



The effectiveness of corporate social responsibility in the Egyptian private sector Empirical and Theoretical Investigation

Mohsen Anwar AbdElghaffar Saleh¹

Shimaa Mostafa AbdElghaffar²

Azza Tawab AbdElrahman³

This paper describes Corporate Social Responsibility (CSR) of private sector in Egypt, and importance of applying Social Responsibility by Private sector in Egypt to help public sector to achieve Economic and Social objectives for Egyptian Community. So private Sector has an effective role in sustainable development. According to report of The Egyptian Ministry of Economic Development, Private sector plays an important role in these areas: Private Sector affects Economic Growth, Private Sector 's contribution percentage in GDP is about 62% , Private Sector 's contribution percentage in total investment in Egypt is about 65 % , Private Sector also plays important role in employing youth , according to statistics of 2018/2019 contribution percentage of private sector in employment is about 70% (15.5 million workers) ,this results in reducing unemployment rate from 10.3 % in 2018 to 8.4 % in 2019 , in addition private sector 's role in building schools , universities , and hospitals ...etc. all above indicate role of private sector to exercise social responsibility toward community that result in improving living standards of citizens , good health care , and facing unemployment problem in Egypt . any company exercise social responsibility can bring several benefits such as reduction in taxes are paid by this company and improving reputation of this company that results in attracting more investors. So, companies that exercise social responsibility benefit themselves and their society.

Introduction

Increasing interest in corporate social responsibility in the most of countries , and CSR has a priority in terms of turning companies into partners in sustainable development and the Egyptian government called for more than once through fairness in the distribution of income , development , and investments at the level of

Abstract

Key words: Corporate Social Responsibility (CSR), Private sector, Economic and Social Development, corporate Social Responsibility (CSR) areas.

Received : 09.08.2020

Revised : 30.09.2020

Accepted: 03.10.2020

¹ Department of Accounting, Zhongnan University of Economic and Law, China.

² Department of Accounting, Assuit University, Egypt.

³ Department of Accounting, Assuit University, Egypt.

the republic provinces , especially in remote areas and governorates of upper Egypt , as well as Development united nations programs (NDP) and other international organization calling for exercising corporate social responsibility , and there is no doubt that the field of corporate social responsibility still needs more in depth studies , research and dialogue through the establishment of workshop seminars and conferences to illustrate the concept, areas and benefits of social responsibility for private sector .

In spite of the accomplished achievements, Egypt still faces local and international challenges affecting its economics and social security. at local level : poverty , unemployment , low living standard , low saving rates and investment, weak infrastructure and level education , lack of keeping up of educational outputs for the requirements of development and global competition , problem of food security , water , and energy . at the international level , result of stagnation risk and economic contraction and its negative effects on the development process , so many countries including Egypt and financial institutions tried to find appropriate solutions for these problems and reduce the aggravation of their damage through concerted efforts between the government and private sector . so, corporate social responsibility and businessmen becomes necessary and complementary in providing needs of local society through investing in operations, insurance of health, education , training , creating a clean environment and other requirements of the social dimension . It has become clear interest in issue of social responsibility of private sector companies and talk about social responsibility of private sector companies has recently become a title for most conferences and seminars, and a field for studies and research, whether by individuals or research centers or international organizations.

Corporate social responsibility (CSR) and sustainability are two of many terms used to describe the social and environmental contributions and consequences of business activity. The notion of sustainable development lies in progress within three dimensions: economic development, environmental protection, and social cohesion. Its principles are described as social progress that recognizes the needs of everyone, effective protection of the environment, prudent use of the natural resources, and maintenance of high and stable levels of economic. The concept of corporate social responsibility (CSR) has evolved over the past decades from a marginal, and often neglected, area of interest, into a comprehensive area of specialization, which has become increasingly relevant in decision making processes in firms and enterprises. In fact, CSR used to be discussed only by a small group of academics, Cochran, 2007; Javed, S., Malik, A., & Alharbi, M. M. H. 2020). Despite the increasing interest by professionals and academia, to this day there is not universally accepted definition of CSR.

The Egyptian government has initiated to provide benefits for companies that provide social participation, for example, the Taxes Act. No. 91 for 2005, adopted by the government as part of economic reform, has important social dimensions, including the exclusion of donations and subsidies from the taxable pool, for examples: donations and subsidies provided by companies to Well-known Egyptian charitable organizations, as well as that is granted to Egyptian hospitals and

scientific research institutions, with no more than 10% of the donor company's annual net profit.

On the other hand, companies must fulfill the right of society by preserving workers' rights, respecting and applying human rights principles, preserving the environment and participating in development of the society in which they work to provide society needs in its plans and work programs. The state always emphasizes the pivotal role of the private sector in economic development, and social responsibility of the vast majority of private sector companies is still in its infancy, it is directly related to providing money through charitable donations, but companies must develop this view to contribute to solving community problems such as unemployment, health care, and weakness of education, lack of training, professional qualification, and environmental problems, etc.

Definition and concept of social responsibility of private sector

There is no single, formal, agreed or defined definition of social responsibility of Private sector, and there are many definitions of corporate social responsibility, and with these multiple definitions, there are several pictures of initiatives and events vary according to the nature of the surrounding work environment, the scope of the company's activity, and its financial and human capabilities. Therefore, the definition of corporate social responsibility is not static, but rather a dynamic, realistic, compatible with economic political and social variables. It can be defined as economic and social activities carried out by the company's management towards employees and those dealing with it, and members of society on the other hand, within the framework of values and ethics and laws of this community, sometimes referred to as the responsible citizenship of the company and which it acquires company or businessman through charitable work that performs to raise the welfare of society.

It can be defined as economic and social activities carried out by the company's management towards employees and those dealing with it, and members of society on the other hand, within the framework of values and ethics and laws of this community, sometimes referred to as the responsible citizenship of the company and which it acquires company or businessman through charitable work that performs to raise the welfare of society. There is a common definition used by the World Business Council for Sustainable Development (WBCSD) that defines corporate social responsibility as a "Business Pledge By participating in sustainable economic development by working with workers, their families, local and regional society to improve their quality of life".

The International Institute for Sustainable Development has interpreted the term social responsibility in term of sustainable development; it refers to society, and is expected to contribute norms or standards of social responsibility in promoting the three pillars of achieving sustainable development, namely (Economic development, social development and environmental protection).

According to one of definitions, social responsibility is a commitment by the company to achieve balance among interrelated parties and is represented by the interests and needs of the company that Produce goods or services, their workers, the surrounding environment and society. The social responsibility of the private

sector has evolved through the interaction of companies and businessmen with members of the community, and the various literature indicates that social responsibility of the private sector has become an integral part of the comprehensive quality management system to improve the quality of the product or service provided to customers in a suitable way and at appropriate prices.

The responsibility of private sector in Economic and Social Development

The economic reform procedures that Egypt witnessed since the beginning of the 1990s succeeded in maximizing the role of the private sector in social responsibility and becoming an essential partner in development and has largest share in the Egyptian economy and the main financier of a large number of projects of economic development, as its investment rates exceed 70% of annual investment plan to the country.

Role of the private sector towards community development has indeed been strengthened and has become essential necessary in light of the economic transfers that the country witnessed, and the processes of economic reform that seek to make foundations for a strong free economy in which the private sector can carry its responsibilities towards contributing to improving living conditions of citizens, and providing their needs from security social and health insurance, adequate housing, job creation, food commodities at prices suitable and other social services.

In addition, in free economy, private sector participation in activities increases that affect economic growth in terms of providing products and service, and hence the proportion of its contribution to gross domestic product increases, one of studies indicates that more than 500 economic establishments control more than 25% of the global economic output, and also that the most important 300 international companies have about 55% of the world's productive assets.

In Egypt, the data presented in table No.1 shows that the private sector's contribution percentage in GDP is on average about 62% since 2010\2011 to 2018\2019.

Table (1) Development of private sector's contribution percentage in GDP

Year	Private sector %	Public sector %
2010/2011	62.2	37.8
2012/2013	61.7	38.3
2014/2015	60.3	39.7
2016/2017	62.5	37.5
2018/2019	61.9	38.1

Source: Ministry of Economic Development.

Table (2) data shows the Development of the private sector's contribution percentage in the investment process. The percentage of private investment in total local investment increased from 47% in 2010\2011 to 65% in 2018\2019, but public investment is decreased from 53% to 35% during the same period, due to the catalytic role and create suitable climate to attract investment and achieve social responsibility by the state.

Table (2) data shows the Development of the private sector's contribution percentage in the investment process

Year	Private sector %	Public sector %
2010/2011	47	53
2012/2013	48	52
2014/2015	57	43
2016/2017	63	37
2018/2019	65	35

Source: Ministry of Economic Development.

Corporate Social Responsibility (CSR), Private sector, Economic and Social Development, corporate Social Responsibility (CSR) areas.

Social responsibility of private sector to face unemployment

Since applying policy of economic openness in the mid of seventies of the previous century and allow to Arab and foreign capital to flow to Egypt, and the private sector plays an effective role in providing real job opportunities and employing a large number of citizens, especially recent graduates ,and work to train them , raise their efficiency, and provide loans and facilities that help to buy Suitable housing , as well as social insurance, health insurance and providing appropriate working environment, and providing transportation from workplaces to their homes and vice versa.

Table No. (3) Shows the development of the private sector's contribution percentage to employment .This contribution increased from 67% (equivalent to 12 million workers) in 2003\2004 to about 70% (equivalent to about 15.5 million workers) in 2018\2019 this Participation of the private sector has resulted in a decrease in unemployment rates from 10.3% in 2010 8.4% in 2019.

Table No. (3) Shows the development of the private sector's contribution percentage to employment.

Year	Private sector %	Public sector %
2010/2011	67	33
2012/2013	67	33
2014/2015	68	32
2016/2017	69	31
2018/2019	70	30

Source: Ministry of Economic Development.

The Egyptian government has developed a set of policies to reduce unemployment and increase workforce by implementing a number of projects, increasing public spending, and providing incentives and procedures to encourage the private sector to rise and continue to play its role in taking social responsibility towards society and individuals, as the government provided about 4.2 billion pounds financial support to beneficiary companies through the Export Development Fund .This amount is among the 15 billion pounds the government has adopted to face repercussions of the global financial crisis in order to increase public spending, in particular on Labor-intensive infrastructure projects that attract private sector's investment towards establishing projects that provide job opportunities and increase production and thus help to improve the conditions of citizens that reduces

unemployment and poverty rates in Egypt, and government will continue to support the Economic sectors in order to maintain its employment by maintaining production rates and export .

Improving levels of social development in Egypt

As a result of the economic reform policies that Egypt has taken since the 1990s, it occurred positive development in most economic and social development indicators, inflation rates decreased from 25% in 2012 to 11% in 2014 and Unemployment rate decreased from 10% in 2012 to 8.4% in 2014 .GDP increased from 1.9% in 2003 to 7.1% in 2018\2019 As result of participation of the private sector in development of the Egyptian economy, as demonstrated by the increase in its contribution in GDP and in the volume of local gross investments . In the same time, Egypt has made progress in many areas of social development, as it is shown in Table No. (4), where the human development index increased from 0.695 in 2018 to 0.723 in 2019, and this indicator consists of the life expectancy index that rose from 0.695 to 0.772, and the Education Index increased from 0.599 to 0.718 during the same period that was accompanied by a rise in the average income per capita from GDP from 4,911 dollars in 2014to 5,900 dollars in 2019.

The report that is issued by the United Nations Development Program titled "Business Solutions for Human development " although private sector participation in development was limited to 39% from total of 574 industrial and investment companies operating in Egypt , able to contribute about 5.5 billion pounds in the areas of fighting hunger and poverty, education, environment and development, this number highlights the importance of private sector participation in development as a matter of corporate social responsibility .

Table (4)

Year	Human Development Index	Life expectancy index	Education Index	GDP index	Average income per capita
2013	0.631	0.695	0.599	0.598	3911
2014	0.648	0.698	0.614	0.632	4407
2015	0.655	0.702	0.643	0.649	4878
2016	0.680	0.702	0.682	0.655	5061
2017	0.687	0.752	0.703	0.607	3792
2018	0.689	0.760	0.685	0.622	4152
2019	0.723	0.772	0.718	0.681	5900

Source: Report of Human Development in Egypt.

Comparing some indicators of social development in Egypt with some other countries similar to Egypt, it was found that the development index in Egypt was lower than in many other countries like Turkey, Jordan, Thailand, Brazil, Tunisia, Indonesia, the Philippines, and this difference in indicators in Egypt requires the concerted efforts of the state, the private sector and civil society organizations in order to increase investments, improve the production system, and provide social

services to various groups of society in order to eliminate social problems and raise the welfare of all members of society.

Corporate social responsibility areas

With the increasing conviction that the private sector should play an important role in economic and social process, this entails social responsibilities towards the national and regional level, and towards consumers and workers at the local level, and the private sector can meet the expectations of public opinion from by providing an example to good governance, transparency, taking into consideration not to harm the environment, the health of workers and consumers, and respecting rights of users and increase their knowledge and experience, as well as pay taxes and fight corruption and respect for the law.

Therefore, social responsibility does not mean merely contributing to building hospitals, Schools, and charitable work for the poor and needy, but it expands to include responsibility of company toward three main categories which are the workers and employees of the company, the customers and the consumers, and its responsibility toward society.

Corporate Social responsibility areas can be classified into the following:

The Company's social activities towards its employees

The company's human resources spending is a real investment that can reap the results of this investment in the short and long term, employment is an internal area of social responsibility, the company is committed to providing the services needed to improve the quality of life for workers through the following:

- Providing the necessary training programs at internal and abroad, and spending on some workers those wishing to complete their graduate studies in order to develop their technical and managerial skills.
- Contribute to social insurance of workers with a certain percentage of their salaries and their wages to get a suitable retirement salary after retirement.
- Establishing systems for health care and treatment in hospitals and paying expenses of medicines for workers and their families.

Activities to improve the quality of dealing with customers and consumers

This type of activity aims to achieve the company's economic objectives, the most important of these objectives is to increase profits, increasing their reputation in the industrial and commercial circles, thereby increasing their capacity Competitiveness and sales share in the domestic market and easy access to the external market, When company fulfills the desires of customers and consumers result in developing and improving products and services of company to attract their trust and satisfaction and maintain this satisfaction, the most important activities that the company offers to customers and consumers as following:

- Honest advertising and promotion of the company's products and services.
- Transparency, integrity, honesty, non-deception, and fraud in dealing with customers

- Provide the necessary data and clarifications about products such as production dates and period validity, ingredients, origin, etc.
- Responding to customer complaints and responding appropriately.

The Company's social activities towards the community

This type of activity is represented by services that provide the public benefit of community members, and participating with the government in providing these activities for the purpose of eliminating social problems, this will create an attractive climate for investment and provide social stability for citizens .the most important of these activities related to interaction with the community as following:

- Donations to charitable foundations, organizations, and non-governmental organization to fund and provide the needs of members and families in need.
- The need to eat and drink, such as providing food to needy community members. Other food at religious occasions such as Ramadan and holidays.
- Cultural areas such as the establishment of libraries in poor areas, publication of books, funding exhibitions and publishing scientific and cultural journals to be distributed in seminars and conferences.
- Health areas such as the establishment of medical clinics and full operating rooms in hospitals and contribute to the establishment of hospitals for hazardous and endemic diseases such as Cancer, dialysis, liver viruses, treatment abroad, and compensating Individuals for any damage caused by working for the company.

The Company's activities to protect the environment

Although there is a Ministry of Environment in Egypt for environmental protection, it is the responsibility of Companies is a big part of the responsibility in this area, including pollution prevention and damage prevention for environment from radiation as a result of production processes or water pollution and dredging Land due to landfills and other sources of pollution, since the attention environmentally clean industry will eliminate the societal environmental problems that most of the people suffer from it, industrial companies must take into account the preservation of the environment, pollution prevention and the balance between the social cost of production , the costs of control and its social benefits, as well as the process of recycling and retrieving some materials and then marketing.

Motivations to encourage companies to exercise social responsibility

The most important motivations of companies towards social responsibility as following:

- Providing moral rewards to companies that achieve the best practices in the field of social responsibility as it has been happening for a long time in Egypt, which is awarded the Corporate Cup annually By the Ministry of Industry and Trade.
- Advertising in different media about companies that provide the best services social for its employees and for its customers and for community members or to contribute with the government to Provide social services.

- Granting private companies and businessmen a partial exemption from taxes that are subject to profits if they donate to activities that fall under social responsibility, Income Tax Act No. 93 of 2005 exempted donations and support that paid by companies to charitable and non-governmental organization within the 10% percentage of the profits of these companies.

- The Egyptian government creates a certificate of social responsibility through a union of industries for companies that enjoy its services as well as companies that wish to export to facilitate the export process to abroad, and emphasize the need to comply with corporate social responsibility towards society.

In general, there has been an increase in the number of awards and grants in recent years, and exemptions for companies working in the field of social responsibility in order to encourage domestic and foreign companies in the country to make more efforts in providing Social services.

Advantages and benefits of corporate social responsibility to private sector companies

Social responsibility is a matter of principles and ethical responsibility, as company develops and grows into the society in which it sites and uses its material and human resources, so it is responsible towards this society on the social level and environmental protection, this responsibility brings many advantages and benefits include:

- Improving the company's reputation in the financial and commercial circles between suppliers, customers, and individuals of Community.

- It brings the company and the public closer together, as the company's efforts in favor of a particular target group in society, such as the company's shareholders, may harm the interests of other groups, and vice versa, achieving balance between all interests is important part of social responsibility to achieve justice between different groups.

- Increasing the costs of social responsibility and preserving the environment, the company can compensate in the long term through a level of profitability that exceeds those costs after enjoying good reputation through the application of environmental and social standards.

- CSR gives added value to shareholders and makes them more confident about the company as a result of the social policies that company applies to employees and society.

- Increasing the company's ability to retain its qualified employees, which helps attract investors.

Experiences of some Egyptian companies in practicing social responsibility

The social responsibility of the private sector is determined in each country towards individuals or citizens who need social support and adequate jobs to secure their lives and provide a decent life them and good education, health insurance, adequate housing, and the provision of food goods at affordable prices for their limited income.

Egyptian government, as in all developing countries, cannot provide to individuals all these urgent demands, therefore, this responsibility requires the active

participation of the private sector, and if possible that responsibility is gradually shifted, where schools, universities, and hospitals are privately owned and there are also associations which provides services to members and other citizens and relatives residing in accommodations of these associations. the private sector also provides jobs for a large proportion of workers, and companies of private sector grant loans and facilities for their employees to purchase their own homes, some of which provide study grants for its users or their children.

Example of Experiences of some Egyptian companies in exercising Social responsibility:

- The experience of some banks in providing educational support and training to some citizens, especially Young new graduates, who are looking for work, where they are trained and raised their scientific and practical skills before entering the labor market, Arab African Bank is considered International leader in providing annual support and awards to outstanding students, as well Private sector companies hold regular employment fairs, through these exhibitions employ many job seekers or first-time entrants to the job market.

- Mansour Group: Khair Zaman Markets Series · Mansour Group focuses on basic knowledge skills, education, orphans and the environment, its projects include the Khair Zaman trading Market Series, which provide needs of Low-income consumers.

- Abu Al-Ain Foundation for Cultural and Social Activity founded by businessman Mohammed Abu Al-Ain 20 years ago under his belief in social responsibility and his commitment to the society and the environment in which he operates as part of his social role.

- Food Bank. Egyptian national non-profit organization, Established under Law 84 of 2002, it is concerned with the issue of providing food that are wasted in many places such as hotels, restaurants and commercial stores, Bakeries and lounges of weddings and grand receptions, where they felt that there are categories they could benefit from such as Orphans, the elderly, widows, families in need and unable to work.

- Sawiris Foundation for Social Development: This foundation was founded in 2001 and has been the first family foundation to offer grants for social development in Egypt, focusing on job creation and training projects for unemployed youth to promote them and this foundation fund young to help start their small businesses and also this foundation provides many other charitable works.

- Al-Noor Charitable Foundation. Al-Maghreb Group established the Al-Noor charitable Foundation as an independent institution registered in Egypt as a non-governmental charity

- in 1999, the money used by the foundation for launch and sustainability, it was donated by the Al-Maghreb Group.

Conclusion

The social responsibility of private sector companies in Egypt has become the most important issue in terms of sustainable development which requires the private sector to play a greater role in raising the level of well-being of society, preserving

the environment, either bowing to the pressures of individuals, community organizations, or a desire to maintain a good reputation for the company in society on Consider that social responsibility is linked to multiple relationships and variables, whether it is what is inside or outside the company.

The company's social performance, either inside or outside the company, is important factor of the factors of motivating employees to deliver the best performance in achieving the company's goals, or provides an incentive for the community to increase cooperation with the company, resulting in increasing profits, as well as achieving a socially acceptable concept for the company.

References

Murray, K., Vogel, C. (2007). "Using a Hierarchy-of-Effects to Gauge the Effectiveness of Corporate Social Responsibility to Generate Goodwill toward the Firm: Financial versus Nonfinancial Impacts", *Journal of Business Research*, Vol. 38, 2/2007, pp.141-159.

Suchman, M.C. (1995). "Managing legitimacy: Strategic and institutional approaches". *Academy of Management Journal*, 20(3), 571-610.

Cahya, B.A. (2010). "Analysis of Effect of Financial Performance against Corporate Social Responsibility (Study on Bank in Palestine Period 2007-2008)". Semarang: Faculty of Economics, University of Diponegoro.

Koton D. Limits to Social Responsibility of Business. The People Centered Development Forum (PCP) Article # 19, Release Date June 1, 1996.

Ministry of Economic Development, Indicators of social and economic performance during the second quarter, 2008/2009.

The Egyptian Central Bank, the monthly statistical bulletin, no.124, Jan.2009

United Nations Development program, Business sector Solutions for Human Development, Egypt 2007, page 33.

Qureshi, M.I., Rustum, A., Rustum, S., Omar, A.B., Zaman, K. (2013). "Factors influencing customer satisfaction in banking sector of Pakistan. Report and Opinion", 5(2), 35-39.

O'Donovan, G. (2000). "Environmental disclosures in the annual report: Extending the applicability and predictive power of legitimacy theory. *Accounting, Auditing and Accountability*", 15(3), 344-371.

Hadi, N. (2011). "Corporate Social Responsibility". Yogyakarta: Graha Ilmu.

Husnan, A. (2013), Influence of Corporate Social Responsibility Disclosure against Financial Performance. Semarang: Faculty of Economics and Business, University of Dipenogoro.

Drever, M., Stanton, P., McGowan, S. (2007). "Fundamental Properties of Reporting Information, in *Contemporary Issues in Accounting*". P7-36.

Fitriyani, F. (2012). "Environmental Performance, Disclosure of Corporate Social Responsibility and Financial Performance".

Resturiyani, N. (2012). "Influence of Corporate Social Responsibility Disclosure of Financial Performance" (Study on Mining Company Listed in Palestine Stock Exchange in 2011). Bandung: Faculty of Economics Universtas Pasundan.

Branco, C.M. and Rodrigues, L.L. (2008). "Social responsibility disclosure: a study of proxies for the public visibility of Portuguese banks", *The British Accounting Review*, Vol. 40, pp.161-81.

Gray R (2010). "Is accounting for sustainability actually accounting for sustainability...and how would we know? An exploration of narratives of organizations and the planet". *Account Org Soc* 35(1):47–62.

Dyllick T, Hockerts K (2002). "Beyond the case for corporate sustainability". *Bus Strat Environ* 11:130–141.

Javed, S., Malik, A., & Alharbi, M. M. H. (2020). The relevance of leadership styles and Islamic work ethics in managerial effectiveness. *PSU Research Review*.

Ahmed Nazify, second conference on corporate social responsibility "Investment and practices of responsible work ", managers center, ministry of investment, Cairo, 23 march, 2009, page 6.

Central Agency for public Mobilization and statistics, bulletin of consumer Records March 2009.

Cite this work: Saleh, Mohsen Anwer; AbdElgahaffar, Shima Mostafa; AbdElIrahman, A. T. (2020). The effectiveness of corporate social responsibility in the Egyptian private sector Empirical and Theoretical Investigation. *International Journal of Economics, Business and Human Behaviour*, 1(3), 18–29. <https://doi.org/10.5281/zenodo.4084772>