







“Corporate social responsibility disclosure and profitability: Evidence from Islamic banks working in Yemen”

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CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE AND PROFITABILITY: EVIDENCE FROM ISLAMIC BANKS WORKING IN YEMEN

Abstract

This study aims to examine the influence of corporate social responsibility (CSR) disclosure determinants on profitability of Yemeni Islamic financial institutions. The empirical study was based on a balanced panel for twelve years from 2005 to 2016. Banks' profitability is measured by four indicators such as return on assets (ROA), return on equity (ROE), profit after tax (PAT), and earnings per share (EPS), while corporate social responsibility, financial leverage, inflation rate, asset size, and age of Islamic banks are considered as independent variables. The results of this study with regard to ROA indicated that corporate social responsibility, asset size, inflation rate, and age of Islamic banks have a significant influence on profitability (ROA). With respect to ROE, the result indicated that financial leverage, asset size, and inflation rate are the most important variables affecting bank profitability (ROE). Concerning PAT, the outcome revealed that financial leverage and age of Islamic banks have a significant effect on profitability (PAT). Finally, the result with respect to EPS indicated that financial leverage, asset size, inflation rate, and age of Islamic banks have a significant impact on bank profitability (EPS). The result will be beneficial to scholars, investors, stakeholders, managers, and policymakers in the Islamic financial sector.

Keywords

Islamic banking, information disclosure, profitability,
corporate social responsibility, Yemen

JEL Classification

M14, M41, G21, L25

INTRODUCTION

According to the growing public concern about corporate impacts on society and the environment, "corporate social responsibility" (CSR) disclosure and social reporting have become a crucial issue for many companies. Corporate social responsibility has been around for decades and is now rising at an incredible rate with no signs (Quazi et al., 2015). Avoiding unethical behavior and obtaining 'social authorization' (Gunningham et al., 2004, p. 308) have led to an increased number of firms getting involved in preparing CSR sustainability reports published.

The main objective of corporate social responsibility disclosure is to achieve an "ethical and socially responsible approach to the stakeholders of the company" (Hopkins, 2004). The principles of "corporate social responsibility" are consistent with the services of Islamic institutions in different countries following Islamic law. Each person is responsible for promoting equality and prosperity in society, as well as seeking the blessings of God for the sake of prosperity in this life and the hereafter. Despite the importance of "corporate social responsibil-

ity” disclosure in demonstrating disclosure, transparency and Islamic ethical decision-making among managers, auditors, and members of the Sharia Board (Ethical Law) (Sharia Supervisory Board, SSB), much is not known about the importance of corporate social responsibility disclosure practices in the annual reports of banks of Islamic finance and banking (Hassan & Harahap, 2010).

According to the available literature, CSR reporting has been prioritized in the “majority of developed countries where social responsibility disclosure is more common”. According to Belal (2008) and Momin (2006), CSR research in developing countries is still in its early stages. Furthermore, Visser et al. (2008) found out how the definition of CSR varies in emerging and industrialized countries due to variations in social and political contexts. As a result, this study examines social responsibility reporting of selected packed Islamic financial institutions in Yemen to fill a void in the literature and to examine Islamic banks’ “social responsibility reporting” in developing countries. The explanation for choosing Yemen is that it is heavily supporting the Islamic financial system. Furthermore, this nation is situated in the region and is classified as a developing economy.

1. LITERATURE REVIEW

Many empirical studies examined the association between CSD in Islamic banks and banks’ profitability in different countries such as Amran et al. (2017), Bolanle et al. (2012), Chen et al. (2018), Chiang et al. (2015), Farook et al. (2011), Lee and Yang (2021), Lin et al. (2019), Long et al. (2020), Maqbool and Bakr (2019), Maqbool and Zamir (2019), Mirfazli (2008), Ompusunggu (2016), Platonova et al. (2016), Rahman and Bukair (2013), Ridwan and Mayapada (2020), Rodriguez and Lemaster (2007), Szegedi et al. (2020), Tran et al. (2021), Wuttichindanon (2017).

Bolanle et al. (2012) indicated the correlation between “corporate social responsibility” and benefit. The regression results indicated that “corporate social responsibility” spending has an effect on profitability in the Nigerian banking industry (Beta = 0.945, p.01). Rahman and Bukair (2013) studied empirically and reported the impact of the “Shariah supervisory board” (SSB) and its features on the level of CSR disclosure. The findings revealed that the volume of CSR data reported in Islamic banks’ annual reports has risen. Ompusunggu (2016) investigated the effect of benefit on the disclosure of “corporate social responsibility” (CSR) transparency. The findings of this review show that CSR transparency has a major effect on profitability through “ROA, ROE, and NPM”. ROA and NPM have a positive impact on CSR transparency, while ROE has a negative effect.

Chiang et al. (2015) investigated the connection between “corporate social responsibility and financial reporting quality.” Companies can easily minimize their level of earnings control and offer quality financial reporting by practicing CSR, according to the analytical findings of the total samples. Platonova et al. (2016) demonstrated the link between “corporate social responsibility” (CSR) and financial success in Gulf Cooperation Council Islamic banks (GCC). The banks sampled were recorded in the analysis. According to the results of this report, there is an important positive link between CSR transparency and Islamic banks’ financial success in the GCC region. Amran et al. (2017), exploring two developed nations, Indonesia and Malaysia, considered the social responsibility monitoring of full-fledged Islamic banks. The study’s findings revealed that Islamic banks’ CSR disclosure has risen in Malaysia and Indonesia. The workplace and group aspects were discovered to be the most widely revealed fields by Islamic banks in both countries. Wuttichindanon (2017) examined the determinants of “corporate social responsibility” (CSR) disclosure of companies listed on the Thai Stock Exchange, as well as report options used for CSR disclosure (SET). The findings revealed that big or government-owned businesses are more likely to favor the sustainability study.

Chen et al. (2018) examined the effect of mandatory “corporate social responsibility” (CSR) transparency on firm results and social external costs. Mandatory CSR reporting companies suffer a drop in productivity since the mandate, according to the study. Maqbool and Zamir (2019) in-

investigated Indian corporations' "corporate social responsibility" (CSR) transparency. The findings show that 'mining and mineral' companies are the most vocal about CSR disclosure, accompanied by 'power sector' firms. Maqbool and Bakr (2019) investigated the correlation between "corporate social responsibility (CSR) and financial performance" (FP), which has sparked a lot of discussion among academics. The results show that CSR and FP have a curvilinear relationship, implying that two long opposing views can be complementary. Lin et al. (2019) tested the influence of CSR factors on a company's financial performance. According to the report, allocating resources to diversity, human rights, workplace treatment, wages, insurance, recruitment, wellness, and workforce protection will help an organization to build value.

However, most empirical studies examined the association between CSR and financial performance such as Ridwan and Mayapada (2020); also, the influence of sharia governance on corporate social responsibility transparency in the Indonesian Islamic industry was examined. Szegedi et al. (2020) tested the influence of "sharia governance on corporate social responsibility disclosure in Indonesian Islamic banks". The results show that financial institutions are involved in CSR operations and that adequate transparency has helped to boost their accounting-based financial efficiency, as measured by "return on equity (ROE) and return on assets (ROA)". The researchers looked at whether the effect of a company's CFP varies based on its degree of CSR output and annual operational expense. The results found that the correlation between a company's operating expenses and productivity is non-linear and that operating spending has a more substantial and detrimental effect on the financial performance at certain CSR score thresholds (Lee & Yang, 2021). The partnership between benefit and "corporate social responsibility" transparency was investigated. Return on assets (ROA) and net interest margin (NIM) have opposite effects on the CSR dependent factor, but return on equity (ROE) has a little impact on CSR, whereas CSR has a separate impact on the productivity dependent factor than ROA, ROE, and NIM (Tran et al. 2021). Table 1 shows the summary of empirical studies that examined the link between CSD and financial performance in different countries.

Accordingly, this paper aims to study the link between corporate social responsibility disclosure factors with Islamic banks' profitability in Yemen during the period of examination from 2006 to 2016. Bank profitability is considered as a dependent variable, whereas corporate social responsibility factors are considered as independent variables. This review bridges the existing gap in the corporate social responsibility disclosure and bank profitability literature in the Republic of Yemen.

2. METHODS

This study applies a quantitative method. The Bank Scope Database and the websites of the sample Islamic banks are used to compile annual financial reports. The sample of the study consists of three Islamic financial institutions during the period from 2005 to 2016. The study is based on secondary data collected from the annual reports. The dependent variable of this study is bank profitability measured by four indicators such as return on assets (ROA), return on equity (ROE), profit after tax (PAT), and earnings per share (EPS). The independent variable of this study is measured by five factors such as corporate social responsibility, financial leverage, inflation rate, asset size, and age of Islamic banks.

The un-weighted content analysis approach is used to analyze the CSR disclosures through annual reports, ensuring the quality and reliability of the analysis. As a result, '1' is assigned to each CSR disclosed in the financial statement, and '0' is assigned to the annual report if no CSR disclosure items are disclosed otherwise (see Cooke, 1989) as follows:

$$TVDS = \sum_{j=1}^n \frac{dj}{n}, \quad (1)$$

where *TVDS* is the cumulative score for corporate social responsibility disclosure, *dj* is 1 if shown by Islamic firms, or 0 otherwise, and *n* is the maximum score for each Islamic institution.

A total of 10 disclosure index items of CSR are developed based on previous studies such as Hossain (2008), Hossain and Hammami (2009), Barros et al. (2013), Hawashe (2014), which are related to financial institutions' CSR reporting requirements.

Table 1. Some empirical articles that examined the link between CSD and financial performance.

Author	Country	Sample	Data	Period	Results
Rodrguez and Lemaster (2007)	Gulf region	21 conventional banks and 21 Islamic banks	Secondary	2004	The results showed significant differences in the level and the extent of the disclosure between IFIs and CFIs, largely due to the disclosure made by IFIs of religions-related themes and information, including Shari'a supervisory board reports, the Zakah and charity donation, and free interest loan.
Mirfazli (2008)	Indonesia	42 companies		2004	The results indicated that the main foci of social disclosure from companies registered at the Indonesia Stock Exchange are labor theme (51.60 percent), followed by customer theme (19.40 percent), society theme (14.70 percent) and environmental theme (14.30 percent), respectively.
Farook et al. (2011)	in 14 countries	47 Islamic banks		2000	Corporate social responsibility (CSR) disclosure by Islamic banks varies significantly across the sample. According to the regression results, variation is best explained by the influence of the relevant publics and the Shari'ah (SSB supervisory boards) corporate governance mechanism variables.
Bolanle et al. (2012)	Nigerian	1 bank		2001–2010	The results of the review suggested that corporate social responsibility expenditure affects profitability of Nigeria's banks (Beta = 0.945, $p < .01$).
Rahman and Bukair (2013)	GCC)	53 banks in		2008	The study showed that there is an increase in CSR information disclosed in the annual reports of Islamic banks.
Ompusunggu (2016)	Indonesian	63 mining companies		2010–2012	The results of this study showed that there are significant effects on profitability through ROA, ROE, and NPM on the disclosure of CSR. ROA and NPM have positive effects on the disclosure of CSR, while ROE negatively affects CSR disclosure.
Chiang et al. (2015)	U.S.	442 companies		2009–2011 editions	The empirical results of the overall samples indicated that by practicing CSR, companies can effectively reduce their level of earnings management, providing quality financial reports.
Platonova et al. (2016)	Five GCC countries	24 Islamic banks		2000–2014	The outcomes report the sampled banks. The findings of this study indicate that there is a significant positive relationship between CSR disclosure and the financial performance of Islamic banks in the GCC countries.
Amran et al. (2017)	Indonesia and Malaysia	6 Islamic banks		2007–2011	The results revealed that CSR disclosure of Islamic banks has generally grown both in Malaysia and Indonesia. More specifically, it was found that workplace and community dimensions were the most highly disclosed areas by the Islamic banks in both countries.

Table 1 (cont.). Some empirical articles that examined the link between CSD and financial performance.

Author	Country	Sample	Data	Period	Results
Wuttichindanon (2017)	Thailand	451 firm	Secondary	2014	The results revealed that government-owned firms or large firms are more likely to prefer the sustainability report.
Chen et al. (2018)	China	1674 treatment firm- and 5278 benchmark firm-		2006 to 2011	The study found that mandatory CSR reporting firms experience a decrease in profitability after the mandate. In addition, the cities most impacted by the disclosure mandate experience a decrease in their industrial wastewater and SO2 emission levels.
Maqbool and Zamir (2019)	Indian	30 listed companies		2016–2017	The results showed that the CSR disclosure is pronouncedly communicated by ‘mining and mineral’ companies, followed by ‘power sector companies.’
Maqbool and Bakr (2019)	Indian	43 listed companies		2008 to 2017	The findings demonstrated that a curvilinear relationship exists between CSR and FP, suggesting that two long competing viewpoints may be complementary.
Lin et al. (2019)	Taiwan	83 firm		01/2009 to 07/2014	The study indicated that allocating resources to diversity, labor rights, treatment of unions, compensation, benefits, training, health, and worker safety can be beneficial to a firm’s value creation.
Ridwan and Mayapada (2020)	Indonesia	10 Islamic banks		2011to 2018	This study found that the effectiveness of the board of directors plays a vital role in enforcing corporate social responsibility disclosure. Whereas, the audit committee and sharia supervisory board are found to have no significant effect on corporate social responsibility disclosure in Islamic banks.
Szegedi et al. (2020)	Pakistan’s	20 banks		2008 to 2018	The results suggested an increase in overall CSR disclosure by all banks in the sample, and the involvement of commercial banks in CSR activities, and its proper disclosure has helped to improve their accounting-based financial performance proxied by the return on equity (ROE) and return on assets (ROA).
Al-Homaidi et al. (2020)	Yemen	3 banks		2005 to 2014	The findings indicate that the Islamic bank’s background information, corporate governance information, corporate social disclosure, bank size, and bank age all have a negative and substantial effect on return on assets.
Al-Homaidi et al. (2021)	India	33 firms		2011 to 2014	The findings reveal that board diligence, the size of the audit committee, audit committee composition, and board diligence are linked to return on assets.
Long et al. (2020)	China	all listed firms		2009 to 2013	The outcomes revealed that (a) CSR positively affects financial performance, (b) state ownership weakens the relationship between CSR and financial performance, and (c) industry competition strengthens the relationship between CSR and financial performance for both state-owned and non-state-owned firms.
Lee and Yang (2021)	Taiwan	TOP 50		2013 to 2017	The findings revealed that the relationship between a firm’s operating expenditures and its profitability is non-linear, and with certain threshold values of CSR scores, operating spend has a more significant and negative effect on profitability.
Tran et al. (2021)	Vietnamese	18 banks		2015 to 2019	The study results showed that, with the CSRD as a dependent variable, return on assets (ROA) and net interest margin (NIM) have an opposite influence, but return on equity (ROE) has no effect on CSRD, while CSRD has a different influence through ROA, ROE, and NIM on the profitability dependent variable.

2.1. Multiple regression and measurement of variables

Multiple regression was applied to examine the association between Islamic banks' profitability and corporate social responsibility disclosure in Yemen.

$$\begin{aligned}
 PROF_{it} = & a_0 + \\
 & +a_1 Corporate\ social\ responsibility_{it} + \\
 & +a_2 Financial\ leverage_{it} + \\
 & +a_3 Inflation\ rate_{it} + a_4 Asset\ size_{it} + \\
 & +a_5 Age\ of\ Islamic\ bank_{it} + \varepsilon_{it},
 \end{aligned}
 \tag{2}$$

where *PROF* = profitability ratio defined by 4 factors (ROA, PAT, ROE, and EPS), *t* – number of banks (1, ..., 3), *a*₁–*a*₅ is the coefficient of determinant indicators, and ε is the term of error, and all other variables are as set out in Table 2.

Table 2. Measurement of variables

Variables	Notation	Proxy/Measurement	Ex. sign
Dependent factor			
Bank profitability	ROA	Net profit after tax to total assets	NA
	ROE	Net profit after tax to total equity	NA
	PAT	Net income – dividends on preferred stock/average outstanding shares	NA
	EPS	Net profit after tax to numbers of equity shareholders	NA
Independent variables			
Corporate social responsibility	CSR	Disclosure index, 1 if the bank disclosed or 0 otherwise	±
Financial leverage	LEV	Debt to total assets	+
Asset size	BSIZE	The logarithm of total assets	+
Inflation rate	INF	Consumer price index (CPI)	-
Age of Islamic bank	BAGE	Age of the banks in years	+

3. RESULTS

3.1. Descriptive analysis

Table 3 shows the descriptive analysis result of this study that explores the factors of “corporate social responsibility” disclosure in Islamic financial firms’ over the period from 2006 to 2016. It was found that the mean value of return on as-

sets (ROA), return on equity (ROE), profit after tax (PAT), earnings per share (EPS), corporate social responsibility, financial leverage, inflation rate, asset size, and age of Islamic bank is -4.04, 3.41, 13.18, 7.59, -1.59, 0.00, 5.32, 18.85, 14.76, respectively, median value is -4.40, -1.62, 14.83, 9.69, -1.61, 0.00, 0.11, 19.01, 15.00, respectively, maximum value is -1.75, 15.08, 15.56, 9.76, -0.92, 0.02, 22.00, 20.08, 21.00, respectively, minimum value is -12.55, -2.26, 9.69, 2.85, -2.30, -0.04, 0.04, 17.28, 8.00, and Std. Dev value is 1.97, 7.87, 2.45, 3.20, 0.40, 0.01, 9.40, 0.96, 3.69, respectively. Table 3 indicates that the skewness and kurtosis values show normal distributions of this study.

3.2. Correlation analysis

Table 4 presents the results of the link between dependent (bank profitability) and independent (corporate social responsibility disclosure) variables in the Islamic industry in Yemen during the period of the study. The results of the study indicated that there is a positive link between profit after tax, earnings per share, and financial leverage with bank profitability (ROA, ROE, and PAT), while corporate social responsibility, inflation rate, and age of Islamic bank have a negative correlation with profitability defined by ROA, ROE, and PAT. However, financial leverage, inflation rate, asset size, and age of Islamic banks have a positive relationship with earnings per share (EPS), except it has a negative link with corporate social responsibility transparency in Islamic firms in Yemen. The results indicated no multicollinearity diagnosis as the p-value of variables is less than 80.

3.3. Determinants of ROA and ROE

Table 5 shows the outcomes of model 1 and model 2. The result shows “pooled and fixed” effect models for two estimates. The findings revealed that the adjusted R square for the ROA model is 0.37 for a pooled model and 0.46 for a fixed model, while the outcomes offered that the adjusted R square for ROE is 0.47 for pooled and 0.45 for fixed-effect models. The results for both models 1 and 2 are fit because the p-value is less than 0.05.

With regard to an ROA pooled model 1, the results show that asset size and age of Islamic banks have a highly significant effect on profitability at the

Table 3. Descriptive analysis

Variable	Return on assets	Return on equity	Profit after tax	Earnings per share	Corporate social responsibility	Financial leverage	Inflation Asset size rate	Asset size	Age of Islamic banks
Mean	-4.04	3.41	13.18	7.59	-1.59	0.00	5.32	18.85	14.76
Median	-4.40	-1.62	14.83	9.69	-1.61	0.00	0.11	19.01	15.00
Maximum	-1.75	15.08	15.56	9.76	-0.92	0.02	22.00	20.08	21.00
Minimum	-12.55	-2.26	9.69	2.85	-2.30	-0.04	0.04	17.28	8.00
Std. Dev.	1.97	7.87	2.45	3.20	0.40	0.01	9.40	0.96	3.69
Skewness	-1.64	0.82	-0.65	-0.82	-0.35	-1.57	1.21	-0.21	-0.16
Kurtosis	9.33	1.68	1.57	1.68	2.81	6.60	2.47	1.65	1.96
Obs.	42	42	42	42	42	42	42	42	42

level of 1% (p-value < 0.01). The results also indicated that corporate social responsibility and age of Islamic banks have a negative correlation with firms' financial performance, whereas financial leverage, asset size, and inflation rate have a positive association with firms' financial profitability (ROA). With regard to (ROA) a fixed model 1, the outcome revealed that asset size and age of Islamic banks have a highly significant influence on firm profitability at the level of 1% (p-value < 0.01), corporate social responsibility has a significant effect on ROA at the 10% (p-value < 0.1), inflation rate has a significant effect on ROA at 5% (p-value < 0.05). The results also indicated that corporate social responsibility and age of Islamic banks have a negative link with ROA, whereas financial leverage, asset size, and inflation rate have a positive link with bank profitability (ROA).

With regard to ROE, the results of the study found that financial leverage and age of Islamic bank have a negative and significant effect on banks profitability (ROE) in pooled and fixed models, except the age of bank has a significant impact on ROE in a pooled model and insignificant effect in

a fixed model. Asset size and inflation rate indicators have a significant impact on banks' financial profitability (ROE) in pooled and fixed models.

3.4. PAT and EPS determinants

Table 6 presents the results of model 3 and model 4. The results show pooled and fixed-effect models for two estimates. The findings revealed that the adjusted R square for a PAT model is 0.30 for pooled model effect and 0.25 for fixed model, whereas the adjusted R square for EPS is 0.94 for a pooled model and 0.57 for a fixed model. The results for both models, 3 and 4, are fit because the p-value is less than 0.05.

With regard to (PAT) pooled model 3, the result suggested that financial leverage, asset size, and age of Islamic industry have a significant influence on financial institutional banks' profitability (PAT), while corporate social responsibility and inflation rate have an insignificant influence on profitability (PAT). The results also indicated that corporate social responsibility and asset size have a negative association with profitability (PAT),

Table 4. Correlation analysis

Variable	Return on assets	Return on equity	Profit after tax	Earnings per share	Corporate social responsibility	Financial leverage	Inflation rate	Asset size	Age of Islamic bank
Return on assets	1.00	-	-	-	-	-	-	-	-
Return on equity	-0.23	1.00	-	-	-	-	-	-	-
Profit after tax	0.12	0.25	1.00	-	-	-	-	-	-
Earnings per share	0.13	0.10	0.20	1.00	-	-	-	-	-
Corporate social responsibility	-0.36	-0.02	-0.18	-0.19	1.00	-	-	-	-
Financial leverage	0.08	0.23	0.35	0.17	0.18	1.00	-	-	-
Inflation rate	-0.50	-0.26	-0.21	0.08	0.07	-0.19	1.00	-	-
Asset size	0.17	-0.38	-0.52	0.03	0.10	-0.39	0.09	1.00	-
Age of Islamic bank	-0.31	-0.23	-0.59	0.06	0.22	-0.46	0.61	0.71	1.00

Table 5. ROA and ROE determinants

Variable	Pooled				Fixed			
	Coeff.	Std. error	t-statistic	Prob.	Coeff.	Std. error	t-statistic	Prob.
Model 1. Return on assets (ROA)								
Constant	-32.72	10.25	-3.19	0.00***	-93.9	30.66	-3.06	0.01***
Corporate social responsibility	-1.14	0.75	-1.52	0.14	-1.23	0.7	-1.77	0.09*
Financial leverage	21.55	24.19	0.89	0.38	22.69	22.37	1.01	0.32
Asset size	1.93	0.59	3.28	0.00***	5.1	1.61	3.18	0.01***
Inflation rate	0.05	0.03	1.58	0.13	0.06	0.03	2.06	0.05**
Age of Islamic bank	-0.59	0.15	-3.87	0.00***	-0.62	0.14	-4.38	0.00***
R-squared			0.50				0.59	
Adjusted R-squared			0.37				0.46	
Durbin-Watson stat			1.43				1.72	
F-statistic			3.97				4.61	
Prob. (F-statistic)			0.01				0.00	
Model 2. Return on equity (ROE)								
Constant	0.07	0.06	1.07	0.3	0.07	0.06	1.06	0.3
Corporate social responsibility	0.35	0.20	1.75	0.1	0.72	0.69	1.04	0.31
Financial leverage	-0.05	0.02	-3.33	0.00***	-0.05	0.02	-3.23	0.00***
Asset size	0.00	0.00	2.76	0.01***	0.00	0.00	2.59	0.02**
Inflation rate	2.11	0.51	4.17	0.00***	2.1	0.52	4.07	0.00***
Age of Islamic bank	-0.02	0.01	-2	0.06*	-0.04	0.04	-1.14	0.27
R-squared			0.58				0.59	
Adjusted R-squared			0.47				0.45	
Durbin-Watson stat			2.31				2.32	
F-statistic			5.49				4.47	
Prob. (F-statistic)			0.00				0.01	

Note: *, **, and *** denote significance levels of 10%, 5%, and 1%, respectively.

whereas financial leverage, inflation rate, and age of Islamic banks have a positive effect on bank profitability (PAT). With respect to (PAT) fixed model 3, the outcomes of the study showed that financial leverage and age of Islamic banks have a significant impact on PAT, while corporate social responsibility, asset size, and inflation rate have an insignificant influence on PAT. The findings also indicated that corporate social responsibility has a negative effect on PAT, whereas financial leverage, asset size, inflation rate, and age of Islamic banks have a positive link with banks profitability (PAT).

With regard to (EPS) pooled model 4, the outcome indicated that corporate social responsibility, financial leverage, and asset size have a strongly significant effect on firms' financial profitability (EPS), except the inflation rate has an insignificant correlation with EPS. Corporate social responsibility and asset size have a negative association with EPS, whereas financial leverage, inflation rate, and age of Islamic banks have a positive relationship with EPS. The results of a fixed model 4 suggest-

ed that financial leverage, asset size, inflation rate, and age of Islamic banks have a significant impact on profitability (EPS), except corporate social responsibility has a negative and insignificant effect on EPS. The results also found that financial leverage, asset size, and inflation rate have a positive effect on financial profitability ratio (EPS), except age of Islamic banks has a negative effect on EPS.

4. DISCUSSION

This section discusses the current review for the period of this study. During the research, a highly important association was found between Islamic institutions' profitability and corporate social responsibility transparency. The outcomes of this study are similar to those of Bolanle et al. (2012) and Ompusunggu (2016) who revealed that corporate social responsibility transparency has an influence on Nigerian banks' profitability. The results are not similar to Platonova et al. (2016) who indicated that corporate social responsibility has an important positive

Table 6. PAT and EPS determinants

Variable	Pooled				Fixed			
	Coeff.	Std. Error	t-Statistic	Prob.	Coeff.	Std. Error	t-Statistic	Prob.
Model 3. Profit after tax (PAT)								
Constant	23.51	5.26	4.47	0.00***	14.16	0.21	68.21	0.00***
Corporate social responsibility	-0.49	0.36	-1.36	0.19	-0.46	0.37	-1.25	0.23
Financial leverage	24.56	11.52	2.13	0.05**	24.18	12.86	1.88	0.08*
Asset size	-0.48	0.27	-1.8	0.09*	0.39	0.69	0.57	0.57
Inflation rate	0.03	0.03	1.09	0.29	0.04	0.02	1.75	0.1
Age of Islamic bank	21.92	9.93	2.21	0.04**	22.52	6.83	3.29	0.00***
R-squared	0.44	-	-	-	0.43	-	-	-
Adjusted R-squared	0.30	-	-	-	0.25	-	-	-
Durbin-Watson stat	1.08	-	-	-	0.98	-	-	-
F-statistic	3.12	-	-	-	2.4	-	-	-
Prob(F-statistic)	0.03	-	-	-	0.07	-	-	-
Model 4. Earnings per shares (EPS)								
Constant	24,815.11	1,374.61	18.05	0.00***	-11,335.2	9,421.24	-1.2	0.24
Corporate social responsibility	-407	118.17	-3.44	0.00***	-240.32	285.83	-0.84	0.41
Financial leverage	13,159.89	2,987.79	4.4	0.00***	25,684.3	7,596.58	3.38	0.00***
Asset size	-494.18	75.54	-6.54	0.00***	1,409.43	484.18	2.91	0.01***
Inflation rate	0.74	4.22	0.17	0.86	27.04	9.71	2.78	0.01***
Age of Islamic bank	868.07	421.77	2.06	0.05**	-127.08	49.38	-2.57	0.02**
R-squared	0.95	-	-	-	0.67	-	-	-
Adjusted R-squared	0.94	-	-	-	0.57	-	-	-
Durbin-Watson stat	2.07	-	-	-	2.33	-	-	-
F-statistic	81.96	-	-	-	6.53	-	-	-
Prob(F-statistic)	0.00	-	-	-	0.00	-	-	-

Note: *, **, and *** denote significance levels of 10%, 5%, and 1%, respectively.

relationship with financial performance. Tran et al. (2021) showed that profitability (ROA and NIM) has an opposite influence on CSRD, while corporate social responsibility disclosure has a different influence on profitability (ROA, ROE, and NIM).

According to the findings, the average degree of corporate social transparency is low. The low-level transparency index items are used for a number

of reasons. Non-compliance in Yemen may be the most critical explanation for those planning the financial reports of Yemeni Islamic banks who do not provide this kind of detail in external annual reports. Furthermore, the high cost of preparing and releasing reports to the public is another potential explanation for why commercial bank management may not be able to include such information.

CONCLUSION

The objective of this research is to explore the effect of corporate social responsibility transparency factors on Yemeni financial institutions' profitability over the twelve years period from 2005 to 2016. The results of this study show that corporate social responsibility, asset size, inflation rate, and age of Islamic banks have a significant influence on profitability (ROA). It is also suggested that financial leverage, asset size, and inflation rate are the most important variables affecting

bank profitability (ROE). It was revealed that financial leverage and age of Islamic banks have a significant effect on profitability (PAT). Finally, the result also indicated that financial leverage, asset size, inflation rate, and age of Islamic banks have a significant impact on bank profitability (EPS).

Future studies can use Islamic financial institutions that apply other methods to reveal their financial and non-financial records, such as quarterly and interim reports, the Internet, bank circulars, and financial press releases; this study only looked at the amount of disclosure in annual reports of Yemeni Islamic banks. As a result, additional analysis can be done to look at voluntary disclosures made in quarterly financial statements or at the reporting level issued on Islamic banks' websites. According to this analysis, Yemen's Islamic banks should enhance the efficiency, accountability, and consistency of accounting disclosure and financial statements.

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