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## Article

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# The impact of corporate social responsibility disclosure on corporate reputation: the moderating role of national culture in financial industries of MENA region

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## ABSTRACT

This study explores the moderating role of national culture on the relationship between Corporate Social Responsibility Disclosure (CSRD) and corporate reputation within financial industries in the MENA region. Utilizing a dataset of 96 financial firms listed in Jordan, Palestine, Qatar, and Kuwait from 2016 to 2020, the study employs the Generalized Method of Moments (GMM) to estimate dynamic corporate reputation models. The findings indicate a positive impact of CSRD on corporate reputation. Notably, individualism as a cultural dimension enhances this positive relationship, whereas generalized trust weakens it. This research contributes to the literature by developing a quantitative corporate reputation index using principal component analysis (PCA), addressing gaps in CSRD research in developing regions, and highlighting the importance of national culture in influencing stakeholder perceptions of CSR activities. The results underscore the need for MENA financial firms to engage in structured CSR initiatives and transparent disclosures aligned with cultural values to enhance corporate reputation. Future research should consider qualitative aspects and expand the scope to other industries and regions.

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## 1. Introduction

Researchers argue that a company's corporate reputation is its most valuable intangible asset since it helps it gain an important competitive advantage (Kitching, 2021; Miranda & Miguel, 2024; Roberts & Dowling, 2002). Numerous benefits may result from having a favorable corporate reputation, including luring in investors, clients, and staff, as well as strengthening acceptability and public perceptions of the company (Eriqat et al., 2023; Roberts & Dowling, 2002). Therefore, a growing number of academics have given corporate reputation considerable attention.

Corporate reputation (CR) refers to the perceptions held by different stakeholders about the ability of an organization to meet their needs (Lange et al., 2011). Thus, research agrees that corporate reputation should be evaluated in light of several dimensions representing the perceptions of various stakeholders (Jeffrey et al., 2019). Although there is consensus on the factors that may reflect a company's reputation, there is no common approach yet to measure the entire result of corporate reputation (Baruah & Panda, 2020). Scholars, in this particular, develop several corporate reputation ranking models, such as Reputation Quotient and Fortune's World's Most Admired Companies (WMACs), which are commonly exclusive to a group of developed-nation businesses (Khan & Digout, 2018). Furthermore, despite that reputation models handle the multidimensionality of corporate reputation, their application often faces criticism due to biased evaluations, as these reputation rating models only rely on CEO or analyst surveys, which may not accurately represent all stakeholder groups (Ghuslan et al., 2021).

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However, in the case of developing countries, especially in the MENA region, where databases ranking corporate reputation are lacking, research on the phenomenon of corporate reputation remains relatively new and has not been extensively explored (Li et al., 2020). Current research in the MENA context often evaluates corporate reputation using qualitative methods, such as surveys (Al Sakkaf et al., 2022; Bayoud et al., 2012). This has sparked the interest of the current study in quantitatively evaluating corporate reputation in the MENA context.

In addition to the importance of evaluating corporate reputation, investigating the determinants or antecedents of corporate reputation is crucial for maintaining and managing reputation effectively (Pérez-Cornejo et al., 2020). Previous research has linked corporate social responsibility (CSR) to corporate reputation (Lin, 2024; Miranda & Miguel, 2024; Rothenhoefer, 2019). CSR is defined as the integration of social and environmental considerations into business activities (EU, 2002). According to Bukari et al. (2024) to Lhutfi et al. (2024), CSR involves a company's dedication to ensuring the welfare of stakeholders through voluntary business practices. Carroll (2016) suggests that CSR is the stakeholders' expectations about the firm's behavior towards society based on four aspects: economic, legal, ethical, and discretionary.

Recently, the phenomenon of the adoption of CSR practices has become widely acknowledged as a value-creating opportunity and not a burden on a company (Alatawi et al., 2023). Nevertheless, the adoption of CSR practices in developing countries is characterized as less extensive, less embedded in corporate strategies, and less structured than in most developed countries (Jamali & Neville, 2011). However, researchers suggest that to enhance a company's reputation through CSR, companies first should adopt planned or structured CSR initiatives that align with stakeholder priorities and needs (Bögel, 2019; Fatma et al., 2015). For example, job creation, poverty reduction, and improving the standard of living are the main challenges facing the MENA region, and therefore, should be the top priorities of CSR initiatives in the region (Shehadi et al., 2013). Second, companies should provide high-quality disclosure of CSR activities. Corporate social responsibility disclosure (CSRD) improves company's reputation by enhancing CSR visibility beyond internal stakeholders (Islam et al., 2021; Rothenhoefer, 2019).

Furthermore, previous research demonstrated that national cultural attributes can influence the association between CSRD and CR (Pérez-Cornejo et al., 2021). This is because national culture plays a pivotal role in influencing decisions related to the adoption and disclosure of CSR practices (Gallén & Peraita, 2018). For instance, in the MENA context, researchers have claimed that charitable activities dominate the landscape of CSR practices (Jamali & Neville, 2011). This is because they are culturally embedded due to Islamic instructions, such as the principle of Zakat (White & Alkandari, 2019). On the other hand, national cultural factors also impact how stakeholders perceive and interpret corporate activities, such as CSRD, which ultimately affects how stakeholders view the organization (Deephouse et al., 2016).

The literature on national culture determines the cultural values of a particular context in light of several cultural dimensions (Hofstede, 2001), among which the current study focuses on individualism and generalized trust as national culture dimensions. Individualism-collectivism pertains to the extent to which a societal orientation prioritizes either group or individual interests (Gorodnichenko & Roland, 2012), while generalized trust is the level of trust that members of a society place in others, especially those who are not in their immediate social circle (Porta et al., 1996). However, previous research indicates that these cultural dimensions are relevant factors for CSRD and corporate reputation. For example, Maignan (2001) showed that stakeholders from different countries attribute varying levels of importance to CSR activities, based on their degree of individualism or collectivism. In addition, research has stated that the degree of generalized trust in a particular society could provide insights into trust in a firm's activities (Mishler & Rose, 2001), such as CSRD, and its impact on corporate reputation. This discussion raises the study question of what is the impact of national culture on the relationship between CSRD and CR in the context of the MENA region.

Therefore, this study aims to investigate the impact of national culture, specifically individualism and generalized trust, on the relationship between CSRD and corporate reputation (CR) within MENA nations. Utilizing data from 96 financial firms across four MENA nations, Palestine, Jordan, Qatar, and Kuwait, the study reveals several key findings. Firstly, it confirms the positive effect of CSRD on CR. Additionally; the study revealed that the interaction between individualism and CSRD has a favorable effect on CR, while the interaction between CSRD and generalized trust has a detrimental effect on it.

This study makes several contributions to the existing literature. Firstly, prior research on corporate reputation has typically employed three common approaches: using a single proxy, such as the firm's market value (Kaur & Singh, 2018), conducting surveys (Al Sakkaf et al., 2022; Javed et al., 2020), or relying on reputation ranking models (Dell'Atti et al., 2017; Kitching, 2021). In contrast, this study develops a quantitative index for corporate reputation by integrating various corporate reputation indicators through principal component analysis (PCA). This methodology addresses two key challenges identified in previous research: (i) providing a broader perspective on the status of corporate reputation compared to the single-proxy approach, and (ii) mitigating potential biases that may influence the evaluation of corporate reputation when relying on surveys or reputation databases.

Second, while studies on the relationship between CSRD and corporate reputation are becoming extensive, there is still a limited body of literature in the case of developing countries compared to developed Western countries. Thus, the current study offers new insights into the relationship between CSRD and corporate reputation in a unique context. Additionally, in the MENA context, it is particularly argued that CSR and CSRD are still not clearly understood, with unstructured CSR activities dominating the landscape (Aqabna et al., 2023; Jamali & Neville, 2011). Therefore, the present study considers a quantitative measure for CSRD that takes into account its four main aspects, including environment, community, human resources, products, services, and customers. This metric can provide a general assessment of firms' commitment to disclosing strategic or planned CSR activities, which adds to the body of knowledge on CSRD in the region.

Furthermore, this study expands the scope of the relationship between CSRD and corporate reputation by investigating the influence of national culture on this relationship. This investigation can provide a wider understanding of the nature of the CSRD and corporate reputation relationship. Finally, the current study is among the few that consider the dynamic nature of corporate reputation, supposing that the previous status of corporate reputation influences its present reputation.

The remainder of this research is structured as follows: Section two presents the background of the study. Theoretical literature is discussed in the third section. The fourth section explores empirical literature and the development of hypotheses. Research design, including data collection, sampling, study variables, analytical approach, and empirical models, is detailed in the fifth section. The research findings and discussion are the main focus of the sixth segment. Finally, the primary findings, implications, limitations, and suggestions for future studies are presented in the concluding section.

## 2. Background

In recent years, the MENA region has witnessed rapid market growth, particularly in the financial sector (Amico, 2014). Previous literature provides evidence of the essential role of a well-developed financial sector in promoting economic growth, poverty alleviation, and job creation (Awdeh, 2018), as the financial system mobilizes savings for productive investments that increase capital accumulation and income growth (Ehigiamusoe & Samsurijan, 2021). Particularly in MENA countries, financial companies dominate the stock exchange landscape and contribute significantly to the GDP of these countries (Amico, 2014; Arezki & Senbet, 2020). Therefore, this study is interested in investigating the reputation of financial companies in the MENA region. A reputable organization can enjoy higher financial and non-financial performance, as it creates a competitive advantage for the organization, attracting investors, customers, suppliers, and employees (Kitching, 2021; Miranda & Miguel, 2024). Additionally, the phenomenon of corporate reputation in the MENA region is still new, primarily due to the complexity of assessing corporate reputation and the lack of databases considering corporate reputation in the region (Li et al., 2020).

As mentioned before, CSR disclosure can enhance corporate reputation by considering the interests of various stakeholders, thereby favoring their perceptions of an entity (Lin, 2024; Miranda & Miguel, 2024). Over the last few decades, there has been increased pressure from governments, society, and public opinion for companies to engage in CSR activities. Nevertheless, it is argued that the density of CSR activities in the MENA region has not reached a similar level as in Western countries (Jamali & Neville, 2011). In addition, perceptions about the usefulness of CSR in the MENA region vary. Skeptics view CSR as a burden on the organization, potentially hindering the company's ability to focus on wealth creation. Proponents, on the other hand, consider engaging in CSR activities to play a key role in a

company's success. Addressing wider social concerns can create more business opportunities and enhance stakeholders' perceptions (Jamali & Neville, 2011).

Although CSR and CSR disclosure in the MENA region are claimed to not be clearly understood, where philanthropy is largely adopted (Aqabna et al., 2023), the value of CSR is recognized. Previous literature has demonstrated that CSR exists in MENA countries and is linked with higher financial performance (Barakat et al., 2015), higher market value (Al Amosh & Khatib, 2023), preferable reputation (Al Sakkaf et al., 2022), and so on. Furthermore, previous research noted that CSR activities are more applied in some countries, specifically in the Gulf States, than in others in the region (Aqabna et al., 2023).

However, Al-Marri et al. (2019) stated that structured or planned CSR can maximize its benefits for both an organization and an economy. Particularly, the MENA region faces many political, economic, and environmental challenges, such as high unemployment rates, refugee issues, poverty, water scarcity, and so on (Shehadi et al., 2013). In this light, policymakers and regulators encourage MENA companies to engage in strategic CSR activities that help address such social needs (Al-Marri et al., 2019). According to Sekhar Bhattacharyya et al. (2008), strategic CSR helps eliminate traditional problems related to the implementation of CSR initiatives. On the other hand, CSR can be applied within projects; when project management strategies, skills, and knowledge are employed, they facilitate achieving CSR objectives (Salazar et al., 2012).

Despite the importance of structured CSR in organizing CSR practices, national culture is an important element that may influence both CSR activities and the way stakeholders perceive these activities (Gallén & Peraita, 2018; Pérez-Cornejo et al., 2021). The literature suggests that CSR is culturally embedded, particularly in developing countries (Jamali & Neville, 2011). In the MENA region, White and Alkandari (2019) stated that cultural values are unique and strongly rooted in religious values, and thus, they may shape the choice of CSR activities, as well as the way stakeholders perceive and interact with these activities. These arguments drive the authors' motives to examine the impact of national culture on the relationship between CSRD and corporate reputation in the context of MENA's financial firms.

### 3. Theoretical literature review

This study draws on stakeholder and institutional theories. Stakeholders' theory is used in this study to explain the direct relationship between CSRD and corporate reputation, while institutional theory supports the investigation regarding the influence of national culture on the relationship between CSRD and corporate reputation.

#### 3.1. Stakeholders theory

Stakeholders are defined as any individuals or groups who can influence the company's performance or the achievement of its objectives or who can be affected by the company's behavior (Freeman, 2010). Various stakeholders, including investors, employees, customers, suppliers, government bodies, communities, and others, exert influence on and are impacted by the activities of the company. Therefore, stakeholder theory suggests that firms cannot achieve their objectives without considering and balancing the interests of the different groups of their stakeholders (Russo & Perrini, 2010). To apply stakeholder theory, firms should consider the interests of the different stakeholders while making decisions and strategic planning (Brin & Nehme, 2019).

The stakeholder theory stands as a prominent CSR theory. Researchers argue that CSR and stakeholder theory are complementary concepts, as both concepts are concerned with the importance of incorporating social responsibility or societal interests within a business operation (Brin & Nehme, 2019; Freeman, 2015). Stakeholders theory assumes that engaging in socially responsible activities enables a company to foster favorable relationships with customers, cultivate customer loyalty, and consequently enhance both business performance and reputation (Pérez-Cornejo et al., 2020). According to Miranda and Miguel (2024), CSR helps organizations build a strong corporate reputation and gain the loyalty of customers, investors, and employees. Therefore, much of the prior research has used stakeholder theory as an underlying framework to explain the relationship between CSR and corporate reputation (Islam et al., 2021; Javed et al., 2020; Rothenhoefer, 2019).

### **3.2. Institutional theory**

The institutional theory argues that organizations are influenced by a range of institutional conditions, including cultural, economic, and political factors, which shape their behavior and their interactions with their stakeholders (Bukari et al., 2024). According to institutional theorists, organizations are required to conform to the contextual considerations of their business environment to survive (Gallén & Peraita, 2018). Generally, institutional theories distinguish between formal and informal institutional factors. Formal factors are rules, such as regulations, laws, and constitutions, while informal factors are socially shared rules, such as religion, norms, and culture (North, 1990).

From this perspective, culture is an institutional element that may influence the likelihood that an organization will behave in a way that is socially responsible, as well as how individuals view, interact with, and understand CSR initiatives (Pérez-Cornejo et al., 2021). Similarly, Gjølborg (2009) argued that CSR strategies are closely intertwined with contextual considerations, including cultural factors, as national environments shape CSR practices. Furthermore, institutional factors, such as culture, play a role in shaping stakeholders' perceptions and interactions with corporate activities, such as CSR (Maignan, 2001). In this regard, previous research illustrates the impact of national culture on the relationship between CSRD and corporate reputation within the framework of institutional theory (Gallén & Peraita, 2018; Pérez-Cornejo et al., 2021).

## **4. Empirical literature review and hypotheses development**

### **4.1. Corporate social responsibility disclosure and corporate reputation**

The term corporate social responsibility refers to the voluntary integration of social and environmental issues by businesses into their business functions and stakeholder interactions (EU, 2002). According to Elmghaamez et al. (2023), CSR disclosure is the communication that businesses make about how they treat their customers, employees, community, and environment.

Recent research focuses on the implications of adopting CSR practices and CSRD (Rokhayati et al., 2024), such as corporate reputation. Theoretically, prior research elucidates the connection between CSRD and corporate reputation within the framework of stakeholder theory (Islam et al., 2021; Javed et al., 2020). Stakeholder theory posits that companies consider the interests of all stakeholders, encompassing communities, suppliers, employees, investors, and customers (Brin & Nehme, 2019). CSRD is perceived as a mechanism through which companies convey their dedication to diverse stakeholders. By disclosing CSR activities, companies can enhance their reputation among stakeholders when they become aware of companies' efforts to address social and environmental concerns (Rothenhoefer, 2019). In this regard, Pham and Tran (2020) argue that CSR disclosure is one of the key drivers of the positive influence of CSR on CR; without reporting on CSR practices, it does not matter how many CSR initiatives the company has undertaken. Accordingly, Javed et al. (2020) demonstrated that when CSR is reported and made public, it improves CR and credibility.

In light of these arguments, empirical studies have tested the relationship between CSR disclosures and CR. For instance, Javed et al. (2020) examine the impact of CSR disclosure on CR using a sample of 224 Pakistani senior managers of manufacturing firms in Pakistan. They argue that high-quality disclosure of CSR activities enhances CR and credibility. Their findings reveal a positive relationship between the disclosure of CSR activities and corporate reputation. This implies that organizations that prioritize diverse stakeholders in their activities receive positive responses and favorable evaluations. Additionally, organizations can effectively manage their relationships with stakeholders by reporting their CSR activities. Similar findings were reported by Berber et al. (2022) for 73 Siberian private companies. The findings indicate that firms should engage in CSR initiatives and deliver them to different audiences because companies that consider the interests of an extensive variety of stakeholders in relation to economic, social, and environmental aspects are perceived as more valuable to society, which in turn enhances their CR.

Likewise, a study by Dell'Atti et al. (2017) aimed to explore the extent to which disclosure on CSR contributes to enhancing a good reputation in the banking sector. This study examined 75 international banks listed on the Reputation Institute and ASSET4 data during the period 2008–2012. The findings

reveal a positive association between CSR disclosure and CR. The study concluded that a bank's commitment to CSR activities improves its reputation, especially during a financial crisis.

In MENA countries, Al Sakkaf et al. (2022) investigated the correlation between CSR disclosure (CSR D) and corporate reputation (CR) within the UAE context. The study employed a questionnaire-based data collection method targeting 595 high-level managers in UAE companies. Results indicated that managers engaging in CSR activities were motivated by favorable CR. Similarly, Bayoud et al. (2012) explored the CSR D-CR relationship in Libya, utilizing a sample of 149 financial managers. The findings revealed a strong association between high levels of CSR D and CR. However, it is worth noting that researchers generally relied on qualitative approaches to gather CR data due to the limited coverage of MENA companies in CR databases, as mentioned earlier. Nevertheless, the results regarding the CSR D-CR relationship in the MENA context are consistent with findings from other contexts.

**H1:** A positive relationship exists between CSR practice disclosure and corporate reputation (CR).

#### **4.2. Moderating role of national culture**

Culture is defined as the standard criterion for evaluation, perception, interaction, communication, and belief among those who share a common language, history, and geographical location (Ren & Gray, 2009). Institutional theory suggests that organizations are influenced by the cultural values, such as individualism and generalized trust, and institutional frameworks prevailing in their environment. Therefore, the impact of national cultural values on the relationship between CSR D and corporate reputation can be understood through the lens of institutional theory by considering how cultural norms shape organizational practices and stakeholder perceptions, ultimately affecting corporate reputation (Gallén & Peraita, 2018).

In this regard, the present study examines the impact of individualism and generalized trust as national cultural dimensions on the relationship between CSR D and CR. Individualism and collectivism represent the degree to which individuals are integrated into a group. Individuals in individualist societies focus on their own interests, so their ties with other individuals are fragile. In contrast, individuals in collectivist societies are more loyal to the group and appreciate goals that favor society as a whole (Gorodnichenko & Roland, 2012). In an individualistic culture, there is a strong emphasis on self-achievement, individual initiative, and personal goal orientation (Hofstede, 2001). In the business world, this may translate into a focus on individual performance with rewards and promotions based on personal or business accomplishments. It also encourages entrepreneurship, business performance, and competition (Kueh & Ho Voon, 2007). Researchers have pointed out that individualistic ideology is strongly interconnected with the Marxist (capitalist) concept of management and organization, which has proven to be an effective management style for business success (Turner, 1988).

In this context, Deephouse et al. (2009) argued that individualism is positively associated with CR in the context of 405 firms worldwide. They suggested that organizations are increasingly perceived as places where individuals can seek resources to develop their personal interests and careers. Individuals tend to favor corporations offering significant career benefits to their employees. Thus, in an individualistic culture, organizations can be viewed as providers of such opportunities.

Furthermore, researchers have argued that stakeholders' perspectives on a company's CSR activities differ among countries based on the degree of individualism and collectivism (Maignan, 2001). For example, Matten and Moon (2008) assume that CSR is an explicit function of corporations in individualistic societies. Corporations in such societies usually voluntarily and individually engage in CSR activities motivated by the perceived favorable expectations of different stakeholders. In this context, a study by Peng et al. (2012) reported a positive relationship between individualism and CSR using an international sample of 1189 firms.

Conversely, in collectivist ideologies, CSR is seen as an implicit function of an organization motivated by cultural values and a sense of collectivism. For instance, in the MENA countries, White and Alkandari (2019) reported that firms in Kuwait voluntarily engage in CSR practices due to a strong sense of corporate citizenship that reflects the collectivistic culture and Islamic values. Thus, in this study, we assume that individuals in individualistic societies value the firm's efforts regarding CSR activities and therefore positively influence the relationship between CSR D and CR.

**H2a:** Individualism has a positive impact on the relationship between the disclosure of CSR practices and corporate reputation (CR).

The concept of ‘generalized trust’ refers to the anticipation for consistent and honest behavior that develops when a society adopts moral principles in a way that establishes expectations for trustworthiness. In contrast, particularized trust is a type of trust that arises from face-to-face interactions with others and through previous social experiences with trusted people (Porta et al., 1996).

Researchers widely recognize that trust in business activities, such as CSR, is particularized trust because it is linked to a specific organizational trait (Kumari et al., 2021). Previous studies have focused on the influence of particularized types of trust on the relationship between CSR and CR. Bögel (2019) shows that disclosures on CSR activities, along with student trust, are major factors in maintaining the reputation of a German university, using a sample of 232 students. Likewise, Fatma et al. (2015) examined the effect of trust on the relationship between corporate social responsibility and corporate reputation in the context of Indian banks. They used a sample of 303 bank customer respondents. The results showed a positive effect of trust on the relationship between CSR activities and the bank’s reputation. The results indicate that when customers place their trust in the CSR initiatives undertaken by the bank, it reinforces the positive relationship between CSR and the bank’s reputation.

Generally, previous research has examined the impact of particularized trust, such as trust from employees, customers, and others, on CSR and CR, demonstrating the important role of such types of trust in enhancing the relationship between CSR and CR. However, very little research has investigated the impact of generalized trust on this relationship. Generalized trust, as a cultural value in a specific context, can provide an indication of trust in business (Mishler & Rose, 2001), but it may not necessarily translate into trust in formal business institutions (Pirson et al., 2019). In some cases, it may even indicate low levels of trust in formal business institutions.

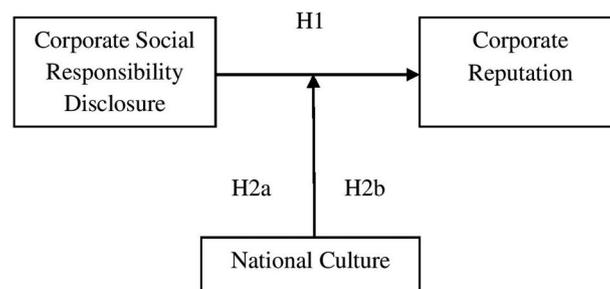
Previous research has linked generalized trust to trust in businesses. For instance, Evans and van de Calseyde (2018) assert that generalized trust could have negative reputational consequences. Similarly, Lomnitz (1988) showed that informal activities based on interpersonal relationships are not random or chaotic; on the contrary, they form a system of exchange based on personal trust and loyalty that operates alongside formal administrative rules. Likewise, in the case of the MENA region, research has shown that people are more active in the informal financial sector and tend to have a higher level of trust in informal activities. This is because the overall level of trust in various institutions is low, leading individuals to prefer engaging in informal economic transactions (Sami & Lassassi, 2020). Figure 1 shows the conceptual framework of the study.

**H2b:** Generalized trust has a negative influence on the relationship between CSR practice disclosure and corporate reputation (CR).

## 5. Research design

### 5.1. Data

This study utilized secondary data to investigate the impact of national culture on the correlation between CSR and corporate reputation. Data were sourced from multiple outlets, with each indicator



**Figure 1.** Conceptual framework.

for CR, CSRD, and control variables at the firm level being manually extracted from companies' annual reports. GDP and inflation rate data were obtained from the World Bank database, while national cultural variables, specifically individualism and generalized trust, were sourced from the World Value Survey database, wave (6).

## 5.2. Sample

The present research examined a selection of 100 financial firms that were listed between 2016 and 2020 on the securities markets of Palestine, Jordan, Qatar, and Kuwait, four MENA nations. This study specifically focuses on three sub-industries: insurance, banking, and other financial services (OFS). The final sample size was 96, after companies with a high percentage of missing data were excluded.

The nations were chosen based on the disparities in their capacity for economic growth within the area. Based on this, this study looked at a sample of Gulf nations that export oil (Kuwait and Qatar) and those that don't (Jordan and Palestine). With regard to the research topic, this option offers a more comprehensive view of the region known as MENA. In addition, the study looks at a selection of financial companies that are driven by the financial industry's significant economic contribution to the area. For example, 50% of the market capitalization of the MENA region is related to the banking industry alone (Amico, 2014). As a result, financial institutions are anticipated to be crucial in the adoption of CSR programs.

## 5.3. Variables

### 5.3.1. Dependent variable: corporate reputation

CR is the study's dependent variable, which is a complex and multidimensional concept that relies on the perspectives of multiple stakeholders (Lange et al., 2011). In this regard, following the Eriqat et al. (2023) strategy, the study uses the principal components analysis (PCA) technique to develop a composite index for CR using six indicators, as illustrated in Appendix B. These indicators fall under four main dimensions of CR: financial reputation, brand-customer awareness, workplace-internal reputation, and market reputation.

First, the assessment of financial reputation involves the utilization of return on the value of total assets (ROA) and return on the value of total equity (ROE). Financial performance stands out as a pivotal determinant of a company's reputation. Notably, various reputation ranking models heavily weigh financial performance (Davies et al., 2010). Second, customer awareness or brand awareness is gauged through the ratio of market share. The literature analyzing a company's market share as indicative of its reputation suggests that a large market share indicates the company's capacity to retain customer loyalty, reflecting favorable perceptions regarding the quality of its products (Yu & Liang, 2020). Third, the evaluation of internal or workplace reputation is consistent with Baruah and Panda (2020), which use human capital efficiency (HCE) as an indicator. This is based on the observation that reputable businesses seem to have the motivation to draw in and keep talented workers.

Lastly, the study uses the ratio of price to earnings (P/E) and market-to-book ratio to evaluate financial market reputation. Businesses that are listed on the stock market generally have a large gap between the book value of their assets and their market value. Due to a company's reputation, shareholders' willingness to pay a premium for a firm's assets gives rise to this phenomenon (Kaur & Singh, 2018). Additionally, the P/E ratio gives shareholders information about the security and growth potential of their investments, especially when they are prioritizing optimal returns (Kaur & Singh, 2018).

### 5.3.2. Independent variable: corporate social responsibility disclosure

The independent variable in this research is CSR disclosure, as shown in the firm's annual reports. CSR disclosure includes disclosure of CSR practices regarding several social concerns and dimensions. In the MENA context, previous research has identified four major dimensions of CSR disclosure: human resources, products and customers, community participation, and environmental issues (Li et al., 2020).

Based on previous research (Ananzeh et al., 2023; Barakat et al., 2015; Masoud & Vij, 2021), the present study develops a CSR disclosure index using a checklist of 37 items. The items on the checklist

correspond to these four CSR dimensions and are arranged as follows: 10 items pertain to environmental disclosure (ED); 12 items relate to human resources disclosure (HRD); six items pertain to products and consumer disclosure (PCD); and nine items pertain to community involvement disclosure (CID). The checklist is detailed in [Appendix C: CSR Items Checklist](#).

Following Barakat et al. (2015) methodology, this study used the manual content analysis method as a tool for collecting CSR disclosure information. The company was awarded a value of 1 for each item on the checklist if it was disclosed in the company's reports and 0 if it was missing. The unweighted index of CSR was then calculated as the proportion of the total real scores awarded to the total number of examined scores (37 items). This can be mathematically represented by the following equation:

$$CSR_{it} = \frac{1}{K_{it}} \sum_{j=1}^{K_{it}} AD_{it}$$

Where:

$CSR_{it}$  represents corporate social responsibility disclosure for company  $i$  in year  $t$ .  $K_{it}$  is the maximum number of CSR items expected to be disclosed by company  $i$  in year  $t$ , which is 37 items.  $AD_{it}$  stands for the total actual scores of the items disclosed by company  $i$  in year  $t$ .

### 5.3.3. Moderating variables: national culture

This study is also concerned with the moderating effect of national culture, specifically individualism and generalized trust, on the association between CSR and corporate reputation. The data for individualism and generalized trust was collected using the scores of two questions provided by the World Values Survey (WVS), a global research project that explores people's values and beliefs, as detailed in [Appendix B](#). However, this methodology has been used frequently in previous research (e.g. Ahern et al., 2015; Mourouzidou Damtsa et al., 2019).

### 5.3.4. Control variables

Finally, this study incorporated seven control variables to account for various factors that may influence corporate reputation. Firstly, lagged-level firm reputation, representing the state of past corporate reputation, was included as a control variable, as it is expected to influence current corporate reputation (Pérez-Cornejo et al., 2020; Rothenhoefer, 2019). It was calculated as the past year's company's reputation. Additionally, firm size was included because larger companies are typically more prominent among stakeholders, have greater market visibility, and possess more resources to cultivate a positive reputation (Delgado-García et al., 2013). A company's size was calculated using the logarithm of its total assets. Leverage, indicating a firm's reliance on debt financing, was also considered, as companies with higher debt levels are more susceptible to financial risks (Adenugba et al., 2016). The leverage variable was calculated as the ratio of a firm's total debt to total equity. Moreover, GDP and inflation rates were included to control for country-level variations. Lastly, industry and year were controlled for using dummy variables.

## 5.4. Analytical method

Several previous studies have argued that a company's reputation's past values may have an impact on its present values, indicating a dynamic nature of CR (Pérez-Cornejo et al., 2020; Rothenhoefer, 2019). Therefore, this study uses a dynamic model to estimate CR. An endogeneity issue arises because the study's model employs the dynamic panel data approach, which uses the lag value of the dependent variable as an independent variable (CR in our case). This value is associated with the model error term (Arellano & Bond, 1991). According to Roodman (2009), valid instruments are available for existing models. Therefore, the dependent variable's lag values serve as controls over this endogenous link. Because they are a part of the current econometric model, these instruments are frequently referred to as 'internal instruments'.

This study uses a two-step GMM model, which has several benefits. Firstly, by using GMM estimators, we can avoid heterogeneity resulting from the unique features of distinct firms. In addition, take into consideration the possibility of endogeneity among the independent variables. By considering such issues, it removes the possibility of receiving biased results. Results from OLS are unreliable, whether or not there is a fixed effect. Third, the required diagnostic tests needed to demonstrate the validity of the instruments utilized are carried out by the GMM estimate. Lastly, compared to previous GMM estimators, the system GMM produces more efficiency (Arellano & Bond, 1991; Roodman, 2009).

### 5.5. Empirical models

This study applies several equation models to examine the research hypotheses. Equation (1) examines the relationship between CSR and CR using the following formula:

$$CR_{it} = \beta_0 + \beta_1 CR_{it-1} + \beta_2 CSR_{it} + \beta_3 FS_{it} + \beta_4 FL_{it} + \beta_5 GDP_{it} + \beta_6 In_{it} + \beta_7 Year_i + \beta_8 Industry_i + \mu_i + \varepsilon_i \quad (1)$$

Where:  $CR_{it}$  represents a corporate reputation index at time  $t$ , calculated from PCA of the firm  $i$ .  $CR_{it-1}$  denotes the lagged value of company's reputation in the firm  $i$  and time  $t-1$ .  $CSR_{it}$  represents the corporate social responsibility disclosure index in the firm  $i$  at time  $t$ .  $FS_{it}$  presents the firm size in the firm  $i$  at time  $t$ .  $FL_{it}$  is the firm leverage ratio in the firm  $i$  at time  $t$ .  $GDP_{it}$  denotes the gross domestic product in the nation  $i$  at time  $t$ .  $In_{it}$  denotes the inflation rate in the nation  $i$  at time  $t$ .  $Year_i$  represents year dummy variable.  $Industry_i$  denotes industry dummy variable.  $\beta_0$  is the intercept of the equation, and  $\beta_1 + \dots + \beta_8$  represents the coefficients values of the explanatory variables. The equation error term is  $\varepsilon_i$ , and lastly,  $\mu_i$  denotes the un-observed-heterogeneity.

This study also examines the influence of individualism (as a national cultural dimension) on the relationship between CSR and CR. The study used Equation (2), which includes the interaction term ( $\beta_4 CSR_{it} * ID_i$ ), to generate this effect.  $ID$  denotes individualism scores collected by WVS in the country  $i$ .

$$CR_{it} = \beta_0 + \beta_1 CR_{it-1} + \beta_2 CSR_{it} + \beta_3 ID_i + \beta_4 CSR_{it} * ID_i + \beta_5 FS_{it} + \beta_6 FL_{it} + \beta_7 GDP_{it} + \beta_8 In_i + \beta_9 Year_{it} + \beta_{10} Industry_i + \mu_i + \varepsilon_i \quad (2)$$

Additionally, to investigate the influence of generalized trust on the association between CSR and CR, the study utilized Equation (3), including the interaction term ( $\beta_4 CSR_{it} * T_i$ ), for the purpose to capture this effect, where  $T_i$  presents generalized trust scores collected by WVS in the country  $i$ .

$$CR_{it} = \beta_0 + \beta_1 CR_{it-1} + \beta_2 CSR_{it} + \beta_3 T_i + \beta_4 CSR_{it} * T_i + \beta_5 FS_{it} + \beta_6 FL_{it} + \beta_7 GDP_{it} + \beta_8 In_i + \beta_9 Year_{it} + \beta_{10} Industry_i + \mu_i + \varepsilon_i \quad (3)$$

## 6. Empirical results and discussion

### 6.1. The results of principal components analysis (PCA)

To provide noteworthy results from factor analysis, or PCA, the collection of variables must exhibit a substantial degree of association. Therefore, the findings were divided into two distinct sets of nations that had similar economic conditions to account for country-level variability. The Bartlett's test and the Kaiser Meyer Olkin (KMO) test outcomes are displayed in Table 1. Bartlett's test examines the correlation between variables. Significant results were obtained ( $p < 0.05$ ) for both groups. The KMO tests the sample's adequacy; a value  $> 0.5$  is generally acceptable (Randjelovic et al., 2013). The findings were 0.616 and 0.664 for the two groups.

The second step involves the extraction of factors. Retaining components with eigenvalues  $> 1$ , each of which accounts for at least 10% of the total variance, and which together account for more than 60% of the total variance, satisfy conventional requirements (OECD, 2008). Table 2 revealed that, for group one, the first three factors were retained because their combined eigenvalues clarified 82.27% of the

variance, their eigenvalues were  $>1$  (2.53, 1.4, and 1.03), and the variation explained for each was  $>10\%$  (42.15, 23.32, and 17.3% for the first, second, and third, respectively). For group two, we retained the first two components, or factors, using a similar selection process.

The factor loadings obtained with the varimax rotation approach, which improves orthogonal factor, component, and loading, are shown in Table 3. According to Randjelovic et al. (2013), the loading findings show the coefficients of correlation for every parameter for each factor, which indicate the percentage of the initial variables' variance attributable to the effects of a particular factor. An absolute correlation coefficient of 0.5 and more is considered significant.

Lastly, the factors, or components, scores as well as the variation that is explained by the components, or factors, are used to generate the CR index. Factor scores represent information on all variables based on the variable correlation coefficient (also known as loading) with the factor. However, retained factors explain varying degrees of variation; therefore, each factor is assigned a weight determined by dividing its variance explanation by the total variance explained by all kept factors. More specifically, an initial CR index was calculated, for instance, for group one by multiplying each factor's weight (42.15/82.27, 23.32/82.27, and 17.3/82.27, respectively) by each factor's scores. Similarly, we used the same methodology for group two.

Ultimately, the initial CR index values could be either positive or negative. Therefore, the values were transformed into a range from 0 to 1, with 1 representing the highest reputation and 0 representing the lowest reputation, by using the min-max standardization technique. However, prior studies have created an index using a similar methodology (Antony & Rao, 2007; Krishnan, 2010).

## 6.2. Descriptive statistics and pairwise correlation

The explanatory variables' descriptive data are shown in Table 4. The CSR D's mean value was 0.662, and its standard deviation was 0.254. This indicates that, on average, 66.2% of the CSR D items that were examined were reported. To assess the types of CSR initiatives disclosed in the MENA region, we include the sub-indices of the overall CSR D index in the descriptive statistics. These sub-indices comprise environmental disclosure (ED), community involvement disclosure (CID), product and customer disclosure (PCD), and human resource disclosure (HRD), with mean values of 0.105, 0.429, 0.823, and 0.585, respectively. This indicates that the sampled companies pay the least attention to environmental aspects, while more effort is being made towards product and customer aspects in their CSR initiatives. Indeed, these findings confirm our previous discussion that CSR in MENA countries has become more popular but has not yet reached a level similar to CSR practice in Western countries, with less attention paid to environmental aspects.

Table 5 presents the correlation data. To identify any potential multicollinearity among the explanatory variables, we conducted pairwise correlations. The findings demonstrated that multicollinearity didn't pose an issue for this investigation. Below 0.70 is the correlation coefficient for all variables (Kennedy, 2008).

**Table 1.** KMO measure of sampling adequacy and Bartlett's test of sphericity.

Group one (Jordan and Palestine)			Group two (Qatar and Kuwait)		
Kaiser–Meyer–Olkin measure of sampling adequacy.		0.616	Kaiser–Meyer–Olkin measure of sampling adequacy.		0.664
Bartlett's test of sphericity	Approx. Chi-Square	636.236	Bartlett's test of sphericity	Approx. Chi-square	568.179
	df	15		df	15
	Sig.	0.000		Sig.	0.000

**Table 2.** Eigenvalues for factors included in the CR index.

Group one (Jordan and Palestine)				Group two (Qatar and Kuwait)			
Component	Total	% Of variance	Cumulative %	Component	Total	% Of variance	Cumulative %
<b>1</b>	<b>2.529</b>	<b>42.157</b>	<b>42.157</b>	<b>1</b>	<b>2.451</b>	<b>40.854</b>	<b>40.854</b>
<b>2</b>	<b>1.400</b>	<b>23.326</b>	<b>65.483</b>	<b>2</b>	<b>1.614</b>	<b>26.898</b>	<b>67.752</b>
<b>3</b>	<b>1.037</b>	<b>17.291</b>	<b>82.774</b>	3	.834	13.904	81.656
4	.605	10.081	92.855	4	.603	10.045	91.701
5	.314	5.226	98.080	5	.389	6.478	98.179
6	.115	1.920	100.000	6	.109	1.821	100.000

Notes: Extraction method-principal component analysis. Components with bold numbers are those that are retained.

**Table 3.** Rotated factor loading for variables included in the CR index.

Variables	Group One (Jordan and Palestine)			Group two (Qatar and Kuwait)		
	Component 1	Component 2	Component 3	Variables	Component 1	Component 2
<b>ROE</b>	<b>.960</b>	.044	-.078	<b>ROA</b>	<b>.949</b>	-.015
<b>ROA</b>	<b>.884</b>	.196	.034	<b>ROE</b>	<b>.925</b>	.121
<b>PE</b>	<b>.884</b>	.063	.105	<b>HCE</b>	<b>.820</b>	.181
<b>MB</b>	-.004	<b>-.858</b>	.121	<b>PE</b>	.089	<b>.783</b>
<b>HCE</b>	.211	<b>.787</b>	.166	<b>MS</b>	.013	<b>.772</b>
<b>MS</b>	.023	.018	<b>.988</b>	<b>MB</b>	-.119	<b>-.598</b>

Notes: Extraction method: principal component analysis—varimax rotation method. Bold numbers indicate significant variable correlation 'loading'.

**Table 4.** Descriptive statistics.

Variable	Obs	Mean	Std. Dev	Min	Max
CSRD	480	.662	.254	0	1
ED	480	.105	.21	0	1
HRD	480	.585	.189	0	.917
PCD	480	.823	.244	0	1
CID	480	.429	.321	0	1
FL	480	3.097	3.272	.015	19.969
FS	480	8.847	1.017	6.978	11.442
GDP	480	10.811	.337	10.188	11.263
In	480	1.235	1.746	-2.72	4.45

Notes: This table shows the descriptive statistics of all explanatory variables included in the study. CSRD denotes the corporate social responsibility disclosure index. CSR sub-indices include: ED is environmental disclosure. HRD is human resource disclosure. PCD denotes product and customer disclosure. CID represents community involvement disclosure. FL represents financial leverage. FS is firm size. GDP is the country annual GDP. In is the country annual inflation rate.

**Table 5.** Pairwise correlation.

Variables	(1)	(2)	(3)	(4)	(5)
(1) CSRD	1.000				
(2) FS	0.642	1.000			
(3) FL	0.193	0.576	1.000		
(4) GDP	0.595	0.365	-0.166	1.000	
(5) In	-0.006	-0.015	-0.023	0.050	1.000

In addition, Table 6 shows the results of the Variance inflation factor (VIF). VIF is an alternative test for multicollinearity, where a VIF with a mean value of <4 indicates that there is no multicollinearity issue (García et al., 2015). In this regard, our findings show that the mean value of the VIF is 2.005, which is <4, so the multicollinearity problem does not exist.

### 6.3. Regression results and discussion

Table 7 shows the findings of the equation models (1, 2, and 3). Model 1 analyzes the effects of CSRD on CR. Model 2 reveals the impact of individualism on the relationship between CSRD and CR. Finally, Model 3 shows the impact of generalized trust on the relationship between CSRD and CR.

The findings indicate that CR is positively and significantly impacted by CSRD, as in models 1 and 3 ( $p < 0.01$ ) and in model 2 ( $p < 0.05$ ). The findings support the stakeholder theory assumptions used in this study as a foundation for explaining the relationship between CSRD and corporate reputation. As to stakeholder theory, firms need to consider and balance the interests of different stakeholder groups to achieve their goals. This suggests that companies should engage in various social, economic, and environmental activities to maintain good relationships with stakeholders and cultivate a favorable reputation among them.

In addition, the findings are consistent with previous empirical studies that reported a positive association between CSRD and CR (Le, 2022; Pérez-Cornejo et al., 2020; Rothenhoefer, 2019). Furthermore, the results support our research hypothesis (H1). They indicate that financial firms that prioritize diverse stakeholders in their activities receive positive responses and favorable evaluations. Moreover, financial firms can effectively manage their relationships with stakeholders by adopting more CSR activities and providing high-quality disclosure of these activities.

**Table 6.** Variance inflation factor (VIF).

Variables	VIF
FS	2.844
CSRD	2.291
FL	1.986
GDP	1.899
In	1.005
Mean VIF	2.005

**Table 7.** GMM results.

Variables	Model (1)	Model (2)	Model (3)
CRit-1	0.266** (0.120)	0.228* (0.125)	0.239** (0.114)
CSRD	0.124*** (0.0425)	0.0884** (0.0366)	0.0971*** (0.0279)
CSRD_ID	–	1.176** (0.477)	–
ID	–	–0.0726 (0.141)	–
CSRD_T	–	–	–1.079*** (0.293)
T	–	–	0.176* (0.0945)
FS	0.0476*** (0.0172)	0.0459*** (0.0146)	0.0462*** (0.0151)
FL	–0.00326** (0.00145)	–0.00302* (0.00155)	–0.00377** (0.00172)
GDP	–0.0241 (0.0255)	0.0171 (0.0273)	–0.0217 (0.0221)
In	–0.00783*** (0.00281)	–0.00592** (0.00263)	–0.00672*** (0.00241)
Industry	Yes	Yes	Yes
Year	Yes	Yes	Yes
Arellano-bond test for AR(1)	–2.59 0.009***	–2.43 0.015***	–2.46 (0.014)**
Arellano-bond test for AR(2)	0.69 0.487	0.65 0.518	0.79 (0.429)
Hansen test of over-identifying restrictions	7.50	5.65	5.54
Constant	0.914 0.182 (0.230)	0.958 –0.158 (0.197)	0.977 0.181 (0.191)
Observations	383	383	383
Number of companies	96	96	96

Notes: This table presents the results of the dynamic corporate reputation models (1, 2, and 3) by using a two-step system GMM estimator. The dependent variable is corporate reputation (corporate reputation index developed by using PCA). Robust standard errors are in parentheses for the study variables, which are the *p*-values.

\*\*\**p* < 0.01, \*\**p* < 0.05, \**p* < 0.1.

In the MENA region, where there is divergence in views regarding the usefulness of CSR, with some perceiving the adoption of CSR activities as burdensome for organizations (Jamali & Neville, 2011), the results of this study provide evidence of the value of CSRD in enhancing corporate reputation and creating a strong competitive advantage for MENA financial firms. Therefore, MENA's financial firms can leverage CSRD to enhance their reputation among stakeholders. By transparently disclosing their CSR activities, financial firms can demonstrate their commitment to social responsibility, which can lead to a favorable reputation among stakeholders.

Model (2) reveals that the moderation between individualism and CSRD is positively and significantly associated with CR (*p* < 0.05). The results support the perception of the institutional theory, which views national culture as an institutional factor that may influence firms' behavior and their interaction with stakeholders (El-Helaly et al., 2020). According to the institutional theory assumption, organizations will not be able to survive without adhering to contextual considerations of their business environment (Gallén & Peraita, 2018). This is reflected in the study results, which reveal that individualism as a cultural attribute of a particular society strengthens the positive relationship between CSRD and CR.

Empirically, the results align with previous empirical studies that argue that individuals in individualistic societies appreciate the efforts of a particular company in implementing CSR activities. Conversely,

individuals in collectivist societies may perceive such activities as one of the implicit functions of the company (Matten & Moon, 2008; Peng et al., 2012), which also supports the study's hypothesis (H2a). Citizens of a country with a high level of individualism give special weight to voluntary and unpaid groups as well as to personal initiative (Husted, 2005). Because these traits serve as the cornerstone for status quo-challenging organizational behavior, members of these organizations are more likely to advocate for social and environmental change. Moreover, because group solidarity is less important in an individualistic culture, individuals from an individualistic society are more inclined to denounce social and environmental illegal activities (Vachon, 2010).

In the MENA context, the results suggest that the level of individualism in MENA countries, including Palestine, Jordan, Qatar, and Kuwait, enhances stakeholders' perceptions of CSR practices adopted by MENA financial firms, thereby strengthening the positive impact of CSR on their reputation. Therefore, financial firms and policymakers in these MENA countries should take the individualistic ideology into account when planning and implementing CSR activities to maximize the benefits of CSR.

Model (3) indicates that the moderation effect of generalized trust on CSR has a negative and significant impact on CR ( $p < 0.01$ ). These findings align with the assumption of institutional theory, which suggests that organizations must take into account contextual factors, such as national culture in their business operations (Gjølberg, 2009). Indeed, this result reinforces our previous discussion regarding the role of national culture as an institutional factor in determining the relationship between CSR and CR, as evidenced by the utilization of another cultural attribute, i.e. generalized trust.

The results suggest that generalized trust weakens the relationship between CSR and CR. Previous empirical research has generally focused on the role of particularized types of trust, such as trust among customers and employees, in enhancing perceptions regarding CSR. These studies have found a positive association between particularized trust and both CSR and CR (Bögel, 2019; Fatma et al., 2015). However, generalized trust as a cultural value may not necessarily translate into trust in business. Moreover, in some cases, a high level of general trust among people may indicate low levels of trust in formal businesses.

In the case of the MENA region, the findings of Sami and Lassassi (2020) indicate that individuals in the MENA region place more trust in informal economic activities due to their low level of trust in various formal institutions. Similarly, as noted by Antoci et al. (2006), generalized trust becomes effective in an economy only when organizations are perceived as trustworthy, meaning that they are considered integral to broader societal trust. Consistent with these findings, the results suggest that in such MENA countries, a higher level of generalized trust may indicate a lower level of particularized trust toward formal financial firms, thereby negatively influencing the relationship between CSR and CR. Consequently, the findings suggest that financial firms need to cultivate particular trust with their stakeholders to maximize the reputational benefits of their CSR activities and raise awareness about their CSR initiatives. These results confirm the study hypothesis (H2b).

The findings of the lagged value of CR in relation to the study's control variables demonstrate a substantial positive impact on CR ( $p < 0.05$ ), Models (1 and 3), and Model (2) ( $p < 0.10$ ). According to Pérez-Cornejo et al. (2020) and Rothenhoefer (2019), the findings support the notion held by experts that CR has a dynamic nature that builds gradually over time. CR and Models (1, 2, and 3) are positively and statistically significantly impacted by firm size ( $p < 0.01$ ). As expected, big businesses have greater market visibility and access to resources that help them establish their brands compared to small businesses (Delgado-García et al., 2013).

Further findings show that leverage significantly and negatively affects CR ( $p < 0.05$ ) in Models (1) and (3) and ( $p < 0.01$ ) in Model (2). This finding supports the hypothesis that investors favor businesses with sound financial plans since overusing loans puts the business under ongoing strain and raises the possibility of unpredictable dividend payments to shareholders (Adenugba et al., 2016). Therefore, companies with higher leverage are expected to have a lower reputation because the future burden on them may affect their long-term survival (Jao et al., 2020).

The relationship between GDP and CR is unclear. We expect this relationship to be positive, while the results show that a higher GDP does not necessarily improve CR, as a higher GDP is not necessarily associated with good practices and behaviors by companies that, in turn, will create a good reputation. However, some empirical studies have found similar results (Dell'Atti et al., 2017). Finally, the relationship

between the inflation rate and corporate reputation was found to be negative and statistically significant ( $p < 0.01$ ) in Models (1 and 3) and ( $p < 0.05$ ) in Model (2). This relationship meets expectations, as a high inflation rate can negatively influence country-level reputation, central bank reputation, confidence in the private sector, and its ability to maintain price stability (Hwang, 2018).

For all three models (1, 2, and 3), the results of the diagnostic tests needed for the GMM dynamic models are generally satisfactory. The results of the AR1 test, which suggests there was no first-order serial correlation, have been rejected, while the results of AR2 regarding the assumption that there was no second-order serial correlation have not been rejected. Finally, the fact that the Hansen test of instrument overestimation was not rejected suggests that the instruments used were valid.

#### **6.4. Alternative analysis**

A set of robustness checks was conducted to evaluate the sensitivity of the results to alternative estimation methods, such as pooled ordinary least squares (POLS) and fixed effect model (FEM). As mentioned previously, Roodman (2009) argued that the results of POLS and FEM could be biased for dynamic regression models because the lagged dependent variable correlates with the error term. Therefore, to employ these estimation techniques, we excluded the dynamic nature of this analysis to mitigate the potential for biased results. Table 8 presents the results obtained by the POLS estimation, which show a high level of consistency when compared to the results obtained from the GMM estimation.

Furthermore, the fixed effect and random effect models offer more advantages than POLS, as they are designed to address heterogeneity. The fixed effect model (FEM) is estimated using least squares dummy variables (LSDV), which involves creating dummy variables for each cross-sectional unit in the panel to capture individual effects. On the other hand, the random effect model (REM) assumes that the heterogeneity across individuals is stochastic and uncorrelated with the explanatory factors (Nickell, 1981). In this context, the Hausman test determines the better model between FEM and REM based on the nature of the analyzed panel data. The result was statistically significant, indicating that REM is rejected and FEM is the preferred model, as shown in Table 9. Therefore, FEM is employed in this paper as an alternative analytical approach for the study findings. However, the results presented in Table 9 are consistent with those obtained from the GMM estimation, providing a form of robustness for the study results.

### **7. Summary and conclusion**

This study investigates the impact of national culture on the relationship between CSRD and CR among financial firms listed in MENA stock markets. The main findings indicate a positive effect of CSRD on CR. Moreover, the results reveal that individualism positively moderates the relationship between CSRD and CR, whereas generalized trust exerts a negative influence on this relationship.

This study provides several contributions. Firstly, it develops a quantitative corporate reputation index by amalgamating various dimensions of corporate reputation through PCA. Such an index offers additional insights to the research community for assessing corporate reputation status. Secondly, the study underscores the necessity for CSR initiatives in the MENA region, aiding managers and policymakers in comprehending CSR strategic planning better. Thirdly, it addresses an empirical gap observed in previous research on corporate reputation, particularly in the context of developing countries like the MENA region, where few studies have been conducted. Lastly, this study enhances understanding of the relationship between CSRD and CR by examining the moderating influence of national culture on this relationship.

Furthermore, the study's findings provide several implications and recommendations. The results indicate that disclosing CSR initiatives to different stakeholders helps organizations improve their reputation. Stakeholders are more willing to react positively to organizations that regularly practice socially responsible initiatives. Therefore, managers of the MENA's financial firms are recommended to engage in CSR activities and CSR disclosure to enhance the company's reputation among stockholders. This involves not only engaging in socially responsible practices but also effectively conveying these efforts to

**Table 8.** Results of alternative estimation method (POLS).

Variables	(POLS)	(POLS)	(POLS)
	Model 1	Model 2	Model 3
CSRD	0.143*** (0.0238)	0.0961*** (0.0244)	0.136*** (0.0236)
CSRD-ID	–	2.428*** (0.482)	–
ID	–	–0.151 (0.112)	–
CSRD-T	–	–	–1.888*** (0.296)
T	–	–	0.185* (0.0976)
FS	0.0706*** (0.00875)	0.0624*** (0.00854)	0.0678*** (0.00860)
FL	–0.00563*** (0.00173)	–0.00444*** (0.00167)	–0.00596*** (0.00166)
GDP	–0.0114 (0.0185)	0.0331* (0.0196)	–0.0318 (0.0194)
In	–0.00212* (0.00109)	–0.00132 (0.00105)	–0.00178* (0.000985)
Industry	Yes	Yes	Yes
Constant	–0.0280 (0.174)	–0.315* (0.174)	0.198 (0.189)
Observations	480	480	480
R-squared	0.405	0.455	0.456

Note: Standard errors in parentheses.

\*\*\* $p < 0.01$ , \* $p < 0.1$ .

**Table 9.** Results of alternative estimation method (FE).

Variables	(FE)	(FEM)	(FEM)
	Model 1	Model 2	Model 3
CSRD	0.0932*** (0.0297)	0.0718** (0.0296)	0.105*** (0.0289)
CSRD-ID	–	2.324*** (0.602)	–
ID	–	–0.197 (0.154)	–
CSRD-T	–	–	–1.818*** (0.369)
T	–	–	0.211 (0.134)
FS	0.0784*** (0.0122)	0.0666*** (0.0116)	0.0721*** (0.0116)
FL	–0.00691*** (0.00224)	–0.00560*** (0.00213)	–0.00692*** (0.00210)
GDP	0.00136 (0.0257)	0.0384 (0.0260)	–0.0263 (0.0262)
In	–0.00117 (0.000998)	–0.000850 (0.000983)	–0.00113 (0.000985)
Industry	Yes	Yes	Yes
Constant	–0.126 (0.244)	–0.296 (0.232)	0.199 (0.255)
Observations	480	480	480
Number of firm ID	96	96	96
Hausman test (FEM vs. REM)	25.65*** (0.000)	10.74*** (0.009)	16.78** (0.010)

Note: Standard errors in parentheses.

\*\*\* $p < 0.01$ , \*\* $p < 0.05$ .

stakeholders. A clear and transparent disclosure can enhance the perceived value of these activities. In this regard, policymakers can promote the adoption of standardized CSR reporting frameworks and guidelines for financial companies in the MENA region. Clear and consistent reporting standards can enhance transparency, comparability, and credibility in CSR disclosures, enabling stakeholders to make informed decisions.

The results also show that culture is an important institutional aspect that influences how stakeholders view a company's CSR activities and, consequently, how different cultural values affect the

relationship between CSRD and CR. As a result, decision-makers and managers need to understand the national culture of the nation in which they do business. In particular, the results indicate that individualism strengthens the positive relationship between CSRD and CR. In this light, financial firms in the MENA region are recommended to align their CSR initiatives with the values and expectations of individualistic cultures. This may involve prioritizing initiatives that emphasize personal freedom, individual achievement, and self-expression.

On the other hand, the results showed that generalized trust weakens the relationship between CSRD and CR. Therefore, financial firms in the MENA region should conduct thorough assessments of the cultural context in which they operate, including levels of generalized trust, to better understand how their CSR initiatives may be perceived by stakeholders. In addition, managers should proactively work to build particular types of trust with different stakeholders through consistent and transparent behavior. However, from a theoretical perspective, the results of this study support the assumptions of the stakeholder and institutional theories that were used in this study as underlying theories to explain the study's hypotheses.

The study faces some limitations that offer avenues for future research. The study relied on quantitative data gathered from secondary sources for this investigation. Qualitative components of CR may potentially be the subject of future investigation, such as product quality, employee morale, and customer satisfaction. Similarly, qualitative aspects of CSRD, including interviews with higher management regarding their perceptions, planning, and aims of adopting CSR practices and CSRD are important domains that could be examined in further research.

Moreover, the current study faced some limitations regarding data availability. The primary challenge was missing data, which hindered the expansion of the sample to include more countries in the region and extend the study period, particularly due to the lack of databases necessitating manual data collection. Therefore, it is not possible to generalize the findings of this study to other industries or nations in the region. In particular, it would be valuable to conduct further research to explore these relationships in the context of other industries and MENA nations.

Additionally, the study relied on the World Values Survey database to collect data for national culture variables, including individualism and generalized trust. Hofstede's dimensions of national culture are also commonly used databases for national culture. This database includes more cultural traits, such as masculinity, power distance, and uncertainty avoidance, but it didn't cover all the countries included in the study sample. Further research could explore the moderating impact of such cultural attributes in other contexts where the data are available.

Finally, in Middle Eastern societies, where the Islamic religion is most prevalent, CSR can be viewed as an act of obedience to God. Therefore, it would be noteworthy to investigate the implications of CSR from an Islamic perspective. Additionally, it is important for further research to conduct a comparative analysis of different types of trust, including generalized trust and particularized trust, and their impact on the relationship between CSRD and CR.

## **Ethical approval**

The ethical approval statement is not applicable because the research paper does not include animals or humans as subjects.

## **Authors contributions**

Ibrahim O. A. Eriqat: conceptualization, methodology, data collection, data analysis, results interpretation, and writing the first draft of the paper. Muhammad Tahir reviewed the data analysis, results interpretation, data curation, and revised the study critically for intellectual content. Abdul Hadi Zulkafli contributed to conceptualization, supervision, administrating the research team, and revising the study critically for intellectual content. All authors agree to be accountable for all aspects of the work. All authors have read the contents and agreed with the publication of the study.

## **Disclosure statement**

No potential conflict of interest was reported by the author(s).

## Data

The study utilized secondary data sources, including firms' annual reports, the World Bank database, and the World Value Survey database. These sources are available to the general public. Data collection was conducted manually. The size of the dataset comprises 480 observations for each variable.

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## Data availability statement

The authors confirm that data supporting the findings of this study will be available upon reasonable request.

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## Appendix A. Sample characteristics

Population of the study				
Country of exchange	Insurance	Banking	OFS	Total
Jordan	20	15	29	64
Palestine	8	6	0	14
Qatar	6	9	4	19
Kuwait	7	9	31	47
Total population of the study	41	39	64	144
Initial sample				
Country of exchange	Insurance	Banking	OFS	Total
Jordan	10	15	12	37
Palestine	8	6	0	14
Qatar	6	9	4	19
Kuwait	2	8	20	30
Total initial sample	26	38	36	100
Final sample				
Country of exchange	Insurance	Banking	OFS	Total
Jordan	10	15	12	37
Palestine	7	6	—	13
Qatar	4	8	4	16
Kuwait	2	8	20	30
Total final sample	23	37	36	96

Notes: To fairly represent the two groups of countries, the study sample consisted of all insurance, banking and other financial services companies listed in Qatar and Palestine (the Palestine Stock Exchange does not have an OFS industry) while the study considered the 37 and 30 largest financial companies in Jordan and Kuwait, respectively, based on the market capitalization in the last year of the analyzed period (2020). Thus, the initial sample consisted of 100 financial firms, with 50 companies from Jordan and Palestine (non-oil exporting countries) and 50 companies from Qatar and Kuwait (oil-exporting countries). After data collection, companies with a significant amount of missing data were excluded; therefore, the final sample comprised 96 companies distributed across sectors and countries as described above.

## Appendix B. Summary of the study variables

Construct	Variable	Symbol	Definition	Source of information
Dependent variable: corporate reputation	Return on assets	ROA	Net income before tax to total assets	Firm's annual report
	Return on equity	ROE	Net income before tax to total equity	Firm's annual report
	Market share	MS	Total revenue of a firm to total revenue of all firms in the same industry	Firm's annual report
	Human capital efficiency	HCE	Revenue – (total cost – employee cost)/employee cost	Firm's annual report
	Price to earnings ratio	PE	Net income after tax/weighted average number of common shares	Firm's annual report
	Market to book value ratio	MB	Market capitalization/book value of a company assets	Firm's annual report
Independent variable: CSR index	Corporate social responsibility disclosure	CSR D	Index includes 37 items in relating to CSR aspects	Firm's annual report
Moderate variables: national culture	Individualism	ID	A question rating from 1 to 10 from the world value survey. Where 1 indicates that you totally agree with collectivism. 10 indicate you totally agree with individualism. 'How would you place your views on this scale? 1 means you completely agree with the statement on the left; 10 mean you agree completely with the statement on the right; and if your views fall somewhere in between, you can choose any number in between: Incomes should be made equal? We need larger income differences as incentives for individual effort'	World values survey
	Generalized trust	T	A question from the world value survey. About to what extent you trust people. 'Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?'	World values survey
Control variables	Firm size	FS	Log of a firm total assets	Firm's annual report
	Financial leverage	FL	Total liabilities/total equity	Firm's annual report
	Industry dummy	I	Allocating a number for each industry included in the study	Stock exchanges
	Gross domestic product	GDP	Country annual GDP	World bank database
	Inflation rate	In	Country annual inflation rate	World bank database

**Appendix 3. CSR items checklist**

Number	CSR index
Sub index A	Environmental disclosure (ED):
1	The company policy concern environment/environmental issues
2	The company concerns to environmental management
3	Participation in environmental/pollution protection programs
4	Conservation of natural resources
5	Recycling products/services waste
6	Compliance with environmental regulations
7	Joint projects with other organizations providing environmental protection and management
8	Reduction, preventing or repairing environmental damage
9	Disposal of waste in proper manner
10	Support actions designed to protect environment
Sub index B	Human resource disclosure (HRD):
1	The company concerns to health and safety of employees
2	The company concerns to employee wages and salary level
3	The company adopts compensation/pension system
4	Number of employees in the company
5	Talented employees received incentives, benefits, and rewards
6	The company concerns to the safety of workplace
7	Human resource development (training programs and education)
8	Establishment of training centers of employees
9	Remuneration/package system.
10	Management/company efforts to improve employees' satisfaction and motivation
11	Holidays and vacations system
12	Providing information on job stability, workers stability and the company's future
Sub index C	Product and consumer disclosure (PCD):
1	Product/service safety
2	High product/service quality
3	The company concerns to customer satisfaction
4	Concern/responsiveness to customers complaints
5	Providing information related to improving product/service quality
6	Customer service improvement
Sub index D	Community involvement disclosure (CID):
1	Donations to the charity activities
2	Establishment of parks and gardens
3	Social welfare/sponsoring social activities
4	Support public health
5	Providing job opportunities/help in reducing unemployment rate and job creation
6	Support educational institutions
7	Support culture and arts
8	Participate or contribution in community serving programs, such as eliminate crimes, corruption, and illiteracy
9	Sponsoring students' education and scholarships
Total	37 items of CARD index