

Int. J. Advance Soft Compu. Appl, Vol. 16, No. 3, November 2024
Print ISSN: 2710-1274, Online ISSN: 2074-8523
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Disclosure of the Dimensions of Social Responsibility and Its Impact on Economic Value Added: Evidence from Industrial Companies

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Abstract

This study aimed to examine the impact of disclosing the dimensions of corporate social responsibility, as outlined in the international standard ISO26000, on the economic value-added EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange. The dimensions explored include environmental issues, community participation and development, corporate governance, consumer issues, labor practices, fair operational practices, and human rights. The study population consisted of 53 industrial companies listed on the Amman Stock Exchange, with a sample of 14 pharmaceutical and chemical companies. To achieve the study's objectives, the researchers collected data from the companies' annual financial reports spanning the period 2018-2022 and analyzed them using simple and multiple linear regression.

The findings revealed that the disclosure of corporate governance, environmental issues, consumer issues, and community participation and development had a significant impact on the (EVA) of the pharmaceutical and chemical companies. However, the results showed no impact of the disclosure of human rights, fair operational practices, and labor practices on the EVA of these companies. These results suggest that the current legislative framework for the disclosure of corporate social responsibility dimensions has a clear deficiency, as it primarily focuses on environmental activities and community participation, neglecting the other aspects outlined in the international standard ISO26000. Addressing this gap could lead to a positive impact on the companies' performance and, consequently, improve their EVA. The study's findings call for the development of a more comprehensive legislative framework that requires the disclosure of all the dimensions of corporate social responsibility, as outlined in ISO26000. This would likely contribute to enhancing the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange.

Keywords: *Disclosure of social responsibility, Economic value added, Industrial companies.*

1 Introduction

Accounting literature suggests that developments in accounting thought and practical application often respond to changes in the business environment [1]. Accounting disclosures aim to provide stakeholders with information to assess the financial viability of companies and guide their investment decisions [2]. Importantly, corporate social responsibility (CSR) disclosures serve the broader interests of society, not just specific investor groups (Gray et al., 2009). As companies have grown in size and complexity, they have taken on greater social responsibilities, either voluntarily or through regulation, to contribute to societal wellbeing [3], [4].

Increasingly, experts agree that company performance measures extend beyond just economic and financial factors; social performance indicators play a crucial role in evaluating goal achievement and business sustainability [5]. Accounting for social responsibility is a contemporary issue that requires significant effort by professional bodies to develop measurement and disclosure standards [6]. This topic has gained substantial attention, with international associations working to establish accounting policies to regulate social responsibility reporting [7].

EVA is an important financial metric that reflects profit from an economic perspective, helping managers set goals and make decisions to enhance shareholder wealth [8]. EVA focuses on the returns a company generates above its cost of capital for proposed investments [9]. As a measure of financial performance from an economic rather than accounting standpoint, EVA provides a powerful tool to understand the financial returns influencing shareholder wealth, which is crucial for improving results and generating greater returns. EVA is not just a performance measure but an integrated financial management system [10]. This study therefore examines the impact of disclosing CSR dimensions, as per the ISO26000 standard, on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange. [11], [12].

2 Study Problem and Questions

The study aims to assess and interpret the changes that occur in a company's EVA due to its commitment and implementation of social responsibility practices. This matter may help investors, users of financial statements, and other stakeholders make appropriate decisions regarding investment, financing, or trading shares listed on the Amman Stock Exchange. Currently, there are no accounting policies and procedures issued by international professional associations that define the scope of disclosing social responsibility dimensions within the framework of activities with social content for companies. Such activities can lead to operations that fall within the scope of accounting activity. Identifying the scope of these activities is necessary as a first step to determine the type of social information that must be disclosed, in order to reach an accounting model that

considers all measurable areas of social responsibility. This model should report on these areas in a practical and useful way for evaluating companies' social performance [13-15].

The current deficiency in traditional accounting's measurement characteristics and tools, regarding a company's contribution to fulfilling its social responsibilities, has undoubtedly affected the outputs of the accounting system. The system currently lacks information and data on companies' social performance in a way that meets the interests of those concerned with the economics of these companies [6]. Despite differences in the mechanism of disclosing social events, it is necessary in all cases to deal with social performance data in accounting and disclose the social costs and benefits achieved by the company during the production process. This information should be provided to stakeholders to enable them to be aware of the real results of these companies' performance, so that they can optimally use the available resources [16-19].

Sustainability has become an important area for companies in the current decade, given their need to fulfill obligations towards social responsibility and social welfare [20]. Companies with better performance in the field of corporate social responsibility tend to disclose more information because they want to express their positive image as a responsible company in front of investors and other stakeholders [21-23], [7]. From this standpoint, this study aims to answer the following main question:

What is the impact of disclosing the dimensions of social responsibility of pharmaceutical and chemical companies listed on the Amman Stock Exchange on their EVA? The following sub-questions are derived from this main question:

1. What is the impact of disclosing the dimensions of social responsibility related to corporate governance on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange?
2. What is the impact of disclosing the dimensions of social responsibility related to human rights issues on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange?
3. What is the impact of disclosing the dimensions of social responsibility related to labor practices on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange?
4. What is the impact of disclosing the dimensions of social responsibility related to environmental issues on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange?
5. What is the impact of disclosing the dimensions of social responsibility related to fair operating practices on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange?

6. What is the impact of disclosing the dimensions of social responsibility related to consumer issues on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange?
7. What is the impact of disclosing the dimensions of social responsibility related to community participation and development on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange?

3 Theoretical Framework and Previous Studies

3.1 The Concept and Definition of Disclosure of the Dimensions of Social Responsibility

Many stakeholders heavily rely on the information and data provided by companies. Thus, the disclosure of social costs and benefits plays a prominent role in making the social data and information contained in the financial statements prepared for this purpose highly important to the parties interested in determining their current and future positions on the economics of these companies [24], [25]. Social responsibility accounting has been defined by the Global Reporting Initiative (GRI) standards as a company providing documented reports on its environmental and social impacts and then its positive or negative contribution to achieving sustainable development. It was also defined as the company's responsibility towards the impacts of its decisions and activities on society and the environment, through ethical behavior characterized by transparency, which would contribute to sustainable development, including the health and well-being of society, and is consistent with applicable laws and standards of ethical behavior [6], [26].

The disclosure of social responsibility dimensions was defined as adopting a policy of complete transparency and showing all information related to the company's social activities to various stakeholders based on a set of agreed-upon methods. This is done to communicate information about the impact of the company's activity on society to internal and external parties periodically and at specific intervals to evaluate the social performance of the company [27], [28]. The disclosure of social responsibility dimensions was also defined as providing quantitative and non-quantitative financial data and information to its users in a complete, correct, appropriate, and non-misleading manner about everything the company does towards the internal and external environment in which it operates. This refers to this responsibility in its annual reports and includes procedures towards the environment, workers, society, and improvement of services [29], [30]. From these previous concepts and definitions, we note that social responsibility accounting expresses the set of activities concerned with measuring and analyzing the social performance of companies and communicating various information of a social nature to the relevant parties to help them make various decisions. Determining, measuring, and disclosing social costs and benefits in the financial statements is considered one of the social responsibilities of contemporary companies

with the aim of influencing the behavior of the users of these statements and society in general. [31-34]

3.2 Dimensions of Disclosure of Social Responsibility

The dimensions of accounting and disclosure of corporate social responsibility are variable in nature, depending on the prevailing economic and social conditions, as well as changes in values and consumer trends in society. Therefore, there is no fixed and specific scope for appropriate social activities [35]. Numerous studies and research have shown variations in the fields and dimensions of social responsibility. The Committee on Social Performance Accounting of the National Association of Accountants (N.A.A) in America identified four areas of social performance: the interaction of organizations with society, contribution to the development of human resources, contribution to the development of natural resources and the environment, and improving the quality of goods and services [3]. As for the American Institute of Certified Public Accountants (AICPA), it identified six areas of social performance: the environment, non-renewable resources, human resources, suppliers, customers, and society [36], [37].

While the American Accounting Association (A.A.A) conducted a field study on some companies that prepare social statements and reports for the purposes of identifying the bases of measurement and disclosure, and accordingly issued a report that includes five areas of social performance: environmental control, employment of minorities, workers, product improvement, and community service [16]. In other studies, four homogeneous groups were presented that are mainly relied upon to measure, evaluate, and report on the social performance of the project. These areas are activities related to the development of environmental resources, activities related to human resource development, activities related to community service, and activities related to customers and shareholders [13];[38]; [17].

In this study, the dimensions mentioned in the international standard (ISO26000) related to social responsibility were relied upon, and these dimensions consist of the following elements: environmental issues, community participation and development, corporate governance, consumer issues, labor practices, fair operating practices, and human rights issues [39-41].

- **Corporate Governance:** It is represented in a set of controls, standards, and procedures that aim to achieve effective management and discipline in the company, and it includes the distribution of roles and responsibilities among the relevant parties such as shareholders, board members, and executive management. This is achieved by adopting international standards and establishing policies and procedures that ensure transparency, accountability, and protection of the rights of all stakeholders concerned with the company (ISO26000).

- **Human Rights:** Human rights are the basic rights of all workers in the company. There are two main categories of human rights. The first category relates to civil rights and includes the right to life, liberty, freedom of expression, and equality before the law. The second category relates to economic, social, and cultural rights, and includes the right to work, the right to food, the right to the highest standards of health, the right to education, and the right to social security (ISO26000).
- **Labor Practices (Activities towards Employees):** Labor practices include the employment and promotion of workers, disciplinary procedures and complaints, transfer and change of work locations, termination of employment, training and skills development, health and safety, industrial health, and any policies or practices that affect working conditions, especially working hours and salaries (ISO26000).
- **Environment Protection:** The decisions and activities of companies always have an impact on the environment, regardless of their location. These impacts may be related to the use of resources, the location of the company's activities, pollution and waste generation, and the effects of its activities on the natural site and products and services on the natural environment, to reduce its environmental impacts (ISO26000).
- **Fair Operating Practices:** Fair operating practices relate to ethical behavior in the company's dealings with other companies and individuals. This includes relationships between companies and government institutions, in addition to the relationship between companies and their partners, suppliers, contractors, customers, competitors, and the associations of which they are members (ISO26000).
- **Consumer Issues (Improving Services):** Companies that provide products or services to consumers and customers have responsibilities towards these consumers or customers. Consumer issues related to social responsibility are related to fair marketing practices, health protection and safety, sustainable consumption, dispute resolution and handling, data protection and privacy, access to basic services and products, and education to meet the needs of consumers (ISO26000).
- **Community Participation and Development:** It is widely accepted today that companies have a relationship with the community in which they operate. This relationship should be based on community participation in contributing to community development. Community participation, either individually or through associations that seek to promote the public good. Companies that engage in a respectful manner with the community and its institutions reflect and promote democratic and civic values (ISO26000).

3.3 Problems of Disclosure of Accounting Information Related to Social Responsibility

The proposed ideas presented by professional accounting associations and leading researchers regarding determining and measuring the environmental and social contribution of companies are still controversial, and there is no agreement on the tools and characteristics of events that can be measured by traditional accounting from the perspective of their social costs and the extent of their contribution to achieving the well-being of society [3]; [13]; [6]; and [42] believe that scientific studies and attempts at practical application have settled on following one of the following two methods in disclosing accounting information related to social responsibility:

- **The Integration Method:** It means integrating social responsibility accounting information with financial accounting information within the general-purpose financial statements (balance sheet and income statement). It is applied with concepts consistent with traditional financial accounting concepts, such as the concept of social operations, social costs, social benefits, etc. It also imposes the possibility of monetary measurement of various social processes despite the difficulty of accurate measurement and the inability to rely on them in decision-making. The process of integration also complicates the information and becomes difficult to understand, which is considered one of the disadvantages of this method. Examples of integrated presentation methods include the profit statement adjusted for the burdens of fulfilling social responsibility, the economic-social activity statement, and the financial position statement adjusted for the effects of social contribution.
- **The Separation Method:** It involves presenting information on social responsibility in reports separate from the financial statements and their attachments, regardless of whether the report is descriptive, quantitative, or financial, and whether the disclosure is comprehensive or partial, while maintaining the traditional financial accounting statements as they are. These separate social reports take the form of descriptive reports, monetary measurement reports of cost elements, cash flow statement for social activities, input and output reports, and social impact statement. However, a drawback of this method is that the reports and financial statements become numerous and multiple, making them difficult to understand and verify.

[43] also believes that the most important problems of disclosure of social activity lie in the method of social reporting and the development of accounting rules for social performance, reaching the problem of developing appropriate standards for measurement and disclosure for the preparation of financial statements. The measurement difficulties are due to the following reasons: [42]; [44]; [24].

- ❖ Most social returns are achieved for parties outside the accounting unit, as activities generate benefits for society and not for the company, and many of them are difficult to measure monetarily.
- ❖ Difficulty in interpreting what social costs are: There are two opposing viewpoints, the first is economic, and the second is accounting. Economists believe that social costs are the damages incurred by society as a result of companies practicing their activities, such as pollution resulting from factory smoke, while accountants believe that social costs are the financial burdens spent by companies and not required by their activity.
- ❖ Difficulty in measuring social costs and comparing them with social returns, in addition to the difficulty in separating social and economic costs, and thus there is a problem in preparing a profit statement report that is achieved at the end of the period in which the measurement process took place. Therefore, the most important problems of disclosure of social activity lie in the method of social reporting and the development of accounting rules for social performance, reaching the problem of developing appropriate standards for the preparation of financial statements.

[45] also pointed out that there are unorganized and unapproved attempts by international professional associations related to methods of accounting disclosure of the extent of the company's contribution to social welfare and its fulfillment of its social responsibilities, which is considered one of the main obstacles to reaching a system of accounting for social responsibility.

3.4 The Concept and Definition of EVA

The development that accompanied the business environment and the radical changes in contemporary financial thought have enhanced the importance of the role of financial management in maximizing shareholder wealth on the one hand and, on the other hand, searching for new indicators that address the weakness of traditional accounting indicators in their ability to analyze the performance of companies. This weakness is attributed to the ability of managers to exploit the flexibility of some accounting treatments in concealing the poor performance of companies [8]. Hence, several measures were invented, including those that depend on market indicators such as EVA and replacement cost, and other modern performance indicators that are not based on traditional measures, as they are closer to accounting measures in revealing the real performance of companies [46].

EVA has been defined as a measure of financial performance from an economic perspective, not an accounting one based on historical cost, in addition to being a powerful business tool to understand the financial factors that led to the change in the size of the wealth of owners, shareholders, and lenders. It was defined as a measure of financial achievement to estimate the real size of the value of changes in shareholders' wealth over a period of time, and it is financially

calculated by the difference between net operating profit after taxes and the cost of owned and borrowed capital [47]. [48] defined EVA as the total economic profit, meaning that it is not the traditional net accounting result but rather the surplus resulting after subtracting the total cost of funds, including the cost of private funds, from the operating profit. EVA equals the difference between the result of net operating income after tax and interest and the total cost of the invested funds [49]. From the above, we note that EVA reflects the company's overall performance and is directly related to the wealth of owners and lenders, and it directs the company's management's view to the performance that will lead to an increase in the return to shareholders [19]. EVA is considered one of the best financial criteria for showing the real economic profit of the company, as it encourages managers to focus on the amount that the company will generate from returns that exceed the cost of capital for any proposed investment [50-52].

3.5 The Importance of EVA

EVA has a set of pillars that give special importance to this indicator when used in showing the size of the change in the wealth of shareholders and lenders over a period of time and the factors that contributed to achieving this change. This importance can be summarized in the following points [22]:

1. EVA takes into account the cost of owned and borrowed capital, i.e., all costs incurred by the company are allocated from the realized revenues, and thus the remaining profit represents the real profit for shareholders [47].
2. EVA is a measure of the company's performance, as it can help alone without the need to compare with another measure using either companies in the same sector or historical analysis of the same company (trend analysis), and the results of calculating EVA help encourage the allocation of funds to invested companies with low capital costs [8].
3. It focuses senior managers on maximizing shareholder wealth and reflecting it on evaluating and rewarding company and division managers based on the wealth created in the division, thus aligning managers' interests with shareholders' interests, as well as EVA being conceptually simple and easy to explain to non-financial managers [53].
4. EVA directs managers and companies toward efficiency, as the main objective of using EVA is to make companies achieve more (cash) with less capital, and EVA can show the "value" obtained from the capital used, and in this way, it can judge efficiency. Therefore, capital must be used in a way that increases returns or at least compensates for costs, given that the "cost of funds" used is interest, so the lower the price of funds, the better the borrowed funds [54].

3.6 Approaches to Calculating EVA

EVA is financially calculated using one of two approaches. The first approach depends on the effect of transactions that reflect changes in the balance sheet data, and the second approach depends on the results of activities reflected by operating and income data [49].

- The Transactions Approach: [55] believe that EVA is calculated through changes in the values of assets and liabilities resulting from transactions, not changes in market values, and it is equal to the increase or decrease in equity and thus in the value of the company.
- The Activities Approach: [56] believes that EVA is calculated in detail for the income-producing activity elements that are recorded in accounting in the income statement and the balance sheet. This approach is the most common for calculating EVA due to its accuracy and clarity of steps. The activities approach is one of the most important practical applications for calculating EVA, and the calculation of e EVA according to this approach depends mainly on the accounting profit achieved from operating activities with making adjustments that eliminate the gap between the two concepts of accounting and economic profit.

4 Study Methodology

4.1 Study Population and Sample

The target population for this study comprised the industrial companies listed on the Amman Stock Exchange, amounting to 53 companies. The sample, however, was narrowed down to all publicly traded pharmaceutical and chemical companies listed on the same exchange in 2022, totaling 14 companies. A comprehensive survey was conducted on this sample. The applied approach utilized data published by the selected public shareholding pharmaceutical and chemical companies through their annual financial statements issued during the period from 2018 to 2022. Appropriate statistical methods were employed to test the hypotheses and answer the research questions.

4.2 Study Variables and Measurement

The independent variable in this study was the extent of disclosure of social responsibility practices. To operationalize this variable, the dimensions outlined in the international standard ISO 26000 on social responsibility were adopted. Specifically, it was examined whether the pharmaceutical and chemical companies listed on the Amman Stock Exchange disclosed information pertaining to the following elements of social responsibility in their annual financial reports: environmental issues, community participation and development, corporate governance, consumer issues, labor practices, fair operating practices, and human rights issues.

The annual reports of these companies were scrutinized, and a score of 1 was assigned if a particular dimension was disclosed, and 0 if it was not.

Table 1 presents the dimensions used to measure the independent variable, as stated in the ISO 26000 standard

No.	Item	Disclosure Dimensions
1	Corporate Governance IG	Formation of the Board of Directors from independent members, none of whom are executive members An audit committee whose members are predominantly independent and includes members with financial and accounting expertise The element of disclosure and transparency about governance in financial reports
2	Human Rights HR	The company adheres to human rights such as (the right to work, the right to the highest standards of health, and the right to education)
3	Labor Practices WP	Implementation of employee development and training programs Recruitment, appointment, and promotion policies Granting facilities to employees The company provides health care to employees, such as: (bearing treatment expenses, health insurance). The company implements programs to enhance social relations among employees, such as: (tourist trips, recreational activities, social committee) The company grants appropriate incentives and rewards to appreciate the efforts of employees, such as: (end-of-service bonus, good performance bonus) Savings and provident fund expenses
4	Environmental Protection PE	The company contributes to beautifying the environment and developing natural habitats The company implements programs and campaigns to protect and preserve the environment The company provides financial contributions to organizations working in the field of environmental protection The company supports and implements clean and alternative (renewable) energy projects The company contributes to the conservation of natural resources
5	Fair Operating Practices FOP	The company engages in fair operating practices in the following areas (anti-corruption, responsible engagement in the public climate, fair competition, socially responsible behavior with regard to other establishments, and respect for property rights)
6	Consumer Issues CI	The company provides sufficient information about the products available to it The company conducts research and development studies regarding the products provided Responding to customer complaints The company seeks to open new markets for its products Statement of the company's competitive position
7	Community Participati	The company contributes to supporting the educational and health sector The company contributes to supporting cultural centers, recreational, sports, and artistic clubs The company provides donations to charities and people with special needs

	on and Developm ent CPD	Participation and contribution to supporting infrastructure and supporting public projects
		Issuing periodic bulletins and magazines that reflect the company's societal performance
		The company contributes to promoting the values of the spirit of citizenship (celebrating national and religious holidays)
		Contributing to reducing unemployment (providing job opportunities)

As for the dependent variable, it was represented by the EVA and was calculated using the following equation: [57], [58]

$$\mathbf{EVA = NOPAT - (WACC * Cap)}$$

EVA = Net Operating Profit After Tax - (Weighted Average Cost of Capital × Invested Capital)

1. **NOPAT** (Net Operating Profit After Tax) = Operating Profit × (1 - Tax Rate)
2. **WACC** (Weighted Average Cost of Capital) = (D/D+E) Kd (1-t) + (E/D+E) (Ke)

Where:

- D: The total book value of long-term and short-term interest-bearing debts.
 - E: The total book value of equity.
 - T: Income tax rate.
 - Kd: Interest rate on debt.
 - Ke: Cost of equity
3. **Cap** (Invested Capital) = Total Assets + Current Liabilities.

The rule by which EVA can be judged is that when the EVA is positive, this means that the return on invested capital is higher than the cost of invested capital, and thus the company has achieved good performance and this will increase the maximization of the wealth of shareholders and lenders. The opposite is true, if the EVA is negative, this means that the return on invested capital is less than the cost of invested capital, which means that there is a decrease in the wealth of lending shareholders as a result of the company's operating operations. The study model can be formulated through the following equation:

$$\mathbf{EVA_{jt} = \beta_0 + \beta_1 IG_{it} + \beta_2 HR_{it} + \beta_3 WP_{it} + \beta_4 PE_{it} + \beta_5 FOP_{it} + \beta_6 CI_{it} + \beta_7 CPD_{it} + \epsilon_{it}}$$

Where:

- ϵ_{it} : Random error
- B: Regression coefficients
- B₀: The constant part of the regression equation

4.2 Study Hypotheses

- HO: There is no statistically significant effect at the level ($0.05 \geq \alpha$) for the disclosure of the dimensions of social responsibility on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange.
- HO1: There is no statistically significant effect at the level ($0.05 \geq \alpha$) for the disclosure of environmental issues practices on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange.
- HO2: There is no statistically significant effect at the level ($0.05 \geq \alpha$) for the disclosure of community participation and development practices on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange.
- HO3: There is no statistically significant effect at the level ($0.05 \geq \alpha$) for the disclosure of corporate governance practices on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange.
- HO4: There is no statistically significant effect at the level ($0.05 \geq \alpha$) for the disclosure of consumer issues practices on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange.
- HO5: There is no statistically significant effect at the level ($0.05 \geq \alpha$) for the disclosure of labor practices on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange.
- HO6: There is no statistically significant effect at the level ($0.05 \geq \alpha$) for the disclosure of fair operating practices on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange.
- HO7: There is no statistically significant effect at the level ($0.05 \geq \alpha$) for the disclosure of human rights practices on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange.

5 Results

In this study, one main hypothesis and seven sub-hypotheses were tested as follows:

HO: Which states that: "There is no statistically significant effect at the level ($0.05 \geq \alpha$) for the disclosure of the dimensions of social responsibility on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange".

To test this main hypothesis, the multiple correlation coefficient was calculated between (the independent variables) disclosure of the dimensions of social responsibility and (the dependent variable) the EVA of the Jordanian public shareholding pharmaceutical and chemical companies listed on the Amman Stock Exchange. Table No. (2) shows that.

Table (2): Summary of the Multiple Regression Test for the Main Hypothesis

Dependent Variable	Correlation Coefficient R	Coefficient of Determination R ²	Adjusted Coefficient of Determination	Standard Error of the Estimate	F-value	P-value
EVA	0.738	0.545	0.502	10630578.03	12.579	0.000*

Table 2 reveals that the absolute value of the correlation coefficient between the disclosure of social responsibility dimensions and EVA was 0.738, which is statistically significant at the 0.05 level ($\alpha \leq 0.05$). This finding indicates the existence of a relationship and impact between the two variables, suggesting that increased disclosure of social responsibility

dimensions leads to higher EVA for the companies under study. The coefficient of determination (R^2) was 0.545, meaning that the disclosure of social responsibility dimensions explained 54.5% of the variance in EVA. Furthermore, the F-value of 12.579 was statistically significant at the 0.05 level ($\alpha \leq 0.05$). This result supports the acceptance of the alternative hypothesis, which states that "There is a statistically significant effect at the level ($0.05 \geq \alpha$) for the disclosure of the dimensions of social responsibility on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange."

5.1 Testing the Sub-Hypotheses

To test the sub-hypotheses of the study, the correlation coefficient was calculated between each dimension of social responsibility and the EVA of the public shareholding pharmaceutical and chemical companies listed on the Amman Stock Exchange. Table 3 presents a summary of the linear regression analysis of the independent variables on the dependent variable, arranged in descending order from the highest impact to the lowest impact.

Table 3: Summary of the Linear Regression Analysis of the Independent Variables on the Dependent Variable Independently for Each Variable, Arranged in Descending Order from the Highest Impact to the Lowest Impact

Dependent Variable	Independent Variable	Correlation Coefficient R	Coefficient of Determination R^2	Adjusted Coefficient of Determination	Standard Error of the Estimate	F-value	P-value
EVA	Environmental Protection PE	0.592	0.350	0.341	1222619 7.84	36.690	0.000*
	Community Participation and Development CPD	0.406	0.165	0.153	1386196 9.93	13.440	0.000*
	Corporate Governance IG	0.256	0.065	0.052	1466600 8.47	4.755	*0.033
	Consumer Issues CI	0.252	0.064	0.050	1467987 1.47	4.618	*0.035
	Labor Practices WP	0.216	0.047	0.033	1481208 8.15	3.327	0.073
	Fair Operating Practices FOP	0.087	0.008	-0.007	1511206 1.87	0.523	0.472
	Human Rights	-	-	-	-	-	-

Table 3 reveals that the disclosure of environmental issues practices had the most significant influence on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange. The absolute value of the correlation coefficient between environmental issues practices and EVA reached 0.592, which is statistically significant at the 0.05 level ($\alpha \leq 0.05$). This finding indicates a direct relationship and impact between the two variables, suggesting that increased disclosure of environmental issues practices leads

to higher EVA for these companies. The coefficient of determination (R^2) was 0.350, meaning that environmental issues explained 35% of the variance in EVA. Furthermore, the F-value of 36.690 was statistically significant at the 0.05 level ($\alpha \leq 0.05$), supporting the acceptance of the alternative hypothesis, which states that "There is a statistically significant effect at the level ($0.05 \geq \alpha$) for the disclosure of environmental issues practices on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange."

Similarly, Table 3 shows that the absolute value of the correlation coefficient between the disclosure of community participation and development practices and EVA was 0.406, which is statistically significant at the 0.05 level ($\alpha \leq 0.05$). This finding suggests a direct relationship and impact between the two variables, indicating that greater disclosure of community participation and development practices contributes to higher EVA for these companies. The coefficient of determination (R^2) was 0.165, meaning that the disclosure of community participation and development practices explained 16.5% of the variance in EVA. The F-value of 13.440 was statistically significant at the 0.05 level ($\alpha \leq 0.05$), supporting the acceptance of the alternative hypothesis, which states that "There is a statistically significant effect at the level ($0.05 \geq \alpha$) for the disclosure of community participation and development practices on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange."

Table 3 also demonstrates that the absolute value of the correlation coefficient between the disclosure of corporate governance practices and EVA was 0.256, which is statistically significant at the 0.05 level ($\alpha \leq 0.05$). This finding suggests a direct relationship and impact between the two variables, meaning that increased disclosure of corporate governance practices leads to higher EVA for these companies. The coefficient of determination (R^2) was 0.065, indicating that the disclosure of corporate governance explained 6.5% of the variance in EVA. The F-value of 4.755 was statistically significant at the 0.05 level ($\alpha \leq 0.05$), supporting the acceptance of the alternative hypothesis, which states that "There is a statistically significant effect at the level ($\alpha \leq 0.05$) for the disclosure of corporate governance practices on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange."

Interestingly, Table 3 shows that the absolute value of the correlation coefficient between the disclosure of consumer issues practices and EVA was 0.252, which is statistically significant at the 0.05 level ($\alpha \leq 0.05$). This finding suggests an inverse relationship and impact between the two variables, indicating that increased disclosure of consumer issues practices leads to lower EVA for these companies. The coefficient of determination (R^2) was 0.064, meaning that consumer issues practices explained 6.4% of the variance in EVA. The F-value of 4.618 was statistically significant at the 0.05 level ($\alpha \leq 0.05$), supporting the acceptance of the alternative hypothesis, which states that "There is a statistically significant effect at the level ($0.05 \geq \alpha$) for the disclosure of consumer issues practices on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange."

However, Table 3 reveals that the absolute value of the correlation coefficient between the disclosure of labor practices and EVA was 0.216, which is not statistically significant at the 0.05 level ($\alpha \leq 0.05$), suggesting the absence of a relationship and impact between the two variables. The coefficient of determination (R^2) was 0.047, indicating that the disclosure of labor practices explained only 4.7% of the variance in EVA. The F-value of 3.327 was not statistically significant at the 0.05 level ($\alpha \leq 0.05$), supporting the acceptance of the null hypothesis, which states that "There is no statistically significant effect at the

level ($0.05 \geq \alpha$) for the disclosure of labor practices on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange."

Similarly, Table 3 shows that the absolute value of the correlation coefficient between the disclosure of fair operating practices and EVA was 0.087, which is not statistically significant at the 0.05 level ($\alpha \leq 0.05$), indicating the absence of a relationship and impact between the two variables. The coefficient of determination (R^2) was 0.008, meaning that the disclosure of fair operating practices explained only 0.8% of the variance in EVA. The F-value of 0.523 was not statistically significant at the 0.05 level ($\alpha \leq 0.05$), supporting the acceptance of the null hypothesis, which states that "There is no statistically significant effect at the level ($0.05 \geq \alpha$) for the disclosure of fair operating practices on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange."

Lastly, Table 3 reveals that the correlation coefficient between the disclosure of human rights practices and EVA could not be determined because all companies obtained the same level of disclosure for human rights practices, preventing the testing of the hypothesis. Consequently, we accept the null hypothesis, which states that "There is no statistically significant effect at the level ($\alpha \leq 0.05$) for the disclosure of human rights practices on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange."

6 Discussion and Conclusion

The primary objective of this study was to explore the impact of disclosing various dimensions of social responsibility, including environmental issues, community participation and development, corporate governance, consumer issues, labor practices, fair operating practices, and human rights issues, on the EVA of pharmaceutical and chemical companies listed on the Amman Stock Exchange. This study holds particular significance as it is among the few that have focused on determining how the application of social responsibility dimensions may contribute to improved product and service quality, increased consumer and public trust, and a stronger relationship between the company and its direct and indirect stakeholders. These factors can ultimately lead to increased sales, market share, and positive cash flows, all of which influence the EVA of these companies. The results of the main hypothesis test revealed a statistically significant effect of disclosing social responsibility dimensions on the EVA of the studied companies, consistent with the findings of [43], which demonstrated the elements of value creation for industrial companies through their disclosure of social responsibility dimensions. This result also aligns with the study by [24], which highlighted the effective role of small companies' social responsibility practices in enhancing their financial performance and reputation.

Furthermore, the first sub-hypothesis test showed a statistically significant effect of disclosing corporate governance practices on the EVA of the studied companies, corroborating the results of [43] and [3]. The latter study demonstrated the factors affecting social responsibility dimensions disclosure and their impact on companies' business results and risk management. However, the second and third sub-hypothesis tests revealed no statistically significant effect of disclosing human rights practices and labor practices, respectively, on the EVA of the studied companies. It is worth noting the absence of previous studies specifically addressing these items. The third sub-hypothesis result is consistent with the findings of [20], which showed the impact of social responsibility on companies' work sustainability and business results.

The fourth sub-hypothesis test indicated a statistically significant effect of disclosing environmental issues practices on the EVA of the studied companies, contrasting with the findings of [44], which showed differences in the level of corporate social responsibility disclosure based on the economic sector and no correlation between the level of disclosure and company profitability. This result, however, aligns with [43]. The fifth sub-hypothesis test found no statistically significant effect of disclosing fair operating practices on the EVA of the studied companies, with a lack of previous studies addressing this specific item. Conversely, the sixth sub-hypothesis test revealed a statistically significant effect of disclosing consumer issues practices on the EVA of the studied companies, consistent with the findings of [3].

Lastly, the seventh sub-hypothesis test showed a statistically significant effect of disclosing community participation and development practices on the EVA of the studied companies, differing from the results of [24], which demonstrated the effective role of small companies' social responsibility practices in enhancing their financial performance and reputation. Based on these findings, it is crucial to develop the legislative framework related to the disclosure of corporate social responsibility dimensions, as the current instructions have clear deficiencies, focusing only on the disclosure of environmental activities and social welfare activities while neglecting other aspects. Addressing this issue will lead to a positive impact on companies' activity results and improve their EVA. Moreover, it is essential for the management of pharmaceutical and chemical companies listed on the Amman Stock Exchange to increase their focus on accounting for and disclosing social responsibility dimensions as outlined in the international standard (ISO26000) due to the positive impact they have on the EVA of companies, providing them with a competitive advantage in the market.

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