

# Role of Corporate Social Responsibility in alleviating poverty in Jordan: An Exploratory Study

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## ABSTRACT

The study aims at exploring the role of Corporate Social Responsibility (CSR) in alleviating poverty in Jordan by investigating types, beneficiaries, incentives, obstacles and promoting measures of CSR in Jordan. The research methodology is descriptive based on a purposive sample of major business enterprises in Jordan. The study concludes that CSR in Jordan is mostly voluntary; about 50% of the companies in the sample see that alleviating poverty is the dominant type of their CSR activities. This was clear in the case of industries to a large extent, followed by banks then universities; the extent of CSR of Jordanian enterprises is limited; CSR in Jordan faces impeding obstacles of lack of Government's incentives, high cost, weak transparency and disclosure. To promote the role CSR in alleviating poverty in Jordan, the study recommends establishing CSR code of conduct, periodic publication of CSR activities, expanding the role of business unions and civil societies; increasing governmental incentives; initiating CSR national award, diversifying CSR activities and having annual CSR plans for companies.

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## Section I: Introduction

1.1 The *Research Problem*: The Jordanian Government is facing severe economic problems particularly poverty which cannot be solved without the assistance of the companies in the private and public sectors through their CSR activities. The main research questions are: what are the characteristics of the Jordanian companies which have CSR practices? To what extent the companies in Jordan practice poverty alleviation? What are the obstacles facing CSR in Jordan? What are the promoting measures of CSR in Jordan?

1.2 The *Research Objectives* are to explore the status and development of the CSR in Jordan; to determine the driving forces behind CSR activities; to identify the types, beneficiaries, programs, incentives, obstacles and promoting measures of CSR in Jordan and reaching conclusions and policy implications of special significance to policy makers in Jordan.

1.3 The *Research Importance* stems from the fact that it is very little known and hardly there is any research conducted on the role of Corporate Social Responsibility in alleviating poverty in Jordan. Hence, the study comes to fill the gap in the literature on this very important topic.

1.4 The *Research Methodology* is exploratory based on a purposive sample of large companies out of 190 public shareholding companies registered at the Amman Stock Markets as shown in Table 1.

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**Table 1: Sampling Frame of Case Studies Based on a Purposive Sample**

Sector	Study's Population	Purposive Sample	%	Names of Corporations in the Purposive Sample
<b>Banks</b>	16	3	20	The Arab Bank, The Housing Bank, The National Bank
<b>Insurance</b>	26	3	12	Arab American Life Co., French Co., German Co.,
<b>Universities</b>	8	3	37	Amman Univ., Balqa Univ., Philadelphia Univ
<b>Telecommunication</b>	4	2	50	Fastlink, Mobiles
<b>Industry</b>		7	10	Phosphate, Potash, Petroleum Refinery, Al-Hikma Pharmaceutical Co., Nuqul Group Co., National Paint Co., Petra Industrial Engineering Co.
<b>Trade and Services</b>	50	2	4%	C-Town, Safeway
<b>Post and Transport</b>	5	1	20%	Aramex
<b>Total</b>	<b>190</b>	<b>21</b>	<b>11%</b>	

Source: Computation of the Researcher based on Amman Stock Exchange (2005) Newsletter of ASE. Amman.

The study is based on two *types of data*: secondary data that are gathered from the annual reports of institutions and companies in Jordan, published articles in periodicals and books besides the primary data that are collected through the *questionnaire* which was sent to referees for amendment and reliability of questionnaire was tested by Cronbach Alpha that got significant coefficient (0.852). The Questionnaire final version (see the appendix) was distributed to the companies in the sample. The number of responding companies was 16 including The Arab Bank, The Housing Bank, The National Bank, Arab American Life Co. German Co. Amman University, Balqa University, Philadelphia University, Phosphate Company, Petroleum Refinery, Al-Hikma Pharmaceutical Co., Nuqul Group Co., National Paint Co., Petra Industrial Engineering Co., Safeway, and Aramex. The *statistical tools* of analysis are: mean, range, tabulation, frequency distribution, percentages and Likert Scale by using SPSS.

1.5 The *Organization of the Study* includes the following sections i) Introduction. (ii) Theoretical Framework of CSR and Previous studies. (iii) Overview of Legal Framework of CSR and Poverty in Jordan. (iv) Main Characteristics of the Companies in the Sample. (v) Results of Analysis. (vi) Conclusions & Recommendations, besides bibliography and appendix.

1.6 *Limitation of the Study*: the study is a limited survey to explore the main characteristics, obstacle and promoting measures of CSR activities with a particular emphasis on alleviating poverty in Jordan.

**Section II. Theoretical Framework of CSR and Previous Studies**

There is no single commonly accepted definition of the corporate social responsibility. CSR generally refers to business decision making linked to ethical values, compliance with legal requirements, respect for people, communities, and environment. Hence, CSR is defined as operating a business in a manner that meets or exceeds the ethical, legal and social expectations that a society has of business (*www.bsr.org:2002*). According to a World Bank study on roles of strengthening corporate social responsibility, CSR is defined as the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development (World Bank:2002)

The concept of corporate social citizenship has emerged recently in countries such as USA and elsewhere, to denote that business corporations should become good corporate citizens and contribute to the well being of other citizens in the country and it is not solely concerned with maximizing the profit according to the economic theory of the firm. Corporations under the new phenomenon have become as social entities whose responsibilities exceed the provision of goods and services to consumers, the obligations of the business corporations also include honesty, transparency towards employees and other stakeholders, besides, a commitment to sustainable environmental development. The corporate social responsibility is a

matter of ethics and morals for business organizations that call for solidarity towards the community and society at large (*Al-Urdun Aljadid Research Center: 2005*).

Corporate Social Responsibility is viewed as a comprehensive set of policies, practices and programs that are integrated throughout business operations that are supported by top management corporate social responsibility, which has become a part of the mission, vision, and philosophy of several business organizations (*www.Bsr. Org: 2002*).

In recent years, corporate social responsibility has become a fundamental component of the total quality management (TQM) of companies to provide the consumers and clients with the best, healthy, clean, and satisfactory products and services with the least costs (*Okali: 2000*)

In the era of globalization, responsible corporate citizenship becomes an essential part of the new global business culture. In the MENA region, CSR is not an alien concept, it has historical roots in the region as the corporations which achieve extra ordinary profit are not welcomed due to the religious beliefs that prohibit exploitation (*Elian: 2005*).

The following international initiatives cover aspects of corporate social responsibility worldwide:

1. *The Global Reporting Initiative (GRI)* that was established since 1971 to prepare enterprises-level sustainability and environmental indicators ([WWW.globalreporting.org/AboutGRI/index.htm](http://WWW.globalreporting.org/AboutGRI/index.htm)).
2. *The Global Sullivan Principles*: introduced in 1999 as a voluntary code of conduct for companies.
3. *Social Accountability 8000*: is a standard that specifies requirements for social accountability. (<http://www.cepaa.org>).
4. *The Caux Round Table (CRT)* promotes business leadership and the belief that business has crucial role in promoting sustainable and equitable social and economic environment (<http://www.cauxroundtable>).
5. *The Interfaith Center on Corporate Responsibility (ICCR)* comprised 275 religious oriented solutions for publishing principles for global corporate responsibility.
6. *The Sunshine Standards for Corporate Reporting to Stockholders*, established in Washington in 1966 where an association from environmental, consumers and religious organizations provides information to stakeholders.
7. *The Keidanren Charter for Good Corporate Behavior*, which is a Japanese Federation of Economic Organization that promote fair competition and follow the criterion of corporate behavior.

A new trend of CSR has emerged which makes it as a part of the social commitments of corporate citizen regime which is based on the phenomenon that corporations should be a partner to sustainable development.

Several empirical studies showed that CSR has positive impact on business economic performance. Pressures from customers, suppliers, employees, communities, and investors made CSR grow dramatically in recent years within companies of all sizes. (*Bsr: Introduction to CSR, www. Bsr.org*).

Furthermore, companies practicing CSR have experienced a range of benefits such as: improved financial performance reduced operating costs, enhanced brand image and reputation, increased sales, customer loyalty, increased productivity and quality, increased ability to attract and retain employees, reduced regulatory oversight and access to capital (*www.bsr.org.cfm:2002*).

The following is a review of previous studies in the literature:

1-The study of **BSR White Paper (2002)** “Business for Social Responsibility”

Concluded that growth of corporate social responsibility stems from changing expectations of stakeholders regarding business; shrinking role of the government; increased customer interest; supply chain responsibility; growing investor pressure; more competitive labor market and demand for increased disclosure. The study indicated that companies’ strategies of implementing CSR are: including CSR in the mission, vision and values statement of the corporation; integrating the CSR principles in their organization culture values; CSR is included in the Corporate Governance rules of a corporation; CSR is an Executive Management Responsibility; CSR is a part of the strategic planning of a corporation; CSR is placed under general accountability of the corporation, CSR is integrated within the communication, education and

training programs of the corporation, CSR is included within the employee rewards, CSR is covered by social and environmental auditing and reporting (BSR White Paper: 2002) .

2-The study of **Ararat Melsa (2004)** "CSR in the Framework of Government Development of Business System" concluded that economic dimension, the role of the state, the legal requirement, the cultural characteristics of the society are endogenous drivers for corporate social responsibility behavior of the corporations in a country while the international organizations and donor may be considered as exogenous driving forces behind the activities of corporate social responsibility

3- The study of **Hani Al-Hurani (2005)** "Corporate Social Responsibility" concluded that Responsible Corporate Citizenship has emerged recently in countries such as the United States of America and elsewhere, to denote that the business corporations should become good corporate citizens and contribute to the well being of other citizens in the country and not solely concerned with maximizing the profit according to the economic theory of the firm. On the contrary corporations under the new phenomenon have become as social entities whose responsibilities exceed the provision of goods and services to consumer, the obligations of the business corporations also include honesty, openness and transparency towards employees and other stakeholders, a commitment to sustainable social environmental development through social actions, such as charitable donations and non-profit projects and activities that benefit the society at large (Al-Urdun Al-Jadeed Research Centre : 2005).

4-The study of **Fred Robins (2005)** "The Future of Corporate Social Responsibility" Asian Business & Management no.4.pp:95-115, aims at drawing attention to contemporary attitude towards CSR and their influence on business. The study indicated to the work of Michael Porter (2002) on corporate philanthropy theory for competitiveness and the work of Freeman (2004) on stakeholder theory as a history of evolution of CSR besides the indication to the first index of CSR which integrates it into four areas of environment, marketplace, workplace and community. CSR development started within the financial sector under the auspices of World Bank. The study indicated that payment for CSR by companies is at the expense of profit and tax. The study recognizes a great potential and future of big business adding human welfare in the community in which they operate especially in poor countries. There is indeed a growing pressure on firms to be more transparent in their CSR. Corporate leaders find that their share price and moral are positively correlated which encourages them meet the rising community expectations of CSR.

5-The study of **McWilliams, Siegel and Wright (2006)** "Corporate Social Responsibility Implications" described CSR perspectives implications and proposed an agenda for theoretical research of CSR. The study concluded that no clear CSR definition is available; measuring CSR performance is difficult, CSR activities vary cross firms; managers of firms are under pressures from government, local community and employees to increase their involvement in CSR. Several theories were used to explain CSR performance such as: the Agency Theory implies that CSR is a misuse of corporate resources which should be spent on value added projects with a return to shareholders and managers use CSR to advance their career; the Freeman Theory in 1984 asserts the managers must satisfy a variety of customers and local community who can influence firm outcomes; the Theory of the Firm implies that it is beneficial for the firm to engage in CSR activities; the Classical Economic Theory is applied to CSR to have return to stakeholders; the Institutional Approach which analyses the environmental social responsibility, the stakeholders theory implies that it is beneficial for the firm to engage in certain CSR activities and finally the Leadership Theory implies that strategic leadership has positive correlation with the propensity of the firm to engage in CSR.

6- The Study of **Hussein Al-Asraj (2010)** "Corporate Social Responsibility" Arab Planning Institute, Kuwait, February, concluded that the role of CSR in different countries has accelerated due to the reduction of government services to the public after the privatization of public enterprises. CSR practices have benefited the companies in increasing their profitability, production and minimizing conflicts with employees and clients. CSR became a tool of eradicating poverty. CSR is a voluntary moral initiative of a company to assist the poor, improve his standard of living and keep a healthy environment. CSR is the responsibility of a company in front of its employees, shareholders and stakeholders. Periodic reporting of CSR is essential for clarifying the policies of CSR activities. The study shows that 86% of consumers prefer to deal with companies with CSR activities and 64% of the clients consider CSR as an element in evaluation of companies.

7- The Study of **Saudi CSR Council (2010)** " Scope and Obstacles of Corporate Social Responsibility in Saudi Arabia", published by Riyadh Chamber of Industry and Trade, indicated that ranking of CSR activities in Saudi Arabia is as follows: community services 76%, youth training 74%, employment 65%, orphan assistance 62%, assistance of persons with special needs 50%, caring of children 47%, caring of sick persons 44%, caring for prisoners 38%, caring for old persons 34% and providing health care 31%. The obstacles facing CSR in Riyadh are: non existence of an umbrella organization for CSR. Weakness of CSR culture, absence of a strategy for CSR, no regulatory framework for CSR, lack of efficient human resources for CSR and lack of indicators for evaluation of CSR performance.

8-The Study of **Asia Abdullah Al-Shikh, (2010)** Corporate Social Responsibility in Saudi. Tamkeen Company. Riyadh published by Al-Hayat Journal no.17079 dated January 25, concluded that Saudi companies rarely take into account the national development goals in their CSR practices; absence of government and media incentives is a constraint for CSR; CSR concept still unclear in the minds of consumers and society at large; the complicated bureaucratic procedures are a constraint to CSR activities, Media in the last few years has positively participated in awareness of CSR, there is a growing tendency for positive attitude of Saudi businessmen towards CSR; the more active companies in CSR are at financial sector, followed by industrial sector then the commercial sector; most beneficiaries from CSR are employees, community and environment and finally the absence of measurement tools for CSR activities. The study recommendations are: the requirement of clear role of each economic sector in CSR, a requirement for agreed upon definition of CSR and the necessity to find assessment indicators for CSR performance. The researcher recognizes that the current study is in agreement with previous studies in the theoretical orientation, but it is in disagreement with the outcomes of previous studies as none of them focused on role of CSR in poverty alleviation.

9-The Study of **Joyce Falkenberg & Peter Brunsael (2012)** “Corporate Social Responsibility: A Strategic Advantage, a Strategic Disadvantage or a Strategic Necessity?” The study questions whether CSR leads to a comparative advantage for firms, to a disadvantage, to a strategic necessity or to a temporary advantage as outcomes of CSR activities. The authors explained the relationship between CSR initiatives and performance. The study implied that the outcomes of CSR activities are an added value for society but do not achieve competitive advantage for the firm, CSR does not add social value but instead it becomes a cost or constraint which is considered as a comparative disadvantage and not a strategic advantage.

10-The Study of **Cho Soeng, Lee Ceol, Park Cheong (2012)** “Measuring Corporate Social Responsibility” CPA Journal vol. 82, No. 6 June, New York , aimed at measuring the performance of corporate social responsibility as the recent financial crisis has pressures on CSR for achieving sustainability reporting to the public with information beyond companies’ standards financial reports. The nonfinancial performance of CSR is more important than company’s economic performance in increasing shareholders value according to a survey of executives. Researchers and businessmen began focusing on nonfinancial measurement in relation to environment and community social relations. Companies create separate CSR reports concerning social relations and environment. Multinational companies use quantitative methods in measuring their CSR performance and have transparency and disclosure. The new trends in measurement have implications for nonfinancial reporting on CSR activities.

### **Section III: Overview of CSR Legal Framework and Poverty in Jordan**

The *regulatory framework* of CSR activities in Jordan is conducive to the practices of CSR activities which is summarized as follows: (1) The Companies Law no. 22 of 1997 was amended by Law no. 40 of 2002 aims at facilitating the establishment of companies and streamlining registration process. The Companies under the this law are divided into general partnership, limited partnership, limited liability companies, private shareholding companies, limited partnership in share, public shareholding companies and foreign operating companies.(2) The Investment Promotion Law no. 67 of June 16, 2003. (3) The Amended Income Tax Law of 2000 which provided both Jordanian and foreign investors with additional incentives and tax exemption.(4) Securities Law no. 1997 and its amendments in 2002 where the financial market is divided into three entities of Jordanian Security Commission, the Bourse, and the Depository Center.(5) Non-Jordanian Investment Promotion Law of the Year 2000 which permits non-Jordanian investors to own in full or in part any economic activity in the Kingdom except construction and commercial services.(6) Agreement of Jordan’s Accession to the World Trade Organization Agreements (WTO) in 2000 where laws of patent, trademarks, and other intellectual property rights were amended to comply with WTO agreements.(8) EU-Jordan Partnership Agreement for free trade between European countries members of EU and Jordan in January 1999. (9) Greater Arab Free Trade Agreement in 1998 to create free trade between 10 Arab countries.(10) Free Bilateral Trade Agreement (FTA) with USA in October 2000.(11) Qualified Industrial Zone (QIZ) Agreement signed among Jordan, Israel and USA to allow QIZ products to enter USA without Custom duties.

Jordan’s most chronic fundamental economic problem is poverty which is up to 14.2% while the unofficial figure is 23% (Al-Gud: 2005). The latest increase of fuel prices has triggered another hike in prices which makes poverty more severe. According to the World Bank, the absolute poverty line in Jordan is JD 137 while the abject poverty line is JD 102 in last two decades (World Bank: 1991).

The study of the Ministry of Planning in 2004 on Poverty Pockets in Jordan shows that the percentage of people with absolute poverty has increased from 27% to 33%, while the percentage of people with abject poverty has increased from 1.1% to 3.7%. At absolute poverty line of JD 458, there are 1.52 million Jordanians who are considered with absolute poverty, but the people who live under abject poverty are around 175,000. Absolute poverty in urban areas was 22.7% compared to 19.9% in rural areas, while abject poverty was 10% for urban areas compared to 12% for rural areas. There are more than 400,143 poor Jordanians out of a total population of 6 million which represents 14.26%. Those poor people are living in 20 regions distributed into 7 provinces which include 254 poverty pockets (Ministry of Planning: 2004). The regional distribution of the poor according to the buckets of poverty in Jordan is shown in Table 1:

**Table1: Poverty Buckets in Jordan**

Region	Province	No. of Poverty Pockets	No. of Poor Populations	Percentage of Poverty
1. Rowashid	Mafraq	10	5927	73.3%
2.Salhyeh	Mafraq	16	13238	48.2%
3.DirAlkahf	Mafraq	18	6945	35.2%
4.UmAl-Jimal	Mafraq	9	14230	34.6
5.hosha	Mafraq	11	19780	31.6%
6.Sama Al-Sarhan	Mafraq	9	15480	28.12%
7.Al-Azraq	Zarqa	5	11950	40.3%
8. Al-Jiza	Amman	43	33659	32%
9. Dir Alla	Balqa	19	56070	27.6%
10. Shona Janoubiyeh	Balqa	9	43135	27.1%
11.Al-Hashemite	Zarqa	13	46116	29.1%
12.AIDhlil	Zarqa	7	32720	52.26%
13.Bearin	Zarqa	11	11807	42.3%
14. AlQuerah	Aqaba	10	17087	36%
15. Wadi Araba	Aqaba	8	6775	53.5%
16.Ghor Al-Safi	Karak	5	26644	34.3%
17.Al-Husseinyeh	Maan	2	10099	46.9%
18. Al-Jafir	Maan	3	10011	46%
19.Al-Marigha	Maan	10	11935	41.3%
20. Um-Alrsas	Amman	21	11535	26.6%
<b>Total Poverty pockets</b>		<b>254</b>	<b>400143</b>	
<b>% Poverty pockets of Total Population</b>				<b>14.26%</b>

Source: Ministry of Planning (2005) Poverty Buckets in Jordan, A Study by the Productivity Center of the Ministry.

The Causes of Poverty in Jordan may be attributed to the variables of family size, illiteracy rate, unemployment, weak GDP growth, inequality of income distribution, low wages which are strongly correlated with poverty levels. The socio- economic repercussions of poverty in Jordan are reflected negatively on the standards of living, quality of life, health, level of education, productivity, unemployment, crime and social disturbances. It is hoped that corporate social responsibility will play a substantial role in alleviating poverty as CSR poses an enormous potential for poverty alleviation (United Nations :2004).

#### Section IV: Main Characteristics of Companies in the Sample

Based on the primary data collected from the questionnaire (see Appendix 1), the main characteristics of the companies in the sample are:

1. **Distribution of companies according to sectoral distribution:** the study shows that banking institutions are 18%, insurance 14%, universities 18%, telecommunication 0 %, industry 38%, trade & services 6%, and post & transport 6% as shown in Table 2.

**Table 2: Analysis of Companies According to Economic Sectors**

Sector	Frequency	%
Banks	3	18%
Insurance	2	14%
Universities	3	18%
Telecom	0.0	0.0%
Industry	6	38%
Trade & Services	1	6%
Post & Transport	1	6%
Total	16	100%

Source: Researcher Computation based on case studies

**2. Distributing of companies according to the year of establishment:** the study shows that a great percentage of the companies in the sample (38%) were established in the period 1981-1990 and 31% of the companies were established in the period 1950-1970, the rest of companies (19%) were established in the period 1991-2000. Only 6% of the companies were established in period 1930-1950. This analysis shows that most of the expansion in the share holding companies in Jordan was in the period 1981-1990 as shown in Table 3:

**Table 3: Analysis of Companies According to Date of Establishment**

Sector	Frequency	%
1930-1950	1	6%
1950-1970	5	31%
1971-1980	1	6%
1981- 1990	6	38%
1991- 2000	3	19%
2001-2005	0.0	0.0
Total	16	100%

Source: Researcher Computation based on case studies

**3. Distribution of companies according to capital:** the study shows that the characteristics of the companies in term of capital are: 25% of the companies' capital was between (JD 1- 50 million), 13% of companies' capital was between (JD 51-100 million), 37% of the companies have capital between JD 101- 200 million and 25% of companies have their capital between JD 201-JD500 million This analysis shows that most of Jordanian companies have medium to small size of capital as in Table 4.

**Table 4: Analysis of General Data According to Capital (Million JD)**

Sector	Frequency	%
1.0- 50.0	4	25%
51-100	2	13%
101-200	6	37%
201-500	4	25%
501-1000	0.0	0.0
Toto1	16	100%

Source: Researcher Computation based on case studies

**4. Distribution of companies according to Location:** the study shows that most of the companies in the sample (68%) are located in Amman, the capital of Jordan, while the rest of the companies are distributed in Salt (13%), Zarqa (6%), Jerash (6%) and Maan (6%). This distribution indicates that the companies of the sample are mostly located in Amman as shown in Table 5.

**Table 5: Analysis of Companies According to Location**

Sector	Frequency	%
Amman	11	69%
Zarqa	1	6%
Irbid	0.0	0.0
Jerash	1	6%
Mafrq	0.0	0.0
Salt	2	13%
Madaba	0.0	0.0
Karak	0.0	0.0
Ma'an	1	6%
Aqaba	0.0	0.0
<b>Toto1</b>	<b>16</b>	<b>100</b>

Source: Researcher Computation based on case studies

**5. Distribution of companies according to number of employees:** the study shows that 26% of the companies have a number of employees between 2000 and 5000, only 6% of the companies have a number of employees between 5001 and 6000, 21% of the companies have a number of employees ranging between 1001 and 2000, 21% of companies have a number of employees between 501 and 1000 and 14% of the companies have a number of employees ranging between 201-500. Hence, a great percentage of companies in the sample have more than 500 employees as in Table 6

**Table 6: Analysis of Companies According to Number of Employees**

No. of Employees	Frequency	%
1.0-50	1	7%
51-100	2	14%
101-200	0.0	0.0%
201-500	2	14%
501-1000	3	21%
1001-2000	3	21%
2001-5000	4	26%
5001-6000	1	7%
<b>Toto1</b>	<b>16</b>	<b>100</b>

Source: Researcher Computation based on case studies

## Section V: Results of the Empirical Study on Status of CSR in Jordan

### 5.1 Results Concerning Definition of CSR

The study shows that a percentage of 79% of the companies in sample understand CSR as responsibility of the company towards the society. This was clear from the responses of the banking, universities, trade and services sectors. 43% of the companies see CSR as accountability of the company towards the society. This result was identified in the case studies of the industrial sector to a great extent followed by other sectors to a lesser extent. About 36% of companies understand CSR as a voluntary work towards the community in Jordan. This was clear in the cases of industries to large extent followed by banks, insurance companies and universities to a lesser extent. 28% of the companies in the sample interpreted CSR as a moral obligation towards the community particularly in trade, services, industry and banking institutions. About 14% of companies has understood CSR as charity work toward the society. Such a result was very clear in banks and industrial companies. These results could be interpreted that most of the companies in Jordan have no clear definition and understanding of SCR as in Table 7:



**Table 7: Analysis According to Definition of CSR**

Question	Banks	Insurance	Universities	Industry	Trade & Services	Freq.	%
CSR Concept							
Voluntary work	1	1	1	2		5	0.36
Charity	1			1		2	0.14
Accountability	1	1	1	2	1	6	0.43
Responsibility	3	1	2	3	2	11	0.79
Moral Obligation	1			2	1	3	0.28

Source: Computation of the Researcher based on the Questionnaire Data

**5.2 Results Concerning Level of Awareness of CSR**

The study shows that 43% of companies in the sample found that their levels of awareness of CSR were very high particularly in the universities and industries to a large extent and in trade & services to a lesser extent. 43% of companies found that their level of awareness of CSR were high particularly in banks and insurance companies to a large extent and in industry and trade & services to a lesser extent. 21% of companies found that their level of awareness of CSR is medium particularly in the universities and trade & services to less extent. The results could be interpreted that the level of awareness of CSR in Jordanian companies ranged between medium and high levels as shown in Table 8:

**Table 8: Level of Awareness of CSR**

Awareness of CSR	Banks	Insurance	Universities	Industry	Trade & Services	Freq.	%
Very low						0	0.00
Low						0	0.00
Medium			1	1	1	3	0.21
High	2	2		2		6	0.43
Very High	1		2	2	1	6	0.43

Source: Computation of the Researcher based on the Questionnaire Data

**5.3 Results on Integration of CSR in Companies' Strategies**

About 71% of the companies in the sample indicated that they integrated CSR Activities in their mission particularly in universities to a great extent followed by banks and trade sectors to a lesser extent. About 63% of companies indicated that they integrated CSR activities in their companies' culture. This was clear in trade, industries and banks to a large extent and insurance to a lesser extent. Integration of CSR in the vision and policies took 43% of companies particularly in banks, insurance companies to a great extent and trade & services to a lesser extent. Integration of CSR in the objectives of companies took 29% of companies. This result was clear in cases of banks, insurance and industries to a less extent. These results may be interpreted that a majority of the companies in Jordan integrated the CSR in their companies' mission, vision and culture with less companies integrated their CSR in the objectives and policies of their companies. It is noticed that companies in Jordan are reluctant to integrate the CSR in their companies' philosophy. These results are shown in Table 9:

**Table 9: Analysis of Integration of CSR in Companies' Strategies**

SCR in Strategy	Banks	Insurance	Universities	Industry	Trade & Services	Freq.	%
Mission	2	1	3	2	2	10	0.71
Vision	1	1	1	1	2	5	0.43
Objectives	1	1	1	1		4	0.29
Policies	2	2		1		5	0.36
Philosophy	1	1		2		4	0.29
Part of Culture	3	1		3	2	9	0.63

Source: Computation of the Researcher based on the Questionnaire Data

**5.4 Results on Types of CSR**

About 86% of the companies in the sample indicated that they are involved in *training of their employees* particularly in industry to a great extent, followed by universities, insurance and banking institutions to a lesser extent. About 63% of the companies in the sample indicated that they *helped students* as a type of CSR activities particularly in universities to a large extent, followed by industrial companies and trade services while the banks and insurance companies have less extent of helping students. About 50% of the companies concluded that *alleviating poverty* is the type of their CSR activities. This was clear in industries to a large extent, followed by banks and universities to a lesser extent. About 50% of companies exercise *protection of environment* as a type of their CSR activities. This was clear in industrial companies to a large extent. These results may be interpreted that 5% of Jordanian companies have interest in establishing clinics, libraries (10%) faculties (10%), parks and nurseries (10%) besides food and clothes donations (15%). The results are shown in Table 10:

**Table 10: Analysis of Types of CSR in Jordanian Companies**

Types of CSR	Banks	Insurance	Universities	Industry	Trade & Services	Freq.	%
Protect Environment	1		1	5	1	8	0.50
Training	3	2	3	5	1	14	0.87
Alleviate Poverty	2		1	3	2	8	0.50
Student Tuition	2	1	3	2	2	10	0.63
Ass. Catastrophe	1	1		2	1	5	0.25
Establishing Clinics				1			0.05
Est. Library	2					2	0.10
Est. Faculty	2					2	0.10
Treating Sick		1		1	1	3	0.15
Est. playground, parks, nurseries	2					2	0.10
Food Donation	1		1		1	3	0.15
Cloth donation						0	0.00
Other				2		2	0.10

Source: Computation of the Researcher based on the Questionnaire Data

**5.5 Results on CSR Beneficiaries**

The study shows that about 45% of the companies in industrial sector followed by banks and trade & services, are targeting employees. About 45% of companies in industrial sector followed by banks and trade & services are targeting the *low income groups*. About 45% of the companies in universities to a large extent followed by banks and trade sector to a lesser extent are *targeting community* at large for their CSR activities. About 40% of the companies have targeted *poor student* for their CSR activities particularly in industrial, banking and universities for a great extent followed by the trade & services sector to a lesser extent. About 45% of companies in industrial sector followed by banks and trade & services, are targeting people of low income. About 15% are targeting customers, 10% are targeting shareholders and 5% are targeting lenders. The results may be interpreted that majority of the companies are targeting low income groups, followed by community then poor students and Jordanian companies have little interests in targeting customers, stockholders and stakeholders for their CSR as in Table 11:

**Table 11: Beneficiaries of CSR Activities**

CSR Beneficiary	Banks	Insurance	Universities	Industry	Trade& Services	Freq.	%
Customers	2	1				3	0.15
Employees	2	2	2	2	1	9	0.45
Shareholders	1	1				2	0.10
Lenders		1				1	0.05
Suppliers		1				1	0.05
poor students	2	1	1	3	1	8	0.40
sick persons	2		1	2	1	6	0.30
low income people	2	1	1	3	2	9	0.45
Children	2			3	1	6	0.30
Old People and Uneducated Women				2		2	0.10
Community at large	2		3	2	2	9	0.45
Others				2		2	0.10

Source: Computation of the Researcher based on the Questionnaire Data

**5.6 Results on Level of Satisfaction of CSR Activities**

About 60 % of the companies in the sample mentioned that they are doing enough CSR activities. This was clear in the industrial sector for a great extent, followed by universities and insurance companies to a lesser extent. About 15% of the companies in the sample mentioned that they are doing more than enough of CSR activities particularly in the industrial sector and in universities. only 5% of companies got less than enough CSR. Results are shown in Table 12:

**Table 12: Level of Satisfaction of SCR Activities**

Doing Enough SCR	Banks	Insurance	Universities	Industry	Trade& Services	Freq.	%
Less than enough					1	1	0.05
Enough	2	2	2	5	1	12	0.60
More than enough	1		1	1		3	0.15

Source: Computation of the Researcher based on the Questionnaire Data

**5.7 Results on Budgetary Allocation for CSR**

About 29% of the companies in the sample allocated less than 1% of their budgetary expenditures to CSR activities. About 21% of the companies indicated that they are allocating 1% of their budgetary expenditure to CSR. Another 21% of the companies allocate 3% of their budgetary expenses to CSR. While 14% of the companies allocated more than 5% of their budgetary expenses for CSR particularly in insurance sector. About 14% of the companies allocate more than 7% of their budget to CSR activities particularly in industrial and universities. These results are shown in Table 13:

**Table 13:Percentage of CSR Expenditure in he Budget**

Percentage in Budget	Banks	Insurance	Universities	Industry	Trade& Services	Freq.	%
Less than 1%	2			1	1	4	0.20
1%		1	1	1	1	4	0.20
3%			1	2		3	0.15
5%	1	1			1	3	0.15
7%						0	0.00
More than 7%			1	1		2	0.10

Source: Computation of the Researcher based on the Questionnaire Data

**5.8 Results on Allocating CSR Expenditures in Companies' Budgets**

A great percentage of the companies (50%) particularly in the industrial include their CSR expenditure under *donation* item, while (10%) of companies include their CSR expenditure under the item of *hospitality* particularly in industry, trade and services sectors. About 10% of companies does not include their CSR expenditure in the budget, while (10%) of companies include CSR expenditure under casual expenses in the budget. About 10% of companies classify their CSR activities under *CSR item* in their budget as in Table 14:

**Table 14: Classification of CSR in the Budget**

CSR Budget Item	Banks	Insurance	Universities	Industry	Trade& Services	Freq.	%
No item	1		1			2	0.10
Casual		1	1			2	0.10
Donation	2	1	1	5	1	10	0.50
Hospitality			1	1		2	0.10
CSR item				1	1	2	0.10

Source: Computation of the Researcher based on the Questionnaire Data

**5.9 Results on Driving Forces for CSR Activities**

About 60% of the companies expressed that they consider *cultural ethics* as the most driving forces for CSR activities particularly in the industrial sector and universities to a great extent and the banks to a lesser extent. About 10% of the companies expressed their views that *religious believes* are the driving force for their CSR activities particularly in the industrial sector. About 10% of the companies expressed their views that *byelaws* of their companies are a driving force for their CSR activities particularly in the industrial sector. About 5% of companies consider *customary rules* (5%) as a driving force for CSR. About 5% of companies consider *country as the driving force for CSR*, About 5% of companies consider *instructions* as the driving force for CSR, About 5% of companies consider *political pressure* as the driving force behind CSR. About 5% of companies consider competition is the driving force for CSR and NGO pressure (5%) as driving forces for their CSR activities. No companies consider customers pressure as a driving forces for CSR. These results are shown in Table 15:

**Table 15: CSR Driving Forces**

CSR Driving Forces	Banks	Insurance	Universities	Industry	Trade& Services	Freq.	%
Political Pressure				1		1	0.05
Country laws		1				1	0.05
Company bye law		1		1		2	0.10
Religious beliefs	1	1		1		3	0.15
Customary Rules		1				1	0.05
Instructions by Associations				1		1	0.05
Customers Pressure						0	0.00
Competitors		1				1	0.05
Cultural Ethics	3		3	5	1	12	0.60
NGO pressure				1		1	0.05

Source: Computation of the Researcher based on the Questionnaire Data

**5.10 Results on Criteria for Providing CSR**

About 50% of the companies indicated that they use *transparency* as a criterion for providing CSR for beneficiaries particularly in banks and industries to large extent and in universities to a lesser extent. About 36% of the companies indicated that they consider the *non-exploitation* as the criterion in providing CSR. About 25% of companies use *no criteria* in the provision of CSR for beneficiaries. About 18% of companies consider Disclosure as a criterion for providing CSR. About 18% of companies consider non- exploitation as a criterion for provision of CSR. These results may be interpreted that a large number of companies are mostly using transparency and non-discrimination as criteria for providing SCR activities to beneficiaries.

While 36% of companies consider nondiscrimination as a criterion for providing CSR. These results are shown in Table 16:

**Table 16: Criteria for Providing CSR for Beneficiaries**

CSR Criteria	Banks	Insurance	Universities	Industry	Trade& Services	Freq.	%
Transparency	3	1	1	3		8	0.50
Disclosure	2			1		3	0.18
Corruption	1	1		2		4	0.25
No exploitation	1			2		3	0.18
Nondiscrimination	2		2	2		6	0.36
No Criteria				2	2	4	0.25

Source: Computation of the Researcher based on the Questionnaire Data

### 5.11 Results on Frequency of Meeting with Beneficiaries

The study shows that 42% of companies mentioned that their board of directors *never* met with the beneficiaries particularly in industries, universities, banks and trade & services sectors. About 18% of the companies expressed their views that their boards of directors *rarely* met with the beneficiaries of CSR. About 24% of the companies indicated that their boards of director met with the targeted groups *periodically* particularly in the banks, insurance and universities sectors. Only 5% of responding companies mentioned always they meet with beneficiaries. These results may be interpreted that a large percentage of companies' boards of directors never met with the targeted groups of CSR as shown in Table 17:

**Table 17: Frequency of Meeting with Beneficiaries**

Meeting with Beneficiaries	Banks	Insurance	Universities	Industry	Trade&Services	Freq.	%
Never	1		2	3	1	7	0.42
Rarely				2	1	3	0.18
Periodically	2	1	1			4	0.24
Always		1				1	0.05

Source: Computation of the Researcher based on the Questionnaire Data

### 5.12 Reporting on CSR Activities

About 43% of the responding companies show that they *annually* report on their CSR activities particularly in insurance and universalities to a great extent. About 24% of the companies *report monthly* on their CSR activities particularly in banking, insurance, industry and trade & services. About 12% of the companies have no reporting on their CSR activities. About 6% of companies have 3 months reporting and 12% of companies have no reporting on their CSR activities. These results are shown in Table 18:

**Table 18: Reporting on CSR Activities**

Reporting on CSR	Banks	Insurance	Universities	Industry	Trade&Services	Freq.	%
Monthly reporting	1	1		1	1	4	0.24
3 month report				1		1	0.06
6month report	2					2	0.12
Annual report		2	2	2	1	7	0.43
No reporting			1	1		2	0.12

Source: Computation of the Researcher based on the Questionnaire Data

### 5.13 Results on Incentives for Providing SCR

The study shows that 63% of the companies in different sectors indicated that they found *good image* as the incentive for providing CSR for the beneficiaries. This result was clear in the industrial sector to a great extent followed by trade & services besides banking sector for a lesser extent. About 43% of the companies indicated that *deduction of CSR expenses from the taxable income* is the incentive particularly in banking and industries to a great extent and in trade & services to a lesser extent. About 31% of companies found the desire for *improving the efficiency of the employees* is the incentive particularly in the insurance sector

to a great extent and in the banking and universities sectors to a lesser extent. The *media coverage* was the incentive considered by 18% of the companies particularly in the banking sector and in the trade & service sector. Awards was the incentive by (21%) of companies, more sales was the incentive by (12%) of the companies, *better performance* was the incentive by (6%) of companies, *higher prices* are the incentive by 12% of companies. These results may be interpreted that a great percentage of the companies seek good image and deduction from income tax as incentives for their SCR activities. These results are shown in Table 19:

**Table 19: Incentives Received by Jordanian Companies for Their CSR Activities**

Incentives received	Banks	Insurance	Universities	Industry	Trade& Services	Freq.	%
Tax exemption				3	1	4	0.25
Deduction of taxable income	3			3	1	7	0.43
Awards	1			2		3	0.21
More sales of clients		1	1			2	0.12
Better performance		1				1	0.06
Employee Efficiency	1	2	1	1		5	0.31
Higher prices for products	1	1				2	0.12
Good image	2	1	1	4	2	10	0.63
Media coverage	2				1	3	0.18

Source: Computation of the Researcher based on the Questionnaire Data

**5.14 Obstacles facing CSR Activities**

About 18% of the companies in the sample found that the *high cost* of CSR is mentioned as an obstacle for not providing more CSR particularly in industries to a great extent followed by insurance companies. About 24% of companies found that *not receiving enough incentives* from Government was the obstacle particularly in banks, industry and trade & services. About 24% of companies found that *competitors are not doing SCR activities* is the obstacle for not providing more CSR. About 12% of companies mentioned that *passing in hard times* was the obstacle. About (6%) mentioned high taxes, (6%) mentioned taking them out of their core activities as an obstacles facing their CSR particularly in the industries, insurance and universities, while other obstacles (24%) are limiting the CSR activities of the companies. The results may be interpreted that high cost of CSR, little government incentives and the behavior of the competitor are the most prevailing obstacles for the CSR activities of Jordanian companies. These results are shown in Table 20:

**Table 20: Obstacles Facing CSR Activities**

Obstacles facing CSR	Banks	Insurance	Universities	Industry	Trade& Services	Freq.	%
high cost of CSR		1		2		3	0.18
Poor sales						0	0.00
Annual losses						0	0.00
Not enough incentives	1			2	1	4	0.24
Competitors not doing enough	1		1			2	0.12
It is government Responsibility				1			0.06
High taxes			1			1	0.06
CSR Causes less profit						0	0.00
Passing hard times		1		1		2	0.12
Away from focusing on business				1		1	0.06
Law against terrorism						0	0.00
Other obstacles	1		1	1	1	4	0.24

Source: Computation of the Researcher based on the Questionnaire Data

**5.15 Strategies for Promoting CSR Activities in Jordan**

About 57% of the companies suggest a *national plan* for developing CSR particularly in universities to a great extent and in banks and industries to a lesser extent. About 43% of the companies found formulating a *code of conduct* for CSR is a good for CSR development particularly in banks, universities, trade & services. About 36% of the companies suggest that *government should give better incentives* for companies to encourage them provide more CSR activities, besides the suggestions of *having written rules* (36%), and establishing *special committees* within the board of directors (30%). About 30% of companies suggest *allocating more funds* for CSR particularly in the banks, universities and trade and services. These results may be interpreted that several ways were suggested by companies for developing their CSR. The results are shown in Table 21:

**Table 21: Strategies for Promoting CSR Activities in Jordan**

Developing CSR	Banks	Insurance	Universities	Industry	Trade& Services	Freq.	%
Establish committee	1			3	1	5	0.30
written rules	1			3	2	6	0.36
Code of conduct	2		1	1	2	6	0.43
Allocating annual funds	2		1	1	1	5	0.30
A national plan	2	1	3	2		8	0.50
More government incentives	3	1		1	1	6	0.36
More CSR news reporting	2	1			2	5	0.30

Source: Computation of the Researcher based on the Questionnaire Data

**Section VI: Conclusions & Recommendations**

The objectives of the study are exploring the extent of CSR practices in Jordan, identifying types of CSR, beneficiaries, incentives, obstacles and the measures for promoting CSR activities. As Government could not alone solve the sever poverty problem that constitutes 14.26% of the population, CSR could be helpful in alleviating Jordan’s poverty. CSR activities of Jordanian companies could be categorized as legally binding such as the anti-corruption, environmental safety, labor standards, anti-monopolistic practices and social security for the employees; while other SCR activities of assisting sick people, donation for schools, faculties, poor students, helping the underprivileged of old people and children and other donations for establishing clubs, libraries, sport playground, are categorized as voluntary. Hence, SCR in Jordan are a mixture of ethical voluntary actions and legally binding through political and legislation pressure. There is no clear definition of CSR by Jordanian companies and the perception of CSR is still not homogeneous among Jordanian companies. Level of awareness of CSR by managers of Jordanian companies is at a medium level due to lack of concern of the necessity of such practices. Maintaining good image in the eyes of the shareholder, employees, customers and government, is the greatest motivation for practicing CRS activities. Lack of government incentives, high costs of CSR, competitor behavior, and the belief that government is being responsible for CSR are the most impeding obstacles facing development of CSR activities. Transparency, disclosure and reporting of information of CSR activities of Jordanian companies are still not widely disseminated. About 50% of the companies in the sample see that alleviating poverty is the dominant type of their CSR activities. This was clear in the cases of industries to a large extent, followed by banks and universities to a lesser extent. Consequently, companies in Jordan could have a supporting role to Government in poverty alleviation through the provision of cash and in-kind assistance to the poor.

The recommendations that could be derived from this study are: (1) The need for consensus among the business community in Jordan on a clear and precise definition of CSR. (2) More awareness and guidance on CSR by directors of the Jordanian companies. For this purpose, an annual campaign by the business community on CSR could be conducted annually. (3) Jordanian companies should identify the most required CSR activities by beneficiaries in order to give them priority over less urgent CSR tasks.(4) The corporate sector should have policies and organized action plan for CSR in each sector. (5) Quantitative performance indicators of CSR could be established for measuring CSR activities such as allocating 1% or more of net profit of companies to CSR (6) A national annual award could be established under the title of ‘CSR Award’.(7) A code of conduct for CSR could be established in Jordan as guidelines for future CSR

activities.(8) Increasing level of transparency, disclosure and dissemination of information on CSR activities through annual reports and periodical publications.(9) Expanding the role of business unions, syndicates, research centers and other civil societies to support the activities of CSR.

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## **Appendix I Questionnaire on CSR in Jordan**

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### **I. General Information**

Name of Company:

Type of Work:

Date of Establishment:

Number of Employees:

Capital (in JDs):

Location:

### **II. Status of Corporate Social Responsibility (CSR) of the Company**

#### **2. What CSR Means for your Company? Please check one or more options**

Voluntary Work

Charity

Accountability towards Society

Responsibility towards Community

Moral Obligation

#### **3. What is the level of Awareness of Company’s Board of Directors towards CSR? Please check one of the following options:**

Very low

Low

Medium

High

Very high

#### **4. Is CSR is integrated in your company strategies in form of ( select one or more options):**

Mission

Vision

Main Objectives

Included in policies

Company’s philosophy

Part of company culture

#### **5. What Types of CSR provided by your company for the stakeholders? Please check one or more alternatives.**

Protection of Environment

Training employees

Alleviating poverty of needy people

helping students in their tuition

Assisting people in catastrophes

Establishing clinics in popular areas

Establishing libraries.

Donations for establishing faculties at universities.

Treating sick people

Establishing playgrounds, parks or nurseries for children

Donation of food.

Donation of clothes

Other (please specify):

#### **6. Do you think your company is doing enough in term of CSR Activities?**

Less than enough

Enough

More than enough

**7. What is the percentage of your budget is being allocated for CSR per annum?**

- Less than 1%
- 1%
- 3%
- 5%
- 7%
- More than 7%

**8. In your budget, do you have certain provisions/items for CSR**

- No provision
- Part of casual expenses
- under donations
- Under hospitality item
- CSR provision

**9. What are the targeted beneficiaries of your company's CSR Activities? Please check one or more options:**

- Customers
- Employees
- Shareholders
- Lenders
- Suppliers
- Poor students
- Sick people
- Low income people
- Young children
- Old people
- Uneducated women
- Community at large
- Other stakeholders (please specify)

**10. What are the driving forces for CSR Activities by your company? Please select one or more options:**

- Political Pressure
- Laws of the country.
- Company's by-law
- Religious beliefs
- Customary rules
- Instructions by Unions, Chambers of Commerce or of Industry, or Associations.
- Pressures from customers
- Competitors behavior
- Cultural ethics
- NGO pressure

**11. What are the standard or criteria of CSR activities of your company? Please select one or more options:**

- More transparency
- More disclosure
- No bribes or corruption
- No exploitation
- No discrimination
- No criteria.

**12. How often your company's board of directors meet with targeted CSR beneficiaries during the year?**

- Never.
- Rarely
- Periodically
- Always

**13. How does your company report on its CSR activity?**

- Monthly reporting
- Three- months report
- Six- month report
- Annual report
- No reporting

**14. What kind(s) of incentives or benefits your company receives for its CSR activities? Please select one or more alternatives:**

- Tax exemption
- Donation for CSR are deducted from taxable income
- Award for CSR best practices.
- More contracts from governments
- More sales for customers
- Better financial performance
- More efficiency of employees
- High demand and high prices for its shares in capital market
- Good image in the market
- Media coverage of the company’s CSR Activities.

**15. What are the obstacles facing the CSR activities of your Company? Please select one or more options:**

- High cost of CSR
- Poor Sales
- Achieving annual losses
- Not enough incentives provided for the company
- Other competitors are not doing enough CSR
- Because it is the responsibility of the government
- High taxes on income
- CSR is contrary to profit maximization
- Company is passing through hard times
- CSR takes the company away from focusing on core business
- Law against terrorism hinders CSR activities
- Other obstacles (Please specify):

**16. What do you suggest for developing your company’s CSR activities? Please select one or more options:**

- Establishing a committee for CSR within the board of directors
- Having written rules for CSR
- Agreeing on a code of conduct for CSR
- Allocating annual financial provisions for CSR at the budget of the company .
- Having a national plan by the private sector institutions
- Improving government incentives for the company to provide more CSR activities.
- Placing CSR practices and news in annual reports