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Determinants of Corporate Social Responsibility Disclosure Index in Islamic Banks of Pakistan: Role of Corporate Governance and Company Level Determinants

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Abstract: The commitment of the organization towards improvement and uplift of the communities in which they operate has gained significant focus over the last few decades. The idea of CSR has developed over time in the western world however; the CSR concept of CSR is also not novel to Islamic system. The Islamic law enforces the CSR on the believers in every aspect of their business activities. This study analyzed the CSR disclosure with respect to its different corporate governance and company level variables. The results show that the Board Independence, Performance, Bank Size and Capital Adequacy have direct association with the CSRDI of the banks. However, the duality of CEO shows an inverse relationship with CSRDI. The Total deposits and Board size showed an insignificant relationship between the variables.

Acronyms

CSR: Cooperate Social Responsibility

CSRDI: Corporate Social Responsibility Index

BI: Board Independence

BOS: Board Size

BS: Bank Size

TD: Total Deposits

TA: Total Assets

INTRODUCTION

Organizations are increasingly involved in tackling social and ethical problems such as inequality, poverty, harassment and discrimination (Abedifar et, al. 2013). In this context, they feel pressure from stakeholders to meet a complex set of expectations. Thus, organizations understand the criticism that simply being profitable is not enough. It is viewed as increasingly important to respond to moral, ethical and discretionary standards and to communicate a sense of responsibility to various stakeholders. In terms of the influences of stakeholders, organizations are keen to make contributions towards society to drive increased market share through customer satisfaction. The theory Stakeholder's emphasizes the need to meet the stakeholder's demands to drive interest and investment from banking institutions. A conflict comes into focus when there is a difference of needs between the agent and the requirements of the principal, and this is possibly connected to the process of disclosure.

The concept of CSR emerged in the Western world as a means to measure the development and civilization of nations (Alqahtani, 2010). In the western world, organizations integrate CSR as a tool to address environmental and social concerns. Such organizations interact with stakeholders on a voluntary basis in carrying out CSR activities (Ab-Rahman, 2014). In developed countries, businesses that are not committed to CSR can be less appealing to customers (Belal, 2008). However, in Islamic countries business operations run according to Islamic or Sharia law. Chachi (2014) states that Sharia or Islamic law governs the legal rules that are mainly implemented by Allah (God) and sent that law to the world through prophet Mohammad (PBUH). According to Sharia law, every human being must value the wellbeing of other human beings (Ab-Rahman, 2014). According to the holy Quran it is the duty of a Muslim to embrace justice (Alqahtani, 2010). Goss and Robert (2011) suggest that one of the fundamental convictions of Islam is to accomplish eternal peace, and it is equally important to implement the pursuit of justice. Therefore, if CSR strategies promote the wellbeing of people and seek to reduce hardship and a fairer circulation of wealth in society, then such an ethos is consistent with the Sharia. Therefore, in order to comply with Sharia law, Islamic banks must implement effective CSR strategies.

Corporate Social responsibility (CSR) is defined as the relationship between an organization and the local society in which it operates or located (Crowther and Aras, 2008). According to Browne and Nuttal (2013), CSR is about creating substantial room for improvement. Organization has its own policy regarding CSR and most produce an annual report that details CSR activities (Crowther and Aras, 2008). Therefore, Islamic banks or financial institutions also set out policies regarding CSR activities. Many Islamic banks regularly publish annual reports but some do not. Taman (2011) suggests that it is possible to secure benefits for the Islamic banks by participating in CSR activities and providing support to the local community.

Every Islamic organization emphasizes on social responsibility and each must ensure that they are fulfilling their responsibilities (Haniffa and Hudaib, 2007). However, Kothari (2009) argues that banks may act as mediators that may significantly cause damage to society or the environment. Therefore, to ensure responsibility towards society and the environment, banks must maintain a CSR strategy (Lorenzo-Molo and Udani, 2013) and strict regulations (Nathala et al, 2015).

The current study contributes towards the disclosure studies on developing nations in general and Pakistan in particular. It further adds to the CSR disclosure literature by evaluating factors determining CSR disclosure. This study further contributes to methodology by measuring CSR disclosure.

The present work will add to the growing body of work on corporate social responsibility in developing countries in general and particularly in Pakistan. There is a lack of disclosure literature examining motivations for disclosure dimensions of CSR; the research contributes to the corporate social responsibility disclosure literature by evaluating the elements and dimensions of corporate social responsibility disclosures. In terms of technique, this study contributes by analyzing the quality of CSR disclosure using a content analysis approach to create a CSR index.

The core objective of this study is to determine the key driving factors behind CSR disclosure, and to examine the impact of CSR disclosure on Islamic Banks performance.

- To investigate the determinants of the CSR disclosure in Islamic Banks of Pakistan.
- To analyze the impact of CRS disclosure on bank performance

Literature Review

Previously the CSR disclosure research has been analyzed in the context of different theoretical context such Belkaoui & Karpik, (1989) analyzed it in the context of agency theory, (Roberts, 1992; Cormier et al., 2005; Laan Smith et al., 2005; Islam & Deegan, 2008; Huang & Kung, 2010) in the context of stakeholder theory, accountability theory (Gray et al., 1995), legitimacy theory (Parker, 1989; O'Dwyer, 2002; Neu et al., 1998; Newson & Deegan, 2002). Islam & Deegan, (2008) suggests that the stakeholder's theory, legitimacy theory and the institutional theories are the most widely sort out theories in context of the CSR disclosure and together these theories are also termed as system oriented theories (Islam & Deegan, 2008). This research study will also use these three theories in order to explain the theoretical grounds of the study and to explain the findings of the study by linking it to these theories.

One of the broadly used theory when discussing social reporting is the legitimacy theory which holds that the organization is a component of broader social setup where it is affected by other factors as well as it has influence over other factor in the system (Islam & Deegan, 2008). The legitimacy as defined by Suchman, (1995) holds that it is an assumption or perception that suggest that the actions of an entity or organization are appropriate, desirable and in harmony with the norms, values and collective attributes of the society. The theory thus asserts that an organization should operate within the limits and the provision of the society or the community in which they operate.

The stakeholder's theory is another widely used theory for explaining the CSR disclosure of the companies. According to Islam & Deegn, (2008) the stakeholder's theory assumes that business corporation works as part of broader social context where it gets influenced and has impacts on other factors in the setup. The theory assumes that the existence and the survival of the company depends upon the continues cooperation of the different interest groups within the society. The stakeholders as defined by Freeman, (1984) is anyone that has impacts or will get affected by the achievement of objectives of the organization. The definition is very broad and hence includes all the shareholders, creditors, employees, their families, government, social organizations and future generations of the society as the stakeholders of the organizations.

Institutional theory, which emerged from the theory of organization in the late 1970s (DiMaggio & Powell, 1991; Rowan & Meyer, 1977; DiMaggio & Powell, 1983), states that organization is an vital component of the larger social system, and therefore, contributes the environmental and social disclosure literature (Matten & Moon, 2008; Muthuri & Gilbert, 2011; Amran & Devi, 2008; Sobhani et al., 2011; Amarn & Haniffa, 2011; Jamali &Naville, 2011). The organizational theory, according to DiMaggio & Powell (1983), explains why firms have a tendency to become comparable in environmental and social disclosure to other companies in the same industry or field.

The discussion of the theories above suggest that all the three theories provides and overlapping explanation to the CSRD. The legitimacy theory establishes that the organizations disclose their CSR information to get attain legitimacy in certain context society by meeting up with the expectation and demands of the society. The stakeholder's theory on the other hands proposed that the organization conform to the CSR disclosure to meet the expectation of the powerful stakeholders in the context of the organization, failure to comply to their demand expectations may result in legitimacy gap threat to the organization and may risk its reputation and survival. Institutional theory suggests that practices and forms of an organization considered legitimate in the institutional context. The theoretical framework thus suggests multi-tires of CSR disclosure under the pressure from different social, government and institutional stakeholders in the environment.

Carroll (1999) and Rahman (2011) regard Howard Bowen's book Social Responsibilities of the Businessman to be the cornerstone of the present age of CSR. He characterised businessmen's social responsibilities as follows: "It refers to businessmen's responsibility to pursue those policies, make those decisions, or follow those lines of action that are desirable in terms of our society's objectives and ideals" (Bowen, 1952).

Later in the 1960s, a new concept of social responsibility arose, emphasising the closeness of the business's ties with society and recognising that senior executives must keep such links in mind while the firm and associated groups pursue their goals (Walton, 1967: 18).

In the 1970s, there was a lot of discussion over what CSR was, what it was for, how broad it was, and how big it was. In the end, the dimension of concern for all stakeholders in a company won out.

Harold Johnson's Business in Contemporary Society: Framework and Issues was published in 1971. four perspectives on CSR were presented and discussed. The first states that businesses must cater to the interests of not only stockholders, but also other groups of people.

1. "A socially responsible firm is one whose managerial staff balances a multiplicity of interests".
2. "Social responsibility states that businesses carry out social programs to add profits to their organization"
3. "A socially responsible entrepreneur or manager is one who has a utility function of the second type, such that he is interested not only in his own well-being but also in that of the other members of the enterprise and that of his fellow citizens‖"
4. "The goals of the enterprise, like those of the consumer, are ranked in order of importance and that targets are assessed for each goal".

Freeman's (1984) Stakeholder theory is the most well-known theory developed in this decade. Stakeholder theory is based on the idea that when it comes to business, values are both implicit and explicit. It allows managers to articulate a common perspective of the value they provide to the firm and what links the company's major stakeholders together.

Maintaining a balance (Al'adl or justice) between the two is vital, and Islam's justice attempts to do so. These two ideals coexist in Islamic banking, and it is deemed unfair when banks do not deliver adequate returns to depositors and investors. IFIs are forbidden from making excessive profits at the expense of their consumers or the community as a whole in a more extreme scenario (Dusuki & Dar, 2005: 396).

According to Ullah and Jamali (2010) in Islamic CSR each stakeholder is handled differently depending on their position in the organisation.

1. Business owners and staff are directly impacted by the success or failure of the company.
2. Affected with success and failure of the business and its operations, such as , customers, suppliers and government;
3. External factors of the business, such as the environment and society

According to The Economist (2005), a dedicated specialised consulting company has been created, significant professional services companies incorporate CSR in their consulting portfolios, and large businesses employ a senior executive director committed to establishing and supervising CSR. According to Dosuki (2008), there are four key causes for the rise in CSR initiatives in Western nations during the previous ten years.

1. Market pressure - Stakeholders such as consumers, employees, suppliers, and shareholders are pressuring businesses to implement CSR activities and policies in order to be more socially responsible.
2. Government rules, reporting, and disclosure requirements — The expansion of CSR has been fueled by government legislation, reporting, and transparency duties. When organisations, markets, and even people began to recognise the importance of CSR, this pressure mechanism was important.
3. Communication power — As new communication technologies (particularly the internet) emerge, individuals will be able to more effectively evaluate a company's operations.
4. Competitive advantages - In order to acquire competitive advantages and produce profits, companies are spending more in CSR and communicating it. Firms build their brand(s), the reputation of corportate among the stakeholders retains and attracts qualified employees by investing in CSR.

The company's decision-making methods and tactics, as well as the distribution of reponsibilities and rights among the numerous stakeholders, such as the board of directors, directors, and shareholders, are all outlined in the corporate governance framework.

There exists a great opportunity to discover how banks get information related to society and environment and how they want to utilize such information in the coming time (Thompson &Cowton, 2004). Banks are the backbone of financial system of any country which provide assistance to boost economic growth. Therefore, banks must play their role in developing and promoting corporate social responsibility activities. Large banks can provide big financial assistance for the projects of societal welfare. However, such positives move are possible when management and other stakeholders possess vision in their minds and their willingness to bring prosperity in the society.

Social responsibility reveals multiple socio-economic aspects of the company, like staff related conflicts, environmental issues, ethical problems. Hence, the disclosure of social responsibility is associated with the relationship of companies with the society they are working in (Branco & Rodrigues, 2006). The phenomena of Corporate Social Responsibility, being at its early stages, the banks in Nepal can do CSR disclosures while projecting on staff training and development besides maximizing shareholder’s wealth. Imam and Malik (2007) observed that financial sectors are being held and managed by foreign entities, leading to high level of performance and more focused towards corporate social responsibility.

Corporate governance is another stream to determine CSR determinants. In this part researchers and scholars paid attention to certain aspects like holding and board members of the company as prospective determinants of corporate social responsibility. Gamerschlag et al. (2010) concluded that ownership is a major determinant of CSR. The ownership influences the decisions regarding CSR.

Organizations with large number of shareholders are more engaged in corporate social responsibility activities as compared to firms with small size and less shareholding (Gamerschlag et al., 2010). (Oh et al., 2011) considered type of possession as an important determinant of CSR. (Oh et al., 2011) made further bifurcation between ownership, like institutional, managerial, or foreign ownership and concluded that every type has its own impact on organization's CSR commitments.

Board plays an important role in managing affairs of business and protects basic rights of shareholders. However, board's performance is dependent on its composition. Independent boards are more inspiring and motivating for managers to perform their duties in true and fair manner (Forker, 1992; AbuRaya, 2012). Keeping in view above discussion we assume our hypothesis as:

Hypothesis 1 (H1): "*There is a positive relationship between the disclosure of CSR information levels and board independence of the bank".*

When the CEO of a corporation also serves as Chairman, this is known as role duality. The company's disclosure policies may be jeopardized by the dual function (Elzahar & Hussainey, 2012). According to Al-Janadi et al. (2013), an independent CEO offers the board greater control and decision-making authority, which improves the quality of disclosure. The board, on the other hand, may suffer as a result of its lack of authority and influence when making decisions. Hence, the second hypothesis can be drawn as:

Hypothesis 2 (H2): "*There is an inverse relationship between the disclosure of CSR information levels and role duality of CEO in a bank".*

The board size is usually used to elaborate issues of corporate governance and corporate social responsibility (Zahra et al., 2000; Akhtaruddin et al., 2009). In compliance with stakeholder's theory it is necessary that board decisions should be in accordance with stakeholder's interests (Kakabads e &Kakabadse, 2007).

Keeping in view the previous research work, the non-directional hypothesis is concluded as follows:

Hypothesis 3 (H3): "*There is significant relationship between the disclosure of CSR information levels and size of the board".*

Multiple studies have determines number of firm's characteristics which are important elements of corporate social responsibility (Gamerschlag et al., 2010; Artiach et al., 2010). Under this research work, investigators analyzed the impact of company's size, profitability, structure, investment in R & D on CSR commitments. Number of researches concluded that, firm's size have major impact on firm's CSR. Over a period of time, large number of researches concluded that size of company is largely influencing company's commitments towards CSR.

The other characteristics used to investigate CSR determinants are leverage, profitability and investments in the area of research and development (Reverte, 2009). As per Ng and Koh (1994) the firms earning more profit applies their own self-regulated mechanisms to guarantee the public that company is lawful. The firms with more R & D expenditures are supposed to invest more in CSR activities by adopting creative processes and procedures (Padgett & Galan, 2010; Hull & Rothenberg, 2008).

Large corporations give more information to minimize conflicts between management and stakeholders (Othman et al., 2009), as well as a higher political cost to the public than small corporations (Cormier and Magnan, 2003).The size of the firm really matters when talking about corporate social responsibility. Majority of these studies showed positive relationship between the level of disclosure and size of the company. Following hypothesis is made:

Hypothesis 4 (H4): "A *significant relationship has been found between the disclosure of CSR information levels and corporate size of the bank".*

Majority of these studies showed positive relationship between the level of disclosure and CAR size of the company. Following hypothesis is made:

Hypothesis 5 (H5): "A *significant relationship has been found between the disclosure of CSR information levels and CAR of the bank".*

We have analyzed number of different studies based on CSR and banks financial performance. The CSR factor is the most important element for improving performance of the banks.

Hypothesis 6 (H6): *"A positive relationship between the disclosure of CSR information levels and level of financial performance of the bank is found".*

Methodology

The most often used methodology for calculating CSR disclosure scores is content analysis (see Bouten et al., 2011; Amran & Devi, 2008), which is described as a method to codify material in various forms or categories depending on some pre-specified criteria (Abbott &Monsen, 1979). This technique necessitates the study of documents, an explanation of corporate social and environmental disclosure, the content analysis' and content analysis' authenticity (Gray et al., 1995). The following are the items required for content analysis:

Companies can use many platforms to disclose their CSR details like the usage of websites, annual reports, advertisements, brochures, and standalone reports (see Branco & Rodrigues, 2008). It is not possible to examine each and every data and record for disclosure, therefore this type of research mainly relies upon companies' annual financial reports for analysis for the following reasons.

- In Pakistan it is mandatory for listed companies to publish audited financial reports.
- The SECP has made CSR disclosure mandatory for firms in their financial reports.
- The annual reports provide clear picture of the company
- The annual reports are regarded as the most reliable information source
- Annual reports are readily available
- Stakeholders consider annual reports are the only credible source of information

Hackston and Milne provide five grounds for using a social and environmental disclosure tool (1996). The first reason is that it was based on the Ernst and Ernst (1976) instrument, secondly, the environmental and social disclosure' explanation encompasses the majority of functions disclosed by big Pakistani corporations.

Precisely, CSR disclosure is constituted of five dimensions which are: 1) environment, 2) human resource, 3) involvement of community, 4) consumers and products, and 5) disclosure introduced and is relied upon the disclosures made in the annual reports of selected companies.

According to Branco & Rodrigues, (2008) there were numbers of methods (for example, pages, sentences and word counts) applied to evaluate CSR disclosure quality. According to Unerman, (2000) the sentence count methodology has been facing serious criticism as it ignores the disclosures of non-narratives like pictures and graphical contents which can be a useful information source (Ahmed & Zeghal, 1990).

This method of Milne and Hackston (1996) used by Amran and Devi (2008) and Sobhani et al. (2009) while analyzing the amount and quality of CSR disclosure. Hence calculating the disclosure amount, word count will be adopted as the measurement tool. This measuring methodology is in consistency with preceding CSR disclosures (Cooke & Haniffa, 2005; Branco & Rodrigues, 2008). Hence, word count measurements are applied in this research work to analyze CSR disclosure quality. The Accounting and Auditing Organization for Islamic Financial Institutions produced CSR-related guidelines that were used to create the CSR disclosure index (AAIOFI 2010).The key Words used is provided as Appendix-I of the study.

In Pakistan according to the State Bank of Pakistan (2021) a total of 34 banks are operating that includes 6 foreign banks, 6 government owned banks, 4 specialized banks, one non schedule State owned bank and 17 private commercial banks. The total numbers of banks providing Islamic banking services in the country are 15 however there are only 4 full fledge Islamic banks currently operating in Pakistan during the period of the study. The study uses a purposive based sampling technique for selection of banks for the analysis of the study. Therefore the 4 full-fledged Islamic Banks and the Islamic Banking lines of Bank Alfalah & Fysal Bank Limited are also part of the study sample.

In order to analyze the research questions, the study used secondary data from annual reports of the sampled banks from Pakistan for the period from 2015 to 2020. The Annual reports for Pakistani Banks are obtained from the Pakistan Stock Exchange (PSE) Official website www.psx.com.pk.

The corporate governance variables namely Board Size, CEO duality, Board Independence, of Islamic banking institutions will be treated as independent variables in the analysis while CSRDI & ROE are dependent variables. Furthermore, firm level explanatory variables namely Bank Size, Total Deposits and Quality of Capital Adequacy also be used in the analysis. The pool regression analysis is used after the model specification and tests for Hetroskedisticity.

Regression Model

The 1ST objective is to analyze the determinants of CSR in Islamic Banks in Pakistan for this purpose the secondary data collected is analyzed using the following regression Model,

CSRDI = α0 + βCG Variables + β Firm Variables + ε (1)

Where

CSRDI = α0 + β1Board Size + β2BIndependence + β3 CEO Duality + β4 Bank Size+ β5Quality of Capital Adequacy + β6 Total Deposits+ ε_t (1)

CSRDI is the composite CSR disclosure index. This is the independent variable in the model.

α be the intercept of the regression line and the Y-axis

β be a coefficient of the objective criterion X in Bank i βgCG Variables (Corporate Governance Variables are): Board Independence, CEO Duality and Board Size

β Firm Variables are – Bank Size, Total Deposits and Quality of Capital Adequacy,

εi e a residual value describing Bank i

To analyze the impact of CRS disclosure on ROE (Firm Performance) the following model is used

ROEi = α0 + β1CSRDI+ βCG Variables + β Firm Variables

Where

ROEi are profitability measures. These are the proxies for independent variable.

ROAi / ROEi = α0 + β1CSRDI+ βCG Variables

α be the intercept of the regression line and the Y axis

β be a coefficient of the objective criterion X in Bank i

CSRDI is the composite CSR disclosure index

ANALYSIS & Results

Table-I of the study presents the summary statistics for the variables under analysis of the study. In the table the mean value for CSRDI is 0.69 with the standard deviation of 0.023. The table further shows that the mean values for all other variables of the study. The second column shows the standard deviations and it can be observed that the Bank size and the Total deposits shows that highest variation of 3.3 and 2.9 respectively. The 4^{th} and 5^{th} column in the table shows the skewness and kurtosis for each variable of the stud and it can be observed that the skewness value for all the variables are less than 0 whereas, the Kurtosis value for each variable is also less than 3 and therefore it is established that the data is normal.

Table 1: Summary Statistics, using the observations 1:1 - 6:6

Variable	Mean	Std. Dev	Skewness	Ex. kurtosis
ROE	0.14374	0.065706	0.73864	2.1093
CEOD	0.27778	0.45426	0.99228	-1.0154
BI	0.61000	0.19701	-0.41734	-0.76192
BOS	9.6389	1.7753	0.12530	-0.75422
BS	3.66005	3.370005	0.4843	2.4588
TD	2.55405	2.983005	0.5064	2.1485
CAR	0.15394	0.024134	0.57096	-0.13323
CSRI	0.69184	0.032133	-0.94157	0.68370

To analyze the determinants disclosure of CSR in Pakistan the data collected for 6 banks for a period of 6 years was analyzed using pool regression analysis method. In the first part of the analysis the data collected was processed for panel data diagnosis to specify the appropriate model for analysis. In the first the white Test for Heteroscedasticity was conducted with the Null hypothesis that the data is homogenous and as such does not carry the problem of Heteroscedasticity. In the table-1 the P value for the white test is 0.000 which signifies that the data is not homogenous and as such in order to analyze the relationship the data will be processed with robust standard error. The second important diagnosis is the selection between Pool OLS and Fixed effects model. For the said purpose the joint significance test for differencing means was used and the results with $P > 0.05$ cannot reject the null hypothesis suggesting that the Pool OLS regression analysis is consistent.

Table 2: Panel Diagnosis

Test	Choose Between	Null Hypothesis	P-value	Result
White Test	With/Without Robust standard Error	Data is Homogenous	0.000	Robust Regression to be used
Joint significance of differing group means	Pool OLS/Fixed Effects	OLS estimates are consistent	0.203	Fixed Effect Model

In view of the above diagnostics the study conducted the pool regression analysis for analyzing the determinants of the CSRDI.Table-3 presents the regression results for the relationship of the IV with the CSRDI. In the table it can be observed that coefficient for CEO duality and CSRDI is -0.00204 and thus suggest an inverse relationship between these variables at $P<0.05$. The coefficients for relationship of Capital Adequacy ratio, Bank Size and Board Independence are positive and significant at $P<0.05$ and thus suggest that all these variables have direct association with the CSRDI.

Table 3: Pool OLS Model-I

Model 1: Pooled OLS, using 36 observations
Included 6 cross-sectional units
Time-series length = 6
Dependent variable: l_CSRI
Robust (HAC) standard errors

	Coefficient	*Std. Error*	*Z*	*p-value*	
Const	−0.576993	0.0949852	−6.075	<0.0001	***
CEOD	−0.00204051	0.0352579	−1.95787	0.0538	**
BI	0.0854796	0.0420337	2.034	0.0420	**
BOS	0.00760035	0.00940820	0.8078	0.4192	
BS	7.90526e-08	2.98292e-08	2.650	0.0080	***
TD	−1.09909000	6.82467e-08	−1.610	0.1073	
CAR	0.530998	0.321312	1.653	0.0984	*

The coefficients for the relationship Total deposit and Board size are insignificant at $P>0.05$ and thus accepts the null hypothesis of no relationship with the CSRDI.

Table-4 below presents the Model-2 for the relationship of CSRDI and ROE. The table shows that the coefficient for the relationship of CSRDI and ROE is 0.78 and is significant at $P<0.05$, therefore, the alternate hypothesis is accepted that there is a direct relationship between the performance and disclosure of CSRDI. The coefficients for relationship of ROE BI, BOS and BS are also positive and significant at P<0.05 and thus suggest a direct relationship between these variables.

The coefficient for relationship of TD and ROE is negative and significant at P<0.05 and suggest an inverse relationship between the variables. The P value for the relation of ROE and CAR is insignificant at P>0.05 and thus suggest that the null hypothesis of no relationship between these variables cannot be ruled out.

Table 4: Pool OLS Model-II

Model 2: Pooled OLS, using 36 observations
Included 6 cross-sectional units
Time-series length = 6
Dependent variable: l_ROE
Robust (HAC) standard errors

	Coefficient	*Std. Error*	*z*	*p-value*	
Const	−6.49420	2.00007	−3.247	0.0012	***
CEOD	−0.118553	0.173829	−0.6820	0.4952	
BI	1.02539	0.381333	2.689	0.0072	***
BOS	0.244787	0.0908287	2.695	0.0070	***
BS	1.516606	8.69132e-07	1.745	0.0810	*
TD	−1.838606	9.92553e-07	−1.852	0.0640	*
CAR	7.04544	8.04919	0.8753	0.3814	
l_CSRI	0.785295	1.69049	2.4645	0.0423	**

Conclusion

The results suggest that the CSRDI has an inverse relationship with the CEO duality and the banks having CEO with dual charge has lower level of CSRD. An independent CEO gives more power and decision making authority to the board, resultantly improving the quality of disclosure. On the other hand, board may suffer due to less authority and influence while making decision. The results however, shows that the Bank Size and Board independence has a positive association with the CSRDI and this implies that an increase in size of the bank and the inclusion of more independent Directors on the board of the Bank leads to increased level of CSRDI in the Pakistani Islamic Banks. Board of directors' play an important role in managing affairs of business and protects basic rights of shareholders. However, board's performance is dependent on its composition. Independent boards are more inspiring and motivating for managers to perform their duties in true and fair manner. similarly, Large companies provide more information to avoid any conflict between management and stakeholders as well as political cost which appears more to public as compared to small companies. The size of the firm really matters when talking about corporate social responsibility The results are in line with the results of previous studies which also presented inverse association of CEO duality with CSRDI and positive association with BS and BI. Furthermore, the regression analysis for the relationship of CSRDI and the ROE of the Banks has a positive association and it implies that increase level of CSRDI are also associated with the performance of the Pakistani Banks.

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Appendix-I

CSR Words Index
[Environment|Environments|Energy|Carbon|Greenhouse|Gas|Chemicals|paper|papers|water|anti litter|prevention|wastage|material|materials|recycle|regulation|regulations|pollution|Equal|opportunity|opportunities|diversity|diversify|health|healts|safe|safety|job|jobs|security|training|develo pment|developments|relations|employee|employees|commitment|committed|charity|charitable|custom er|customers|feedback|Social|Socity|climate|educationa|educational|loan|loans|disable|disability|frail |loyal|loyality|R&D|research|research and development|Safer|selfesteem|sharing|union|compensation|women|empowerment|appreciation|recruit ment|welfare|wellbeing|safe|safety|remuneration|remunerations|incentive|incentives|redundancy|pare ntal|parents|maternity|family|lifestyle|staff|retirement|Donation|charity|arts|culture|complaints|Zakat |Waqf]