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Accounting Reflections of Corporate Social Responsibility on the Cost of Capital -An Experimental Study in-Light-of Egyptian's Index for Corporate Responsibility

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Introduction:

The corporate finance decision usually refers to the optimal funding structure which is the funding mix, which minimizes the cost of capital, reduces risks to corporate and maximize the wealth of investors. The cost of capital is defined as the discount rate used by investors in discounting future cash flows to reach the current share price. Depending on this, the decisions to determine the cost of capital are considered the most important decisions as they aim to choose the optimal financing structure to maximize the value of the corporate by achieving the minimum cost of capital because the lower the cost of capital, the higher the value of the corporate.

The cost of capital is one of the key factors in determining the present value and affects the value of the corporate. The present value is directly attributable to the value of corporate because all investments that have a positive net present value increase the value of the corporate, whereas investments with a negative present value decrease the value of the corporate, i.e., the lower the present value rate (the discount rate, i.e., the cost of capital), the higher net present value. This means increasing the value of the company and its financial capacity.

In view of the increasing concentration around the world in recent years about corporate social responsibility activities. Besides, companies are also willing to issue corporate social responsibility reports, and social responsibility activities have become an integral part of corporate business strategy and even became a part of its advertising campaign to attract the attention of customers and consumers.

It also became the basis for the registration of companies in the Egyptian stock exchange to have a management of social responsibility. The Egyptian Stock Exchange, in collaboration with the Directors' Center and Standard & Poor's, has built a corporate responsibility index that includes companies that meet the requirements of environmental issues, social responsibility issues and governance. This increased interest in social responsibility will have an impact on many factors. One of these factors is the cost of corporate capital.

Research problem:

Accounting for social responsibility is considered one of the important issues that have a great attention in the recent years - in the third millennium- as a result of the steady increase in size and capabilities of corporates and their wide financial, economic and social effects. Moreover, increased awareness and attention to the culture of social responsibility practices in recent decades encourage academics and senior executives to devote time and effort to social responsibility strategies. According to a study conducted for the views of senior executives from Asia and the Pacific in 2010, 98% of the 766 CEOs announced that CSR will be important or very important for the success and sustainability of their companies in the future.

In Egypt, spending a lot of effort on corporate social responsibility disclosure, especially after the launch of the Egyptian index of corporate responsibility which provides information on the environmental, social and governance performance of companies.

The performance of companies is no longer limited to, financial economic performance, but the social performance of the companies is one of its objectives as an economic unit because of its positive indicator about the reputation and thus achieving sustainability through implementation of policies that achieve economic and social balance.

Today, companies are required to disclose their CSR performance in addition to their accounting disclosures. There are several CSR guidelines, including ISO guidelines for which CSR practices should be through (ISO26000), as well as the specifications set by the International Social Responsibility Organization (SA 8000), an international guide to social responsibility, and also the guide to the disclosure of the listed companies of sustainability performance in the Egyptian Stock Exchange.

The Egyptian Stock Exchange, in cooperation with the Board of Directors, Standard & Poor's, and Chrysell, launched the Corporate Responsibility Index (CSR) which the listed companies are evaluated upon annually and the 100 most active companies in the Egyptian market are ranked according to their performance in the areas of society, environment, and government. Then, the top 30 listed companies on the stock exchange are selected in terms of liquidity and activity in the framework of respect for the four rules of social responsibility (respect for the rights of the environment, respect for human rights, respect for workers and anti-corruption).

The Egyptian index of social responsibility is the first of its kind in the Arab region and the second in the world. The evaluation is carried out in two phases. The first is the collection of information from the companies, including the information they submit through the websites or through the annual reports. The second phase included all the information available on corporate disclosure and governance.

In the current financial crisis, the prices of securities are not stable leading to high degree of risk and thus prompting investors to demand a higher risk premium. So, the cost of capital increases, including the difficulty of obtaining financing, which may affect the sustainability of the company.

The relationship between social responsibility disclosure and the cost of capital is one of the relations that has not received adequate attention of researchers despite its importance, but there are some attempts such as Dhaliwal, et al (2011), which examined the relationship of voluntary, non-financial disclosure to corporate social responsibility at capital cost, and found that companies that disclose their social activities have lower capital costs. What is more, (El Ghouli et al., 2011) study, which took place in the American environment and the polluting sector of companies such as nuclear power and smoke companies, concluded that these companies have a high capital cost and that disclosure of social responsibility will enhance the value of these companies by reducing their cost of capital.

As the accounting literature included many studies that dealt with the relationship between accounting disclosure and the cost of capital, the results were varied, which made the nature of this relationship questionable. There are several studies, such as Botosan (2006) which, have supported an inverse relationship between accounting disclosure and cost of capital. The higher the level of disclosure, the lower the cost of capital.

In addition, (Leuz and Schrand, 2009), a study which analyzed the relationship between cost of capital and accounting disclosure in-light-of the crisis of transparency resulting from the collapse of Enron, concluded that the crisis of transparency could be decreased by improving the size and quality of disclosure which can affect the cost of capital.

Accordingly, the main problem of research is represented in the next main questions:

Is there a significant correlation between accounting for corporate social responsibility and cost of capital in-light-of the Egyptian corporate responsibility index?

From this main question, a series of sub-questions arise as follows:

- What is the adequacy of standards and guidelines for corporate social responsibility accounting?
- Are the Egyptian corporate social index's items sufficient to show that the listed companies are socially responsible?
- Is there a relationship between the level of corporate social responsibility disclosure and the cost of capital in the Egypt and what is the nature of this relationship, if any?

Research Objective:

The main objective of the research is to examine the relationship between accounting for social responsibility and cost of capital in the light of the Egyptian index of corporate responsibility.

To achieve this objective, there are a set of sub-objectives that the researcher seeks to achieve, **the most important of which are:**

- Identify the conceptual framework of corporate social responsibility's accounting.
- Identify ways of the measurement and disclosure of corporate social responsibility.
- Study the legislation and standards concerning the measurement and disclosure of social responsibility and its adequacy.
- Recognize the methodology of the Egyptian index of corporate responsibility and its importance and how to rank companies in it.
- identify the concept of cost of capital and its importance and models of measurement
- Analysis of the relationship between accounting for social responsibility in-light-of the Egyptian index of corporate responsibility and cost of capital, and determine the nature, if any.

Research Limitations:

1. This research will not intend to go any further in exploring the relationship of social responsibility to sustainability except it serves the purposes of the research.
2. Corporates not listed on the S & P EGX ESG index will not be included
3. The research will not go any further in models of capital cost measurement unless it serves the purpose of it.

Research Significance:

The significance of research illustrated in the following:

First: Scientific significance:

1. The study tries to bridge the gap in the literature for this subject in developing countries especially on the Egyptian environment

2. Improve social responsibility accounting and improve the level of disclosure in financial reports which provide an appropriate financing structure for corporate to influence the cost of capital.
3. The growing interest of social responsibility in recent times.
4. Studying the Egyptian index of corporate responsibility and its relation to corporate social responsibility.

Second: Practical significance:

1. Expanding the scope of CSR in the light of the Egyptian Corporate Responsibility Index (CSI), which helps to increase confidence in the financial information provided to current and prospective investors, which help them in investment decisions.
2. Reducing the capital of companies by improving the accounting of social responsibility in the light of the Egyptian index of corporate responsibility helps in obtaining the appropriate financing structure and reduce risks to companies and then maximize the wealth of investors.

Research Methodology:

To achieve the objectives of the research and to clarify the relationship between accounting for social responsibility and the cost of capital in the light of the Egyptian index of corporate responsibility. The researcher will rely on many different scientific approaches, which helps in testing the hypotheses of research and achieve its objectives represented in:

1. **Inductive approach:** This approach depends on a review of previous studies, references, scientific journals and internet related to corporate social responsibility and cost of capital in the light the Egyptian index of corporate responsibility.
2. **Deductive approach:** Based on logical thinking and attempt to develop a proposed framework for accounting for social responsibility to clarify the standards related to it, and identify its relationship to the cost of capital in the light of the Egyptian index of corporate responsibility and test study.
3. **Comparative approach:** Comparison of the experiences of countries on the establishment of the Egyptian index of corporate responsibility such as India as it is the first country in the world to apply this indicator and Egypt as the first Arab and African country and the second in the world

Research Variables and Hypotheses:

The variables of the Research illustrated in:

- 1- **Dependent variable (cost of capital).**
- 2- **In Dependent variables:**
 - a- Corporate social responsibility with its variables (environmental and social responsibility issues).
 - b- Corporate social responsibility with its three variables (environmental issues, social responsibility issues, governance).
- 3- **Control variables**
 - a- Firm size.
 - b- Leverage.
 - c- Return on Assets

In-light-of the research problem, and the objective that the researcher seeks to achieve, the hypothesis of the research can be illustrated as follows:

The first main hypothesis:

There is a statistically significant relationship between the accounting of CSR and its variables (environmental issues and social responsibility issues) according to the terms of the Egyptian index of corporate responsibility and the cost of capital.

Sub- hypothesis:

1- There is a statistical significant relationship between corporate environmental issues" disclosure (the environment and the social dimension) and the cost of capital.

To achieve this hypothesis, the researcher verifies,

1/1 The more disclosure of "environmental" dimension information, the lower the cost of capital.

1/2 Increasing the disclosure of "social" dimension information leads to lower cost of capital.

2- There is a statistical significant relationship between the disclosure of corporate on issues of social responsibility in its three dimensions (employees, community and the customer / product) and the cost of capital.

To achieve this hypothesis, the researcher verifies:

2/1 Low disclosure of dimension information about "employees" increases the cost of capital.

2/2 Increasing the disclosure of "community" dimension information leads to lower cost of capital.

2/3 The less disclosure of information about "customer / product", the higher the cost of capital.

The second main hypothesis:

There is a statistically significant relationship between accounting for corporate social responsibility (CSR) and its three variables (environmental issues, social responsibility issues, and governance) according to the Egyptian indicator of corporate responsibility and cost of capital.

To test this hypothesis, the researcher will conduct;

1- An applied study aimed at exploring and analyzing the relationship of corporate social responsibility to the cost of capital of companies listed in the Egyptian index of corporate responsibility (S & P / ESG EGX) within the framework of respecting the rules of corporate social responsibility.

2- A Test study aimed at exploring the possibility of developing the Egyptian index of corporate responsibility in-light-of the proposed framework of the researcher. **The disclosure of corporate social responsibility (CSR) information ("environmental issues"- "social responsibility issues", "governance") leads to lower cost of capital compared to the current situation in the Egyptian environment.**

summary and results of the research:

The objectives of this research are studying the accounting of corporate social responsibility in the light of the Egyptian index of corporate responsibility and identifying its impact on cost of capital. What is more, the research aimed to conduct a test study to determine the relationship between CSR and the cost of capital. Finally, it aimed to set up a proposed accounting framework for the Egyptian index of corporate responsibility to develop the current model and test the proposed model. To achieve the objectives of the research, the researcher divided it into four chapters as follows:

Chapter one [1]: Identification of accounting for corporate social responsibility and this chapter contains the following points:

- 1/1 The intellectual framework of CSR in terms of its concept and role in achieving sustainability, then the nature of the measurement of CSR in terms of the concept of accounting for corporate social responsibility, measuring of social responsibility (cost and social return), and alternative measurement methods for the social responsibility. The researcher concluded that:
 - a. CSR is not only a donation or a gift, it is more comprehensive and deeper. It reflects a comprehensive approach that integrates with corporate strategy to address the environmental and social effects and provide the community welfare.
 - b. Corporate social responsibility (CSR) is an integral part of sustainable development, they are complementary concepts.
 - c. Accounting of social responsibility is the process of analyzing, measuring, recording and communicating information about social activities for the welfare of society.
 - d. The costs of social responsibility reflect the sacrifices made by the corporation to carry out its social role based on its awareness of its social responsibilities towards society. These costs usually have not a relationship with the corporation's main activity.
 - e. The measurement of social responsibility is facing many difficulties, which have led researchers to seek for alternative methods like indicators.
- 1/2 The nature of corporate social responsibility disclosure through identifying the disclosure of social responsibility (theories of disclosure - disclosure methods - the motives of companies to disclose - the obstacles to disclosure - factors affecting the disclosure and then the principles of corporate social responsibility reporting). The researcher concluded that:
 - a. Corporate social responsibility information should be disclosed in one report with financial information (financial statements), as well as disclosure of this information via corporate websites.

- b. Disclosure of CSR information in developing countries faces many obstacles that need to be removed to make it easier to disclose this information.
- c. There are many factors affecting the degree of the disclosure of corporate social responsibility (firm size, profitability, industry sensitivity, liquidity, leverage and financial performance). CSR is more important when the corporation is larger, highly profitable, and finally Highly liquidity
- d. To have effective CSR reports, CSR information should have some principles, (relative importance - stakeholder participation - sustainability - and completion) as mentioned on the Global Reporting Initiative. Also, some principles must be available to ensure their quality, these are some of (balance - comparison - accuracy - timing - reliability).
- e. CSR report should include three types of disclosure (strategy, methodology of corporation, and performance indicators).

1/3 The efforts of professional organizations to analyze and organize accounting for corporate social responsibility, the researcher concluded that:

- a. There are several professional organizations that have issued initiatives and guidelines for the accounting of corporate social responsibility worldwide, but they are free from any obligation to companies. The disclosure of social responsibility is still optional to companies
- b. The GRI standards; 100 ,300 and 400 sets, provided a more comprehensive and explanatory framework for the disclosure of CSR information and provided guidelines for external assurance of CSR information.
- c. Institute of Social and Ethical Accountability established the (AA 1000) accountability standard, to disclose corporate social responsibility and presented a set of criteria for accountability, assurance and stakeholder engagement.
- d. The UN Global Compact has issued a ten-principle voluntary initiative based on public accountability, transparency and disclosure to promote corporate innovation domain. Part of it is called "Progressive Communication". It aims to inform stakeholders about the progress made by the company in applying these principles.
- e. In November 2016, the Egyptian Stock Exchange issued a guideline for companies about the disclosure of social responsibility. These guidelines seemed to be a translation of the GRI (G4) reporting standard.

Chapter two [2]: studying the Egyptian index of corporate responsibility for improving the disclosure and transparency frameworks in the Egyptian capital market, especially environmental issues, issues of social responsibility and governance. This chapter has been divided into the following:

2/1 An overview of the Egyptian index of social responsibility, the benefits of it, methodology, the stages of evaluating the performance of companies, the components of the index, and how to calculate it. The researcher concluded that:

- a. The Egyptian index of corporate responsibility is the first of its kind in the Arab world and the second in the world after India. The index selects 30 of the 100 most active companies in the Egyptian Stock Exchange depending on the degree of 3 variables, environmental issues, issues of social responsibility and governance.
- b. Commitment to the Egyptian index of corporate responsibility will benefit both companies and investors as well as the Egyptian Stock Exchange.
- c. The index is based on the information that companies voluntarily/optionally disclose; this information is the only reference in measuring the index
- d. The authors of the index do not obtain any information from the companies except in the case of having negative information about the company which they want to verify its validity.
- e. The assessment of the index with respect to the three variables may be unfair, where the greatest concern is the governance variable at the expense of the other two variables. The index consists of 197 points divided as follows: "Environmental issues and of social responsibility" (70 points) 29 points for environment issues at 14.7%, 41 for social responsibility at 20.8%), while "governance" obtained 127 points at 64.5%. The index is calculating the company's value by giving a relative weight of each variable.
- f. The index consists of three variables, each variable has its own dimensions. The environmental issues consist of two dimensions (the environmental dimension and the social dimension). The social responsibility issues consist of three dimensions (employees - the community - the customer / producer). Governance has 4 Dimensions (the structure of ownership and equity - the financial and operational information - the structure of the board - and the ethics of work and corporate responsibility).
- g. The Egyptian Corporate Responsibility Index relies only on the quantitative and qualitative measurement of companies. Although the non-financial performance measures have many advantages such as being easy to be tracked, helping managers to make the right decisions in a timely manner, there are obstacles in their application, the difficulty of monetary measurement and determine their impact on financial standards in the term of cash.
- h. Companies are listed once a year in August. The most important news and events of all index constituents are reviewed in January to determine the behavior of companies. In case of negative performance of any of these companies, they should justify and if not justify they are excluded; the company that was deleted is not replaced by another company.

Negative behavior is determined based on the points specified by is excluded the index. If Negative points are greater than 80, the company is excluded from index.

2/2 Evaluation of The Egyptian Corporate Responsibility Index in terms of its importance, the performance of companies and the role of the Egyptian Stock Exchange in promoting social responsibility practices. The researcher concluded that:

- a. Corporate social responsibility disclosure is important for decision-makers as it reduces the information asymmetry and enables companies to manage their risks and reduce the cost of the company's capital.
- b. The index is based only on information that companies voluntarily disclose, which is generally positive as it aims to encourage companies to further disclosure about their CSR practices.
- c. The index indicates that the final weight is determined for all three variables combined regardless of the performance of each of the three. It may happen; the performance of companies happened to be good in a variable and bad in another variable.
- d. There is a lack of index, since it did not set a minimum limit that companies must provide in the exercise of the three variables; it cares only about the final result.
- e. The minimum number of points in each of the three variables should be determined separately. The three variables can be modified or the index should be separated into two separate indexes. The variable of governance should be a special index while Environmental and social responsibility issues are a separate index.
- f. The index does not announce the ratios of its components and the performance of companies in the three variables. So, it is not an indicator of the performance of companies in the three variables, it only declares the constituent companies of the index without reference to the degree in each of the three variables.
- g. There is no specific model for corporate disclosure of social responsibility so that companies can disclose through it and help stakeholders to make comparisons to see the company's performance from year to year as well as to make comparisons between companies in the same industry.

2/3 A comparison between the Egyptian and Indian index of corporate responsibility in order to benefit from the Indian experience. To achieve this, the study identifies the nature of the Indian companies and the law of Indian companies of social responsibility practices. After this, the researcher attempted to formulate a proposed framework through which Egyptian companies can exercise their social responsibility. The researcher concluded that:

- a. The Indian companies are among the oldest companies in the world that have implemented social responsibility practices and have the first index of corporate responsibility in the world. The Indian environment has shown many advantages for the companies responsible like exemptions, benefits from banks, etc.

- b. The Companies Act of India forced companies to set up a social responsibility committee and set a minimum limit for spending on social responsibility activities, equivalent to 2% of their average net profit in the previous three years.
- c. The Indian Companies Act defines activities which benefit the community, and companies must exercise their social responsibility in these activities.
- d. The Egyptian index is the same as the Indian index, with some differences due to the difference in the size of the market. Among these differences, the Egyptian index is applied to 100 companies to select 30 companies, while the Indian is applied to 500 companies to select 50 companies.
- e. The Egyptian index is the selection of companies in two stages to determine the 100 companies, including the 30 companies responsible, while the Indian is in three stages where the 500 companies are identified and then filtered to 150 companies and finally to the 50 companies that make up the index.
- f. Formulate a guiding framework to help companies integrate and account for social responsibility programs and projects in their strategy.

Chapter three [3]: The relationship between corporate social responsibility and cost of capital in light of the Egyptian index by identifying the cost of capital, the relationship between them, and finally, proposed accounting framework for the implications of social responsibility on cost of capital. To achieve this, the chapter is divided into the following:

3/1 The concept of cost of capital and the relationship between accounting for corporate social responsibility and sources of financing, then how to measure the cost of capital, the researcher concluded that:

- a. The cost of capital is the minimum return expected by suppliers. The sources of corporate finance are either financing by equity or debts or both.
- b. There was an inconsistency in the results of studies that dealt with the relationship between corporate social responsibility and the cost of capital by debts. Some studies have shown a weak correlation between corporate social responsibility and cost of capital. Other studies have shown an inverse relationship between CSR and the cost of capital by debts. What the researcher found in this study was that the companies in the study mostly reach the cost of capital by debts to the lowest limit, but in many companies up to zero, which proves that the higher the level of corporate social responsibility the lower the cost of capital by debts.
- c. There is also an inconsistency in the results of the relationship between the accounting of social responsibility and the cost of capital with equity. Some results showed an inverse relationship, (the higher the level of CSR performance, the lower the cost of capital with equity). Some studies proved an unstable relationship and the reason of that could be the Understanding and awareness of investors in some countries.
- d. There are several models for measuring the cost of capital. However, the most widely used model by researchers and financial analysis in

Egypt and worldwide is the capital asset pricing model. This is what the researcher depends on in the applied study to investigate the relationship between CSR and cost capital

3/2 Accounting for Corporate Social Responsibility (CSR) and its impact on the cost of capital in terms of the motives of company's interest in the cost of capital, and how accounting for corporate social responsibility can affect the cost of capital. The researcher concluded that,

- a. Companies that have CSR in their strategy will have lower restrictions on the cost of their capital because it increases the level of disclosure of companies and therefore, these companies have a higher confidence than others.
- b. Companies with a high level of social responsibility have lower restrictions on their capital cost due to the low asymmetry of information resulting from the reduction of the Company's expected risks.
- c. corporate social responsibility has an impact on the cost of the company's capital as it leads to further accounting disclosure, reducing information asymmetry among stakeholders, and reducing the cost of capital with debts and equity

3/3 The proposed framework, the objective of it, the dimensions of measuring and evaluating the performance of corporate social responsibility and its impact on the cost of capital, finally general guidelines for the application of the framework. The researcher concluded that:

- a. Most companies in their disclosure rely on one of the three variables of the index, (governance) and ignoring the other two variables, where the index is calculated on the overall performance only.
- b. There is a shortage in the composition of the Egyptian index of corporate responsibility, and the researcher concluded that the restructuring of the index will have a positive impact on reducing the cost of the company's capital.
- c. Putting some solutions that can be applied to avoid the shortage of the Egyptian index of corporate responsibility and make it more useful such as:
 - A) Restructuring the index by adding financial measures along with quantitative measures for greater efficiency and effectiveness. In addition, putting a minimum limit that companies must achieve in each of the three variables, and when companies break this limit in one of the variables, it will have been excluded from the index.
 - B) keep the index on the current structure with the addition of points expressed financial disclosure and identification of mandatory items to be disclosed in each of the three variables and considered it a mandatory disclosure.
 - C) The index should be divided into two separate indexes: a governance index and environmental and social responsibility
 - D) The relative weight of financial and quantitative measures is 50% as it is, since social responsibility includes both

environmental issues and social responsibility issues, as well as having one screen inside the stock exchange.

Chapter four [4]: Tackled conducting a test study to identify: **First:** The impact of corporate social responsibility on the cost of capital by applying to the companies of the Egyptian index of corporate responsibility with its three variables, **second:** Application of the proposed model which is reached to in the theoretical part and the applied study. To achieve this the chapter is divided into: **4/1** Applied study on the Egyptian environment, the objectives of the study were based on (the objectives of the study, the development of hypotheses, measuring the variables, the sample and the period of the study, the sources of data, and the statistical methods used). Finally, the researcher concluded that:

- a. Accepting the first hypothesis and its sub hypothesis; **There is a significant relationship between CSR with its variables (environmental issues and social responsibility issues), in terms of the Egyptian index of corporate responsibility and the cost of capital. (The researcher's point of view).**
 - b. Accepting the second hypotheses and its sub hypothesis; **There is a significant relationship between CSR with its variables (environmental issues, social responsibility issues and governance), in terms of the Egyptian index of corporate responsibility and the cost of capital. (Some researchers' point of view).**
- 4/2** Examining the proposed framework and to achieve this, the experimental study contains (The objectives of the proposed framework - the objective of the experimental study - the study hypotheses- measuring the variables of the study- sample and period of study- and finally the models of the study hypotheses) and the researcher concluded that:
1. Accepting the main hypothesis of the proposed framework; **The disclosure of corporate social responsibility (CSR) information ("environmental issues"- "social responsibility issues", "governance") leads to lower cost of capital compared to the current situation in the Egyptian environment.**

Recommendations:

The recommendations are presented within the context of the theoretical part and what was confirmed by the practical study in the Egyptian environment, the researcher concluded to make a set of recommendations as follows:

- 1. The importance of accounting for corporate social responsibility in Egypt and obligating companies to implement the guidelines issued by the Stock Exchange regarding the preparation of social responsibility reports, with reference to the guidance provided by the researcher**
The mechanism is summarized in:
 - Corporations in the Egyptian Stock Exchange should spend on social responsibility activities a certain amount and should be a percentage of owners' equity, and companies must obligate by it and if they don't do this, they will be legally responsible. Besides, issuing a part in the Companies

Law, as well as in the rules of registration and listing on the Egyptian Stock Exchange, by imposing at least a certain amount.

- There should be a responsible institution at the state level whose responsibility is to focus on social responsibility programs and to identify a list of the priorities of the programs and projects that need to be developed and directed to the corporate social responsibility activities that must be implemented by the companies and that the companies are directed towards them and supervised. Also, to give advantages to companies that are moving towards spending in these activities to encourage them. This could be the Center for Corporate Responsibility.
 - Obligate companies to implement the guidelines for the preparation of social responsibility reports issued in 2016 and to be a condition for trading in the Egyptian stock exchange starting from 2020.
 - The presence of a special label gives to socially responsible companies and thus, get many advantages (good reputation, competitive advantages, access to loans, etc.).
2. **Recommending the application of the proposed framework for the development of the Egyptian index of corporate responsibility, which results a more positive application. It showed a balanced importance in the three variables of the Egyptian index, including both the quantitative (non-financial) and the financial aspects.**

The mechanism is summarized in:

- Redirecting the social dimension of the Egyptian CSR index - governance, to environmental issues and social responsibility issues - because it is the closest to it.
- The composition of the Egyptian Corporate Responsibility Index (CSI) should be reviewed to meet current shortfalls and to apply the proposed accounting framework.
- Add a method of measuring the items of financial and non-financial disclosure.
- Directing companies to the importance of integrating social responsibility into their strategy, and the benefits they will return to them and their belief in their role in the internal and external environment.
- Cooperation with the Egyptian Stock Exchange to review the components of the Egyptian index of corporate responsibility and introduce of some financial points as mentioned in the proposed framework.

Suggestions for future research:

1. Study the impact of the external outsourcing of CSR on the accounting of corporate social responsibility.
2. Study the impact of electronic disclosure of social responsibility reports in reducing information asymmetry and its reflection on the cost of capital.
3. Implications of accounting disclosure in the integrated reports on the cost of capital - applied study.
4. The implications of accounting for social responsibility on the sustainability of small and medium-sized companies in Egypt.