

ABSTRACT

Corporate Social Responsibility (CSR) in Listed Companies in Palestine Securities Exchange (PSE) and its Relation to Profitability

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This study aims to recognize the extent of applying corporate social responsibility (CSR) in listed companies in Palestine Securities Exchange (PSE) and its relation to profitability. Social responsibilities towards workers, environment, marketplace and community were investigated, the profitability status of listed companies during the interval (2004-2008) was also investigated using the accounting -based profitability indicators (return on asset (ROA), return on equity (ROE), net profit margin and earnings per share (EPS)) and the market-based indicators (market share price (MSP)), the correlation between CSR and profitability was then investigated. This study aims also to find out whether there are differences in the application of CSR between listed companies due to the year of establishment, firm size, sector, CSR motive, CSR application in the organization structure, manager's educational level, experience and specialization. The CSR procedural definition in this study encompasses its legal, ethical and discretionary parts, the economic one was excluded. The descriptive methodology is used, and a survey questionnaire was directed to (127) branch managers to measure their social responsibility, only (117) questionnaires were retrieved, that is; (92%) of the population. Financial information concerning profitability was retrieved from the annual reports available on their website and on the 2006, 2008 annual guidebooks. Results revealed high level of social responsibility of listed companies in (PSE); their commitment to the legal and ethical parts of CSR was higher than that of the discretionary one. Responsibility towards market place was the highest, followed by responsibility towards

workers, community and then the environment. The insurance sector was the most profitable sector, while the industry was the least, the service and banking sectors were the most responsible sectors, while the investment and the industry ones were the least. (50%) of the population applied CSR to support their images and for altruism, while only (8%) were seeking profitability. Finally results revealed that listed companies that were established between (1999-2003) ,companies managed by marketing managers, or managed by low experienced ones ,were more responsible towards workers, community and environment, while older companies, companies managed by managers with specializations other than marketing ,business administration, accounting or finance ,or managed by high experienced managers were more responsible towards marketplace. Results also revealed that companies with more capital, higher number of workers, and a CSR department were more responsible than others.

The researcher has come out with several recommendations directed to three different parties, some are directed to corporations, such as cooperating to offer huge voluntary projects to the local community such as infrastructure projects, others were directed to the legislation council such as providing privileges to socially responsible companies, for example; tax deduction, and finally suggestions are made for further researches such as studying this issue from other stakeholders' points of views.