Algerian Review of Economic Development | Volume 08, Number 02 (2021), PP. 399-414 | EISSN: 2588-2457 * PISSN: 2392-5302 | ARED

# The Role of Transparency and Disclosure In The Adoption Of Social Responsibility Dimensions

## -A Case Study of Naftal Annaba-

Amira BELGAT [1,*], Kamel HAMANA [2]

[1]LFIEGE, Faculty of Economic Science, Department of Management ,University Annaba, (Algeria)
(amira.belgat@univ-annaba.org)
[2]LFIEGE, Faculty of Economic Science, Department of Management ,University Annaba, (Algeria)
(Kamel hamana @univ-annaba.org)

**Received:** 16/04/2020 ; **Revised:** 20/04/2020 ; **Accepted:** 04/06/2021

**Summary**

The purpose of this study is to examine the extent of the transparency and disclosure (T&D) and its role on adopting the corporate social responsibility (CSR) practices in the Algerian large companies represented in this study by Naftal, Annaba, this study is based on the random sample method, where 68 samples distributed to executives.

The study founds: a strong impact of the (T&D) practices on adopting the dimensions of social responsibility in the Algerian large company Naftal Annaba in general, especially the economic and legal dimensions. Accordingly, the study recommends maximizing efforts to generalize and promote the adoption of the disclosure and transparency practices Given its strong impact on the CSR's adoption.

**Keywords**: Transparency and disclosure; corporate social responsibilities; governance; Naftal.
**Jel Classification Codes** : G35, D21

*: Amira Belgat, amira.belgat@univ-annaba.org

## 1- INTRODUCTION

The extensive media coverage of corporate scandals and the advent of more intrusive government regulation have placed the issue of transparency and voluntary disclosure near the top of the agenda for large firms. the debate about the disclosure and transparency (T&D) importance comes along with the rising pressure on firms to behave socially, which entails measuring and demonstrating how their activities affect different stakeholders including societies and the environment. Today, transparency and disclosure are taking on a new meaning of more comprehensive and proactive disclosures instead of the release of corporate governance details or policies in a 'reactive' fashion. The new concept of transparency and disclosure puts more responsibilities on the corporation not only let the truth be available to the public but imposes to disclose it to every stakeholder and different stakeholder groups. (Fung, B., 2014, p72)[1]. This extends the accountability of managers to incorporate social and environmental dimensions in their accounting measurements and disclosures.(Habbash, M. 2016, p740)[2], which goes to the heart of CSR, by presuming a conscious search for a balance, beyond short-term efficiency, in order to achieve long-term, sustainable success, based on a balanced respect for the interest of all parties involved in the company (Van den Berghe, L., & Louche, C. 2005, p426)[3], since T&D are critical elements of a robust corporate governance framework as it provides the basis for informed decision making by shareholders, stakeholders and investors regarding capital allocation, corporate transactions, and financial performance monitoring, as the availability of information is alleged to be a key determinant of the efficiency of resource-allocation decisions and growth in economy.(Bushman, R. M., Piotroski, J. D., & Smith, A. J. 2004, p208)[4].

However, this topic of T&D has been closely examined by scholars for decades, when most information released by firms generally targets the investment community, which includes financial analysts, creditors, investors, and government regulators. The information released is generally mandatory, which is imposed by regulatory bodies. (Kaymak, T., & Bektas, E., 2017, p06)[5], The recent collapse of many firms has proven the importance of information transparency,

more voluntary disclosure increases the transparency of the company that reduces the information asymmetry between insiders and outsiders, this could promote the management accountability and reduce the monitoring costs of investors. While this type of disclosure may not be mandatory, it is recommended as best practice. (Cheung, Y.-L., Jiang, P., & Tan, W., 2010, p260)[6]

Faced with the increasing pressure for CSR, T&D and a broader role of business in society, it is no longer sufficient for a ‘‘responsible firm’’ to live by the law and focus on financial profit to create value for shareholders, this is also true for the Algerian economic sector and companies, like any other business, they are subject to increasing societal scrutiny. However, traditional corporate governance as well as traditional management tools and accounting principles do not allow CSR to be managed efficiently and effectively, (Van den Berghe, L., & Louche, C. 2005, p426), (This is the central thesis we want to discuss in this article). Thus, the problematic of this paper is:

- Does transparency and disclosure within Naftal Annaba affect its CSR practices?

In this paper, we aim to examine the impact of transparency and disclosure practices on the adoption of the corporate social responsibility dimensions within Naftal Annaba, thus, The study derives its importance from the importance of the examined variables in nowadays business environment, besides the crucial role of Naftal company's in the sustainable development of Algeria.

The originality of this research is to evaluate the adoption of T&D, and CSR practices within Naftal Annaba and analyze the leading causes to this adoption, in order to present the appropriate recommendations for Naftal Annaba for better performance. The remainder of the paper is structured as follows: In the second section, we deal with the literature review and previous studies. In the third section, we present the methodology, the variables and the hypotheses to be tested. The results discussion and recommendations will be presented in the fourth and fifth sections.

## 2- Conceptual background and hypotheses generation

### 2-1: Transparency and disclosure (T&D)

Given the enormous volatility in the international capital markets which can give rise to uncertainty, a strong disclosure regime that promotes genuine transparency is pivotal for market-based monitoring of companies and central to shareholders’ ability who can make better decisions and to exercise their ownership rights on an informed basis, In the governance and financial literature, transparency is related to the continuous dissemination through accessibility to media, consistent communication with stakeholders and periodic disclosure of firm-specific information on a voluntary or mandatory basis (Bushman et al. 2004, p210)

According to (Gray et al. 2001,p329 Hackston and Milne, 1996, p78)[7] corporate disclosure can be typically thought of as comprising financial and non-financial information relating to a corporation’s activities, aspirations and public image with regard to environmental, employee, consumer issues, energy usage, equal opportunities, fair trade, corporate governance and the like. corporate disclosure may also take place through different media such as annual report, advertising, focus group, employee councils, booklets, school education and so forth, When “transparency”, according to (Barth, M. E., & Schipper, K, 2008,p173)[8] refers to the extent to which financial reports reveal how corporations' managers discharge their responsibilities in a way that is readily understandable by those using the financial reports.

Parker (2007, p41)[9] points out that corporate reporting involves more than compliance with legal requirements. It incorporates, he adds, the voluntary disclosure of information related to wider organizational issues such as management processes, investors' rights, ownership structure and any other information that discharges corporate management responsibilities, In its turn (OECD, 2006), to improve the transparency issues stated that" corporations must provide adequate, accurate, and timely information to shareholders and the public regarding financial performance, liabilities ownership, and CG issues, since it is in the interest of each organization to provide clear, timely and reliable information that is adequately prepared, and to make relevant information equally accessible to all stakeholders"( Bhasin, M. L. 2010, p150)[10], accordingly, Fung, (2014, p73), sees that transparency ensures that managers will not engage in improper or unlawful behavior since their conduct can be and will be scrutinized. Therefore, to achieve transparency, a company should adopt accurate accounting methods, make full and prompt disclosure of company information and make disclosure of conflict of interests of the directors or controlling shareholders.

There are two types of disclosure – mandatory and voluntary. The information released under mandatory disclosure is set and governed by regulatory agencies, while voluntary disclosure happens when firms provide more information than required as they believe there are benefits from doing so. These benefits associated with reducing information asymmetry include an enhanced reputation, less government regulation, and easier access to capital (Omar, B., & Simon, J. 2011, p166)[11] and lower market risk (Patel, S. A., & Dallas, G. S. 2002, p12)[12]; according to the study represents by Standard & Poor's which shows a clear inverse relationship between T&D rankings and market risk (i.e., companies with lower T&D rankings have higher market risk). the lower the disclosure, the less information there is about the company and therefore the higher the market risk and the higher the cost of capital.( Jiao, Y., 2011, p647)[13], added that, high-quality disclosures may facilitate communication between management and the equity market, thereby reducing mis-valuation and managerial myopia arising from information asymmetry and short-run market pressures, one would expect positive links not only between disclosure quality and stock returns and market value, but also between disclosure quality and future operating performance.

**2-2: Corporate Social Responsibility (CSR)**

Along with the acceleration of T&D issue, one of the most significant and contentious corporate trends of the last decade is the growth of Corporate Social Responsibility (CSR). Debates about CSR continue to grow without a clear consensus on its meaning or value (Carroll, 1979, p497)[14]. Foremost, various definitions of CSR have been presented, (Jenkins, H., & Yakovleva, N. 2006, p272)[15] think that CSR is a helpful conceptual framework for exploring the corporate attitude of companies towards stakeholders, balancing the diverse demands of communities, and the imperative to protect the environment, with the ever-present need to make a profit. Also, for Carroll (2016, p2), Hill et al. (2007, p166)[16]the hierarchical CSR is an economic, legal, moral, and philanthropic actions of firms that influence the quality of life of relevant stakeholders. While the definitions of CSR vary, it generally refers to serving people, communities, and society in ways that go above and beyond what is legally required of a firm.

However, not all scholars have been of the view that good social performance has financial benefits for firms, however. Historically, the eminent economist Milton Friedman has been one of the most outspoken opponents of CSR. Friedman in 1970, first defines CSR as follows: ''Corporate social responsibility is to conduct the business in accordance with shareholders' desires, which generally will be to make as much money as possible while conforming to the basic rules of society, both those embodied in law and those embodied in ethical custom",( Friedman, M, 2007, p178) Friedman argued that the application of CSR imposes an unjustified and fundamentally undemocratic taxation on shareholders, that its implementation costs outweigh any potential tangible benefits and that due to this, it constitutes a misallocation and misappropriation of valuable company resources (Jo, H., & Harjoto, M. A.,2012, p55)[17], supporting scholars to Friedman's point of view, argued that CSR unnecessarily raises a firm's costs, putting the firm in a position of competitive disadvantage vis-a-vis its competitors. Predominantly based on agency theory, some studies have argued that employing valuable firm resources to engage in CSR results in significant managerial benefits rather than financial benefits to the firm's shareholders (Brammer, S., & Millington, A., 2008, p1328).[18]

In contrast, CSR's supportive scholars have argued that CSR can have a positive impact by providing better access to valuable resources, attracting and retaining higher quality employees, creating unforeseen opportunities, and contributing toward gaining social legitimacy (Cheng et al, 2014, p3)[19]. Furthermore, CSR may function similarly to enabling firms to develop intangible assets or attract financial resources from socially responsible investors and attract socially conscious consumers (Kapstein, E. B, 2001, p114)[20]. Consequently, moral and social values of companies are expected to emanate from their managerial structures as well as CSR being an integral part of the organizational culture and reflected in their managerial structures (Parsa et al., 2007, p637)[21].

Furthermore, many scholars argue that the adoption and implementation of CSR strategies that lead to superior CSR performance result in lower idiosyncratic capital constraints (Manetti, G. 2011, p111)[22], as Jones (1995, p411)[23] argues, 'because ethical solutions to commitment problems are more efficient than mechanisms designed to curb opportunism, it follows that firms that contract with their stakeholders on the basis of mutual trust and cooperation will experience reduced agency costs, transaction costs, and costs associated with team production. Second, prior studies have shown that firms with superior CSR performance are more likely to publicly disclose their CSR strategies by issuing sustainability reports and are more likely to provide assurance of such reports by third parties, thereby increasing the credibility of such reports, that are important to the firm's long term success and financial standing. (Brooks, C., & Oikonomou, I. ,2018, p2)[24].

**2-3: The impact of transparency and disclosure on the corporate social responsibility**

Following the stakeholder theory, organizations are viewed as social institutions which have responsibilities, not only to their shareholders, but also to other constituents or stakeholders who can have legitimate claims upon the organization and be in a position to affect organizational outcomes (Carroll, 1979, p498). As Firth (1979, p274)[25] asserts, organizational transparency is very crucial for the stakeholders in a sense that it provides access to corporate information, this motive encourages stakeholders to demand more information and improve the control mechanism over the corporation from the CSR perspective. Transparency is also morally important because it enhances an attitude of honesty, openness and a commitment to truth that is implicit in thinking on CSR. Thus, it has been argued that transparency enhances a sense of accountability and responsibility, again virtues relevant for CSR, the argument here is that transparency makes it much easier for stakeholders to confront a company with its actions, thereby stimulating a sense of responsibility in the company (Dubbink, et al, 2008, p393)[26].

While CSR activities satisfy a firm's stakeholders, who in turn will be more supportive towards the firm's operations, and ultimately increase its valuation. Such a view is rooted in the theory of Coase (1937), As such, stakeholders will be more willing to provide resources and devote efforts to cooperate with the firm and contribute to its value (Renneboog, et al ,2008, p1730)[27]. From a governmental perspective, CSR is closely linked to transparency, a transparent organization provides information in such a way that the stakeholders involved can obtain a proper insight into the issues that are relevant for them (Dubbink, et al, 2008, p391).

Arguing in a similar vein, (Haniffa, R. M., & Cooke, T. E., 2002, p320)[28]assert that higher level of transparency may be able to positively affect firm performance based on the premise that improved disclosure as well as timely reporting may reduce cost of capital and mitigate information asymmetry, Hence, based on this argument, it is expected that firms with a higher level of disclosure and greater timeliness in reporting will gain better market performance, and limiting managers' opportunistic behavior. (Chi, L. C. 2009, p11198[29]; Aksu, M., & Kosedag, A., 2006, p282; Forker, J. J. 1992, p113)[1]. Depending on (Gao et al. 2015, p3[2]; Fung, B., 2014, p73).), firms assigned with higher scores of CSR reports attract greater analyst coverage, a higher level of institutional ownership, and greater stock liquidity. Such mechanisms eventually result in a higher valuation in equity offerings and a lower cost of debt. These economic benefits, though, are largely concentrated in firms with a strong CSR performance.

### 2-4: Proposed Model and Hypotheses to Test

Recognizing the importance of T&D and CSR, it is vital to have a study focusing on developing a framework and benchmarking T&D and CSR practices among large companies. Regarding its strong impact on national economy, which make it an interesting case for applying the analysis of CSR and T&D, Hence, this study attempts to find out whether T&D practices have a positive impact on the CSR practices among Algerian large companies represented here by Naftal Annaba. The findings of this study are important to regulators, investors, academics and others who contend that good T&D is important for increasing investor confidence and market liquidity through enhancing CSR practices.

Since it is not possible to observe T&D impact directly, it is necessary to develop an instrument that can measure objectively this latent variable. According to this model (table 1), the measurement is made through the measurement of two variables, Thus, according to this theoretical framework, this research will test the following main hypotheses:
**The Main Hypothesis:** transparency and disclosure have a statistical significance ($\alpha<0.05$) impact on corporate social responsibility.

**Hypothesis 1 (H1)**: transparency and disclosure have a statistical significance ($\alpha<0.05$) impact on CSR' ethical dimension.

**Hypothesis 2 (H2):** transparency and disclosure have a statistical significance ($\alpha<0.05$) impact on CSR' economic dimension.

**Hypothesis 3 (H3):** transparency and disclosure have a statistical significance ($\alpha<0.05$) impact on CSR' legal dimension.

**Hypothesis 4 (H4)**: transparency and disclosure have a statistical significance ($\alpha<0.05$) impact on CSR' philanthropic dimension.

## 3- Methods and Tools :

### 3-1: Methodology of study

The methodological approach employed in this study is a quantitative approach which is used to collect data in numerical form and measure and analyze the impact of corporate transparency and disclosure on the application of corporate social responsibility dimensions.

### 3-2: Study tool and data collection:

This study applied a quantitative form of research design which specifically encompassed descriptive and causal type of research. Such a design is relevant to achieving the main objective of the study i.e. to investigate the extent of corporate transparency and disclosure and its impact on the corporate social responsibility dimensions application. The questionnaire consists of three major sections. Section A gathers demographic information of the respondents such as gender, age, level of education, years of experience, and occupation, section B gathers information on corporate's level of transparency and disclosure, while section C covers statements on corporate's adoption of CSR activities engaged by business organizations. The statements were divided into four dimensions of CSR: economic, legal, ethical and philanthropic responsibilities.

### 3-3: Study sample:

The sample of this study consists of the executive employees ( Chief Executive Officer, Deputy Chief, Financial Officer, Director of Internal Audit...), working at NAFTAL Annaba during the period of July- September 2018, where we did distribute 75 questionnaires during the period of december 2019, since we investigate the effect of one of the corporate governance principles (transparency and disclosure) and managers performance, also a selection of sample was due to that top leading companies are more likely to engage and disclose CSR information, since NAFTAL as a large company is expected to has a high transparency level and reputation thus display their socially responsible activities, Therefore, the final sample of this study consists of 68 questionnaires is considered reasonable as (Sekaran, U., & Bougie, R. 2016) states that to generate a good result on a study, the sample size used should be a minimum of 30 and a maximum 500.

**3-4: Measuring of Variables**

This section describes the variables used for measuring the presence of corporate transparency and disclosure, and corporate social responsibility.

- Corporate Transparency and Disclosure: This scale was based on (OECD CG principles, 2004), multiple items (five-point Likert-type scales) were used for measurement.

- Corporate Social Responsibility**:** Hence, this scale was based on (Carroll's csr dimensions, 1991), multiple items **(**five-point Likert-type scales**)** were used to measure CSR dimensions application.

**3-5: The Statistical Tools Used:**

In order to answer the questions of the study and to analyze the data, the following statistical tools have been used:

- Descriptive Statistic Measures: Using the arithmetical averages and standard deviations to precise the proportional significance of the sample individuals, response towards the axes and the dimensions of the study variables.

- Simple Linear Regression: Using the simple regression coefficient to measure the impact of the independent variable on the dependent one.

- Cronbach Alpha**:** for testing the reliability of the study tool.

**3-6: Testing the Reliability of the Tools:**

Pre-test was conducted and measures the reliability with Cronbach's Alpha coefficient in order to determine the reliability of the instrument used. The scale results would be statistically accepted if the Cronbach alpha value was more than (0.60) (Sekaran, 2006). Each time this value is closer to 1, it means that the degree of reliability is higher, it is suggested that, the values of 0.6 to 0.7 as the acceptable level for reliability measure, According to the data mentioned in the table (2), we notice that the Cronbach alpha ranges between (0.682– 0.855), and the overall Cronbach's Alpha coefficient of survey instrument is 0.892, this guarantee that the instrument used, questionnaires, is the good tool for data collecting.

## 4-Results and discussion

**4-1: Descriptive Statistics of T&D and CSR dimensions:**

The table (4) provides the descriptive results for T&D and CSR characteristics, it is shown in Table (4) that the existence of transparency and disclosure was average from the point of view of the executive employees. Its mean reaches (3.3852) and a standard deviation of (0.4533). Also, the table (4) shows an average existence of the corporate social responsibility (CSR), since its mean reaches (3.3786) and a standard deviation of (0.54219) .

The results shows a difference in the existence of each dimension of the CSR., the highest is the economic dimension with a high degree with a mean of (3.6433) and a standard deviation of (0.6576) .The second is the legal dimension with a high degree and a mean of (3.531) and a standard deviation of (0.83226). The third is the ethical dimension with a medium degree and a mean of (3.2742) and a standard deviation of (0.5778). When the philanthropic came last with a medium degree and a mean of (3.1997) and a standard deviation of (0.7243). These results reflex the average level of transparency and disclosure that Naftal Annaba offers to its stakeholders, also the average application of the CSR dimensions, However, the economic and legal dimension was highly applied, supported by the workplace and investment regulations.

**4-2: Correlation coefficient of variables:**

Before conducting regression analysis, we undertook bivariate analysis. According to the table (3) that shows the Pearson's correlation coefficient test**,** the dependent variables (CSR Dimensions, ethical, economic, legal and philanthropic) are correlated positively with the transparency and disclosure (at the 0.01 level, 2-tailed). To determine the strength of the relationship the value of correlation coefficient is considered. Values between 0 and 1 (or -1) offer a degree of relationship although the strength of it is questioned by several authors. Pallant (2016, p158-162) offered a suggestion for the evaluation of the strength of the correlation: values between 0,10 and 0,29 represent a weak association, values between 0,30 and 0,49 represent a medium association and values above 0,50 represent a strong association.

Between the dependent variable Corporate social responsibility (CSR), representing the extent of the application of CSR dimensions, and the dependent variable T&D (transparency & disclosure), the study finds a strong, positive correlation, with p = **0.746****, indicating at a level of significance < 0.01 that the level of corporate transparency and disclosure is positively associated with the application of corporate social responsibility dimensions.

**4-3: Testing the hypotheses:**

❖ **The Main Hypothesis:**

To make sure that the main hypothesis is true, which is: transparency and disclosure has a statistical significance ($\alpha<0.05$) impact on corporate social responsibility, table (5) shows the simple regression of the impact of the transparency and disclosure on corporate social responsibility:

- In connection with F-statistic (**F-Value = 62.874*****), the overall model could account for transparency and disclosure that had an effect on corporate social responsibility application., Table (5) clearly indicates that the value of the determination coefficient is (**$R^2$ = 0.538**), i.e. Transparency and disclosure has an explanatory power of 53,8% of the variance in the extent of corporate social responsibility.
- Since the value **(t=7.023***)**, significance level ( **0.000**), strong positive **(β) value (0,842)**, the information regarding the contribution of the independent variable transparency and disclosure to the prediction of the dependent variable (CSR) can be found, which led to the approval of the main hypothesis, which emphasizes the existence of transparency and disclosure has a statistical significance ($\alpha<0.05$) effect on corporate social responsibility, but this significance is still medium, which can be justified by the medium adoption of both (D&T) and CSR among Naftal company, which is due to the lack of transparency and disclosure among Naftal company, when their official website contains only some old news, no annual report, no financial report, no social reporting or statistics since 2012, while being the second largest Algerian company after Sonatrach and the top leader of petroleum products marketing and distribution market.

The study findings still consistent with the literature, demonstrating that the corporate transparency and disclosure is still a determinant of a company's extent of CSR.

❖ **The first secondary hypothesis:**

To make sure that the first secondary hypothesis is true, which is: transparency and disclosure has a statistical significance **($\alpha<0.05$)** impact on CSR' **ethical** dimension, table (6) shows the simple regression of the impact of the transparency and disclosure on CSR' ethical dimension, which indicates that :

- The value of the determination coefficient is **($R^2$ = 0.317)**, i.e. Transparency and disclosure has an explanatory power of 31.7% of the variance in the extent of CSR' ethical dimension.
- The value **(t=3.754***)**, significance level **( 0.000)**, and positive **(β) value (0.49),** prove that the information regarding the contribution of the independent variable Transparency and disclosure to the prediction of the dependent variable CSR' ethical dimension can be found, which led to the

approval of the first secondary hypothesis, which emphasizes the existence of transparency and disclosure has a statistical significance ($\alpha<0.05$) effect on CSR' ethical dimension.

But this significance still weak, due to:

- The lack of disclosure about social auditing and social performance, in order to fight corruption, improve accountability, and participates in sustainable development since it has the biggest market share in Algeria.
- The reports of Naftal shows the absence of a training and retraining program for NAFTAL senior managers, and increasingly targeting experience at the expense of young people, thus reducing their capacities in terms of creativity and innovation. which led to increase the annual turnover rate, which can affect the stability of the workforce.

- On the other hand, Naftal declares that many social benefits are offered to its employees, which is a key factor in retaining staff, also, its reports, shows an equality of opportunity between women and men in terms of remuneration, access to positions of responsibility.

❖ **The second secondary hypothesis:**

To make sure that the second secondary hypothesis is true, which is: transparency and disclosure has a statistical significance ($\alpha<0.05$) impact on CSR' **economic** dimension, table (7) shows the simple regression of the impact of the transparency and disclosure on CSR' economic dimension which indicates that:

- The value of the determination coefficient is (**$R^2$ = 0.392**), i.e. Transparency and disclosure has an explanatory power of 39.2% of the variance in the extent of CSR' economic dimension.
- The value (**t=6.107*****), significance level (**0.000**), and positive **(β) value (0,668)**, prove that the information regarding the contribution of the independent variable Transparency and disclosure to the prediction of the dependent variable CSR' economic dimension can be found, which led to the approval of the second secondary hypothesis, which emphasizes the existence of transparency and disclosure has a statistical significance ($\alpha<0.05$) impact on CSR' economic dimension.

But this significance still weak, and based on the collected data about Naftal company, we suppose that this weak impact is due to the following reasons:

- Naftal plays a main role in the national economy by its crucial contribution to the national strategy for the promotion of LPG / c implemented by the state as well as it should participate in the development of regulations and laws relating to the distribution of petroleum products, and as Naftal benefits from significant financial and logistical support from the state, which constitutes a major asset for the development of the company, it is necessary to provide a high level of transparency through a detailed periodic disclosure about its charges and profits, strategic and financial performances and results, plans and future investments, the levels of profitability and gross operating surplus recorded by the company…ect, which are of crucial importance for all stakeholders in order to evaluate the performance of company and its executives.

- The decrease in the number of private carriers hired by the company and the lack of transparency about its conditions, had a negative effect on small private service providers.
- **On the other hand**, the disclosed statistics on the naftal official website and media reports. reflect a stable financial situation as well as a significant internal capacity to create financing resources. These results and informations confirm the effectiveness of the reforms undertaken with the aim of improving the financial state, which lead to enforce its stakeholders trust (including society, employees, authorities, syndical force...) and improve company's image.

❖ **The third secondary hypothesis:**

To make sure that the third secondary hypothesis is true, which is: "transparency and disclosure has a statistical significance ($\alpha<0.05$) impact on CSR' **legal** dimension."**,** table (8) shows the simple regression of the impact of the transparency and disclosure on CSR' **legal** dimension indicates that:

- The value of the determination coefficient is (**$R^2$ = 0.343**), i.e. Transparency and disclosure has an explanatory power of 34.3% of the variance in the extent of CSR' legal dimension.

- The value (**t=4.397*****), significance level (**0.000**), and positive **(β) value (0,524),** prove that the information regarding the contribution of the independent variable Transparency and disclosure to the prediction of the dependent variable CSR' legal dimension can be found, which led to the approval of the third secondary hypothesis, which emphasizes the existence of transparency and disclosure has a statistical significance ($\alpha<0.05$) impact on CSR' legal dimension.

According to $R^2$ value = 0.305, this impact is weak, and we suppose it is due to the following causes:

- Since it is a public enterprise, and the public statute of the company prevents private investors from buying shares in NAFTAL, since its policy is guided by the public authorities, which means that its contribution to the national economy sometimes depends on the policy of the state, the ambiguity and the lack of transparency and the instability in the Algerian regulations and economic strategy of the country, give advantage to corrupted executives among Naftal and other public companies like carry out transactions without disclosing the necessary documents or conditions of the agreements.

- The lack of disclosure and transparency about the employees' rights, the wage scale, benefits and compensation received by managers encourages embezzlement, bribery and decrease accountability and syndical force among Naftal Aannaba and all the Algerian companies in general.

❖ **The fourth secondary hypothesis:**

To make sure that the fourth secondary hypothesis is true, which is: transparency and disclosure has a statistical significance ($\alpha<0.05$) impact on CSR' **philanthropic** dimension, table (9) shows the simple regression of the impact of the transparency and disclosure on CSR' philanthropic dimension indicates that:

- The value of the determination coefficient is (**$R^2$ = 0.318**), i.e. Transparency and disclosure has an explanatory power of 31,8% of the variance in the extent of CSR' philanthropic dimension.
- The value (**t=4.835*****), significance level **(0.000**), and the positive **(β) value (0,473),** prove that the information regarding the contribution of the independent variable (T&D) to the prediction of the dependent variable CSR' philanthropic dimension can be found, which led to the approval of the first secondary hypothesis, which emphasizes the existence of transparency and disclosure has a statistical significance ($\alpha<0.05$) impact on CSR' philanthropic dimension.

But again like the other dimensions, the impact of (T&D) on the **philanthropic** dimension is still weak, based on the collected data about Naftal company, we suppose that this weak impact is due to the lack of transparency and disclosure among naftal company as we mentioned it before, especially the disclosure about its philanthropic initiatives toward society and those with special needs and respecting their right in recruitment, beside the lack of disclosure about its social performance, which would makes it easier and more possible to evaluate its commitment to its role as a good citizen as it should, and took responsibility to participate in protecting the environment and society and creating new production and distribution methods in order to minimize the harmful effects of its activity, since it is the second largest national public company after Sonatrach.

Naftal, and despite the fact that it has obtained the ISO 14001 quality certificate, safety, environmental protection and sustainability in 2012 and ISO 26000 certification in 2014, concerning social responsibility and the protection of all stakeholders (suppliers' customers, society, environment ...) has not prevented Naftal from achieving negative environmental results in recent years such as:

- Strong growth in the consumption of lubricants, thus threatening the progress recorded in terms of energy management and reduction of $CO_2$ emissions.

- Despite a considerable improvement in terms of indirect energy savings, the level of domestic electricity consumption recorded is still high, NAFTAL must make further progress in this area.

- The absence of a specific treatment system for recovered used oils, which explains the recourse to the export of this waste instead of recycling.

- Most of the fuels marketed by NAFTAL are polluting products. As for the marketing of biofuels; it still remains far from expectations. Much work must be done in the years to come in order to direct consumption towards more "ecological" products.

- The absence of statistics on waste treatment, consumption of raw materials and accidental spills.

**4-4: Results Discussion**

The current study demonstrated the adoption of the companies under study the principle of disclosure, transparency and social responsibility of companies, and this is due to the nature of the activity of these companies based on providing a strategic and vital products for individuals and productive units , furthermore, as the study shows a direct and strong impact of disclosure and transparency on CSR dimensions, due to to the importance of Naftal activity which is based on gaining the stakeholders trust and loyalty by providing them the best products, and every necessary information and and without harming the environment and society its belongs, since Naftal makes part of the largest companies in Algeria, ie: obliged to behave socially and economically responsible and participate in the national development.

The study highlighted the lack of disclosure and transparency within Naftal, which greatly contributed to reducing the power of "control and responsibility" right granted to stakeholders by the corporate governance mechanisms, the latter which has granted great importance to stakeholders (shareholders, suppliers, authorities, auditors, competitors, NGO's..) to keep the company on the right track by keeping an eye on managers and executives in order to minimize deviations and detect them earlier, and as it can be seen through results, the role of stakeholders in Naftal company is barely noticeable, despite the fact that Naftal company is, the second largest company in Algeria, these findings are similar with (Bekkar et al, 2018) study, which confirmed Naftal's heading toward implementing corporate social responsibility dimensions, but at a slow pace, also it favors the application of the economic dimension more than the other dimensions, despite its commitment to the requirements of obtaining ISO certificates and the integration of environmental management into its organizational structure.

As well regarding organizational conditions within Naftal, and contrary to what Naftal declares on its website and reports about the training of its employees, the study of "Hamiche & Zerarka, 2018"found that the working environment or the conditions of exercise within Naftal, do not help employees much to consolidate their skills at work, according to their answers on the survey, they do not find conditions that can put their knowledge into practice, the study deduced the unavailability of a favorable environment to support employees in the development and transfer of their knowledge in the workplace, and about this issue, we recommended Naftal company to adhere to the principles of the Global Reporting Initiative in order to benefit from the coaching of sustainable development experts, also the training of executives and senior managers in SD.

However, we conclude through this study result, that Naftal shows less importance for its stakeholders and social responsibility, especially the ethical and philanthropic dimensions, due to the lack of transparency and disclosure; accountability; binding legal rules; and severe penalties for violating environmental and community laws; the absence of a clear vision and a strategy for establishing the social responsibility among the organizational culture, and lack of official recognition of the need for social responsibility and the initiatives to promote its adoption within the Algerian business sector, makes every CSR action is considered as philanthropic initiative. therefore, the Algerian business sector strongly needs a modern and rigorous management approach that brings out Algerian companies from the corruption area and promote transparency and responsibility.

# 5- Conclusion

## 5-1: Results

The present study has attained the following results:

- The T&D's importance has been widely recognized by both academics and market regulators, resulting in numerous rules and regulations being introduced over time to ensure timely and reliable disclosure of financial information, creating standards to which companies must adhere.
- The level of the transparency and disclosure in Naftal Annaba from the perspective of the executives is average, this reflects the existence of disclosure and transparency, but also the lack of reporting and regulations that obligates and enforces this existence.
- the level of the corporate social responsibility among Naftal Annaba from the perspective of the executives is average. This reflects that the CSR practices are present among this corporate.
- the results have revealed that the existence of the economic dimension comes at the first place. Then, followed by the legal dimension with high presence level, followed respectively by ethical and philanthropic dimensions. This implies that Naftal Annaba respects the regulations organizing the relationships between corporate and its employees and clients, but less committed to the ethical and philanthropic dimension, because of the lack of mandatory regulations in this field.
- The study has revealed that there is an average impact of the transparency and disclosure on the corporate social responsibility.
- The study has revealed the weak impact of the transparency and disclosure on the CSR' ethical, economic, legal and philanthropic dimensions.
- This study found that the economic dimension was the most affected dimension by transparency and disclosure, followed by ethical dimension, then legal and philanthropic. Naftal Annaba seemed to have the viewing in CSR priority nearly similar to Carroll's pyramid which suggested that for business institutions, economic responsibility is their most basic responsibility, followed by legal, ethical, and philanthropic responsibility.

## 5-2: Recommendations:

According to the study findings, the following recommendations are presented:

- Obliging Naftal company to periodically disclose its operational and financial informations, their strategies and their performance, especially the social and the environmental, through periodic reporting that measures the extent of companies' compliance with the principle of transparency and disclosure, exactly as it is applied in all the international companies.
- Recruiting competent internal auditors with academic qualifications in the areas of accounting and auditing, international standards and professional ethics to ensure the reliability of reports and companies' compliance with laws and regulations, thus improving application of the legal and economic dimension of social responsibility.
- Intensifying initiatives aimed at adopting the dimensions of CSR and incorporating them into the strategy of Naftal, through a mandatory adoption of the social responsibility not only ISO 26000 certificate, as a start to create a responsible corporate culture and awareness of the role of these corporates in building a stable financial system.
- Support local communities through the implementation of solidarity and philantropic projects.

Communication and dialogue with stakeholders in order to find other ways to compromise, and try to improve its participation in public, political and social debate, as it is Concerned with contribution to achieving development at all levels.

**Table (01): the Study tool construction**

| Variables | Variables Measurement | Sources | Item |
|---|---|---|---|
| Transparency and disclosure | Disclosure, reporting, auditing, stakeholders welfare | OECD (2004, pp12-18) | **1-14** |
| Corporate social responsibility | Ethical, Economic, Legal and philanthropic dimension | Carroll's pyramid of CSR (1991, pp40-42) | **15-24** |

**Table (02): coefficients of the reliability of the study tool.**

Source: realized by the researchers on the basis of the SPSS results.

**Table (03): Correlation Coefficients of Variables**

| | **1** | **2** | **3** | **4** | **5** | **6** |
|---|---|---|---|---|---|---|
| 1.Transparency and disclosure | **1** | | | | | |
| 2. CSR | **0.746**** | 1 | | | | |
| 3. Ethical | **0.587**** | 0.733** | 1 | | | |
| 4. Economic | **0.623**** | 0.758** | 0.479** | 1 | | |
| 5. Legal | **0.577**** | 0.836** | 0.343** | 0.577** | 1 | |
| 6. Philanthropic | **0.559**** | 0.686** | 0.416** | 0.313** | 0.372** | 1 |

Source: realized by the researchers on the basis of the SPSS results.

** Correlation is significant at the 0.01 level (2-tailed)

**Table (04): Descriptive Statistics of Variables**

| **Study Tool variables** | **Mean** | **Std. Deviation** | **Estimation** |
|---|---|---|---|
| Transparency and disclosure | 3.3852 | 0.45333 | medium |
| CSR | 3.3786 | 0.54219 | medium |
| Ethical | 3.2742 | 0.57788 | medium |
| Economic | 3.6433 | 0.65763 | high |
| Legal | 3.5231 | 0.83264 | high |
| Philanthropic | 3.1997 | 0.72437 | medium |

**Source**: realized by the researcher on the basis of the SPSS results. (*sig α<0.05)

**Table (05): the results of the simple regression analysis of testing the impact of transparency and disclosure on CSR**

| The dependent variable : CSR | | | | | |
|---|---|---|---|---|---|
| The independent variable: Transparency and disclosure | (Beta) value | B | (T) value | (F) value | sig |
| | 0.842 | 0.873 | 7.023*** | 62.874*** | 0.000*** |
| | $R^2$=0.538 | | | | |

**Source**: realized by the researcher on the basis of the SPSS results. (*sig α<0.05)

| **Reliability Of The Study Tool** | | **Cronbach Alpha Coefficient of The Reliability** |
|---|---|---|
| CSR Dimensions | Ethical | 0.723 |
| | Economic | 0.682 |
| | Legal | 0.833 |
| | Philanthropic | 0.719 |
| | CSR total reliability | **0.855** |
| Transparency and disclosure | | **0.764** |
| Total reliability of the study tool | | **0.892** |

**Table (06): the results of the simple regression analysis of testing the impact of transparency and disclosure on Ethical dimension**

| The dependent variable : Ethical dimension | | | | |
|---|---|---|---|---|
| The independent variable: Transparency and disclosure | (Beta) value | B | (T) value | sig |
| | 0.649 | 0.784 | 3.754*** | 0.000*** |
| | $R^2$=0.317 | | | |

**Source**: realized by the researcher on the basis of the SPSS results. (** sig α<0.01)

**Table (07): the results of the simple regression analysis of testing the impact of transparency and disclosure on economic dimension**

| The dependent variable : Economic dimension | | | | |
|---|---|---|---|---|
| The independent variable: Transparency and disclosure | (Beta) value | B | (T) value | sig |
| | 0.668 | 0.843 | 6.107*** | 0.000*** |
| | $R^2$=0.392 | | | |

**Source**: realized by the researcher on the basis of the SPSS results. (** sig α<0.01)

**Table (08): the results of the simple regression analysis of testing the impact of the transparency and disclosure on legal dimension**

| The dependent variable : legal dimensions | | | | |
|---|---|---|---|---|
| The independent variable: Transparency and disclosure | (Beta) value | B | (T) value | sig |
| | 0.524 | 0.976 | 4.397*** | 0.000*** |
| | $R^2$=0.343 | | | |

**Source**: realized by the researcher on the basis of the SPSS results. (** sig α<0.01)

## Referrals and references:

[1] Fung, B. (2014). The demand and need for transparency and disclosure in corporate governance. Universal Journal of Management, 2(2), 72-80. DOI: 10.13189/ujm.2014.020203

[1] Habbash, M. (2016). Corporate governance and corporate social responsibility disclosure: evidence from Saudi Arabia. Social Responsibility Journal, 12(4), 740-754. http://dx.doi.org/10.1108/SRJ-07-2015-0088

[1] Van den Berghe, L., & Louche, C. (2005). The link between corporate governance and corporate social responsibility in insurance. The Geneva Papers on Risk and Insurance-Issues and Practice, 30(3),425-442. doi.org/10.1057/palgrave.gpp.2510034

[1] Bushman, R. M., Piotroski, J. D., & Smith, A. J. (2004). What determines corporate transparency?. Journal of accounting research, 42(2), 207-252. doi/abs/10.1111/j.1475-679X.2004.00136.x

[1] Kaymak, T., & Bektas, E. (2017). Corporate social responsibility and governance: information disclosure in multinational corporations. Corporate Social Responsibility and Environmental Management, 24(6), 555-569. doi/abs/10.1002/csr.1428

[1] Cheung, Y. L., Jiang, P., & Tan, W. (2010). A transparency disclosure index measuring disclosures: Chinese listed companies. Journal of Accounting and Public Policy, 29(3), 259-280. doi.org/10.1016/j.jaccpubpol.2010.02.001

[1] Gray, R., Javad, M., Power, D. M., & Sinclair, C. D. (2001). Social and environmental disclosure and corporate characteristics: A research note and extension. Journal of business finance & accounting, 28(3-4), 327-356. doi/abs/10.1111/1468-5957.00376

[1] Hackston, D., & Milne, M. J. (1996). Some determinants of social and environmental disclosures in New Zealand companies. Accounting, Auditing& Accountability Journal, 9(1), 77-108. doi/10.1108/09513579610109987/full/html

[1] Barth, M. E., & Schipper, K. (2008). Financial reporting transparency. Journal of Accounting, Auditing & Finance, 23(2), 173-190. doi/abs/10.1177/0148558x0802300203

[1] Parker, L. D. (2007). Financial and external reporting research: the broadening corporate governance challenge. Accounting and Business Research, 37(1), 39-54. doi/abs/10.1080/00014788.2007.9730057

[1] Bhasin, M. L. (2010). Corporate governance disclosure practices: The portrait of a developing country. International Journal of Business and Management, 5(4), 150. doi=10.1.1.687.8084&rep=rep1&type=pdf

[1] Omar, B., & Simon, J. (2011). Corporate aggregate disclosure practices in Jordan. Advances in Accounting, 27(1), 166-186. https://doi.org/10.1016/j.adiac.2011.05.002

[1] Patel, S. A., & Dallas, G. S. (2002). Transparency and disclosure: Overview of methodology and study results-United States. Available at SSRN 422800. http://dx.doi.org/10.2139/ssrn.422800

[1] Jiao, Y. (2011). Corporate disclosure, market valuation, and firm performance. Financial Management, 40(3), 647-676. doi/abs/10.1111/j.1755-053X.2011.01156.x

[1] Carroll, A. B. (1979). A three-dimensional conceptual model of corporate performance. Academy of management review, 4(4), 497-505. doi/abs/10.5465/amr.1979.4498296

[1] Jenkins, H., & Yakovleva, N. (2006). Corporate social responsibility in the mining industry, Exploring trends in social and environmental disclosure. Journal of cleaner production, 14(3-4), 271-284 doi.org/10.1016/j.jclepro.2004.10.004

[1] Carroll, A. B. (2016). Carroll’s pyramid of CSR: taking another look. International journal of corporate social responsibility, 1(1), 3. https://doi.org/10.1186/s40991-016-0004-6

[1] Hill, R. P., Ainscough, T., Shank, T., & Manullang, D. (2007). Corporate social responsibility and socially responsible investing: a global perspective. Journal of Business Ethics, 70(2), 165-174. https://doi.org/10.1007/s10551-006-9103-8

[1] Friedman, M. (2007). The social responsibility of business is to increase its profits. In Corporate ethics and corporate governance (pp. 173-178). Springer, Berlin, Heidelberg. https://doi.org/10.1007/978-3-540-70818-6_14

[1] Jo, H., & Harjoto, M. A. (2012). The causal effect of corporate governance on corporate social responsibility. Journal of business ethics, 106(1), 53-72. DOI 10.1007/s10551-011-1052-1

[1] Brammer, S., & Millington, A. (2008). Does it pay to be different? An analysis of the relationship between corporate social and financial performance. Strategic Management Journal, 29(12), 1325-1343. doi.org/10.1002/smj.714

[1] Cheng, B., Ioannou, I., & Serafeim, G. (2014). Corporate social responsibility and access to finance. Strategic management journal, 35(1), 1-23. doi/abs/10.1002/smj.2131

[1] Kapstein, E. B. (2001). The corporate ethics crusade. Foreign affairs, 105-119 https://www.jstor.org/stable/20050254

[1] Parsa, S., Chong, G., & Isimoya, E. (2007). Disclosure of governance information by small and medium-sized companies. Corporate Governance: The international journal of business in society, 7(5), 635-648. doi/10.1108/14720700710827211/full/html

[1] Manetti, G. (2011). The quality of stakeholder engagement in sustainability reporting: empirical evidence and critical points. Corporate Social Responsibility and Environmental Management, 18(2), 110-122. doi.org/10.1002/csr.255

[1] Jones, T. M. (1995). Instrumental stakeholder theory: A synthesis of ethics and economics. Academy of management review, 20(2), 404-437. doi/abs/10.5465/amr.1995.9507312924

[1] Brooks, C., & Oikonomou, I. (2018). The effects of environmental, social and governance disclosures and performance on firm value: A review of the literature in accounting and finance. The British Accounting Review, 50(1), 1-15. https://doi.org/10.1016/j.bar.2017.11.005

[1] Firth, M. (1979). The impact of size, stock market listing, and auditors on voluntary disclosure in corporate annual reports. Accounting and business research, 9(36), 273-280. https://doi.org/10.1080/00014788.1979.9729168

[1] Dubbink, W., Graafland, J., & Van Liedekerke, L. (2008). CSR, transparency and the role of intermediate organisations. Journal of Business Ethics, 82(2), 391-406. https://doi.org/10.1007/s10551-008-9893-y

[1] Renneboog, L., Ter Horst, J., & Zhang, C. (2008). Socially responsible investments: Institutional aspects, performance and investor behavior. Journal of banking & finance, 32(9), 1723-1742. doi.org/10.1016/j.jbankfin.2007.12.039

[1] Haniffa, R. M., & Cooke, T. E. (2002). Culture, corporate governance and disclosure in Malaysian corporations. Abacus, 38(3), 317-349. doi/abs/10.1111/1467-6281.00112

[1] Chi, L. C. (2009). Do transparency and disclosure predict firm performance? Evidence from the Taiwan market. Expert Systems with Applications, 36(8), 11198-11203. https://doi.org/10.1016/j.eswa.2009.02.099

[1] Aksu, M., & Kosedag, A. (2006). Transparency and disclosure scores and their determinants in the Istanbul Stock Exchange. Corporate Governance: An International Review, 14(4), 277-296. https://doi.org/10.1111/j.1467-8683.2006.00507.x

[1] Forker, J. J. (1992). Corporate governance and disclosure quality. Accounting and Business research, 22(86), 111-124. https://doi.org/10.1080/00014788.1992.9729426

[1] Gao, F., Dong, Y., Ni, C., & Fu, R. (2015). Determinants and economic consequences of non-financial disclosure quality. European Accounting Review, 25(2), 287-317. https://doi.org/10.1080/09638180.2015.1013049

[1] OECD, O. (2004). The OECD principles of corporate governance. Contaduría y Administración, (216). https://www.complianceonline.com/dictionary/Disclosure_and_Transparency.html

[1] Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. Business horizons, 34(4), 39-48.

[1] Sekaran, U., & Bougie, R. (2016). Research methods for business: A skill building approach. John Wiley & Sons.

[1] Pallant, J. (2016) SPSS Survival Manual – 6th edition, New York: McGraw-Hill Education.

[1] Bekkar, K., Maaloul, A. & Aouissi, H. (2018). The Impact of Knowledge Management on Social Responsibility, Master Thesis, Department of Economic Sciences, Hamma Lakhdar Eloued University, Algeria. (Written in arabic).

[1] Hamiche, M. & Zerarka, F. (2018). The role of Life-long Learning in the Development of Labor Skills: The Case of the Company Naftal, Bejaia, social sciences review, Vol 15, N° 26, 2018, University of Setif, PP166-181, Visited:05/04/2020, https://www.asjp.cerist.dz/en/article/48770 (Written in french)

. **How to cite this article by the APA method:**

Amira BELGAT & Kamel HAMANA (2021), **The Role of Transparency and Disclosure In The Adoption Of Social Responsibility Dimensions -A Case Study of Naftal Annaba-**
Algerian review of economic development, Volume 08 (Number 02), Algeria: Kasdi Marbah University Ouargla, pp. 399-414.