of more than one exact linear relationship" (Gujarati, 2003).

Multicollinearity can be a problem in multiple regression. If two independent variables are highly correlated implicitly, it is difficult to know how important each of them is as a predictor. Multicollinearity happens when a combination of variables makes one or more of the variables largely or completely redundant (Acock, 2014).

Today, multicollinearity is considered as the occurrence of problems with a correlation matrix when variables are too highly correlated. As multicollinearity causes both logical and statistical problems such as high correlation among variables, in order to solve logical problems, we can omit one of the variables when multicollinearity happens. Regarding the determinant of multicollinearity, scholars suggest a slightly different determinant. For example, (Tabachnick and Fidell, 2014) said 0.90 and above is very highly correlated, whereas Gujarati (2003) said less than 0.95 does not indicate multicollinearity problems, but Kennedy (2008) pointed out that, parametric Pearson's product moment correlation would suggest multicollinearity is problematic if two or more independent variable coefficients exceed 0.8. Furthermore, It can also be tested through the variance inflation factor (VIF) and its reciprocal (1/VIF), tolerance. As a role of thumb, values of less than 10 and near 0 for VIF and tolerance, respectively, indicate that multicollinearity is unproblematic (Gujarati and Porter, 2008) (Tabachnick and Fidell, 2014). The multicollinearity is confirmed to be not a problem in this the research data according to the tests conducted. The mean value for VIF is 3.84 and the larger and the smaller values are 5.93 and1.47 respectively, this means that there is no value greater than 10. In the next chapter, the results of the correlation test will be clarified when interpreting the results of the data analysis.

(c) Homoscedasticity and Autocorrelation

Homoscedasticity of variance refers to the uniformity of the error term. That is, the variance of the error term is constant over various values of the independent variables. Heteroscedasticity, on the other hand, is the violation of homoscedasticity. Heteroscedasticity rises if the variance of the error term changes in response to one or more independent variable movements (Gujarati and Porter, 2008). If heteroscedasticity is exhibited, the estimated standard errors might be biased and unreliable. Homoscedasticity can be checked using the Breusch-Pagan test, which tests the null hypothesis that the variance of the residuals is homogenous (Wooldridge, 2010). Homoscedasticity can also be checked by plotting the regression residuals against the predicted values. If a funnel shape is evident, then chances are the model suffers from heteroscedasticity (Tabachnick and Fidell, 2014). In this research, the Breusch-Pagan test rejected the null hypothesis of homoscedasticity. Accordingly, robust standards option was used to correct for heteroscedasticity (Cameron and Trivedi, 2009) (Wooldridge, 2010), as will be explained in the next chapter.

Autocorrelation or serial correlation is concerned with the relationship between the values of the error term (Kennedy, 2008). Positive autocorrelation makes estimates of error variance too small and results in inflation of the Type I error rate. Negative autocorrelation makes the estimates too large and results in loss of power (Tabachnick and Fidell, 2014). It refers to situations in which errors of observation are unlikely to be independent and correlated (Koop 2008). To put it simply, when the value of the error in one period may be related to the value of the error in another period, then the model may suffer from serial correlation (Wooldridge, 2010).

Serial correlation in the error term can be detected with the Wooldridge test for autocorrelation in panel data. Wooldridge test assumed that there is no first-order autocorrelation (Gujarati and Porter, 2008) (Wooldridge, 2010). The result of the test in this study was (Prob > F = 0.0051), which is less than 0.05, and means rejection of the assumption and thus the existence of the problem of autocorrelation, which will be clarified how to deal with it in the next chapter when conducting regression analysis.

3.8.3 The Regression Model

This research uses the following regression model that is developed to examine the effect CSRD on Firm value of listed banks in Borsa Istanbul by taking into account the control variables that may affect in this relationship during the five years under study.

$$FV = \alpha + \beta 1\ EN + \beta 2\ LA + \beta 3\ HR + \beta 4\ SO + \beta 5\ PR + \beta 6\ Size + \beta 7\ Age + \beta 8\ ROA + \beta 9\ Leverage + \varepsilon$$

Where:

FV = The firm value (Tobin’s Q)

EN, LA, HR, SO and PR = The categories of CSRD as illustrated in the table (3.1)

Size = The firm size (The natural logarithm of total assets)

Age = The firm age

ROA = The profitability

Lev = The leverage

ε = The regression error term

CHAPTER 4

DATA ANALYSIS AND RESULTS

4.1 Introduction

In the prior chapter the detail of the methodology of research and the data analysis process is explained, and identify variables of all types as the dependent and independent as well as control variables. In addition, demonstrate the methods of measurement used to measure these variables and their preparation for the statistical analysis and test the hypothesis of the study. The main research objective is to explore if there is a relationship between CSRD and firm value for banks, those listed in Borsa Istanbul.

The purpose of the current chapter is to descriptively analyze the collected data and explore the sample characteristics in order to answer the first and second research questions. This helps to understand the CSR disclosure practices of companies, the trend in reporting, and the structure of the dataset.

Consequently, the rest of the chapter is structured as follows. Provides an overall analysis of the main concept of the current research study, CSRD, and its main categories of Environmental, Labor Practices, Human Rights, Society, and Product Responsibility. The next section analyses the trend of CSRD and its categories. Then, the sample characteristics are presented and discussed and presents the analysis of correlations among the continuous variables.

Note: Before starting the analysis, it should be clarified that analysis or research is intended to study CSR Disclosure and not practice or measurement methods. In other words, non-disclosure of CSR does not mean that the bank does not practice CSR.

4.2 Descriptive Statistics

In this section, the descriptive statistics are given as measured by mean, median, standard deviation, minimum and maximum.

4.2.1 CSRD Overall Analysis

The disclosure is analyzed to provide a better understanding of CSRD practices in listed banks. Particularly, the current section is structured to answer the first research question:

Q1: What is the nature and extent of CSRD in reports of banks listed in Borsa Istanbul?

Table 4.1 presents the picture of the nature and extent of CSRD. The table shows the overall CSRD over a five-year period from 2013 to 2017. The total observations include 65 annual reports for listed banks.

Table 4.1: Descriptive Analysis for CSRD over the Five-Years

Variable	Obs.	Mean	Median	Std. Dev.	Min.	Max.
Total CSRD	65	0.24	0.16	0.19	0	0.65
EN	65	0.22	0.17	0.19	0	0.66
LA	65	0.30	0.11	0.27	0	0.68
HR	65	0.24	0.11	0.26	0	0.89
SO	65	0.31	0.40	0.17	0	0.80
PR	65	0.18	0.14	0.16	0	0.57

The results in Table 4.1 illustrate that the mean value of the Total CSRD is 24% per annual report with a median value of 16%. The Total CSRD varies across annual reports with a standard deviation of 19% and a range from 0 to 65%. A value of 0 indicates that in some years some banks did not disclose any CSR information in their annual reports and the value 65% clarifies that no bank has fully disclosed all items of the sustainability report (GRI). Overall, the results provide evidence of listed banks engagement in CSRD practices.

The first category of CSRD (EN) in Table 4.1 shows that the mean value of the Environmental Disclosure is about 22% and a median value of 17%. It can also be observed that environmental disclosure has variance as indicated by the standard deviation value of 19% and a range from 0 to 66%. It is likely that the reason for not disclosing in some years or not full disclosure of the items related to environmental disclosure is due to the nature of the work of banks and their impact on the surrounding environment.

With regard to the second category of CSRD, Table 4.1 shows that Labor Practices received more attention from listed banks as it has a mean value of 30% and a median value of 11% and the standard deviation value of 27% and a range from 0 to 68%. From these results, we can see the interest in labor and decent work by banks listed on Borsa Istanbul.

Human Rights as the third category appears in Table 4.1, can note that, there is no big difference with the previous categories, where it has a mean value of 24% and a median value of 11% but has a great variance as indicated by the standard deviation value of 26% compared with the mean. This shows a difference for disclosure for this category between banks with a range from 0 to 89%.

The category of Society appears to be the highest subject to receive attention from listed banks. As can be seen from Table 4.1, the overall mean value is 31% with a median value of 40%. The disclosure in this category varies from 0 to 80% with a standard deviation value of 17%. The interest in Society as the most disclosed theme by listed banks may stem from the stewardship notion, as this theme includes community involvement and philanthropic contributions that are subject to the management's discretion.

The Product Responsibility category did not receive attention from the listed banks. Table 4.1 shows that the mean value of this subcategory is about 18% with a median value of 14% and the standard deviation in this category is 16% ranging from 0 to 57% words. Lack of interest in disclosing this category may be due to the nature of the products offered by the banks, which are services and it is not physical goods.

On the whole, the overall CSRD analysis revealed that listed banks in Borsa Istanbul were engaging in CSR issues and communicating that through CSRD in the annual reports. The most disclosed theme was Society and Labor Practices while Product Responsibility was the lowest disclosed.

4.2.2 CSRD Trend Analysis

This section analyses disclosure on a yearly basis to provide a better understanding of the trend of CSRD practices in listed banks in Borsa Istanbul. Particularly, the current section aims to answer the second research question:

Q2: What extent has CSRD in annual reports of banks listed in Borsa Istanbul improved over the five-year period of the study?

Table 4.2 below shows the trend in the Total CSRD practices over a 5-year period from 2013 to 2017. The total observations are thirteen banks.

Table 4.2: Trend in the Total CSRD

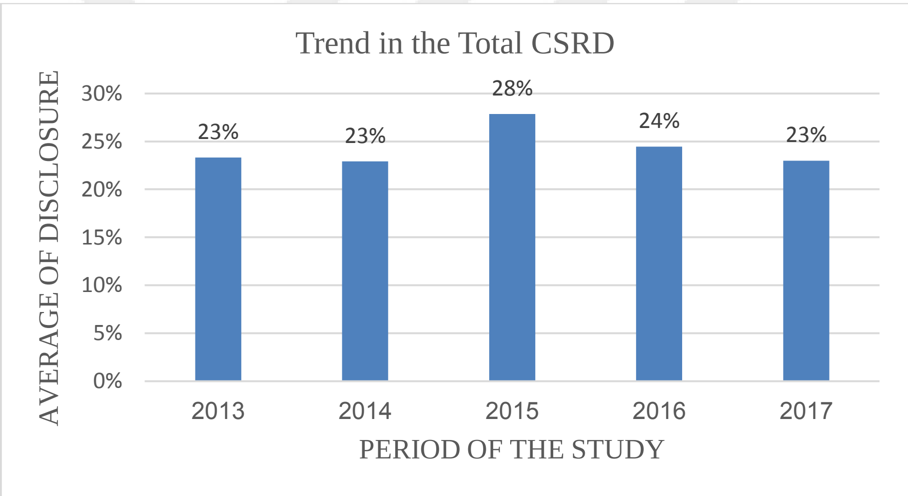
Years	Obs.	Mean	Change	Median	Min.	Max.
2013	13	%23	----------	%16	0	%50
2014	13	%23	0	%16	0	%56
2015	13	%28	%5	%24	%6	%58
2016	13	%24	%4	%16	%6	%65
2017	13	%23	%1	%16	%6	%57

Table 4.2 shows that total CSRD in 2013 has a mean value of 23% with a median value of 16% and a range from 0 to 50%. By comparison with 2014, the mean value of total CSRD is 23% with a median value of 16% ranging from 0 to 56%. Can note that there is no change for disclosure between 2013 and 2014 despite a very small increase in the range. Table 4.2 also shows that there is an increase in the total CSRD in 2015 of about 5% on average from the year 2014. The mean of total CSRD is 28% with a median value of 24% ranging from 6% to 58% in 2015. In 2016 and 2017, as shown in Table 4.2, could see a decrease in total CSRD by 4% and 1%, respectively. In 2016 total CSRD has a mean value of 24% with a median value of 16% and a range from 6% to 65%, and in 2017 total CSRD has a mean value of 23% with a median value of 16% and a range from 6% to 57%.

Could observe that, the increase in total CSRD in 2015. This increase was documented by the change of 5% in CSRD mean. However, it declined again in 2016 and 2017 by 4% and 1% respectively. The table also shows that all of the sampled listed banks provided CSRD information in their annual reports 2015, 2016 and 2017 as confirmed by the minimum disclosure of 6% for the three years.

The general trend in Total CSRD in Figure 4.1 can also be observed as follows:

Figure 4.1: Trend in the Total CSRD



The following is an analysis of trends in each category of CSRD separately during the years of stud:

(a) Trend in Environmental Disclosure

In terms of the Environmental Disclosure, the results from Table 4.3 below present evidence of the increasing pattern in the Environmental Disclosure over the first three years.

Table 4.3: Trend in Environmental Disclosure

Years	Obs.	Mean	Change	Median	Min.	Max.
2013	13	19%	----------	16%	0	47%
2014	13	21%	2%	17%	0	50%
2015	13	24%	3%	22%	3%	56%
2016	13	24%	0	19%	3%	66%
2017	13	23%	-1%	19%	3%	59%

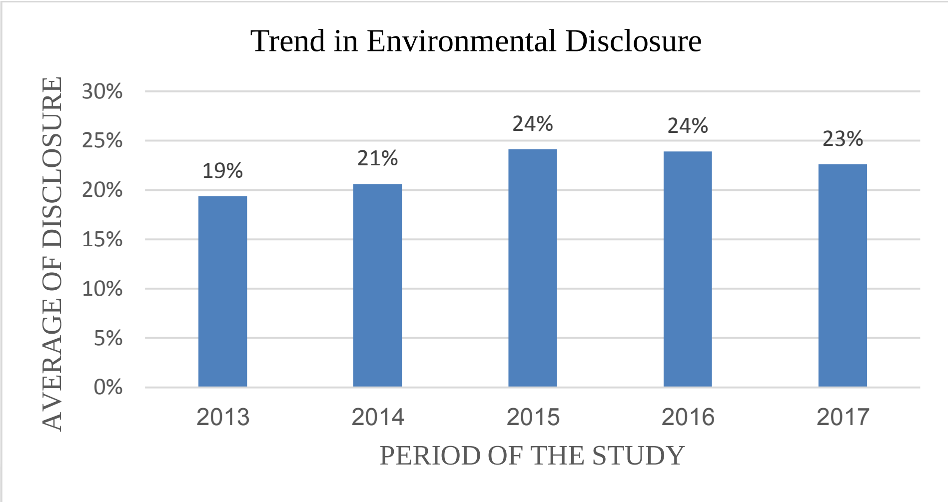
The mean value of the Environmental Disclosure in 2013 was 19% with a median value of 16% ranging from 0 to 47% while the mean value in 2014 was 21% with a median value of 17% and a range from 0 to 50% words. Moreover, the mean value in 2015 was 24% with a median value of 22% and a range from 3% to 56%. It seems there is an increase in items disclosed on average, which account for the 2% and 3% increase from 2014 to 2015.

In 2016, Table 4.3 shows no change in average environmental disclosure. Where the mean value was 24% with a median value of 19% and a range from 3% to 66%. However, as shown in the analysis of total CSRD, the amount of environmental disclosure declined in the year 2017 by 1% where the mean value was 23% with a median value of 19% and a range from 3% to 59% words.

The overall results indicate that there is no consistent pattern of Environmental Disclosure level (increase or decrease) among listed banks.

Can also observe the general trend in Environmental Disclosure in Figure 4.2

Figure 4.2: Trend in Environmental Disclosure



(b) Trend in Labor Practices Disclosure

The same instability is observed in Table 4.4, which analyzes the trend of Labor Practices disclosure.

Table 4.4: Trend in Labor Practices Disclosure

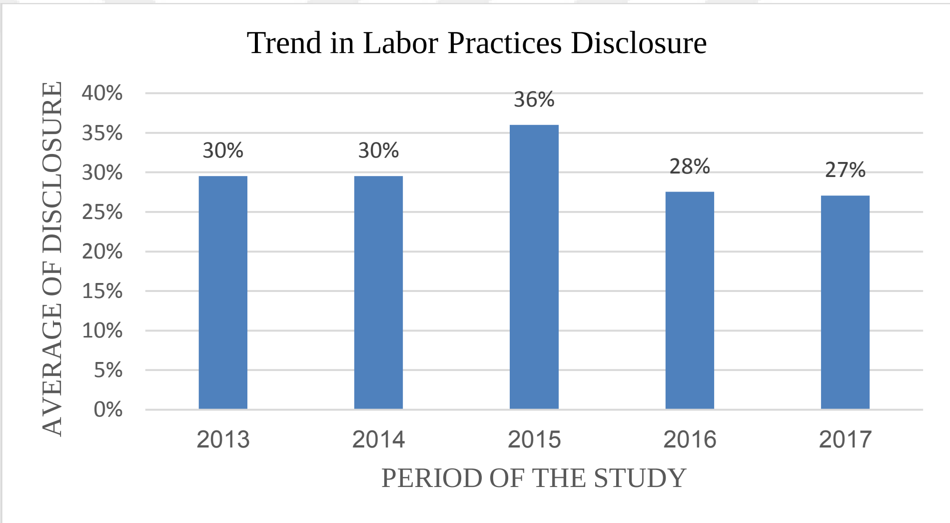
Years	Obs.	Mean	Change	Median	Min.	Max.
2013	13	30%	----------	11%	0	68%
2014	13	30%	0	11%	0	68%
2015	13	36%	6%	42%	5%	68%
2016	13	28%	-8%	11%	0	68%
2017	13	27%	-1%	11%	0	68%

The results suggest an improvement in the extent of disclosure in 2015 on average accounting for 6% change, where the mean value was 36% with median value 42%

ranging from 5% to 68% and all the sampled listed banks provided labor practices information in their annual reports in 2015 as the minimum disclosed is 5%.

However, in the following year (2016) there was a significant decrease for labor practices disclosure, which is evident in the change that was -8% at mean value 28% with median 11% and range from 0 to 68%. In addition, the decline continued in 2017 to 1%, and ؤcan see that in Figure 4.3.

Figure 4.3: Trend in Labor Practices Disclosure



(c) Trend in Human Rights Disclosure

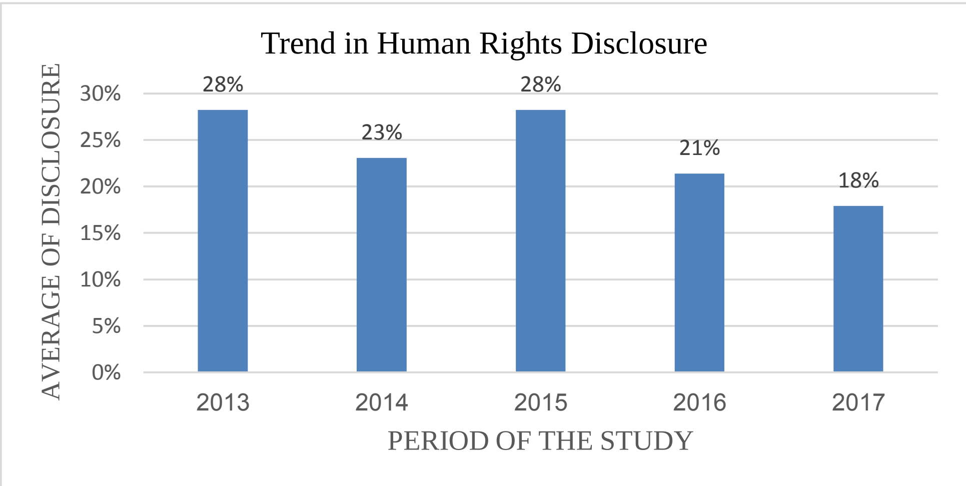
Table 4.5 shows the continued instability for Human Rights disclosure as the mean values rise and decrease from year to year with a change -5%, 5%, -7% and 3% for the years 2014, 2015, 2016 and 2017 respectively.

Table 4.5: Trend in Human Rights Disclosure

Years	Obs.	Mean	Change	Median	Min.	Max.
2013	13	28%	----------	22%	0	89%
2014	13	23%	-5%	11%	0	67%
2015	13	28%	5%	22%	0	67%
2016	13	21%	-7%	11%	0	78%
2017	13	18%	3%	11%	0	56%

Human Rights disclosure in 2013 has a mean value of 28% with a median value of 22% and a range from 0 to 89%. However, in the last year 2017 it has a mean value of 18% with a median value of 11% and a range from 0 to 56%, can note a clear drop. As can be seen in Figure 4.4.

Figure 4.4: Trend in Human Rights Disclosure



In addition, can see that every year there is a bank or more that does not disclose human rights information in their annual reports and this is clear from the value the minimum in every year, where the value is equal to 0.

(d) Trend in Society Disclosure

The trend of Society disclosure is presented in Table 4.6 above. It shows that a decrease in the volume of Society Disclosure in 2014 compared to 2013 by a change of -3% with mean value 26% and a median 40% at the range from 0 to 40%.

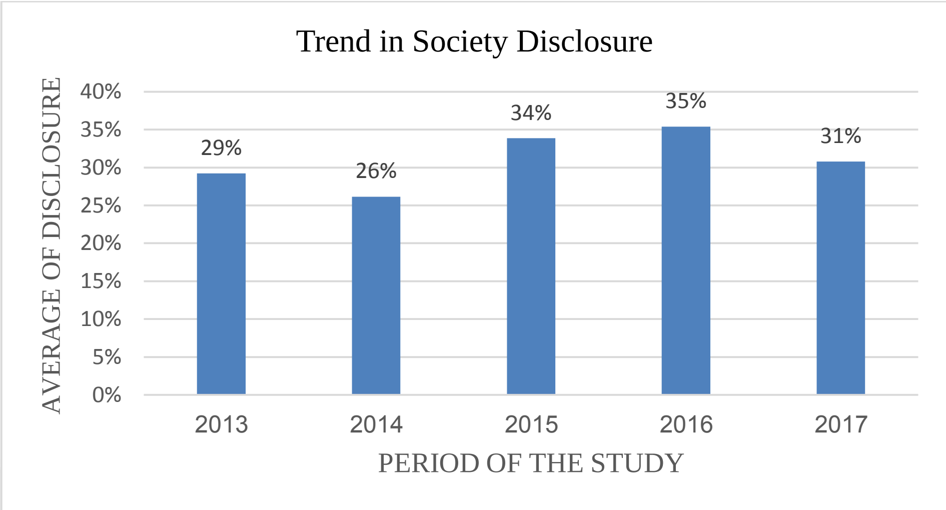
Table 4.6: Trend in Society Disclosure

Years	Obs.	Mean	Change	Median	Min.	Max.
2013	13	29%	----------	40%	0	40%
2014	13	26%	-3%	40%	0	40%
2015	13	34%	8%	40%	0	40%
2016	13	35%	1%	40%	0	80%
2017	13	31%	-4%	40%	0	60%

In the same pattern as the previous categories, the volume of disclosure in 2015 and 2016 increases by 8% and 1%, respectively, then back to decline in 2017 by -4% compared to 2016. Figure 4.5 shows the change for disclosure during the five years

Generally, the results of the Society category suggest big average to the extent of disclosure compared to other categories. This indicates that most listed banks are making a better effort over the years of study to contribute to the development of society.

Figure 4.5: Trend in Society Disclosure



(e) Trend in Product Responsibility Disclosure

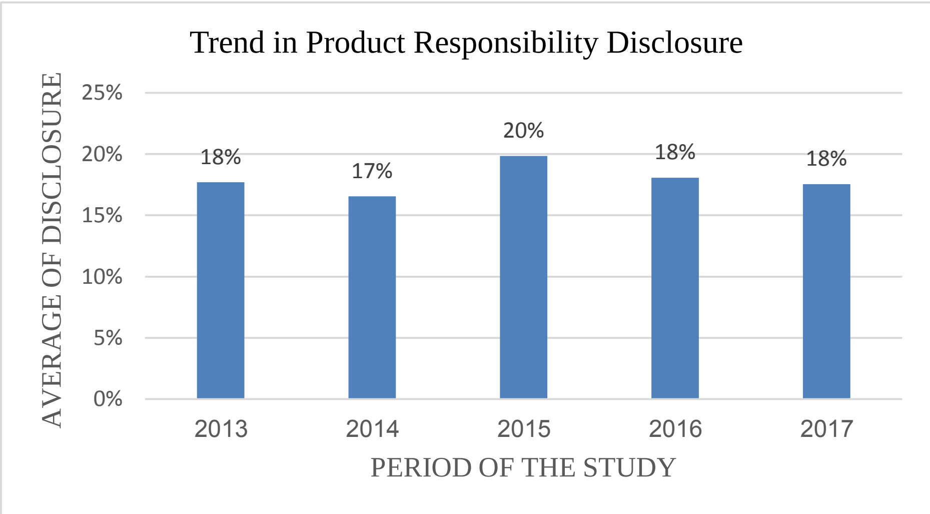
With regard to the trend in the extent of Product Responsibility disclosure, Table 4.7 below shows that the mean value in 2014 is 17% with a decrease of 1% compared to 2013 with the rest of the indices remaining unchanged for the two years with the median 14% at range from 0 to 43%.

Table 4.7: Trend in Product Responsibility Disclosure

Years	Obs.	Mean	Change	Median	Min.	Max.
2013	13	18%	----------	14%	0	43%
2014	13	17%	-1%	14%	0	43%
2015	13	20%	3%	14%	0	43%
2016	13	18%	-2%	14%	0	49%
2017	13	18%	0	14%	0	57%

In 2015, and like other categories there is an increase in mean value by 3% compared to 2014. Then decrease in 2016 by 2%, and unchanged in 2017 with a mean value of 18% and the median 14% at range from 0 to 57%. This pattern can be illustrated more in Figure 4.6.

Figure 4.6: Trend in Product Responsibility Disclosure



The increase in the value of the maximum can explain as following, despite no difference in the value of the average between the last two years. It is because to increase the amount of disclosure in one or more banks and offset by a decrease in the amount of disclosure in another bank.

Overall, the CSRD trend analysis revealed that the extent of CSRD practices in the annual reports of listed banks in Borsa Istanbul fickle and unsteady over the five years period at varying levels between banks. However, it is clear that the two years 2015 and 2016 were the best in disclosing social responsibility information.

4.2.3 Description of the Variables

Table 4.8: Descriptive Analysis for Dependent Variable and Control Variables

Variable	Obs.	Mean	Median	Std. Dev.	Min.	Max.
FV	65	6.35	3	6.28	0.95	31.7
Size	65	18.07	18.7	1.44	15.1	19.9
Age	65	54.62	63	21.85	16	93
ROA	65	1%	1%	0.49%	-0.2%	2.31%
Lev	65	8.87	8.36	2.15	4.89	13.6

In terms of the Firm Value (FV) Table 4.8 shows that the mean value is 6.35 with a median value of 3 and a range from 0.95 to 31.7 with a standard deviation value of 6.28. The difference between the maximum and the minimum is due to the difference in the number of shares outstanding and the large difference between the nominal share price and the market share price of many banks.

Table 4.8 shows that the mean and median values of firm size as measured by the natural logarithm of total assets are 18.07 and 18.7, respectively. Firm size varies from 15.1 (3.55 Billion TL) to 19.9 (438.3 Billion TL) with a standard deviation value of 1.44. The maximum and minimum values between brackets are the real value of total assets before applying the natural logarithm and this indicates that the sampled listed banks contain small and large size banks.

In addition, table 4.8 appears that the mean of bank age was 54.62 years and a median value of 63 years with a standard deviation value of 21.85 and ranging from 16 to 93 years. The result indicates that the research study sample contains banks with different and varying ages.

The mean value of profitability as measured by return on assets (ROA) is 1% and a median value of 1%. ROA varies among listed banks from as low as -0.2%% to as high as 2.31% with a standard deviation value of 0.49%. This indicates significant variations in firms' returns.

The mean value of firm leverage (Lev) is 8.87 and the median value of 8.36 with a standard deviation value of 2.15 and ranging from 4.89 to 13.6 years. This indicates no significant variations in leverage of banks.

4.3 Data Analysis

As previously mentioned, the research data is a panel of 65 observations for 13 banks over a five-year period. An attractive feature of panel data is that it can address both dimensions of data (cross-sectional and time series), which allows for the analysis of more complicated economic questions that might not be addressed using only one dimension of the data (Hsiao, 2014). Before the tests and interpreting its results, it might be better to give a brief explanation of why the panel data is used.

The sorts of data that are common and available for empirical analysis are cross-section, time series, and panel. In cross-section data, the values of one or more variables of sample units or individuals are collected at the same point of time. In time series data, could notice the values of one or more variables during a period. In panel data, the same cross-sectional unit is scanned during a period. In brief, panel data have time dimensions as well as space (Gujarati, 2003).

The panel data analysis offers to the model builder to learn about processes of economic with taking into consideration for both heterogeneities across countries, companies, individuals, and so on and for dynamic influences that are not clear in cross-sections (Greene, 2012). Since panel data involving individuals, countries, cities, companies, etc., over time, it is necessary to have homogeneity between these units. By brings together time series of cross-section observations, panel data offers more meaningful data, more variability, more degrees of freedom, less collinearity between variables and more efficiency. Panel data may measure and detect implications that simply cannot be noted in just cross-section or time series data and allows us to study more complex behavioral models. In addition, panel data can minimize the bias that might result if we aggregate individuals or firms into broad aggregates (Gujarati, 2003) (Hsiao, 2014).

Briefly, panel data could improve empirical analysis in ways that might not be possible if we use cross-section only or time series data.

This section consists of two main parts: The First is associational analysis to analyzing the correlation between CSR disclosure and the value of the firm. The Second is regression analysis to understand the relationship and answer the third research question:

Q3: Is there an impact of CSRD practices on the value of listed banks in Borsa Istanbul?

This will be through testing the hypothesis of research, which was formulated as mentioned in the first chapter as follows:

The First hypothesis related to Environmental disclosure:

(H_01): There is no significant relationship between the Environmental Disclosure and the value of listed Banks.

(H_a1): There is a significant relationship between the Environmental Disclosure and the value of listed Banks.

The Second hypothesis related to Labor Practices disclosure:

(H_02): There is no significant relationship between the Labor Practices Disclosure and the value of listed Banks.

(H_a2): There is a significant relationship between the Labor Practices Disclosure and the value of listed Banks.

The Third hypothesis related to Human Rights disclosure:

(H_03): There is no significant relationship between the Human Rights Disclosure and the value of listed Banks.

(H_a3): There is a significant relationship between the Human Rights Disclosure and the value of listed Banks.

The Fourth hypothesis related to Society disclosure:

(H_04): There is no significant relationship between the Society Disclosure and the value of listed Banks.

(H_a4): There is a significant relationship between the Society Disclosure and the value of listed Banks.

The Fifth hypothesis related to Product Responsibility disclosure:

(H$_0$5): There is no significant relationship between the Product Responsibility Disclosure and the value of listed Banks.

(H$_a$5): There is a significant relationship between the Product Responsibility Disclosure and the value of listed Banks.

4.3.1 Correlation Analysis

The previous section discussed the descriptive statistics of the variables employed in this research study. This section draws an initial picture of the relationships among these variables. In particular, this includes the parametric Pearson's product moment correlation coefficient as shown in Table 4.9 below.

Table 4.9: Correlation Matrix (Pearson's Correlation)

VARIABLES	FV	EN	LA	HR	SO	PR	Size	Age	ROA	Lev
FV	1.0000									
EN	0.4640*	1.0000								
LA	0.5500*	0.8559*	1.0000							
HR	0.4376*	0.8514*	0.8449*	1.0000						
SO	0.0335	0.2408	0.2074	0.3708*	1.0000					
PR	0.1468	0.4908*	0.5304*	0.5655*	0.3583*	1.0000				
Size	0.0675	0.3878*	0.5236*	0.3972*	0.1028	0.4558*	1.0000			
Age	0.3423*	0.6139*	0.6163*	0.5702*	0.1105	0.0696	0.5401*	1.0000		
ROA	0.5052*	0.3174*	0.3891*	0.4182*	0.3253*	0.1826	0.3170*	0.4295*	1.0000	
Lev	-0.6146*	-0.2392	-0.2591*	-0.2473*	-0.0055	0.0194	0.2310	-0.3319*	-0.4376*	1.0000

Note: (*) denote that correlation is significant at 0.05 (Stata 13).

In addition, this research using the non-parametric Spearman's rank order correlation coefficient as shown in Table 4.10 below.

Table 4.10: Correlation Matrix (The Spearman's Correlation)

VARIABLES	FV	EN	LA	HR	SO	PR	Size	Age	ROA	Lev
FV	1.0000									
EN	0.4827	1.0000								
LA	0.4751	0.7730	1.0000							
HR	0.4002	0.8074	0.7863	1.0000						
SO	0.0487	0.3277	0.2598	0.4268	1.0000					
PR	0.1403	0.4124	0.6068	0.4694	0.3260	1.0000				
Size	0.1255	0.4181	0.5422	0.4918	0.1338	0.4140	1.0000			
Age	0.3272	0.5390	0.4575	0.6251	0.2016	0.0303	0.6620	1.0000		
ROA	0.5754	0.3729	0.3523	0.4605	0.3455	0.2283	0.3472	0.4658	1.0000	
Lev	-0.6494	-0.2832	-0.1634	-0.2374	-0.1001	-0.0282	0.1203	-0.2721	-0.5140	1.0000

The rationale for using both tests is to provide robust results before running the regression models in the next section. This is particularly important to investigate whether collinearity or multicollinearity exists among the variables (Tabachnick and Fidell, 2014). It is similar to the number of studies followed the same approach as (Haniffa and Cooke, 2005), (Ntim and Soobaroyen, 2013) and (Alhazmi, 2017).

As discussed in the previous chapter the correlation matrix does not pose any problem of collinearity or multicollinearity when the correlation coefficient values of the explanatory control variables are below the threshold of 0.80 (Kennedy, 2008), 0.90 (Tabachnick and Fidell, 2014), and 0.95 (Gujarati, 2003). The maximum values of Pearson's and Spearman's correlation coefficient are 0.5401and 0.6620, respectively. Furthermore, the magnitude and direction for both Pearson and Spearman tests are generally similar which provides further evidence that normality is not a serious problem in the research data (Ntim and Soobaroyen, 2013).

Regarding the relationship between the different categories of CSR disclosure practices and the firm value and other variables, through Table 4.9 as a major test for this research, can observe the following:

4.3.1.1 Environmental Disclosure Associational Analysis

Regards to the firm value variable, Table 4.9 shows a positive association between the Environmental Disclosure (EN) and firm value at 0.05 significance level.

In the overall analysis of environmental disclosure and its relation to other control variables, the table shows a positive and significant correlation with the variables of Size, Age and ROA at significance level 0.05. However, although there is a negative correlation with leverage (Lev), it is not significant at the 0.05 level.

4.3.1.2 Labor Practices Disclosure Associational Analysis

At the same level of significance 0.05, the Pearson test in Table 4.9 shows a positive and important relationship between labor practices disclosure (LA) and the firm value.

With regard the other variables, the table shows a relationship of significance to the labor practices disclosure with all the controlling variables, as well as the existence of a positive relationship with the variables except the leverage variable where could observe a negative relationship.

4.3.1.3 Human Rights Disclosure Associational Analysis

Table 4.9 can see a positive and significant relationship between Human Rights disclosure and firm value at a level of significance of 0.05.

According to Pearson's test, the table shows an important positive relationship between the Human Rights disclosure and the control variables, except for the leverage variable that has a negative relationship with the human rights disclosure at a level of significance of 0.05.

4.3.1.4 Society Disclosure Associational Analysis

Concerning the Society Disclosure variable, Table 4.9 shows no association between the Society Disclosure (SO) and Firm value at 0.05 levels according to Pearson’s tests.

The overall analysis of the Social disclosure suggests that it is significantly related to ROA, but there is no significant relationship with the other control variables at the 0.05 level.

4.3.1.5 Product Responsibility Disclosure Associational Analysis

The result of Pearson’s test also shows that, in Table 4.9 the Product Responsibility Disclosure (PR) is not related significantly with firm value at 0.05 level.

About other variables, the size appears positively linked with the Product Responsibility Disclosure. However, there is no association between the product responsibility disclosure and the other control variables at the 0.05 level.

In general, the results of both tests showed a statistically significant and positive correlation at 0.05 level between the three categories of social responsibility practices (Environmental, Labor Practices, and Human Rights) and the firm value that was measured by Tobin's Q rate. On the other hand, the results showed no relationship between the company's value and both disclosure of social and Product Responsibility.

4.3.2 Regression Analyses

As previously mentioned, the research data is 65 observations for 13 banks over a five-year period. An attractive feature of panel data is that it can address both dimensions of data (cross-sectional and time series), which allows for the analysis of more complicated economic questions that might not be addressed using only one dimension of the data (Hsiao, 2014). Most of the existing literature that examines the effect of CSRD practices using panel data employs Pooled Ordinary Least Squares (POLS) regression (Haniffa and Cooke, 2005) (Jizi et al., 2014) (Alotaibi, 2016).

A POLS model is one in which individuals are simply pooled together with no provision for individual or time differences, which is a major drawback that might lead to biased results because it ignores the panel structure of the data. This could occur because of ignoring the individual-level effects and relegating them to the error term and consequently leading to heterogeneity bias. Accordingly, richer results can be obtained by appropriately addressing individual-level heterogeneity (Wooldridge, 2010).

Individual-level heterogeneity can be addressed by allowing a different intercept for each individual. A primary distinction for controlling individual-level effects in panel data lies between fixed effects and random effects (Cameron and Trivedi, 2009).

The fixed effects model allows for a limited form of endogeneity, as it permits the intercept to be correlated with the explanatory variables by time demeaning the variables to remove any constant component over time. A major drawback of the fixed effects model is that the coefficient of time-invariant variables cannot be estimated in the model because the variables are time-demeaned. The random effects model assumes that the intercept is uncorrelated with the explanatory variables and addresses it as part of a composite error term. This composite error term has two components: one to address random individual-level effects, and the second to address idiosyncratic (traditional) errors (Kennedy, 2008) (Cameron and Trivedi, 2009).

Because the research data includes time-invariant variables, the random effects model is more appropriate for this research study. In this regard, the random effects model provides more precise estimates for variables with little variation over time for each firm or those with no variation over time. Furthermore, the random effects model has the feature in relaxing the assumptions of homoscedasticity and autocorrelation (Which were mentioned in Chapter three) as it estimates the model using Generalized Least Squares (GLS) method rather than ordinary least squares method (OLS). In this case, GLS is more efficient than OLS in correct specifying the error in the model of panel data (Cameron and Trivedi, 2009). Gourieroux and Monfort (1997) mentioned that the (OLS) method provides unbiased estimators, but these estimators are not the best (i.e., minimum variance) ones. The accuracy can be improved by using the generalized least squares (GLS) estimator. Cross-sectional designs have their own problems—the assumption of homoscedasticity is routinely violated and autocorrelation will almost certainly be present. In this case, other regression algorithms, such as Generalized Least Squares (GLS) or feasible GLS (FGLS) they will be employed (Gujarati, 2003) (Boslaugh and Watters, 2008) (Alhazmi, 2017).

To answer the third search question and test the search hypotheses, by examining the influence of CSRD practices on firm value, this section attempts to analyses the regression model discussed in Chapter three.

$FV = \alpha + \beta 1\ EN + \beta 2\ LA + \beta 3\ HR + \beta 4\ SO + \beta 5\ PR + \beta 6\ Size + \beta 7\ Age + \beta 8\ ROA + \beta 9\ Leverage + \varepsilon$

Where:

FV = The firm value (Tobin's Q)

EN, LA, HR, SO and PR = The categories of CSRD as illustrated in the table (3.1)

Size = The firm size (The natural logarithm of total assets)

Age = The firm age

ROA = The profitability

Lev = The leverage

ε = The regression error term

The model examines whether listed banks in Borsa Istanbul benefit from engaging in CSRD categories practices. The results of the FGLS regression analysis test were as follows (by Stata 13 software):

Table 4.11: Regression Results

```
. xtgls FV EN LA HR SO PR Size Age ROA Lev, panels(iid) corr(ar1)

Cross-sectional time-series FGLS regression

Coefficients:  generalized least squares
Panels:        homoskedastic
Correlation:   common AR(1) coefficient for all panels  (0.6827)

Estimated covariances      =         1          Number of obs      =        65
Estimated autocorrelations =         1          Number of groups   =        13
Estimated coefficients     =        10          Time periods       =         5
                                                Wald chi2(9)       =     41.48
                                                Prob > chi2        =    0.0000
```

FV	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
EN	.102108	.3277629	0.31	0.755	-.5402955	.7445115
LA	.3149624	.2269342	1.39	0.165	-.1298204	.7597452
HR	-.09091	.2428929	-0.37	0.708	-.5669713	.3851513
SO	-.1797336	.1844448	-0.97	0.330	-.5412387	.1817716
PR	.1196468	.2975719	0.40	0.688	-.4635833	.7028769
Size	-.0037998	.0519961	-0.07	0.942	-.1057103	.0981108
Age	.0025591	.0034895	0.73	0.463	-.0042802	.0093984
ROA	11.15303	7.76856	1.44	0.151	-4.073069	26.37913
Lev	-.0714778	.0217622	-3.28	0.001	-.1141309	-.0288246
_cons	.9340884	.7361739	1.27	0.204	-.5087859	2.376963

Accordingly, Table 4.11 presents the empirical results of the model. In particular, Table 4.11 shows the overall model's statistics. It can be seen that the number of observations for the model is 65 annual reports for 13 individual listed banks. The Wald Chi-squared value is 41.48 for Model, and indicate that the model is statistically significant in explaining the variations at 0.05 level.

In terms of the effects of CSRD categories practices by listed banks in Borsa Istanbul on the value of these banks, the results showed the following:

4.3.2.1 Environmental Disclosure and Firm Value

As Table 4.11 shows, the Environmental Disclosure coefficient value with the firm value (measured by Tobin's Q ratio) is 0.102, which indicates the environmental disclosure is positively related to firm value. However, this relationship is not significant, as can be seen from the p-value statistics ($p = 0.755 > 0.05$).

Accordingly, the research failed to reject the first null hypothesis, which predicted no significant relationship between environmental disclosure and the value of listed banks in Borsa Istanbul.

4.3.2.2 Labor Practices Disclosure and Firm Value

Table 4.11 present that, the Labor Practices Disclosure has coefficient value with the firm value is 0.314, it indicates that the labor practices disclosure and firm value have a positive relationship. However, this relationship is not significant, this shows clearly from the p-value statistics ($p = 0.165 > 0.05$) .

Based on this result, the research failed to reject the second null hypothesis, which predicted no significant relationship between labor practices disclosure and the value of listed banks in Borsa Istanbul.

4.3.2.3 Human Rights Disclosure and Firm Value

Through Table 4.11, can see a link weak between the Human Rights Disclosure and firm value depending on the value of the coefficient -0.090, which indicates the human rights disclosure and firm value have a negative association weak. Nevertheless, this association is not significant, Where the value appears the p-value statistics greater than the level of statistical significance ($p = 0.708 > 0.05$).

Thus, can say, the research failed to reject the third null hypothesis, which predicted no significant relationship between human rights disclosure and the value of listed banks in Borsa Istanbul.

4.3.2.4 Society Disclosure and Firm Value

In terms of the Society Disclosure practices, Table 4.11 shows that the Society Disclosure coefficient value with the firm value is -0.179, which indicates the society disclosure is negatively related to firm value. Although there is the relationship, this relationship is not significant, as can be seen from the p-value statistics ($p = 0.330 > 0.05$) .

Through this result, the research failed to reject the fourth null hypothesis, which predicted no significant relationship between society disclosure and the value of listed banks in Borsa Istanbul.

4.3.2.5 Product Responsibility Disclosure and Firm Value

The results in Table 4.11 show that, the Product Responsibility Disclosure and firm value have a positive relationship; this can be seen from the coefficient value of 0.119. However, similar to the results of the other categories, the relationship is not significant, this clearly from the p-value statistics ($p = 0.688 > 0.05$).

Depending on these results, the research failed to reject the fifth null hypothesis, which predicted no significant relationship between product responsibility disclosure and the value of listed banks in Borsa Istanbul.

Generally, research results suggest that listed banks do not experience benefits from engaging in CSRD practices overall. These research results are consistent with (Tjia and Setiawati, 2012) his result indicated that CSR disclosure had no effect on the firm’s value. These results have been reached by examining the effect of CSRD on the firm value for the banking companies listed on the Indonesia Stock Exchange in the period 2008 – 2010. The same results appeared in a study of (Haryono and Iskandar, 2015) Which was applied for the period of 2011-2014 to analyze and explain the relationship between the CSRD performance and the Firm Value, either direct or indirect. He found that no significant effect for CSRD on the Firm Value. Jitaree (2015) suggested that there are no significant relationships between CSR disclosure and Tobin's Q As a measure of the firm value in all models. Where examine the relationship between the extent of CSRD and firm value of Thai listed firms for the period from 2009 to 2011. Similarly, Alotaibi (2016) Where examined the determinants and consequences of the quality and quantity of CSRD of Saudi firms and the impact of CSR disclosure on firm value. The analysis shows no association between CSR disclosure quality and quantity on firm value.

With respect to control variables, Table 4.11 shows a statistically significant negative relationship between the value of the listed banks and the leverage variable, can be seen by the coefficient value of -0.071 and the statistical P-value which appears smaller than the level of significance ($p = 0.001 < 0.05$). On the other hand, Table 4.11 does not show any statistically significant relationship between the value of the listed banks and other control variables (size, age and ROA), where the P-values of the three variables 0.942, 0.463 and 0.151 respectively.

CHAPTER 5

CONCLUSION

5.1 Overview

Maintaining the environment and optimizing the use of available resources is one of the main reasons for the stability, growth, and continuity of the firm. As well as the company practices and participation in society and protect the employee and development him of the most important means to create a good image of the company in the community. Therefore, the firms are required to attention and participation in social responsibility practices in different its categories and to communicate the results of these practices through the disclosure either through annual reports, sustainability reports, special reports, or periodicals.

CSR has attracted widespread attention in recent years for various reasons, such as economic crises (e.g., global financial crisis), irresponsible business practices (e.g., the Enron scandal; child labor), and their effects on the society. A number of international organizations, including the World Council on Sustainable Development, Business for Social Responsibility and Ethical Corporate, took the initiatives to raise the awareness of social and environmental concerns as well as the good business conduct practices. This led corporate leaders to respond to such initiatives and integrate CSR issues into corporate policies and strategies. The increasing interest that CSR researchers have given over the past two decades has led to increased interest in disclosure of these activities (CSR). A large amount of literature has grown over the past decades with regard to corporate social responsibility and the disclosure of corporate social responsibility. Different frameworks, models and variables have been used to examine the determinants and consequences of this phenomenon. Nevertheless, the outcomes are still inconclusive.

These contradictory and inconclusive results lead to add new empirical researches to explore the relation between CSRD and the firm value. The mean purpose of this research is to investigate whether there are a significant relationship and effect between the CSRD and the firm value through an empirical study on the banks listed in Borsa Istanbul.

5.2 Research Objective

Accordingly, the objectives of this research were to explore the nature and extent of CSRD practices in banks listed in Borsa Istanbul and if these banks got to benefit from these practices. In particular, the following research questions are formulated in light of the objective of the research study:

Q1: What is the nature and extent of CSRD in reports of banks listed in Borsa Istanbul?

Q2: What extent has CSRD in annual reports of banks listed in Borsa Istanbul improved over the five-year period of the study?

Q3: Is there an impact of CSRD categories practices on the value of listed banks in Borsa Istanbul?

CSRD was measured by compared annual and sustainability reports with the GRI Sustainability Reporting that offer Reporting Principles and Standard Disclosures. In the case of banks that do not use the GRI standards, content analysis methods have been followed to explore the amount of environmental and social disclosure provided by banks in their annual reports or through their publications on their website. The information disclosed by banks about CSR topics, was analyzed quantitatively by defining an index to the percentage of the number of items are disclosed to the total number of items have to be disclosed.

To answer the first and second research questions, the social responsibility information was dealt with as one category. The percentage of items disclosed was calculated to the total number to be disclosed, which is 72 for the five-year period. In addition, it was treated as separate categories to identify its improvement in general and the improvement of disclosure of each category separately.

In order to test hypotheses and answer the third question of the research, the percentage of disclosure of social responsibility information for each category was calculated separately for the five-year period. The number of items has to be disclosed for each category of social responsibility are as follows: Environmental 32 items, Labor Practices 19 items, Human Rights 9 items, Society 5 items, and Product Responsibility 7 items. Moreover, the current research measured firm value by using Tobin's Q ratio as a proxy of banks' value. Furthermore, one main econometrics regression models were developed to investigate the effects of CSRD practices in listed banks in Borsa Istanbul.

5.3 Research Findings

Through the statistical analysis carried out in Chapter 4, the following results were obtained:

First, based on a sample of the panel of 65 annual reports collected over a five-year period, this research found evidence of CSR engagement among listed banks.

Second, the CSRD overall analysis findings revealed that listed banks disclosed 24% on average for the Total CSRD in the annual reports.

Third, in terms of the main CSRD categories, the findings revealed that listed banks disclosed about 22%, 30%, 24%, 31% and 18% on average for Environmental, Labor Practices, Human Rights, Society and Product Responsibility, respectively, in the annual reports.

Fourth, the most disclosed categories were Society and Labor Practices while Product Responsibility was the lowest disclosed.

Fifth, the trend analysis findings suggested that CSRD practices unstable over the five-year period of this research. The largest increase documented for the Total CSRD was in 2015 by 28% on average, accounting for a 5% change.

In terms of the CSRD main categories, the findings suggested that the Environmental Disclosure also it was not stable over time. The largest increase documented for Environmental Disclosure was in the years 2015 and 2016 by 24% for both years, accounting for 3% change from 2014.

The findings also suggested that Labor Practices disclosure improved in 2015 before falling back again. The largest increase documented in 2015 by 36%, accounting for a 6% change.

Concerning the Human Rights disclosure, the findings suggested that the Human Rights disclosure practices have the largest increase documented in 2015 by 28%, accounting for a 5% change.

The findings suggested that the largest increase documented for Society disclosure was in the years 2015 and 2016 by 34% and 35%, respectively, accounting for 8% change.

Regarding Product Responsibility Disclosure the findings suggested that the largest increase documented for Product Responsibility was in 2015 by 20%, accounting for 3%.

Sixth, the instability and the significant decline in the volume of disclosure of social responsibility practices in annual reports of listed banks may be due to the following reasons:

(1) There is no mandatory law for listed banks to disclose social responsibility practices, where it is voluntary disclosure; this is evident in the absence of a uniform mechanism or system for the form and size of disclosure of social responsibility.

(2) The nature of the work of banks (non-industrial) and not impact significantly in the surrounding environment.

(3) Some banks do not commit to voluntary disclosure of social responsibility information annually.

(4) There is a significant difference in the volume of disclosure of social responsibility information among listed banks in Borsa Istanbul.

Seventh, regarding correlation analysis between the different categories of CSRD practices and the firm value that measured by Tobin's Q ratio, the results showed a positive and significant correlation between the firm value and categories of environmental disclosure, labor practices disclosure and Human Rights disclosure.

Eighth, correlation analysis results showed that, no significant correlation between the firm value and categories of Society disclosure and Product Responsibility disclosure.

Ninth, based on the regression analysis that was carried out to examine the importance of the relationship and the impact of the disclosure of categories of social responsibility on the firm value (Tobin's Q ratio); it finds that this relationship between CSRD categories and the firm value is not significant. In other words, banks listed in Borsa Istanbul do not experience benefits from participation and disclosure of social responsibility information in all categories.

Tenth, with respect to control variables (Size, Age, ROA, and Leverage), the study finds a statistically significant negative relationship between the value of the listed banks and the leverage variable. On the other hand, did not find a statistically significant relationship between the value of the listed banks and other control variables (size, age, and ROA).

5.4 Research Limitations

This research study is subject to some limitations, they are as follows:

1- The research study carried out in one country, which is Turkey .

2- The research study was limited in the banking sector.

3- The research study was limited to listed banks in Borsa Istanbul.

4- The focus of this research study only on ways to disclose information about CSR, but did not include ways of measuring this information.

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APPENDIX

GRI Standards

Environmental:

GRI 301: Materials

• Disclosure 301-1 Materials used by weight or volume

• Disclosure 301-2 Recycled input materials used

• Disclosure 301-3 Reclaimed products and their packaging materials

GRI 302: Energy

• Disclosure 302-1 Energy consumption within the organization

• Disclosure 302-2 Energy consumption outside of the organization

• Disclosure 302-3 Energy intensity

• Disclosure 302-4 Reduction of energy consumption

• Disclosure 302-5 Reduction in energy requirements of products and services

GRI 303: Water and Effluents

Management approach disclosures

• Disclosure 303-1 Interactions with water as a shared resource

• Disclosure 303-2 Management of water discharge-related impacts

Topic-specific disclosures

• Disclosure 303-3 Water withdrawal

• Disclosure 303-4 Water discharge

• Disclosure 303-5 Water consumption

GRI 304: Biodiversity

• Disclosure 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

• Disclosure 304-2 Significant impacts of activities, products, and services on biodiversity

• Disclosure 304-3 Habitats protected or restored

• Disclosure 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations

GRI 305: Emissions

• Disclosure 305-1 Direct (Scope 1) GHG emissions

• Disclosure 305-2 Energy indirect (Scope 2) GHG emissions

• Disclosure 305-3 Other indirect (Scope 3) GHG emissions

• Disclosure 305-4 GHG emissions intensity

• Disclosure 305-5 Reduction of GHG emissions

• Disclosure 305-6 Emissions of ozone-depleting substances (ODS)

• Disclosure 305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions

GRI 306: Effluents and Waste

• Disclosure 306-1 Water discharge by quality and destination

• Disclosure 306-2 Waste by type and disposal method

• Disclosure 306-3 Significant spills

• Disclosure 306-4 Transport of hazardous waste

• Disclosure 306-5 Water bodies affected by water discharges and/or runoff

GRI 307: Environmental Compliance

• Disclosure 307-1 Non-compliance with environmental laws and regulations

GRI 308: Supplier Environmental Assessment

• Disclosure 308-1 New suppliers that were screened using environmental criteria

• Disclosure 308-2 Negative environmental impacts in the supply chain and actions taken

Labor Practices and Decent Work:

GRI 401: Employment

• Disclosure 401-1 New employee hires and employee turnover

• Disclosure 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees

• Disclosure 401-3 Parental leave

GRI 402: Labor/Management Relations

• Disclosure 402-1 Minimum notice periods regarding operational changes

GRI 403: Occupational Health and Safety

Management approach disclosures

• Disclosure 403-1 Occupational health and safety management system

• Disclosure 403-2 Hazard identification, risk assessment, and incident investigation

• Disclosure 403-3 Occupational health services

• Disclosure 403-4 Worker participation, consultation, and communication on occupational health and safety

• Disclosure 403-5 Worker training on occupational health and safety

• Disclosure 403-6 Promotion of worker health

• Disclosure 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

Topic-specific disclosures

• Disclosure 403-8 Workers covered by an occupational health and safety management system

• Disclosure 403-9 Work-related injuries

• Disclosure 403-10 Work-related ill health

GRI 404: Training and Education

• Disclosure 404-1 Average hours of training per year per employee

• Disclosure 404-2 Programs for upgrading employee skills and transition assistance programs
• Disclosure 404-3 Percentage of employees receiving regular performance and career development reviews

GRI 405: Diversity and Equal Opportunity

• Disclosure 405-1 Diversity of governance bodies and employees

• Disclosure 405-2 Ratio of basic salary and remuneration of women to men

Human Rights:

GRI 406: Non-discrimination

• Disclosure 406-1 Incidents of discrimination and corrective actions taken

GRI 407: Freedom of Association and Collective Bargaining

• Disclosure 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk

GRI 408: Child Labor

• Disclosure 408-1 Operations and suppliers at significant risk for incidents of child labor

GRI 409: Forced or Compulsory Labor

• Disclosure 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor

GRI 410: Security Practices

• Disclosure 410-1 Security personnel trained in human rights policies or procedures

GRI 411: Rights of Indigenous Peoples

• Disclosure 411-1 Incidents of violations involving rights of indigenous peoples

GRI 412: Human Rights Assessment

• Disclosure 412-1 Operations that have been subject to human rights reviews or impact assessments

• Disclosure 412-2 Employee training on human rights policies or procedures

• Disclosure 412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening

Society:

GRI 413: Local Communities

• Disclosure 413-1 Operations with local community engagement, impact assessments, and development programs

• Disclosure 413-2 Operations with significant actual and potential negative impacts on local communities

GRI 414: Supplier Social Assessment

• Disclosure 414-1 New suppliers that were screened using social criteria

• Disclosure 414-2 Negative social impacts in the supply chain and actions taken

GRI 415: Public Policy

• Disclosure 415-1 Political contributions

Product Responsibility:

GRI 416: Customer Health and Safety

• Disclosure 416-1 Assessment of the health and safety impacts of product and service categories

• Disclosure 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services

GRI 417: Marketing and Labeling

• Disclosure 417-1 Requirements for product and service information and labeling

• Disclosure 417-2 Incidents of non-compliance concerning product and service information and labeling

• Disclosure 417-3 Incidents of non-compliance concerning marketing communications

GRI 418: Customer Privacy

• Disclosure 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

GRI 419: Socioeconomic Compliance

• Disclosure 419-1 Non-compliance with laws and regulations in the social and economic area

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