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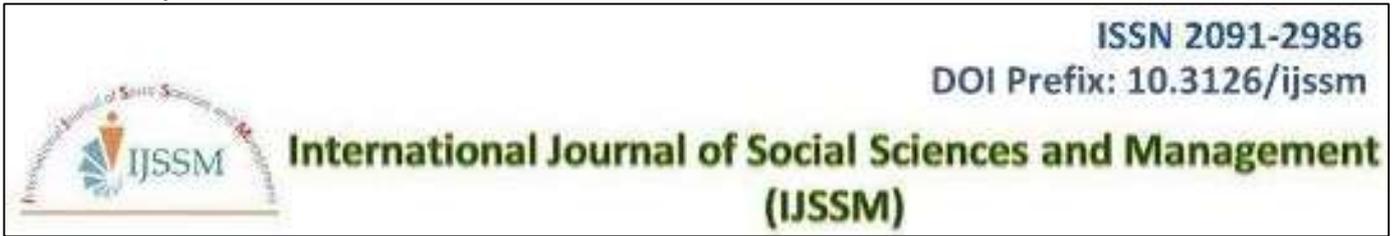
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Research Article

SOCIAL AND ENVIRONMENTAL DISCLOSURE IN CORPORATE ANNUAL REPORTS: EVIDENCE FROM KUWAIT

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Abstract

With the lack of empirical research in voluntary disclosure in the Middle East area, the present study aims at investigating and evaluating corporate social and environmental disclosure (CSED) practices in Kuwait. To achieve this objective, a checklist of 25 social and environmental disclosure items was developed. These items were then classified into four categories: human resources, environmental activities, community involvement and product/service related information. Using content analysis, the 25 disclosure items were applied to the annual reports of a sample of 43 companies listed in Kuwait Stock Exchange (KSE). It was found that the overall disclosure level for the sample companies is 21%. The disclosure level varies by disclosure category. Product/service related information achieved the highest disclosure level (43%), while human resources disclosure comes second (25%). Little attention was given to disclosing information related to community and environment, with a disclosure level of 16% and 8% respectively. These results suggested that there is a significant scope for additional social and environmental disclosure in the annual reports of Kuwaiti companies. Issuing regulations and guidelines on CSED is needed to motivate Kuwaiti companies to improve their social and environmental disclosures.

Keywords: social and environmental disclosure; corporate social responsibility; Kuwait Stock Exchange (KSE); corporate annual reports

Introduction and Research Background

Investigation of the CSED has established a robust literature (e.g. Darrell and Schwartz, 1997; Walden and Stagliano, 2004; Kuasirikun and Sherer, 2004; Huafang and Jianguo, 2007; Chan, 2010). Literature in voluntary disclosures confirmed that, recent years have witnessed a growing public concern on corporate social responsibility (CSR), and it is expected to increase in the future. Disclosure of social and environmental issues have been emerging as an important dimension of corporate disclosure practices (Ahmad and Mousa, 2010)

Since 1990s, there has been a significant increase in CSED research. Some accounting journals have dedicated entire editions to social and environmental accounting issues. Among those journals are Accounting, Auditing and Accountability Journal (Vol.10, No.4, 1997 and Vol.15, No.3, 2002); European Accounting Review (Vol.9, No.1, 2000); Accounting Forum (Vol.19, No.2/3, 1995 and Vol.24, No.1, 2000) and Journal of Corporate Citizenship (Vol.13, 2004).

Although there has been an increase in the number of studies dealing with CSED, corporate social and environmental issues in developing countries has lagged behind developed countries. To date, the empirical research of CSED largely focused upon English-speaking and western contexts (Villiers and Staden, 2006). Hossain et al.

(2006) stated that less attention was given to the state of CSED in developing countries.

In the Arabic region, there is a general lack of knowledge on this area (Ahmad and Handley-Schachler, 2008). Few empirical research have been undertaken in the Arabic region. Among this research is Ahmad (2004); Ahmad and Mousa (2010) and Al-Shammari (2008). Ahmad (2004) investigated the state of corporate environmental disclosure (CED) in Libya in the period of 1998-2001. He found that there is no evidence of environmental disclosure either in term of its quality or in term of its quantity. Apart from health and safety disclosed, the companies studied have disclosed no other environmental information. Later, Ahmad and Mousa (2010) investigated the situation using data of year 2007. The purpose was to examine the development of the CED practice in Libya. They found that CED has been developed over the period between 2001 and 2007 in terms of its quantity and quality.

In Kuwait, Al-Shammari (2008) investigates the association between a number of company characteristics and the extent of voluntary disclosure in the annual reports of non-financial companies listed in the KSE in 2005. The disclosure index used in the study included 76 items categorized into corporate environment, social responsibility, and financial information. The results showed that the level of overall voluntary disclosure is 15%. The disclosure level varies by type of information. The level

of voluntary corporate environment is 23%, where it is 4% for social responsibility and 12% for financial disclosure. The results indicate that Kuwait companies disclose more corporate environment than financial information.

The present study focuses on SED in the annual reports of the listed Kuwaiti corporations. The findings are expected to contribute to related prior empirical work which has to date largely focused on the situation in developed countries. The expected results are also useful to show the extent to which current SED practice in Kuwait has been improved since the study undertaken by Al-Shammari (2008). Moreover, it contributes to the development of better disclosure practices in Kuwait.

The remaining part of the study proceeds as follows. Next section reviews social and environmental policies in Kuwait. Section three identifies the research methodology. Section four discusses the research results and findings. The last section summarises the research findings and direction for further research.

Social and Environmental Policies in Kuwait

In recent years social and environmental issues have witnessed a growing concern in Kuwait. They have been reflected in governmental regulations, Kuwaiti press, and in corporate documents released to the public. Since 1995 the Kuwaiti government has issued several laws dealing with social and environment issues. In 1995 law No. 21 was issued and amended in 1996 by the law No. 16. The law establishes the General Authority for Environment. Chapter 5 of the law identifies standards and requirements of water protection and conservation. Also, it identifies standards of air pollution from the various sources such as cement and steel factories. Moreover, the law and its executive regulation include the environmental standards allowed for air pollution, standards of air quality in both industrial and housing areas.

In January 2000 the law No. 91 was issued dealing with national human resources. The main objective of the law is to encourage and support hiring Kuwaiti employees in private sector. The law required that all Kuwaiti private organizations should specify a percent of their employees for Kuwaitis. The law and its executive regulation include a number of financial and physical encouragements for company compliance with the law requirements. Moreover, the law includes some penalties for non-compliance with its requirements.

The issuance of these laws indicates the increasing concerns of Kuwaiti Government for social and environmental issues. Moreover, during the last ten years, there is a growing public concerns about the social responsibility of Kuwaiti corporations. This is reflected in most of the local newspapers, magazines, and the other media.

Given the growing government and public concerns on corporate social responsibility, the main question is that: to what extent do Kuwaiti corporations reflect such concerns

in their annual reports? In which format? and in which part of the annual report?

Research Methodology

This section presents the sample size, the disclosure index, the source document from which data has been collected, and content analysis technique used for data collection.

Sample Size

For the purpose of this research, the annual report of 43 Kuwaiti companies listed on the KSE were selected. This sample represents 25% of total population. Table (1) shows the number of total population and the sample companies classified by economic sector.

The selection has been undertaken based on the list of Kuwaiti companies as appeared in the investor guide issued by KSE. The selected companies cover all Kuwaiti economic sectors, and represent the largest companies in each sector. Total assets used as the criteria to select the largest companies in each economic sector.

The largest companies were chosen because they are more politically visible than small companies. Consequently, they are more exposed to political attack in the form of greater regulations, such as price control, threat of nationalization and social responsibility. Therefore, large companies have a greater incentive to disclose more information in their annual reports than small companies to enhance their reputation and public image, and to protect themselves against public criticisms or threat of government intervention.

This analysis has been confirmed by the results of the previous research related to company's characteristics and voluntary disclosure. These results indicate that there is a significant positive relationship between company size and level of voluntary disclosure in corporate annual reports (Andrew *et al.*, 1989; Gray *et al.*, 1995; Kirkman and Hope, 1992; Mitchell *et al.*, 1995; Smith and Taffler, 2000; Suwaidan *et al.*, 2004; Chan, 2010).

Table 1: Classification of sample companies by economic sector

Economic Sector	Population	sample	%
<i>Financial sector (Banks and Insurance Companies)</i>	16	4	25
<i>Investment Sector</i>	43	11	26
<i>Real Estate Sector</i>	35	8	24
<i>Industrial Sector (including Foodstuff Companies)</i>	32	8	25
<i>Services Sector</i>	47	12	26
Total	173	43	25

Disclosure Index

To achieve the research objective, a disclosure index of social and environmental information is developed.

Towards this, an extensive search in the relevant literature was made. Searching the relevant literature produced a list of items of information covering most of the SED aspects. The preliminary list was tested against a sample of corporate annual reports to find out whether it needs future refinement. The final list includes 25 items.

Based on the prior research (e.g. Gray *et al.*, 1995a and 1995b; Kuasirikun and Sherer, 2004), the 25 items were then classified into four categories: human resources, environmental activities, community involvement, and product/service related disclosure.

Each of the disclosure items was scored without weighting. Using un-weighted disclosure checklist in this study is based on the argument that the weighting process will reflect interests of a particular information user, hence, increasing the subjectivity in developing the disclosure indexes (Marston and Shriver, 1996). Moreover, Robbins and Auston (1986) concluded that there is no significant difference between the results based on weighted and un-weighted disclosure indexes.

Each of the 43 annual reports (the sample) was carefully scrutinized against the checklist to identify the presence/absence of each item in the report. As a result of this process, each of the 25 disclosure items in the checklist was scored one if it is disclosed or zero if it is not disclosed. The disclosure index for each item was computed as follows:

- Compute the actual disclosure for each item by summing the number of times an item scored as 1.
- Compute the disclosure index by dividing actual disclosure by expected disclosure (the number of annual reports investigated).

The following equation is used to calculate the disclosure index for each item:

$$DIND = ACD \div EXD$$

Where: DIND = the disclosure index for an item

ACD = actual disclosure = the number of times an item scored as 1.

EXD = expected disclosure = the number of annual reports investigated

The value of any index ranges from 0 to 1, and the higher the value of index the higher the level of disclosure. Using the same procedure, a disclosure index was computed for each disclosure category and for all items, which represents the overall disclosure level.

Source Documents

Despite a wide range of corporate documents released about company's social performance (such as brochures, press releases, separate social reports.. et cit), the present study confines itself to social and environmental information presented in corporate annual reports. Corporate annual report remains the most extensively used document in the

analysis of corporate social reporting due to their credibility, regularity, usefulness to various stockholders, accessibility and completeness in terms of the company's communication on social issues (Neimark, 1992; Gray *et al.*, 1995b; Deegan and Rankin 1997;).

Moreover, using annual reports as well as other corporate social documents is valid and possible in a case study in which accessibility to those documents is available. This would not be the case if data would to be collected for several companies, and various corporate sources cannot be obtained for all sample companies. Therefore, using corporate annual reports provides a level of consistency between companies for research purposes.

Most of the Kuwaiti companies produce annual report in both Arabic and English languages. In this study, the Arabic version is used in the analysis. To understand the report, it is desirable to read the reports from the original language, and hence, avoid any potential linguistic distortion resulting from the translation process.

Content Analysis

Content analysis of corporate annual reports is a well-established technique in examining voluntary disclosure, and has been used in social, environmental, and accounting studies (Abbotte and Monsen, 1979; Olsson, 2001; Abeysekera and Guthrie, 2005; Newson and Deegan, 2002). Using this technique, the content in the sample annual reports was analyzed by coding pre-defined disclosure items, and recording their presence or absence in the coding sheets as one or zero respectively. Based on data collected, the level of disclosure was computed. In the same time, disclosed items are identified in terms of the format by which they are disclosed, and their location in the annual reports.

Research Results and Analysis

Tables 2, 3 and 4 present results of SED of the sample companies. Table 2 gives an overview of the overall disclosure for the four disclosure categories. The results indicate that the level of overall disclosure for the sample companies is 21%. It is higher than the findings of Al-Shemmari study (2008) in Kuwait (15%) and Kuasirikun and Sherer (2004) in Thailand (13%), but it is lower than what has been found by Leventis and Weetman (2004) in Greece (37%) and Ghazali and Weetman (2006) in Malaysia (31%).

The disclosure level varies by type of information. Products/services related information achieved the highest disclosure level (43%), while human resource is the second reported information (25%). The disclosure level of community involvement is 16%. Environmental information is the lowest disclosure level (8%), which is lower than Al-Shemmari (2008) in Kuwait (24%), but slightly higher than Kuasirikun and Sherer, (2004) in Thailand (6%).

Table 2: Overall Disclosure Level of Social and Environmental Information

Categories of Disclosure	No. of items in the category	Expected disclosure for the sample*	Actual disclosure (%)
<i>Human resources disclosure</i>	10	430	107(25)
<i>Environmental disclosure</i>	7	301	25 (8)
<i>Community involvement disclosure</i>	5	215	34 (16)
<i>Products/services disclosure</i>	3	129	55 (43)
<i>Total</i>	25	1075	221(21)

*Expected disclosure=No. of items in a disclosure category X 43 (sample annual reports)

The following sections present and analyze the detailed results of disclosure level, the format by which disclosed items are reported, and their location in corporate annual reports. This will be done for each of the four types of information categories.

Level of Disclosure

This section presents and discusses the extent to which the sample companies provide information related to their social and environmental activities. Table 3 presents information about expected and actual disclosure for each of the four categories and for each disclosure item separately.

Human Resource Disclosure

Human resources disclosure is the process of providing information about individuals and groups of individuals within an organization. Table (3) reveals that the sample companies disclose 25% of the 10 HR items. Two items had zero disclosure score, while only one item was disclosed by more than 90% of the sample companies. The other 7 items had disclosure score of less than 35%.

The results indicate that only 6 companies (14%) provide information about nationality of employees. Given that, there are social and political concern about corporate policy and programs toward employing Kuwaitis, the extent of corporate disclosure in this issue is considered as very low. More disclosure on nationality of employees is needed.

Regarding gender disclosure, which is generally concerned with corporate policies on employment of men and women (such policies as equal opportunity, equal payment, and equal treatment in the workplace), none of the sample companies provides information about their policies in this issue. Given that, there are social and political concerns over the treatment of women in the workplace, much more disclosure on gender policy is needed. The same observation and conclusion are said about the corporate programs to promote employees health and safety.

The results also indicates that 35% of the sample companies provide information on educational support for their employees. such as training programs, provision of educational scholarships, and arranging relevant seminars. On the other hand, 21% of the sample disclose information about company's programs to promote employ welfare such as transportation, housing and special living allowance.

It is clear that disclosure in the areas of educational support and promoting employ welfare is very poor. Also corporate reports portray the activities in these two areas as a form of fostering of or investment in employee education and welfare. However, these activities can also provide substantial benefits to the company owners who implement them as a result of using employees more effectively in terms of corporate aims and objectives.

Environmental Disclosure

Recently, Environmental issues have achieved prominence in relation to business practices (Walden and Stagliano, 2004). However, this is not reflected by the Kuwaiti companies. As Table (3) reveals, the sample companies disclosed 8% of the seven items included in this type of information. Among the seven items, only one item disclosed by seven companies (16%), each of the other six items has a disclosure score less than 10%.

Community Involvement Disclosure

In Kuwait, community issues witnessed a growing public concern, and have been reflected in the Kuwaiti newspapers and magazines. However, little attention has been given by the Kuwaiti companies to disclose information related to community activities. The results in Table (3) show that the sample companies disclosed only 16% of the five items included in this type of information. Only one item disclosed by 15 companies (35%), the other four items has a disclosure score of 16% or less.

The results also indicates that donation of cash and products to support community activities represents the highest item given attention disclosure by the sample companies. Items related to employment of students, sponsoring conferences and seminars, and funding scholarship programs have the least disclosure scores.

Product/Service Related Disclosure

To enhance their public image and relations with the society, Business Corporation aims at informing their customers that it makes its efforts to provide them with top quality and safety products and services. As presented in table 3, the Kuwaiti companies show high attention in providing information about their products and services. The results indicate that, the sample companies disclosed 43% of the three items included in this category.

Development of product/service represents the highest item given attention disclosure by the sampled companies. About 63% of the sample provides information related to this item, while only 28% of the sample provides information related to product quality. Programs of costumer services item is

disclosed by about 37% of the sample. Although the small number of items included in this type of information, no company provided information related to all of these items.

Among the 43 sample companies, the maximum number of items disclosed by a single company was two items.

Table 3: Level and format of disclosure of Social and Environmental information

	Disclosure item	Disclosure Level		Disclosure Format	
		Expected disclosure For the sample (43)	Actual disclosure (%)	Monetary format	Non-monetary format
	Human resources disclosure				
1	Total number of employees and their costs	43	40 (93)	39	1
2	Breakdown of employees by nationality	43	6 (14)	6	--
3	Company's policy on women employees	43	0 (0)	--	--
4	Education for employees (training programs, scholarship ...	43	15 (35)	2	13
5	Company's policy on employee appointing	43	9 (21)	--	9
6	Company's policy toward employees promotion and rewarding	43	5 (12)	1	4
7	Company's programmes to promote employee health and safety	43	0 (0)	--	--
8	Company's programmes to promote employee welfare (transportation, housing and special living allowance)	43	9 (21)	2	7
9	Company's policies on employee share purchase scheme	43	10 (23)	9	1
10	Company's programmes/activities to improve job satisfaction and employee motivation	43	13 (30)	--	13
	Sub-total	430	107(25)	58(54%)	49(46%)
	Environmental Disclosure				
11	The company's policy toward the environment	43	7(16)	3	4
12	The company's programmes & activities on pollution control	43	3(7)	2	1
13	Conservation of natural resources, e.g. recycling glass, metal, paper	43	3(7)	1	2
14	Preventing waste and repair of damage to environment	43	4(9)	3	1
15	Disposal of waste in a proper manner	43	3(7)	1	2
16	Energy savings and conservation programmes	43	1(2)	--	1
17	Improving the surrounding environment	43	4(9)	--	4*
	Sub-total	301	25(8)	10(40%)	15(60%)
	Community involvement disclosure				
18	Donation of cash, product to support community activities	43	15(36)	4	11
19	Summer or part-time employment of students	43	4(9)	1	3
20	Sponsoring educational conferences, seminars	43	7(16)	1	6
21	Funding scholarship programs/activities	43	3(7)	2	1
22	Conducting projects in different locations especially in poor areas	43	5(12)	2	3
	Sub-total	215	34(16)	10(29%)	24(71%)
	Products/Services disclosure				
23	Product development, including its packaging	43	27(63)	--	27
24	Product quality e.g. (ISOO and other relevant certificates)	43	12(30)	5	7
25	Consumer's service programmes (market research, product warranty, educate consumers about goods being sold)	43	16(37)	--	16
	Sub-total	129	55(43)	5(9%)	50(91%)
	TOTAL	1075	221 (21)	83(38%)	138(62%)

Disclosure Format

This section presents and analyses the format by which social and environmental information is disclosed by the sample companies. If an item is disclosed by a company, its disclosure format is considered as either monetary format, or nonmonetary format. Disclosing an item in monetary format means that the concerned item is expressed in terms of cost/amount incurred by the company to provide a particular social or environmental activity. On the other hand disclosing an item in nonmonetary format means that the concerned item is expressed in a form of a descriptive/narrative statement. The last two columns of table (3) provide results of disclosure format for each item actually disclosed by the sample companies in each of the four disclosure categories.

Human resource Disclosure

The results in table (3) indicate that the sample companies disclosed 54% of HR information in monetary format. The remaining 46% is disclosed in nonmonetary format. However, this general observation varies regarding each item separately. Some items have been disclosed by most of the sample companies in a monetary form, other items have been mostly disclosed in a nonmonetary form.

Items related to employee number and salaries, their nationality, company's policy on employee share purchase scheme are disclosed in monetary format by almost all of the sample companies. Information related to employee appointing programs, activities to improve job satisfactions and employee motivation, educating employees, rewarding them and promoting their welfare are disclosed in nonmonetary form by 80-100% of the sample companies. Although nonmonetary disclosure is potentially the common form to disclose this type of employee information, it is useful to have monetary disclosure in respect of employee benefits.

Environmental Disclosure

The results in table (3) indicate that, the sample companies disclosed 60% of environmental information in nonmonetary format, the remaining 40% is disclosed in monetary format. However, this general result differs regarding each item separately. Some items have been disclosed by most of the sample companies in monetary form, other items have been mostly disclosed in nonmonetary form.

Information related to improving the surrounding environment was disclosed in nonmonetary format by all the 4 companies that disclosed information on this item. While 75% of companies that disclosed information on preventing waste and repair of damage to environment reported them in a monetary format. Company's policy toward the environment is disclosed in both monetary (43%) and non-monetary format (57%). Finally, 67% of information related to conservation of natural resources and disposal of waste in a proper manner is disclosed in

monetary format, with the remaining 33% disclosed in nonmonetary format.

Community Involvement Disclosure

The results of disclosure format for each of the 5 community involvement items indicate that the majority of community information is disclosed in nonmonetary format. On an average, the sample companies disclosed 71% of community information in nonmonetary format. This general result is applicable regarding each item separately. Among the 15 companies reported information related to donation of cash and products, only 4 companies (27%) reported information about how much is the amount donated, with 11 companies (73%) mentioned only a statement referring to the provision of donation either in term of cash or products. Similar result as for the remaining four items especially those related to educational activities.

Product/Service Related Disclosure

Table 3 shows that 91% of product/service related information is disclosed in nonmonetary format, with only 9% disclosed in monetary format. All banks, investment companies, and real estate companies disclose product/service information in nonmonetary format. Trade and service companies disclose 29% of this type of information in monetary format.

The preceding description of disclosure format of the four categories indicates that the sample companies tend to disclose most of social and environmental information in nonmonetary format (62%). Product/service related information is primarily disclosed in nonmonetary format (91%), while majority of human resources information is disclosed in monetary format (54%).

Location of Disclosure

This section provides a description and analyses of where social and environmental information reported in Kuwaiti corporate annual reports. An item may be disclosed in corporate annual report in one of three locations: chairperson report, director report, or notes to the financial statements. Table 4 provides the results of disclosure location for each item actually disclosed by the sample companies in each of the four categories.

Human Resource Disclosure

The Results in table 4 indicate that human resources information is mostly disclosed in the notes to financial statements (51%), with director report comes next (46%). Only 3% of this type of information is disclosed within the chairperson report. Given the results of HR disclosure format (table 3), items disclosed in quantitative form are disclosed in notes to financial statements, while items disclosed in narrative form are disclosed in director report or within the chairperson reports.

Environmental Disclosure

Table 4 presents results of disclosure location for each item of environmental information. These results indicate that almost all environmental information is disclosed in the directors' report (92%), with only 2 companies (8%) disclosed information related to company's policy toward

the environment in the chairperson report. Given that most of environmental information was disclosed in narrative format (table 3), this might explain why the majority of environmental information is disclosed in director report section.

Table 4: Location of social and environmental disclosure

	Disclosure item	Actual disclosure	Location of Disclosure		
			chairperson report	Directors' Report	Notes to the FSs
	Human resources disclosure				
1	Total number of employees and their costs	40	--	5	35
2	Breakdown of employees by nationality	6	--	4	2
3	Company's policy on women employees	0	--	--	--
4	Education for employees (training programs, scholarship ...	15	2	11	2
5	Company's policy on employee appointing	9	1	8	--
6	Company's policy toward employees promotion	5	--	5	--
7	Company's programmes to promote employee health and safety	0	--	--	--
8	Company's programmes to promote employee welfare (transportation, housing and special living allowance)	9	--	4	5
9	Company's policies on employee share purchase scheme	10	--	2	8
10	Company's programmes/activities to improve job satisfaction and employee motivation	13	--	10	3
	Sub-total	107	3(3%)	49(46%)	55(51%)
	Environmental Disclosure				
11	The company's policy toward the environment	7	2	5	--
12	The company's programmes & activities on pollution control	3	--	3	--
13	Conservation of natural resources, e.g. recycling glass, metal, paper	3	--	3	--
14	Preventing waste and repair of damage to environment	4	--	4	--
15	Disposal of waste in a proper manner	3	--	3	--
16	Energy savings and conservation programmes	1	--	1	--
17	Improving the surrounding environment	4	--	4	--
	Sub-total	25	2 (8%)	23 (92%)	0
	Community involvement disclosure				
18	Donation of cash, product to support community activities	15	2	9	4
19	Summer or part-time employment of students	4	--	4	--
20	Sponsoring educational conferences, seminars 7	7	--	7	--
21	Funding scholarship programs/activities	3	2	1	--
22	Conducting projects in different locations especially in poor areas	5	3	2	--
	Sub-total	34	7 (20%)	23 (68%)	4 (12%)
	Products/Services disclosure				
23	Product development, including its packaging	15	10	17	--
24	Product quality e.g. (ISOO and other relevant certificates)	4	5	7	--
25	Consumer's service programmes	7	6	10	--
	Sub-total	55	21 (38%)	34 (62%)	0
	TOTAL	221	33 (15%)	129 (58%)	59 (27%)

Community Involvement Disclosure

The results in table (4) indicate that 68% of community involvement information is mostly disclosed in directors' report and 20% in the chairperson reports. Only 12% of this type of information is disclosed within the notes to financial statements. As indicated before (table 3) most of community information was disclosed in narrative format (71%). This explains why most of community information is disclosed in the directors' reports section of the company's annual report

Product/Service Related Disclosure

As presented in Table 4, product/service related information is disclosed either in the director report (62%) or in the chairperson report (38%), with no information disclosed in the notes to the financial statements. Most of product/service related disclosures are presented in the director reports section. This might explain why most of product/service related information is disclosed in narrative format (Table 3). The preceding description of location of the disclosure categories indicated that the sample companies tend to disclose most of social and environmental information in director report (58%). Environmental information is primarily located in director report (92%), while human resources information is generally spread across director reports and notes to financial statements.

Summary and Direction for Further Research

Two main reasons were behind the conduct of this study; the increasing demand of society towards great social and environmental disclosure accompanied with the lack of research addressing this issue in developing countries, like Kuwait. The objective of this study is to investigate CSED practices in Kuwait. In particular, it investigates the disclosure of information about social and environmental issues in the annual reports of Kuwaiti companies.

To achieve this objective, a checklist of 25 social and environmental disclosure items was developed based on the prior research. The 25 disclosure items were then classified into four categories representing the major aspects of corporate social responsibility. These categories are: human resources, environmental activities, community involvement and product/service related disclosure. Using the content analysis, the 25 disclosure items were applied to the annual report of a sample of 43 companies listed in Kuwait Stock Exchange.

The results indicated that the overall disclosure level for the sample companies is 21%. It is higher than the results found by a previous study by Al-Shemmari in Kuwait (15%) and Kuasirikun and Sherer (2004) in Thailand (13%). Studies undertaken in other countries show a better disclosure level, e.g., Leventis and Weetman (2004) in Greece (37%) and Ghazali and Weetman (2006) in Malaysia (31%). The disclosure level vary by disclosure category. The most disclosed subject in Kuwaiti corporate annual reports is products/services related information which achieved the highest disclosure level (43%). Human resource is the

second most reported information with a disclosure score of 25%. It is similar to that found by Kuasirikun and Sherer (2004) in Thailand (26%). The disclosure level of community involvement is 16%. Environmental information is the lowest disclosure level (8%) which is lower than Al-Shemmari (2008) in Kuwait (24%), but slightly higher than Kuasirikun and Sherer, (2004) in Thailand (6%).

Regarding disclosure format and location, Kuwait appears to share similarities to social and environmental disclosure practice reported by previous studies (Guthrie and Parker, 1990; Kuasirikun and Sherer, 2004). The results indicated that the sample companies tend to disclose most of social and environmental information in nonmonetary format (62%). Product/service related information is primarily disclosed in nonmonetary format (91%), while the majority of human resources information is disclosed in monetary format (54%). Most of social and environmental information is located in director report (58%). Environmental information is primarily located in director report (92%), while human resources information is generally spread across director report and notes to financial statements.

These results indicate that Kuwaiti companies use their annual reports to provide information about corporate social responsibility. However, the overall disclosure level is very low. Regarding each of the four disclosure categories, there is a fairly good level of disclosure of product/service related information. On the other hand, the other three disclosure categories are poorly reported by Kuwaiti companies. This result indicates that product/service issues are given more consciousness over human resources, community and environmental issues.

The findings of this study would suggest that there is a significant scope for additional social and environmental disclosure in the annual reports of Kuwaiti companies. Issuing regulations and guidelines on CSED is needed to motivate companies to improve their social and environmental disclosure.

As mentioned before, little research has been undertaken on the social and environmental aspects in Kuwait and in the Arabic region in general. Given that, the main objective of this study has been to investigate and evaluate Kuwaiti CSED practices. Further research of social and environmental reporting in the Kuwaiti context is needed. For example, the sample companies used in the present study composed by the largest companies listed in the stock exchange. Further research is needed to consider small, medium and unlisted companies. The study also focused on the corporate annual report. Thus, the research results might give an incomplete picture of the disclosure practices, as there are other media through which companies can report their social and environmental information. Moreover, due to cost and time factors, only one year annual report was investigated. Further research considering more than one year annual reports would help exploring the evolution and

improvement of social and environmental disclosure practices by Kuwaiti companies.

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