

**THE DETERMINANTS AND CONSEQUENCES OF  
CORPORATE SOCIAL RESPONSIBILITY  
DISCLOSURE: THE CASE OF JORDAN**

**HANI ABDELGAWAD MOHAMAD ALKAYED**

**Ph.D**

**2018**

**THE DETERMINANTS AND CONSEQUENCES OF  
CORPORATE SOCIAL RESPONSIBILITY  
DISCLOSURE: THE CASE OF JORDAN**

A thesis submitted to The University of Salford in partial fulfilment of  
the requirement of the degree of Doctor of Philosophy

**HANI ABDELGAWAD MOHAMAD ALKAYED**

**SALFORD BUSINESS SCHOOL, UNIVERSITY OF SALFORD,  
MANCHESTER, JANUARY, 2018**

# Dedication

In the name of Allah the most gracious the most merciful. I am very grateful to Allah (God) who has provided me with the opportunity to do and complete this research. And also for giving me this amazing opportunity to do my PHD in the UK, without his care and love I won't be here today.

I also want to extend my grateful to my supervisor Eileen Roddy, the one that without her I would not be completing this thesis today. She gave me the support, advice, and continued encouragement that I needed throughout the whole journey, she is an amazing human-being and made my PHD journey easy for me. Thank you Eileen for everything you have done, and the words do not describe the respect and appreciation I have for you.

I also want to express my sincere appreciation to Salford University Manchester, for the help and support I received through the past three years. Also I want to thank Petra University, for believing in me and sponsoring me to do my PHD in Accounting and be part of their team.

On a personal level, I would like to gift this thesis to the soul of my father and mother, whom I am sure they are proud of what I have accomplished and are looking down at me from heaven. Also, I want to thank my wife Kristin who supported me from the first day of my journey and believed in me, and gave me all the love and encouragement.

I also want to thank my Aunty Um Khaled, who took care of me after my parents passed away; she helped me and supported me in every possible way. I also want to thank my brother Ahmad and my sister Haifa for their support and love during this journey.

Finally, I hope this work will be beneficial to the knowledge of accountancy and be a guide for anyone who needs it in their studies.

## Abstract

This study focuses on investigating the determinants and consequences of Corporate Social Responsibility Disclosure (CSR/D) in Jordan. The study examines factors that influences CSR disclosure extent and quality, such as corporate characteristics (size, gearing, firm's age, and industry type), corporate governance (board size, number of meetings, non-executive directors, female directors in the board, family directors in the board, foreign members, audit committee, type of external auditors, and CEO duality) and ownership structure (government ownership, institutional ownership, and ownership concentration). A quantitative approach is adopted for this research, and a content analysis technique is used to gather CSR disclosure extent and quality from the annual reports. The sample is withdrawn from the annual reports of 118 Jordanian companies over the period of 2010-2015. A CSR/D index is constructed, and includes the disclosures of the following categories; environmental, human resources, product and consumers, and Community involvement. A 7 point-scale measurement was developed to examine the quality of disclosure. This study fills the gap in the literature regarding CSR/D in Jordan, and the fact that all the previous studies have ignored charts and images as a measurement of quality. The result shows that the extent of CSR/D is higher than the quality in Jordan. Regarding the determinates of CSR disclosures, the following factors were found to have a significant relationship with both extent and quality of CSR/D except non-executives, which was only found significant with the extent of CSR/D: board size, non-executive directors, firm's age, foreign members on the board, number of boards meetings, the presence of audit committees, big 4, government ownership, firm's size, industry type. With regard to CSR/D consequences, the result shows that CSR/D has a positive and significant impact on company performance (ROA) and market value. This result provides evidence for policy makers (Jordan security commission) of the importance of CSR/D and its impact on company's performance, and that companies should consider this type of disclosure more in their annual reports. They also have to consider introducing new laws that mandate CSR disclosures, since it has many advantages for the companies and society in general.

## Table of Acronyms & Abbreviations

CSRD	Corporate social responsibility disclosure
CSR	Corporate social responsibility
MV	Market Value
CFP	Corporate financial performance
WBCSD	World Bank Council for Sustainable Development
KLD	Kinder Lydenburg Domini
GDP	Gross domestic product
US	United States
UK	United Kingdom
EU	European Union
IASB	International Accounting Standard Board
ESP	Environmental Social Performance
ESD	Environmental Social Disclosure
GRI	Global Reporting Initiative
IFRS	International Financial Reporting Standards
ROA	Return On Assets
ROE	Return On Equity
OLS	Ordinary Least Square
CEO	chief executive officer
CG	Corporate Governance
OECD	Organisation for Economic Cooperation and Development
SEC	Security Exchange Commission
NGOs	Non-Governmental Organisations
JSC	Jordan Security Commissions
SDC	Security Depository Centre
R&D	Research and Development
OFR	Operating Financial Review
AIMR	Association of Investment Management and Research
SEHK	Stock Exchange of Hong Kong
HKSA	Hong Kong Society of Accountant
ASE	Amman Stock Exchange
CSRdq	Corporate Social Responsibility Disclosure quality
BOD	Board Of Directors
MM	Mixed Method
SPSS	Statistical Package for the Social Sciences

## Contents

<b>Abstract</b> .....	iv
<b>Table of Acronyms &amp; Abbreviations</b> .....	v
<b>Chapter 1</b> .....	1
<b>The Introduction</b> .....	1
1.1 Introduction .....	1
1.2 Jordan background .....	4
1.2.1 Laws and regulations .....	4
1.2.2 CSR measurement .....	6
1.3 Motivation and Contribution .....	7
1.4 Research Aim .....	8
1.5 Research questions .....	8
1.6 Research objectives .....	9
1.7 Research methodology .....	9
1.8 Structure of the thesis .....	10
1.9 Chapter Summary .....	11
<b>Chapter 2</b> .....	12
<b>Literature review and hypothesis development</b> .....	12
2.1 introduction .....	12
2.2 Narrative disclosures .....	12
2.3 CSR overview .....	15
2.4 CSR theories .....	17
2.4.1 Political Economy Theory .....	18
2.4.2 Legitimacy theory .....	21
2.4.3 Stakeholder theory .....	24
2.4.4 Agency theory .....	26
2.5 CSR determinants .....	28
2.5.1 Corporate characteristics .....	29
2.5.1.1 Industry type .....	31
2.5.1.2 Size .....	33
2.5.1.3 Leverage .....	38
2.5.1.4 Age .....	40
2.5.2 Corporate Governance .....	41
2.5.2.1 Family directors .....	46
2.5.2.2 Non-executive directors, foreigner’s directors, and female directors .....	47
2.5.2.3 CEO duality .....	51

2.5.2.4 The presence of Audit committee .....	54
2.5.2.5 Audit firm's type.....	56
2.5.2.6 Board size.....	57
2.5.2.7 Number of board's meetings.....	58
2.5.3 Ownership structure .....	58
2.6 CSRD Consequences .....	63
2.6.1 CSR disclosure and financial performance .....	66
2.6.2 CSR disclosure and market value .....	70
2.7 The context of Jordan .....	72
2.7.1 CSR studies in Jordan .....	74
2.8 The nature of corporate disclosure.....	78
2.8.1 Environmental disclosures .....	79
2.8.2 Employee .....	80
2.8.3 Community and others .....	80
2.8.4 Products.....	80
2.9 Variables summary .....	81
2.10 Chapter summary .....	82
<b>CHAPTER 3 .....</b>	<b>83</b>
<b>METHODOLOGY .....</b>	<b>83</b>
3.1 Chapter Overview .....	83
3.2 Philosophical and Epistemological Assumptions .....	83
3.3 Research Approaches and Techniques.....	85
3.3.1 Deductive versus Inductive Reasoning .....	85
3.3.2 Quantitative versus Qualitative Techniques.....	86
3.3.3 Research Choice.....	89
3.4 Research Methods and Designs .....	90
3.4.1 Research Strategy.....	90
3.4.1.1 Longitudinal/Cross-sectional Study .....	90
3.4.1.2 Period of Study .....	91
3.4.1.3 Annual Reports .....	91
3.4.1.4 Sample Design .....	94
3.4.2 Data Collection Method .....	95
3.4.2.1 Content Analysis .....	96
3.4.2.2 CSR Index .....	98
3.4.2.3 Unit of Measurement – Quality of Disclosure .....	101
3.4.3 Measuring Disclosure Quality (scale assessment) .....	101

3.4.3.1 The weighting technique.....	102
3.4.3.2 Pilot study .....	106
3.4.3.3 Validation and robustness of disclosure index .....	106
3.4.3.4 Validation and Robustness of disclosure measurement .....	107
3.4.4.1 Measurement of variables .....	111
3.5 challenges and limitations .....	115
3.6 Chapter summary .....	115
<b>Chapter 4 .....</b>	<b>116</b>
<b>The determinants of CSRD .....</b>	<b>116</b>
4.1 Introduction.....	116
4.2 Descriptive analysis .....	116
4.2.1 Analysis of the nature of corporate disclosure .....	119
Employees.....	121
Environment.....	121
Community and others .....	122
Products or services information.....	123
4.2.2 Analysis of CSR disclosures frequencies.....	124
4.2.3 CSR Disclosure according to Sector .....	125
4.2.4 CSR Disclosures according to subsector.....	128
4.3 The reliability and robustness of quality measurement: .....	133
4.4 Univariate Analysis for Continuous Variables .....	135
4.4.1 Board size.....	136
4.4.2 Age.....	136
4.4.3 No. of board’s meetings .....	137
4.4.4 Government ownership .....	137
4.4.5 Firm’s size.....	138
4.4.6 Gearing.....	139
4.4.7 Other variables .....	139
4.5 Univariate Analysis for Dummy Variables.....	140
4.5.1 Female members .....	141
4.5.2 Foreign members.....	142
4.5.3 Family members.....	142
4.5.4 The presence of audit committee .....	143
4.5.5 Big 4.....	143
4.5.6 CEO duality .....	144
4.5.7 Government ownership .....	144

4.5.8 Institutional ownership.....	144
4.5.9 Industry type .....	145
4.5.10 Regression assumptions .....	145
4.6 Multivariate Analysis.....	146
4.6.1 Board size.....	149
4.6.2 Non-executive directors .....	149
4.6.3 Firm's Age .....	150
4.6.4 Female members .....	151
4.6.5 Foreign members.....	151
4.6.6 Family members.....	152
4.6.7 Number of board's meetings.....	152
4.6.8 The presence of audit committee.....	153
4.6.9 Big 4.....	154
4.6.10 CEO duality .....	154
4.6.11 Government ownership.....	155
4.6.12 Institutional ownership.....	155
4.6.13 Ownership concentration .....	156
4.6.14 Firm's Size .....	157
4.6.15 Leverage.....	157
4.6.16 Industry type .....	158
4.7 Conclusion .....	159
<b>Chapter 5 .....</b>	<b>160</b>
<b>The Consequences of CSRD.....</b>	<b>160</b>
5.1 Introduction.....	160
5.2 control variables.....	161
5.3 Descriptive analysis .....	161
5.4 Univariate analysis.....	162
5.4.1 Financial performance (ROA) .....	163
5.4.2 Market value (Market capitalisation) .....	164
5.5 Multivariate analysis.....	165
5.5.1 ROA.....	166
5.5.2 Market value .....	168
5.6 Robustness check.....	169
5.7 Conclusion .....	170
<b>Chapter 6 .....</b>	<b>171</b>
<b>Conclusion .....</b>	<b>171</b>

6.1 Introduction.....	171
6.2 Research findings.....	172
6.2.1 What are the determinants of corporate social responsibility disclosure (extent and quality)? .....	173
6.2.2 What are the economic consequences of corporate social responsibility disclosure? .....	174
6.2.3 Does the quality of CSR disclosure have a higher impact on corporate financial performance (CFP) and market value? .....	175
6.4 Research implications .....	176
6.4.1 Implications for practitioners .....	176
6.4.2 Implications for policy makers .....	177
6.4.3 Implications for Academics .....	177
6.5 Research limitations.....	177
6.6 Further Research .....	178
<b>References</b> .....	<b>180</b>
<b>Appendix 1: Firms annual reports</b> .....	<b>222</b>

## Figures list

Figure 1: Thesis structure.....	10
Figure 2: Research onion .....	85
Figure 3 model 1 .....	110
Figure 4: model 2 .....	111

## Tables list

Table 1: Categories of CSRD determinants .....	29
Table 2: Articles review .....	76
Table 3 Variables Summary.....	81
Table 4 variations between inductive and deductive approach.....	86
Table 5: Industry Classification .....	94
Table 6: CSR index.....	99
Table 7 Example for the quality rating score for (Discussion of major types of products).....	105
Table 8 Model 1 Variables definition .....	109
Table 9 Model 2 variables Definition .....	110
Table 10 descriptive analysis for the CSRD Extent and Quality level longintudinally.....	118
Table 11 descriptive statistics for each category of CSRD extent and quality.....	121
Table 12 The frequencies of CSRD extent 0-1.....	124
Table 13 The frequencies of CSRD Quality 0-6 .....	125
Table 14 CSR Disclosure Extent and Quality according to each Sector .....	126
Table 15 CSR Disclosure according to Sub-Sector Extent (0-1).....	129
Table 16 CSR Disclosure according to Sub-Sector quality (0-6) .....	132
Table 17 univariate Correlation for continuous variables of CSRD Determinants .....	135
Table 18 univariate analysis fro dummy variables of CSRD determinants .....	141
Table 19 Hausman test for CSRD Determinants.....	146
Table 20 Regression Pooled test.....	147
Table 21: Fixed effect test for CSRD determinants.....	148
Table 22 hypotheses results summary .....	159
Table 23: Descriptive Statistics for company performance and market value models .....	162
Table 24 univariate analysis for company performance and market value models.....	163
Table 25 multivariate analysis for the companyperformacne (ROA) .....	166
Table 26 Multivariate analysis for Market value .....	168
Table 27 hypotheses summary .....	170



# Chapter 1

## The Introduction

### **1.1 Introduction**

The demand for information and transparency from institutions has increased rapidly in the last twenty years. Public awareness in social and environmental issues and more attention from the media have resulted in more disclosures from institutions, in order to open the communication channels with their stakeholders, and demonstrate their corporate social responsibility. Currently, it is commonly believed by researchers that socially responsible firms, which contribute both ethically and economically to the community, are in a better position to have more revenue and a better reputation among their competitors (Drobotz et al., 2014). Therefore, the following question has been developed; does corporate social responsibility disclosure (CSR) improve corporate financial performance (CFP) and market value?

It has become a necessity for firms to communicate with its stakeholders either internally or externally, and deal with issues that concern them. However, the need to behave socially and environmentally responsible does not mean overlooking the economic goals.

Corporate social responsibility (CSR) is defined as the organisation's contribution towards the community that it operates in (Dahlsrud, 2008). The World Bank Council for Sustainable Development (WBCSD, 1998) has defined CSR as “the continuing commitment by businesses to behave morally and contribute to economic growth while enhancing the life quality level of the employees and their families as well as the local community and society at large” (Holme & Watts, 1999). It is expected that any organisation payback some of the benefits obtained from society. Some of these organisations are socially responsible because it represents their ethical side, and some of them are looking to be accepted by the community and seek legitimacy, which can help them in avoiding extra costs from losing their legitimacy.

According to Carroll (1979) the definition of CSR is not complete without addressing the entire obligations that a business has to society. These obligations were grouped into four basic categories, economic, legal, ethical, and discretionary. These four categories are not exclusive, but they represent fundamental responsibilities in any business organisation.

Corporate social responsibility has been researched for more than twenty years. Many researchers have found a positive relationship between CSR disclosure and corporate financial

performance, while other researchers found either no conclusive or a negative relationship. This ongoing debate has led the study to investigate the relationship between CSR and CFP among Jordanian firms.

Friedman (1970) pointed out that firms have one responsibility which is to maximise its profit, he expressed his view in the famous passage in which he stated, "there is one and only one social responsibility of business to use its resources and engage in activities designed to increase its profits" (Friedman 1970: 184). In that era, Friedman also claimed that people have social responsibility, not companies. In addition, it was assumed that the sole purpose of the company was to maximise shareholders wealth (Karagiorgos, 2010). Instrumental theories also support Friedman's beliefs, when they consider that the business fundamental activity is to generate wealth for investors and the reason behind adopting CSR is to achieve economic goals and to improve shareholders' value (Truong, 2016).

Many researchers have found a relationship between corporate social responsibility disclosure and financial performance, which rejects what was claimed by Friedman and other researchers (Wang et al., 2014; Boesso, Kumar & Michelon, 2013; Kang, Lee & Huh, 2010; Grosbois, 2012; Rettab, Brik & Mellahi, 2009). Doing well by doing good, is what Chernev (2015) titled his article. According to Chernev, (2015), the impact of corporate social responsibility is beyond company reputation and improving firm's image, the influence extends to include the way that consumers evaluate company's products, which will result in increased revenue, and eventually improved financial performance. Corporations realised that to compete and survive in the worldwide market, they must change from performing well to performing better by adding societal value (Lin, Yang, & Liou, 2009). However, in some institutions, management has resisted the change, and argued that any additional investments in CSR are inconsistent with their efforts to maximize profit (Friedman, 1970).

A survey of corporate responsibility reporting that was conducted by KPMG (2015), emphasised on the importance of reporting social and environmental activities; in fact, they found that firms are improving at reporting their environmental, social, and the risks that affect their businesses. They also highlighted the fact that the quality and the quantity of CSR reporting has improved slightly in Asia Pacific since 2013, whereby the next generation of CSR reporting leaders will be coming from Asia instead of Europe, which has traditionally led the field (KPMG, 2015). On the other hand, CSR studies in developing countries are suffering from a lack of attention since it is still undertaken on voluntary basis. The higher percentage of

studies was conducted in developed countries, while developing countries had the lowest level of CSR reporting. The mutual problem that has been recognised by most of the researchers regarding CSR practices in developing countries is the lack of regulations (Shiraz, 1998). Recently, a study by Ibrahim & Hanefah (2016) mentioned that even though laws were enacted, however, there is still a low level of CSR disclosure in practice by developing countries and particularly in Jordan. In addition, authorities are facing difficulties to encourage companies to adopt this type of behaviour. Importantly, Shiraz (1998) pointed out that another problem is facing CSRD in developing countries, the need of highly qualified accountants and expertise to perform these type of disclosures, which also will be combined with high costs that most companies try to avoid. The high cost of CSR implementation and the needs for experience and knowledgeable accountants are still the main difficulties that face CSRD in developing countries alongside other factors such as culture and the voluntary emphasis.

The fact that CSRD is still not fully legitimised in most developing countries, along with the fact that social disclosures are voluntary actions, made it an interesting area for research. However, the increasing levels of awareness regarding environmental matters and stakeholder demands for information have pressurised decision-makers to include CSRD in their strategies. Jordan as one of the developing countries is also suffering from the same problems, in fact CSRD in Jordan is still considered weak, and Jordanian companies are not providing enough information regarding CSR. Over the past ten years, the economy of Jordan has improved with a growing GDP rate of 4.68 % (Jordan GDP Annual Growth Rate, 2016); this growing economy and increased political stability has helped Jordan attract more foreign investors, and thus, led to more demand for social and environmental disclosures. In addition, the increased awareness of the importance of social and environmental issues has steered the officials to give it more attention and specify laws and regulations to satisfy this demand. The recent increased demand of CSR information by stakeholders has given CSR its importance, in fact many studies have found that financial investors tend to invest in companies that engage in CSR more than companies that are not.

Most of the developing countries have some kind of disclosure. In fact, corporate disclosures are not an issue anymore. A survey by KPMG (2013) stated that companies should no longer debate whether they should disclose, or if disclosure will improve their financial performance, but they should ask themselves what is the quality of their disclosure, and how to disclose CSR? In this context, one of the important questions that this research has is: does the quality of

disclosure have higher impact on both corporate financial performance (CFP) and firm's market value (MV) than the extent of disclosure? Over half of the listed companies worldwide are including CSR information in their annual financial reports (The KPMG Survey of Corporate Responsibility Reporting, 2013), this rise of awareness was not expected, since the survey in 2011 that found its about 20% and 9% in 2008 (KPMG, 2011). The path that CSR is taking might be considered a global trend. Nevertheless, including CSR reports in their annual reports does not indicate that companies have an integrated report, in fact only 10% of these companies have a decent report (The KPMG Survey of Corporate Responsibility Reporting, 2013).

## **1.2 Jordan background**

As small country, Jordan is endowed with limited resources. The high rate of unemployment and deep poverty does not in any way console the state of affairs in the country. As per the department of statistics (DOS) (2011) records it is approximated that as of the year 2008, 14.2 percent of the Jordanian population were living in dire poverty. The high level of poverty has been attributed to the government's inability to utilise the public resources and infrastructure to alleviate the scourge of unemployment (Elian, 2014). In this directive, the government has solely resorted to seek solace from the private sector. This means that, the private sector has been mandated with the responsibility of ensuring that it works towards providing long-term and amicable solutions to the core issues that are associated with poverty, social issues, and unemployment in Jordan. Based on this responsibility, the private sector would thereby achieve much of its responsibilities by taking into consideration the adoption and implementation of CSR practices. The CSR practices have proven to be advantageous in guiding companies on the path to take in fulfilling their due responsibilities to the society and environment as a whole (Gray et al., 1996).

### **1.2.1 Laws and regulations**

The Environmental Protection Law of 1996 was enacted by the Jordanian government for the sole purpose of ensuring that all companies within its borders complied and adhered to the stipulated environment control standards. The motivation behind this legislation was deeply influenced with the need to have all organisations in Jordan to primarily stand accountable for their social and environmental responsibilities. As such, these organisations following the enactment of the laws and regulations are obligated to disclose and provide comprehensive

annual reports on the progress, plans and associated matters pertaining to social and environmental responsibility.

In addition to these reports, companies are also meant to disclose any issues related to the performance of their CSR and social and environmental issues addressed following the provisions of the 1998 Securities Commissions Act. In the year 2004, the Securities Commission put in place the “Instructions for Issuing Company’s Disclosure, Accounting and Auditing Standards”; a guide that was to encourage CSR accountability by all Jordanian organisations. The responsibility of ensuring accountability was vested in the board of directors of companies. The issued annual reports had to include all data regarding the contributions of the company towards environmental preservation, local community, and protection and the services rendered to the community where the company is located.

The reports by the board of directors to the Security Commission should follow a standard format to maintain uniformity and for easy perusal by the Commission. The Securities Commission has thus provided a comprehensive and detailed guide based upon the procedure that should be followed accordingly when preparing the annual reports. The necessity of the guide is to single out the companies that do not provide any protection for the environment, or contribute in any way to the community from the companies that adhere to their CSR. As such, companies are required thereby, to put down in detail all services that they offer to the community and the manner in which they work to protect the environment. In the instance, a company that does not have any contributions made to the preservation of the environment or accord any services to the community, the board of directors in their annual report is to openly make this known by quoting, “The Company makes no contribution to the service of the local community and the protection of the environment.”

Aside from the Securities Commissions Act, the Commission went further and set in place a corporate governance code that requires all companies that are specifically listed on the Amman Stock Exchange to disclose all information on their environmental and social data in their annual reports. This provision is clearly stipulated under the Securities Commissions Act Chapter 5, Article 5 that features on Disclosure and Transparency. The Article specifically states, “The Company shall disclose its policy regarding the local community and the environment” (Jordan Securities Commission, 2009).

### **1.2.2 CSR measurement**

Despite the limited research done on CSR in Jordan, the main focus of most conducted research has been based on the influential characteristics of CSR especially in the corporate market. The method used in most studies is to evaluate the extent of CSR in Jordan using content analysis. As such, data derived from the analysis revealed that a greater percentage of the companies used human resources and community involvement as the main theme of disclosure while environmental issues recorded the lowest disclosures in the studies. Inevitably, this resonates to the fact that CSR disclosures in Jordan remain very low. One of the studies revealed that through the content analysis, 26 per cent of the companies in Jordan barely had any form of social or environmental disclosures in their annual reports (Al-Khadash, 2003). Another study found that, out of all CSR disclosures from the companies, it was only three companies that were able to score over 30 per cent in terms of CSR disclosure items (Suwaidan et al., 2004). Abu-Baker and Naser (2000) in their evaluation and study of CSR disclosure in Jordan, examined the CSR level of the listed companies in Amman stock Exchange in 1997 and realised that an average of only 0.45 pages of the total annual report were set aside for purposes of social disclosure. Furthermore, the researchers found that other areas of disclosure that needs a crucial attention were the product and energy, and environmental areas of the Jordanian companies.

Jahamani (2003) in his evaluation found that out of the 86 Jordanian companies only 9 had issued reports on the environment. Ismail and Ibrahim (2008) later discovered that only 15 percent out of the selected 60 companies for the study from the manufacturing and service sectors did not disclose any CSR related activities or information.

It would be expected that there would be studies relating to the determinants and even consequences of information disclosure failure in Jordan. However, on the contrary it serves to be true. A recent study further looked into the voluntary disclosure based on the influence of the owners as well as the nature of the board (Haddad et al., 2015). The researchers basing their findings after looking into the outcomes of 57 companies on the ASE in the year 2004 reached the amicable conclusion that voluntary disclosure was highly influenced with negative relationship especially when members of the family were part of the board and held managerial positions while the same held positive relationships with government ownership. Based on their analysis, the researchers stipulated that following the tight concentration of company ownership in Jordan, the country is bound to suffer from a second form of agency problems which often accrue between the major and minor shareholders. These problems in addition to the lack of clear measurement for CSR quality were causing low levels of disclosure. However,

this study is using two measurements that will help in specifying and clarifying the quality of CSR disclosure. The first one for extent of disclosure, which will use the dichotomous technique (0-1) as a measurement for the extent of disclosures, where 0 will be given for no disclosure of the item, and 1 otherwise. The other method will assess the quality of disclosures by using a 7 points scale that is developed for this study. The scale will assess the quality of disclosure by giving numeric figures for the texts in annual reports. By giving 0 for no disclosures, 1 for general disclosures, (Non-monetary), 2 for general disclosures, (Non-monetary) with pictures, 3 for descriptive/ qualitative disclosures, specific details (Non-monetary), 4 for descriptive/ qualitative disclosures, specific details with pictures, 5 for numeric disclosures, full descriptions with supporting numbers, and 6 for numeric disclosures, full descriptions with supporting numbers, and supporting pictures and charts.

### **1.3 Motivation and Contribution**

Jordan commenced several improvements to attract foreign investors. Several economic reforms were embarked upon to improve the economy, in addition, Jordan has engaged in many treaties and initiatives with the US and EU to improve its economics (Al-Akra & Ali, 2012).

This study will use a sample from the Jordanian market for the following reasons: Jordan is one of the key financial centres of the Middle East (Al-Akra & Ali, 2012), immersed in the worldwide economy, the concept of corporate social responsibility is becoming prioritised and of an increasing importance. Moreover, the recent crisis that occurred in Syria and resulted in millions of people fleeing their country to Jordan has shed the light on the importance of CSR in a country such as Jordan. Also the significant role that companies can play in helping the unfortunate refugees. On the other hand, it appears that there is a gap in the literature in respect of studies that used both extent and quality measures in the Jordanian market. The majority of the previous studies have focused on the extent and ignored the quality of disclosure because of the lack of a clear measurement. In addition, most of the previous studies have investigated CSR disclosures in the industrial sector and ignored the service sector, since the manufacture sector has more impact on society and the surrounding environment due to the nature of their activities (Al-Khadash & Abhath Al-Yarmouk, 2003; Ismail & Ibrahim, 2009). However, this study will include the service sector since it plays an important role in the Jordanian economy and provides almost 67% of Jordan's GDP (Fanek, 2016). In addition to the aforementioned points, the researcher can easily access and obtain the financial data for this study from the Jordanian market

This study will provide some understanding of Jordanian firm's disclosure strategy, thus allowing the relevant stakeholders to understand and supervise the disclosure requirement. Concurrently, this study may encourage Jordanian organisations to reconsider their strategy of disclosure after understanding the results of this study.

The researcher chooses 2010 as a starting point for this study, since it comes after the introduction of the new corporate governance code in 2009. On the other hand, the last year of this study is going to be 2015, since it is the last year of the available published annual reports for the public companies.

This research is going to be the first study in Jordan that uses the content analysis technique, and uses a 7 points scale to measure CSR disclosure quality. This new quality measurement provides a clear, specific and novel method to measure the quality of CSR disclosures, which all of the previous studies have failed to provide. This measurement also fills the gap in the literature and provides a novel technique to measure quality, since it provides detailed description of the quality of CSR disclosure. This research also seeks to provide evidence regarding the adoption of CSR behaviour and measuring the positive and negative impacts on company's financial performance and market value. The result of this research will fill the gap in the literature regarding Jordan as a developing country; also, it will fill the gap regarding the quality measurements in CSR studies.

## **1.4 Research Aim**

This research aims to investigate the determinants and consequences of CSR disclosures. The effect of corporate characteristics, corporate governance, and ownership on CSRD extent and quality will be investigated. Also, this research will examine the impact of CSRD on company's financial performance and market value.

## **1.5 Research questions**

1. What are the determinants of corporate social responsibility disclosure (extent and quality)?
2. What are the economic consequences of corporate social responsibility disclosure?
3. Does the quality of CSR disclosure have a higher impact on corporate financial performance (CFP) and market value than the extent of disclosure?

## **1.6 Research objectives**

To answer the research questions, the following objectives will be undertaken

1. To explore the trend of Corporate Social Responsibility Disclosure practices in Jordan for the period spanning 2010–2015.
2. To test the relationship between financial and non-financial company's characteristics and Corporate Social Responsibility Disclosure extent and quality.
3. To measure the quality level of Corporate Social Responsibility Disclosure longitudinally.
4. To investigate the relationship between corporate social responsibility disclosure and both financial performance and market value.
5. To find the determinants and consequences of Corporate Social Responsibility Disclosure.

## **1.7 Research methodology**

The aim of this research is to investigate the determinants and consequences of CSR disclosure in Jordan. In line with the objectives, the research is going to use a quantitative approach and adopt a deductive reasoning. The selection of this approach is based on the nature of this study. The researcher will use the content analysis technique as a method to collect the study data. This method has been utilised variously to gather data from firm's annual reports. Content analysis involves allocating codes to the contents of a textual nature following set norms and procedures to obtain quantitative scales for analysis. In addition a CSR index will be constructed and developed to gather the CSR information. Creating an index is a type of content analysis and is one of the key methods used to examine the information disclosed by companies. The CSR disclosures will be assessed using two methods namely extent and quality.

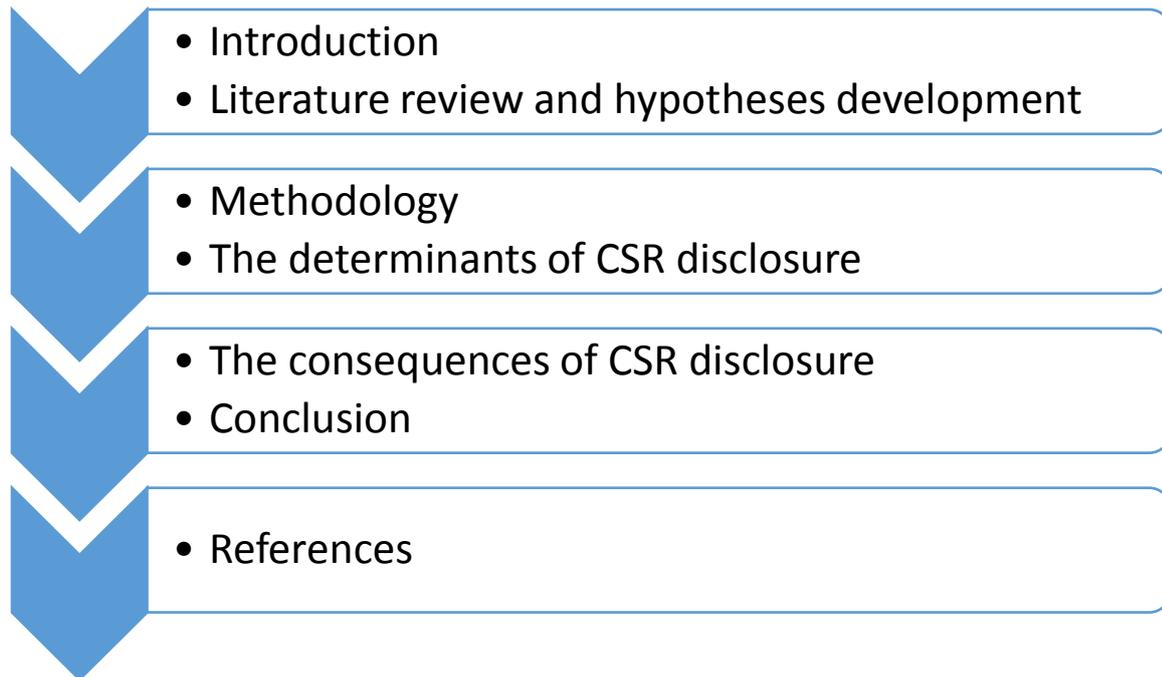
The extent of CSR disclosure will be measured by using the dichotomous technique, which is if an item is disclosed will be given 1 and 0 if it is not disclosed (Tagesson, Ekstrom & Klugman, 2013). While the other method will assess the quality of disclosures by using a 7 points scale that is developed for this study. The scale will assess the quality of disclosure by giving numeric figures for the texts in annual reports. By giving 0 for no disclosures, 1 for general disclosures, (Non-monetary), 2 for general disclosures, (Non-monetary) with pictures, 3 for descriptive/ qualitative disclosures, specific details (Non-monetary), 4 for descriptive/ qualitative disclosures, specific details with pictures, 5 for numeric disclosures, full descriptions with

supporting numbers, and 6 for numeric disclosures, full descriptions with supporting numbers, and supporting pictures and charts.

## 1.8 Structure of the thesis

The thesis is structured as follows:

Figure 1: Thesis structure



## **1.9 Chapter Summary**

The previous chapter has provided a clear definition of the CSR phenomenon according to many researchers; it also provided a description of the statues of CSR disclosure in developing countries and what are the expected relationships between CSR disclosure and corporate financial performance. As Jordan the main sample of this study, the researcher have included a rich picture of Jordan's Laws and regulations, along with the statue of CSR activities in Jordan and the used techniques to measure it. In addition, the chapter made it clear regarding the contribution of the study towards the policy makers and the literature. It also included the aim, research questions, and the objectives of this study. Lastly, a summary of the proposed methodology is added along with the structure of the thesis. The next chapter will present the literature and the developed hypotheses.

## **Chapter 2**

### **Literature review and hypothesis development**

#### **2.1 introduction**

This chapter will focus on reviewing the previous literature on the subject of this thesis—Corporate Social Responsibility Disclosure (CSR/D). The chapter is divided into seven sections; the first section is about the narrative disclosures and the importance of such type of reports, also it will discuss the importance of reporting quality. The second section is an overview, which begins with a brief historical perspective of CSR and the current status of CSR/D. Thirdly, the main CSR theories are being discussed in order to establish the main background of this study, and which the best theory that reflects the Jordanian context. The fourth section is about the literature that has been done on CSR determinants and the development of first model hypotheses, and how the previous studies approached and measured these variables. The fifth section is specified to discuss the previous studies regarding CSR disclosure and financial performance, and the development of hypotheses. Last but not least, the sixth section will discuss the literature regarding CSR disclosure and market value, and development of hypotheses. The last section provides an overview about the context of Jordan and the research that has been done in it, it also discussed the law reforms that happened in Jordan in the last two decades.

#### **2.2 Narrative disclosures**

Globally, the narrative section in the annual report is seen as a very important tool to reach the desired change in the quality of corporate disclosures. Yeoh (2010) stated that ‘Narrative reporting complements accounting reporting with discussions on the management’s take of future prospects, risks, and the planned management response besides additional commentaries on corporate social responsibility and brand equity considerations, which may impact upon corporate valuation (Yeoh, 2010:212). Also, it has a great value for its users such as investors and financial analysts (International Accounting Standards Board (IASB), 2006). The regulators in countries such as the UK, USA and Canada are focusing on the availability of management discussion and analysis statement (the operating and financial review (OFR) in the UK) in the annual reports (Beattie, McInnes, and Fearnley, 2004). Recently, accounting researchers have increasingly focusing on disclosures, and how to develop new measurements that help others to facilitate research into voluntary disclosure and its quality. Healy and Palepu

(2001), reviewed the disclosure literature, and found that most of the studies about voluntary disclosure have a difficulty in measuring their extent. However, Core (2001:16) observed that measures of disclosure quality have to be enhanced in order to be accurate. In the UK, OFR is considered as a form of financial disclosure practice, it was introduced in 1993 because of the increase demands of user-friendly financial reporting (Yeoh, 2010). In addition, OFR ensures that directors are providing decent amount of information regarding the company's social and environmental duties and issues, also OFR reflects the transparency level that organisations have (Jenkins and Yakovleva, 2006). However, in 2006, the UK government replaced OFR with a narrower Business Review in the director's report (Yeoh, 2010).

Today, many organisations are using narrative reporting as a method to communicate their engagements in sustainability and social activities. And this can be presented in reports such as standalone CSR reports or as a part of their annual reports. Regardless of the number of these reports and how many pages they contain, their quality is different (Habek & Wolniak, 2016). CSR reports can include number of pages about the activities and initiatives that has been undertaken by the company, however, these pages may not contain the information that readers desire. The increase number of such reports does not reflect the quality of information they disclose (Habek & Wolniak, 2016). According to the statistics of Global Reporting Initiative (GRI, 2012), 47 % of sustainability and CSR reports issued worldwide in the year 2012 came from Europe, however, a recent study investigated the quality of these reports from six members of the European union (United Kingdom, France, Sweden, Denmark, Poland, and the Netherlands) found that the quality level of the examined reports is generally low. Referring to the relevance of the information and its components (Habek & Wolniak, 2016)

Two primary ways of measuring disclosures have been used. The first method is using a disclosure quality ranking prepared from subjective analyst e.g. the Association of Investment Management and Research (AIMR). Although this method is practical and does not require much effort. However, this approach considered useless since many other countries do not have a similar ranking available within their institutions. Meanwhile, the second method has been used for a long time by researchers, which is constructed disclosure index; these indices are using the amount of disclosures as a proxy for disclosure quality. After assessing the weaknesses and limitations, there is an obvious need for more efforts in research in order to develop new methods, exploring new measurement proxies, and identifying more dimensions of disclosure quality.

The disclosure indices have been used widely in narrative reporting because of the difficulty of evaluating disclosure quality directly. To that extent, disclosure index studies have been divided into two main approaches quantity and quality (Beattie, McInnes, and Fearnley, 2004). Several studies have assumed that quantity and quality are positively correlated (Botosan, 1997; Hasseldine, Salama, and Toms, 2005), and that there is a relationship between the amount of disclosed information and the quality of disclosures. However, Marston and Shrive (1991) assure that the index score can provide a measure for the quantity of disclosures but not necessarily an indicator for the quality of the disclosures.

Narrative disclosure has become an essential part of company's financial communication; the voluntary nature of this type of disclosure has reduced the company's motivation to undertake it. Similarly, to CSR, narrative reporting is information that provided by the company's management beyond the legal requirements. The International Accounting Standards Board (IASB) has issued a voluntary framework for how to present and prepare a management commentary in accordance with (IFRS) (IASB, 2010). The Management Commentary provides non-mandatory information in relation to the company's financial statements reporting, it is a voluntary framework therefore companies are not required to comply with it. It has been used to interpret their financial position, financial performance and cash flows to the users of the financial statements. According to (Keusch, Bollen, and Hassink, 2012), management commentary is an important part of narrative reporting, it represents the management explanations of corporate performance. In addition of management commentary, sustainability report considered being an important part of narrative reporting to improve the firm's image and reduce the information asymmetry, it also provides a complete and stable image of corporate sustainability performance (Hahn & Lulfs, 2014), and since the reporting is voluntary, the Global Reporting Initiative (GRI) has provides standardised reporting guidelines to overcome this problem. The GRI guidelines requires that the full content of the report is providing a fair and unbiased picture of the organisation's performance (GRI 2011, 13), more specifically, the company should disclose both positive and negative activities. Although disclosing negative aspects of organisations might harm their legitimacy, negative information can be perceived as more trust-worthy than reporting positive information as it will give the report more credibility and help the companies to face social-political pressure that requires them to improve the sustainability transparency (Philippe & Durand, 2011).

Many factors have been studied to determine the causes of corporate voluntary disclosure, corporate governance, size, industry and many more. The relationship between these factors

and the extent or quality of discourse is still understudy. Also, the consequences of disclosures and reporting are still indefinite. Easley and O'Hara (2004) argue that extra public disclosures decrease the risk for traders holding the stock. They also debate that investors are more likely asking for higher return when there is less information about the stock. Similarly, Kang (2004) examine the relationship between disclosure and stock returns, he derives a premium for disclosure risk to measure the changes in stock return, through using two cases; one of these cases has information asymmetry, while the other case has no information asymmetry. He finds that companies with lack of information and bad communications with investors will have higher disclosure premium in their stock returns.

Hussainey & Mouselli (2010) investigate the relationship between disclosure quality and stock returns in the UK; they also investigated the importance of disclosure quality for stock market users. They found that companies with poor quality have higher cost of capital than companies with good disclosure quality, which means investors and lenders are asking for more return since there is a high risk and less quality. Incidentally, an empirical study found a relation between disclosure quality and share price anticipation of earnings through examining the narrative reporting of the companies' understudy (Schleicher, Hussainey, & Walker, 2007). It was suggested that there is a variation in the share price earnings forecasting between companies that report profits and companies that report losses. The result reveals that annual report narratives forecasting of earnings is different for loss and profit companies. For the loss-making companies, the study found it is greater to anticipate the future earnings from the profit-making companies (Schleicher et al., 2007).

## **2.3 CSR overview**

The CSR concept was introduced in the 1950s (Okoye, 2009). Definitions and debates concerning its impact on firm value changed over the years, and it was subject to a substantial inquiry in 1970s (Friedman, 1970). Scholars have many attempts to explain CSR (Gray et al. 1995; Jizi, Salama, Dixon, & Stratling, 2014; Singh, 2016). CSR was defined by Gray et al. (1995a) as, "the process of communicating the social and environmental effects of an organisation within the society". This definition has included the company's activities, employees, consumer issues, and the public image in terms of the community. Furthermore, CSR is about disclosing information related to company interaction with society. Over the last two decades, the extent of social responsibility disclosure has increased by large institutions (Gray et al., 1995a); this increase was in terms of disclosures of activities, adopted

policies, human resources, community and products. CSR has received extra attention from both academia and enterprises (Zhu, Liu, & Lai, 2016); this increasing attention was given to CSR in order to determine the benefits of adopting such behaviour. Recently, researchers have begun to put more effort into determining whether CSR can improve company's performance or not (Wu & Shen, 2013; Lee et al., 2013). According to Skare and Golja (2012), the leading organisations on CSR, for example the ones on the top 10% of the Dow Jones Sustainability World Index 2009-2010 list reveal improved performance over the other companies in terms of the Dow Jones Global Stock Market Index.

Corporate social responsibility disclosure provides information to stakeholders internally and externally regarding corporate activities, this information is important to reduce the information asymmetry. The information asymmetry concept comes from the information's gap between stakeholders and managers (Lowe, 2001; Martínez, Garcia, & Cuadrado, 2015). Managers have the ability to reach different types of information, while stakeholders do not have this information (Balakrishnan, Billings, Kelly, & Ljungqvist, 2014). Consequently, managers try to give and disclose as much disclosure as they can to reduce this gap. These disclosures might include financial disclosures, social disclosures or any type of disclosures that relates to the company's activities such as improvements of waste management, efforts to protect employees, reducing environmental impact, and being compliant with environmental regulations. Generally, firms tend to engage in CSR activities and disclose this information in order to achieve economic benefits (McWilliams, Siegel, & Wright, 2006). However, Barnett (2007) argued over whether the financial benefits to the company could cover or exceed the costs of its contributions to the welfare of society. If so, CSR can be accepted as an intelligent investment; if not, CSR can be judged as a type of agency problem.

The amount of attention regarding CSR has been increasing in areas of academic, business and society (Mehralian, Nazari, Zarei, & Rasekh, 2016). The supply of information on products and services, human resource, environmental reporting and contribution in community activities reporting are other examples for such disclosures. Gray et al. (1995) states that "It is not restricted necessarily by reference to selected information recipients, and the information deemed to be CSR may, ultimately, embrace any subject". Researchers have documented this view of CSR as a broad concept (Cramer, Jonker, & Heijden, 2004; Polonsky & Jevons, 2006, 2009; Ratajczak & Szutowski, 2016).

The CSR behaviour in the developing countries is still considered limited, because the goals of the institutions are generally profit making, in addition, institutions where activities have implications on the environment focus on the disclosures in that area, in order to maintain their operations and achieve their goal (Desta, 2010). While in developed countries, it is in continuing to improve (Rahahleh & Sharairi, 2008), in fact, the developed countries have moved on from the debate regarding the need of CSR to issue more legislations to support CSR and release white papers in order to mandate these actions (Norwegian Ministry of Foreign Affairs, 2009; Berg & Sheehan, 2014). Culture plays a big role in defining the reason behind the improvement; countries such as the UK, Europe, and USA have implanted it in the society many years ago and became part of their culture (Seitanidi & Crane, 2009). The Global Reporting Initiative (GRI) is one of the main organisations that has created a disclosure database, which can be used as a guidance by companies in reporting their environmental, economic and social performance. CSR adoption can lead to many benefits for the company and society, however, not every company engaging in CSR is deemed socially responsible. In fact, some companies such as ExxonMobil's are contributing for environmental conservation causes which amount to \$6.6 Million (ExxonMobil, 2010), while they are paying more than 11 million to fund groups that try to discredit the theories of anthropogenic climate change (PBS, 2012). This duality of behaviour has a special term which is used between scholars as 'Pink washing', this term was invented to describe the behaviour of companies that sell products that are assumed to contribute to breast cancer, meanwhile they are funding research to eliminate breast cancer (Alhouti, Johnson, & Holloway, 2016).

## **2.4 CSR theories**

In the world of modern finance, the practice of corporate social responsibility disclosure (CSR/D) has become an important aspect of corporate accounting, and various theories have been developed to approach it. Many researchers have adopted these theories, political economy theory (Scherer & Palazzo, 2011; Lim & Tsutsui, 2012), legitimacy theory (Khan, Muttakin, & Siddiqui, 2013; Fernando & Lawrence, 2014), stakeholder theory (Russo & Perrini, 2010; Brown & Forster, 2013; Cordeiro & Tewari, 2015), and agency theory (Cormier et al. 2011; Li, Li, & Minor, 2016).

According to Pomeroy & Johnson (2009), one of the key reasons for any lack of substantive or systematic conclusions about CSR/D is the lack of theories about it. In other words, the point of developing such a theoretical framework is to describe the practice of corporate social

responsibility disclosure, and to determine the reasons for cases of non-disclosure. There are now various existing theories supporting the practice of CSRD circulating amongst accounting researchers (Hackston & Milne, 1996). However, Haniffa (1988) has argued that although the existing theories all seem logical, they are deficient as far as none of them stand out as superior to any others in explaining CSRD practices.

The purpose of this section is to review four of the key descriptive CSRD theories that have been developed and see how they explain the reactions of corporations to social demands. These theories can be seen as overlapping to a certain degree (Gray et al., 1995; Hooghiemstra, 2000). They are political economy theory, stakeholder theory, legitimacy theory, and agency theory.

#### **2.4.1 Political Economy Theory**

The political economy theory was defined by Gray et al (1996) as the economic and social political framework in which human life takes place. The main concentration of this theory is to understand the reason behind disclosing and engaging in corporate social activities. Generally, the theory suggest that the existence of any organisation depends on the support of the society, if the society perceive the firm as an entity that engages in undesirable activities, then it is high-likely that society will take away the support and endorsement of the firm, which will lead to its demise (Williams, 1999). These views can be seen as a reflection of what legitimacy theory is all about with differences in few points (Williams, 1999). Moreover, it helps researchers to understand corporate social disclosure from the rich context of social political and economic theory. In the context of CSRD, the studies that have adopted this theory, suggest that political economy theory is a good choice to explain the corporate social disclosure practices.

A number of studies on CSRD have been based on the idea of ‘the bourgeois’ from theories of political economy (Guthrie & Parker, 1990; Williams, 1999; Huang & Kung, 2010). Using data from the year 1983, Guthrie & Parker (1990) analysed the contents of annual reports using content analysis (page measurement) in order to carry out an international comparison of CSRD practices in the USA, the UK, and Australia. The analysis was based on two theoretical disclosure perspectives: political economy and user utility. The political economy theory asserts that annual reports are used to mystify, suppress, mediate, and transform the social conflict (Adams & Harte, 1998). The study found that recipients of corporate social actions could be determined based on the range of themes disclosed, such as environmental,

community development, employees, energy, etc. In addition, support was also offered from O'Dwyer (2002) for a political economy interpretation in cases where disclosure was limited or entirely absent; this was based on the portrayal within communications of the social, political, and economic world.

The same researchers (Guthrie & Parker, 1989) assert that some patterns of corporate disclosure can be explained better by political economy theory. Based on their examination of annual reports from the Australian company Broken Hill Proprietary (BHP) Ltd. over the course of 100 years (1885-1985) in an attempt to determine whether organisational legitimacy could be considered a primary motivation for disclosure. The study's primary argument was that if corporations respond to major social/environment events, significant events in the company's history should correspond to their peaks of disclosure. They have found a little correspondence between peaks of BHP and CSR, however, the only relevance was found between CSR categories and legitimacy theory is in the environmental issues disclosures, while energy, human resources, and community issues were not related. In fact, they found it related to the political economy theory. Therefore, legitimacy theory was considered inadequate to explain the BHP social disclosures during the studied period (Guthrie & Parker, 1989). However, Ali, Frynas, and Mahmood (2017) conducted a review of 76 empirical research articles that studied CSR in developed and developing countries, the result shows a combination of theories that been used to explain the motivations and determinant of CSR with legitimacy theory being the dominant theoretical lens used to explain CSR adoption in these articles, which contradict what was found 28 years ago.

Using annual reports from 122 companies listed in New Zealand, Adler & Milne (1997) examined the relationship between CSR and the variables of media exposure, company size, and industry sector. Media exposure was used as a proxy for public pressure, this was measured by collecting the news reports and stories from media and relate that to the company's disclosures activities. The findings indicated support for the political economy theory insofar as public pressure was revealed as a significant motivation for companies (especially large ones) to engage in CSR.

Adams & Harte (1998) examined two industry sectors in the UK between 1935 and 1993 in terms of the employment of women, thus examining a wider social, political, and economic context. The study's findings indicated that the political economy theory was superior to both legitimacy theory and stakeholder theory in terms of explaining disclosure practices. They

found that stakeholder's theory and legitimacy theory have failed to identify the underlying conflict between both labour and capital and men and women, since these theories are broader, and can be used when the context of the study is broader social, economic, political and environment.

A study by Buhr (1998) looked specifically at the environmental performance of the company Falconbridge between the years 1964 and 1991, posing two research questions: 1) how do corporations respond to changing environmental regulations for sulphur dioxide abatement, and 2) how do they present these abatement activities in their annual reports? The researcher explains the study's findings through both political economy theory and legitimacy theory, and concluded that legitimacy theory was better able to explain the company's disclosure practices for several reasons; first, over the study period, the disclosure practices has changed in compliance with government regulations, such changes supports the legitimacy theory which they use to achieve legitimisation, second, using technology in the company under study has helped in lowering the levels of dioxide emissions, but this was not reflected in the disclosures to be increased, and finally, over the study period (28 years), the disclosures did not change except in the last three years when Falconbridge started providing promises and claims. Which asserts the argument that the company changed their corporate activities instead of utilising disclosure to influence social norms (Buhr, 1998). This result contrasted with the findings of Guthrie & Parker (1989). Rather than using disclosure as a means to influence social norms and the distribution of wealth and power, Buhr's (1998) findings were that Falconbridge focussed instead on responding to changing environmental regulations by altering its performance. This study has been criticised, however, for its focus on regulatory factors over other political, economic, and social ones. Researchers such as Fekrat, Inclan, & Petroni (1996) and Gamble et al. (1996) have argued that countries known for high levels of social consciousness, such as Sweden and Canada, ought to provide correspondingly higher levels of voluntary CSR. In fact, they have compared the percentage of disclosures using content analysis collected from 27 countries, and found that average disclosure score is significantly higher in Sweden and Canada than in Germany, France, the UK, Japan, and the US.

Williams (1999) also referred to political economy theory in his study on seven Asia-Pacific countries (Australia, Singapore, Hong Kong, Thailand, Indonesia, Malaysia, and the Philippines). Using data from company's annual reports, content analysis was used to measure the level of disclosures, and a multiple regression to test the relationship between the variables.

The findings suggested that countries' socio-political and economic systems interact to influence companies' disclosure practices; they seek to find a balance between meeting social expectations, avoiding government criticism, and preserving their own self-interest.

Compared with other theories, political economy theory, as conceptualised by Guthrie & Parker (1990) and Frynas & Stephens (2015) offers a solid basis for explaining CSRD practices. It views the world in terms of a combination of social, economic, and political factors and could be said to be concerned with altruism as a valid and important corporate motive. The theory can be criticised, however, for its failure to explicitly consider internal or inter-organisational factors such as managerial attitudes and knowledge, which can also have an important impact on CSRD (Belkaoui & Karpik, 1989; Cowen et al., 1987; Patten, 1992; Tilt, 2001; Matten & Moon, 2008). These factors (corporate characteristics, culture, and media) are important in the modern studies where corporate governance is a good example of these factors.

#### **2.4.2 Legitimacy theory**

The concept on which legitimacy theory is based is the notion of a social contract (Guthrie & Parker, 1989; Mathews, 1993; Patten, 1992). In other words, when a business operates within a society, a tacit agreement is in place that that company should endeavour, in its business practices, to behave in socially and environmentally responsible ways in exchange for public approval, which it needs in one degree or another in order to survive (Michelon, Pilonato, & Ricceri, 2015).

The two basic ideas on which legitimacy theory is based are that 1) organisations need to 'legitimise' their activities, and 2) the process of obtaining legitimacy can have certain important benefits for firms. The first aspect is consistent with the idea which CSRD is connected to the existence of social pressure on corporations. This means that the need for legitimacy may not be the same for every firm as organisations may experience different levels of social pressure. The various factors, which contribute to the level of pressure a company faces and how they respond to it determines CSRD practices. The second aspect includes not only potential benefits of engaging in CSRD but also possible consequences if a company fails to do so. Therefore, legitimacy theory provides a framework for explaining the determinants and consequences of CSR disclosure.

According to Tilt (1994), legitimacy theory focusses on how corporate management responds to public expectations. The theory is essentially systems-oriented, meaning that individual

organisations are viewed as components of the larger society in which they operate (Gray et al., 1996). Therefore, in order to justify its activities and existence, companies must legitimise themselves in the eyes of the public and their stakeholders. Any company that fails to operate according to society's ethical parameters risks losing its ability to sustain itself (Deegan & Rankin, 1996; Michelon, Pilonato, & Ricceri, 2015).

Dowling & Pfeffer (1975) assert that this concept of social legitimacy is critical to an organisation's ability to continue securing key resources, including funding. In order to retain their legitimacy, companies engage in various activities such as targeted public disclosures and collaborating with other parties, which enjoy an especially 'legitimate' status (Deegan, 2002).

According to Jenkins (2004), legitimacy theory ought to be considered the dominant explanation for why companies choose to disclose CSR information about their activities. Such disclosure is often left to managerial discretion, which may otherwise be likely to ignore the rights of stakeholders and the public in general to have access to such information, as large corporations can have an extensive impact on communities and environments. It was also found that legitimacy theory is the highest theory has been used by researchers as a framework (Ali, Frynas, and Mahmood, 2017).

Empirically, legitimacy theory has been extensively studied in the current literature by a number of researchers interested in CSR behaviours and the reasons behind it (e.g. Adams & Harte, 1998; Adams et al., 1998; Ahmad & Sulaiman, 2004; Deegan & Rankin, 1996; Deegan et al., 2000; O'Dwyer, 2002; Tsang, 1998; Ali, Frynas, and Mahmood, 2017).

The main assumptions of legitimacy theory appear to offer at least a partial explanation as to why corporations choose to disclose (or not) information about their social or environmental activities. However, Deegan (2000) asserts that due to its basis in the notion of the bourgeois political economy, the theory fails to be comprehensive in its explanations.

Cormier & Gordon (2001) attempted to explain differences between the CSR practices of publicly and privately-owned companies using legitimacy theory. It was found that public companies tend to provide more CSR information than privately owned firms do. As they face greater pressure from the public, which supports the major assertions of legitimacy theory that companies with government and public ownership are adopting this behaviour in order to give a better example of following laws and regulations. It was also found that bigger companies

are more exposed to the media which asserts the use of legitimacy theory in explaining the disclosure behaviour (Reverte, 2009). However, adopting the IFRS in 2005 has made it clear to all companies regarding the framework of financial and voluntary disclosures (private and public), it also brought more guidance and requirements for both privately and publicly owned companies (Deloitte, 2016).

Deegan et al. (2002) also provided evidence supporting this theory. By investigating CSR levels and media coverage (i.e. number of articles related to each issue), they found that the issues which received the most media attention for any given company were generally received the highest levels of disclosure. A previous study by the same researchers (2000) also provided support for legitimacy theory based on results that companies responded to major events by disclosing more 'legitimising' information at strategic times, which emphasis on the fact that companies with high media exposure (large size companies) are providing more information to the public in order to maintain the legitimacy.

There have also been studies, however, which failed to find support for legitimacy theory. In addition to the studies mentioned in the previous section on political economy theory, the findings of Wilmhurst & Frost (2000), for example, indicated only limited support for legitimacy theory, as an explanation for any links between social and environmental disclosure and management decisions. However, legitimacy theory rests on the conception that companies have contracts with the society they operate in, and they have to fulfil these contracts in order to legitimise their activities and actions (Tresch, 2014). Which means if the management fails to legitimise their current activities and support these disclosures, the consequences will be severe either from the lobbyists (environmental activists, unions, and community pressure) or the government (Beaucamp & Girgensohn, 1992; Crane & Glozer, 2016).

Tilling (2004) breaks down legitimacy theory into two classes: institutional legitimacy (referring to organisational structures such as a government or economic system, which are generally approved by the entire society) and organisational/strategic legitimacy (which applies to firms attempting to make a profit by gaining approval or avoiding sanction by society and stakeholders). The theory of organisational legitimacy further refers to four phases of legitimacy: establishing, maintaining, extending, and defending such as status. Tilling (2004) also proposes a fifth phase, loss of legitimacy, to refer to the possibility that a time may come for some companies when they are no longer successful in defending their legitimacy, as highly relevant to the model. Such a phase would be preceded by constant levels of media and non-

governmental organisations (NGO's) inspection along with government monitoring and regulation. Furthermore, it would coincide with increased levels of social and environmental disclosure as the company attempts to respond to the threat. According to Suchman (1995), institutional legitimacy is concerned with companies, managers, performance measures, and stakeholder needs as features of a larger, institutional and cultural framework.

Legitimacy theory and stakeholder theory are closely related. The increasing popularity of stakeholder theory has fuelled public demands for demonstrations of legitimacy, and this has led to increased acknowledgement that a company's actions affect more than just its shareholders (Boesso & Kumar, 2007).

### **2.4.3 Stakeholder theory**

Stakeholder theory was first applied to the concept of CSR in the 1960s and 70s. This led to the addition of many new ideas being added to the literature on corporate social responsibility and disclosure regarding the management of companies (Bhaduri & Selarka, 2016).

In recent years, however, stakeholder theory has been increasingly applied to the area of business ethics as well as business strategy and public policy. Despite its early origins, Freeman (1984) can be credited with popularising the term. He defines stakeholders as “groups or individuals who can affect and are affected by the achievement of an organisation's mission” (Freeman, 1984: 153). This includes not only shareholders but also employees, customers, suppliers, creditors, the government, and society as a whole. It has even been asserted that the term may become even more comprehensive in the future to include some forms of non-human life (Gray et al., 1996).

Since Freeman's (1984) publication, a substantial body of literature has emerged on the stakeholder concept, including many books and over 100 articles (Donaldson & Preston, 1995). Deegan (2000) claims that various researchers using different aspects of the theory for different purposes caused this development to become confusing. Various definitions can be found in the literature for ‘stakeholder’, ‘stakeholder model’, ‘stakeholder management’, and ‘stakeholder theory’.

Several studies explained these concepts in a normative way. Berman et al. (1999), for example, proposed that “managerial relationships with stakeholders are based on normative, moral commitments rather than on a desire to use those stakeholders solely to maximise profits” (p.

292). Their study examined the relationship between financial performance, business strategy, and the management of key stakeholder relationships (e.g. employees, diversity, the natural environment, product safety and quality, and community impacts). They found that only stakeholder relations regarding employees and product safety/quality had impacted financial performance, suggesting that managerial attention to these two elements could lead to improved financial performance. The lack of relationship between profits and the other three elements (i.e. local communities, the natural environment, and diversity) effectively means that no support was given for the normative model arguing that a moral commitment to various stakeholder groups affects strategic business decisions that could impact profitability.

A study by Neu, Warsame, & Pedwell (1998) on Canadian listed firms, which operates in industries that environmentally sensitive, have revealed that such firms were more approachable to financial stakeholders than to environmentalists. In other words, the Canadian companies respond to the powerful stakeholders instead of environmentalists. To explain the change in the level of environmental disclosures, the researchers examined the concerns of government regulators and financial stakeholders (as measured by fines and profits, respectively), and found that they were linked with increases in environmental disclosures while the concerns at the community level or by environmental groups (as measured by media coverage) were linked to decreases in disclosures (Neu, Warsame & Pedwell, 1998, 279). In this case, environmentalists did not wield sufficient power to impact the companies' concerns.

Like legitimacy theory, stakeholder theory asserts that the external environment must be influenced. Freeman (1984) argued that companies with the ability to successfully manage their stakeholders would be proactive in anticipating stakeholder concerns and trying to influence their environment. This involves addressing stakeholder needs and concerns, engaging in communication process with stakeholders, negotiating with stakeholders, and seeking voluntary agreements with regard to any issues at hand. The theory is concerned with interactions both between the company and its stakeholder groups and with relationships between managers, shareholders, etc. (Freeman, 2010).

It has been asserted that CSR is too complicated as a process to be explained by any single theoretical model and that various perspectives should be considered simultaneously in any attempt to understand its nature (Deegan, 2000; Gray et al., 1995). In other words, the three theories discussed above should not be considered as competing perspectives on CSR behaviour but rather as complementing one another (Gray et al. 1995). Legitimacy theory and

stakeholder theory, for example, can be seen to overlap substantially, and both are set within a framework of assumptions about the political economy (Gray et al., 1995).

#### **2.4.4 Agency theory**

Jensen & Meckling (1976) explain the principal-agent relationship as “a contract under which one or more persons (the principal(s)) engage another person (the agent) to do some service on their behalf which includes delegating some decision-making authority to the agent,” (p.308). In this agency’s framework, the agents are the managers and the principals are the shareholders. Jensen & Meckling (1976) propose that the basic principal-agent relationship is faced with major issues. This is to say; the agent might not act in a way that is the best for the principal. Moreover, the agency problem is perceived to worsen when information asymmetry is present. Cormier et al. (2011) suggest that increased amounts of environmental or social disclosure results in lower information asymmetry among a company and its investors, therefore reducing risk for the firm. Thus, shareholders look to regulate the behaviour of managers through bonding costs and supervision (Jensen & Meckling, 1976). In terms of agency theory, voluntary disclosure can be viewed as one of the bonding costs incurred by managers in order to decrease their agency costs (Jensen & Meckling, 1976). Managers might even signal to shareholders that they are acting to an optimal level via voluntary disclosure (Jensen & Meckling, 1976). It is notable to mention that some theories can be applied to both environmental social performance (ESP) and environmental social disclosure (ESD). For instance, from the perspective of information asymmetry, agency theory can explain ESD, whilst from a point of view of over and under investment; agency theory is more pertinent to ESP, which will be developed on in the following section.

Friedman (1970) proposed that CSR engagement is symptomatic of an agency problem or a conflict among the managers and shareholder’s interests. He claims that management can employ CSR as a way in which to follow their personal political, social or career agendas at the shareholder’s expense. In light of this argument, Barnea & Rubin (2010) said that if expenditure on CSR lowers the value of the firm, then a negative correlation between expenditure on CSR and insider ownership is anticipated. They further claim that, a company’s insiders (directors, corporate managers, and large block holders) might be motivated to raise expenditure on CSR, to a high degree that maximises the value of the firm, if they acquire personal benefits (e.g., improving their reputation in terms of respecting their employees, communities, and the environment) due to a high rating of CSR. Consequently, CSR can create a conflict among various shareholders. Lastly, they argue that in a company that possesses large

levels of debt it is more difficult for insiders to over-invest in terms of CSR, since they have less cash availability. Further, Barnea & Rubin (2010) employed a sample of large US companies in order to analyse the correlation among the CSR performance ratings of firms and their structures of ownership and capital. The dependent variable was the firm's CSR rating, and the key independent variables were institutional ownership (Percentage of common stock owned by institutions, and calculated by dividing the entire shares held by institutions over the shares outstanding), insider ownership (Percentage of common stocks owned by the directors and officers of the corporation in addition of the beneficial owners who have higher than 5% of the corporation's stocks as disclosed statements), and leverage (short and long term debts divided by the assets).

In line with their expectation, they hypothesised that CSR is lower for companies with both higher percentage of insider ownership and leverage. After analysing the data obtained from KLD database (3000 US companies), they found that CSR performance can result in a conflict among various shareholders, and moreover, found that insider ownership and leverage were negatively associated with a firm's social rating, whereas institutional ownership was not correlated with it. They explain, "At high ownership levels, the cost to insiders of increasing CSR expenditure (which leads to a higher CSR rating) is larger than the related benefits. In other words, insiders downplay the importance of their private benefits compared to firm value because they own more of the firm. Thus, the negative relationship suggests that the cost incorporated in CSR is significant," (p.16). Moreover, the negative relationship between CSR and leverage further backs up the hypothesis of the CSR-conflict since increased leverage leads to firms spending less on CSR.

Jo & Harjoto (2012) also recently explored the correlation among CSR performance and corporate financial performance (CFP) and analysed the significance of stakeholder theory and agency theory through looking at a large sample of US firms from 1993 to 2004 (2,952 firms). They suggested two hypotheses; the overinvestment hypothesis, linked to the agency theory, and the conflict resolution hypothesis, linked to stakeholder theory. The agency theory-based overinvestment hypothesis reveals that CSR engagement is a costly undertaking and generally considered a waste of limited resources, and thus has a negative impact in terms of a firm's value. Yet, the stakeholder theory-based conflict-resolution reasoning anticipates that the value of socially responsible companies who engage in CSR activities is higher in comparison to socially irresponsible firms who ignore CSR activities as engagement in CSR decreases conflict of interest among non-investing stakeholders and managers. This suggests that firms

are still under-investing in CSR activities and that the financial market places value in CSR activity investment.

As previously mentioned, from an overinvestment standpoint, Barnea & Rubin (2010) claim that engagement in CSR might result in a principal-agent issue. Affiliated insiders might have an interest in overinvestment in CSR, particularly if doing so brings about private benefits, for example improving their asocial standing as good citizens. Although from a conflict resolution viewpoint, stakeholder theory signifies that management usually performs CSR activities in order to fulfil their ethical, moral, and social obligations to their stakeholders and strategically reach their shareholder's corporate goals. Once endogeneity (the causality) bias was accounted for, Jo and Harjoto (2012) found that engagement in CSR has a positive influence on CFP, which lends support to the conflict-resolution hypothesis based on stakeholder theory instead of the CSR overinvestment argument based on agency theory. Additionally, they found that firm's engagement in CSR with the community, diversity, environment, and employees plays a positive and significant role in improving CFP.

This implies that under agency theory, the firm's engagement in CSR will mitigate the risk and therefore it will improve the company's financial performance, because if the company's risk is low, that will give them the ability to get loans in lower rates than the companies with higher risk (Godfrey, Merrill, & Hansen, 2009).

## **2.5 CSR determinants**

Several studies conducted in developed countries have shown an increase of CSR disclosures in their annual reports in response to a number of factors. The causes of this increase can be credited to the increases in legislation, politics, media interest, risk, economic activities, ethical investors, activities of pressure groups, and social awareness (Haniffa & Cooke, 2005; Ge & Liu, 2015; Michelon, Pilonato, & Ricceri, 2015; Duff, 2016).

Since corporate social disclosure is a voluntary activity, an important question arises, what are the determinants that cause this variation? It is important to understand the motivation behind these disclosures. According to Adams (2002), understanding the factors that affect disclosure is essential for enhancing responsibility, and specifically to:

- The quantity and quality of disclosure by individual firms
- The extensiveness of disclosures.
- The comprehensiveness or completeness of reporting.

Van der Laan Smith, Adhikari & Tondkar (2005) pointed out the differences between CSRD determinants and financial disclosure determinants. The first one respectively concentrates on a wider range of audience (stakeholders), while corporate financial disclosure mainly focuses on investors and creditors. The previous literature has categorised CSRD determinants into three main categories namely; corporate characteristics, internal contextual factors, and general contextual factors. The table below clarifies each category of the determinants of CSRD (Van der Laan Smith, Adhikari & Tondkar, 2005):

**Table 1: Categories of CSRD determinants**

<b>Category</b>	<b>Variables</b>
<b>Corporate characteristics</b>	Industry type, size, age, financial performance, profitability, and international experience.
<b>Internal contextual</b>	Existence of social reporting committee and identity of company chair.
<b>General contextual</b>	Country of origin, media pressure, stakeholders and social, political and cultural context.

(Adams, 2002)

In the same context, Haniffa & Cooke (2005) linked the same factors to CSRD, such as size, firm reputation, risk, market reaction, financial performance and country of origin. However, these factors and proxies are considered company-specific, which means each company tailors these factors according to their specifications and they differ across companies.

### **2.5.1 Corporate characteristics**

The accounting and financial literature has focused on the relationship between corporate characteristics and corporate disclosures since 1961 (Ahmed & Courtis, 1999). The previous literature was also interested in examining the relationship between CSRD and corporate characteristics. An early study was conducted by Cowen et al. (1987); it investigated the relationship between corporate characteristics (size, industry, and profitability) and specific types of disclosures. Their sample was based on 134 U.S. companies from 10 different industries, they have also categorised social disclosures into environment, human resources, products, energy, community involvement, and fair business practices. The result showed that firm size has a positive and significant effect on environment disclosures, community involvement, energy, and fair business practice disclosures, while product and human resources

did not change. Moreover, industry type was found to have a significant influence on community involvement and energy, whilst the rest of the categories were not affected.

Correspondingly, a study was conducted by Patten (1992); he investigated the effect of industry, profitability, and size in the sample of 128 companies that been withdrawn from Fortune 500. The result proved that industry type and size are important variables, whereas, profitability was not importantly related. The reason behind that is because social legitimacy of businesses is examined through the public instead of the market.

Hossain, et al, (2006) investigated the association between corporate social and environmental disclosure and several company's characteristics in Bangladesh as a developing country. They have used various variables to explain CSR; profitability, size, multinational companies, and industry type. The results found that industry type and profitability have a relationship with CSR.

Reverte (2009) looked at the determinants of CSR in a sample of 46 non-financial Spanish-listed companies in 2005 and 2006. Reverte stated that 'CSR disclosures are a key instrument utilised by management to meet stakeholders' information needs and moreover, that stakeholder theory is pertinent in demonstrating the CSR behaviour of firms; the stakeholder theory explicitly considers the expectations impact of the different stakeholder groups within society upon corporate disclosure policies,' (Revert, 2009: 353). The findings were based on a CSR score and content rating gathered from the 'Observatory on corporate social responsibility' (OCSR) that published a report on the disclosure practices of all companies incorporated in the 'IBEX35 index'. The findings appeared to show that companies that have better visibility with the public tend to share more CSR information. Further, this study upheld the correlation between the size of the company, which is evaluated by the log of market capitalisation, and the content of CSR disclosures. In contrast, the analysis illustrated that both profitability assessed by (return on assets ROA) and leverage (long term debt / equity book value) had no significance in interpreting the differences seen in the content of CSR. Moreover, it was highlighted that manufacturing companies are likely to have more disclosures about environment and safety, whereas, service and financial companies usually share larger amounts of disclosures relating to social responsibility.

Each company has different factor characteristics that can affect their disclosure extent and quality, it can be affected by either the type of industry they are operating in, the size of company's assets, company's age, or even the level of leverage they have. These factors have

been studied heavily from previous literature, however, no conclusive result were found especially each study is specific to its own factors and circumstances.

Following the above argument, the fundamental hypothesis will test the relationship between corporate characteristics and CSR disclosure extent and quality:

*H1* There is a relationship between corporate characteristics and the level of extent and quality of CSR disclosure.

Four specific hypotheses or subsets of the fundamental hypothesis are formulated in the following corporate variables.

#### 2.5.1.1 Industry type

Annual reports from various sectors are unlikely to demonstrate identical disclosure levels (Comfferman & Cooke, 2002: 11). However, Bonson & Escobar (2006) suggested that firms from a particular sector usually adopt similar disclosure practices in order to follow the peculiarities of their particular sectors, for example: the level of diversification or political vulnerability. If a firm does not adhere to industry-wide practices around disclosure, then the market could assume that the firm is concealing bad news (Bonson & Escobar, 2006: 305). Previous literature has provided some reasoning behind the link among voluntary disclosure and industry type; for instance, the presence of dominant corporations that have an effect on other companies in terms of following their practice, the existence of a regulated industry, and satisfying the wishes of international capital markets (Ghazali & Weetman, 2006). The Amman stock exchange categorise industries into three main sectors, namely, financial, industrial, and services, for the purpose of this research services and industrial sectors are going to be used. The researcher is keen to investigate if there is significant impact due to industry type on the disclosure level between the aforementioned industries.

Industries tend to have different levels of legitimacy due to a variety of actions and consequences caused by industry member's collective action. Industry level legitimacy is a deterrent in relation to the level to which a company's operations, business processes in any chosen industry, and the products or services offered are considered suitable and beneficial by the wider community. For instance, the reputation of oil's industry has been harmed by hugely noticeable oil spills; the legitimacy of the chemical industry being criticised previously by environmental enthusiasts, whereas a number of well-established industries experience a great degree of legitimacy, for example medicine and banking (Aerts & Cormiar, 2006:10). Industry legitimacy influences company's environmental communication efforts with the society. Thus,

to legitimise their activities, larger amount of disclosures will be required to explain the big picture of their actions (Aerts & Cormier, 2006:10). According to the study of Husted & Allen (2007), the industry's environment could have a huge impact on company's adaptation in terms of corporate social strategy. They further highlighted that one of the main signifiers of the engagement of management in social strategy is how the landscape of the competitive industry environment is perceived by managers? It was argued by Boutin-Dufresne & Sacaris (2004) that firms in a specific industry might be socially responsible merely due to their activities' nature. Therefore, it may be said that industry membership can have an impact on the expectations of the public regarding the effect of their activities and as a result, the necessity for legitimacy.

The type of industry plays a big role in determining the amount of information that is been disclosed. For instance, industries that have a big effect on the environment like chemical industries tend to have larger amounts of environmental disclosures. Whereas, consumer-oriented industries such as services prefer to disclose more about their social disclosure to improve the company's image among competitors, likewise labour-intensive industries are more likely to disclose information on their employees. Therefore, industry type has a major influence on CSR practices (Haniffa & Cooke, 2005). Furthermore, regulatory bodies also influence the management to disclose more (Miller & Skinner, 2015). According to legitimacy theory, organisations tend to disclose more voluntary disclosures regarding their environmental activities in order to respond to any threats that occurs (Luft Mobus, 2005), such as oil spills (Frynas, 2012).

The effect of industry and size were the main investigation by Holder-Webb, Cohen, Nath, & Wood (2009), they have chosen 50 publicly traded U.S. firms as a sample for their study, and content analysis was employed to examine the contents of disclosures. It was found that the disclosure content and frequency is significantly different between industries, with emphasis on the importance of industry effect regarding CSR disclosures. However, they found that size effect is identifiable and positive regarding the use of website disclosure (Holder-Webb et al., 2009). Moreover, Hossain, Islam & Andrew (2006) investigated the relationship between several corporate characteristics and social environmental disclosure in Bangladesh. They have used profitability (measured by net profit margin and ROA), size, international experience (the existence of international subsidiaries), industry, and audit firm as variables to explain CSR. The results showed that both net margin profit and industry are positively significant in determining disclosure levels. While other factors were insignificant.

Watson, Shrives & Marston (2002) employed the 'Times UK's Top 1000' list in order to choose the biggest UK firms according to their turnover. The sample encompassed 313 firms from the utilities, manufacturing, mineral extraction, consumer goods, and services industries. The financial data was requested from the chosen companies relating to the period from 1989 to 1993, and the level of disclosure was evaluated in the annual reports. A number of statistical techniques were employed, including the stepwise model and a multivariate analysis to help with identifying the independent variable that most accounts for the voluntary disclosure level. The study concluded that industry sector and size have a significant relationship with the level of disclosure.

Several studies in developing countries have focused on factors that influence CSR disclosures. The main results of these studies stated that industry type and company size are significantly related to the extent and quality of CSR disclosures (Patten, 1991; Hackston & Milne, 1996; Adams et al., 1998; Neu et al., 1998). Furthermore, a recent study in Singapore, Australia, and South Korea has also found that industry type is significant in explaining the increase of social disclosures in companies' annual reports (Newson & Deegan, 2002). Another study has drawn a sample from six countries located in Europe argued that industry type and firm size are important factors that can be explained by the legitimacy theory (Adams et al., 1998). From the above discussion, it can be argued that industrial companies are disclosing more information in order to receive legitimacy from the society; therefore, the following hypothesis has been developed:

*H1A*: there is a relationship between industry type and the amount of CSR disclosure.

*H1Aq* there is a relationship between industry type and the quality of CSR disclosure.

### **2.5.1.2 Size**

In the literature, a great deal of attention has been given to the relationship between corporate size as a determinant of CSR disclosure; the debate is that there is an anticipated positive association between company size and its disclosure level (Font et al., 2012; Neu, Warsame & Pedwell, 1998; Branco & Rodrigues, 2008; Haji, 2013). Riahi-Belkaoui, (2001) suggested the following reasons behind this positive relationship:

- The disclosure cost hypothesis, which suggests that larger companies can use their size to get less cost, thus leading to disclosure that is more affordable,

- The transaction hypothesis, which refers to the fact that the motivations behind private information acquisition are larger for bigger firms, therefore resulting in higher disclosures due to firm size,
- The legal hypothesis, which is when in securities litigations the value of damages is a measure of company size, leading to increased disclosure for bigger companies.

Corporate size in developing countries and specially in Jordan has been studied and found size to be one of the most important determinants of the extent and the quality of disclosure, such a variable cannot be removed from the determinants of disclosure because of the significant relationship with disclosure (Singh, 2016).

Ho & Taylor (2007) summed up the reasons for a link between corporate size and disclosure in accordance with previous literature in the following ways:

- Disclosure costs might overall be less for bigger firms as economics of scale and the media tend to report more news regarding bigger firms, also, analysts tend to have higher presents at their meetings.
- In general, larger firms have increased agency costs since there is normally higher information asymmetry among managers and shareholders, thus bigger companies tend to share larger amounts of information.
- Larger firms are usually more susceptible to political attacks, social responsibility demands, increased regulation, and the risks of nationalisation.
- Smaller companies are more prone to feel that increased reporting may be damaging their competitive position.

With regard to CSRD and consistency with legitimacy theory, the size of a company is believed to be a determinant of CSRD. (Cormier, et al, 2005) in their study argued that:

1. Large companies tend to be more visible in the public eye and attract more interest from stakeholders
2. Experiencing potentially increased political costs.
3. Larger firms have more stakeholders seeking information.

Cormier & Gordon (2001) said that the literature concerned with legitimacy theory emphasises that generally, more attention is given to highly visible companies, or those who depend on social or political support, also, it is suggested that bigger firms have improved visibility and are more sensitive for political decisions in comparison with smaller firms (Cormier & Gordon, 2001: 589). Furthermore, Daub (2007: 79) claimed that ‘the experience indicates that the

greater share of responsibility for worldwide issues, such as social inequality, environment, or pollution is placed on the shoulders of bigger firms compared to small or medium firms, and they receive higher pressure from the interested stakeholders'. Husted & Allen (2007: 154) also stated that big companies have a greater need to formulate a strategy for social responsibility. Thus, it may be claimed that bigger firms attract more attention from society and as a result, are subject to increase their disclosures.

Studies have found a positive relationship between size and firm's disclosure; therefore, size might have a significant impact on the amount of CSR (Font et al., 2012; Neu, Warsame & Pedwell, 1998; Branco & Rodrigues, 2008; Haji, 2013). Importantly, Monteiro & Aibar-Guzman, (2010) used 6 factors namely; firm size, profitability, foreign ownership, quotation on the stock market, industry type, and environment certification, to determine which have effects on environmental disclosure in a sample of 109 Portuguese corporations. The results showed that firm size has a positive significant effect on environmental disclosure, alongside the fact that companies are listed in the stock market. Many explanations for the significant association between company size and the amount of disclosed information. First, disclosing detailed information is relatively less costly for large companies than small enterprises, since large companies can manage to pay for the technical and financial expenses that are required to prepare the environmental and social disclosures. Secondly, a large company's annual report is the main source for information, so they tend to provide more information for stakeholders through this tool (Raffournier, 1995). Finally, large companies tend to be more commonly in the public eye and as such attract more interest from stakeholders (governments, lenders, and lobbies); also, the size of the activities and effects on the surrounding environment may have more impact than the small and medium firms (Ho & Taylor, 2007).

A sample of Portuguese banks' annual reports from 2004 were also analysed by Branco & Rodrigues (2006) in terms of the content of their social responsibility disclosures. In order to analyse this content, a scoring sheet was created, and one point was given for each CSR component addressed in the annual report in terms of the four social responsibility categories. The results showed that banks with more branches are highly monitored publicly, thus they tend to disclose more information about their CSR. This practice was illustrated to assist banks in setting themselves apart from their counterparts as they used 'community involvement as part of the legitimating strategies when compared with less known banks,' (Branco & Rodrigues, 2006). Moreover, it was demonstrated that banks are incentivised to report their

CSR and particularly, human capital data, as they are essential key asset since investors request this information in their evaluations.

The research added that environmental and social aspects are not just significant for manufacturing companies that may result in harm being done to society, yet additionally applicable to the banking sector. Banks normally operate via a number of branches and they often consume a reasonable amount of energy and paper, consequently, it will generate large amount of waste. Thus, the public are interested to know banks' policies regarding issues like recycling and other environmental issues.

By using a content analysis technique to evaluate CSR disclosures for UK companies, Gray et al. (1995b) analysed the shifts in trends and CSR disclosure type over a 13-year period. In order to examine the changes in CSR trends, the researchers separated CSR into four key categories, which were employees, community, customer service, and environment. Gray et al. discovered that environmental and community disclosures changed over time, and saw a considerable rise in the beginning of 1990s, and further, were impacted by the company size. The research added that environmental disclosures are utilised by firms to preserve good relations with stakeholders and as a way to defend against pressure groups. Generally, CSR is being utilised as 'wax and wane' to gain public acknowledgement of the firm and its brand, yet it should be noted that companies must not anticipate better profitability as a result in a short period. These findings were associated with stakeholder theory as companies' continuity is related to the support of stakeholders', and their acceptance, which can be obtained by engagement with CSR activities and reporting them.

Reverte (2009) looked at the determinants of CSR in a sample of 46 non-financial Spanish-listed companies in 2005 and 2006. Reverte stated that 'CSR disclosures are a key instrument utilised by management to meet stakeholders' information needs and moreover, that stakeholder theory is pertinent in demonstrating the CSR behaviour of firms; the stakeholder theory explicitly considers the expectations impact of the different stakeholder groups within society upon corporate disclosure policies,' (Revert, 2009: 353). The findings were based on a CSR score and content rating gathered from the 'Observatory on corporate social responsibility' (OCSR) that published a report on the disclosure practices of all companies incorporated in the 'IBEX35 index'. The findings appeared to show that companies that have better visibility with the public tend to share more CSR information. Further, this study upheld the correlation between the size of the company, which is evaluated by the log of market capitalisation, and

the content of CSR disclosures. In contrast, the analysis illustrated that both profitability assessed by (return on assets ROA) and leverage (long term debt / equity book value) had no significance in interpreting the differences seen in the content of CSR. Moreover, it was highlighted that manufacturing companies are likely to have more disclosures about environment and safety, whereas, service and financial companies usually share larger amounts of disclosures relating to social responsibility.

By employing various companies' characteristics, Raffournier (1995) explored the voluntary disclosed information's determinants in relation to Swiss non-financial listed companies, utilising a sample of 161 annual reports for the period ended 1991. Raffournier applied the unweighted disclosure index to remove the subjectivity that is inherent when attributing weights to all of the disclosure items and to give an equal significance to every user. Consequently, the disclosure index was calculated by obtaining the ratio of the disclosure score given, i.e. the total number of disclosed items to the total number of disclosure items, with regards to the industry of the company.

In order to assess the influence of the entire variable independently, the study utilised initially univariate analysis and after, multivariate analysis. The univariate analysis findings demonstrated that the size of the firm had a considerable impact on the voluntary financial disclosure levels. As well as size, a strong association was present among the voluntary disclosure level and both the internationality of the firm (i.e.: being listed on international stock exchanges) and the type of external audit firm (Local, or big 4). The remaining variables examined, for example ownership diffusion (investors with 5% or more of stocks), profitability (ROA), and leverage (long and short-term debts/total assets) were not found to have significance when interpreting the differences in the levels of disclosure. When utilising the multivariate analysis, firm size and internationality were the only factors that were found to have significance. Further, they proposed that larger companies are likely to share a larger amount of information as they have lower costs when preparing it, as a majority of the information to be disclosed is prepared for use internally anyway. On the other hand, smaller firms tend to disclose less information because of the cost which is considered for them as a competitive disadvantage.

Other studies have found that size has a negative relationship or no relationship at all with disclosure (Hossain, Islam, & Andrew, 2006; Watson et al., 2002). According to Wallace, Naser, & Mora (1994), the relationship between firm's size and disclosures may in fact be

negative, because large companies are looking for reducing the likelihood of political action. The top 62 companies in Egypt were the sample for the study conducted by Aly, Simon, & Hussainey (2010), they have studied the effect of different companies characteristics such as (profitability, size, foreign listing, and industry type) on website disclosures; after using 62 companies out of the chosen 100, the researchers found that some of the characteristics explains the disclosures such as (foreign listing, profitability and industry type), while size was not found significant, in fact, it had no relationship with the degree of disclosures.

In accordance with legitimacy theory, the researcher expects a positive relationship among firm size and CSR disclosure, this relationship is explained by the fact that larger firms get larger attention from society, consequently will be faced with more disclosure to meet the society demand of information and to achieve legitimacy. Therefore, the following hypotheses are formulated:

**H1B:** There is a positive relationship between CSR reporting by listed companies and firm size.

**H1Bq:** There is a positive relationship between CSR reporting quality by listed companies and firm size.

### **2.5.1.3 Leverage**

Leverage or gearing represent the firm's liabilities. In this context, Naser et al. (2006) have examined the relationship between leverage (short and long-term debts/ total equity) and the amount of disclosures. They stated, "Companies with high leverage are viewed as being risky" Naser et al. (2006:7), and that explains the company's tendency to disclose more detailed information to deliver a good image to their lenders particularly, and their stakeholders in general. According to the agency theory, firms with high leverage have higher agency costs because of the possibility of wealth transfer from debt holder to stockholders (Ortas, Gallego-Alvarez, & Álvarez Etxeberria, 2015). In respect of raising new funds and attracting investors, companies with high level of leverage tend to disclose more to explain their position, and why they are heavily involved in borrowings. However, Patelli & Prencipe (2007) studied the effect of several company's characteristics including leverage using a sample of 175 non-financial Italian listed on Italy stock exchange, the empirical results show that leverage was found insignificant in determining the amount of disclosures, this result can be related to the unusual relationship between banks (lenders) and companies. Since they generally tend to establish a confidential relation with lenders (banks), and such type of information of loans and borrowings is likely to be given informally and not through annual reports. More recently,

Juhmani (2013) investigated the association between several variables (size, leverage and ownership structure) with corporates voluntary disclosures, his results shown a positive and significant relationship between leverage and the level of voluntary disclosures. Conversely, Haniffa & Cooke (2005) studied the relationship between gearing (debt to equity) and corporate social disclosure alongside several variables. They have assumed that highly geared firms will reveal more information to legitimise their actions and to comfort their creditors in terms of their financial position. Alternatively, these assumptions were incorrect, since they found no significant relationship between them. More recently, under the agency cost theory, Ioannou & Serafeim (2015) found that financial analysts in the US produce pessimistic recommendations for companies with high CSR disclosures. They also predict that companies with high CSR disclosures will have a low growth in future earnings (expected annual increase in earnings from operations). More specifically, they support the idea that CSR cost firms more than it benefits them. It can be argued that more debts companies have, more disclosures they do to satisfy stakeholders which will give them assurance and information about the company. Barnea & Rubin (2010) investigated the debate regarding which benefits are generated from CSR investment, emphasizing that companies increased their CSR investment activities in the years prior as they enhance the firm's maximisation of value. The research employed the 'Kinder Lydenburg Domini' (KLD) rating to formulate the CSR variable in relation to 2,649 firms in the US. The CSR was tested as a dummy variable, and given the value of zero if the firm was deemed socially irresponsible and one if deemed socially responsible. CEO duality and leverage (short and long-term debts/ total assets) were applied in the model, as well as to the ownership variables. The OLS regression findings demonstrated that leverage and inside ownership had a negative association with the CSR rating, whilst CEO duality was statistically not significant. Furthermore, companies with high debt have less potential to invest in social activities because of a lack of cash availability.

Therefore, the next hypotheses can be formulated:

**H1C:** there is a relationship between company's leverage and CSR reporting by listed companies.

**H1Cq:** there is a relationship between company's leverage and CSR reporting quality by listed companies.

#### **2.5.1.4 Age**

The period of time that a firm has been in the market might be related in explaining the difference of disclosures (Li, Pike & Haniffa, 2008). Newly born firms without an established shareholder base are predicted to be more dependent on external fund raising than more mature firms (Barnes & Walker, 2006) and have greater need to reduce scepticism and boost investor confidence (Haniffa & Cooke, 2002).

The amount or the quality of company's disclosures might be affected by its age. For example, new firms have a low level of development and growth (Akhtaruddin, 2005), that means new born companies have more vital issues to deal with before giving attention to the social issues. In addition, younger companies are facing strong competition, more cost and financial volatility. Voluntary social disclosures improve a firm's brand name and reputation, Kakani, Saha, & Reddy (2001) demonstrated that younger firms penetrate the market in spite of disadvantages, such as lack of capital, company's reputation and brand names. Hossain & Reaz (2007) investigated the impact of age on voluntary disclosures; they found that age is not significant in order to explain the disclosure level. So far, however, there has been little discussion about the effect of age on CSR disclosures (Gray et al., 1995). Recently, Michelin & Parbonetti (2012) studied the effect of corporate governance on sustainability disclosure. They have discussed that good governance and adequate disclosures can be seen as balancing mechanisms of legitimacy theory that firms utilise to communicate with stakeholders. In order to test that, Michelin & Parbonetti (2012) have used several corporate characteristics to determine the effect on disclosures. The age of the company was one of these factors, however, they have found that the effect of firm's age on corporate social responsibility disclosures is positive but not significant.

Dhaliwal, Radhakrishnan, Tsang, & Yang, (2012), used age as a proxy to capture past CSR performance and firm reputation in their study. They assumed that if the company is mature and have been in the market for a long time, thus it will have higher reputation and increased performance of CSR. Baccouche et al. (2010) suggest that older firms release more CSR information as they have longer experience which helps them to find the needed resources for their survival and to safeguard their reputations through their social activities. More recently, Habbash (2017) found that firm's age is considered one of the main characteristics that affect company's CSR disclosure. And found that it has a significant effect on the disclosure level. Consistent with the literature, the following hypotheses will be tested:

**H1D:** There is a relationship between company's age and CSR disclosure by listed companies.

**H1Dq:** There is a relationship between company's age and CSR disclosure quality by listed companies.

## 2.5.2 Corporate Governance

Corporate governance has many definitions; a wide definition of corporate governance is 'the manner in which firms are controlled and in which those responsible for the direction of firms are accountable to the stakeholders of these firms' (Dahya et al., 1996: 71). Accordingly, the definition confirms the role that management should accept responsibility for their institution.

The internal and external network of relationships can be managed by the mechanism of corporate governance (Aguilera & Jackson, 2003; Money & Schepers, 2007). Corporate governance was explained by Donnelly and Mulcahy (2008:416) as 'a set of control mechanisms that are especially designed to monitor and ratify managerial decisions, and to ensure the efficient operation of a corporation on behalf of its stakeholders'. Corporate governance is effected by societal values and norms (Mackenzie, 2007), as along with political and legal legislations.

The conventional breadth of corporate governance is a means of governing and regulating companies (Cadbury, 1992), as well as managing agency conflicts, in order to maximise the value for shareholder (Gill, 2008), has been evolved to encompass companies' CSR behaviour and the harmony between social and economic aims (Balasubramanian, 2012; Buchholtz et al., 2008). Social responsibility is starting to become a key component of corporate governance, and it is on board of director and CEO's agendas (Spitzeck, 2009). Effective corporate management captures its importance in terms of managing the needs of not just shareholders but moreover, a broad range of stakeholders as well (Pava & Krausz, 1996), especially as ignoring the expectations of stakeholders may be an obstacle to achieving the company's goals (Kolk & Pinkse, 2010). As a result, CSR is becoming more integrated with corporate governance, adding the social perspective into the decision-making process and taking into account the interest of clients, employees and society in the same vein as shareholders (Gill, 2008).

Monitoring levels are likely to be improved by corporate governance, which subsequently, provides shareholders with better assertions (Chen & Nowland, 2010). Assurance is provided to shareholders due to its effectiveness, giving more guarantees that management is working

for their best interests and that suitable value and operations will be maintained on a long-term basis. Consequently, companies illustrating better corporate governance practices tend to be less risky and have a higher firm's value (Chen et al., 2010). On the other hand, governance weakness may have an impact on companies' transparency and result in weak financial reporting (Cohen, Krishnamoorthy, & Wright, 2004). And since CSR reporting is considered an indication for transparency (Quaak, Aalbers, & Goedee, 2007), thus, weak practices of corporate governance results in weak engagements of CSR.

In order to instil confidence and convey current and predicted accomplishments or ambitions, companies publicly share information that addresses a number of the business' concerns and reflects on the transparency of the firm. Through disclosing information voluntarily beyond what a firm is obligated to do, it may satisfy those interested in the firm through providing adequate information and thus, lowering uncertainty (Meek et al., 1995). Annual reports are a mode of communication generally utilised by companies to share information and are categorised into two key parts: the mandatory and legislative reporting requirement (financial statements and their accompanying notes) and voluntary reporting (Stanton, 2002). The information that is voluntarily released may incorporate information which is both quantitative and qualitative, for example general corporate and strategic data, social responsibilities, information regarding environmental factors, and non-obligatory financial and market data.

The governance in Jordan was introduced by the Ministry of Industry and Trade to help the economy to achieve constant growth by implementing and developing legislation, policies and programs to improve the investment environment in Jordan; their aim is to portray Jordan as one of the most attractive economies in the middle-east (Jordanian Corporate Governance Code, 2017).

The corporate governance code in Jordan is specifically applicable to the following types of companies: public shareholding companies, private shareholding companies, non-profit private shareholding companies, limited liability companies, and non-profit limited liability companies. The code aims to provide guidelines to the aforementioned types of companies with the purpose of improving the sustainability and performance of companies, increasing the value of companies, and to ease the access for low cost finance.

A company's degree of transparency can be mirrored in the amount of information disclosed, and further, provides various users with necessary information, thus assisting with reducing the degree of uncertainty and lowering vagueness for investors (Poshekwale & Courtis, 2005). The call for CSR activities and information has been rising, since investors with an interest in

investing start looking for information regarding a firm's social responsibility activities; however, they were not able to find it via the conventional financial reporting methods (Holder-Webb et al., 2009). However, recently, many companies are aware of the importance of CSR, and began to consider it in their conventional annual reports and in stand-alone reports (Thorne, Mahoney, & Manetti, 2014; Anas, Abdul Rashid, & Annuar, 2015; Tschopp & Huefner, 2015). Khan, Muttakin, & Siddiqui, (2013) investigated the relationship between corporate governance variables (managerial ownership, presence of audit committee, foreign ownership, public ownership, CEO duality, and board independence,) and the extent of CSR. They have used a sample of 135 manufacturing companies listed on the Bangladesh Stocks Exchange. The empirical results show a significant positive impact between foreign ownership, public ownership, presence of audit committee and board independence and the amount of corporate social disclosure. Which confirms what Haniffa & Cooke, (2005) found in their study that a significant relationship exists between corporate social disclosure and multiple directorship, foreign ownership. However, the study failed to find a significant relationship between CEO duality and CSR (Khan, Muttakin, & Siddiqui, 2013)

Similarly, Ghazali (2007) studied the effect of ownership structure on CSR disclosure. The focus was on the following factors: ownership concentration (investors with 5% or more of stocks); government ownership; director ownership; profitability (ROA); company size, and industry. The findings were significant since a sample of 86 Malaysian companies was used; two of the ownership factors, government ownership and director ownership have significant impact on CSR, while ownership concentration is not significant in interpreting the CSR level. Moreover, Industry was also a significant factor influencing CSR, while profitability was not a major factor in explaining the increase in CSR.

It can be said that decent corporate governance practices are coupled with better disclosure practices. Patel & Dallas, (2002) claimed that decent corporate governance needs to incorporate; a board of directors that is vigilant, suitable, and prompt sharing of financial information, relevant disclosure with regards to the board and its processes of management, and an ownership structure that is transparent through establishing any interest's conflicts among directors, managers, shareholders, and any additional related parties. Ho & Wong, (2001) highlighted that in order to have increased accountability and transparency, both Hong Kong Society of Accountants (HKSA), and Stock Exchange of Hong Kong (SEHK) created a corporate governance working group (CGWG), which make recommendations regarding a number of practices such as; a suitable divide between the CEO and board chairman, an

obligation of two non-executive directors minimum, limits with regard to family board members to no higher than 50%, and a necessity for two committees (a remuneration committee and an audit committee) which is made up chiefly of non-executive directors (Ho & Wong, 2001: 142). Forker, (1992) also suggested that adopting internal devices for control, for instance non-executive directors and audit committees, as well as having a suitable divide between the chairman and chief executive roles, can enhance the quality of monitoring and lessen the benefits of information withholding, and consequently, there is improved disclosure quality (Forker, 1992). Moreover, Chen et al, (2006) claimed that poor practices of disclosure are usually linked with poor corporate governance, thus making improvements to transparency and disclosure practices results in improved corporate governance. In the following chapter, corporate governance is going to be considered from both theoretical and empirical perspectives.

In terms of CSR, much of the research pertaining to corporate governance (CG) has embraced an agency theory viewpoint (Jensen & Meckling, 1976), since it is primarily linked to the conflict that the companies must demonstrate accountability to their shareholders. This perspective is reflected in documents relating to government policy as well as the codes of conduct. The horizons of corporate governance have broadened recently, since the focus of emphasis has shifted away from conventional stakeholder-oriented approach to a stakeholder approach. This wider approach has begun reflecting in governance practices. First, The UK-based Tyson Report (2003) looked to expand the diversity by prompting the drawing upon of non-executive directors from varied backgrounds. Second, as per a couple of South Africa-based reports (the King report 1994, 2002) it was established that companies needed to act in a more responsible manner towards their varied stakeholders. Last, International measures by OECD are embracing stakeholder's demands as one of the key ideals of the best practices of corporate governance (OECD, 2004).

Mallin, et al, (2005) claimed that (CG) is related to both internal such as (board structure and the number of Non-executive directors) and external aspects of the company, such as (communication with stakeholders). As per Ho & Wong, (2001), corporate governance mainly comprises planning the rights as well as the responsibilities of each classification of a firm's stakeholders. The corporate governance system has a strong correlation to ethical considerations; for instance, the Ethical Resource Centre 2003 regards ethics as a key component in the context of corporate governance as well as the fight against corruption. In the absence of the exacting standards relating to corporate governance, businesses are likely to underperform, whereas tightly governed firms premised on ethical values are expected to

perform much better (Cassidy, 2003). According to Mallin, (2002), ethical investment is increasingly being considered a key component of acceptable governance.

Karamanou & Vafeas, (2005:480) said in their study that “well-governed firms are more mindful of their obligation not to mislead shareholders”. Therefore, it can be seen that decent corporate governance can indeed have a key role in moving the concerns of a community to the firms’ attention; and therefore, it is regarded as a vital factor that can determine the manner in which firms react to the society’s expectations. The board of directors’ structure seems to be a significant measure that may affect company’s actions; the board of directors is perceived as a significant component of corporate governance (Bushee, Carter & Gerakos, 2013). According to Halme & Huse, (1997) the board’s contribution might be related to the firms’ environmental attention. For instance, environmental groups, in conjunction with activists, can urge the firm’s board of directors to initiate measures to act in a manner that is socially responsible. The changes in the board of directors could result in heightened monitoring and increased CSR; also, the extent of board’s influence on CSR might be depending on the corporate governance characteristics. Therefore, the board’s characteristic (board composition and structure) can be viewed as an important signal of corporate governance. Meanwhile the board structure differs between regions and different countries in the world. However, the goal of the board remains unchanged, which is enhancing the investment of stakeholders. The board’s quality needs to be improved continuously, especially in the wake of the challenges, which have plagued firms globally. Corporate Governance codes are in need of more non-executive members, and to separate between Chairman and CEO roles to enhance the role of monitoring of this board. According to Anderson & Reeb, (2004), the studies on the efficiency of board of directors usually emphasises on the board composition, which classifies directors as both insiders (a firm’s employee), or outsiders (non-employee). Outsider directors are classified into; those with current or possible business relations to the company (affiliates) and those associate (independent) whose only relationship to the company is their directorship. According to Karamanou & Vafeas, (2005), in response to the financial disclosure scandals in the recent past, US-congress, SEC (Securities and Exchange Commission) and main stock exchanges decided to focus upon corporate boards as the main method to improve the quality of financial disclosures. Furthermore, Kanagaretnam, et al, (2007) claimed that the majority of the literature suggests that boards which have higher level of management monitoring will improve the quality level of the disclosed information by the management, and this implies that on an average, information asymmetry is lesser for firms who have highly efficient boards. In

addition, Ajinkya et al, (2005) found that an efficient board of directors issues more accurate and frequent earnings forecasts than poor directorships.

According to Chen, (2006), it is important to comprehend the mutual determinants of board structure determinants that contribute towards the association among disclosure and independent directors. This includes;

External financing requirements, which have been referred to in the literature as the relationship between external financing requirements and decent corporate governance which implies to an independent board structure; there is also a relationship between the extent of voluntary disclosure and external financing needs. It is therefore likely that the association between disclosure and independent board directors can be attributed to external financing requirements.

International markets, which refer to the relationship between interaction with international markets and disclosure score; it is also likely that flow of information and international exchanges will result in heightened board independence. Thus, interfacing with the international markets may determine board independences as well as disclosure. According to John & Senbet, (1998), the efficacy of the board in management monitoring is influenced by its composition, size, and independence. These factors are interrelated since board independence grows as the element of outsider directors (independent) rises. Fama (1980) noted that the monitoring ability over management is directly related to the proportion of directors who are not involved in a firm's direct operations. From the variables pertaining to board directors, three of them will be of prime interest; of the number of non-executive directors, size of the board and the influence of corporate responsibility committee.

The aforementioned argument has resulted in formulating our second fundamental hypothesis which states that:

*H2*: There is a relationship between corporate governance and the level of extent and quality of CSR disclosure.

In order to test this hypothesis, nine specific or subsets hypotheses of the fundamental hypothesis are formulated in the following sections.

### **2.5.2.1 Family directors**

According to agency theory, family members on the board of directors tend to minimise the amount of information disclosure because they have access to the internal information without the need for any type of disclosure, which leads to a decrease in the agency cost, moreover, family directors also tend to maximise their own benefits instead of looking after other

stakeholders (Haddad et al., 2015). The previous literature has supported his argument and is supported in other empirical studies (Haniffa & Cooke 2002; Ghazali & Weetman 2006).

Ghazali and Weetman (2006) studied the determinants of CSR disclosure in Malaysia, mainly director's ownership, government ownership and family domination of the board. They have found that higher proportion of family directors in the board is negatively associated with the extent of CSR disclosure. Similarly, Ho and Wong (2001) found a negative association between family members on the board and voluntary disclosure in Hong Kong. They suggest that when the board is dominated by family members, the voting will be controlled from these members and it will be in the interests of them, which can affect the minority of shareholders and others. On the other hand, Ali et al. (2007) found that companies dominated by family have higher quality of CSR disclosures than non-family firms in the U.S. They claimed that the increased and improved disclosures came from the great demand of outside investors, where they requested more detailed information in the annual reports. Khan, Muttakin, and Siddiqui (2013) stated that 'the strong family presence in the board of directors has led to the emergence of a culture where the values of corporate governance mechanisms are not always properly appreciated by the management (2013:220). Recently, a study by Cabeza-García, Sacristán-Navarro, & Gómez-Ansón (2017), hypothesised that family control on the board increases the level of CSR disclosure; however, after analysing a sample of Spanish non-financial listed firms, they found that the existence of family members on the board have a negative impact on CSR disclosure. According to this argument, the following subset hypothesis will be tested.

**H2A:** There is a relationship between the percentage of family members and CSR disclosure by listed companies.

**H2Aq:** There is a relationship between the percentage of family members and CSR disclosure quality by listed companies.

#### **2.5.2.2 Non-executive directors, foreigner's directors, and female directors**

Non-executive directors are considered the balance mechanism between the benefits of investors and the needs of stakeholders. Furthermore, non-executive director's role is more about monitoring the board of directors and keeps them on the right path (Haniffa & Cooke, 2005). Therefore, the proportion of non-executive directors plays a big role in determining the social disclosures strategies in the company. Barako (2007) also defined the role of non-executive directors as a reliable mechanism to diffuse the agency conflicts between owners and management. From a different aspect, the significant of non-executive director's existence on

the board was demonstrated in other studies. A positive share price was found to be high as a reaction to specific events, when non-executive directors dominate the company's board (Zattoni & Cuomo, 2010; Gul, Srinidhi & Ng, 2011). From a legitimacy theory perspective, the legitimacy concerns of firms arise from the separation of control from ownership. To mitigate this legitimacy gap and to ensure that stakeholder's interests are met, companies tend to increase their non-executive directors (Alnabsha et al, 2017). The number of non-executive directors has attracted the highest amount of interest from scholars. As per Chen & Jaggi, (2000), the corporate board presence of non-executive directors started getting attention increased back in the 1980s, wherein two key arguments assumed introduced;

- Non-executive directors offer help and guidance to the board on key strategic matters, which might enhance the firm's financial performance.
- Non-executive directors enhance the outcome of management decisions and the activities undertaken by the board of directors.

According to Chen, (2006) non-executive directors in the US play a more crucial role in keeping a vigil on managers than they do within board directors. Apart from monitoring the scope as well as quality of financial data, nonexecutive directors also play a key role in determining voluntary company disclosure (Ajinkya, et al, 2005). Furthermore, external directors who are not as aligned to management as compared to inside directors could become more inclined towards encouraging firms to produce additional information to outsider investors; hence, it is likely that an increasing number of outside directors will result in greater voluntary disclosure (Khan, Muttakin & Siddiqui, 2013).

In the context of CSRD, firms with heightened representation of outsider directors usually have a higher CSP (Hafsi & Turgut, 2013). Meanwhile Zahra & Stanton, (1988) asserted that non-executive directors are more likely to have higher responses for the issues concerning obligation and honour and more interested in meeting the company's social responsibilities. Outside directors might augment the credibility and reputation of a firm while helping it to establish and sustain its legitimacy (O'Dwyer, Owen, & Unerman, 2011). The contribution of non-executive directors in augmenting the corporate boards' monitoring implies that the board will end up becoming more sensitive to investors' needs, and the existence of non-executive directors will enhance the firm's adherence to disclosure requests, which will boost the quality and comprehensiveness of disclosure (Chen & Jaggi, 2000). According to Rose (2007), the new norms necessitating the inclusion of more independent directors represent a key step

towards boosting corporate ethics as well as social responsibility. It thus seems that non-executive director's purports as a strong link between firms and outside environment.

Khan (2010) investigated the impact of corporate governance elements (non-executive directors, women representation and the existence of foreign nationalities) on CSR. The empirical results, based on a sample of Bangladeshi listed commercial banks showed no relationship between women representation on the board and CSR. On the contrary, the existence of foreign nationalities and non-executive directors has been found to be significant in determining the amount of disclosures. However, a recent study by Majeed, Aziz, & Saleem (2015) investigated the potential impact of corporate governance elements on CSR in the Pakistani market. Some of elements were found to be significant and have a major influence on CSR; institution ownership, board size, ownership concentration, and firm size. However, women and foreign director's representation were found to be not significant. Many researchers argued that appointing foreign directors enhances the quality of decision making and bring diversity to the board, because of different language, culture, behaviour and life experience, which in return it will have an impact on company's strategy such as supporting CSR reporting strategies (Ayuso & Argandona, 2007; Masulis, Wang, & Xie, 2010). Ibrahim & Hanefah (2016) studied the effect of number of board characteristics (nationality of directors, age of directors, gender, and director's independence) on the level of CSR disclosures in Jordan. They found a positive and significant relationship between the above variables and the level of CSR reporting (Ibrahim & Hanefah, 2016).

Lim, Matolcsy & Chow (2007), studied the empirical connection between voluntary information disclosure and governance attributes. The study highlighted the composition of the board and the establishment of the degree of forward-thinking and strategic-voluntary instances of disclosure, yet does not affect the degree of historical quantitative and non-financial disclosures. They claimed that appointing non-executive board directors might mitigate agency issues since they are able to provide less biased supervision of management's activities. Management is encouraged to provide more data above what is required due to their presence, in an attempt to retain their reputation. In contrast, internal directors possess varying motivations for providing information resulting from the connection among their compensation and the performance of the firm. Consequently, executive directors could be interested in disclosing information to illustrate their performance and ability to take appropriate decisions. This safeguards the firm from undervaluation of stock and diminishes the risk of unseemly valuation.

Lim, Matolcsy, & Chow (2007) analysed 181 annual reports of mining and non-financial Australian firms for the year 2001 through utilising a checklist to assess the unweighted voluntary disclosure score in relation to 67 disclosure items. The findings show that the percentage of non-executive directors in the board can explain the degree of full disclosure score. Despite this, it appears that the non-executive directors have an impact on the forward-thinking quantitative and strategic disclosure levels; it was shown that they had no impact on the nonfinancial and historical disclosure levels. Additionally, a positive correlation was established between the voluntary disclosure level and size of the firm, type of industry and price to book value; whilst the level of disclosure was not found to be linked to audit firm's size. The level of historical voluntary disclosure was correlated with ROA, showing the company's intent to disclose historical results in instances where they exhibit good performance and lower levels of data when they exhibit poor performance.

Chen & Jaggi (2000) investigated the impact of Non-executive directors on improving the comprehensive nature of financial disclosures, monitoring of the board and transparency. 87 listed firms in Hong Kong were chosen in relation to two years, 1993 and 1994, from a sample covering twenty-four industries. They analysed their annual reports and the extent of obligatory financial disclosure as a dependent variable was evaluated in accordance with the quality and comprehensiveness of the provided information. The final disclosure score was calculated by dividing the sum of disclosure type score and the maximum score in order to obtain the value of the dependent variable. Utilising the OLS, the research established a positive relationship among the share of non-executive directors and the extent of financial disclosures. This correlation was shown to be weaker where family-controlled companies were concerned. Thus, the study claimed that the higher the proportion of non-executive directors, the bigger the pressure would be on management to give more information and to illustrate transparency. Further to the non-executive directors and family control, a group of control variables were assessed and the analysis demonstrated that the extent of financial disclosures is impacted on by the size of the audit firm and total sales. Additional control variables, for instance debt over equity, liquidity, net sales, and market value of equity were not found to be significant in explaining the breadth of disclosures.

By analysing a sample of 182 companies chosen based on the 100 biggest and smallest UK-quoted firms, Li, Pike & Haniffa (2008) established that the disclosure quality was impacted on negatively by CEO duality. Yet, the presence of an audit committee and the percentage of non-executive board directors only had a marginal effect on the disclosure quality. Thus, it was

concluded that non-executive directors and audit committees must participate more in disclosure quality monitoring. To that end, the next subset hypotheses are formulated:

**H2B:** There is a relationship between a higher percentage of Non-executive directors and CSR reporting by listed companies.

**H2Bq:** There is a relationship between a higher percentage of Non-executive directors and CSR reporting quality by listed companies.

**H2C:** there is no relationship between the availability of female directors (executives and non-executives) and CSR disclosure by listed companies

**H2Cq:** there is no relationship between the availability of female directors (executives and non-executives) and CSR disclosure quality by listed companies

**H2D:** there is a relationship between foreigner director's availability (executives and non-executives) and CSR disclosure by listed companies

**H2Dq:** there is a relationship between foreigner director's availability (executives and non-executives) and CSR disclosure quality by listed companies.

### **2.5.2.3 CEO duality**

The duality of CEO occurs when a firm's chief executive officer serves also as Chairman of the board of directors (Boyd, 1995). The duality of chairman and CEO positions results in governance and leadership conflict. Li et al. (2008) debates that separating the roles of CEO and chairman may enhance the quality of monitoring the board of directors and management. According to agency theory, combining both roles will provide the CEO with higher power which might have a negative effect on the board's control, and consequently fewer disclosures (Gul & Leung, 2004).

In Jordan, the JSC guidelines require the positions of CEO and the chairman of the board to be filled by different individuals. However, until now many companies are not following that role because of reasons they provide to the JSC, such as the lack of experienced and knowledgeable individuals.

There has been an extensive debate regarding the impact of CEO duality on the financial and non-financial disclosures as well as firm's performance. The governance environment and CSR disclosures were specifically studied by Li, Fetscherin, Lattemann, Alon, & Yeh (2010), by employing a sample of 105 firms from the emerging markets (Russia, Brazil, China and India).

This research claimed that CSR disclosures are a consequence of the demand of stakeholders for increased involvement in the community and improved transparency. The annual reports from 2007 were analysed in terms of CSR disclosures, as well as social responsibility reports and websites, and divided into three categories. Category one regarded the incentives behind CSR activities, which incorporated factors such as 'value driven, performance and stakeholder-driven'. Category two concerned the managerial CSR process, which encompassed factors linked to the activities undertaken by the company, for instance sponsorships, code of ethics, voluntarism, and health and safety. Category three considered the stakeholder's issues, which incorporated aspects related to suppliers, community, shareholders, customers and employees. The CSR score was computed in accordance with the number of items disclosed. The total score was the sum of the points attributed in all of the three categories. The findings of the multiple regression analysis illustrated that the number of non-executive directors in the board and the separation between the chairman's role and the CEO role were significantly correlated with CSR disclosure's intensity. It was also noted that CSR disclosures appear to be a significant contribution for firms' social marketing strategies and they are having a positive influence on the firm's image. Furthermore, the research highlighted that firm size, assessed by the volume of total sales, had a positive relationship with the intensity of CSR disclosure.

On the contrary, Bear, Rahman & Post (2010) analysed a sample from the healthcare industry of 51 firms chosen from the 'Fortune 2009 World's Most Admired Companies' and identified a statistical correlation amongst CEO role duality and CSR. Additionally, CSR performance was established to have a positive effect on the reputation of a firm since the relationship with stakeholders is nurtured through positive benefit trade-offs. The research also highlighted that the findings of a survey done by 'Mercer Investment Consulting' reported that 46% of investors consider company's corporate governance, corporate social and environmental practices, in their assessments and consequential decisions.

However, Cheng & Courtenay (2006) also looked at the association between the voluntary disclosure level and the board size, the role of the board of directors, and CEO duality. The findings showed that the percentage of independent directors was correlated with the degree of voluntary disclosure and a larger percentage of independent directors resulted in a higher voluntary disclosure level. In contrast, the size of the board and the CEO duality were not found to be linked with the voluntary disclosure level. The research highlighted that the presence of a regulatory environment reinforced the correlation among the independent board directors and the degree of voluntary disclosure. These outcomes were dependent on the findings of the

cross-sectional OLS regression analysis undertaken on 104 non-financial companies in 2000, encompassing organisations across eight industries and listed on the Singapore Stock Exchange. The voluntary disclosure level was assessed by using a checklist made up of three main categories: management discussions, business data and forward-looking information. Every disclosure item was rated with regards to its significance in terms of investment choices made by financial analysts and investors.

Chau & Gray (2010) used evidence from Hong Kong in order to examine the influence of board independence and CEO role duality. Their findings correlated with Cheng & Courtenay (2006) with regard to the positive relationship among the independence of the board and disclosure levels but contradicted their conclusion that CEO duality had no effect on disclosure. In fact, they found a negative impact. Chau & Gray (2010) looked at 273 non-financial firms that listed on Hong Kong stock exchange in 2002. The disclosure level was assessed through employing the unweighted score, i.e. the number of voluntary disclosed items divided by the company's maximum possible score. The checklist incorporated, among other items, disclosures regarding research and development, employees, social and product safety, as along with information relating to financial reviews, the CSR percentage of the index was 32%. Utilising the OLS regression, Chau & Gray established that the proportion of non-executive board directors led to increased voluntary disclosure, whilst CEO duality and family ownership had a negative relationship with voluntary disclosure levels. The effect of independent board directors was alleviated by the impact of the division of the responsibilities of the CEO and the chair. The researchers assessed the effect of a number of control variables and discovered that among the size of the firm, return on equity, audit firm size (big four), rate of growth, and listing status, only the firm size was shown to be associated positively with the voluntary disclosure level.

The impact of CEO duality role on voluntary disclosure level was evaluated by Haniffa & Cooke (2002). Haniffa & Cooke found that CEO duality and the percentage of family board members in Malaysian companies were related to the voluntary disclosure level. The study examined 138 annual reports for the period ending 1995 in relation to companies listed on the Kuala Lumpur stock exchange, eliminating the financial sector, as different disclosure requirements are employed. The voluntary disclosure level, the dependent variable, was assessed by utilising an unweighted index. It incorporated corporate social disclosure items such as (relationship with employees, community involvement, environmental, service and product information), strategy, and capital market disclosure items that were employed in prior studies. Using the multiple regression analysis, the research established that the percentage of

family board members and the division between the CEO and chair's role were inversely connected with the voluntary disclosure level, suggesting that the executive chair could utilise increased voluntary disclosure in order to meet the monitoring requirement. This finding is in opposition with the agency theory, which proposes that the division between the board's chair and any executive position is necessary to maintain adequate control. The second key finding, determined by the full regression model, was the lack of influence from cultural factors on the voluntary disclosure level.

The obvious correlation among the voluntary disclosure level on the one hand and the CEO duality and independence of the board on the other highlighted in the studies above was not found to be the same when the same relationship was analysed for Canadian companies. Labelle (2002) utilised the rates published by the 'Canadian Institute of Chartered Accountants' (CICA) regarding firms' disclosure quality to analyse their correlation with the practices relating to corporate governance. Labelle evaluated the years 1996 and 1997 and demonstrated the absence of consistent correlation among the quality of disclosure and the proportion of independent board directors and CEO duality. In contrast, the company size was identified as the most impactful explanatory variable.

It can be argued that the duality of CEO role can be one of the factors that affect the quantity and quality of CSR reporting, consequently, the following subset hypotheses will be examined:

**H2E:** There is a relationship between the CEO duality role and CSR reporting of listed companies.

**H2Eq:** There is a relationship between the CEO duality role and CSR reporting quality of listed companies.

#### 2.5.2.4 The presence of Audit committee

Within the context of corporate governance, the audit committee presence is important in many aspects towards companies and was found to reduce the incidence of errors, reduce irregularities and increase the reliability and credibility of financial and social reporting (McMullen, 1996). According to Samaha, Khelif and Hussainey (2015), the audit committees are generally seen as a mechanism to monitor and improve the function of external financial reporting. Agency theory postulates that the existence of an audit committee can decrease the agency costs, and it is considered a significant element for the board of directors to internally

control decision making and improve the quality of information communication between managers and owners (Alnabsha et al., 2017).

The previous literature has found a positive relationship between the presence of audit committee and the extent of company's disclosure (Barako, 2007, Alnabsha et al., 2017). However, some researchers found no relationship between the type of audit firm, and presence of audit committee and enhanced disclosures (Wallace et al., 1994; Hossain et al., 1995). Recently, Helfaya and Moussa (2017) investigated the impact of board's corporate social responsibility on the extent and quality of environmental disclosures using a sample from UK listed companies. They found a positive and significant relationship between the availability of audit committees and CSR disclosure. Ho & Shun Wong (2001) evaluated the correlation among the voluntary disclosure and four corporate governance's components through employing a sample of 92 listed companies in Hong Kong, incorporating a number of industries. The researchers singled out twenty voluntary disclosure items to calculate the dependent variable, the voluntary disclosure level and to assess its correlation with the independent variables, the share of independent non-executive board directors, CEO duality, the presence of an audit committee, and the percentage of family board members. The multiple regression results demonstrated a positive correlation between the availability of audit committees and the comprehensiveness of voluntary disclosure, as well as a negative association with the share of family board members. CEO role duality and independent board directors, the remaining two corporate governance explanatory variables, were not given support by the tested model. With regard to the control variables, only the size of the firm, assessed as the log of total assets, was identified to influence the voluntary disclosure levels, whilst profitability, assets in place and leverage were not connected with the disclosure level.

The positive correlation between the presence of an audit committee and voluntary disclosure levels was supported by a study by Barako, Hancock, & Izan (2006). They analysed the relationship of ownership structure as a corporate governance proxy, alongside a group of company characteristics, with the voluntary disclosure level. The research considered 43 listed Kenyan companies in four economic different industries: industrial sectors, finance and investment, commercial and services, and agricultural. A voluntary disclosure index consisting of 47 items, encompassing both CSR and financial disclosures, 42%, 58% respectively, was employed to assess the voluntary disclosure level present in the annual reports. In order to assign weight to the disclosure, according to its significance, every disclosure item was given a number on a scale from zero to four. The checklist of disclosure was divided into four groups;

the first group covering strategic and overall disclosures, the second group concerning non-mandatory financial data, the third group consisting of forward-looking information and the last group including the disclosures regarding social responsibility.

Consistent with the abovementioned arguments, the following subset hypotheses will be tested.

**H2F:** There is a relationship between the presence of an audit committee and CSR disclosure of listed companies

**H2Fq:** There is a relationship between the presence of an audit committee and CSR disclosure quality of listed companies

#### **2.5.2.5 Audit firm's type**

Agency theory suggests that auditing helps to mitigate the interest conflicts among investors and management (Xiao, Yang & Chow, 2004). Larger auditing firms such as (big4) have higher standards regarding the quality of information disclosed, since their incentive is to maintain their reputation and preserve their brand name (Huang & Kung, 2010). Moreover, if a company is audited by well-established auditing firm, analysts tend to extend higher recognition to the quality of their disclosure (Ahmed & Courtis, 1999). Empirically, it has been found that international audit firms (the big 4) are more likely to be associated with the increase of disclosures (Xiao, Yang & Chow, 2004). In the same context, Ahmad, Hassan, & Mohammad (2003) investigated the same factors (size, profitability, leverage (Total debt/total tangible assets), auditor type, industry membership) and their influence on the environmental disclosure for Malaysian listed companies. Based on a sample of 299 firms, the findings showed that leverage and audit firm type (if the audit firm is one of the big four) has a significant relationship with CSRD while profitability does not have a significant relationship with environmental disclosure. Another study by Kent & Stewart (2008) examined the association between corporate governance, firm's characteristics and CSR disclosure found that the type of audit firm and the number of board meetings are positively associated with the quantity of disclosure. The research demonstrated that firms that hired big external audit firms share more data than companies that hired audit firms that were smaller. Kent & Stewart determined that competent governance, focusing on quality monitoring and giving more voluntary disclosures. The disclosure of voluntary or mandatory information is normal activity among companies in order to mitigate political costs and agency cost, and to reduce information asymmetry. Given this argument, the following subset hypotheses will be examined:

**H2G:** There is a relationship between the type of Audit Company and CSR reporting by listed companies.

**H2Gq:** There is a relationship between the type of Audit Company and CSR reporting quality by listed companies.

#### **2.5.2.6 Board size**

The ongoing debate about the relationship between board size and CSR disclosures has attracted the researchers to investigate it. Agency theory postulates that higher number of directors in the board improves the monitoring capabilities of the board, which will improve both their transparency and disclosure activities (Kaymak & Bektas, 2017). Donnelly and Mulcahy (2008), studied the association between the size of the board and voluntary disclosure in Irish firms, they have used a sample of 51 listed companies in Ireland, and found a positive relationship among the size of the board and the voluntary disclosure level. Frias-Aceituno, Rodriguez-Ariza & Garcia-Sanchez (2013) studied the relationship between board size, independence and diversity, and corporate social reporting. They found that the board size has a positive significant relationship with CSR disclosures. All listed Australian firms on the stock exchange in 2004 were chosen by Kent & Stewart (2008), eliminating companies that did not give information or had figures missing. The findings illustrated that the board size related directly to the disclosure comprehensiveness, whilst the size of the audit committee was negatively associated. Furthermore, it was shown that the audit committee independence and CEO duality were not linked with the level of disclosure. More recently, a study in the US examined the relationship between corporate governance characteristics and CSR disclosure, with particular reference to the board of director's role, on the quality of CSR disclosure (Jizi et al., 2014). They found that board size and board independence have a positive and significant relationship with CSR disclosure. In other words, larger number of members in the board results in greater disclosures. While other researchers found a negative relationship between board size and CSR disclosure (Kota & Tomar, 2010; O'Connell & Cramer, 2010), they argued that having more directors on the board will lead to increase the problem of communication and coordination among them. However, the Jordanian security commission limited the number of directors to be minimum 5 directors and maximum 13 directors. To that end, the following subset hypotheses will be tested to find the relationship between board size and CSR disclosure:

**H2H:** There is a relationship between board size and the extent of CSR disclosure

**H2Hq:** There is a relationship between board size and CSR disclosure quality.

### **2.5.2.7 Number of board's meetings**

García-Sánchez et al. (2011) argued that to ensure the accuracy and the quality of the disclosed information (financially and non-financially); this requires a high presence of a considerable number of directors with experience and diversity, in order to effectively perform these supervisory roles. The board activity (number of meetings) is a sign of board efficiency, which enables the members of the board to better supervise firm's operations, which consequently lead them to express higher interest in disclosing information in order to keep stakeholders familiar of their efforts (Frias-Aceituno, Rodríguez-Ariza, & García-Sánchez, 2013). Laksmana (2008) studied the relationship between corporate board governance and voluntary disclosure, and found a positive and significant relationship between the frequency of board meetings and company's disclosure. Moreover, Allegrini & Greco (2013) also examined the relationship between corporate boards and voluntary disclosure using a sample from the Italian stock market. They found that higher frequent meetings of the board of directors increases the level of transparency, and thus the level of voluntary disclosure. More recently, a study by Alnabsha et al (2017) examined the relationship between corporate boards, ownership characteristics and firm's characteristics and corporate's voluntary and mandatory disclosures using a sample withdrawn from Libyan firms. They found that the number of meetings and audit committees have a positive and significant relationship with the overall disclosure level. The debate around the impact of board meetings on CSR disclosure still ongoing, Giannaraki (2014), found in his study on US companies that the number of board meetings do not have a significant impact on the extent of CSR disclosures. Whereas, recently, Naseem, Rehman, Ikram, & Malik (2017), found that board meetings and board size has a positive and significant link towards CSR disclosures. The mixed results for the implications of the number of board meetings have led to develop and test the following subset hypotheses:

**H2I:** There is a relationship between the number of board meetings and the extent of CSR disclosures.

**H2Iq:** There is a relationship between the number of board meetings and the quality of CSR disclosures.

### **2.5.3 Ownership structure**

There are variations in corporate's ownership worldwide. Firms are diffusely owned in some countries, with managers having complete control; whereas some countries have companies

with more concentrated ownership (Bebchuk & Roe, 1999). The UK and the USA, as well as other developed countries, tend to be characterized by dispersed ownership (for example mutual funds and pension funds) (Chau & Gray, 2002: 249; Holderness, 2009). However, ownership is heavily concentrated in developing countries (Denis and McConnell, 2003). Eng & Mak (2003: 326) stated that ‘the structure of ownership determines the level of monitoring and thereby the level of disclosure’.

Jordan’s ownership structure varies between government ownership, family ownership and institutional ownership, and individual ownership. A recent study found that government ownership and institutional ownership are the dominant types of ownership in Jordan (Zeitun, 2009). It has been noticed that government holds a high percentage of shares in media, steel, mining, and energy, because they are considered to be strategic industries. However, institutional and individual ownership are more concentrated in the services sector, such as, textiles and clothing, medical, educational services and construction and engineering (Zeitun, 2009). These different types of ownership can result in variations in disclosure activities. Since each group of owners may have different motivations and aims behind their disclosure’s actions. Therefore, Makhija & Patton, (2004) analysed the effect of ownership structure on the degree of voluntary financial disclosure; finding that the disclosure extent has a positive correlation with investment fund ownership when the fund ownership is in the lowest level, yet but is correlated negatively with investment fund ownership when a high level of ownership exists. Moreover, Smith et al, (2005) propose that ownership structure might have an impact on the relationship among firms and stakeholders, as well as influencing the extent and quality level of CSRD.

In terms of CSRD, the ownership structure can lead to a legitimacy gap (Haniffa & Cooke, 2005: 401). Where a dispersed ownership structure is in place in a company, opportunistic behaviour from management and issues arising among agents and with regard to principles is more prone to happen (Tagesson, et al, 2009). In contrast, concentration of ownership results in accountability is a less important issue and this leads to companies having little motivation to voluntary disclosure (Naser, et al, 2006). In other words, ownership structure has an impact in relation with both dimensions. Corporate governance looks at the agency problem and ownership diffusion makes this issue worse (Chen, 2001). Consequently, there is a necessity for suitable governance practices that can have an effect on company’s response to social pressure. In contrast, ownership structure can also act as a significant form of motivation for managers (Milgrom & Roberts, 1992), and further, can have an impact on the behaviour of managers (Grossman & Hart, 1988). Therefore, it may be said that, generally, the companies

with higher diffused ownership may be more willing to respond to the society's view of them to retain decent relationships with different owners.

Recently, more studies have concentrated on company's ownership structure and its effect on CSR in the developing countries. By understanding the ownership nature, it will be easier to specify which type of ownership has a positive or negative effect with the amount or the quality of disclosures (Mohd Ghazali, 2007). The structure includes government ownership, family ownership, foreigner ownership and director's ownership. Commonly, voluntary disclosures are provided to fulfil the requirements of different stakeholders, hence, if the ownership is concentrated in one group of owners, this group might ask for less information since they get internal information instead. The distinguishing of ownership and the percentage of shares owned by a group define the company's policy for disclosures (Zourarakis, 2009; Samaha et al., 2012). In addition, the variety of shareholders in companies has resulted in different demands for disclosures. The previous literature has focused on the relationship between ownership structure and voluntary disclosure (financial and non-financial) (Eng & Mak, 2003; Juhmani, 2013). The effect of ownership structure on CSR remains disputed.

According to Creswell & Taylor (1992), foreigners or non-governmental organisations (NGOs) tend to demand more disclosure, due to the different work environment and the separation between management and investors. Family and government ownership is one of the main shareholders of businesses operating in Jordan. The relationship between government ownership and CSR disclosure extent still debatable. According to Eng & Mak (2003) and Ghazali (2007), government ownership was found as important when explaining the increase in the extent of CSR, while Naser et al. (2006) found that government ownership has a slight impact on the extent of CSR disclosure.

From a theoretical point of view, different opinions exist to explain the relationship between government ownership and corporate disclosure. One assumes that companies with high government ownership can easily get funding from government, which means companies can attract investors without the need for additional disclosure. On the contrary, the other opinion is that companies with high governmental ownership are under public scrutiny, which leads to higher information disclosures (Alnabsha, Abdou, Ntim, & Elamer, (2017).

Juhmani (2013) studied the relationship between voluntary disclosures and ownership variables in Bahrain. 41 Bahraini listed companies were examined and it was found that no relationship was evidenced between governmental ownership and managerial ownership with voluntary

disclosures. Whereas, block-holder ownership (shares owned by substantial shareholders 5% or more) has a negative association with voluntary disclosure.

Mohd Ghazali (2007) investigated the relationship between company size, directors' ownership and government ownership in Malaysia. The results showed a significant relationship between the previous variables and CSR in annual reports, but the relationship between CSR disclosure and directors and government ownership are in the opposite direction. High ownership by directors results into fewer disclosures and vice versa with government relationship (Mohd Ghazali, 2007). Debate continues around which type of ownership has a positive or a negative impact on CSR disclosures. More recently, Abdullah, Mohamad, & Mokhtar (2011) has conducted a study on the top largest 100 companies in Malaysia, they examined the effect of board independence and ownership on CSR disclosures; they have used a multiple regression to find the relationship between ownership structure and CSR. They found a negative relationship between family owned firms with the level and quality of CSR disclosures.

Eng & Mak (2003) however, conducted another study and obtained varying results when utilising a sample of financial and non-financial companies listed on the Singapore stock exchange. Eng & Mak analysed the influence of ownership structure and the composition of the board on the comprehensiveness of voluntary disclosure. The ownership structure was measured in relation to block-holder ownership, managerial ownership, and government ownership, whilst the composition of the board was evaluated through the proportion of independent directors. In order to examine the level of strategic, financial and nonfinancial information, for example product and employee's information provided in the annual reports, a disclosure score sheet was developed. The disclosure level was evaluated as the total score of disclosed items in relation to the three aforementioned categories. Through using the OLS regression on a sample of 158 firms listed at the end of 1995, the study identified that managerial ownership at lower levels and higher government ownership improved the voluntary disclosure level. In contrast, a bigger percentage of independent directors were shown to be inversely relative to the voluntary disclosure level. They suggested that the improved monitoring level resulting from the larger number of independent directors substitutes the necessity for increased disclosure. The research further identified that bigger firms, with firms who had reduced debt levels, also possessed a higher degree of voluntary disclosure. The remaining control variables; auditor, profitability, type of industry and growth

opportunity were not found to be significant with the comprehensiveness of voluntary disclosure.

Institutional ownership is also considered one of the important types of ownership in Jordan. It includes mutual funds, private firms, insurance companies and bankers (Mahoney & Roberts, 2007). The previous studies have found mixed results in terms of the relationship between institutional investors and CSR disclosures, positive or neutral relationship (Saleh, Zulkifli, & Muhamad, 2010; Mahoney & Roberts, 2007; Cox et al., 2004). According to stakeholder theory, investors see companies as citizens, and in order to be a good citizen, companies have to interact with the surrounding environment (Saleh, Zulkifli, & Muhamad, 2010). Also, legitimacy theory suggests that companies with high institutional ownership are strongly motivated to reveal more information to gain the support of institutional investors to justify their sustained stewardship (Alnabsha et al., 2017).

Habbash (2017) argues that there are two types of institutional investors, the active and the passive ones. The active investors are those investors who have high resources and experience and considered sophisticated, this type can undertake more monitoring of the management and hence more information will be disclosure (Ntim & Soobaroyen, 2013). The passive type are the ones that they are looking for short term interests and do not have the motivation to request extra disclosures (Alves, Rodrigues, & Canadas, 2012).

Mahoney & Roberts (2007) examined the relationship between institutional ownership and CSP using a sample from listed companies in Canada. They found a positive and significant relationship between institutional ownership and the level of environment and social engagement by companies. Moreover, Saleh et al (2010) examined the association between institutional investors and the level of CSR disclosure in Malaysia. By using companies' annual reports and applying the multivariate analysis, they found a positive and significant association between institutional investors and CSR disclosures.

The aforementioned empirical argument has resulted in formulating the following fundamental hypothesis:

**H3:** There is a relationship between ownership structure and the level of extent and quality of CSR disclosure.

However, three specific or subsets hypotheses of the fundamental hypothesis are formulated in order to find the specific type of ownership that has a relationship with CSR disclosure extent and quality.

**H3A:** there is an association between government ownership and CSR disclosure by listed companies.

**H3Aq:** there is an association between government ownership and the quality of CSR disclosure by listed companies

**H3B:** there is a relationship between ownership concentration (block-holder) and CSR disclosure by listed companies.

**H3Bq:** there is a relationship between ownership concentration (block-holder) and the quality of CSR disclosure by listed companies.

**H3C:** there is a relationship between institutional ownership and CSR disclosure by listed companies.

**H3Cq:** there is a relationship between institutional ownership and the quality CSR disclosure by listed companies.

## **2.6 CSRD Consequences**

The initial result of CSRD is the expected positive effect on company's economically performance. Balabanis et al. (1998) proposed that past, concurrent, and future financial performance is linked to both corporate social performance (CSP) and CSRD. They affirmed that both CSP and CSRD are interconnected, and correlated with concurrent financial performance. One of the determinants of CSRD is thought to be past financial performance, whereas future financial performance is believed to occur because of CSRD. Bird et al. (2007) argued that there are numerous ways in which CSR activity expenditure might translate into increased value for the firm:

- Activities, for example energy efficiency, lead to cost cuts, which can result in improved profitability and an apparent rise in market valuation of the company.
- Activities, for example improving the production quality, can result in reputational advantage, which can impact positively on both market valuation and profitability in the longer-term.

- Activities, for instance voluntarily restricting pollution emissions, can mitigate future government action, as well as other regulatory bodies that can enforce substantial costs on the firm (Bird, et al., 2007).

Generally, the effect of CSRD on economic performance is mirrored in a positive influence on the company's value in the market. In theory, a higher disclosure level (in quality and/or quantity) lessens the information asymmetry among the firm and the shareholders or between potential share sellers and buyers. Therefore, this should reduce the discount at which firm shares are sold, and hence lower the costs of issuing capital (Leuz & Verrecchia, 2000: 92). Further, Plumlee, Brown, & Marshall (2008) proposed that the quality of disclosure has both indirect and direct impacts on the expected cash flow. The indirect impact is due to the influence on the cost of capital, therefore altering the hurdle rate of the company since it applies to future projects. As a result, the project's possible positive net present value to a firm adjusts in relation to its quality of disclosure. Ge and Liu (2015) investigated the association between CSRD and the cost of corporate bonds, they found that improved disclosures of CSR is associated with lower yield, hence less cost. Plumlee, et al (2008) argued that the direct impact is due to the fact that high level of disclosure quality might have a value for the information which gives more comprehensive understanding of firm's behaviour. Nagar, Nanda & Wysocki (2003) emphasized that investors might assess the value of a company dependent on if information was released or not on a specific date and if it was good or not. Moreover, Rahman (2002) suggested that one of the determinants of market value is corporate voluntary disclosure in accordance with external and internal corporate governance factors. In terms of CSRD, Blacconiere & Patten (1994) also argued that environmental disclosure is anticipated to calm the market negative reaction to environmental disasters.

The consequences of CSRD rely on its significance to every area of society (Hamann, Lane & Hudak, 2000). Therefore, the economic ramifications of CSRD rely on its relevance to the financial market. In this sense, it can be contended that theoretically the connection among CSRD and economic performance is dependent on two linked ideas: first, the rising preoccupation of CSR concept is associated with the growing attention being paid to social responsibility investments (SRI), second, the anticipated rise in the share of SRI in capital markets. With regard to the broadening interest in the CSR concept, which has resulted in numerous studies examining the potentially positive correlation among corporate financial performance and corporate social performance CSP; these studies, in the majority of circumstances, have indicated a positive relationship between the two. Further, they have also reflected on the fact that investors consider CSP information when making investment choices.

Moreover, Solomon & Solomon (2006) suggested that there has been expansion in the integration of environmental and social considerations in UK institutional investments (Solomon & Solomon, 2006). In contrast, Wahba (2008) said that although there is an increasing belief that social performance has a positive influence on financial performance, to date, these theories are not conclusive and empirical evidence has been contradictory (Wahba, 2008). Furthermore, Shane & Spicer (1983) emphasised that empirical research has examined the general question of if investors have found social information useful or not in relation to investment choices through assessing institutional investors' demands for the purposes of social information, and analysing the reaction of the stock market to voluntary corporate social disclosure. They found that it is not apparent if investors do utilise corporate social information when undertaking investment choices (Shane & Spicer, 1983). Business in the Environment, (BIE), (1994) cited in Deegan & Rankin, 1997), analysed the attitudes of British investment analysts regarding issues connected with the environment, and discovered that environmental matters have a minor ranking in the analysts' priorities when they are making their analyses for investment.

Henningson (2008) also found that fund management groups are not subject to any pressure to incorporate social and environmental matters as their focus is on corporate financial performance. Additionally, other studies that have analysed the significance of social responsibility data for investors gave mixed findings. Thus, the assumption that social responsibility data is significant for investment choices is still under debate. Another concern that arises within the argument regarding investors being interested in social and environmental data is that investors might favour external authorities for obtaining information regarding companies' social performance. Additionally, Solomon & Solomon (2006) claimed that the bulk of literature from the last 30 years appears to propose that social, ethical and environmental data is thought to be decision-useful, yet is often disclosed inadequately (Solomon & Solomon, 2006). Murray et al. (2006) also argued that a significant opportunity is offered to financial markets for international capitalism to remake itself in a guise that is fitting with the constraints of sustainability via fresh information, and specifically, information regarding social responsibility activities. Consequently, social and environmental disclosure via annual reports satisfies; however, this disclosure is not adequate, as it does not provide a comprehensive picture of a company's social responsibility activities (Murray et al., 2006). Dhaliwal et al.'s (2009) empirical study further emphasised that investors are actually concerned with social performance, however simultaneously; they have more interest in social performance indicators than CSR reporting. Thus, it seems that if we accept the proposal that

investors are concerned with information relating to social responsibility, it is not obvious the extent which CSRD plays in this progression. In conclusion, no clear theoretical connection among CSRD and financial performance exists.

### **2.6.1 CSR disclosure and financial performance**

CSR was defined by The World Bank as activities concerned with the welfare of society, alongside improving business progression. Starks (2009) also explained it as, 'Corporate social responsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for. CSR engagement can have strategic and financial benefits (Standburg, 2005; Kolk, 2010).

Increased trust, acting as a buffer of goodwill and the accompanied competitive advantage are all aspects that can lead to improved performance and decreased risk, and firms can achieve this through voluntary CSR and reporting (Aguilera et al., 2006; Money et al., 2007; Gill, 2008). This is one of many reasons why stockholders are gradually asking boards and managers to be engaged in CSR, and provide reports about it (Kolk and Pinks, 2010); non-financial firms also require a huge degree of trust and high level of ethical behaviour to be successful. Therefore, ethical behaviour and commitment to these values might be emphasised via creating socially conscious products, giving aid to charities and providing assistance in terms of education and health care (McWilliams & Siegel, 2001). Moreover, Reverte (2009) defined CSR as the voluntary interaction among the company and its stakeholders by meeting their social and environmental concerns through their activities, which helps with building on their reputation and developing on their image as a result (Branco & Rodrigues, 2006). Consequently, through CSR engagement and reporting, companies are able to enhance the connection with their stakeholders and maintain their presence, growth, and continuity (Branco & Rodrigues, 2006). Further, social responsibility can aid in building up customers' loyalty to the brand and give employees more motivation (Mackenzie, 2007).

From a financial perspective, Simpson & Kohers (2002) identified a clear correlation among firms' social and financial performance. Their argument was that dealing with the needs of non-stockholders' and reporting on the firm's community engagement had a positive impact on the performance of firm and helped build stakeholder's trust. Furthermore, companies' engagement in social responsibility activities is reflected in the value of the company through experiencing a reduced cost of capital and lower risk (Ghoul et al., 2011). The influence of social reputation might be responsible for this reduction in a firm's level of systematic risk

which can be impacted on by the risk of social violation and claims (Salama, Anderson & Toms, 2011). Consequently, firms that are socially responsible are likely to be less exposed to the future penalties that may result, for instance, due to product safety, employee disputes, as along with consumer fraud (Waddock & Graves, 1997).

The effect of CSR on performance might be influenced by how companies manage the risk that faces them. For example, managing the environmental risk (e.g., emission reduction) will reduce the possibility of environmental crisis, which can negatively affect the firm's performance and cash flows (Sharfman & Fernando, 2008).

Money & Schepers (2007) undertook an exploratory study and collected data via interviews held with 13 senior corporate governance and social responsibility practitioners in UK companies. The interviews, plus the review of the company's websites and social responsibility reports, showed a rise in practices relating to social responsibility in the years previous, and a tendency towards a strategic perspective in the long term, rather than only a short-term performance perspective. A conclusion that they came to was the direct connection between stakeholder's value and the shareholders. Additionally, the research identified that management is employing CSR activities to mitigate risk indicators and improve the performance of the firm. This can be achieved via the reputation and trust secured from the relationship constructed between the company and its stakeholders due to their social behaviour. Several empirical studies have investigated the association between CSR and corporate financial performance (Platonova, Asutay, Dixon, & Mohammad, 2016; Drobetz et al., 2014; Jitaree, Lodh, & Bhati, 2014; Kang, Lee, & Huh, 2010; Rettab, Brik, & Mellahi, 2009; Inoue & Lee, 2011; Vurro & Perrini, 2011; Grosbois, 2012). However, there is still ongoing debate in the results due to the inconsistencies in the methodological and theoretical frameworks.

Concerning CSR disclosure and the relationship with a firm's performance, Scholtens (2008) claimed that supplying an appropriate set of information regarding management activities, allocation of resources, financial position and competitiveness in the market, all assist in the process of evaluating the risk of a firm. He also evaluated the CSR performance of 32 international banks for the years 2000 and 2005 in the United States, Europe and the Pacific. Scholtens indicated that no optimal methodology was employed in prior studies to quantify a bank's participation in social responsibility, which could be followed. As a result, he singled out four categories of CSR and formulated a framework that separated the four categories into 29 indicators of CSR. The four categories of social responsibility were the following, environmental management, 'code of ethics and sustainability reporting, social conduct, and

responsible financial products. The sustainability content and CSR reports, in addition of websites, were reviewed and a score for CSR was allocated to each bank.

The findings of the research showed that generally, banks are participating more in social responsibility and it is spreading further throughout the financial sector. Additionally, the regression analysis findings gave firms backing to the correlation among CSR score and the financial performance of banks and size. These findings were interpreted from the perspective of stakeholder theory, highlighting that firms are a component of their society and therefore they need to be coherent with it, recognise its values and behave in a way, which is in their best interests to uphold their social agreement. In undertaking CSR activities and providing reports regarding these achievements, they mirror their appreciation of societal values, develop their image and strengthen the connection with stakeholders, which in turn helps maintain their existence, growth in the business area and ensures continuity. It was also found, that the demand for CSR activities and reporting has increased, since investors with an interest in socially responsible investments require related information that cannot be established via the conventional financial reports (Holder-Webb et al., 2009). Furthermore, in terms of the signalling-theory angle, the performance of the business is believed to be related to the degree of information voluntarily disclosed (Watson, Shrivs, & Marston, 2002). Thus, companies may have more incentive to disclose CSR data in order to highlight their community investment activities as an indicator of good standing and a healthy position financially.

CSR theories also have engaged in the ongoing debate regarding the effect of CSR on firms' performance. Neoclassical economists are the supporters of the negative relationship between CSR and financial performance (Simpson & Kohers, 2002). They argue that firm's profit will be reduced if the company adopted a social path in their strategy, because of the costs that will incur and could be avoided. On the other hand, the stakeholder theory assumes that there might be a positive association between CSR and financial performance (Mallin, Farag & Yong, 2014). According to Waddock & Graves (1997), the benefits from CSR are greater than its costs. Therefore, a positive relationship should be established.

The most common view is that high level of social activities improves the company's reputation and maintains a good relationship with stakeholders based on mutual trust, which will result in a better performance and better market value (Ruf et al., 2001). Wu (2006) found a significant relationship between CSR and financial performance when he analysed 197 Taiwanese companies by using a multiple regression. In the same context, Chen & Wang (2011) also found a significant relationship between CSR and financial performance in the Chinese

firms, which support what Wu found. Conversely, other researchers found a negative relationship between CSR and CFP (Vance, 1975; Becchetti & Ciciretti, 2009).

Inoue & Lee (2011) conducted a study centred on investigating the impact of CSR dimensions on the financial performance in the context of tourism industry. The CSR dimensions are product quality, diversity issues, community relations, employee relation, and environmental issues; they assumed that the entire dimensions have the same effect on performance, while the results showed that each dimension has a different impact on performance. This study has given guidance to the tourism managers concerning which dimensions to focus on.

Based on several studies from the CSR literature, three assertions were presented regarding the association between CSR and financial performance. The first group of researchers based their views on what Friedman (1970) presented, a negative association between CSR activities and financial performance, for example, the changes in stock price (Vance, 1975), earnings per-share forecasts (Cordeiro & Sarkis, 1997), or excess return (Wright & Ferris, 1970). Friedman's argument was established on the fact that management are selected by the stockholders as representatives and their only responsibility is standing on behalf of their best interests. From this perspective, Friedman believed that the only responsibility of business is to use its resources into activities that maximise owner's wealth. In the other hand, any other uses of the resources will have a contrary impact on firm performance.

The second group of researchers argued that CSR has a positive impact on firm's performance (Heinze, 1976; Grave & Waddock, 1994; Bird et al., 2007; Judge & Douglas, 1998; Nicolau, 2008; Orlitzky et al., 2003; Waddock & Grave, 1997; Pava & Krusz, 1996), this group based their argument on stakeholder theory, they postulate that firms should enlarge the beneficiary circle to include other stakeholders such as customers, employees, suppliers and communities, and not just limited to shareholders. The second group affirm that CSR activities can enhance firm value by improve firm reputation, immediate cost saving, or dissuasion of upcoming actions by regulatory bodies such as governments (Kang, Lee, & Huh, 2010).

The third group assert that there is no relation between the CSR activities and the firm performance (Alexander & Buchholz, 1978; Teoh et al., 1999; Aupperle et al., 1985). Thus far, the empirical results in the literature have no definite answer to the relationship between CSR and corporate financial performance.

Better performance leads to better market value in public firms (Malik, 2015). The aforementioned studies have established that adopting and engaging in CSR can lead to improved financial performance, but will it have the same effect on market value?

Recently, a study by Lins, Servaes, & Tamayo (2017: 1) stated that ‘firms with high social capital, as measured by corporate social responsibility (CSR) intensity, had stock returns that were four to seven percentage points higher than firms with low social capital’. From a shareholder’s perspective, the company that perceived high in social activities, and engage in several CSR activities may lead investors to place a valuation premium on these companies (Guiso, Sapienza, & Zingales, 2008).

The previous literature has studied the effect of CSR on firm’s financial performance. The empirical findings of the previous studies still inconclusive, but according to stakeholder theory higher disclosures leads to better performance, the following fundamental hypotheses will be examined:

**H4:** There is a relationship between CSR reporting and financial performance.

**H4q:** There is a relationship between CSR reporting quality and financial performance.

### **2.6.2 CSR disclosure and market value**

The capital market has been established to be positively influenced by the reporting of CSR performances. A solid framework can be provided by stakeholder theory to understand the influence of CSR disclosure on the market value of firms. The theory affirms that a firm can be understood to be a form of interdependent stakeholder interactions, comprising of not only the respective stakeholders, but also the individuals and groups which are in a position to influence or be influenced by the firm’s actions (Clarkson, 1995).

Stakeholder theory argues that a company’s achievement is mainly dependent on its compliance with the expectations of stakeholders as well as the capability of meeting stakeholder’s need despite the diversity in information. In this regard, Gray et al. (1995) argues that CSR information is important to firms, whereby they are able to receive support and gain approvals from different stakeholders (consumers, legislators, Non-Governmental Organisations, investors and suppliers among others).

Generally, a number of stakeholders such as the Non-Governmental Organisations, investors and consumers have taken a major interest on issues that are specifically associated with the environment and social aspects. In relation to the stakeholder theory, a company’s environmental and social interactions through disclosures in related reports, represents an activity that can fulfil the continuous information demand of shareholders. This is also supported by Dhaliwal, Radhakrishnan, Tsang, and Yang (2012), who claimed that the reporting of CSR is significant for shareholders since there is likelihood that the activities

associated with CSR could affect the value of companies through operational costs, sales, financing and associated risks.

According to Bebbington, Larrinaga, & Moneva (2008), stakeholders are mainly interested in the evaluation of risks and the projection of profit of companies. Apart from financial information, the disclosure of CSR is projected to provide critical information that affects a firm's earnings and cash flow to shareholders in the future. Nonetheless, the provision of disclosures related with the environment and the social aspects, is believed to reduce the disproportionateness of information that exists between the shareholders and the managers of the companies. Additionally, it may also lower the general information on transaction costs (Cormier, Aerts, Ledoux, & Magnan, 2009; Dhaliwal, Li, Tsang, & Yang, 2012; Cormier, Ledoux, & Magnan, 2011).

According to Jamali (2008), the reporting and enhancement of the performance of CSR is able to produce viable measures that should be appreciated by shareholders. Upon the provision of information concerning the CSR attitude and behaviour of a firm, there is a likelihood maintaining a better interaction and a better reputation for shareholders as well as the external stakeholders (Branco & Rodrigues, 2006; Aerts & Cormier, 2009; Bitektine, 2011).

There are several aspects related to market value and performance. According to Jo & Na (2012), investing in corporate social responsibility can reduce firm's risks. Firm risk can be defined as the risk that appears from factors that related to each company. These factors can affect the firm's profitability and market value, and they are a combination of internal and external factors. For example, firm operations can be one of these internal factors, which might affect the market value if the demand on their products changed (Donaldson, 2012). External factors can vary from social, financial and environmental crisis that could impacts the firm's market value. Jo and Na (2012) studied the effect of CSR on firm's risk in controversial industries such as Tobacco and Alcohol using a large sample of 2719 firms. The study used a five categories index (environment, community, diversity, employee's relation, and product quality and safety) extracted from KLD database. They found a significant negative relationship between CSR engagement and firm's risk (Jo and Na, 2012). Similarly, Husser and Evraert-Bardinet (2014) studied the effect of corporate social and environmental disclosure on market value, by using a sample of 120 companies that were listed in the French stock exchange. The results confirm the existence of positive relationship between CSR disclosures and market value, since disclosures are considered to be a coherent and global set of

information by investors, in order to evaluate and analyse the social and environmental issues that companies face. Eventually, it influences the investor's perspective and their decisions regarding investing in these companies (Husser & Evraert-Bardinet, 2014). Thus, improving these disclosures (social and environmental) will affect the stock value of companies, because disclosures allow investors to have more information and hence better understanding of companies risks. This eventually will result in reduced information asymmetry and less risk (Dejean & Martinez, 2009; Husser & Evraert-Bardinet, 2014). The quality of environmental and social disclosure has dual positive consequence: first, it increases the investors' degree of certainty concerning their return on investments in addition to the degree of the directors' trustworthiness (Husser & Evraert-Bardinet, 2014). The previous result is consistent with Von Arx and Ziegler (2014) findings; they concluded that CSR and environmental disclosure have an effect on market value and particularly stock performance. The study was performed on two regions namely: USA and Europe. The study suggests that engaging in CSR is worth it for the company, otherwise stakeholders might withdraw their support from the company and stop investing. For example, disclosure of some environmental information can reduce the risk of being attacked by non-governmental organisations (Von Arx & Ziegler, 2014).

The prior studies have looked empirically into the relationship between the level of CSR disclosure and market value but their findings are mixed. A positive relationship between CSR reporting and market value is found by Wang and Li (2015) and Cahan et al. (2016). However, Guidry & Patten (2010) did not find a significant relationship between these two. On the contrary, a study by Jones et al (2007) affirms that the level of CSR reporting has a negative relationship with company's value. According to the aforementioned argument, the following fundamental hypothesis is formulated and will be tested.

**H5:** There is a relationship between CSR reporting and Market value.

**H5q:** There is a relationship between CSR reporting quality and Market value.

## 2.7 The context of Jordan

Since Jordan is one of the key financial centres of the Middle East, immersed in the worldwide economy, the concept of corporate social responsibility is becoming prioritised and of increasing importance in the developing countries and specially in Jordan. The government of Jordan has assigned much attention in the last two decades to the social and environmental disclosures. In October 1995, a new formation of law regarding the environmental protection was introduced, followed by the securities commission Law in 1998 (Ismail & Ibrahim, 2009). The new established law was presented to ensure the protection of the environment, and gave

authority to government to do regular checks on company's activities in order to ensure the compliance with the environmental standards. In 1998, another progressive step regarding disclosure was undertaken, when the Jordanian securities commission (JSC) issued Directive number (1), which mandates all listed companies to disclose information about their social and environmental contribution to the society in their annual reports (Al-Khadash, 2003). Until that period, the quality of Jordanian companies' disclosures was considered suboptimal, which made the financial statements users worried about the adequacy and reliability of the disclosed information. However, in 2002, JSC passed Securities Law No. 76. The main feature of this law is requiring all listed companies to comply with IFRS when preparing their annual reports, and stressed on the board of director's responsibility in ensuring enhanced disclosure's practices. Importantly, Jordan securities commission (JSC) was empowered by the 2002 law to issue penalties for companies for non-compliance such as: suspend of trading, issuing fines, and delisting from the market. This mechanism aimed to improve the reporting outcomes (Moehrle et al., 2012). In addition, it gave the JSC staff the authority to monitor the disclosure quality (ROSC, 2005). Furthermore, the 2002 Securities Law included elements from Organisation for Economic Cooperation and Development (OECD) principles of corporate governance. The law requires listed companies to have on their board of directors one third of their directors to be non-executives, and the board must have a minimum of five members, and not exceed thirteen, and firms should register all their shares ownership at securities depository centre (SDC). In addition, the duality of CEO role was prohibited in the 2002 law unless there is a significant reason for that, but most importantly, the 2002 law has strengthened JSC staff and gave them wider authorities to protect investors and monitor firm's disclosures (ASE, 2015).

After reviewing the main regulating bodies in Jordan and their responsibilities, the following article include the legal instructions of what the board of directors shall disclose in the annual report:

1. The statement of the board directors.
2. A description of the company's main activities, with their respective geographical location, size and number of employees.
3. A description of the subsidiary companies, the nature of their business and their areas of activity.
4. The company's competitive position within its sector and main market segments, as well as its share of local market, and international market if possible.

5. The issuing company's organisational chart, the number of its employees and their classes of qualification, and its personal qualifying and training programs.
6. The company's contribution to environmental protection and local community service.

In the following section, the researcher will provide a review of the literature of CSR studies conducted in Jordan.

### 2.7.1 CSR studies in Jordan

There is a modest percentage of studies conducted in Jordan regarding corporate social responsibility disclosure, however, most of CSR studies were conducted in the developed countries, since the term social responsibility was created there. In fact, CSR is considered a western phenomenon (Barakat, Pérez, & Ariza, 2015). Several developed countries have passed laws and regulations in order to ensure that companies disclose their CSR. For example: The United Kingdom has a minister for CSR, this position was created by the Prime Minister Tony Blair, in order to impel businesses to give higher importance for CSR (Idowu & Pappasolomou, 2007). Furthermore, France has issued a compulsory law where large firms have to produce reports concerning their CSR (Wanderley et al. 2008). In addition, the European Commission has gone really far in mandating CSR reports (Hąbek & Wolniak, 2013). However, no similar initiatives as significant as in Europe were found in the developing countries and particularly in Jordan. To that end, few studies were carried out in Jordan.

Ismail & Ibrahim (2009) found in their study that the statute of corporate social and environmental disclosures in Jordan does not meet the international standards. This is based on the same reasons that developing countries do not fully recognise the concept of CSR and are facing; lack of experienced accountants and regulations. They have used OLS regression model to test the relationship between different company's characteristics namely: industry type, firm size, and government ownership and social and environmental disclosure. They found that firms with higher governmental ownership, has lower level of social and environmental disclosure, while firms with lower level of governmental ownership has higher level of disclosures. In addition, firm size was found significantly positive with the level of social and environmental disclosure, whereas, industry type was not related to the level of disclosure. The result also showed that 85% of the firms had some kind of social and environmental disclosure with an average of twenty-two sentences. This might be a positive indication of the development of CSR in Jordanian firms. Furthermore, Abu-Baker (2000) investigated the CSR extent in Jordanian companies, his sample involved 143 companies listed on Amman

stock exchange and used numbers of pages as analysis unit, the findings were consistent with what Ismail and Ibrahim (2009) found, that companies are focusing on disclosures regarding community involvement and human resource, while products and energy were poorly stated.

A comparative study was conducted by Al-Akra & Hutchinson (2013) between firms with family ownership and non-family ownership, regarding the firm's compliance with both mandatory and voluntary disclosures, and the quality of disclosure after the 2002 law. The findings showed that firms with family ownership complied more than non-family ownership firms with mandatory disclosures, however, the firms with family ownership has a negative impact on voluntary disclosure. Since CSR is a voluntary disclosure, the firms did not disclose more than a few sentences.

The influence of accounting disclosure regulation on mandatory disclosure compliance is the subject of study conducted by Al-Akra, Eddie & Ali (2010). A sample of 80 non-financial firms listed in the Amman stock exchange for the year 1996 and 2004 were tested. The study found that disclosure compliance with IFRS is much higher in 2004 than 1996, which demonstrates the effect and the importance of the 2002 law on disclosure in Jordan, as previously discussed.

Recently, an important study was conducted by Haddad, Sbeiti, and Qasim (2017) regarding the accounting legislations, corporate governance and company's disclosure practices in Jordan. The importance of this study comes from the investigation that covered the period from 1986 until 2014; it also provided an overview of all the changes that happened in this period regarding the changes of economic and accounting legislations that affected the disclosure and financial reporting practices in Jordan. This study is also important because it reviews the most important firm's factors that have been studied in the period. The findings concluded that the reporting practices in Jordan has improved overtime, it was also found that size was the most used firm's characteristic in the reviewed studies and it has the most effect on the level of disclosure, followed by the type of external auditing firm, whereas company's liquidity is found not important in explaining the level of disclosure in Jordan.

As noticed from the previous studies, the extent of disclosure is the main measure for CSR disclosure that has been used in Jordan. While the quality of disclosure was not approached because of the obstacles that was mentioned previously.

The table below concludes some of the used research techniques and findings achieved in some of the former research globally, in fact this table adds to the literature a clear comparison of the

variables, research techniques, and consequences that been done recently by researchers worldwide. The table clearly provides an indication of the lack of quality measurements in the literature, it also shows a conflict in results between the below research papers. Where some of the papers have a positive relationship between CSR and firm's age, board meetings, and government ownership. Other research papers reveal that negative or no relationship does exist. The gap in the literature regarding the quality measurement and the determinants of CSR can be filled with this study.

**Table 2: Articles review**

Article title	Journal name	Author	Research technique	Dependent variable	Significant with	Not significant with
Board composition, regulatory regime and voluntary disclosure	The international journal of accounting	Cheng & Courtenay (2006)	OLS regression Cross-sectional	Voluntary disclosure	+ Firm size + Independent directors -Inside ownership	ROA Leverage CEO duality Board size
Corporate Boards, Ownership Structures and Corporate Disclosures: Evidence from a Developing Country.	Research paper, Elsevier	Alnabsha, Abdou, Ntim, & Elamer (2017)	A linear-multiple OLS regression	Voluntary disclosure, and mandatory disclosure.	+ Board size +Board composition + Number of meetings + existence of an audit Committee. - CEO duality - Government ownership	Institutional ownership. Liquidity. Director's ownership. Firm's Age
Corporate social responsibility and market value: evidence from Jordan	Journal of Financial Reporting and Accounting	Omar & Zallom, (2016)	Multiple regression	Tobin Q	-environmental, community, and product disclosure.	Employee's disclosure.
Board structure, Ownership and voluntary disclosure in Ireland.	Corporate Governance an International Review	Donnelly & Mulcachy (2008)	Poisson regression	Voluntary disclosure	+ Board size + Non- CEO duality + proportion of nonexecutive directors	Institutional ownership Managerial ownership
Factors influencing voluntary disclosure by	Corporate Governance an International Review	Barako, Hancock & Izan (2006)	Multivariate regression	Voluntary disclosure	+ Institutional ownership +availability of audit committee	Profitability Liquidity

Kenyan Companies.					+Foreign ownership +Firm size -proportion of non-executive directors	
Intellectual capital disclosure and corporate governance structure in UK firms.	Accounting and business research	Li, Pike & Haniffa (2008)	Multiple regression	Intellectual capital disclosure	+ ROA + Firm size +Audit committee size +ownership structure +Board composition	Age CEO duality
Culture, corporate governance and disclosure in Malaysian corporations.	ABACUS	Haniffa & Cooke (2002)	Multiple regression	Voluntary disclosure	- Family members + CEO duality	Cultural variables
Family ownership, voluntary disclosure and board Independence: evidence from Hong Kong.	Journal of International Accounting, Auditing and Taxation	Chau & Gray (2010)	Multiple regression	Voluntary disclosure	+ Firm size + Proportion of independent directors -CEO duality -Family ownership	Size of audit firm. Growth ROE
Corporate governance and disclosures on the transition to IFRS.	Accounting and Finance	Kent & Stewart (2008)	Regression analysis	Disclosure level	-size of the audit committee + Board size + Audit firm size	CEO duality Audit committee independence
Corporate social responsibility disclosure and market value: Family versus nonfamily firms	Journal of Business Research	Nekhili, Nagati, Chtioui, & Rebolledo, (2017)	Univariate and Multivariate analysis	Market value (Tobin's q)	+ CSR disclosure for family firms - CSR disclosure for nonfamily firms	CSR committee. Board's meetings.
The Effect of Corporate Governance Elements on Corporate Social Responsibility (CSR) Disclosure	International Journal of Financial Studie	Majeed, Aziz & Saleem (2015)	Regression analysis	Corporate social responsibility disclosure	+ firm size + ownership concentration + institutions Ownership + board size - Women and foreign director's representation	Independent directors Profitability

## 2.8 The nature of corporate disclosure

Corporate social disclosure may be defined as a communication tool to provide information about financial and non-financial information relating to a company's interaction with the society (Dahlsrud, 2008). While social and environmental disclosure can be introduced as a way to provide information about a company's aspirations, public image, and activities with regard to employee environmental, consumer issues, and community (Gray et al, 2001).

According to Haron et al. (2004), social disclosures can be either positive or negative shared information; the positive information shows that institutions are working in line with the benefits of environment, such as disclosing waste management policies, hosting training programmes for employees and using green energy. While negative information shows, the institution's operations are damaging the environment, such as oil spills or the incapability to reduce or control pollution.

Corporate social responsibility disclosures vary between institutions, the nature of the company play a big role in defining the amount and the type of disclosures (Haniffa & Cooke, 2005). Type of industry is an important factor to determine the types of information disclosed (Haniffa & Cooke, 2005). Other factors would be considered as important as the industry type; the regulatory pressure is one of these factors that influence a company to disclose, strong regulations from the government will lead to better disclosures, also a solid and well-mixed board affects the amount of disclosed information (Zeng et al., 2012).

Many researchers investigated different dimensions of corporate social responsibility disclosures, the common used disclosures between all researchers consists four categories; environmental, employee, community, and products (Saleh, Zulkifli, & muhamad 2010). Most of the studies and researchers employed more than four dimensions of CSR based on an early survey of Ernst and Ernst (1978) that divided corporate social disclosure into the following categories:

- Environment (pollution control, conservation of natural resources, prevention of environmental damage and other environmental disclosures);
- Fair business practices (employment of women, advancement of women, employment of minorities, advancement of minorities, employment of other special interest groups, and other statements on fair business practices);
- Energy (conservation, and any other energy-related disclosures or energy efficiency);

- Human resources (employee training, employee health and safety, and other human resource disclosures);
- Products (reducing pollution that coming from product use, safety, and other disclosures related to product);
- Community involvement (community activities, education and arts, health and related activities and other community activity disclosures); and
- Other social responsibilities disclosed

The demand for these corporate disclosures varies between users. To investigate that, Deegan & Rankin (1997) carried out a survey on several classes of annual report users. They found that a high percentage of the sample consider environmental issues to be very important to their decision-making procedures.

### **2.8.1 Environmental disclosures**

Environmental disclosures are one of the most important types of disclosures; it refers to the firm's information disclosure regarding their environmental activities, resource use, and environmental protection (Branco & Rodrigues, 2008).

Nowadays, firms have to take into consideration the promotion of environmental activities and environmental performance. To achieve that, firms are likely to use regular reports to maintain sufficient and adequately environmental information to their stakeholders, in addition of disclosures in the annual reports (Huang & Kung, 2010; Plumlee, Brown, Hayes, & Marshall, 2015).

The environmental disclosures have received a great of attention in the developing countries. A study by Hossain, Islam and Andrew (2006) examined the corporate social and environmental disclosures in Bangladesh; they have utilised a five categories disclosure index to measure the extent of disclosure made by companies. The environmental information included for example past and current operating costs, expenditure of pollution control equipment and facilities, future estimates of expenditures and cost for pollution control equipment and facilities, and recycling plant of waste product.

This study shown that there is a significant difference in the level of social and environmental disclosure between companies, in addition this study found that a very few companies are making efforts to provide any information, which are mostly qualitative and general.

### **2.8.2 Employee**

Regarding the employee's disclosures, researchers have used many definitions and measurements to demonstrate the importance of this category of disclosures. This area of disclosures was divided into many groups. It includes Health and safety issues, union relations, retirement benefits, employee involvement, cash profit sharing, human resources development, holiday and vacations, training of the employees, and number of employees in the company. It also provided information on the qualification of employees recruited and sponsoring educational conferences, seminars or art exhibitions (Hou & Reber, 2011; Inoue & Lee 2011).

### **2.8.3 Community and others**

Community is the atmosphere that surrounds any institution. Being accepted in the community is important for the continuity of any institution. The importance of the community is also coming from being a powerful stakeholder, from this point of view the company is seeking to be an active part in the community by adopting valuable initiatives. The disclosures of these initiatives might provide the acceptance that companies are seeking for. Hossain, Islam & Andrew (2006), concluded these disclosures into the following themes; charitable giving, innovative giving, support for education, support for housing, volunteer programs, public project, scholarship program, donations to charity, arts, sports, social welfare, rehabilitation programmes, as well as donations to the improvement of parks and gardens.

### **2.8.4 Products**

Products is the forth type of disclosures that companies adopt. The amount of research and development expenditure (R&D), product safety, product quality, customer service, and the possession of ISO certificate are examples of the disclosures that concern products (Saleh, Zulkifli & Muhamad 2010; inoue & Lee 2011). Products category considered a major concern for companies, because it is essential to generate sales and thus profit. Being transparent about the products means better marketing strategies and hence better performance.

## 2.9 Variables summary

The following table will present the variables used in this study and the expected relationship, it will include the determinants and consequences of this study.

**Table 3 Variables Summary**

<b>CSR Determinants</b>	<b>Variables</b>	<b>Expected relationship</b>
Corporate Characteristics	Industry Type	Exists
	Size	Exists
	Leverage	Exists
	Firm's Age	Exists
Corporate Governance	Family Directors	Exists
	Non-Executive Directors	Exists
	Female Directors	No Relationship
	Foreign Directors	Exists
	CEO Duality	Exists
	The Presence of Audit committee	Exists
	Audit Firms type	Exists
	Board Size	Exists
	Number of Board Meetings	Exists
	Ownership Structure	Government Ownership
Ownership Concentration		Exists
Institutional Ownership		Exists
<b>CSR D Consequences</b>		
Financial performance	Return on Assets	Exists
Market Value	Market Capitalisation	Exists

## **2.10 Chapter summary**

To summarise, the previous sections have included the main types of theories that discussed corporate social responsibility disclosure, and explained what the reactions of corporations to social demands are. Moreover, the study has reviewed the key articles that studied the CSRD determinants and consequences; furthermore, the Jordan disclosure requirements have been reviewed and the 2002 law terms. Then, the hypotheses were formed from the reviewed literature, five fundamental hypotheses were formulated and 16 subset hypotheses were established to find the determinants of CSR disclosure, the first three hypotheses were about the relationship between corporate characteristics, governance, and ownership and CSRD extent and quality, which are the determinants. Hypotheses number four and five were about the relationship between CSRD extent and quality and both corporate financial performance and market value. Several studies in Jordan have been mentioned in order to identify the findings which will help the researcher in understanding the research environment in Jordan. In addition, a table was constructed to compare the different variables and the methodologies that have been used in some of the previous empirical literature. And lastly, the nature of companies disclosures are added to provide an indication of the areas that most firms have interests in disclosing about, and what will be investigated and included in the index of this research. The next chapter will discuss the methodology that will be used in this study.

# CHAPTER 3

## METHODOLOGY

### 3.1 Chapter Overview

The research methodology chapter aims to outline and justify the research philosophy, to outline and justify the methods used to collect and analyse data, and to justify the sample selection techniques used. The chapter is presented in four sections. Section one provides the philosophical and epistemological underpinning of the chapter as the methodological choice is guided by this. Section Two considers the methods used by other researchers within the same field, the strengths and weaknesses of their approaches, with an aim of justifying the choice of methodology for the present research. Section Three is a detailed explanation of the chosen methodology for this study, providing the rationale for the methodological choice, research techniques and procedures. Section Four assesses the limitations of the study as well as the challenges that were encountered when conducting the study, particularly, challenges of the data collection methods. Nevertheless, the argument still justifies that the choice of research strategy and approach was the most suitable for the study given the scope of the study and the sensitive nature of the research questions and objectives.

### 3.2 Philosophical and Epistemological Assumptions

It is inevitable for the researcher to recognise the unending and complex debate on the suitability of different philosophical standpoints in social research (Bhaskar, 1975 & 1989; Burrell and Morgan, 1979, cited in Cooper and Schindler, 2002; Bryman, 2008a). However, it is important to root this study in a particular philosophical tradition, with a certain epistemological assumption in order to design, carry out and interpret this research. Bryman (2008) argues that philosophical reasoning for social research places emphasis on understanding the social world through looking at people's words, actions and records. Debates have ensued in how the world can be perceived and understood (Trochim, 2006). Philosophers have taken varying viewpoints leading to the emergence of different branches related to various disciplines. Within the scope of social research, the following are the main research philosophies: positivism, post-positivism (realism), interpretivism, relativism, subjectivism and hermeneutics, structuralism and post-structuralism, deconstructivism, constructivism and feminism (Trochim, 2006; Saunders et al., 2009; Bryman, 2008). This study will only address and discuss particular philosophies which related to the research.

Positivism adheres to the view that only scientifically verified knowledge gained through testing, observation, and measurement is trustworthy and rejects any other knowledge that does not meet fit these parameters (Remenyi & Williams, 1998). In positivism studies, the researcher believes that what is being tested has to be understood within the framework of the principles and assumptions of science such that these measurements can be relied upon, valid and generalised to the world at large (Bryman, 2008a; Saunders et al., 2009). With these scientific assumptions, phenomena can only be understood by developing meaningful theories that can be tested through hypotheses. Saunders et al. (2009) further elaborate that through observations and other scientific process, the hypotheses are tested and the results obtained can either support the hypotheses or contradict it and therefore reject the hypotheses. Positivism was however criticised for excluding the subjective states of individuals as the paradigm considered human behaviour as controlled and determined by external factors. This gave rise to the subjective thinkers, for example, the interpretivists, who believe that research involving human beings cannot be carried out in the same manner as natural or physical sciences as elaborated in the proceeding discussion.

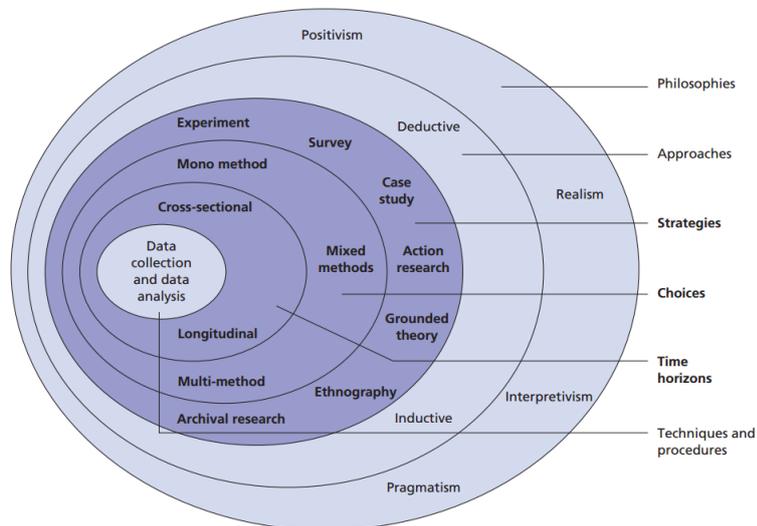
Interpretivism emphasises that human being have an interpretation of the world around them and how they interact with the varying aspects within that environment (Bryman, 2008). The interpretation or the meaning that individuals award to their experiences with their social world varies based on their own understanding (Bryman, 2008). Therefore, knowledge is what the individual personally experiences rather than the knowledge acquired from the external environment. Hence, these anti-positivists believe that social science researchers should verify social phenomena based on individuals' experiences of the social world within which they live and interact rather than establishing the specific relationship among components as the positivists do (Bryman & Bell, 2007).

Criticising positivists and interpretivists is a third school of thought, the post-positivists (critical realism) who take more focus on the research methods used and advocates for methodological pluralism rather than the central principle of positivism. Post-positivists place significance on richer understanding of a phenomenon hence the research question takes centre focus (Bhaskar, 1989).

Hence, as Creswell (2014) contends, the philosophical stance taken by any researcher is imperative in laying the foundation on which the research approach and strategy is based as discussed below.

The figure below represents the research onion and how researchers build their methodology step by step.

Figure 2: Research onion



Saunders *et al.* (2009: 138)

### 3.3 Research Approaches and Techniques

#### 3.3.1 Deductive versus Inductive Reasoning

Based on the research philosophy selected to guide an inquiry, the research approach may be categorised into deductive or inductive approach. A study that follows the deductive approach starts with theories and hypotheses whose implications are tested with data. The end result is usually an acceptance or rejection of the hypotheses based on the data obtained. The result consequently leads to the extension of existing theories (Bryman, 2008). Researchers following an inductive approach take the steps described in the deductive approach but in the reverse order. Hence, the researcher observes patterns in data and works to develop a theory that can explain the particular patterns (Trochim, 2006; Saunders *et al.*, 2009). Therefore, deductive reasoning establishes cause-effect relationships between variable, while inductive reasoning moves to create a deeper comprehension of individuals' interpretation of social phenomena (Bryman, 2008).

The following table includes the variations between inductive and deductive approaches:

Table 4 variations between inductive and deductive approach

	<b>Inductive</b>	<b>Deductive</b>
<b>1</b>	Broad themes for discussion identified	Instrument development
<b>2</b>	No theoretical framework needed, since the Area of inquiry is acknowledged	Development of theoretical framework
<b>3</b>	Respondents recognise constructs and clarify the association among them	Variables are recognized for relevant constructs
<b>4</b>	Outcome: theory developed	Outcome: the theory is tested according to the hypotheses results

(Ali & Birley, 1999:106)

Referring back to philosophical underpinnings and their influence on the research approach, Bryman (2008) indicates that deductive arguments are anchored in positivist philosophical viewpoints while inductive arguments draw their base from interpretivist philosophical views. Saunders et al. (2009) therefore contend that social scientists investigate human’s social behaviour by initially observing individuals understanding of the social world in which they live and interact (Bryman, 2008; Saunders et al., 2009). A collection of the philosophical stance and research reasoning guide the choice of research technique. According to Bryman and Bell (2007), the research technique refers to the method(s) used to collect and analyse data. Bryman (2008) put forward quantitative and qualitative research techniques. The two techniques can be used solely or isolation or combined to form what researchers refer to as mixed method research (Bryman, 2008).

### **3.3.2 Quantitative versus Qualitative Techniques**

Within the behavioural, social, and/or human sciences, two empirical research approaches are recognised: qualitative and quantitative research. Traditionally in research practice and training, the quantitative approach stands out as the generally accepted and supreme paradigm (Bögelein & Kathia Serrano-Velarde, 2012; Mayring, 2012). Nevertheless, researchers acknowledge that in recent years, qualitative research has gained considerable applicability locating itself as a feasible substitute to quantitative research (O’Neill, 2002; Rennie, Watson, & Monteiro, 2002).

Together, the two research standpoints are attached to particular research methods, which dictate the application of different aspects that form the complete methodology of a study. These aspects include: (1) the research design which is the all-rounded strategy chosen to consolidate the varying components of a study; (2) the sampling process which refers to the technique of selecting the subjects to participate in the study; (3) the data collection methods (how data will be collected from the subjects); and (4) data analysis (the process of describing, condensing and evaluating collected data). For appropriate decisions to be made on the choices of the above aspects, both research approaches follow certain philosophical paradigms and worldviews that provide foundations for inquiries elaborated upon in above.

Quantitative researchers seek for relationships between one variable and another within a sample of a population based on numbers and the scientific analysis of data is analysed statistically. This research approach is inclined towards the positivist philosophical stance. Accordingly, a deductive approach is synonymous with quantitative research where hypotheses are tested against particular theories and accepted or rejected. Conversely, qualitative research follows an inductive approach lending support to interpretivist assumptions. Bryman (2008) provides that qualitative research involve itself with collecting non-numerical data, which could be in the form of images or video clips and text. The meanings of occurrences are described, decoded and interpreted as they transpire in their habitual contexts (Bryman, 2008; Fryer, 1991). Ideologically, Bryman (2008) finds qualitative research to involve the study of both symbolic discourses and structural values and their interpretive interpretation. Symbolic discourses could take the form of texts and conversations, while structural values enhance the interpretation of the discourses namely the physical setting, activities, and respondents' roles.

In the same trend as philosophical assumptions, debates ensure on the most appropriate research techniques to employ in research, whether in a quantitative or qualitative approach (Cassell & Symon, 1994; Fryer, 1991; Patton, 1980; Robson, 2002). Saunders et al. (2009) posit that independent choices are made by researchers on the choice of research techniques based on their research objectives. However, the different techniques have their advantages and disadvantages upon which the researchers base their decisions (Bryman, 2008).

Saunders et al. (2009) find quantitative techniques to be more efficient compared to qualitative ones as thorough tests of hypotheses are made, taking into account causal relationships that are investigated using scientific means and interpreted statistically. In addition, Bryman (2008) thinks that prior to data collection, researchers using quantitative techniques are aware of what

they aim to achieve, therefore caution is taken in the designing of the study. In advance of beginning the study, particular matters are known and clearly stated: (1) research problems, and (2) independent and dependent variables. Different from qualitative research, the aims of the study are observed to the conclusion of the research. Researcher objectivity is essential, therefore; the thoughts and feelings of researchers are disconnected from the proceedings of the study. Bryman (2008) and Saunders et al. (2009) perceive quantitative research to be more generalisable to larger populations as larger samples are used.

Notwithstanding, in the same way as the positivist philosophical stance, quantitative techniques have been disapproved for their strict use of science in investigating individuals' social worlds. Bryman (2008) therefore contends that the use of quantitative techniques is questioned for omitting surrounding factors of the matter under study. As quantitative research is fully structured, results are restricted to what was initially aimed for before the start of the study (Fryer, 1991; Bryman, 2008). In this case, any new happenings during the time of the study are excluded and therefore do not affect ongoing research.

On the contrary, qualitative research techniques are hailed for offering in-depth investigations into phenomena being studies where individuals' perceptions, experiences, attitudes and behaviours are observed. The common methods employed in qualitative studies include interviews, focus groups, ethnography and observations of respondents. This way, a large percentage of data is collected through increased interactions with participants (Bryman, 2008). Researchers indicate that flexibility is common of these methods, which allow a more comprehensive study of phenomena (Bryman, 2008; Patton, 1980). Small sample sizes are characteristic of these methods making them cheaper than quantitative methods where larger samples are involved in surveys. Robson (2002) compliments qualitative research for incorporating patterns, change and descriptions in offering in depth investigations of phenomena. Qualitative research does not restrict the investigation to prior set requirements and therefore incorporates any changes occurring in the setting of the phenomena as the study progresses. Unlike quantitative research, these changes influence the focus of a study and the end result (Cassell & Symon, 1994).

Similar to quantitative research, qualitative research methods have their own disadvantages. While quantitative research is objective of a researcher's views, qualitative research is highly subjective and at high risk of researcher bias. In addition, Bryman (2008) indicate that the knowledge produced might not be generalised to other groups or settings. Further, as qualitative

research methods are dependent on the skills of the researcher; disparate conclusions of the same information can be reached thereby lowering the reliability and validity of findings (Bryman, 2008). Cassell & Symon (1994) further argue that the incorporation of changes that occur during the period of research may lead to departure from the original focus of the study and the achieving of research objectives. Bryman (2008) thinks that researchers who are not trained in this form of research cannot use it. On the other hand, Robson (2002) argues that as qualitative research lacks the ability to test hypotheses and theories, causal relationships cannot be determined as a result. Bryman (2008) further states that as mostly textual data are involved, the period of time taken to analyse qualitative data is higher/longer than that taken to analyse quantitative data.

### **3.3.3 Research Choice**

The discussion above gives an indication that both qualitative and quantitative research methods have advantages and disadvantages, disqualifying the superiority of one method over the other. It is at the researcher's discretion to decide the suitability of the methods in achieving their research objectives. Notwithstanding, authors distinguish the research methods based on their epistemological orientation (Greene et al., 1989; Creswell & Plano Clark, 2007; Bryman & Bell, 2007; Bryman, 2008). Creswell & Plano Clark (2007) propose a combination of both methods because an integration of their strengths and weaknesses would benefit the study in breadth and depth while eliminating the disadvantages inherent to using each approach independently. This type of approach is referred to as mixed methods (MM). Bryman (2006 & 2008) indicates that a MM approach can take one of the following directions: either integrating qualitative and quantitative research methods; or converting qualitative data into quantitative data to enable a scientific analysis or doing the opposite of this. However, the MM approach has been met by opposition from researchers who feel that the two methods are contradictory and in competition, therefore they cannot be used together (Morgan, 1998; Bryman & Bell, 2007). This dissertation employs quantitative methods to study and analyse secondary data that is already available in organisation's annual reports. Based on the fact that the decision about which research methods to be used in a study is dependent on the nature of the research, the objectives, and the research questions, this longitudinal study will employ quantitative methods thereby positioning it within the positivist paradigm.

### **3.4 Research Methods and Designs**

This study examines the relationship between corporate social responsibility disclosure reporting and both financial performance and market value. A holistic outlook is utilised, employing an extensive research model and asking three research questions ‘What are the determinants of corporate social responsibility disclosure (extent and quality)?’ ‘What are the economic consequences of corporate social responsibility disclosure?’ And ‘Does the quality of disclosure have higher impact on corporate financial performance and market value than the extent of disclosure?’

Quantitative data collection and analysis methods are utilised to address the research questions and answer the objectives. Panel data regression methods are used to test hypotheses developed to answer the above research question. The proceeding section provides further discussion on the research strategies and analysis methods.

#### **3.4.1 Research Strategy**

##### **3.4.1.1 Longitudinal/Cross-sectional Study**

As only Jordanian corporations will be included in the study, a longitudinal styled study was decided upon to examine the development of CSR and CSR in a number of firms over a set period of time (Campbell, 2000 & 2006; Watson et al., 2002). This choice was justified by Campbell et al.’s. (2006) proposal, that a longitudinal study provides an all rounded status of the popularity of a classification of disclosures. A second justification was from Watson et al.’s (2002) longitudinal study on voluntary disclosures where yearly reports ratios were studied, as well as Campbell’s (2000) research on Marks and Spencer’s variability in social disclosure.

The benefit of the longitudinal study is that researchers are able to review the development and/or changes of an aspect beyond a single moment in time, involving varying organisations (Campbell, 2000; Watson et al., 2002; Campbell et al., 2006). As Singer and Willett (2003) put forward, following this type of format in research would allow for the establishment of sequences of events. The reason why Campbell (2000) was able to find variability in the volume of CSR at M&S was because observations were made at different periods, where new information was unearthed. Hence, by virtue of their scope, longitudinal studies can suggest cause and affect relationships more than a cross-sectional study. Dougherty (2007) indicates that cross-sectional studies only offer a snap shot of single observations and not the happenings before or after a phenomenon under investigation. For example, for the present study, a cross-sectional approach would exclude the inclusion of organisation specific factors such as

organisational culture, leadership management and ethics, which are important variables that could influence the disclosure of CSR activities presented in yearly reports.

Similar to mixing methods, an alternative to a conclusive investigation would be to combine both longitudinal and cross-sectional approaches. This is referred to as a panel dataset that Campbell et al. (2006) indicates can manage unobserved other variables that can influence CSR. Such aspects in this study could be ethical issues, matters of leadership quality, which all have a high possibility of affecting CSR. Campbell's (2000) study used time series analysis to uncover the causal effect of changes in the volume of CSR in M&S for twenty-seven years. In the study, the researcher found that by employing a single approach, certain variables which were essential for the study and which had a high likelihood of affecting the volume of CSR were excluded. Having noted this as a limitation, Campbell (2000) suggested that future research should consider studying a larger cross-sectional sample over longitudinal period to enable a richer dataset for the uncovering of causal effects.

#### **3.4.1.2 Period of Study**

This research finds relevance in beginning the longitudinal study in 2010 as it comes six years after the review and introduction of a new Jordanian securities commission law. Secondly, it comes ten years after other researchers have carried out studies on similar studies (e.g. Abu-Baker, 2000; Ismail and Ibrahim, 2009). The year's difference since the last research is to give organisations enough time to implement the recommendations suggested by previous researchers as well as implementing new laws brought about by the reviewing of the Jordanian securities legislation. It also comes after one year of introducing the new code of corporate governance in 2009.

Therefore, the sample will be taken over six years up till 2015. The study aims to examine over this period of time, how the increase in CSR and the existing trend of CSR. As argued by Deegan and Gordon (1996: 191), "if we accept that community values will affect corporate disclosure policies, then we would expect corporate disclosure policies to change as community preferences change."

#### **3.4.1.3 Annual Reports**

Disclosures using yearly reports will be the only concentration for the present research study. Even though CSR reports are considered as one of the most significant reports concerning CSR, since issuing them is purely voluntary. Nevertheless, this research will ignore them, because companies in Jordan still infancy about disclosing their CSR, and do not have any of these

reports. On the other hand, CSR reports are very important in many developed countries. Based on a recent survey by KPMG (2011), there is a significant rise on the issuing of corporate social responsibility reporting in the top 100 companies. Furthermore, many countries such as Denmark, Norway and France have come a long way in mandating CSR reporting since early reports were first issued (Tschopp & Huefner, 2015).

Researchers have acknowledged annual reports as the most reliable and easily accessible means of communicating organisational performances, which is not only accepted by investors but also independent of media's interference (Guthrie and Parker, 1990; Adams et al., 1998). It is easy to compare company performances using yearly corporate reports. Adams et al. (1998) goes on to clarify that of all company documents, yearly reports are the exclusive documents availed to investors. On the other hand, Crowther (2002) states that researchers can only find wholesome corporate information in yearly reports. However, Guthrie and Parker (1990) acknowledge the use of contemporary forms of presenting organisational reports such as the internet, electronic and paper advertisements, and the press. However, Crowther (2002) argues that despite these new forms, the presentation of organisational activities in 'one place' still remains the most appropriate and easily accessible means of communication.

It is not surprising that some researchers dispute the use of annual reports as the single most important option for examining CSR since contemporary communication offers other lucrative options (Unerman, 2000; Campbell et al., 2006). However, recent studies still support the use of annual reports. For example, recent studies available online still use annual reports alone (e.g. Habbash, 2017; Adams & Frost, 2006; Maignan & Ralston, 2002; Branco & Rodrigues, 2008). This is because; it is a legal requirement for organisations to publish annual reports. Even more, Adams and Frost (2006) insist that yearly reports are a whole encompassing means of conveying company performances, both economic and CSR to a number of stakeholders such as investors, the government, debtors, among others. Therefore, for this longitudinal study, annual reports remain the single most important means of sourcing for information on CSR in the organisations that will be examined as other forms of reports are not usually produced yearly. This was evident during the pre-tests of the present study as the contemporary internet published reports were either produced once in two years or even later. Hence, the use of these internet reports will mean that a gap year will be evident therefore the data obtained will not be conclusive. For this reason, this type of company reports will be excluded from this study. Only the normal annual reports published by organisations are going to be used.

More studies have supported the use of annual reports because since they are made available to the public, they are true evidence of upholding ‘accountability-discharge’ (Gray et al., 1995a&b; Chauvey et al., 2015; Campbell et al., 2006; Dagiliene, 2015). This goes to emphasise that annual reports remain the one most reliable means of gathering information on how companies are performing, especially when an investigation is inclined to capture CSRD data. In addition, Jordan has adopted the International Financial Reporting Standards (IFRS) and regulation, and it was mandated that all public shareholding companies have to apply it when preparing their annual reports. This application of IFRS regulations made the annual reports comparable and global for the users (Al-Akra, Ali, & Marashdeh, 2009). Therefore, the researcher insists that for this study, annual reports remain the main source of information on CSRD.

(Gray et al., 1995b) further reiterates that the keenness of investors in observing expenditure that rewards their investment, makes annual reports the best option, as CSR disclosures are reported together with financial declarations. Hence, the availability of this comprehensive information in reports enables the availability of expenditure on social activities, and therefore provides a rationale as to management’s pay-outs on CSR (Gray et al., 1995b). Furthermore, Campbell et al. (2006) emphasise the suitability of using company annual reports as evidence of risk aversion by an organisation in losing community confidence. Evidence of CSR investments in annual reports provides confidence to key stakeholders and/or organisational investors that the company is contributing to the community, and therefore annual reports remain a key source of data for this study.

However, the above justification is not without shortcomings. Researchers such as Clatworthy & Jones (2006) indicate that no Chairman’s statement gives negative information about the organisation, therefore it does not portray the true status of the company but protects company image. In addition, for this reason, the reliability of the content of such reports is compromised. Regardless of these criticisms, this study continues to emphasise that data will be collected from annual reports only, since they are also the only regulated and legitimate documents in Jordan to be available for the public. Also, CSR disclosures are not yet formally regulated by IFRS but strongly advised upon.

### 3.4.1.4 Sample Design

#### Main sample

The sample for the study includes 118 companies, 64 companies from the industrial sector and 54 companies from the services sector. The Amman Stock Exchange's (ASE) website was used to download the annual reports for the chosen companies; moreover, DataStream database was used to extract the financial data regarding the company's performance and market value. Registration of the companies for the study took five months. Considering the choice of sample from research, various studies display that the choice of samples for their CSR studies originated from varied populations. For example, for UK studies (the top 100 companies from the Times 1000) (Gray et al., 1995b); FTSE 100 companies (Campbell et al., 2006); for US studies (Ernst & Ernst, 1978 survey; Cowen et al., 1987); Fortune 500 companies (Abbott and Morsen, 1979; Patten, 1991); for New Zealand studies (the largest companies on the New Zealand stock exchange) (Hackston and Milne, 1996); for Australian studies (companies listed on the Australian Associated Stock Exchange; Trotman and Bradley, 1981). Nevertheless, Gray et al. (1995b) highlighted the lack of direction in the literature on what would be considered as an appropriate population from which a sample could be drawn for a CSR research. Notwithstanding, the studies above reflected a consistent pattern where the criteria of selection was based on the leading companies in a country's stock exchange, and/or rankings from leading newspapers and magazines. Drawing on this criterion, the researcher opted to select the sample from industrial and services organisations.

Data collection started on 16<sup>th</sup> April 2016 with the choice of a sampling frame that consisted of organisations listed by this date. There was a deliberate omission of the financial sector from the sample as the Jordanian financial industry follow a security law and disclosure guidance that is exclusive for this sector. The industrial and services sectors were further sub divided into 18 sub-sectors consisting of the following: Electrical Industries, Educational Services, Transportations, Technology and Communication, Media, Mining and Extraction Industries, Utilities and Energy, Commercial Services, Health Care Services, Chemical Industries, Paper and Cardboard Industries, Printing and Packaging, Hotels and Tourism, Food and Beverages, Tobacco and Cigarettes, Engineering and Construction, and Textiles Leathers and Clothing, Pharmaceutical and Medical Industries,. A summary of the observations per sub-sector are illustrated in Table below:

**Table 5: Industry Classification**

Sub sector	Number of companies	Number of annual reports examined	Sector
Electrical industries	4	24	Industrial
Educational Services	6	36	Services
Transportations	12	72	Services
Technology and Communication	2	12	Services
Media	2	12	Services
Mining and Extraction Industries	16	96	Industrial
Utilities and Energy	4	24	Services
Commercial Services	13	78	Services
Health Care Services	4	24	Services
Chemical Industries	9	54	Industrial
Paper and Cardboard Industries	3	18	Industrial
Printing and Packaging	1	6	Industrial
Hotels and Tourism	11	66	Services
Food and Beverages	11	66	Industrial
Tobacco and Cigarettes	2	12	Industrial
Engineering and Construction	6	36	Industrial
Textiles Leathers and Clothing	6	36	Industrial
Pharmaceutical and Medical Industries	6	36	Industrial
Total for each sector	64	384	Industrial
Total for each sector	54	324	Services
Total	118	708	

After collecting the annual reports and financial data (see appendix 1), the researcher found that the total annual reports found is 690, which means 18 annual reports were not found. The reason behind this shortage is that some companies were delisted during the period of study which does not require them to issue annual reports.

### 3.4.2 Data Collection Method

This study will collect the data holistically. When examining textual data, the main mission for the researcher is to transmit texts into numbers. Accordingly, the textual data were originally examined manually using quantitative content analysis, which is mainly recording the number of times that a particular content is stated (Pollach, 2011). This process of decontextualizing the words can be executed automatically using software such as QSR software package (Wang & Hussainey, 2013), or manually by examining each disclosure. Decontextualizing the data

automatically is faster than the manual method, and can process a large quantity of data. However, in this study, the sample is withdrawn from Jordanian annual reports, where the main language is Arabic. The current software cannot read the Arabic language, and only reads mainly English, and other few main languages such as French, German, and Japanese. To that end, the researcher will collect and decontextualize the data manually.

#### **3.4.2.1 Content Analysis**

Content analysis is the data collection method selected for this research study. Content analysis can be employed as a data collection method as well as a data analysis technique. According to Weber (1998), as a data analysis method, content analysis involves allocating codes to the contents of a textual nature following set norms and procedures to obtain quantitative scales for analysis. Based on Krippendorff (2004: 18), as a data analysis method, refers to content analysis as a research technique that is employed “for making replicable and valid inferences from texts...to the contexts of their use”. The selection of content analysis for this study was justified by past CSR researchers who have used the same in both contexts; as a data collection methods as well as a data analysis method (e.g. Ernst & Ernst, 1978; Ingram & Frazier, 1980; Guthrie and Parker, 1990; Gray et al., 1995b; Hackston & Milne, 1996; Guthrie et al., 2004; Beattie et al., 2004; Campbell et al., 2006; Hooks & van Staden, 2011). The popularity of this method in CSR research pitches it as a credible research tool for this study (Hooks & van Staden, 2011). Even more specific, this method has been utilised variously to gather data from yearly corporate reports. For example, in the counting of sentences (Hackston & Milne, 1996; Deegan et al., 2000), the counting of words (Gray et al., 1995b; Adams et al., 1998; Campbell et al., 2006), as well as the construction of quality score index (Walden and Schwartz, 1997; Freedman and Stagliano, 1992, 2008).

Milne and Adler (1999) indicate that for effective use of content analysis, a set categorising scheme and coding system that follows particular rules for coding, measurement and the recording of texts has to be observed. The value of this approach is the possibility of voluminous data to be coded by differing people yet similar results are attained. However, Beattie et al. (2004) cautions that the strict following of set coding rules have to be observed by all the people carrying out the coding. Not only can coding be done by various people, Krippendorff (2004) suggest that there is a guarantee of external validity to be upheld since the collection of data and measurement stays independent of the phenomenon. Even more, Weber (1988) confirms the use of content analysis in either qualitative or quantitative studies. Whilst

the use of content analysis in quantitative analyses attains quantitative scale which is related to statistical analysis, a descriptive analysis is inclined to qualitative analysis.

Critics have questioned the reliability of content analysis in retrieving corporate social responsibility disclosure data from yearly reports because of varying definitions of social disclosure (Milne & Adler, 1999; Guthrie et al., 2004). Researchers such as Hackston & Milne (1996) define it as any appearance or mention of disclosure items in all sections of yearly reports. Yet Walden and Schwartz (1997) insist only the segment within an annual report that has the heading of the disclosure item. On the other hand, Hackston & Milne (1996) argue that in single researcher studies such as student projects and dissertations, subjectivity and its characteristics could reign supreme and objectivity undermined raising concerns over the reliability of data. Burritt and Welch (1997) indicate that where subjectivity exists, there is the risk of researcher bias. This is the reason why multiple researchers advocate for more than one researcher to avoid subjectivity (e.g. (Gray et al., 1995b; Hackston & Milne, 1996; Milne & Adler, 1999; Guthrie et al., 2004).

Moving forward, Milne and Adler (1999) reiterate that the reliability of content analysis can be enhanced by researchers and/or coders when coding rules and information is used. These authors even insist that as long as these rules are observed, subjectivity will be eliminated in situations where there is a single researcher. Content analysis is therefore pitched for the data collection as well as the data analysis of this study as it affords for the construction of analytical categories of the content of CSR in the yearly reports under analysis thereby enabling quantitative analyses. Drawing on three theoretical underpinnings discussed in Chapter two (Agency, Legitimacy, Stakeholder theories), reliability was enhanced by precisely defining categories while following specified decision rules and set criteria. The observation of set rules, a coding system and appropriate categorising of items assisted in managing exclusivity and discretion in categorised items (Ingram and Frazier, 1980; Bryman & Bell, 2007). Below are the seven steps provided by Weber (1988) and which were employed in this study for coding purposes:

1. Define the unit of measurement (the quality measurement used in this thesis is zero, 1, 2, 3, 4, 5, 6 as the unit of measurement).
2. Define the categories (as it mentioned in the below table)
3. Test coding of a sample of text (Pilot study)
4. Assess reliability (pilot study)

5. Revise coding rules (Pilot study sample)
6. Code all text; and
7. Assess achieved reliability ((pilot sample (Weber, 1988: 23–24))).

#### **3.4.2.2 CSR Index**

The main communication tool between management and its stakeholders is annual report, it is also considered as the primary source of information for investors, creditors, employees, environmental groups and the government (Neu, Warsame & Pedwell, 1998).

To carry out this research, CSR index was developed based on previous literature (Haniffa & Cooke, 2005; Mohd Ghazali, 2007, Michelon, Pilonato, & Ricceri, 2015) and then amended accordingly to fit the Jordanian context. The researcher also examined indices used by other researchers (Staden & Hooks, 2007; Hooks & Staden, 2011; Haji, 2013; Yekini et al., 2015). The language that has been used for the index is English, on the other hand, most of the annual reports are produced in Arabic, therefore, the researcher has faced little difficulties in translating some of the terminology that been used. These difficulties were not significant and did not affect the quality of the index. Creating an index is a type of content analysis and is one of the key methods used to examine the information introduced by companies (Alvarez, Sánchez & Domínguez, 2008). In addition, it is considered a practical and valid research tool (Cheng, 1992; Botosan, 1997). Consequently, the disclosure index is one of the main methods used to evaluate company's transparency in a sector or a country (Haniffa & Cooke, 2005; Khan, 2015).

Coy (1995, 121) defines a disclosure index as: 'a qualitative-based tool designed to measure a series of items which, when the scores for the items are aggregated, gives a surrogate score indicative of the level of disclosure in the specific context for which the index was devised'. Hence, a disclosure index includes a list of items that should/ could appear in firm's reports. A disclosure index uses a binary coding system to present a score capturing the quantity of disclosure, nevertheless ignores the quality of the information provided. For the purpose of this research, measuring the quantity of disclosures will be insufficient; therefore, the researcher added an addition measurement to assess the quality of disclosures (Hooks, Coy, & Davey, 2002; Hasseldine et al., 2005; Staden & Hooks, 2007). Thus, an assessment scale is developed as a measure for the quality level of disclosure.

Initially, to create the disclosure index, the researcher has considered previous literature and benchmarks (e.g. global reporting initiative (GRI)) that have analysed a number of voluntary

information provided by companies in many countries. For example: UK (Yekini et al, 2015; Duff, 2014), USA (Ettredge et al., 2001), Malaysia (Ghazali, 2007; Rouf & Abdur 2011; Yusoff, Mohamad & Darus, 2013), New Zealand (Hooks & Staden, 2011), Denmark (Petersen & Plenborg, 2006), and Germany (Gamerschlag, Moëller & Verbeeten, 2011). These studies focused on different categories of disclosures such as environmental disclosures, human resources, employees, community, Ethics disclosures, energy disclosures and client disclosures. However, for the purpose of this research the disclosure index will include four categories (employees, environment, community and others, and product or service information) as it shown below:

**Table 6: CSR index**

<b>Employees</b>	<b>Previous literature</b>
1. Number of full time employees in the company	Ghazali (2007), Haddad et al (2015),
2. Number of employees for 2 or more years	Rouf & Abdur (2011), Haddad et al (2015),
3. Level of qualifications	Ghazali (2007), Rouf & Abdur (2011)
4. Number of employees trained	Ghazali (2007), Rouf & Abdur (2011), Haddad et al (2015),
5. Nature of training	Ghazali (2007), Haddad et al (2015), Rouf & Abdur (2011)
6. Amount spent on training	Ghazali (2007), Haddad et al (2015),
7. Employees appreciation	Haddad et al (2015), Rouf & Abdur (2011)
8. Discussion of employee's welfare and pension scheme	Ghazali (2007), Rouf & Abdur (2011)
9. Employees health and safety	Rouf & Abdur (2011), Haddad et al (2015),
10. Employee share ownership scheme	Rouf & Abdur (2011)
11. Breakdown of employees by geographic areas	Rouf & Abdur (2011), Haddad et al (2015)
12. Breakdown of employees by line of business	Rouf & Abdur (2011), Haddad et al (2015),
13. Cost of safety measures	Haddad et al (2015), Hossain et al (2006)
14. staff accommodation	Rouf & Abdur (2011)
<b>Environment</b>	
1. water emission control information	Rouf & Abdur (2011), Hooks & Staden (2011), Hossain et al (2006)
2. Air emission control information.	Hooks & Staden (2011), Rouf & Abdur (2011), Hossain et al (2006)
3. Waste management (reduction and disposal)	Rouf & Abdur (2011), Hooks & Staden (2011), Duff (2014),
4. Company's environmental policies and concerns	Ghazali (2007), Hooks & Staden (2011), Rouf & Abdur (2011)
5. Environmental projects such as recycling and protection of natural resources	Hooks & Staden (2011), Duff (2014), Hossain et al (2006)

6. Energy management, using green energy	Hooks & Staden (2011), Duff (2014), Rouf & Abdur (2011)
7. Awards in environment programs	Duff (2014),
8. Pollution control of process	Hooks & Staden (2011), Duff (2014), Rouf & Abdur (2011),
<b>Community and others</b>	
1. Donations to charities,	Ghazali (2007), Rouf & Abdur (2011)
2. Sponsor for sport activities	Rouf & Abdur (2011)
3. Seminars and conferences for public	Rouf & Abdur (2011), Jenkins & Yakovleva (2008)
4. Canteen/ Transportation for the employees	Rouf & Abdur (2011)
5. Establishment of Educational Institution	Duff (2014), Rouf & Abdur (2011)
6. Parks and Gardens for community.	Rouf & Abdur (2011), Jenkins & Yakovleva (2008)
7. Scholarship program for students to continue their education	Ghazali (2007), Duff (2014),
8. Public projects (health and education)	Duff (2014), Rouf & Abdur (2011), Hossain et al (2006)
9. Participating in government social campaigns	Ghazali (2007), Hossain et al (2006)
<b>Product or Service Information</b>	
1. Discussion of major types of products and services	Rouf & Abdur (2011), Ghazali (2007)
2. Information about research and development expenditures	Rouf & Abdur (2011)
3. Information on the safety of the company's product and terms.	Ghazali (2007), Rouf & Abdur (2011)
4. Improvement in product quality	Ghazali (2007), Rouf & Abdur (2011)
5. Customer services/ratings received	Ghazali (2007),
6. Products awards and certificates (e.g. ISO 9000)	Ghazali (2007), Rouf & Abdur (2011)
7. Geographical distribution and marketing network for finished products	Ghazali (2007), Jenkins & Yakovleva (2008)
8. Loyalty programmes and gifts to customers	Ghazali (2007), Jenkins & Yakovleva (2008)
9. Energy efficiencies in products/ services production	Rouf & Abdur (2011), Hooks & Staden (2011), Duff (2014),

The goal of the index is to limit the search for information disclosures into these four categories, thus it helps the study to determine the level of extent and quality of company's social responsibility disclosure. Because the focus of this research is on voluntary disclosures and mainly CSR, the researcher has chosen variables that reflect the types of activities that companies might undertake. The description for each item is included in the appendices.

### **3.4.2.3 Unit of Measurement – Quality of Disclosure**

There is a paucity of literature on ‘quality measurement of disclosure’. However, of that which is available, Freedman & Staglino (1992, 1995 & 2008) raise the bar on the importance of measuring the quality of disclosure rather than the quantity, as quality illustrates the meaningfulness and how key the message is. Walden & Schwartz (1997) relate quality measures with the promotion of objectivity in systematic and numerical content of social disclosures. Furthermore, other authors have matched quality measures of CSR disclosures to appropriate signals of CSR.

However, on a deeper line of thought, the quality of disclosures has been ascribed multiple definitions. Walden & Schwartz (1997) define disclosure quality in terms of the location of disclosure, evidence of items disclosed (that is monetary or non-monetary) and the timing of disclosure. Disclosure quality is described by the nature of news in the disclosure by Deegan & Gordon (1996) and Deegan & Rankin (1996). Other researchers refer to disclosure quality in terms of the themes, volume and evidence of disclosure (e.g. Guthrie and Parker, 1990); Gray et al., 1995b; Hackston & Milne, 1996; Guthrie et al., 2003 & 2004). The complexity and multi-levelled nature of defining disclosure quality is highlighted by Beattie et al. (2004), who also describe the concept in relation to its characteristics such as quantitative or qualitative, financial or non-financial, historical or visionary. Defining disclosure quality in terms of “news” (Gray et al., 1995b; Hackston & Milne, 1996) or “location” (Guthrie & Parker, 1990; Guthrie et al., 2004) adds to the complexity of this definition. Consequently, researchers were steered to avoid this complexity by adopting quantity measures instead of quality measurements and focused on other measurements such as counting words, sentences or pages to assess the quality of disclosure (Gamerschlag, Moßler & Verbeeten, 2011; Becker, 2008; Hooks & Staden, 2011).

### **3.4.3 Measuring Disclosure Quality (scale assessment)**

There is a growing interest of researchers on how to define or measure disclosure quality (Beretta & Bozzolan, 2008). Consequently, different methods of content analysis are available to use, generally, it comprises of extent-based and/or quality-based. Extent-based methods focus on the amount of information about the topic of interest (e.g. CSRD) or the (presence/absence) of CSR disclosures in the annual reports. In the other hand, quality-based analysis attempts to evaluate the quality of the disclosures and the meaning of what is written using an established code.

So far, however, there has been a little research about quality-based analysis (Elijido-Ten, 2009; Saleh et al., 2010), and most of the researchers are using either the presence of absence of

disclosures or the quantity as a measurement of quality (Haniffa & Cooke, 2005; Said et al., 2009; Esa & Mohd Ghazali, 2012). There have been various measurements used to analyse narrative disclosures. These range include counting words, sentences, pages, graphs, charts or even tables, and proportion of pages (Hooks & Staden, 2011).

Quality refers to the completeness, comprehensiveness and the degree of detail in disclosures; also, it refers to the degree of specificity and intensity of information provided. While extent based measures do not give a true indicator of the quality level of disclosures, and do not show the truthiness of the information disclosed. The aim of using a better-quality measurement is to distinguish between poor and excellent disclosure of items. Lock & Seele (2016) have stressed on improving the content of CSR reports and not their quantity. Recording (presence or absence) of an item; or using the extent measures such as: counting words, sentences and pages have limitations regarding demonstrating the level of quality. According to Al-Tuwaijri et al. (2004), the page may possibly contain a picture that does not have information on the CSR activities, whereas sentences and words may possibly ignore a graph or necessary table. A strong argument in contradiction with measuring CSR in terms of numbers of, words, sentences, or pages is that this will result in any non-narrative CSR disclosures (such as photographs or charts) being ignored (Yekini et al., 2015). Any unit of measurement that cannot take account of charts graphs, or photographs will considered as a limitation, because they are highly effective and strong methods of communication (Preston et al., 1996). Also, it may be argued that photographs and charts are more influential instrument in CSR than narrative disclosures for stakeholders who do not have either the time or inclination to read every word in the annual report and just skim it, looking at the pictures and possibly reading the chairman's statement. Furthermore, Wilmshurst and Frost (2000) state that a photograph is worth more than a thousand words and will deliver more messages than words. Unerman (2000) argues that any content analysis study adopts measurement techniques that ignores graphics and pictures and only capture words and sentences, is likely to result in an incomplete representation of CSR.

Following the above discussions, the researcher has developed a new scoring method that takes in consideration any pictures or graphs disclosed in the annual reports. This is a major departure from previous studies and fills an important gap in the literature.

#### **3.4.3.1 The weighting technique**

Several researchers have used a scoring method as a technique to measure the level of quality. Hasseldine, Salama and Toms (2005) investigated the effect of environmental disclosures on

the reputation of UK companies used a weighing scale of five categories (0-5). No disclosure = 0; general statement = 1; specific policy =2; specific endeavour or intent, policy specified= 3; monitoring and implementation, use of targets references to outcomes, but quantified results not published = 4; and 5 = quantified results published of implementation and monitoring. These sentences were coded to compute the quality weighted environmental disclosure. Furthermore, a recent study has assessed four categories of CSR disclosures in the US banking sector using scores based on the comprehensiveness and existence of information disclosed in each category. The categories are employees, community involvement, environment, and product and customer service quality. Each of these categories is rated from zero to three according to the richness of disclosures (Jizi et al., 2014). The richness of disclosure means the degree of detail in the disclosure (Imhoff, 1992). Similarly, Zeng et al. (2012) also used a score range between zero and three. These scores were given according to the level of disclosure, where zero (0) for issues or items not disclosed, one (1) for general non-monetary disclosures, two (2) for items with specific details and quantitative descriptions, and three (3) for the numeric or monetary information provided in the disclosures. This technique is very important to distinguish between poor and excellent disclosures.

In the same regard, Staden & Hooks (2007) used a scale and a disclosure quality index to assess the quality of disclosure, the index covered twenty-three environmental disclosure items in a total index of thirty-two disclosure items. These items were categorised into six categories: environmental impacts, the entity, management policy and systems, financial impacts, stakeholders, and general. To measure these categories, the researchers used a scale of a five-point scale 0-4, the highest score 4 was given to the truly extraordinary disclosures that has benchmarking comparison against best practice; 3= quantitative disclosures, the environmental impact clearly defined in monetary terms; 2= descriptive, the impact of the company policy was clear; 1 = for general terms, minimum coverage and little detail; and 0 for no discussion of the issue, no disclosure.

Likewise, Haji (2013) recently constructed a four-point scale to measure the quality of CSR disclosure in the Malaysian companies, the item in the index obtain three (3) if the company disclose both qualitative and quantitative disclosures, two (2) if the company provided quantitative figures, one (1) is given if the disclosures were qualitative or general, and zero (0) is assigned to the items with no disclosure.

The previous literature has overlooked pictures or graphs as an indicator for quality, and excludes them from the studies. However, in this research, a disclosure scoring method is developed with consideration of pictures and graphs, as a powerful tool for communication and a strong indicator for companies who have real CSR. Consequently, volume is not considered as one of the measures of quality. Because CSRD requires actual involvement not just words.

An essential element of research design is to select the unit of measurement. The index items will be searched for and weighted according to the following scale:

0= No Disclosures.

1= General disclosures, (Non-monetary).

2= General disclosures, (Non-monetary) with pictures.

3= Descriptive/ qualitative disclosures, specific details (Non-monetary).

4= Descriptive/ qualitative disclosures, specific details with pictures.

5= Numeric disclosures, full descriptions with supporting numbers.

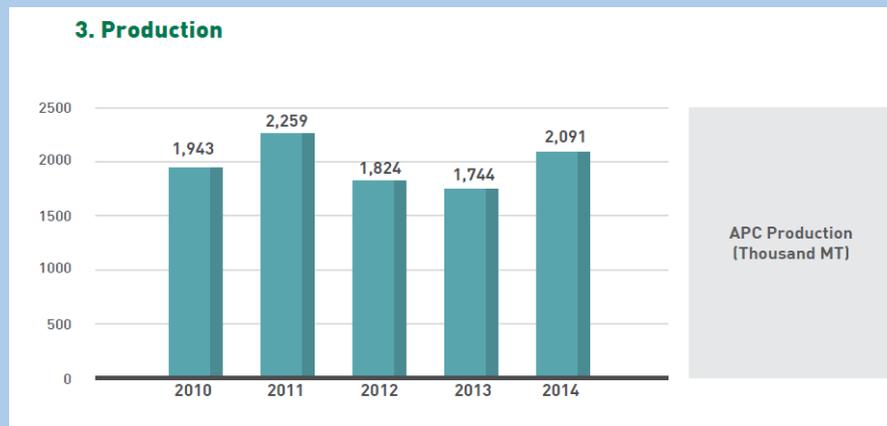
6= Numeric disclosures, full descriptions with supporting numbers with supporting Pictures and Charts.

The above measurement of disclosure quality has been developed to fill the gap in the literature because of the ignoring of pictures and graphs. This 7-point scale will be adopted to distinguish between poor and excellent disclosures. 0 will be appointed for the items that have no disclosures about, 1 will be appointed for the general disclosures of the item, 2 will be selected for the items that was mentioned in general disclosures but has pictures, 3 will be appointed for descriptive and qualitative disclosures with specific details and has a clear qualitative description, while 4 will be chosen if the discourses were mainly qualitative and descriptive along with pictures or charts that support it, then 5 will be chosen for the numeric disclosures, or with the disclosures that give facts with numbers, whereas 6 will be allocated for the items that been disclosed in full details (numerically) accompanied with pictures or graphs.

The following table will provide a sample for the quality rating score and how points will be allocated to each category of disclosure:



E.g, in 2010, the production of phosphate reached 1943 Tons while in 2011 the production increased to reach 2259 Tons.



Graph

(Arab Potash Company, 2014)

### 3.4.3.2 Pilot study

Prior to the main research, a pre-test was carried out to ensure that the available data is appropriate and representative of the Jordanian market in order to answer the research questions. Also, it was undertaken to examine the validity and robustness of the disclosure index and the disclosure measurement. To achieve that, a panel dataset of forty-five yearly reports of organisations spread over a longitudinal period of six years were chosen. A random sample of 270 observations was tested. In addition to ensure that the research instruments contained proper information for data gathering, the pre-test had extra two-fold aims: (1) to fine tune the rules that governed decisions of what information to be included as data, and (2) to streamline variables and units of measurement that were to be used for the research.

### 3.4.3.3 Validation and robustness of disclosure index

By applying the prior disclosure index to the chosen Sample, the researcher found the following:

- The largest element reported of CSR index is the employees
- Number of the employees in the company is regarding full-time employees and not part timers.
- Nature of training includes physical, technical and professional training
- The researcher noted that none of the above sample has disclosed anything about the amount spent on training.
- Employee's health and safety includes legal and optional.
- Employee share ownership scheme was not existent in the disclosures.

- Energy saving and using green energy were about using solar panels or using the winds to produce energy.
- Awards in the environmental program are concerned with the company's participation and adopting projects that helps the environment.
- Pollution control processes will include the receiving of materials until the product is ready.
- Parks and garden were added to the community category instead of the environment category.

Overall, the study uses four categories of CSRD: employees; environment; community; and product.

#### **3.4.3.4 Validation and Robustness of disclosure measurement**

Robustness can be defined as the ability to reproduce the same results when two or more researchers are using the same techniques. However, Beattie and Thomson (2007) argue that content analysis data is commonly collected by hand (the data is not available in any database), which means results may vary among researchers.

The main characteristic about using content analysis as a measurement is that data must be tested to verify that they are reliable, systematic, and objective (Krippendorff, 1980). When human coders are being used to generate new data from observations or texts, testing that coding process is a methodological necessity (Krippendorff, 2011). Furthermore, Hayes & Krippendorff (2007) claim that amongst the forms of reliability (accuracy, reproducibility, and stability), reproducibility considered to be the best form of test. In terms of the reliability of measurement, using inter-coder test would be most suitable, since the disclosures are examined and evaluated by another person and not just the researcher, and then the results will be compared.

There are numerous of measures of inter-coder reliability employed by researchers, however, there is no theoretical foundation for selecting them (Hayes & Krippendorff, 2007). As per Hayes & Krippendorff (2007), a feasible measurement should include the following:

- It should evaluate the agreement among two coders;
- It should be suitable to the measurement level; and
- It should consist the scale points that been used between the coders.

Normally researchers use (Scott's Pi, percent agreement, Cohen's Kappa, Bennett et AL's S, Krippendorff's alpha and Cronbach's alpha). For this study, two measurements (percent agreement and Krippendorff's alpha) will be used to determine whether the quality measurement used in this study is valid or not. However, the reason of choosing Krippendorff's alpha along with the percentage of agreement is that the last one is unacceptable approach to be used alone, also, it has a major deficiency of being not able to correct the chance agreement between coders (Hughes and Garrett, 1990).

In terms of the percentage agreement, high criteria should be used in order to accept the level of reliability; however, Krippendorff's alpha can be accepted with lower criteria since it is considered as one of the conservative indices.

Seppanen (2009) has introduced a scale to interpret the significance of Krippendorff's alpha:

<b>Krippendorff's alpha percentage</b>	<b>Explanation</b>
<b>0</b>	No agreement
<b>0 - 0.2</b>	Fair agreement
<b>.21- .4</b>	Minor agreement
<b>.41- .6</b>	Moderate agreement
<b>.61- .8</b>	Significant agreement
<b>.81- 1.0</b>	Almost perfect agreement

(Seppanen, 2009)

### **3.4.4 Research model and variables**

In order to answer the research question and test the hypothesis, two models will be used accordingly. The first model will be used twice, firstly; to test the effect of corporate's characteristics, corporate governance factors, and ownership structure on corporate social responsibility disclosure, and secondly; to test the effect of company's characteristics, corporate governance factors, and ownership structure on corporate social responsibility disclosure quality (CSRdq). In other words, corporate social responsibility disclosure extent and quality will be the will be the dependent variables.

The second model is regarding the economic consequences of CSRd, which is divided into two regression models. The first model will test the effect of CSRd on company financial performance. The second model will test the effect of CSRd on market value. Each of the previous models (company performance and market value) will be tested twice, the first one

by using the CSRD extent as independent variable, and the second time is by using the CSRD quality as an independent variable. This will investigate whether CSRD quality has higher impact on company performance and market value than CSRD extent.

**Model 1: The Implication of Corporate Governance, Ownership, Firms' Characteristics on CSR Disclosure**

$$CSRDi,t = \alpha + \beta_1 B.S_{i,t} + \beta_2 NonEx_{i,t} + \beta_3 Age_{i,t} + \beta_4 Female_{i,t} + \beta_5 FrM_{i,t} + \beta_6 FmM_{i,t} + \beta_7 No.M_{i,t} + \beta_8 ADC_{i,t} + \beta_9 Big4_{i,t} + \beta_{10} CEOD_{i,t} + \beta_{11} OwCon_{i,t} + \beta_{12} GovOw_{i,t} + \beta_{13} InstOw_{i,t} + \beta_{14} F.Size_{i,t} + \beta_{15} Gearing_{i,t} + \beta_{16} Industry + \omega_{i,t}$$

**Model (1a)**

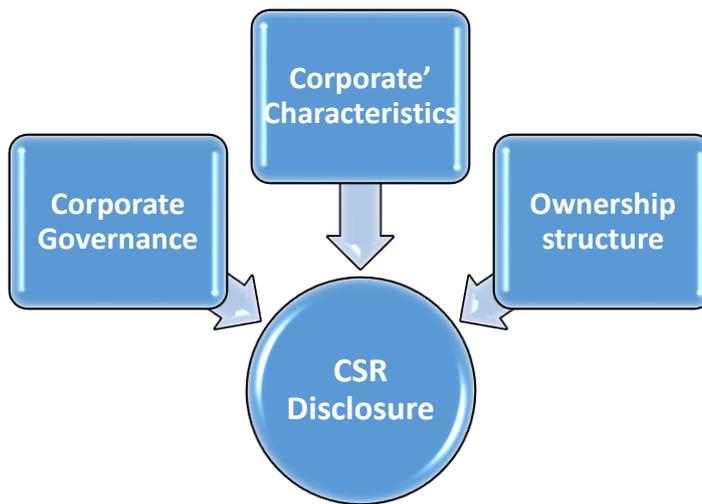
$$CSRdq_{i,t} = \alpha + \beta_1 B.S_{i,t} + \beta_2 NonEx_{i,t} + \beta_3 Age_{i,t} + \beta_4 Female_{i,t} + \beta_5 FrM_{i,t} + \beta_6 FmM_{i,t} + \beta_7 No.M_{i,t} + \beta_8 ADC_{i,t} + \beta_9 Big4_{i,t} + \beta_{10} CEOD_{i,t} + \beta_{11} OwCon_{i,t} + \beta_{12} GovOw_{i,t} + \beta_{13} InstOw_{i,t} + \beta_{14} F.Size_{i,t} + \beta_{15} Gearing_{i,t} + \beta_{16} Industry + \omega_{i,t}$$

Where;

**Table 8 Model 1 Variables definition**

<b>Variable</b>	<b>Definition</b>
CSR	Corporate social responsibility disclosure extent
CSRdq	Corporate social responsibility disclosure quality
B.S	Board Size
NonEx	Non-executive directors in the board
Age	Firm's age
Female	Female directors in the board
FrM	Foreign directors in the board
FmM	Family directors in the board
No. M	Number of board meetings
ADC	Audit committee
Big 4	Type of external audit firm
CEOD	Chief Executive Officer Duality
OwCon	Ownership concentration
GovOw	Government Ownership
InstOw	Institutional Ownership
F.Size	Firm Size
Gearing	Firm's gearing
Industry	Industry type of the firm

Figure 3 model 1



**Model 2: The Implication of CSR Disclosure on market value and financial performance**

**Market value Model**

$$MV_{i,t} = \alpha + \beta_1 CSR_{i,t} + \beta_2 F.Size_{i,t} + \beta_3 Gearing_{i,t} + \omega_{i,t}$$

$$MV_{i,t} = \alpha + \beta_1 CSRq_{i,t} + \beta_2 F.Size_{i,t} + \beta_3 Gearing_{i,t} + \omega_{i,t}$$

**Company performance model**

$$ROA_{i,t} = \alpha + \beta_1 CSR_{i,t} + \beta_2 F.Size_{i,t} + \beta_3 Gearing_{i,t} + \omega_{i,t}$$

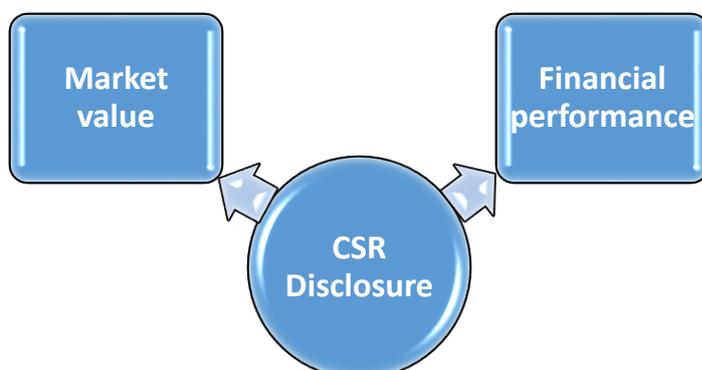
$$ROA_{i,t} = \alpha + \beta_1 CSRq_{i,t} + \beta_2 F.Size_{i,t} + \beta_3 Gearing_{i,t} + \omega_{i,t}$$

Where;

Table 9 Model 2 variables Definition

Variable	Definition
MV	Market Value
CSR	Corporate social responsibility disclosure extent
CSRq	Corporate social responsibility disclosure quality
Size	Firm Size (control)
Gearing	Firm's gearing (control)
ROA	Return on Assets

Figure 4: model 2



### 3.4.4.1 Measurement of variables

#### 3.4.4.1.1 Dependent variable

**In model (1):** the dependent variable is CSR index, in order to measure this variable, the study is going to use the dichotomous technique which is basically if an item is disclosed will be given 1 and 0 if it is not disclosed (Tagesson, Ekstrom and Klugman, 2013; Hossain, Islam and Andrew, 2006). Although no retribution will be assigned to the score if the item is considered unrelated. For example: if the company disclose about product safety in the annual report then it will be given 1 and otherwise 0. Then, the items scores will be added together to get the final score for the firm. The model to measure the total disclosed items will be as follows:

$$CSR D_{i,t} = \sum d_i^{40} / n_j$$

Where  $d_i$  is 1 if the item  $d_i$  is disclosed and  $d_i$  is 0 if the item was not disclosed the maximum number of disclosures for the company is  $n_j \leq 40$ . In order to get the company's total percentage score, the scores for each item are added and the total is divided by the maximum scores which is 40 and then multiplied by 100. For example, if a company had disclosed about 10 items in the index, the percentage of their disclosure will be 25%.

**In model (1a):** the dependent variable is CSR quality; in order to measure this variable, the researcher has developed a 7 points scale to assess the disclosures quality as it was discussed earlier in this chapter. 0 will be assigned for no disclosures and 6 will be for the top-quality disclosures. Therefore, the maximum score for each company will be 240, since this study has 40 items in the CSR index. The model below discusses the measurement of items quality.

$$CSR_{i,t} = \sum d_i^{40} / n_j$$

Where  $d_i$  can be 0, 1, 2, 3, 4, 5, 6, depends on the quality of the disclosed items, then these scores will be added together for each firm, the maximum score disclosures for the company is  $n_j \leq 240$ . In order to get the company's total percentage score, the score total will be divided by the maximum scores which is 240 and then multiplied by 100. For example, if a company had a sum of 180 of the quality disclosed, the percentage of their disclosure will be 75%.

**In model two (market value Model):** the dependent variable is market value (MV), which is also known as the market capitalisation. In order to measure the market value, the number of outstanding shares will be multiplied with current share price. This information will be collected from Data Stream.

$$MV = \text{Number of outstanding shares} * \text{current share price}$$

**Company's performance model:** In this study, return on assets (ROA) was chosen to measure the financial performance of firms. The prior literature has used different measures to capture financial performance; the most utilised measures are return on assets (ROA) and return on equity (ROE) (Simpson & Kohers, 2002). ROA is probably the most widely accepted measure of financial performance, it shows the managers ability to achieve the goals they set, this ratio is comprised of dividing return on the total assets and it is considered as one of the accounting performance measures (Jo & Harjoto, 2012).

Return on equity is one of the profitability measures, it illustrates the earning attributable to equity holders only. It also shows the management effectiveness in terms of using the capital invested to make income before tax.

Both ROA and ROE represent accounting profitability to measure short term financial performance, while PER price-earnings ratio is used to measure long term financial performance, also price-earnings ratio is used as a proxy to capture firm value (Kang, Lee & Huh, 2010).

Return on assets will be measured with the following formula:

$$ROA = \frac{\text{Net income after tax}}{\text{average total Assets}}$$

### 3.4.4.1.2 Independent variables

The independent variables can be categorised into three groups, corporate governance, corporate characteristics, and ownership structure.

Corporate governance variables are board size, non-executive directors, female directors on board, foreign directors on board, family directors on board, number of board meetings, presence of audit committee, type of Audit Company, and CEO duality.

Corporate characteristics variables include firm size, age of the company, gearing, and industry type.

Ownership variables are ownership concentration, government ownership, and institutional ownership.

**Board size:** the 2002 law has made it mandatory to have at least five members in the board of directors, and not more than thirteen. To measure this variable, the total number of both executive directors and nonexecutive directors were collected in an excel sheet.

**Non-executive directors:** this variable includes males and females, and will be measured by the proportion of non-executive directors on the board, in other words, the number of non-executive directors divided by the board size.

$$\text{Percentage of non executive directors} = \frac{\text{Total number of non executive directors}}{\text{Board size}}$$

**Female director's existence:** a dummy variable will be used to measure this variable, 1 will be assigned if a company has a female director and 0 otherwise.

**Foreign directors:** this variable includes executive and non-executive directors, and a dummy variable will be used to test it. 1 will be given if a company has foreign directors and 0 otherwise

**Family directors:** regarding this variable, a dummy variable will be used to measure it. 1 will be assigned if a company has two or more from the same family in the board of directors and 0 otherwise.

**Number of board meetings:** the amount of board meetings will be collected from the annual reports.

**Presence of audit committee:** this variable will be measured by using a dummy variable, 1 if there is an audit committee in the firm and 0 otherwise.

**Type of Audit Company:** a dummy variable will be used to measure this variable, 1 will be assigned if company is audited by one of the big4 (Deloitte, Pricewaterhouse, Earnest and Young, and KPMG), and 0 otherwise.

**CEO duality:** will be measured by a dummy variable, 1 will be given if the chief executive officer serves also as Chairman, and 0 if there is a separation in roles.

**Firm's size:**

Company size is one of the most important variables that explain CSR. The previous literature has used many proxies for size (total assets, turnover, number of employees, etc.) (Haniffa & Cooke, 2005; Gray et al. 1995a; Neu et al. 1998). However, this study will use total assets for each company as a proxy for firm's size.

**Age of the company:** the age will be measured using the year of the establishment of the company.

**Gearing:** for this variable, the study is going to use Debt to equity ratio in order to find how much gearing each company has.

$$\text{Debt to Equity} = \frac{\text{Total long term debt}}{\text{Total Equity}}$$

**Industry type:** regarding this variable, a dummy variable will be used to measure the industry type, were 0 will be assigned to the company working in services and 1 to the industrial companies.

**Ownership concentration:** this variable will be measured by the percentage of shares held by significant shareholders (shareholders with ownership of 5% or more in company's shares (Boone & White, 2015).

**Government ownership:** will be measured as a percentage (shares owned by government) and as a dummy variable, 1 will be assigned if the government is holding shares in the company, and 0 otherwise.

**Institutional ownership:** will be measured as a percentage (shares owned by institutions) and by a dummy variable, 1 will be assigned if there are institutions holding shares in the company, and 0 otherwise.

### **3.5 challenges and limitations**

Although this study is purely quantitative, the data collection took more over than five months. Preparing the excel sheets to put the data in it was one of the challenges that the researcher has faced, since the study sample is large and spanning for 6 years. Then, the annual reports were downloaded and examined page by page. Further, some of the annual reports were not available online, so the researcher had to contact the companies in order to obtain them.

The other main challenge was translating some terminologies from Arabic to English, since most of the disclosed annual reports in Jordan are in Arabic. However, some of the annual reports were already in English, because either the company has branches abroad or the company is already a branch for a foreign company, such as Orange which bought the Jordanian telecom company and change it into their brand name, but it is still obliged to be listed in Amman stock exchange.

### **3.6 Chapter summary**

This chapter discussed in detail the research method adopted in this thesis. The justification for using quantitative method instead of qualitative was clearly explained. The chapter also expanded on the research design and the selection of the sample. Well-established justification for the use of annual reports as a source of data collection was discussed, also, the chapter provided information on the technique used for extract data from annual reports which is content analysis. The researcher also discussed and justified the use of panel study instead of cross-sectional or time series. The motives behind using a panel study for the quantitative aspect was also mentioned and justified. The researcher also discussed and clarified the models and the procedures of measuring each variable. Lastly, the limitations and challenges were appropriately clarified.

## Chapter 4

### The determinants of CSRD

#### 4.1 Introduction

This chapter provides descriptive analysis for the collected data regarding the determinants of corporate social responsibility disclosure in Jordan. The importance of this chapter is to demonstrate the disclosure statuses in Jordan, and the different level of disclosure between industrial and services sectors. In addition to that, this chapter provides descriptive statistics of each category of disclosure (employees, environment, community and others, and products and services information).

The chapter also provides a statistical analysis of the disclosure measurement that has been used as an indicator for the level of disclosure in Jordan (extent and quality). This chapter also addresses one of the main questions about the level of disclosures in Jordan, and every sector during the period of the study. The chapter aims to:

- To analyse CSRD (extent and quality) in company's annual reports.
- Analyse the different levels of disclosures between economic sectors in annual reports.
- To demonstrate the correlation analysis between the independent and dependent variables that has been used in this study.

The chapter will proceed as follows: 4.2 descriptive analysis, 4.3 univariate analysis for continuous variables, 4.4 univariate analysis for dummy variables, 4.5 multivariate analysis, and 4.6 conclusion.

#### 4.2 Descriptive analysis

Table 9 provides descriptive statistics for CSRD over a period of six years, starting from 2010 and ending with 2015. In terms of the extent of CSRD (0-1) in annual reports, the result shows that the minimum disclosures in annual reports between 2010 and 2015 is (5) (0.125), indicating that the Jordanian companies (industrial and services) are providing some kind of social disclosures, whereas the maximum is (37) (0.925), which represents a high percentage of companies that disclose about their social activities. The maximum disclosures were found 90 percent and more in the industrial sector and particularly in Mining and Extraction industries. This result show that companies which operates in mining are disclosing more information

about their social and environmental activities to seek acceptance from the surrounding society and government, because mining operations are known of causing serious health, social, and environmental impacts on the society (Al Rawashdeh, Campbell, & Titi, 2016). The Arab Potash, which is a leading company in mining, is found to be the highest disclosure company that has information about social disclosure in their annual report with 0.925 average disclosures; this company has certain features regarding corporate governance and financial performance. The company has a high percentage of foreigner directors on the board of directors, and the company's profit is considered as one of the highest amongst Jordanian companies. This result is found to be consistent with the study of (Dong, Burritt, & Qian, 2014) in Chinese companies and (Jenkins & Yakovleva, 2006) in the world's 10 largest mining companies. They found that the level of environmental and social disclosure has increased over the years.

On the other hand, the result reveals that the extent of corporate social disclosures has been increasing steadily during the period of study, starting with 0.515 in 2010 and ending with 0.553 in 2015. This increasing indicates that Jordanian companies are making improvements regarding their disclosures, and CSR is being addressed as an important part of disclosure even though it is a voluntary activity. This result is consistent with a survey that was conducted by (KPMG, 2015) regarding CSRD, which emphasised on the fact that the extent and quality of CSR reporting is improving in Asia Pacific since 2013. Table 10 also shows the average of CSR disclosures for the companies in all years. Both of sectors (services and industry) have scored average of 0.535. However, the average quality of CSR disclosure is lower than the availability with a value of 0.378, indicating that the quality of disclosures is still in the early stages in Jordan and needs more improvement.

**Table 10 descriptive analysis for the CSRD Extent and Quality level longitudinally**

<b>Extent 0-1</b>								
YEAR	Mean	Median	Minimum	Maximum	Std. Error of Mean	Std. Deviation	Minimum	Maximum
2010	0.515	0.525	0.125	0.925	0.018	0.189	5	37
2011	0.518	0.525	0.125	0.925	0.017	0.186	5	37
2012	0.533	0.55	0.125	0.925	0.017	0.185	5	37
2013	0.54	0.55	0.125	0.925	0.018	0.189	5	37
2014	0.549	0.55	0.125	0.925	0.018	0.188	5	37
2015	0.553	0.575	0.125	0.925	0.018	0.192	5	37
Total	0.535	0.55	0.125	0.925	0.007	0.188	5	37
<b>Quality 0-6</b>								
2010	2.185	2.2	0.425	4.75	0.087	0.917	17	190
2011	2.222	2.2	0.425	5.05	0.088	0.939	17	202
2012	2.283	2.225	0.475	4.95	0.088	0.934	19	198
2013	2.323	2.225	0.475	4.825	0.088	0.943	19	193
2014	2.318	2.275	0.425	4.9	0.087	0.93	17	196
2015	2.295	2.175	0.375	4.95	0.09	0.951	15	198
Total	2.271	2.2	0.375	5.05	0.036	0.934	17	196

In the second part of table 9, the descriptive statistics shows the result of the second measurement that has been used in this study (the quality of disclosure).

The quality of CSRD in annual reports was measured using a scale from 0-6; where zero: no disclosures, one: general disclosures (Non-monetary), two: general disclosures, (Non-monetary) with pictures, three: descriptive/ qualitative disclosures, specific details (Non-monetary), four: descriptive/ qualitative disclosures, specific details with pictures, five: numeric disclosures, full descriptions with supporting numbers, and six: Numeric disclosures, full descriptions with supporting numbers, pictures, and charts. The minimum average of quality of disclosures was found in 2015, with value of (15) (0.375). This value belongs to the industrial sector (chemical industry) and particularly to Premier Business and Projects Co. LTD. This company is suffering from continuous losses, and the market value of the company is half what it was in 2014, in addition to these challenges, the board of directors includes family members, and the ownership type of this company is considered to be a family owned business with more than 68 percent of the shares owned by the same family. This result is consistent with the study on US companies (Block & Wagner, 2014) where they found that a negative relationship existed between family ownership and CSR performance in all dimensions except product-related aspects of CSR. It is also consistent with the study on Korean companies (Oh, Chang, & Martynov, 2011) where they found that managers that have strong ties with the founding family of the company are willing to adopt policies that benefit the owners at the expense of other stakeholders, which means less spending on social activities. Campopiano & De Massis (2015) studied the difference in CSR disclosure between family and non-family

firms and stated that ‘family firms are less compliant with CSR standards (Campopiano & De Massis, 2015: 511). This is also consistent with Al-Akra & Hutchinson (2013), where they studied family firm disclosures in Jordan. They found that family companies comply more with mandatory disclosure requirements than do non-family companies but they disclose significantly less voluntary information. On the other hand, the quality (0-6) results demonstrate that the maximum quality disclosures are in 2011 with a value of (202) (5.050), this high result reflect the fact that some Jordanian companies are disclosing more quality information about their CSR to the public, and reflects the rising interest in CSR disclosure in the annual reports. The result of the analysis shows that the highest results amongst companies disclosing better quality of CSR are industrial sector companies’ and particularly from the mining and extraction sectors, followed by utilities and energy from the service’s sector. This result is consistent with many researchers who found evidence that companies in high profile industries disclose significantly more social information in their annual reports and that industry type has an impact on the level of CSR disclosure (Patten, 1991; Mohd Ghazali, 2007; Sweeney & Coughlan, 2008; Yakovleva, 2017). Generally, the average CSR disclosure quality has been increasing steadily from 2010 until 2014, yet a slight decrease between 2014 and 2015. This illustrates the improving trend of CSR disclosures in Jordan, and that companies are putting more effort into this voluntary activity.

#### **4.2.1 Analysis of the nature of corporate disclosure**

To acquire more detailed information on the nature of corporate social disclosure categories’, table 10 demonstrate a descriptive statistic for each disclosed category of CSR in company’s annual reports. Four categories were used in this study namely (Employees, Environment, community and others, and product or services information). As it shown in the table, the number of observations for this study is 675, 15 observations were excluded because either no annual reports were found or because of delisting from Amman stock exchange during the period of study. The result shows that the highest average level of disclosures (availability and quality) is around products or services information and followed by employees with a slight difference in results. This result is expected due to the nature of the country of study Jordan, which represents a developing country, this indicates that the environmental and community issues are not the main concerns for these companies.

The Jordan securities commission (JSC) is the legal committee in Jordan that regulates, monitors, and develops Jordan’s capital market in relation to disclosure, financial services activities, and dealing in securities. JSC have issued the Securities Law No. 76 for the year

2002 and enacted in 2004, to replace companies Act 1997, which did not provide any articles or statements regarding social or environmental disclosure (Al-Khadash & Abhath Al-Yarmouk, 2003). The new law has placed emphasis on the role of the board of directors to include in company's annual report information regarding the following:

- The company's organisational chart, the number of its employees and their classes of qualification, and their personnel qualifying and training programs.
- A statement that includes the donations and grants made by the company during the fiscal year.
- The company's contribution towards environmental protection and local community services.

The following articles evidence CSR disclosure amongst the Jordanian companies, since the results show a weak level of disclosures in some categories.

This result was confirmed by Abu-Baker (2000) in his study about corporate social reporting and disclosure in Jordan, where he found that the categories most commonly disclosed across the industry groups were with regard to human resources and products information, and he also stated that 'Environmental disclosure needs much more attention by the JSCs' (Abu-Baker, 2000: 249). It was also confirmed more recently with the study of Ismail & Ibrahim (2009) on Jordan's social and environmental disclosure, where they found that human resources and employees are the most disclosed category, whereas environmental issues have the least percentage of disclosures amongst Jordanian companies. This result is also consistent with Al-Hamadeen & Badran (2014), where they studied the nature of CSR disclosures in Jordan, and found that environment is still the lowest theme being disclosed whilst the economic theme is the highest.

**Table 11 descriptive statistics for each category of CSRD extent and quality**

		Descriptive Statistics							
		N	Minimum	Maximum	Mean	Std. Error	Std. Deviation	minimum	Maximum
Extent 0-1	Employees	675	.143	.857	.599	.007	.172	2	12
	Environment	675	.000	1.000	.482	.013	.336	0	8
	Community and others	675	.000	1.000	.382	.012	.317	0	9
	Product or Service Information	675	.222	.889	.635	.005	.141	2	8
	Average	675	.125	.925	.535	.007	.188	1	9
Quality 0-6	Employees	675	.571	5.000	2.721	.034	.878	8	70
	Environment	675	.000	5.375	1.568	.050	1.298	0	48
	Community and others	675	.000	6.000	1.696	.059	1.535	0	54
	Product or Service Information	675	.222	5.111	2.771	.033	.869	2	46
	Average	675	.375	5.050	2.271	.036	.934	2.5	54.5

### Employees

The table shows the minimum of the employee’s disclosure extent is (2) (0.143), the maximum is 0.857, and the average of disclosures among all observations is around 60%, which considered a high percentage of disclosure compared to community and others or environment. This result is consistent with many researchers such as Rizk et al. (2008) found in their study that the most significant information in Egyptian companies is employee-related information. Lyn (1992) indicated that employee’s information is vital in Hong Kong. Saleh (2009) found that disclosures regarding employees and human resources have the maximum level of disclosures, while environmental disclosures were found less in Malaysian firms. Companies who operate in services and particularly in hotels and tourism dominate in the maximum results; this is because hotels are looking after their employees and their well-being (Bohdanowicz & Zientara, 2009). Furthermore, the quality of disclosure of employees is also high, with maximum of (12) (5.0), and an average of 2.721, which indicates that availability and quality of employee’s disclosures are in continuous improvement.

### Environment

The environmental disclosure results come third after employees and product or services information extent, and lastly in the quality of disclosures. These results were not expected since the world is concerned about the environment. However, this result is consistent with previous studies in Jordan and in the Middle East. The lack of laws and regulations are one of

many reasons why environmental issues and disclosure are not addressed properly (Hossain, Islam, & Andrew, 2006; Al-Hamadeen & Badran 2014; Ibrahim & Hanefah, 2016).

The table shows that the minimum disclosure regarding environment in annual reports for both extent and quality of disclosures is 0.00, indicating that some companies are not providing any environmental disclosures. The companies that have no disclosures in environmental issues are generally in the services sector, which is consistent with (Tagesson et al., 2009) where they mentioned that company's operations with no direct effect on the environment tend to disclose less about the environmental issues. However, the maximum results are (8) (1.0) regarding the extent of disclosure, which is a full score, and the value of (48) (5.375) for quality of disclosure, which is higher than the employee's one, these results are coming predominantly from the industrial sector. The vast variation of the results between minimum and maximum in the environmental disclosures is coming from the different activities undertaken by companies; which was aforementioned that companies with high profile industries tend to disclose more information about environmental issues than other industries. This is confirmed by Ismail & Ibrahim (2009: 198) where they stated that 'manufacturing companies tend to disclose more environmental items compared to service companies.

#### **Community and others**

The outcomes of the descriptive analysis show that the mean of the extent of community and other disclosures is 0.382. This value is the lowest between the other disclosure themes, with a minimum of 0.00 indicating that some companies are not disclosing any information about their community involvement, and a maximum of (9) (1.00) where companies are highly disclosing about community involvements. This result is considered low, since Jordan is considered one of the Arabic and Muslim countries where community involvement is considered to be one of its attributes. When it comes to the quality of disclosure, the results demonstrate that the minimum is 0.00 and the maximum (54) (6.00), which mean that some companies do not disclose at all and others disclose fully. The maximum level of (54) (6.00) indicates that companies are disclosing about their community disclosure using numerical numbers and pictures that prove their participation. The data analysis reveals that educational services, utilities, and telecommunication sectors are the highest disclosures of this category, this result is logical since they are operating in a services sector where competition is high and needs to attract customers and to improve their company's reputation. Cobb (2015) mentioned in his study that person's perception of a company is significantly affected by the company's actions regarding social responsibility. Niehm, Swinney, and Miller (2008) found that

businesses that operate in the educational sector are disclosing more information about their community involvements, commitment to the community, and community support. Haniffa & Cooke (2005) in a study is also consistent with the results, where they found that community disclosures in 2002 were 21%, while the employees' disclosures were 43% in the Malaysian companies. Indicating that community and others is not the most important disclosed category in Malaysia. Smith (2017) found that community terms have decreased in usage from 2011-2015, and that may be because new terms have emerged, for example: companies are using the term green instead of environment because it is easy to communicate that with public, and terminology such corporate giving, volunteer involvement, and philanthropy to express their community involvement, which might be the reason why community and others has low average in Jordan (Smith, 2017).

#### **Products or services information**

The products or services category have received the highest attention from the Jordanian companies. The average for the extent of disclosure is 0.635, and the minimum is (2) (0.222), while the maximum is (8) (0.889). The result is the highest among all categories of disclosure. On the other hand, quality of products disclosure is also the highest among all categories with an average of 2.771. This result indicates that companies are disclosing more information about their products or services in the annual reports. Therefore, it appears that products or services information are the most important category from the perspective of availability and quality of disclosure. This is consistent with Inoue & Lee (2011) study, where they have studied the products disclosures as one of the main dimensions of CSR. Products and employee's disclosures were found positive and significant in explaining better performance and were the highest among other dimensions (Inoue and Lee, 2011). According to Zeghal & Ahmed (1990), human resources and products were found to have the highest categories of disclosures in the top nine petroleum firms, with 82% of the disclosures. The increased attention that is given to products comes from the fact the firms are trying to disclose and introduce products and services to the stakeholders by using their annual reports; they also include pictures of their products to give full information.

## 4.2.2 Analysis of CSR disclosures frequencies.

Table 12 The frequencies of CSRD extent 0-1

The frequencies of CSR Extent 0-1				
0-1	Frequency	Percent	Cumulative Percent	
.1-.199	31	5%	5%	
.2-.299	50	7%	12%	
.3-.399	62	9%	21%	
.4-.499	128	19%	40%	
.5-.600	120	18%	58%	
.6-.700	130	19%	77%	
.7-.799	95	14%	91%	
.8-.899	48	7%	98%	
.9+	11	2%	100%	
Total	675	100%		

The frequencies analysis shows that 5% of the observations have a disclosure average less than 0.2, whereas 16% of the observations have an average disclosure between 0.2 and 0.4. Which makes it in total 21 % are disclosing below the average of 0.4. However, the majority of the observations (60%) have an average of disclosure between 0.4 and 0.8. indicating that 60 % of the companies are providing an average disclosure between 0.4 -0.8, it is also an indicator that the items in the index are being disclosed by most the companies. On the other hand, just 2% of the observations are providing an average of disclosures more than 90 %, these companies have almost the perfect score in their annual reports which means they have disclosed mostly every item in the index. According to Holder-Webb, et al (2009), the use of frequency of disclosure as a tool to measure CSR disclosures is not enough, the disclosure frequency analysis does not represent the true level of disclosures, but it is considered a good measurement for the intensity of disclosure.

**Table 13 The frequencies of CSR Quality 0-6**

The frequencies of CSR quality 0-6			
0-6	Frequency	Percent	Cumulative Percent
0-.94	9	1%	1%
.5-.99	54	8%	9%
1-1.48	61	9%	18%
1.5-1.99	144	21%	40%
2-2.49	157	23%	63%
2.5-2.99	129	19%	82%
3-3.49	48	7%	89%
3.5-3.99	36	5%	95%
4-4.49	17	3%	97%
4.5+	20	3%	100%
Total	675	100%	0%

The above table 12 shows the frequencies analysis for the quality of disclosures. The average score of the frequencies reflects the disclosure behaviour that is followed by Jordanian companies. The analysis shows that the majority of corporate social responsibility disclosures in the annual reports are between 1.5 and 3.5, linking this result to the quality measurement used in this thesis reveals that the disclosures in the annual reports are general disclosures, (Non-monetary) with pictures, descriptive/ qualitative disclosures, specific details (Non-monetary), and descriptive/ qualitative disclosures, specific details with pictures. Indicating that a low level of quality of disclosure in the annual reports. Moreover, only 6 percent of the sample is providing high quality disclosures that include numeric disclosures, full descriptions with supporting numbers, and numeric disclosures, full descriptions with supporting numbers, supporting pictures and charts.

### **4.2.3 CSR Disclosure according to Sector**

The table below shows the CSR disclosures scores according to the services and industrial sectors, this table is a strong indicator of the difference between services and industrial, and how companies in both sectors are concentrating on certain items for disclosure, it also shows the extent and quality of disclosures of CSR according to the themes and each sector. It is expected that according to the previous literature to find that industrial companies have a higher level of disclosures in both extent and quality.

**Table 14 CSR Disclosure Extent and Quality according to each Sector**

CSR Disclosure according to Sector					
Extent (0-1)					
	Employees	Environment	Community and others	Product or Service Information	Average
Industrial	.594	.577	.356	.638	.547
Services	.605	.366	.413	.632	.520
Total	.599	.482	.382	.635	.535
Quality (0-6)					
	Employees	Environment	Community and others	Product or Service Information	Average
Industrial	2.653	1.874	1.554	2.781	2.279
Services	2.804	1.197	1.870	2.760	2.262
Total	2.721	1.568	1.696	2.771	2.271

With regard to the extent of CSRD, table 13 shows that the CSR disclosure's average in the industrial sector is 0.547, which is slightly higher than the services with average of 0.520. This result is consistent with the study of Wanderley et al (2008), where they studied the effect of both industry sector and country of origin on CSR information disclosure; they found that industry sector has a significant impact on CSR disclosures. Moreover, Sweeney and Coughlan (2008) findings show that there is a significant difference between how companies in different industries report on CSR. This is also in line with stakeholder theory, which identifies that most of the companies have a large set of stakeholders to which they have an obligation to meet their requirements (Cochran, 1994).

The table also shows the result for CSR disclosure quality, the result is consistent with the extent results where industrial sector disclosure average is slightly higher than services. However, the major differences in disclosures can be found in the themes of disclosure (employees, environment, community and others, and product or service information).

In terms of disclosure's extent, the results show that the highest percentage of disclosures are found in product or service information in both sectors (industrial and services) 0.638 and 0.632 respectively. This result reveals that both sectors are giving almost the same attention and consideration to the disclosure of products or services information. However, the result reveals the large variance in disclosure of environmental items between industrial and services sectors; the industrial environmental disclosure's average is much higher than the services ones with the values of 0.577, 0.366 respectively. This large difference in disclosures comes from the fact

that companies which operate in industrial sectors have more impact on the environment than the services; thus, they will disclose more to show that they are responsible (Tagesson, et al, 2009:354). Moreover, according to the stakeholder theory, various stakeholder groups (governmental or special interest's groups) that have general interests on the behaviour of companies towards environment will demand more information (Garcia-Sanchez et al., 2013). From a legitimacy theory perspective, the companies may be encouraged to disclose environmental information to legitimise their activities within community, or they may be motivated in order to gain support and acceptance from the broad society or some particular special interest groups (Deegan, 2002; Lu & Abeysekera, 2014).

In addition, the results show that services sector has higher level of disclosure regarding community and others than the industrial sector. Almost 6% is the difference which is considered high, the fact that service sector comprises of companies that provide services and not goods to customers, such as telecommunications firms, transportations, or hotels and tourism are looking for more interaction with the community, either from donations, sponsoring of sport activities, establishment of educational institutions, or from public projects. This interaction is important to keep in touch with their customers, improve their reputation and keep their presence in the community (Poolthong & Mandhachitara, 2009; Garay, Gomis, & González, 2017). Regarding employees, both of the sectors are disclosing nearly the same level of information, with a higher 1% for services. Overall, the employee's average disclosure appears to be in the second place after product or service information. This high percentage is consistent with many researchers who studied CSRD regarding human recourse and employees, and found that all types of companies disclose almost the same level of information with regard to their employees (Rizk et al., 2008; Saleh, 2009).

The average of quality of disclosure is following the same path of the availability regarding which sector is providing higher and lower levels of disclosure. The results show that the industrial sector is providing slightly higher quality disclosure in product or services information than the services sector, with the values of 2.781 and 2.760 respectively, however, the noticeable difference can be seen in the employee's theme, where there is more than 15% difference between the quality of disclosure and the availability is found. This result indicates that employees are more important for the services sector than the industrial, this result is consistent with the study of Jizi et al (2014) were they found that employee's average disclosures is 87 %, it is also found that by engaging in CSR activities, companies can gain the trust of their employees and perform better. The quality of environmental disclosures is much

higher in the industry sector than the services, this result shows the importance of environmental disclosure to the industrial sector because of what was mentioned earlier in the availability section. On the other hand, the community and other is found to be higher in services sector than the industrial one with values of 1.870 and 1.554, the difference between both sectors shows community's disclosures are less important for industrial sector and that all their concentration is on products' information, employees and environmental disclosures. Whilst the services sector is concentrating more upon products' information, employees, and community disclosures. In the next section, the analysis will show in depth the description of CSR disclosures using subsectors.

#### **4.2.4 CSR Disclosures according to subsector**

To provide more accurate descriptive statistics of CSR disclosures in the annual reports, 18 subsectors have been analysed according to their disclosures in employees, environment, community and others, and product or services information.

The analysis shows that printing and packaging companies are providing the highest portion of disclosures in the annual reports, with a disclosure average of 70 percent. This high average is a result of the high disclosures in products' information and environmental disclosures, which is consistent with the literature that industrial companies provide a higher level of disclosures regarding products and environment in their annual reports. Under this subsector, there is one company in Jordan that is listed and operates in printing and packaging (Al-ekbal prnt Co), the researcher noticed that the board of directors (BoD) of this company consists of 3 foreign directors out of 5 directors. The make-up of this BoD can be the reason for the high level of disclosures. According to Khan, Muttakin, & Siddiqui (2013), the companies with foreign directors and ownership are expected to provide more disclosures about their social and environmental information, to help them in making decisions.

**Table 15 CSR Disclosure according to Sub-Sector Extent (0-1)**

CSR Disclosure according to Sub-Sector Extent (0-1)					
	Employees	Environment	Community and others	Product or Service Information	Average
Chemical Industries	.535	.627	.159	.648	.494
commercial services	.486	.162	.174	.532	.361
educational services	.661	.601	.759	.688	.677
Electrical Industries	.679	.474	.449	.704	.592
Engineering and Construction	.609	.549	.423	.645	.563
food and beverages	.584	.615	.297	.650	.541
health care services	.663	.528	.241	.698	.549
hotels and tourism	.638	.476	.395	.663	.557
Media	.706	.639	.580	.568	.633
Mining and Extraction Industries	.609	.632	.477	.638	.590
Paper and Cardboard Industries	.441	.397	.190	.503	.390
Pharmaceutical and Medical Industries	.589	.622	.367	.667	.563
printing and packaging	.726	.771	.481	.815	.700
technology and communication	.690	.167	.537	.778	.571
Textiles, Leathers and Clothing	.589	.441	.259	.559	.478
Tobacco and Cigarettes	.744	.469	.667	.630	.646
Transportation	.580	.253	.418	.622	.488
utilities and energy	.732	.547	.639	.699	.667
Total	.599	.482	.382	.635	.535

However, the analysis shows that the lowest average disclosures are for commercial services; this subsector consists of 11 companies. These companies are either holding groups or trading companies, which invest in shares and buy other companies. Thus, not much attention is given to the environment or community. These types of companies are focusing on products information (0.532) and employees (0.486), while other disclosures are scarcely available. Regarding the disclosures' themes, the analysis shows that Tobacco and Cigarettes are providing the highest disclosures about employees with a value of 0.744. this subsector in Jordan includes two companies, Al-Eqbal investment and Union Tobacco, few researchers mentioned in their studies that tobacco and cigarettes companies are controversial industries since they are manufacturing lethal products that have negative effect on human's health and society in general (Palazzo & Richter, 2005; Cai, Jo, & Pan, 2012), according to Cai, Jo, & Pan (2012), CSR has a positive impact on firm's value in these perceived as 'sinful' industries such as tobacco and alcohol The analysis shows that these two companies have increased market

value and better performance than other companies. On the other hand, the analysis shows that the lowest subsector in providing employee's information is in Paper and cardboard industries. This subsector is represented in one company called Jordan Paper and cardboard industry, this company is suffering from losses in the past four years, also, a reduction in the employee's numbers and production recently, which may be the reason behind the lack of disclosures in this category.

The analysis reveals that printing and packaging companies are providing the highest levels of environmental disclosures. Printing and packaging is a part from the industrial sector, which was mentioned earlier in the literature why manufacturing companies and industrial sectors are providing more information about the environment. While the lowest environmental disclosures extent was found in the commercial services, technology, and communication sectors. Both subsectors are part from the services sectors in Jordan, where environmental disclosures in their annual reports appear to be secondary.

Regarding community and other disclosures, educational services are dominating the subsectors of disclosure's extent with more than 75% of disclosure's extent. This result shows that the purpose of educational services is not just to enlighten the students, but also to add value to the society by contributing in their daily life activities (Kuasirikun & Sherer, 2004). Alisra university is one of the universities that provide more than 200,000 JD (225,000 £) to the community in terms of donations, parks and gardens, and the most important scholarship program for students to continue with their education. Moreover, the Law of Higher Education and Scientific Research No (23), has made it compulsory to the educational services (universities and others) to spend 3% of their profit for scientific research and providing an academic, research, psychological and social supportive environment appropriate for innovation, excellence and talents burnishing (the Law of Higher Education and Scientific Research, 2009). This law motivated the educational service's subsector to contribute more to the society and provide scholarships to the seekers of knowledge. However, chemical industries were found to have the least amount of disclosures regarding community and other, which contradicts the previously discussed literature. According to stakeholder's theory and legitimacy theory, companies which operate in high profile industries such as manufacturing and chemical industries are disclosing more information to the public in order to seek legitimacy and acceptance from the public (Jenkins & Yakovleva, 2006; Campbell, Moore, & Shrives, 2006; Liu & Anbumozhi, 2009).

In terms of products and services information, all companies have disclosed a decent amount of information. The result shows that all companies have an average disclosure of 50% or more, this result reflects the fact that companies in Jordan are giving more attention to this theme than any other type of disclosure. Even though companies with the lowest average disclosure are putting more effort into this particular area, which means that product disclosure is considered a more important aspect within which information should be disclosed (Mohd Ghazali, 2007). This is consistent with Ahmad, Sulaiman, & Siswantoro (2003) who found that the most disclosed theme in the Malaysian companies is product's information. More recently, a study by Barakat, Pérez, & Ariza (2015) found also that the most commonly disclosed theme in Jordan and Palestine is products and consumers; this can be explained that companies need to legitimise their activities and products. The Jordanian companies are concerned about the quality of their product and the attention of their clients; thus, they provide more information about their strategies and policies in this area. In developing countries, companies attempt to explain and legitimise their policies, because their first concern is to maintain and improve sales. Their priorities are aimed at achieving stability and progress in their activity (Barakat, Pérez, & Ariza, 2015).

With regard to the quality of corporate social responsibility disclosure in annual reports, table 15 shows that the highest average of disclosure quality is for utilities and energy (3.492), which is equal to 59%. The main character of this subsector is that the government owns a substantial percentage of the company's shares, since these companies are considered vital for Jordan. This sector includes four main companies that provide energy, electricity and petrol to the citizens of Jordan. Even though these companies are considered part of the services sector, but they are providing the highest quality of disclosures. On the other hand, paper and card industries are providing the lowest quality of disclosures, even though they are part of the industrial sector. These conflicted results may be affected by other characteristics beside industry type, which will be looked at in the next section.

**Table 16 CSR Disclosure according to Sub-Sector quality (0-6)**

<b>CSR Disclosure according to Sub-Sector quality (0-6)</b>					
	Employees	Environment	Community and others	Product or Service Information	Average
Chemical Industries	2.201	2.021	.686	2.784	1.955
commercial services	2.262	.475	.801	2.097	1.539
educational services	2.778	1.514	3.074	2.904	2.620
Electrical Industries	2.943	1.281	1.731	2.866	2.321
Engineering and Construction	2.647	1.872	1.846	2.904	2.369
food and beverages	2.569	2.064	1.330	2.796	2.240
health care services	3.060	1.674	.932	3.253	2.347
hotels and tourism	2.896	1.663	1.764	2.896	2.394
Media	3.270	1.847	2.333	2.704	2.647
Mining and Extraction Industries	2.896	2.330	2.194	2.855	2.615
Paper and Cardboard Industries	2.055	.963	.804	1.699	1.475
Pharmaceutical and Medical Industries	2.679	1.882	1.432	2.960	2.302
printing and packaging	3.714	2.542	1.519	3.463	2.929
technology and communication	3.458	.573	2.657	3.583	2.729
Textiles, Leathers and Clothings	2.512	1.090	1.225	2.623	1.963
Tobacco and Cigarettes	3.393	1.344	2.981	2.722	2.740
transportation	2.621	.849	1.961	2.645	2.124
utilities and energy	4.057	2.385	3.361	3.727	3.492
Total	2.721	1.568	1.696	2.771	2.271

Regarding the disclosures theme, the result shows that in terms of employee's disclosures, utilities and energy has the highest score with a value of 4.057, whereas paper and card industries has the lowest with a value of 2.055. To compare these values with the previous table, the researcher divided these values by 6, and found that the quality of disclosure in both industries (utilities and energy 67.6% and papers and card industries 34%) is less than the extent in their annual reports 73.2 % and 44% respectively. This result is consistent with the study of Menassa (2010), where he found that Lebanese companies are providing a weaker CSR quality than their CSR extent.

The quality of environmental disclosure's numbers is disappointing. The highest value did not exceed 2.54, which reveals that the environment disclosures are still limited. This result is consistent with the study of Ahmad & Mohamad (2014) in the Malaysian companies. They found that companies are not providing sufficient levels of environmental disclosures because of the lack of regulations and limited guidelines. Regarding community and others, the numbers are similar to the environmental disclosures; low quality in general can be seen through these

numbers. The highest quality is coming from utilities and energy companies with a value of 3.361. While the lowest value is coming from chemical industry's subsector, with a value of 0.68. Lastly, the result shows that the quality of product's disclosures is higher than environmental and community disclosures. The maximum is 3.72 and the minimum is 1.699, these results are consistent with the previous CSRD extent table. Were it was found that companies are giving more attention to the product and services disclosures, in order to achieve their goals in sales, marketing, and to seek legitimacy for their productions.

### **4.3 The reliability and robustness of quality measurement:**

In order to check the reliability of the quality measurement, two people (the researcher and another person) have reviewed the annual reports and fill the codes in separate excel sheets. After that, two reliability measures have been applied in order to measure the inter-coder reliability of data namely; percentage of agreement and Krippendorff's alpha. SPSS software was used to calculate Krippendorff's alpha, whereas Excel software was used to find the percentage of agreement between the coders. The variation between the coders was mainly between specific details and general details in the scale.

The coders from each year reviewed Twenty-five annual reports. The total sample was 150 annual reports. Each coder provided their quality judgment for each category of the index according to the quality scale. Then the researcher organised the results and tested their reliability as it shown in the tables below:

In general, the results show a high degree of agreement between both of the coders, therefore, the researcher can say that the quality measurement procedures are highly reliable and can be generalised.

#### **Reliability of Quality Measurement 2010**

	<b>Percentage of agreement</b>	<b>Krippendorff's alpha</b>
<b>Employees</b>	<b>90.5 %</b>	<b>0.898</b>
<b>Environment</b>	<b>90.1 %</b>	<b>0.895</b>
<b>Community</b>	<b>95.3 %</b>	<b>0.932</b>
<b>Products</b>	<b>94.7 %</b>	<b>0.928</b>

**Reliability of Quality Measurement: 2011**

	<b>Percentage of agreement</b>	<b>Krippendorff's alpha</b>
<b>Employees</b>	<b>92.6 %</b>	<b>0.891</b>
<b>Environment</b>	<b>93.2 %</b>	<b>0.914</b>
<b>Community</b>	<b>97.8 %</b>	<b>0.922</b>
<b>Products</b>	<b>93.3 %</b>	<b>0.908</b>

**Reliability of Quality Measurement: 2012**

	<b>Percentage of agreement</b>	<b>Krippendorff's alpha</b>
<b>Employees</b>	<b>92.2 %</b>	<b>0.897</b>
<b>Environment</b>	<b>93.8 %</b>	<b>0.917</b>
<b>Community</b>	<b>96.8 %</b>	<b>0.946</b>
<b>Products</b>	<b>95.9 %</b>	<b>0.942</b>

**Reliability of Quality Measurement: 2013**

	<b>Percentage of agreement</b>	<b>Krippendorff's alpha</b>
<b>Employees</b>	<b>94.1 %</b>	<b>0.940</b>
<b>Environment</b>	<b>93.9 %</b>	<b>0.935</b>
<b>Community</b>	<b>98.2 %</b>	<b>0.981</b>
<b>Products</b>	<b>96.7 %</b>	<b>0.962</b>

**Reliability of Quality Measurement: 2014**

	<b>Percentage of agreement</b>	<b>Krippendorff's alpha</b>
<b>Employees</b>	<b>95.1 %</b>	<b>0.949</b>
<b>Environment</b>	<b>94.2 %</b>	<b>0.941</b>
<b>Community</b>	<b>97.7 %</b>	<b>0.973</b>
<b>Products</b>	<b>95.8 %</b>	<b>0.952</b>

## Reliability of Quality Measurement: 2015

	Percentage of agreement	Krippendorff's alpha
<b>Employees</b>	<b>91.2 %</b>	<b>0.902</b>
<b>Environment</b>	<b>93.2 %</b>	<b>0.924</b>
<b>Community</b>	<b>96.6 %</b>	<b>0.948</b>
<b>Products</b>	<b>94.5 %</b>	<b>0.933</b>

## 4.4 Univariate Analysis for Continuous Variables

It is argued that to understand the phenomenon of corporate social responsibility disclosure, you should understand the company's policies, objectives, and strategies. In addition, company's characteristics have to be identified in order to anticipate the trend of their disclosures which shapes the company's disclosure strategy. Each company is different to another, with different goals, objectives, management and ownership. The only mutual aspect between these companies is they are operating in one country and following the same laws and regulations. This section uses statistical methods (regression and correlation) to investigate the determinants of CSRD extent and quality in Jordan and the factors that cause the variations in the level of corporate social responsibility disclosure between different companies. This univariate analysis is specialised and uses continuous variables such as (total return, firm's capitalisation, number of Non-executive directors in the board, No of board meetings, ownership structure, size, gearing, board size, and age) (Omar & Simon, 2011).

**Table 17 univariate Correlation for continuous variables of CSRD Determinants**

		Correlations										
		0-1	0-6	3	4	5	6	7	8	9	10	11
1	Extent(0-1)	1										
2	Quality (0-6)	.927**	1									
3	<b>BS</b>	<b>.418**</b>	<b>.465**</b>	1								
4	Non-Exe	-.095*	-.051	.265**	1							
5	<b>Age</b>	<b>.392**</b>	<b>.476**</b>	.188**	.027	1						
6	<b>No. B-Meeting</b>	<b>.268**</b>	<b>.366**</b>	.130**	.076*	.201**	1					
7	Ow. Concen.	.000	.042	-.202**	.007	-.043	-.010	1				
8	<b>Gov. Ow.</b>	<b>.209**</b>	<b>.319**</b>	.183**	.114**	.263**	.438**	.145**	1			
9	Inst. Ow.	.072	.135**	.007	.040	.127**	-.049	.441**	-.092*	1		
10	<b>Size</b>	<b>.602**</b>	<b>.711**</b>	.402**	.063	.372**	.312**	.091*	.381**	.114**	1	
11	<b>Gearing</b>	<b>.138**</b>	<b>.153**</b>	-.082*	-.041	.186**	.113**	-.089*	-.029	.065	.256**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

The level of CSRD extent and quality is affected by two groups of factors, firstly the company characteristics and secondly the corporate governance. The correlation analysis result reveals which factors have significant, insignificant, positive, or negative relationship with the level of disclosure (extent and quality).

#### **4.4.1 Board size**

The correlation analysis reveals that board size has a positive and significant relationship with CSR disclosures extent and quality. This means if the company has a larger board of directors then it will lead to a higher level of disclosures. Moreover, the result shows that the board size has a stronger relationship with the quality of disclosure than the extent. According to stakeholder theory, a larger board size lead to broader range of stakeholders, this will spark greater level of attention by different stakeholders, which will be met by the company in disclosing more information in order to meet their attention. Stakeholder management theory suggests that extra members on a board representing different groups and diversity potentially enable the firm to reach out to its different stakeholders (Frias-Aceituno et al., 2013). This result is consistent with many researchers who found a positive significant relationship between board size and CSR disclosure. Kaymak & Bektas (2017) found a strong and positive relationship between board size and CSR disclosure in their study of multinational corporations. They stated that ‘the presence of a greater number of board members allows for the presence of a more diverse group who represent different sets of stakeholders’ (Kaymak & Bektas, 2017: 14). Likewise, Donnelly & Mulcahy (2008) studied the relationship between number of variables including board size and the level of voluntary disclosures and they concluded that board size has a significant positive association with the level of disclosures. In the same context, Al-Bassam, Ntim, Opong, & Downs (2015) also found that companies with larger boards are disclosing more voluntary disclosures than those that are not

#### **4.4.2 Age**

The correlation analysis reveals that firm’s age has a positive and significant relationship with CSR disclosures extent and quality. It also shows that older firms have a stronger relationship with the quality of disclosure than the extent. Owusu-Ansah (1998:605) mentioned three reasons why age may be one of the factors that determine the level of CSR disclosure. First, the cost of gathering, processing and disclosing the necessary information might be higher for younger firms; second, younger firms are receiving more competition than older ones, and finally, newer firms might lack a track record on which to rely for public disclosure. This result

is also consistent with AL-Shubiri, Al-abadallat, & Orabi (2012), where they studied a number of financial and non-financial variables and its effect on CSR disclosure in Jordan. They found that the company's age is positively correlated with CSR disclosure, which supports the results of this study. When a company matures, its history and reputation of adopting social responsibility activities becomes entrenched (Wuttichindanon, 2017). According to Habbash (2017), a company's age is one of the main drivers that explains CSR disclosure in Saudi Arabia, thus older companies have the ability and the resources to produce high levels of CSR disclosures. This result contradicts with the findings of many researchers (Hossain & Reaz, 2007; Michelon & Parbonetti, 2012; Dhaliwal et al., 2012), where they found either negative or an insignificant relationship between firm's age and CSR disclosures.

#### **4.4.3 No. of board's meetings**

In the above table, the correlation result shows that the number of director's board meetings have a positive and significant association with the level of CSR disclosures. It also shows that the number of director's board meetings have a higher correlation with the quality of disclosures than the extent. This variable is significant at 1% level. The frequency of the board meetings in the sample range between 4 and 23 meetings, according to the correlation analysis, the higher number of the meetings leads to higher level of disclosures. This is consistent with the study of Kent and Stewart (2008), where they found that the quantity of disclosure is positively associated with the frequency of board's meetings. Similarly, this result is in line with Jizi et al (2014), where they studied several corporate governance variables and the impact on CSR disclosure, using a sample of large US commercial banks for the period 2009–2011, they found that board's meetings is statistically and positively related to CSR disclosures. The high number of meetings can be a signal of better management control and highly effective control, which can lead to higher level of disclosure (Fuente, García-Sánchez, & Lozano, 2017).

#### **4.4.4 Government ownership**

In Jordan, the government is an active partner with many privatised companies, and holds a significant number of shares in the strategic companies (Haddad, Sbeiti, & Qasim, 2017). The correlation analysis results demonstrate the strength of the relationship between government ownership and the level of CSR disclosures (extent and quality). It was found that the relationship between these two variables is positive and significant, which reveals the importance of government ownership as a variable. The result also shows that government ownership is more significantly correlated with the quality of disclosure than the extent.

According to the agency theory, the government share ownership through its directors is likely to supply higher levels of information in order to mitigate agency costs (Haddad et al., (2015). This result is consistent with many studies findings such as Mohd Ghazali (2007), where he found that government ownership has a positive and significant association with the level of CSR disclosure in Malaysian companies' annual reports. Similarly, Said, Hj Zainuddin, & Haron (2009) used a Hierarchical regression analysis to study the relationship between several variables including government ownership and the extent of CSR in Malaysia, the results indicated that government ownership is the most significant variable that is correlated with the level of CSR.

#### **4.4.5 Firm's size**

The correlation results in the above table show that there is a positive and significant relationship between firm size and the level of disclosure in both measures (extent and quality) at the significance level of 1%. The table also shows that size has a stronger relationship with CSR quality than CSR extent with value of 0.711 and 0.602 respectively. Consistent with the legitimacy theory, the positive and significant relationship appears to come from the fact that large companies receive greater attention from society, and they are more visible in the public eyes and more politically sensitive (Mohd Ghazali, 2007), which most companies try to manage that by disclosing more information about their CSR. Large companies are engaging in more social activities to legitimise their existence and manage their political costs; also, it can be seen as part of their image building. Reverte (2009) argued that large companies are likely to disclose more CSR information to address regulations and reduce political costs, since they are more likely to be subject to consumer hostility, public resentment, and the attention of governmental regulatory bodies. Empirically, the positive and significant relationship between firm size and CSR disclosure was found by several researchers in developing and developed countries (Aras, Aybars, & Kutlu, 2010; Ortas, Gallego-Alvarez, & Álvarez Etxeberria, 2015; Simmons, 2016; Wuttichindanon, 2017). This result also confirms many hypotheses, such as the disclosure cost hypothesis which revolve around the fact that bigger firms can afford the cost of disclosure. According to Ho & Taylor, (2007), there are many reasons for the positive relationship between size and CSR disclosure, the cost of disclosure might be lower for large firms, and larger firms might have higher agency cost because of the great gap between management and shareholders and thus they disclose more (Jizi et al., 2014).

#### **4.4.6 Gearing**

The correlation result shows that gearing (company's debt to equity) has a positive and significant relationship with the level of CSR disclosures. It is also noted that the gearing ratio has higher correlation with the quality of disclosure than the extent. This result indicates that companies which have high level of debts tend to disclose more information through the annual reports. In line with agency theory, highly geared firms have higher agency costs because of the possibility of a wealth transfer from debt holders to stockholders (Ortas et al., 2015). By increasing the level of disclosures, companies can decrease their agency costs and any potential conflict of interests between managers and owners. Few empirical studies found a positive and significant relationship between government ownership and level of CSR disclosures (Barako, 2007; Al-Shammari, 2008; Aly et al., 2010). Naser et al., (2006) studied several variables and its effect on CSR disclosure in Qatar; they found that the level of leverage has a positive and significant association with CSR disclosure. Similarly, a study by Juhmani (2013) of the listed firms on the Bahrain Stock Exchange, found a positive and significant relationship between leverage and the level of voluntary disclosures. More recently, Gallego-Álvarez & Quina-Custodio (2016) investigated many explanatory factors of CSR disclosures in 110 international companies and found that leverage has a significant positive association with the level of CSR disclosure but at the confidence level of 5%.

#### **4.4.7 Other variables**

The above table shows that non-executive directors have a negative and significant relationship at confidence level 5% with the extent of CSR disclosure, and no significant relationship was found with the quality of disclosure. This result is consistent with Haniffa & Cooke (2005), where they found a negative relationship between the percentage of non-executive directors and CSR disclosure in Malaysia. Hossain & Reaz (2007) found that the proportion of non-executive directors in the board is insignificant in explaining the level of disclosure. However, many researchers have reported a positive and significant relationship between non-executive directors and the level of CSR disclosure (Donnelly & Mulcahy 2008; Khan, 2010; Rouf & Abdur, 2011; Khan, Muttakin, & Siddiqui, 2013). Ideally, non-executive directors monitor the activities of executive directors. However, according to JSC 2002 law, each company must form a board of directors with at least one third of non-executive directors. The law has made it mandatory to appoint three non-executive directors in the audit committee, which means these non-executive directors have no independence or control over the board's decisions and they are there simply because it is a regulatory requirement.

The result also shows that ownership concentration has insignificant relationship with the level of CSR disclosures in Jordan. This result indicates that large block-holder ownership, who hold a high percentage of company's shares do not have a relationship with the level of CSR disclosure. This is consistent with Said et al (2009), where they found no significant relationship between large shares holders and the level of CSR disclosures.

The above table also shows that institutional ownership does not have a relationship with the extent of CSR disclosures; however, the result indicates that a positive and significant relationship is found between institutional ownership and the quality of CSR disclosures. This means that companies with high institutional ownership are demanding higher quality of CSR disclosures. This result is consistent with the findings of Saleh, Zulkifli, & Muhamad (2010), where they found a positive and significant relationship between institutional ownership and CSR. This indicates that institutional investors have an impact on social information disclosures, and they are influencing decision makers to disclose more.

#### **4.5 Univariate Analysis for Dummy Variables**

This study has tested nine variables as dummy variables, namely (Female members, foreign members, family members, audit committee, Big 4, CEO duality, government ownership, institutional ownership, and industry type). As it shows below in table 18, the result shows that seven out of nine dummy variables were found significant, and their existence made a difference in CSR disclosure:

**Table 18 univariate analysis fro dummy variables of CSRD determinants**

		N	Mean		Mean Difference			
			Extent (0-1)	Quality (0-6)	Extent (0-1)	Sig	Quality (0-6)	Sig
Female	No	52 2	0.534	2.249	-0.002	0.912	-0.098	0.284
	Yes	15 3	0.536	2.347				
Foreign Members	No	<b>46 3</b>	<b>0.504</b>	<b>2.101</b>	<b>-0.098</b>	<b>0.000</b>	<b>-0.542</b>	<b>0.000</b>
	Yes	<b>21 2</b>	<b>0.602</b>	<b>2.643</b>				
Family Members	No	39 1	0.567	2.243	<b>-0.048</b>	<b>0.003</b>	-0.068	0.331
	Yes	28 4	0.519	2.310				
Audit Com.	No	<b>13 5</b>	<b>0.414</b>	<b>1.713</b>	<b>0.151</b>	<b>0.000</b>	<b>0.698</b>	<b>0.000</b>
	Yes	<b>54 0</b>	<b>0.565</b>	<b>2.411</b>				
Big4	No	<b>42 5</b>	<b>0.487</b>	<b>1.980</b>	<b>0.129</b>	<b>0.000</b>	<b>0.786</b>	<b>0.000</b>
	Yes	<b>25 0</b>	<b>0.616</b>	<b>2.766</b>				
CEO Duality	No	57 3	0.539	2.305	-0.027	0.159	-0.193	0.024
	Yes	10 2	0.513	2.112				
Government Ownership D	No	<b>55 4</b>	<b>0.503</b>	<b>2.065</b>	<b>0.178</b>	<b>0.000</b>	<b>1.152</b>	<b>0.000</b>
	Yes	<b>12 1</b>	<b>0.681</b>	<b>3.217</b>				
Institutional Ownership D	No	12 8	0.499	2.072	0.045	0.119	<b>0.245</b>	<b>0.005</b>
	Yes	54 7	0.543	2.318				
Industry	Industria l	37 0	<b>0.559</b>	2.279	<b>0.039</b>	<b>0.049</b>	0.016	0.820
	Services	30 5	<b>0.520</b>	2.262				

#### 4.5.1 Female members

The result shows that there are no significant differences in the level of CSR disclosures (extent and quality) between companies that have female representation and companies without female representation in the board of the directors. Where the level of CSR disclosures for firms with female directors is 53.6 %, and for firms without female directors is 53.4 %, and the difference is .2 % which is insignificant at 1 %, 5%, or 10% confidence levels. The results also show that 22.7 % of the Jordanian companies under study have female directors on the board. These findings are consistent with Khan (2010), were he found no significant association between female representation on the board and CSR disclosure. Similarly, an empirical evidence of the

study of companies listed on the Pakistan stock exchange found that women directors have no relationship with the intensity level of CSR disclosures (Majeed, Aziz, & Saleem, 2015).

#### **4.5.2 Foreign members**

The above table reveals that there are significant differences in the level of CSRD in both extent and quality of disclosures between companies with foreign members on the board of directors and companies without foreign members. 31% of the companies under study have foreign members in the board of directors. The result also illustrates that companies with foreign members on the board have 60.2% of CSR disclosures, whereas, companies without foreign directors have lesser level of disclosures with the value of 50.4%. Likewise, the level of quality of CSR disclosures is higher in firms with foreign directors than firms without. This result is in line with the resource dependence theory, it proposes that foreign directors provide additional resources and inputs to the company, such as language, diverse opinions, culture, life experiences, which in return improves companies' strategies such as supporting CSR disclosure strategies (Ayuso & Argandona, 2007). Khan (2010) found that directors with foreign nationalities have a positive and significant association with CSR reporting. This result is also supported and confirmed by Ibrahim & Hanefah (2016) in Jordan; where they found the existence of foreign directors on the board to have a positive and significant relationship with CSR reporting level.

#### **4.5.3 Family members**

With regard to the family directors on the board, the result reveals that there are insignificant differences in the level of CSR disclosures quality between firms with family members on the board of directors and firms without family members. However, the result shows that the level of CSR disclosure extent is significant. Where firms with family directors are disclosing almost 52% and companies without family members are disclosing 56.7 %. It is noted as well that 42% of the companies in the study in Jordan have family members on the board of directors. This result shows that family members on the board of directors are affecting the level of CSR disclosure extent and quality. This is consistent with Al-Akra & Hutchinson (2013), where they found that the quality of accounting disclosures in Jordan is less with family firms; they also found that family companies comply more with the disclosure requirements of mandatory disclosures than non-family companies, and they significantly disclose less voluntary information. In Jordan, a study by Haddad et al (2015) found that we show that family

domination of the board is a significant factor in explaining the variation in voluntary disclosure, which confirms this study result of the variation in the extent of CSR disclosure.

#### **4.5.4 The presence of audit committee**

The availability of an audit committee in the firms was found to be significant for both extent and quality of CSRD. Table 17 demonstrates that there are significant differences in the level of CSR disclosures between companies with audit committees and companies without an audit committee. The level of CSR disclosures in companies with an audit committee is 56.5%, while for companies without audit committees are 41.4 %. This variation in the level of disclosures is considered high (15%). It is also noted that 80% of the companies have audit committees; this represents the high commitment to JSC 2002 Law. According to agency theory, audit committees are seen as an internal control mechanism that improves management decisions and reduce agency cost (Forker, 1992). This result is consistent with the findings of Said, Hj Zainuddin, & Haron (2009), where they found a high significant and positive relationship between audit committee and the level of CSR disclosures. Furthermore, Khan, Muttakin, & Siddiqui (2013) found that the presence of audit committees in Bangladesh firms has a positive and significant impact on the extent of CSR disclosure; they have stated that the presence of an audit committee can ensure the objectivity of financial reports through disclosing higher extent of CSR disclosure (Khan et al., 2013: 219)

#### **4.5.5 Big 4**

The type of external auditors engaged in auditing is found to be significant. Also, there is a significant difference in the level of CSR disclosure between companies with one of the big four as external auditors and companies with local external auditors. Firms with big four auditors have a disclosure average of 61.6%, while companies with local auditors have a disclosure average of 48.7%. Table 17 also reveals that 37% of companies in Jordan are using international firms to audit their annual reports. The result is considered logical since larger audit firms have more expertise and resources to ensure that companies are following the rules and regulation regarding the disclosure requirements (Kent & Stewart, 2008). Furthermore, it is expected that international audit firms (big 4) have higher motivation to maintain their reputation since they have a large base of clients. This result is consistent with the findings of Xiao, Yang & Chow (2004), where they found that companies with international audit firms have higher disclosures than companies with local auditors. Similarly, Kent & Stewart (2008) found that audit firms type has a positive and significant relationship with the level of CSR

disclosures. More recently, Al-Bassam et al (2015) found that companies which are being audited from one of the big four audit firms have higher voluntary disclosures.

#### **4.5.6 CEO duality**

In terms of CEO duality, the difference in CSR disclosures level between firms with duality role of CEO and firms with separation of the role was negative and insignificant. The JSC law has stated that the role of CEO and chairman has to be separated. The result shows that just 15% of the Jordanian companies under the study have a CEO with dual role, which indicates that Jordanian companies are largely meeting the JSC requirement regarding this condition. Companies that separate both of the roles have an average disclosure of 53.9%, while companies with duality of CEO role have disclosed an average of 51.3%. This is consistent with Chau & Gray (2010), where they found a negative relationship between CEO duality and CSR disclosures. The result indicates that the relationship is not significant, which is also consistent with Khan, Muttakin, & Siddiqui (2013), where they could not establish a relationship between CEO duality and CSR disclosures.

#### **4.5.7 Government ownership**

Table 17 shows that the government ownership dummy variable is consistent with the continuous one (see table 16). There are significant differences in the level of CSR disclosures between firms that have shares held by the government then with firms without government ownership. Firms with government ownership are disclosing more information regarding the extent and quality over firms without government ownership, 68.1% and 50.3 respectively. Furthermore, the quality of CSR disclosures is better with government ownership than non-governmental owned firms, 53.6% and 34.4% respectively. In addition, the result shows that 18% of the sample are owned/ or partially owned by the Jordanian government. This small percentage reveals the government strategy in privatising companies in Jordan after the Gulf War until now. Currently, the government is still holding substantial amounts of shares in key infrastructure firms such as Jordan Petroleum Refinery, Jordan Phosphate Mines, and Arab Potash (Al-Akra, Ali, & Marshdeh, 2009).

#### **4.5.8 Institutional ownership**

Business institutions in Jordan have a huge influence on the Jordanian market; the high percentage of institutional ownership reveals the importance of this sector. The result shows that 81% of the sample under study is owned or partially owned by institutions. In addition, the result shows that there is no significant difference in the level of CSR disclosure extent between

firms with institutional ownership and firms without institutional ownership, which confirms the results of the univariate analysis where the institutional ownership was tested as a continuous variable. However, regarding the quality of CSR disclosure, the result reveals that there is a significant difference in the quality of CSR disclosures between companies with institutional ownership and companies without institutional ownership at 1% confidence level. This result was also found in the previous univariate analysis, and is also consistent with Mahoney and Roberts (2007), where they found a significant relationship between the number of institutions investing in firms' stock and the level of corporate social performance of the firm.

#### **4.5.9 Industry type**

In terms of the industry type, table 17 shows that there are significant differences in the level of CSR disclosure extent between the industrial sector and the services sector. However, the result shows that no significant differences in the quality of CSR disclosure between industrial and services sectors at 5% significance level. Where the extent level of CSR disclosures in the industrial sector is almost 56% and in the service's sector is 52%, which makes the difference 4%. According to the legitimacy theory, firms with high effect on the society required to explain the big picture of their actions. Hence, larger amount of disclosures is required to legitimise their activities. Empirically, our findings are consistent with Gamerschlag et al (2011), where they found that industrial companies and energy suppliers in Germany are disclosing more information in all aspects of CSR. They mentioned that companies' main motivation to disclose CSR is to reduce their political costs. According to Dias et al (2017), firms that have high contact with society and consumers are disclosing higher amount of information regarding CSR, they found that industry type has a positive relationship with the level of CSR disclosers.

#### **4.5.10 Regression assumptions**

In the next section, the researcher is using the multivariate analysis to examine the impact of the determinants on CSR disclosure. The regression was run by the researcher to find the consistency with the univariate and correlation analysis. To some extent, the result shows that it is consistent with the univariate analysis. Moreover, the model's robustness has been checked and passed the following tests: Multicollinearity, Heteroskedasticity, and Normal Distribution and Autocorrelation.

## 4.6 Multivariate Analysis

According to Sekaran (1992), in the univariate analysis, the correlation coefficient measures the strength of the association among two variables, but it does not indicate how much of the variance of the dependent variable will be explained by several independent variables. Moreover, Patton and Zelenka (1997) claimed that the overall significant explanatory power of independent variables might be overestimated by the univariate analysis.

In order to find the determinants of CSR disclosures extent and quality, the following regression is constructed and tested:

$$CSR D_{i,t} / CSR Dq = \alpha + \beta_1 B.S_{i,t} + \beta_2 NonEx_{i,t} + \beta_3 Age_{i,t} + \beta_4 Female_{i,t} + \beta_5 FrM_{i,t} + \beta_6 FmM_{i,t} + \beta_7 No.M_{i,t} + \beta_8 ADC_{i,t} + \beta_9 Big4_{i,t} + \beta_{10} CEOD_{i,t} + \beta_{11} OwCon_{i,t} + \beta_{12} GovOw_{i,t} + \beta_{13} InstOw_{i,t} + \beta_{14} F.Size_{i,t} + \beta_{15} Gearing_{i,t} + \beta_{16} Industry\omega_{i,t}$$

The regression model contains nine continuous variables and seven dummy variables. The multivariate test shows the significance statistics of the above model which includes sixteen variables and explains 54.9% of CSR disclosure extent, and 68.8% of CSR disclosure quality at 1% significant level. The R square value illustrate that the model has a high level of explanatory power. This high result is considered respectable according to the findings of many researchers (Omar & Simon, 2011; Kaymak & Bektas, 2017).

The Hausman test was run to decide between fixed or random affects analysis. The Hausman test basically tests whether the unique errors (ui) are correlated with the regression. If the result of the Hausman test is significant, the researcher will reject the null hypothesis and uses the fixed tests; however, if the result is insignificant the researcher will use the random effect test.

**Table 19 Hausman test for CSR D Determinants**

Df	15	13	12	10	5	15	13	12	10	5
test statistic	68.49	53.80	58.69	50.38	10.37	48.96	41.40	40.25	40.39	12.67
p-value	0.000	0.000	0.000	0.000	0.065	0.000	0.000	0.000	0.000	0.027

The above table shows that the Hausamn test is significant and hence the researcher will use the fixed test to for the analysis and exclude the random test. The below tables (Pooled and fixed) will be used to find the determinants of CSR D.

**Table 20 Regression Pooled test**

Pooled OLS										
Dependent variable	Extent (0-1)					Quality (0-6)				
Obser.	675	675	675	675	675	675	675	675	675	675
R-squared	0.549	0.437	0.538	0.432	0.396	0.688	0.553	0.683	0.547	0.534
Adjusted R-squared	0.538	0.425	0.528	0.423	0.391	0.681	0.544	0.677	0.540	0.530
F(17, 646)	50.08	36.60	59.10	45.83	73.11	90.85	58.33	109.44	72.91	127.51
P-value(F)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Const.	-0.630	0.204	-0.541	0.249	-0.882	-4.278	0.282	-3.943	0.527	-5.468
	0.000	0.000	0.000	0.000	0.000	0.000	0.207	0.000	0.009	0.000
B.S	0.019	0.030	0.018	0.027		0.103	0.160	0.094	0.147	
	0.000	0.000	0.000	0.000		0.000	0.000	0.000	0.000	
Non-Exe	-0.260	-0.305	-0.263	-0.300		-1.135	-1.382	-1.126	-1.330	
	0.000	0.000	0.000	0.000		0.000	0.000	0.000	0.000	
Age	0.001	0.003	0.001	0.003		0.010	0.017	0.009	0.016	
	0.000	0.000	0.001	0.000		0.000	0.000	0.000	0.000	
Female	-0.001	-0.007	-0.001	-0.006		0.055	0.027	0.059	0.035	
	0.891	0.517	0.873	0.542		0.145	0.552	0.118	0.435	
Foreign Mem.	0.009	0.025	0.007	0.024		0.056	0.145	0.059	0.157	
	0.007	0.000	0.006	0.000		0.004	0.000	0.001	0.000	
Family Mem.	-0.004	0.003	-0.001	0.005		-0.041	-0.008	-0.033	-0.001	
	0.244	0.455	0.750	0.157		0.001	0.595	0.007	0.953	
No B.Meeting	0.011	0.016	0.008	0.015		0.073	0.100	0.063	0.098	
	0.000	0.000	0.000	0.000		0.000	0.000	0.000	0.000	
Audit Com.	0.097	0.105	0.100	0.110		0.329	0.374	0.339	0.398	
	0.000	0.000	0.000	0.000		0.000	0.000	0.000	0.000	
Big4	0.032	0.031	0.019	0.026		0.112	0.107	0.089	0.124	
	0.015	0.031	0.123	0.062		0.038	0.095	0.083	0.043	
CEO Duality	-0.005	-0.006	0.001	-0.003		-0.035	-0.040	-0.022	-0.046	
	0.714	0.701	0.947	0.822		0.522	0.549	0.691	0.490	
Gov. Own.	0.188	0.098			0.002	0.568	0.076			0.568
	0.000	0.050			0.973	0.003	0.031			0.004
Inst. Own.	0.040	0.036			0.010	0.072	0.051			0.291
	0.103	0.191			0.668	0.471	0.672			0.005
Own. Conc.	0.035	0.059			-0.045	0.230	0.361			-0.267
	0.193	0.051			0.110	0.041	0.007			0.031
Size	0.133		0.125		0.193	0.729		0.712		1.047
	0.000		0.000		0.000	0.000		0.000		0.000
Gearing	-0.009		0.002		-0.034	-0.068		-0.044		-0.169
	0.679		0.906		0.139	0.444		0.614		0.091
Industry	0.076	0.050	0.075	0.049	0.067	0.283	0.140	0.280	0.131	0.252
	0.000	0.000	0.000	0.000	0.000	0.000	0.011	0.000	0.017	0.000

**Table 21: Fixed effect test for CSRD determinants**

Dependent variable	Fixed-effects									
	Extent (0-1)					Quality (0-6)				
Observed	675	675	675	675	675	675	675	675	675	675
LSDV R-squared	0.959	0.958	0.959	0.957	0.950	0.956	0.954	0.955	0.953	0.949
Within R-squared	0.247	0.224	0.234	0.209	0.081	0.199	0.168	0.188	0.156	0.083
F(17, 646)	99.64	98.50	100.78	99.44	89.28	91.34	89.54	92.75	90.81	87.56
P-value(F)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Const.	-0.375	0.142	-0.368	0.162	-0.330	-2.175	0.663	-2.084	0.763	-2.276
	0.007	0.007	0.008	0.002	0.023	0.003	0.016	0.004	0.004	0.002
B.S	0.013	0.015	0.015	0.017		0.038	0.051	0.046	0.058	
	0.002	0.001	0.001	0.000		0.098	0.027	0.039	0.012	
Non-Exe	-0.071	-0.069	-0.061	-0.056		-0.075	-0.065	-0.037	-0.007	
	0.034	0.042	0.068	0.099		0.665	0.712	0.833	0.971	
Age	0.009	0.009	0.010	0.010		0.027	0.027	0.028	0.029	
	0.000	0.000	0.000	0.000		0.000	0.000	0.000	0.000	
Female	0.019	0.020	0.018	0.020		0.134	0.139	0.131	0.138	
	0.016	0.013	0.019	0.014		0.101	0.101	0.101	0.101	
Foreign Mem.	0.016	0.018	0.016	0.017		0.066	0.082	0.067	0.078	
	0.001	0.000	0.002	0.001		0.011	0.002	0.009	0.002	
Family Mem.	0.004	0.004	0.003	0.003		0.005	0.007	0.006	0.004	
	0.441	0.406	0.454	0.493		0.820	0.774	0.805	0.880	
No B.Meeting	0.000	0.000	0.000	0.000		0.007	0.008	0.007	0.007	
	0.881	0.996	0.823	0.897		0.302	0.271	0.336	0.332	
Audit Com.	0.028	0.034	0.030	0.037		0.149	0.179	0.159	0.196	
	0.027	0.007	0.017	0.003		0.022	0.006	0.015	0.003	
Big4	0.028	0.034	0.027	0.033		0.232	0.261	0.226	0.256	
	0.005	0.001	0.008	0.001		0.000	0.000	0.000	0.000	
CEO Duality	-0.004	-0.008	-0.003	-0.006		-0.053	-0.037	-0.060	-0.043	
	0.730	0.537	0.832	0.625		0.410	0.578	0.353	0.511	
Gov. Own.	0.034	0.059			0.070	0.218	0.393			0.278
	0.601	0.362			0.317	0.514	0.243			0.428
Inst. Own.	0.081	0.060			0.093	0.398	0.257			0.440
	0.011	0.057			0.006	0.016	0.117			0.010
Own. Conc.	0.008	0.050			0.029	0.045	0.236			0.002
	0.824	0.136			0.435	0.806	0.175			0.991
Size	0.077		0.077		0.111	0.432		0.418		0.603
	0.000		0.000		0.000	0.000		0.000		0.000
Gearing	-0.006		-0.007		-0.004	-0.132		-0.125		-0.130
	0.727		0.704		0.831	0.149		0.162		0.162

The dependent variables are CSRD extent/ quality. The independent variables are (1) Board size, (2) Non-executive directors, (3) Firm's Age, (4) Female directors (5) Foreign members, (6) Family members, (7) Number of Board meetings, (8) Audit committee, (9) Type of Audit firm, (10) CEO Duality, (11) Government ownership, (12) Institutional ownership, (13) Ownership concentration, (14) Size, (15) Gearing, (16) Industry effect.

In order to check for the consistency of results, the models have been re-estimated five times each by using: Model 1 for the entire variables, Model 2 for Governance and Ownership factors,

Model 3 for Governance and Firm factors, Model 4 for Governance only, and Model 5 for Ownership and Firms factors. The re-estimation was done five times, each time with a different set of variables to ensure the results are consistent and give the most accurate result for the models used.

#### **4.6.1 Board size**

The multivariate analysis reveals that board size has a positive and significant impact on both extent and quality of CSR disclosure at 1% significance level. Stakeholder theory argues that more members on the board of director's leads more groups interested in companies' disclosure, thus more information will be disclosed in order to meet these demands. Agency theory adds that a larger number of members on the board increase the boards' monitoring capabilities, which will result in more CSR disclosures (Kaymak & Bektas, 2017). This result is consistent with many previous researchers who found a positive and significant impact of board size on CSR disclosure, Jizi et al., (2014) found that larger boards have less workloads which will make them better in monitoring the activities of the management and direct the board to engage in more CSR activities and to efficiently communicate their social performance to their stakeholders. They also found that board size has a positive and significant effect on the level of CSR disclosure. Similarly, Dias, Rodrigues, & Craig (2017) found that board size has a positive and significant impact on the level of CSR disclosure; they conclude that greater the board size resulted in a wider variety of experiences and knowledgeable members. Consequently, they are able to represent a greater range of stakeholders by providing more CSR disclosure. To that end, the researcher accepts the subsets hypotheses *H2H*, *H2Hq* that states there is a relationship between board size and the extent/ quality of CSR disclosure. And to conclude that board size is one of the determinants of the level of CSR disclosure extent and quality in Jordan.

#### **4.6.2 Non-executive directors**

The multivariate analysis shows that non-executive directors have a negative and significant impact on CSR disclosure extent at 5% significance level, and negative insignificant effect on the quality of CSR disclosure. Non-executive directors are considered to be the mechanism that control and monitor the board's activities, and they pay more attention to the interests of all stakeholders than executive directors, and many researchers found a positive and significant relationship with the level of CSR disclosure (Rouf & Abdur, 2011; Khan, Muttakin, & Siddiqui, 2013; Fuente, García-Sánchez, & Lozano, 2017). However, the results of this study

found the contrary, and consistent with other researchers who found a negative or insignificant relationship between non-executive directors and CSR disclosure (Haniffa & Cook, 2005; Hossain & Reaz, 2007). The reason behind this result comes from the fact that the appointed non-executive directors are there because it's a law requirement which states that each company has to form a board of directors that consists one third of non-executives (JSC, 2004). This law requirement affects the integrity of these directors and removes the power from them to act in the interest of the stakeholders, and play the role that they were chosen for. According to these results, the researcher is accepting **H2B** which states there is a relationship between higher percentage of Non-executive directors and CSR reporting by listed companies, and this relationship is negative. And rejects **H2Bqa** that states there is a relationship between the higher percentage of Non-executive directors and CSR reporting quality by listed companies, since the relationship is insignificant in the fixed-effects test. And to conclude that Non-executive director's variable is a determinant for the extent of CSR disclosure and not a determinant for the quality of CSR disclosure.

#### **4.6.3 Firm's Age**

Regarding the age of the company, the multivariate analysis shows that age has a significant positive impact on CSR disclosure extent and quality. The pooled and fixed tests confirm the relationship at 1% confidence level. The previous literature has established a positive and significant relationship between age and CSR disclosure because of the following reasons: companies who reached a mature age are more likely to have cheaper methods in gathering and disclosing CSR information because of the learning curve (Trencansky & Tsaparlidis, 2014), younger companies receive higher competition in the market, and the ease of gathering, processing and disseminating CSR information may be an advantage for older companies (Hossain & Reaz, 2007). According to the legitimacy theory, the firm's reputation is built with age. In this regard, older firms attempt to strengthen their reputations through increasing CSR disclosure (Chakroun, Matoussi, & Mbirki, 2017). This result is consistent with the study of Muttakin, Khan, & Mihret (2016), where they found in their multivariate analysis that firm's age has a positive and significant impact on the level of voluntary disclosure. Moreover, Kansal, Joshi, & Batra (2014) found similar results regarding age; they evidently found that age has a positive and significant effect on CSR disclosure. The authors justified this result as older companies have received more benefits from society through the years, which results in a mature relationship where firms undertake a greater leadership role and developing an increased sense of social responsibility.

In this study Firm's age was hypothesised to have a relationship with CSR disclosure extent and quality. Therefore, the researcher accepts *H1D*, *H1Dq* which states there is a relationship between company's age and CSR disclosure by listed companies. And can be concluded that firm's age is considered a determinant for CSR disclosure.

#### **4.6.4 Female members**

Consistent with the univariate analysis, the multivariate analysis shows that the availability of females in the board of directors is found insignificant in explaining the level of CSR disclosure in the Jordanian companies, and has no impact on the extent and quality of CSR disclosure. The tests have revealed the insignificance of this variable in explaining the CSR disclosure action. This is consistent with many researchers who found no impact from female directors towards CSR disclosure. According to the findings of Fernandez-Feijoo, Romero, & Ruiz (2012), female directors have no impact on CSR reporting if they are less than 3 women in the board, however, if the board of directors have 3 or more females, they found that female directors have a significant impact and increase CSR reporting. After collecting this study's data, the researcher found that only one company in Jordan has 3 female directors which is the Arab International for Education and Investment, otherwise, all companies in this sample has 2 females or less. Thus, it might be the reason why it was found insignificant in this study. This result is also consistent with Khan (2010), who argued in his study, that higher percentage of female directors in the board tend to make the board meetings more often, and they are more stabilising than men. However, the findings of his study were the opposite; no significant relationship was found between the availability of female directors and CSR disclosure. To that end, the researcher is accepting *H2C* and *H2Cq* which states there is no relationship between the availability of female directors and CSR disclosure extent and quality by listed companies, and that female directors are not a determinant of CSR disclosure.

#### **4.6.5 Foreign members**

Regarding the availability of foreign members in the board of directors, the multivariate analyses illustrates that there is a positive and significant impact of the foreign members on the level of CSR reporting in Jordan. The results are positive and significant at 1% confidence level, which shows that foreign members variable has a strong effect on the extent and quality level of CSR reporting. This result is consistent with many researchers; Ayuso & Argandona (2007) found that foreign directors play a key role in supporting the strategies of CSR disclosure. The diverse ideas, experiences, and innovations resulting from directors originated

from various areas, which will increase the support for CSR reporting (Alshareef & Sandhu, 2015). Moreover, Masulis et al. (2010) found a positive and significant impact of board member from foreign nationalities on CSR disclosure and firm performance; they rightly suggest that most foreign directors are usually more independent which can improve the firm's disclosure activities. According to Khan (2010), the existence of foreign nationalities on the board of directors has a positive and significant impact in explaining the CSR disclosure activity, and increases the level of quality of CSR disclosure. Therefore, this result supports the subset hypotheses *H2D* and *H2Dq* which states: there is a relationship between foreigner director's availability and CSR disclosure by listed companies. Thus, it can be said that the availability of directors from foreign nationalities is one of the determinants of CSR disclosure extent and quality in Jordan.

#### **4.6.6 Family members**

Family members in the board were found insignificant in the multivariate analysis; the tests found that family member's in the board of directors have no impact on the extent or quality of CSR disclosure in the overall regression. These findings contradict the result of the univariate analysis, where family members found to have a relationship with the extent of CSR disclosure. The univariate analysis tests the relationship between one independent variable and the dependent variable, whereas, multivariate analysis tests the overall variables with the dependent variable (Hair, Black, Anderson, & Tatham, 1998). Although family controlled companies have shown a significant less CSR disclosures (Haddad et al., 2015), however, the multivariate analysis shows insignificant impact of family members in the board. According to the agency theory, family-controlled company tends to ignore the benefits of other stakeholders and maximise their own interests. Which propose that firms with family members in the board do not require more information, since they can access the information from the firm easily, thus leading to lower agency costs (Haddad et al., 2015). To that end, the multivariate results do not support the subset hypotheses *H2A* and *H2Aq* that states there is a relationship between the percentage of family members and CSR disclosure by listed companies. Thus, the researcher is rejecting both hypotheses, and concludes that family members on the board are not one of the determinants of the extent or quality of CSR disclosure.

#### **4.6.7 Number of board's meetings**

The number of board meetings has been tested in both analysis univariate and multivariate. The multivariate analysis shows consistent results with the univariate, as it shown above in (table

18) the Pooled test, the number of board's meetings has a positive and significant impact on the extent and quality of CSR disclosure at 1% confidence level. According to the agency theory, the board of directors is viewed as an internal control mechanism; higher frequency of meetings will reduce the conflict that may arise, which will result in enhanced decisions (Hassan, Naser, & Hijazi, 2016). According to Laksmana (2008), higher number of meetings through the year allows the directors to share more information and improve their decision making. This result is consistent with several researchers; Giannarakis (2014) found a positive relationship between number of board's meetings and the extent of CSR disclosure. A board with higher meeting frequency enables them to manage their business better, and leads to higher attention on CSR information (Giannarakis, 2014). More recently, Naseem et al (2017) argued that board's meetings are an indicator for strong corporate governance, and reflects the board's effectiveness and the level of control on their activities. They found that the frequency of board's meetings has a positive and significant impact on CSR disclosure in Pakistan (Naseem et al., 2017). This result supports *H2I* and *H2Iq* that states: there is a relationship between number of board meetings and the extent of CSR disclosures, therefore, the researcher accepts the hypotheses and conclude that the number of board meetings is a determinant of the extent and quality of CSR disclosure.

#### 4.6.8 The presence of audit committee

The multivariate analysis shows that the presence of an audit committee in a company has a positive and significant effect on CSR disclosure's extent and quality. The positive and significant effect was found in both tests (Pooled and Fixed effect) at 1% confidence level. The audit committee plays a big role in controlling and maintaining the disclosure activities, reducing errors in firm's activities, and improve the quality of disclosed information (Samaha, Khlif & Hussainey, 2015). Many researchers found similar results, Madi, Ishak, & Manaf (2014) found that the presence of audit committees in companies have a positive association with the level of voluntary disclosures, this positive relationship gives investors, management and policy makers an evidence of the importance of audit committees in monitoring corporate disclosure processes. Moreover, Rouf & Abdur (2011) also found in their study a positive and significant impact of audit committee on the extent of CSR disclosure. In respect of Jordan, Al-Akra, Eddie & Ali (2010) found that audit committees have a positive and significant association with level of CSR reporting at the confidence level of 5%, they also found that listed companies in Jordan are following the requirements of 2002 law that mandated the formation of audit committees. More recently, Barakat, Pérez, & Ariza (2015) reported in their

study a positive and significant association between the presence of audit committee and CSR disclosure levels in Jordan. Thus, *H2F* and *H2Fq* is supported which indicates that there is a relationship between the presence of audit committee and CSR disclosure by listed companies, and that audit committee is one of the determinants of CSR disclosure.

#### **4.6.9 Big 4**

The effect of external auditors on the level of CSR disclosure was tested through the multivariate test. Consistent with the univariate analysis, the multivariate analysis shows that the type of audit firm has a positive and significant impact on the extent and quality of CSR disclosure at 1% confidence level. International audit firms require more disclosure from companies during revision and auditing, in order to maintain their standards and reputation (Uwuigbe & Egbide, 2012). According to Kolsi (2012), the type of audit firm is an important determinant of voluntary disclosures in the Tunisian listed companies; the quality of disclosure is greater when the company is one of the international big four. It was also found by Dahawy (2009) that larger auditing firms have a positive impact on the amount of voluntary disclosure of the Egyptian companies. In Jordan, a study by Barakat, Pérez, & Ariza (2015) have found that firms that has been audited from international external auditors have higher disclosure activities, they have also found a positive and significant relationship between the type of external auditors and the level of CSR disclosure extent at 5% confidence level, they suggested that the reason behind this relationship is the fact that international audit firms (big four) follow procedures that been drawn from international standards. To that end, the results support *H2G* and *H2Gq* that states: there is a relationship between the type of Audit Company and CSR reporting by listed companies. And conclude that the type of Audit Company is a determinant of CSR disclosure extent and quality.

#### **4.6.10 CEO duality**

Regarding CEO duality variable, the multivariate result shows that CEO duality has a negative coefficient and insignificant impact on CSR disclosure extent and quality. This result indicates that the duality role of CEO has no impact on the firm's disclosure activity, and does not affect their CSR disclosure strategy. This is consistent with the univariate analysis, were the researcher documented insignificant differences in the extent and quality of disclosures between companies with duality role and companies without. According to agency theory, the separation between the roles of chief executive and board chairman may reduce the agency cost (chau & Gray, 2010). This result is consistent with many researchers, Khan, Muttakin, &

Siddiqui (2013) reported that CEO duality role has insignificant impact on the extent of CSR disclosure, which indicates that CEO duality does not influence CSR disclosures. According to Said et al (2009) findings, no significant association were found between CEO duality and CSR disclosure. Moreover, Bukair & Abdul-Rahman (2015) investigated several variables of corporate governance and found no significant impact of CEO duality on CSR disclosure in their study. More recently, Kaymak & Bektas (2017) drawn a sample from multinational corporations (MNCs) and found no association between the duality role of CEO and the level of CSR disclosure. Therefore, the researcher is rejecting *H2E* and *H2Eq* that states there is a relationship between CEO duality role and CSR reporting by listed companies. Thus, CEO duality is not one of the determinants of CSR disclosure.

#### **4.6.11 Government ownership**

In terms of government ownership, the multivariate analysis (pooled test) shows that government ownership has a positive and significant impact on both extent and quality of disclosure. This result confirms the argument that that government ownership may endorse transparency social responsibility, and disclosure practices. Since the government is considered a body that can be trusted, thus, government shareholding generates pressure on management to disclose more information (Said et al., 2009). According to Habbash (2017), the government ownership has a positive and significant impact on the level of CSR disclosure; in fact, government ownership is considered the most important variable in determining the level of CSR disclosure. Similarly, Wuttichindanon (2017) also found a positive and significant relationship between government ownership and the number of CSR disclosure's items, and claimed that firms with government shares held in are disclosing greater CSR items. In respect of Jordan, Haddad et al., (2015) found that government ownership has a positive and significant effect on the level of voluntary disclosure, and wherever the government is holding higher percentage of shares that resulted in better disclosures. To that end, the result supports *H3A* and *H3Aq* that states there is a relationship between government ownership and CSR disclosure by listed companies, and conclude that government ownership is a determinant for CSR disclosure extent and quality.

#### **4.6.12 Institutional ownership**

With regard to institutional ownership, the multivariate analysis shows positive but insignificant impact of institutional ownership on CSR disclosures extent and quality. However, the univariate analysis has shown the contrary, institutional investment was found to have a

significant association with the quality of disclosure and insignificant with the extent. The multivariate analysis tests the overall variables in the regression, were the univariate analysis tests the direct relationship between the independent variable and the dependent (Boyce, Wood, & Powdthavee, 2013). The result contradicts with stakeholder theory, agency theory and legitimacy theory, were all of these theories suggest that management discloses extra information to meet the need of institutional shareholders as powerful stakeholders (stakeholder theory) and receive their support to justify their sustained stewardship (Alnabsha et al., 2017). This is consistent with several studies; Stanny & Ely found no significant relationship between institutional ownership and the disclosure regarding climate change which is part of environmental disclosures. In addition, Naser et al (2006) investigated many factors (Growth, dividend, government and institutional ownership) effecting CSR disclosures, however, they found that the association between institutional investment and the level of CSR disclosures in Qatar is insignificant. Similarly, Habbash (2017) found that there is no correlation between institutional ownership and CSR disclosures; hence institutional ownership is not a determinant for CSR disclosure in Saudi Arabia. To that end, the researcher rejects *H3C* and *H3Cq* that states there is a relationship between institutional ownership and CSR disclosure by listed companies. And conclude that institutional ownership is not a determinant for CSR disclosure extent or quality in the chosen sample.

#### **4.6.13 Ownership concentration**

Consistent with the univariate analysis, the multivariate analysis shows that ownership concentration has insignificant effect on CSR disclosure extent and quality. The high percentage shares that held by investors do not affect the level of CSR disclosure. This result is consistent with many researchers' findings, according to Mohd Ghazali (2007), CSR disclosure level is not affected by the largest ten shareholders in Malaysia, which indicates that ownership concentration has no impact on the level of CSR disclosure. Liu & Anbumozhi (2009) examined the impact of ownership concentration on corporate environmental information disclosure using shareholder power as a proxy. Shareholder power from a stakeholder perspective indicates that higher percentage of shares provide shareholders with higher power in terms of monitoring and controlling management decisions and strategies (Liu & Anbumozhi, 2009). The study found insignificant relationship between shareholders power and the level of corporate environmental disclosure. Recently, a study by Dias et al (2017) also found similar outcomes, no significant relationship was found between ownership concentration and the level of CSR disclosure in Portuguese listed companies, which it is

considered an example from a developed country. This result does not support the proposed subset hypotheses: there is a relationship between ownership concentration (block-holder) and CSR disclosure by listed companies, thus, *H3B* and *H3Bq* are rejected. And conclude that ownership concentration is not one of the determinants of CSR disclosure.

#### **4.6.14 Firm's Size**

In terms of Firm's size, the multivariate analysis shows that size was found to have a positive and significant impact on the level of CSR disclosure extent and quality. Both tests show that size has a positive impact at 1% confidence level. According to the legitimacy theory large firms receive greater attention from society, because they are seen large in the public eyes and have great effect on the surrounding environment, therefore, they tend to disclose more in order to legitimise their activities and limit governmental interference in their business actions (Kansal et al., 2014). This result is consistent with several researchers how found the same effect on CSR disclosure; for instance: Gamerschlag, Moller, & Verbeeten (2011) found that size has a positive and significant impact on the level of CSR disclosure in Germany; they conclude that large companies have a higher political cost, therefore, to reduce this cost, firms tend to reveal additional information to prove that their activities are legitimate and consistent with good corporate citizenship. According to Muttakin, Khan, & Mihret (2016), firm size has a positive and significant effect on CSR disclosure; they have also mentioned that larger firms are exposed to greater stakeholder scrutiny than smaller ones. In Jordan, many studies found that size has a positive impact on CSR disclosure extent and quality (Al-Khadash & Abhath Al-Yarmouk, 2003; Ismail & Ibrahim, 2009; Haddad et al., 2015). Haddad, Sbeiti, & Qasim (2017: 147) stated that firm size as a factor has always affected the level of disclosure in Jordan. Therefore, the researcher accepts *H1B* and *H1Bq* which states there is a positive relationship between firm size and CSR reporting by listed companies. And conclude that firm size is a determinant for CSR disclosure extent and quality in the chosen sample.

#### **4.6.15 Leverage**

Last but not least, the result shows that leverage has a negative but insignificant impact on both extent and quality of CSR disclosure. The test shows that leverage has a negative coefficient and highly insignificant percentage. Firms with high leverage may disclose more information to guarantee their creditors that they are not likely to default on any debt agreements; however, firms with high leverage may establish close relations with creditors and use other means to assure them their ability to repay (Muttakin et al., 2016). This result is consistent with the

findings of Patelli & Prencipe 2007, were they found a negative but insignificant impact of gearing on voluntary CSR disclosures. Reverte (2009) could not establish any relation between leverage and CSR disclosure. Rahman et al (2011) also found that leverage has a negative but insignificant effect on the level of CSR disclosure. Similarly, Jizi et al (2014) found in their study that leverage has insignificant relationship with CSR disclosure level. Recently, in Jordan, Haddad et al (2015) used leverage as a control variable, and found that financial leverage does not have a significant correlation with the level of CSR disclosure. To that end, and since the result is insignificant, the researcher rejects *H1C* and *H1Cq* which states there is a relationship between company's leverage and CSR reporting by listed companies. And conclude that leverage is not one of the determinants of CSR disclosure extent or quality.

#### **4.6.16 Industry type**

Lastly, the multivariate analysis shows that the industry type has a positive and significant impact on CSR disclosure. The impact of industry type was examined using Pooled test instead of the fixed to avoid multicollinearity. The legitimacy theory suggests that the type of operations that firms have, determines the level of pressure and attention they receive from community; thus, they respond with increased disclosures in order to legitimise their operations (Aerts & Cormier, 2006). This result is also consistent with many researchers, according to Holder-Webb et al (2009), the level of CSR disclosures varies between different industries, and they conclude that industry type has a great effect on CSR disclosure. From legitimacy theory perspective, Reverte (2016) found that companies which operate in environmentally sensitive industries disclose higher extent of CSR and report significantly more information than companies from other sectors. Smith (2017) found that manufacturers focus on larger issues of CSR than services, hence they disclose higher level of information. Nasser & Hassan (2013) found that the industry type has a positive and significant effect on the extent of CSR disclosure; they argued that according to the legitimacy theory, manufacturing firms are predicted to have higher level of social and environmental disclosures concerning many issues such as: environment and health and safety than firms in other sectors, so that they can avoid additional regulations and extra pressure from the public. Similarly, Kaymak & Bektas (2017) found that firms operating in consumer, technology, and services) are less socially responsible than manufacturing firms which operate in oil and gas, materials, and industrials. To that end, the researcher is accepting *H1A* and *H1Aq* which states that there is a relationship between industry type and the amount of CSR disclosure. And that relationship is positive with the industrial sector. This confirms that industry type is one of the determinants of CSR disclosure

extent and quality in Jordan, and plays a big role in determining the level of disclosures between companies.

## 4.7 Conclusion

This chapter presented the analysis of the determinants of CSR disclosures extent and quality over six years period. As a result, during this chapter it is revealed that the companies' involvement in CSR activities is increasing both in terms of the extent of disclosure and the quality over the study period. The growing in CSR disclosure is linked with the increasing of CSR globally (Hughen, Lulseged, & Upton, 2014; KPMG, 2015). However, the growing level of CSR activities disclosure is still limited with qualitative statements and general information. Hence, this result suggests that the situation of CSR disclosure in Jordan is at a growing level. The results also show which sector is disclosing more CSR items in the index. The services sector was found to have more disclosures regarding employees and community and others, whereas, industrial sector was more concerned about environment and product or service information. Moreover, three fundamental hypotheses and 16 subset hypotheses were tested using multivariate analysis, the following table will briefly summarise the hypotheses and the findings of the study.

**Table 22 hypotheses results summary**

Main hypothesis	Determinants (subset hypothesis)	Hypothesised relation	Findings
Corporate governance <b>H2</b>	Board size	<b>H2H/H2Hq</b> Relationship exists	Accepted <b>H2H/H2Hq</b>
Corporate governance <b>H2</b>	Non-executives	<b>H2B/H2Bq</b> Relationship exists	Accept <b>H2B</b> , rejects <b>H2Bq</b>
Corporate characteristics <b>H1</b>	Firm's Age	<b>H1D/H1Dq</b> Relationship exists	Accepted <b>H1D/H1Dq</b>
Corporate governance <b>H2</b>	Female in the board	<b>H2C/H2Cq</b> No relationship	Accepted <b>H2C/H2Cq</b>
Corporate governance <b>H2</b>	Foreign members in the board	<b>H2D/H2Dq</b> Relationship exists	Accepted <b>H2D/H2Dq</b>
Corporate governance <b>H2</b>	Family members in the board	<b>H2A/H2Aq</b> Relationship exists	Reject <b>H2A/H2Aq</b>
Corporate governance <b>H2</b>	Number of board's meetings	<b>H2I/H2Iq</b> Relationship exists	Accepted <b>H2I/H2Iq</b>
Corporate governance <b>H2</b>	Audit committee	<b>H2F/H2Fq</b> Relationship exists	Accepted <b>H2F/H2Fq</b>
Corporate governance <b>H2</b>	Big 4	<b>H2G/H2Gq</b> Relationship exists	Accepted <b>H2G/H2Gq</b>
Corporate governance <b>H2</b>	CEO duality	<b>H2E/H2Eq</b> Relationship exists	Reject <b>H2E/H2Eq</b>
Ownership structure <b>H3</b>	Government ownership	<b>H3A/H3Aq</b> Relationship exists	Accepted <b>H3A/H3Aq</b>
Ownership structure <b>H3</b>	Institutional ownership	<b>H3C/H3Cq</b> Relationship exists	Reject <b>H3C/H3Cq</b>
Ownership structure <b>H3</b>	Ownership concentration	<b>H3B/H3Bq</b> Relationship exists	Reject <b>H3B/H3Bq</b>
Corporate characteristics <b>H1</b>	Size	<b>H1B/H1Bq</b> Relationship exists	Accepted <b>H1B/H1Bq</b>
Corporate characteristics <b>H1</b>	Leverage	<b>H1C/H1Cq</b> Relationship exists	Reject <b>H1C/H1Cq</b>
Corporate characteristics <b>H1</b>	Industry type	<b>H1A/H1Aq</b> Relationship exists	Accepted <b>H1A/H1Aq</b>

## Chapter 5

# The Consequences of CSRD

### 5.1 Introduction

The rising interest in corporate social responsibility disclosure (CSRD) has led to the emergence of a vital question regarding the company's benefits from this type of disclosure. Does this voluntary disclosure have any rewards for the adopting firms? The firms that willingly disclose information about their social activities are convinced that this type of disclosure will benefit them and has added value. Gray (2006) claimed that the rise in corporate social reporting over the last decade, demonstrates that a decent number of managers look at CSRD as a beneficial activity and have a value. The consequences of CSRD can be seen as a response from the society on such activity, and could be viewed as an answer to the question; do these disclosures achieve any benefits to the companies? And what are the consequences of adopting such an activity, even though it's voluntary?

This chapter will focus on analysing the consequences of CSRD, and to find out the main incentives that boost managers to adopt such activity. It has been argued that managers' key responsibility is to achieve financial benefits and increase shareholders wealth (Hillman & Keim, 2001). Therefore, the main motivation behind adopting such activity is to add value, either financially, economically, or to alleviate the pressure from community and achieve legitimacy.

This chapter will explore the effect of CSR disclosures on firm's financial performance and market value, by using two models that have been employed and developed to find out the consequences of CSR disclosure:

**Market value Model** was firstly employed by Barth & McNichols (1994), and then similarly was used by Aboody et al (2004).

$$MV_{i,t} = \alpha + \beta_1 CSR_{i,t} + \beta_2 F.Size_{i,t} + \beta_3 Gearing_{i,t} + \omega_{i,t}$$

$$MV_{i,t} = \alpha + \beta_1 CSRq_{i,t} + \beta_2 F.Size_{i,t} + \beta_3 Gearing_{i,t} + \omega_{i,t}$$

**Company performance model**

$$ROA_{i,t} = \alpha + \beta_1 CSR_{i,t} + \beta_2 F.Size_{i,t} + \beta_3 Gearing_{i,t} + \omega_{i,t}$$

$$ROA_{i,t} = \alpha + \beta_1 CSRq_{i,t} + \beta_2 F.Size_{i,t} + \beta_3 Gearing_{i,t} + \omega_{i,t}$$

Where:

MV= Market Value, measured by multiplying the number of outstanding shares with the current share price

CSR= Corporate social responsibility disclosure extent

CSRq= Corporate social responsibility disclosure quality

ROA= Return on Assets, measured by dividing Net Income after tax/ average total assets

Size= firm's size (control), measured by natural log of average total assets

Gearing= firm's gearing (control), measured by total long term debt/ total equity

## **5.2 control variables**

Two control variables were included in the regression analysis for their importance and possible impact on the CSR and company's performance and market value relationship: size and gearing. Such control variables were used in many previous studies (Omar & Zallom 2016; Haji, 2013; Lee et al., 2013; Inoue & Lee, 2011; Boesso & Michelon, 2010; Kang et al., 2010; Lee & Park, 2009). Size, which is measured by the log of total assets, controls for any possible effect created by different company sizes in relation to their performance (Kang et al., 2010). 'Large firms are more likely to engage in CSR initiatives and disclose more than small firms' (Inoue & Lee, 2011: 794).

Gearing, this is measured by the total debt divided by the total assets, controls for any systematic effect of the firm-specific capital structure on the company's performance (Lee & Park, 2009:108). Lee et al. (2013:5) stated that 'a high leverage ratio could have a positive effect on the company's performance because interest expense is tax deductible (tax shield effect)'. On the other hand, Inoue and Lee (2011:794) argued that a higher level of debt creates a higher level of risk, which negatively affects the company's performance, because the market perceives the company as too risky.

## **5.3 Descriptive analysis**

The below table demonstrate a summary of descriptive statistics regarding the variables used in this study: CSR disclosure extent (0-1), CSR disclosure quality (0-6), ROA (proxy for financial performance), Market capitalisation (proxy for market value), size, and gearing. The minimum for the extent of CSR disclosure is (5) (0.125), while the maximum is (37) (0.925), which was mentioned in details in the previous chapter. Moreover, the minimum regarding the quality of CSR disclosure is (15) (0.375), while the maximum is (202) (5.050). Generally, the

level of corporate social responsibility in the chosen sample is not high, and a clear variation exists between companies. In terms of return on assets (ROA), the minimum percentage in the chosen sample is around -45%, which means loss, while the maximum ROA is 49%. The value of the mean concerning ROA is 1.6% which indicates that the performance of Jordanian companies an average is not that strong. Regarding the market capitalisation, the descriptive statistics shows that the minimum value of the chosen companies around 0.5 million JD (\$.75 million), this value belong to National steel industry in year 2012. However, the maximum value for the companies' understudy is 3.8 billion JD (\$5.5 billion), and this value belongs to The Arab Potash in 2011. The mean value is 772 million (\$1.1 billion) which indicates that firm's value extremely varies between the minimum and the mean. Regarding size, these numbers represents a natural log of total assets; the minimum is 5.6 while the maximum is 9.2. While the gearing is debt to equity, the minimum value is 0.00 which indicates that there are some companies do not have any debts, whereas the maximum is 2.27.

**Table 23: Descriptive Statistics for company performance and market value models**

	Descriptive Statistics							
	Minimum Statistic	Maximum Statistic	Minimum Statistic	maximum Statistic	Mean Statistic	Std. Error	Std. Deviation Statistic	Range Statistic
Extent (0-1)	.125	.925	5	37	.535	.007	.188	.800
Quality (0-6)	.375	5.050	15	202	2.271	.036	.934	4.675
ROA	-45.737	49.059	-45.737	49.059	1.644	.411	10.679	94.795
Market Cap	515364	387509692	515364	387509692	7726319	1250717	31616209	387458156
Size	5.672	9.255	5.672	9.255	8	9	1	1
Gearing	5.672	9.255	5.672	9.255	7.354	.024	.632	3.583
Gearing	.000	2.275	.000	2.275	.362	.010	.261	2.275

## 5.4 Univariate analysis

In this section, the univariate analysis has been used to find the correlation between corporate social responsibility disclosure (CSR) as the independent variable and both financial performance and market value. Along with size and gearing as control variables. Two separate models were proposed to find the consequences of disclosing CSR activities. The first model is used to find the relationship between CSR disclosure and financial performance by using ROA as a proxy. The second model is looking into the correlation between CSR disclosure and market value by using market capitalisation as a proxy.

The following table demonstrate the correlation analysis for both financial performance and market value and CSR disclosure extent and quality:

**Table 24 univariate analysis for company performance and market value models**

	<b>Correlations</b>					
	Market Cap	ROA	Extent (0-1)	Quality (0-6)	Size	Gearing
Market Cap	1					
ROA	.489**	1				
<b>Extent (0-1)</b>	<b>.586**</b>	<b>.273**</b>	1			
<b>Quality 0-6</b>	<b>.672**</b>	<b>.291**</b>	.927**	1		
Size	.870**	.340**	.602**	.711**	1	
Gearing	.014	-.342**	.138**	.153**	.256**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).

### 5.4.1 Financial performance (ROA)

The above table shows the correlation analysis between CSR disclosure and financial performance. The result shows that there is strong positive and significant relationship between both extent and quality of CSR disclosure and financial performance, this relationship is significant at 1% confidence level. The result also shows that the quality of disclosure has a stronger relationship with financial performance. This confirms that higher quality of CSR disclosure leads to higher performance in Jordan. Karagiorgos (2010) argued that CSR disclosure is considered a strategic plan used by the company to manage the stakeholder relationship. Size was also found to have a positive and significant relationship with financial performance whilst leverage was found to have a negative and significant correlation with financial performance. According to stakeholder theory, the firm has a social contract with the society, which can be fulfilled by adopting CSR activities and avoiding environmental issues. Corporate disclosures including CSR can be the method to communicate these activities to stakeholders, and prove them with how the company is fulfilling its contract (Roberts, 1992). CSR disclosure is considered a strategic method to provide stakeholders a positive evidence of the existence of the firm (Naser et al., 2002). The increased disclosures about CSR themes such as employees will attract the interest of potential employees; also, it will enhance the goodwill of the current employees. This will lead to a higher productivity, and eventually will result in greater financial performance (Yusoff, Mohamad, & Darus, 2013). According to Sharfman & Fernando (2008), CSR can have an effect on financial performance; they argue that managing environmental risk decreases the possibility of environmental crises, which may have a negative impact on company's cash flow (e.g., fines, lawsuits, and reputational damage).

Investing in CSR can create goodwill that is likely to protect the company in case of crisis or a negative event. This result is consistent with Drobetz et al (2014), they asserted that CSR disclosure is a significant method for stakeholders to evaluate firm's operations and performance; they also found in their study that there is a positive and significant relationship between CSR disclosure and financial performance, where financial performance was measured by Tobin's Q (Tobin, 1969). Another study found a positive and significant relationship between CSR disclosure and financial performance, the researchers also found a positive relationship between CSR disclosures and the future cash flow as well (Platonova, Asutay, Dixon, & Mohammad, 2016). Yusoff et al (2013) also found a positive and significant relationship between the level of CSR disclosure and financial performance; they mentioned that good financial performers are those firms that have relatively high disclosures. In an emerging economy such as Thailand, a study conducted by Jitaree, Lodh, & Bhati (2014) found that CSR disclosure by Thai companies have a positive and significant association with financial performance, while no relationship was found between CSR disclosure and market based performance. By using sales growth, return on equity and cash flow as proxies for financial performance, Chen, Feldmann, & Tang (2015) studied the effect of different themes of CSR disclosures on financial performance of manufacturing companies and found that society, human rights and product disclosures have a positive and significant relationship with the return on equity.

#### **5.4.2 Market value (Market capitalisation)**

Company's market value is seen as an indicator for the position of a firm in the financial market. Analysis of the effect of CSR disclosure on company's market value can provide a strong indicator of the significance of CSR disclosure to investors. To investigate this relationship, a correlation analysis was executed. In table 23, the results of the correlation analysis reveal that there is a positive and significant relationship between the extent and quality of CSR disclosure and market value which is measured by market capitalisation. Moreover, the result shows that the quality of CSR disclosure has higher and stronger correlation with the market value than the extent one. The result also demonstrate that size is highly correlated with market value, since market capitalisation can be considered as a proxy for size as well (Tamimi & Sebastianelli, 2017), while leverage was found not related to market value. According to stakeholder theory, the success of a firm depends on its capability to meet with stakeholder's expectations and their need for information (Nekhili, Nagati, Chtioui, & Rebolledo, 2017). From this prescriptive, CSR disclosures are the main element that companies can use to respond

to different stakeholders in order to gain their approval and support (Nekhili et al., 2017). Dhaliwal et al (2012) argues that CSR initiatives promoting can be useful for shareholders because it increases their trust in the firm, since their main concern is company risk and expected future profitability. This result is consistent with many previous researchers; Reverte (2016) found that CSR disclosure have a direct relationship with the company's share price, which indicates that increased disclosures result in better market value. According to the findings of Chen & Lee (2017), the relationship between CSR disclosures and market value is significant; they also found that if a company has high market valuation, CSR disclosure can increase the market value even more. However, if the company's value is low, increasing CSR disclosure would only upsurge their costs but not effectively increase the company's value. By using return on equity and the price/book value ratio as proxies for company's value, Liu & Zhang (2017) found that CSR information disclosure has a positive and significant relationship with the company's long-term value. Empirically, Qiu, Shaukat, & Tharyan (2016) argue that even though social and environmental disclosures entail costs; however large listed companies are still making better and higher quality disclosure and that CSR disclosures matter for investors. They also found a significant correlation between the level of CSR disclosures and market value.

## 5.5 Multivariate analysis

The multivariate analysis is used in to find the type of relationship that independent variables are having with the dependent by using panel data. This type of analysis is used to estimates the overall effect of CSR disclosure in the regression and the variables that is included in it. The following two models were constructed and tested:

### Company performance model

$$ROA_{i,t} = \alpha + \beta_1 CSR D_{i,t} + \beta_2 F.Size_{i,t} + \beta_3 Gearing_{i,t} + \omega_{i,t}$$

$$ROA_{i,t} = \alpha + \beta_1 CSR Dq_{i,t} + \beta_2 F.Size_{i,t} + \beta_3 Gearing_{i,t} + \omega_{i,t}$$

### Market value Model

$$MV_{i,t} = \alpha + \beta_1 CSR D_{i,t} + \beta_2 F.Size_{i,t} + \beta_3 Gearing_{i,t} + \omega_{i,t}$$

$$MV_{i,t} = \alpha + \beta_1 CSR Dq_{i,t} + \beta_2 F.Size_{i,t} + \beta_3 Gearing_{i,t} + \omega_{i,t}$$

The first model is used to find the impact of CSR disclosure extent and quality on company's financial performance, by using return on assets (ROA) as a proxy for financial performance. On the other hand, the second model tests the impact of CSR disclosure extent and quality on company's value, by using market capitalisation as a proxy for market value.

## 5.5.1 ROA

**Table 25 multivariate analysis for the company performance (ROA)**

Dependent variable	ROA											
	OLS				Random-effects (GLS)				Fixed-effects			
No. Obs	675	675	675	675	675	675	675	675	675	675	675	675
R-squared	0.075	0.318	0.085	0.315					0.616	0.701	0.622	0.703
Adjusted R-squared	0.073	0.315	0.084	0.312					0.030	0.244	0.046	0.249
F-test	54.33	104.42	62.45	102.90					7.798	11.155	8.008	11.251
	2	0	6	6								
P-value(F)	0.000	0.000	0.000	0.000					0.000	0.000	0.000	0.000
Const.	-	-	-	-	-	-	-	-	-	-	-	-
	6.654	44.201	5.925	43.864	8.171	55.41	7.83	53.37	12.53	152.57	13.19	149.42
						8	7	8	1	8	8	6
	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.000	0.000
							0					
0-1	15.51	5.424			18.21	6.969			26.50	14.335		
	7				7				9			
	0.000	0.007			0.000	0.005			0.000	0.014		
0-6			3.332	1.839			4.14	1.429			6.535	3.577
							5					
			0.000	0.007			0.00	0.001			0.000	0.002
							0					
Size		6.758		6.846		8.330		8.116		21.133		20.624
		0.000		0.000		0.000		0.000		0.000		0.000
Gearing		-		-		22.03		21.97		-24.477		-24.105
		18.676		18.651		7		7				
		0.000		0.000		0.000		0.000		0.000		0.000
Hausman test					2.358	35.93	5.05	38.90				
						5	2	6				
p-value					0.125	0.000	0.02	0.000				
							5					

The above table shows the result of the multiple regression analysis regarding the impact of CSR disclosure on financial performance, and includes the three tests (pooled, random, and fixed effect). Consistent with the previous correlation test, the regression analysis shows that the significance statistics of the above model which is represented in the R-squared value is 7.5%. This result is accepted since the model includes only one variable and two control variables.

The above analysis shows that CSR disclosure has a positive and significant impact on financial performance. Both extent and quality of CSR has a positive and significant impact on financial performance at 1%, as it shown in the three tests (pooled, random, and fixed effect). This result

provides justification for the Jordanian companies to be keen regarding making more CSR disclosures. According to the legitimacy theory, CSR disclosure is made as a response to social and environmental factors that requires companies to act upon it in order to receive acceptance from society (Tsang, 1998). On the other hand, stakeholder theory argues that CSR disclosures are used to fulfil the social contract that has been established between the firm and the society (Roberts, 1992). Moreover, CSR disclosure can provide a clear signal about the company's financial status, which provides some certainty to the investors (Perrini, 2005). Adopting CSR disclosure activities can also create a positive atmosphere regarding the company's operations. In addition to that, CSR can show that the company is a good citizen and improve its reputation which will attract more customers and enhance their performance (Du, Bhattacharya, & Sen, 2010). Empirically, this result was found from several researchers; Drobetz et al (2014) found a positive and significant impact of the amount of CSR disclosure and financial performance, they also stated that CSR disclosures are vital tools for stakeholders to evaluate a company's operations (Drobetz et al., 2014: 35). Similarly, another study has used ROA and ROE as a proxy for financial performance and found that CSR information disclosure has a positive and significant effect on both measures of financial performance. The study also documented that CSR activities are considered a beneficial asset for the firms. And those firms should not see CSR cost as a reduction from corporate profits (Bidhari, Salim, Aisjah, & Java, 2013). Likewise, Jitaree et al (2014) found that CSR has a positive and significant effect on financial performance in Thailand. More recently, Huang, Duan, & Zhu (2017) found that CSR disclosures can reduce the cost of finance such as bank loans, which improves the financial performance by reducing the interest paid. To that end, **H4** and **H4q** which states there is a relationship between CSR reporting extent and quality and financial performance will be accepted. Therefore, financial performance is found to be one of the consequences of CSR disclosures in Jordan.

## 5.5.2 Market value

**Table 26 Multivariate analysis for Market value**

Dependent variable	Market Cap											
	OLS		Random-effects (GLS)				Fixed-effects					
No. Obs	639	639	639	639	639	639	639	639	639	639	639	639
R-squared	0.344	0.820	0.451	0.819					0.947	0.964	0.948	0.964
Adjusted R-squared	0.343	0.819	0.450	0.818					0.019	0.333	0.036	0.334
F-test	333.65	961.61	523.38	958.88					83.627	122.52	85.22	122.79
P-value(F)	5	7	4	2					3	9	6	6
	0.000	0.000	0.000	0.000					0.000	0.000	0.000	0.000
Const.	6.035	0.272	6.075	0.384	6.691	0.403	6.639	0.511	6.923	0.541	6.879	0.605
	0.000	0.065	0.000	0.020	0.000	0.131	0.000	0.066	0.000	0.277	0.000	0.225
0-1	2.123	0.284			0.896	0.146			0.488	0.019		
	0.000	0.000			0.000	0.004			0.002	0.005		
0-6			0.483	0.060			0.235	0.043			0.134	0.028
			0.000	0.001			0.000	0.048			0.000	0.005
Size		0.951		0.937		0.934		0.917		0.923		0.906
		0.000		0.000		0.000		0.000		0.000		0.000
Gearing		-0.682		-0.681		-	0.494	0.489		-0.449		-0.444
		0.000		0.000		0.000		0.000		0.000		0.000
Hausman test					28.987	4.629	39.860	3.189				
p-value					0.000	0.201	0.000	0.363				

The above table demonstrates the result of the multivariate analysis regarding the impact of CSR disclosure on market value. The number of observation is 639, 36 observations were missing because of being delisted from Amman stock exchange (ASE) during the study period, thus no data available for the share prices in order to calculate market capitalisation. The result also shows that the regression R squared is almost 35%, which is considered high and that the model explains 35% of the data variability.

The multivariate analysis shows that CSR disclosure has a positive and significant impact on market value. Both extent and quality of CSR disclosure has a positive and significant impact on market value at 1% as it shown in the pooled, random, and fixed effect tests. These results provide evidence that CSR disclosures have a financial consequence, and that investors are interested in CSR information disclosure when they decide to invest. Theoretically, the link between CSR disclosure and market value can be explained through stakeholder theory.

Nekhili et al (2017) suggested that in order to achieve a successful firm, the stakeholder's needs for information has to be met, which in this case can be explained by the disclosure of CSR. Hussainey & Hassanein (2017: 266) stated that 'companies begin to provide more detailed voluntary disclosures to accommodate investors' needs for information'. Dhaliwal et al (2012) claimed that the disclosure of CSR activities is important shareholders, because it can affect the company's value through the usage of its operations and resources. Empirically, this result is consistent with many researchers who found positive and significant impact of CSR disclosure on market value. Husser & Evraert-Bardinet (2014) found a positive and significant impact of the quality of environmental disclosures and employee's disclosure on market value. They have also stated that it is the CSR report as a whole that influences how investors ultimately conduct financial valuations (Husser & Evraert-Bardinet, 2014:72). Another study has used a sample from manufacturing companies in China found that CSR does pay off and contributes positively to a firm's value (Li, Xen, Chen, & Ren, 2017). They have concluded that the positive association probably exists because of the close relations with external and internal stakeholders, and enhanced CSR helps companies to improve their reputation, gain the trust of consumers and investors, maintain solid relationships with employees and suppliers, and enjoy preferential government policies (Li et al., 2017:1573). Reverte (2016) found that CSR disclosures have a direct and indirect impact on stock prices, in addition, the study show that companies with higher disclosures have higher market valuation. The higher valuation as explained by Reverte (2016:411) is because CSR disclosures provide more information which allows investors to make better assessment of the risks related to the firm or any future liabilities that may occur. Similarly, Nekhili et al (2017) found a positive and significant impact of CSR disclosure on market value by family firms. They concluded that CSR is a strategic investment for the companies which can benefit from them, not just from its participation in CSR activities but also from its communication regarding this participation to internal and external stakeholders. Therefore, the researcher accepts *H5* and *H5q* which states there is a relationship between CSR reporting extent and quality and Market value and concludes that market value is one of the consequences of CSR disclosure in the Jordanian market.

## **5.6 Robustness check**

An additional analysis of the relationship between corporate social responsibility disclosure and company's performance is performed Using Tobin's Q as an alternative measurement of firm's financial performance. The analysis has shown a result that is consistent with previously reported results. Which is a positive and significant relationship between CSRD extent and

quality and company's performance (measured by Tobin's Q). In addition, both robust and the original measurement yield results are consistent with the regression results (univariate and multivariate). To that end, CSR extent and quality are found to have a positive and significant impact on company's financial performance in both measurements (ROA and Tobin's Q), which indicates the importance of CSR disclosure in improving company's performance and that our result can be seen as robust and reliable.

## 5.7 Conclusion

This chapter explored the relationship of CSR disclosure on two important variables, namely, financial performance and market value. The benefits of CSR disclosure have been questioned for many decades, whether it is beneficial for companies or just a burden on company's costs. By using the univariate and multivariate analysis, the results have confirmed that CSR disclosure is not a burden, and that companies with higher level of CSR disclosure extent and quality have better financial performance and higher market value. The result also shows that the quality of CSR disclosure has a higher impact on both financial performance and market value. This confirms the relationship that has been established in the hypothesis part which will be concluded in the following table:

**Table 27 hypotheses summary**

<b>Determinant</b>	<b>Consequences</b>	<b>Hypothesis</b>	<b>Results</b>
CSR disclosure extent	Financial performance	<b>H4</b> relationship exist	Accepted <b>H4</b>
CSR disclosure quality	Financial performance	<b>H4q</b> relationship exist	Accepted <b>H4q</b>
CSR disclosure extent	Market value	<b>H5</b> relationship exist	Accepted <b>H5</b>
CSR disclosure quality	Market value	<b>H5q</b> relationship exist	Accepted <b>H5q</b>

## Chapter 6

### Conclusion

#### 6.1 Introduction

The increased attention that has been given to CSR over the last two decades by researchers has resulted in increased attention to the reporting of these activities (CSRD). A great amount of literature has grown over the last decades regarding CSR and CSR disclosure. Various frameworks, variables and models have been used to find the determinants and consequences of this phenomenon. However, the result is still inconclusive. The aim of this study is to find the determinants and consequences of CSR disclosure in the services and industrial sectors in Jordan. The study begins with an introduction of the CSR phenomena, and explores the argument behind adopting such behaviour, in addition to the advantages and disadvantages that have been mentioned by previous researchers. Then, a critical analysis of the previous literature and the stating of hypotheses. Moreover, the researcher presented a theoretical framework concerning the determinants and consequences. Then, a deductive approach has been adopted in the methodology and new measurement for the quality of CSR disclosure has been introduced, and three models have been presented. Finally, the researcher critically analysed the data and tested the models through univariate and multivariate analysis techniques.

After reviewing the literature, three limitations were found in the previous discussed studies regarding determinants and consequences of CSR disclosure.

1. Most of the CSR studies are conducted in the developed countries, while the developing countries have a small share of these studies. While Jordanian studies are significantly limited.
2. The previous studies did not deliver a full picture of CSR disclosures, since a high percentage of the studies were about environmental disclosures which reflects one category of CSRD. In addition, previous studies have highly focused on the extent of CSR disclosure with less concentration on its quality.
3. The used variables regarding determinants and consequences in the previous literature are still limited. Moreover, the overall economic consequences studies regarding CSR disclosure are still limited and provide ambiguous and mixed results, while the Jordanian studies did not provide any empirical results regarding the consequences of CSRD.

To explain and understand the integrated theoretical framework, an index for CSRD contains 40 disclosed items which were developed and adapted to fit the Jordanian context, along with three empirical models as follows:

The first model is used to explore the determinants of CSR disclosures in the services and industrial sectors in Jordan. The model contains sixteen variables from three categories namely (Company's characteristics, corporate governance, and ownership structure). The underlying argument behind this model is that each firm has different characteristics that determine its disclosure activities. This results in testing the above variables.

The second and third model are used to find the economic consequences of CSR disclosure in the services and industrial sectors in Jordan, which was measured by the return on assets (ROA) for the financial performance and market capitalisation for market value. The argument regarding this model is that CSR disclosure has an effect on the economical position of businesses in Jordan.

The previous models contained independent and dependent variables measured using different proxies. The main variable is CSR disclosure, which was extracted from company's annual reports. The study used content analysis method to collect both extent and quality of firm's CSR disclosure, by using dichotomous method for the extent of disclosures and 7 points-scale for the quality of disclosure. These models were tested by using correlation analysis and multivariate analysis.

## **6.2 Research findings**

The aim of the research is to find the determinants and consequences of CSR disclosure in the services and industrial sectors in Jordan. This aim is achieved by examining the variables that affect or get affected by CSR disclosure and by using a longitudinal sample for 6 years that utilises both economic and accounting data.

The study finds that Jordanian companies provide a higher extent of CSR disclosure than quality as it shown in table 9. The average disclosure for the extent is 53.5%, while the quality average is 2.271 which are in percentage equals to 37.85%. This result indicates that Jordanian firms are disclosing more items in the annual reports and less quality (numerical, more details, or images). On the other hand, the results show that the consequences (financial performance and market value) are highly correlated with the quality of disclosure than the extent, which means that Jordanian companies focus on quality should be higher since the consequences are

better. Additionally, the study finds that the attention for CSR disclosure is growing in the recent years, as it's shown in table 9. The trend of CSR disclosure is increasing steadily in Jordan from 2010 until 2015. The current study placed three main questions in order to find the aim of this study using three statistical models:

- What are the determinants of corporate social responsibility disclosure (extent and quality)?
- What are the economic consequences of corporate social responsibility disclosure?
- Does the quality of CSR disclosure have a higher impact on corporate financial performance (CFP) and market value?

The results of these questions provide significant findings in the CSR disclosure literature and particularly in the quality of CSR disclosure. The following section will present our findings regarding the questions and the objectives of this study.

### **6.2.1 What are the determinants of corporate social responsibility disclosure (extent and quality)?**

The aim of this question is to find the determinants of CSR disclosure extent and quality in Jordan. To achieve this aim, sixteen variables are examined and explored, namely (board size, Non-executive directors, age of the firm, female directors in the board, foreign directors in the board, family directors in the board, number of board meetings, audit committee availability, the type of external auditors (Big4), CEO duality, ownership concentration, government ownership, institutional ownership, size, gearing, and industry type). Using univariate analysis and panel regression on a sample from the services and industrial sectors in the spanning period from 2010-2015. The following results were found:

Out of sixteen examined variables, ten variables were found to be significant determinants for CSR disclosure extent, these variables are: board size, Non-executives, firm's age, foreign members in the board, number of board's meetings, audit committee, Big 4, government ownership, firm's size, and industry type. However, the determinants of CSR disclosure quality were less, nine variables were found to be significant which are: board size, firm's age, foreign members in the board, number of board's meetings, audit committee, Big 4, government ownership, firm's size, and industry type.

This result can be interpreted through the suggested integrated theoretical framework, as it explains how companies respond to stakeholder's demands and society in various levels

according to their characteristics (corporate characteristics, governance and ownership). These factors determine the degree of CSRD (extent and quality) employed in each company. Empirically, the analysis revealed that firm size followed by board size and firm age appears to have the strongest effect on CSR disclosure (Giannarakis, 2014; Muttakin & Khan, 2014; Habbash, 2017), while non-executive directors and institutional investors had the least effect on CSR disclosure by listed companies.

Contrary to our expectations, non-executive directors were found to have a negative impact on the extent of CSR disclosure, and no relationship with the quality of CSR. This result contradicts the majority of the previous literature, which claimed that non-executive directors increase the level of CSR disclosure and work as the balance mechanism between the benefits of investors and the needs of stakeholders ((Zattoni & Cuomo, 2010; Gul et al., 2011). In an ideal world, non-executive directors play a big role in monitoring the board's activities (Jizi et al, 2014). However, according to JSC 2002 law, each company must form a board of directors with at least one third of non-executive directors. The law has made it mandatory to appoint three non-executive directors, which means these non-executive directors have no independence or control over the board's decisions and they are there simply because it is a regulatory requirement. This finding can be seen as a new contribution to the literature of CSR determinants, and an indicator to the legislators of this misperception.

### **6.2.2 What are the economic consequences of corporate social responsibility disclosure?**

The aim of the second question is to investigate the consequences of disclosing CSR activities in the Jordanian market, which is assessed by company performance and market value models, and tested through univariate analysis and panel regression. The previous literature is still inconclusive regarding the impact of CSR disclosure and whether the cost is higher than its benefits. However, from our results, it's clear that CSR disclosure has a positive and significant impact on firm's financial performance and the market value of companies. The impact of CSR disclosure provides evidence that adopting such behaviour and bearing such costs can benefit a company's overall performance. This result indicates that CSR is a strategic investment for the companies which benefits not only the investors and shareholders but also from communicating such activities to the external stakeholders (Nekhili et al., 2017). It also encourages companies in Jordan to provide more CSR disclosures since the benefits on financial performance and market value are exceeding the costs (Omar & Zallom, 2016). According to stakeholder theory, the firm's success relies upon its capability to meet stakeholder's expectations and demands

for information. From a legitimacy perspective, increasing information disclosure could improve the company's legitimacy and the ability to maintain their market position and consequently increasing its financial performance (Yusoff et al., 2013).

### **6.2.3 Does the quality of CSR disclosure have a higher impact on corporate financial performance (CFP) and market value?**

The results confirm that the quality of CSR disclosure has higher correlation and impact on company's financial performance and market value than the extent of CSR disclosure. This is good evidence that providing higher quality CSR disclosure has a much stronger impact upon a company's financial performance and market value compared with mere extent. In fact, the result shows that investors are evaluating the companies with higher quality of CSR disclosure with more than 9% from the extent one (see table 23). According to KPMG (2013), it is now about the quality of corporate responsibility reporting and finding the best ways to reach relevant stakeholders. There is a clear need for higher-quality corporate responsibility reporting, and reporting less quality will begin to erode investor confidence (KPMG, 2011). In the same regard, a survey by KPMG (2015) stressed on the benefits of providing higher quality disclosures for the companies, and that higher quality will give the companies an opportunity to distinguish them and be leaders in their sector.

From legitimacy theory perspective, the disclosure of higher quality CSR reports improves firm's legitimate image, by reducing the number of questions asked by stakeholders, since they provide clear reports (Michelon, Pilonato, & Ricceri, 2015). Additionally, firms can be seen as socially responsible and good citizens when disclosing their CSR activities clearly to the public, which also can improve their image and reputation, and attract investors.

Empirically, these findings demonstrate the significance of providing higher quality of CSR disclosures. The economic benefits can motivate companies in adopting better policies and strategies to provide higher and better-quality disclosures regardless of the cost. Companies can also explain to their shareholders the benefits behind spending funds on CSR, by demonstrating the economic advantages that they are receiving in return.

## **6.3 Research contribution to knowledge**

This study, is for the first time, examining the determinants for both extent and quality of CSR disclosure in Jordan. Unlike previous studies in Jordan, were they examined only the determinants of the extent of CSR disclosure and ignored measuring the quality of CSR disclosure.

This study, is for the first time, presenting a new measurement for CSR disclosure quality by using images and charts in our 7 points-scale measurements. The previous studies did not take into consideration the importance of images and charts as a measurement for quality of CSR disclosure. Therefore, this research bridges the gap and adds value to existing knowledge of disclosure quality measurements. This novel measurement extends the literature and adds new understanding to the quality measurements used by researchers.

This study shed the light on the importance of the quality of CSR disclosure, and how quality has a stronger impact on a company's financial performance and market value than the extent ones. It is a strong indicator for Jordanian companies and the developing countries to concentrate on producing high quality CSR reports in the annual reports.

This study is also the first study that uses a sample from both services and industrial sectors and make a comparison between their disclosures level. This study also has the largest sample used by a researcher in Jordan.

This study has examined 16 variables as determinants for CSR disclosure, which is considered the largest set of determinants used in any studies previously. Additionally, this study contributes to the knowledge by extending our understanding of the company's characteristics that have an impact on the level of CSR disclosure extent and quality.

## **6.4 Research implications**

The research findings have further implications on practitioners and policy makers as well as academics. The next section will present each category:

### **6.4.1 Implications for practitioners**

Firms should develop new disclosure strategies and ensure including CSR within their annual reports. In addition, companies should make more efforts to maintain and improve the disclosure quality of their reports in order to benefit from the relationship between disclosure quality and financial performance and market value.

Another implication of the research is for companies which are looking to improve their legitimacy and legitimise their activities in the eyes of government and other stakeholders. Industrial firms which have high influence on the surrounding environment can benefit from this research to achieve legitimacy for its products and activities.

#### **6.4.2 Implications for policy makers**

Jordan security commission is the main body in Jordan that pursues the commitment of public shareholding companies to disclose their business results and annual reports. They are also responsible of implementing the laws and regulations that control Amman stocks exchange. The policy makers in Jordan should consider the importance of this research, since it sheds light on the importance CSR disclosures. They also have to consider introducing new laws that mandate CSR disclosures, since it has many advantages for the companies and society.

Regarding corporate governance, the findings of this research suggest amending the law that require companies to have 33% of its directors to be non-executives, since its removing the director's independence and causing a negative effect on CSR disclosure.

The finding of this research recommends policy makers think about issuing a new law that requires companies to start providing standalone corporate social responsibility reports, because of the positive implications that has been found on financial performance and market value of firms. In addition to emphasising the importance of disclosure quality and proposing guidelines and frameworks of how to present your disclosures in an interactive way, by using images, charts and pictures, it is easier to illustrate and understand such disclosures.

#### **6.4.3 Implications for Academics**

This research has shed the light on the importance of CSR disclosures extent and quality and its relationship with financial performance and market value. This area of research has not previously received adequate amount of investigation, and particularly the quality of disclosure and its relationship with market value. More research should be done using our methodology and quality measurement to explore the consequences of using images on the quality of CSR disclosures.

### **6.5 Research limitations**

The study findings are limited to the Jordanian environment and the Jordanian market. However, the used methodology can be applied to different countries and different periods. As in all accounting studies, the proxies and measurements of different variables are limited to this

research, since different proxies and measurements can be used for the determinants and consequences under study.

The study adopted a pure quantitative method; however, using triangulation methods such as interviews can improve our results. But in reality, obtaining access to meet with high level financial managers and CEO's is difficult.

The collected data regarding females in the board of directors did not differentiate between executives and non-executives, and used all female directors. Also, the data regarding foreign directors was collected without distinguishing between males and females. These areas could be investigated further in the future research activity.

The study employed the content analysis technique which according to prior research is subject to human error, as the researcher collected the data manually and not by using software (Thompson & Zakaria, 2004; Abdul Hamid, 2004). However, this was offset by presenting the data to other researcher in order to ensure the accuracy of the collected data

The sample included companies from two main sectors, the services and industrial sectors, and ignored the financial sector since they have their own laws and regulations from the central bank regarding their disclosures.

The study only focuses on CSR disclosures that are available in company's annual reports, even though it is known that there are other types of communication mechanisms with investors and stakeholders such as company's website.

This research is reliable for the time and context, and cannot be used as generalisation out of context.

## **6.6 Further Research**

The determinants and consequences of CSR disclosure is a huge area. Different determinants and consequences can be examined in order to find their relationship with the financial outcomes.

Regarding the determinants, further research can be done on new determinants such as: CEO interlocking, profitability, and using new ownership types. Moreover, other types of consequences of CSR disclosure can be examined and further investigated such as stocks changes and risk.

Further research can be done regarding foreigner directors by differentiate between males and females regarding these variables. This study did not distinguish between their genders because of the time limitation and difficulties to obtain such information which can be considered in the future research. However, regarding the female directors, the study did not distinguish between executives and non-executives which can be a rich topic in the future research.

Future research can also investigate the opposite direction of the variables effect, for example: the effect of market value and financial performance on CSR, and test whether firms with high value and better performance disclose more CSR information.

Further research could investigate the financial sector and compare it to the industrial and services sector in Jordan. Moreover, further research can be done on developing a new measurement for the quality of CSR disclosure.

Further research can include triangulation methods, using interviews and questionnaires to gather data from financial managers and CEO's is highly recommended and can lead to new evidence regarding CSR disclosure determinants and consequences.

Additional financial performance measures could be used in further studies, including ratios and performance appraisal techniques and comparison of the outcomes made to further extend the research problem.

The same methodology and period of time can be applied in different countries and regions, but using different samples to explore other effects and relationships. In addition, further research can be done on the causality of CSR determinants, and finding the causality effect between the previous consequences and CSR disclosure. For example: if companies have higher market value and performance will that lead to a higher disclosure.

## References

- Abbott, W. F., & Monsen, R. J. (1979), "On the Measurement of Corporate Social Responsibility: Self-Reported Disclosures as a Method of Measuring Corporate Social Involvement". *Academy of Management Journal*, 22(3), 501-515
- Abdul Hamid, F.Z. (2004), "Corporate social disclosure by banks and finance companies: Malaysian evidence", *Corporate Ownership and Control*, Vol. 1 No. 4, pp. 118-29.
- Abdullah, S. N., Mohamad, N. R., & Mokhtar, M. Z. (2011). Board independence, ownership and CSR of Malaysian Large Firms. *Corporate Ownership & Control*, 8(3), 417-431.
- Aboody, D., Barth, M. E., & Kasznik, R. (2004). SFAS No. 123 stock-based compensation expense and equity market values. *The Accounting Review*, 79(2), 251-275.
- Abu Baker, N. (2000). Corporate social reporting and disclosure practice in Jordan: An empirical investigation. *Dirasat, Administrative Sciences*, 27(1), 263-249.
- Adams, C. A. (2002). Internal organisational factors influencing corporate social and ethical reporting: Beyond current theorising. *Accounting, Auditing & Accountability Journal*, 15(2), 223-250.
- Adams, C. A. (2004). The ethical, social and environmental reporting-performance portrayal gap. *Accounting, Auditing & Accountability Journal*, 17(5), 731-757.
- Adams, C. A. & Frost, G. R., (2006), "The internet and change in corporate stakeholder engagement and communication strategies on social and environmental performance", *Journal of Accounting & Organisational Change*, 2(3), 281-303
- Adams, C. A., & Harte, G. (1998). The changing portrayal of the employment of women in British banks' and retail companies' corporate annual reports. *Accounting, Organizations and Society*, 23(8), 781-812.
- Adler, R. W., & Milne, M. J. (1997, July). Media exposure, company size, industry, and social disclosure practices. In *5th International Perspectives on Accounting (IPA) Conference, Manchester*.
- Aerts, W. & Cormier, D., 2006, "The Association between Media Legitimacy and Corporate Environmental Communication", ESG UQAM working paper 2006-07.
- Aguilera, R. V., & Jackson, G. (2003). The cross-national diversity of corporate governance: Dimensions and determinants. *Academy of management Review*, 28(3), 447-465.

- Aguilera, R.V., Williams, C.A., Conley, J.M., and Rupp, D.E. (2006). Corporate Governance and Social Responsibility: a comparative analysis of the UK and the US. *Corporate Governance: An International Review*, 14(3): 147-158.
- Ahmad, N. N. N., Sulaiman, M., & Siswantoro, D. (2003). Corporate social responsibility disclosure in Malaysia: An analysis of annual reports of KLSE listed companies. *International Journal of Economics, Management and Accounting*, 11(1).
- Ahmad, N. N. N., & Mohamad, N. A. (2014). Environmental disclosures by the Malaysian construction sector: Exploring extent and quality. *Corporate Social Responsibility and Environmental Management*, 21(4), 240-252
- Ahmad, N., & Sulaiman, M. (2004). Environment disclosure in Malaysia annual reports: a legitimacy theory perspective. *International Journal of Commerce and Management*, 14(1), 44-58.
- Ahmad, Z., Hassan, S., & Mohammad, J. (2003). Determinants of environmental reporting in Malaysia. *International Journal of Business Studies*, 11(1), 69.
- Ahmed, K., & Courtis, J. K. (1999). Associations between corporate characteristics and disclosure levels in annual reports: a meta-analysis. *The British Accounting Review*, 31(1), 35-61.
- Ajinkya, B., Bhojraj, S., & Sengupta, P. (2005). The association between outside directors, institutional investors and the properties of management earnings forecasts. *Journal of accounting research*, 43(3), 343-376.
- Akhtaruddin, M. (2005). Corporate mandatory disclosure practices in Bangladesh. *The International Journal of Accounting*, 40(4), 399-422.
- Al-Akra, M., & Ali, M. J. (2012). The value relevance of corporate voluntary disclosure in the Middle-East: The case of Jordan. *Journal of Accounting and Public Policy*, 31(5), 533-549.
- Al-Akra, M., Ali, M. J., & Marashdeh, O. (2009). Development of accounting regulation in Jordan. *The International Journal of Accounting*, 44(2), 163-186.
- Al-Akra, M., Eddie, I. A., & Ali, M. J. (2010). The influence of the introduction of accounting disclosure regulation on mandatory disclosure compliance: Evidence from Jordan. *The British Accounting Review*, 42(3), 170-186.

- Al-Akra, M., & Hutchinson, P. (2013). Family firm disclosure and accounting regulation reform in the Middle East: The case of Jordan. *Research in Accounting Regulation*, 25(1), 101-107.
- Al-Bassam, W. M., Ntim, C. G., Opong, K. K., & Downs, Y. (2015). Corporate boards and ownership structure as antecedents of corporate governance disclosure in Saudi Arabian publicly listed corporations. *Business & Society*, 0007650315610611.
- Alexander, G.J., Buchholz, R.A., (1978). Corporate social responsibility and stock market performance. *Academy of Management Journal* 21 (3), 479–486.
- Al-Hamadeen, R., & Badran, S. (2014). Nature and determinants of CSR disclosure: experience of the Jordanian public shareholding companies. *European Journal of Business and Management*, 6(13).
- Alhouti, S., Johnson, C. M., & Holloway, B. B. (2016). Corporate social responsibility authenticity: Investigating its antecedents and outcomes. *Journal of Business Research*, 69(3), 1242-1249.
- Ali, H., & Birley, S., 1999, “Integrating Deductive and Inductive Approaches in A Study of New Ventures and Customer Perceived Risk”, *Qualitative Market Research: An International Journal*, 2(2): 103-110.
- Ali, W., Frynas, J. G., & Mahmood, Z. (2017). Determinants of Corporate Social Responsibility (CSR) Disclosure in Developed and Developing Countries: A Literature Review. *Corporate Social Responsibility and Environmental Management*.
- Al-Khadash, H. A., & ABHATH AL-YARMOUK, A. (2003). The accounting disclosure of social and environmental activities a comparative study for the industrial Jordanian shareholding companies. *Abhath Al-Yarmouk Journal: Humanities and Social Sciences*, 19(1), 21-39.
- Allegrini, M., & Greco, G. (2013). Corporate boards, audit committees and voluntary disclosure: Evidence from Italian listed companies. *Journal of Management & Governance*, 17(1), 187-216.
- Alnabsha, A., Abdou, H. A., Ntim, C. G., & Elamer, A. A. (2017). Corporate boards, ownership structures and corporate disclosures: Evidence from a developing country.

- Al Rawashdeh, R., Campbell, G., & Titi, A. (2016). The socio-economic impacts of mining on local communities: The case of Jordan. *The Extractive Industries and Society*, 3(2), 494-507.
- Al Sawalqa, F. (2014), "Corporate governance mechanisms and voluntary disclosure compliance: the case of banks in Jordan", *International Journal of Academic Research in Accounting, Finance and Management Sciences*, Vol. 4 No. 2, pp. 369-384.
- Alshareef, M. N. Z., & Sandhu, K. (2015). Integrating Corporate Social Responsibility (CSR) into Corporate Governance Structure: The Effect of Board Diversity and Roles-A Case Study of Saudi Arabia. *International Journal of Business and Management*, 10(7), 1
- AL-Shubiri, F. N., Al-abadallat, A. Z., & Orabi, M. M. A. (2012). Financial and non- financial determinants of corporate social responsibility. *Asian Economic and Financial Review*, 2(8), 1001.
- Al-Tuwaijri, S. A., Christensen, T. E., & Hughes, K. E. (2004). The relations among environmental disclosure, environmental performance, and economic performance: a simultaneous equations approach. *Accounting, organizations and society*, 29(5), 447-471.
- Alves, H. R. A. M., Rodrigues, A. M., & Canadas, N. (2012). Factors influencing the different categories of voluntary disclosure in annual reports: An analysis for Iberian Peninsula listed companies. *Tekhne*, 10(1), 15-26.
- Aly, D., Simon, J., & Hussainey, K. (2010). Determinants of corporate internet reporting: evidence from Egypt. *Managerial Auditing Journal*, 25(2), 182-202.
- Amman Stock Exchange (ASE) (2015). Available from <[http:// www.ammanstockex.com.jo](http://www.ammanstockex.com.jo)>.
- Anas, A., Abdul Rashid, H. M., & Annuar, H. A. (2015). The effect of award on CSR disclosures in annual reports of Malaysian PLCs. *Social Responsibility Journal*, 11(4), 831-852.
- Andrikopoulos, A., Samitas, A., & Bekiaris, M. (2014). Corporate social responsibility reporting in financial institutions: Evidence from Euronext. *Research in International Business and Finance*, 32, 27-35.
- Aras, G., Aybars, A., & Kutlu, O. (2010). Managing corporate performance: Investigating the relationship between corporate social responsibility and financial performance in

- emerging markets. *International Journal of productivity and Performance management*, 59(3), 229-254.
- Aupperle, K.E., Carroll, A.B., Hatfield, J.D., (1985). An empirical examination of the relationship between corporate social responsibility and profitability. *Academy of Management Journal* 28 (2), 446–463.
- Ayuso, S. and Argandoña, A. (2007), “Responsible corporate governance: towards a stakeholder board of directors?”, *Working Paper No 701*, IESE Business School-University of Navarra, Spain.
- Balabanis, G., Phillips, H. C., Lyall, J., 1998, “Corporate Social Responsibility and Economic Performance in the Top British Companies: Are They Linked?”, *European Business Review*, 98(1): 25-44.
- Balakrishnan, K., Billings, M. B., Kelly, B., & Ljungqvist, A. (2014). Shaping liquidity: On the causal effects of voluntary disclosure. *the Journal of Finance*, 69(5), 2237-2278.
- Balasubramanian, N. (2012). Corporate Governance – By Robert A. G. Monks and Nell Minow. *Corporate Governance: An International Review*, 20 (1):119-120.
- Barako, D. G. (2007). Determinants of voluntary disclosures in Kenyan companies annual reports. *African Journal of Business Management*, 1(5).
- Barakat, F. S., Pérez, M. V. L., & Ariza, L. R. (2015). Corporate social responsibility disclosure (CSR) determinants of listed companies in Palestine (PXE) and Jordan (ASE). *Review of Managerial Science*, 9(4), 681-702.
- Barako, D.G., Hancock, P. and Izan, H.Y. (2006). Factors Influencing Voluntary Corporate Disclosure by Kenyan Companies. *Corporate Governance: An International Review*, 14(2): 107-125.
- Bear, S., Rahman, N. and Post, C. (2010). The Impact of Board Diversity and Gender Composition on Corporate Social Responsibility and Firm Reputation. *Journal of Business Ethics*, 97(2): 207-221.
- Barnea, A. and Rubin, A. (2010). Corporate Social Responsibility as a Conflict Between Shareholders. *Journal of Business Ethics*, 97(1):71-86.

- Barnett, M. L. (2007). Stakeholder influence capacity and the variability of financial returns to corporate social responsibility. *Academy of Management Review*, 32(3), 794-816.
- Barnes, E., and Walker, M. (2006). 'The Seasoned-Equity Issues of UK Firms: Market Reaction and Issuance Method Choice', *Journal of Business Finance and Accounting*, 33 (1/2): 45–78.
- Barth, M. E., & McNichols, M. F. (1994). Estimation and market valuation of environmental liabilities relating to superfund sites. *Journal of Accounting Research*, 177-209.
- Beattie, V., & Jones, M. J. (2001). A six-country comparison of the use of graphs in annual reports. *The International Journal of Accounting*, 36(2), 195-222.
- Beattie, V., & Thomson, S. J. (2007, June). Lifting the lid on the use of content analysis to investigate intellectual capital disclosures. In *Accounting Forum* (Vol. 31, No. 2, pp. 129-163). Elsevier.
- Bebchuk, L. A. & Roe, M. J., 1999, "A Theory of Path Dependence in Corporate Ownership and Governance", *Stanford Law Review*, 52 (1): 127-170.
- Becchetti, L., & Ciciretti, R. (2009). Corporate social responsibility and stock market performance. *Applied financial economics*, 19(16), 1283-1293.
- Becker, R. (2008). Words. Concepts. Strategies. Available on the internet at: <http://richardrbecker.com/2008/01/counting-words-16-makes-sentence.html>
- Beiner, S., Drobetz, W., Schmid, M. M., & Zimmermann, H. (2006). An integrated framework of corporate governance and firm valuation. *European Financial Management*, 12(2), 249-283.
- Belkaoui, A., & Karpik, G. P. (1989). Determinants of the corporate decision to disclose social information. *Accounting, Auditing & Accountability Journal*, 2(1), 36-51.
- Bell, E., S. Taylor & R. Thorpe, (2002) "Organisational Differentiation through Badging: Investors in People and the Value of the Sign". *Journal of Management Studies* 39(8), 1071- 1085.
- Beretta, S., & Bozzolan, S. (2008). Quality versus quantity: the case of forward-looking disclosure. *Journal of Accounting, Auditing & Finance*, 23(3), 333-376.
- Berg, K. T., & Sheehan, K. B. (2014). Social media as a CSR communication channel: The current state of practice.

- Berman, S. L., Wicks, A. C., Kotha, S., & Jones, T. M. (1999). Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance. *Academy of Management Journal*, 42(5), 488-506.
- Bhaduri, S. N., & Selarka, E. (2016). Corporate Social Responsibility Around the World—An Overview of Theoretical Framework, and Evolution. In *Corporate Governance and Corporate Social Responsibility of Indian Companies* (pp. 11-32). Springer Singapore.
- Bhaskar, R. (1989). *Reclaiming reality*. London: Verso
- Bidhari, S. C., Salim, U., Aisjah, S., & Java, E. (2013). Effect of corporate social responsibility information disclosure on financial performance and firm value in banking industry listed at Indonesia stock exchange. *European Journal of Business and Management*, 5(18), 39-46.
- Bird, R., Hall, A.D., Momente, F., Reggiani, F., (2007). What corporate social responsibility activities are valued by the market? *Journal of Business Ethics* 76 (2), 189–206.
- Blacconiere, W. G. & Patten, D. M., 1994, “Environmental Disclosures, Regulatory Costs, and Changes in Firm Value”, *Journal of Accounting and Economics*, 18(3): 357–377.
- Block, J. H., & Wagner, M. (2014). The effect of family ownership on different dimensions of corporate social responsibility: Evidence from large US firms. *Business Strategy and the Environment*, 23(7), 475-492.
- Blundell-Wignall, A., Atkinson, P. E., & Lee, S. H. (2008). *The current financial crisis: Causes and policy issues*. Paris: OECD.
- Boesso, G., & Kumar, K. (2007). Drivers of corporate voluntary disclosure: A framework and empirical evidence from Italy and the United States. *Accounting, Auditing & Accountability Journal*, 20(2), 269-296.
- Boesso, G., Kumar, K., & Michelon, G. (2013). Descriptive, instrumental and strategic approaches to corporate social responsibility: Do they drive the financial performance of companies differently?. *Accounting, Auditing & Accountability Journal*, 26(3), 399-422.
- Bögelein, N., & Serrano-Velarde, K. E. (2012, March). Teaching Qualitative Methods in the Age of Bologna. A New Didactic Approach for the Social Sciences. In *Forum Qualitative Sozialforschung/Forum: Qualitative Social Research* (Vol. 13, No. 2).

- Bohdanowicz, P., & Zientara, P. (2009). Hotel companies' contribution to improving the quality of life of local communities and the well-being of their employees. *Tourism and Hospitality Research*, 9(2), 147-158.
- Bonson, E., & Escobar, T. (2006). Digital reporting in Eastern Europe: An empirical study. *International Journal of accounting information systems*, 7(4), 299-318.
- Boone, A. L., & White, J. T. (2015). The effect of institutional ownership on firm transparency and information production. *Journal of Financial Economics*, 117(3), 508-533.
- Botosan, C. A. (2004). Discussion of a framework for the analysis of firm risk communication. *The International Journal of Accounting*, 39, 289–295.
- Boutin-Dufresne, F. & Sacaris, P., 2004, “Corporate Social Responsibility and Financial Risk”, *The Journal of Investing*, 13 (1): 57-66.
- Boyce, C. J., Wood, A. M., & Powdthavee, N. (2013). Is personality fixed? Personality changes as much as “variable” economic factors and more strongly predicts changes to life satisfaction. *Social Indicators Research*, 111(1), 287-305.
- Boyd, B. K. (1995). CEO duality and firm performance: A contingency model. *Strategic Management Journal*, 16(4), 301-312.
- Bradbury, M. E. (1990). The incentives for voluntary audit committee formation. *Journal of Accounting and public policy*, 9(1), 19-36.
- Branco, M. C., & Rodrigues, L. L. (2008). Factors influencing social responsibility disclosure by Portuguese companies. *Journal of Business Ethics*, 83(4), 685-701.
- Brown, J. A., & Forster, W. R. (2013). CSR and stakeholder theory: A tale of Adam Smith. *Journal of business ethics*, 112(2), 301-312.
- Bryman, A. (2008a). *Social Research Methods* (3rd Ed.), New York: Oxford University Press. ISBN: 9780199202959
- Bryman, A. and Bell, E., (2007), *Business Research Methods*, (2nd Ed) Oxford: Oxford University Press
- Buchholtz, A.K., Brown, J.A. and Shabana, K.M.(2008). Corporate Governance and Corporate Social Responsibility. in Crane, A., McWilliams, A., Matten, D., Moon, J. and Siegel,

- D.S. (Eds.) *The Oxford Handbook of Corporate Social Responsibility: Location*, Oxford: Oxford University Press, 327-345.
- Buhr, N. (1998). Environmental performance, legislation and annual report disclosure: the case of acid rain and Falconbridge. *Accounting, Auditing & Accountability Journal*, 11(2), 163 - 190.
- Bukair, A.A. and Rahman, A.A. (2015), "The effect of the board of directors' characteristics on corporate social responsibility disclosure by Islamic banks", *Journal of Management Research*, Vol. 7 No. 2, pp. 506-519.
- Burrell, G. & Morgan, G., (1979), "*Sociological Paradigms and Organisational Analysis* Aldershot: Gower
- Bushee, B. J., Carter, M. E., & Gerakos, J. (2013). Institutional investor preferences for corporate governance mechanisms. *Journal of Management Accounting Research*, 26(2), 123-149.
- Cabeza-García, L., Sacristán-Navarro, M., & Gómez-Ansón, S. (2017). Family involvement and corporate social responsibility disclosure. *Journal of Family Business Strategy*.
- Cai, Y., Jo, H., & Pan, C. (2012). Doing well while doing bad? CSR in controversial industry sectors. *Journal of Business Ethics*, 108(4), 467-480.
- Campbell, D., Craven, B., & Shrive, P. (2003). Voluntary social reporting in three FTSE sectors: a comment on perception and legitimacy. *Accounting, Auditing & Accountability Journal*, 16(4), 558-581.
- Campbell, D. J., (2000), "Legitimacy theory or managerial reality construction? Corporate social disclosure in Marks and Spencer Plc corporate reports, 1969-1997" *Accounting Forum*, 24(1), 80-100.
- Campbell, J. L. (2007). Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility. *Academy of Management Review*, 32(3), 946-967.
- Campbell, D. J., Geoff, M., & Philip, S. (2006), "Cross-sectional effects in community disclosure" *Accounting, Auditing & Accountability Journal*, 19(1), 96-114.
- Campopiano, G., & De Massis, A. (2015). Corporate social responsibility reporting: A content analysis in family and non-family firms. *Journal of Business Ethics*, 129(3), 511-534.

- Carroll, A. B. (1979). A three-dimensional conceptual model of corporate performance. *Academy of management review*, 4(4), 497-505.
- Cassell, C. & Symon, G., (1994), “Qualitative research in work contexts” In: C. Cassell, & G. Symon (Eds.), *Qualitative methods in organisational research*. Thousand Oaks, CA: Sage Publications
- Chakroun, R., Matoussi, H., & Mbirki, S. (2017). Determinants of CSR disclosure of Tunisian listed banks: a multi support analysis. *Social Responsibility Journal*, (just-accepted), 00-00.
- Chau, G. and Gray, S.J. (2010). Family Ownership, Board Independence and Voluntary Disclosure: Evidence from Hong Kong. *Journal of International Accounting, Auditing and Taxation*, 19(2): 93-109.
- Chau, G. K. & Gray, S. J., 2002, “Ownership Structure and Corporate Voluntary Disclosure in Hong Kong and Singapore”, *The International Journal of Accounting*, 37: 247-265.
- Chauvey, J. N., Giordano-Spring, S., Cho, C. H., & Patten, D. M. (2015). The normativity and legitimacy of CSR disclosure: Evidence from France. *Journal of Business Ethics*, 130(4), 789-803.
- Chen, C. J. P. and Jaggi, B. (2000). Association between Independent Non-executive Directors, Family Control and Financial Disclosures in Hong Kong. *Journal of Accounting and Public Policy*, 19(4-5): 285-310.
- Chen, E. T. and Nowland, J. (2010). Optimal Board Monitoring in Family-owned Companies: Evidence from Asia. *Corporate Governance: An International Review*, 18(1): 3-17.
- Chen, H., & Wang, X. (2011). Corporate social responsibility and corporate financial performance in China: an empirical research from Chinese firms. *Corporate Governance: The international journal of business in society*, 11(4), 361-370.
- Chen, J., 2001, “Ownership Structure as Corporate Governance Mechanism: Evidence from Chinese Listed Companies”, *Economics of Planning*, 34: 53–71.
- Chen, L., Feldmann, A., & Tang, O. (2015). The relationship between disclosures of corporate social performance and financial performance: Evidences from GRI reports in manufacturing industry. *International Journal of Production Economics*, 170, 445-456.

- Chen, R. C., & Lee, C. H. (2017). Assessing whether corporate social responsibility influence corporate value. *Applied Economics*, 1-11.
- Chen, W-P., Chung, H., Lee, C-F., Liao, w-L., 2006, "Corporate Governance and Equity Liquidity: Analysis of S&P Transparency and Disclosure Rankings", *Corporate Governance. An International Review*, 15(4): 644-660.
- Chen, W. P., Chung, H., Hsu, T. and Wu, S. (2010). External Financing Needs, Corporate Governance, and Firm Value. *Corporate Governance: An International Review*, 18(3): 234-249.
- Cheng, E.C.M. and Courtenay, S.M. (2006). Board Composition, Regulatory Regime and Voluntary Disclosure. *The International Journal of Accounting*, 41(3): 262-289.
- Clatworthy, M., & Jones, M. J., (2006), "Differential patterns of textual characteristics and company performance in the chairman's statement", *Accounting, Auditing & Accountability Journal*, 19(4), 493-511
- Cobb, J. A. (2015). Risky business: The decline of defined benefit pensions and firms' shifting of risk. *Organization Science*, 26, 1332-1350.
- Cochran, P. L., & Wood, R. A. (1984). Corporate social responsibility and financial performance. *Academy of management Journal*, 27(1), 42-56.
- Cochran, P. 1994. The Toronto conference: Reflections on stakeholder theory. *Business and Society* 33, no. 1: 95-8.
- Cohen, J., Krishnamoorthy, G. and Wright, A. (2004). The Corporate Governance Mosaic And Financial Reporting Quality. *Journal of Accounting Literature*, 23: 87-152.
- Cooper, D.R. and Schindler, P.S., (2002), "*Business Research Method*" The McGraw- Hill
- Cordeiro, J.J., Sarkis, J., (1997). Environmental proactivism and firm performance: evidence from security analyst earning forecast. *Business Strategy and the Environment* 6 (2), 104-114.
- Cordeiro, J. J., & Tewari, M. (2015). Firm characteristics, industry context, and investor reactions to environmental CSR: A stakeholder theory approach. *Journal of Business Ethics*, 130(4), 833-849.
- Core, J. E., Hail, L., & Verdi, R. S. (2015). Mandatory disclosure quality, inside ownership, and cost of capital. *European Accounting Review*, 24(1), 1-29.

- Cormier, D., Ledoux, M. and Magnan, M (2011). The Informational Contribution of Social and Environmental Disclosures for Investors. *Management Decision*, 49(8): 1276-1304.
- Cormier, D., & Gordon, I. M. (2001). An examination of social and environmental reporting strategies. *Accounting, Auditing & Accountability Journal*, 14(5), 587 - 617.
- Cormier, D., Magnan, M., Velthoven, B. V., 2005, "Environmental Disclosure Quality in Large German Companies: Economic Incentives, Public Pressures or Institutional Conditions?", *European Accounting Review*, 14(1): 3-39.
- Cowen, S. S., Ferreri, L. B., & Parker, L. D. (1987). The impact of corporate characteristics on social responsibility disclosure: A typology and frequency-based analysis. *Accounting, Organizations and society*, 12(2), 111-122.
- Coy, D. V. (1995). A public accountability index for annual reporting by NZ universities. Doctoral thesis. Hamilton: University of Waikato.
- Cramer, J., Jonker, J., & van der Heijden, A. (2004). Making sense of corporate social responsibility. *Journal of Business Ethics*, 55(2), 215-222.
- Crane, A., & Glozer, S. (2016). Researching corporate social responsibility communication: themes, opportunities and challenges. *Journal of Management Studies*, 53(7), 1223-1252.
- Craswell, A., Taylor, S. (1992). Discretionary disclosure of reserves by oil and gas companies: an economic analysis. *Journal of business finance and accounting* 19, 295-308.
- Creswell, J. W. (2014). *A concise introduction to mixed methods research*. Sage Publications.
- Creswell, J. W., & Plano Clark, V. L. (2007), *Designing and conducting mixed methods research*. Thousand Oaks, CA: SAGE.
- Crowther, D. (2002). *A Social Critique of Corporate Reporting: A Semiotic Analysis of Corporate Financial and Environmental Reporting*. Adlershot, England: Ashgate Publishing.
- Dagiliene, L. (2015). The research of corporate social responsibility disclosures in annual reports. *Engineering Economics*, 21(2).
- Dahlsrud, A. (2008). How corporate social responsibility is defined: an analysis of 37 definitions. *Corporate social responsibility and environmental management*, 15(1), 1.

- Dahawy K (2009) Company characteristics and disclosure level: the case of Egypt. *Int Res J Financ Econ* 34:194–208.
- Dahya, J., Lonie, A.A., Power, D.M., (1996). The case for separating the roles of Chairman and CEO: An analysis of stock market and accounting data. *Corporate Governance—An International Review* 4 (1), 71–77.
- Daub, C-H. , 2007, “Assessing the Quality of Sustainability Reporting: An Alternative Methodological Approach”, *Journal of Cleaner Production*, 15(1): 75-85.
- Deegan, C., & Gordon, B. (1996). A study of the environmental disclosure practices of Australian corporations. *Accounting and business research*, 26(3), 187-199.
- Deegan, C. & Rankin, M., (1997). The Materiality of Environmental Information to Users of Annual Reports. *Accounting, Auditing & Accountability Journal*, 10(4): 562-583.
- Deegan, C. (2002). Introduction: the legitimising effect of social and environmental disclosures-a theoretical foundation. *Accounting, Auditing & Accountability Journal*, 15(3), 282-311.
- Deegan, C., & Rankin, M. (1996). Do Australian companies report environmental news objectively? An analysis of environmental disclosures by firms prosecuted successfully by the Environmental Protection Authority. *Accounting, auditing & accountability journal*, 9(2), 50-67.
- Déjean, F., & Martinez, I. (2009). Environmental disclosure and the cost of equity: the French case. *Accounting in Europe*, 6(1), 57-80.
- Deloitte., (2016). The countdown to IFRS adoption for all European insurers has already begun. Available online from [<https://www2.deloitte.com/global/en/pages/financial-services/articles/ins-ifrs-countdown.html#>]
- Denis, D. K., & McConnell, J. J. (2003). International corporate governance. *Journal of financial and quantitative analysis*, 38(01), 1-36.
- Department of Statistics (DOS) (2011), *Jordan Statistical Yearbook*, Department of Statistics, Amman.
- Desta, I. H. (2010). CSR in developing countries'. *Responsible business: How to manage a CSR strategy successfully*, 265.
- Dhaliwal, D.; Li, O. Z; Tsang, A; Yang, Y. G., 2009, “Voluntary Non-Financial Disclosure and the Cost of Equity Capital: The Case of Corporate Social Responsibility Reporting”, Available at SSRN: <http://ssrn.com/abstract=1343453>.

- Dhaliwal, D. S., Radhakrishnan, S., Tsang, A., & Yang, Y. G. (2012). Nonfinancial disclosure and analyst forecast accuracy: International evidence on corporate social responsibility disclosure. *The Accounting Review*, 87(3), 723-759.
- Dias, A., Rodrigues, L. L., & Craig, R. (2017). Corporate governance effects on social responsibility disclosures. *Australasian Accounting Business & Finance Journal*, 11(2).
- Donaldson, T.: 1983, 'Constructing a Social Contract for Business', in T. Donaldson and P. Werhane (eds.), *Ethical Issues in Business* (Prentice Hall Inc., Englewood Cliffs, NJ), pp. 153–166.
- Donaldson, T. (2012). Three ethical roots of the economic crisis. *Journal of Business Ethics*, 106(1), 5–8.
- Dong, M., Stettler, A., Antonakis, J., 2007, "Direct Drivers of Corporate Disclosure: A Multicountry, Multilevel Model", *IRM Institute of Research in Management*, Working Paper 0702, [http://www.hec.unil.ch/cms\\_irm/WP0702.pdf](http://www.hec.unil.ch/cms_irm/WP0702.pdf).
- Dong, S., Burritt, R., & Qian, W. (2014). Salient stakeholders in corporate social responsibility reporting by Chinese mining and minerals companies. *Journal of Cleaner Production*, 84, 59-69.
- Donnelly, R. and Mulcahy, M. (2008). Board Structure, Ownership, and Voluntary Disclosure in Ireland. *Corporate Governance: An International Review*, 16(5): 416- 429.
- Dougherty, C., (2007), "*Introduction to Econometrics*", (3rd Ed), Oxford University Press
- Dowling, J., & Pfeffer, J. (1975). Organizational legitimacy: societal values and organizational behaviour. *Pacific Sociological Review*, 18(1), 122-136.
- Drobetz, W., Merikas, A., Merika, A., & Tsionas, M. G. (2014). Corporate social responsibility disclosure: The case of international shipping. *Transportation Research Part E: Logistics and Transportation Review*, 71, 18-44.
- Duff, A., 2014. Corporate Social Responsibility Reporting in Professional Accounting Firms (The British Accounting Review).
- Du, S., Bhattacharya, C. B., & Sen, S. (2010). Maximizing business returns to corporate social responsibility (CSR): The role of CSR communication. *International Journal of Management Reviews*, 12(1), 8-19.
- Easley, D., & O'hara, M. (2004). Information and the cost of capital. *The journal of finance*, 59(4), 1553-1583.

- Elian, K. (2014), "Role of Corporate Social Responsibility in alleviating poverty in Jordan: an exploratory study", *International Journal of Business and Social Research*, Vol. 4 No. 3, pp. 87-105.
- Elijido-Ten, E. (2009). Can stakeholder theory add to our understanding of Malaysian environmental reporting attitudes. *Malaysian Accounting Review*, 8(2), 85-110.
- Eng, L. L., & Mak, Y. T. (2003). Corporate governance and voluntary disclosure. *Journal of accounting and public policy*, 22(4), 325-345.
- Ernst & Ernst, Social Responsibility Disclosure: 1978 Survey (Cleveland: Ernst & Ernst, 1978).
- Esa, E., & Anum Mohd Ghazali, N. (2012). Corporate social responsibility and corporate governance in Malaysian government-linked companies. *Corporate Governance: The international journal of business in society*, 12(3), 292-305.
- Ettredge, M., Richardson, V. J., & Scholz, S. (2001). The presentation of financial information at corporate Web sites. *International Journal of Accounting Information Systems*, 2(3), 149-168.
- ExxonMobil (2010). Community & Society (Retrieved 10/26/2015, from) [http://www.exxonmobil.com/Corporate/community\\_contributions\\_report\\_environment.aspx](http://www.exxonmobil.com/Corporate/community_contributions_report_environment.aspx)
- Fanek, F. (2016) Services bloom in Jordan's economy. The Jordan Times. [online from] Available from: <http://www.jordantimes.com/opinion/fahed-fanek/services-bloom-jordan%E2%80%99s-economy>.
- Fekrat, M. A., Inclan, C., & Petroni, D. (1996). Corporate environmental disclosures: competitive disclosure hypothesis using 1991 annual report data. *The International Journal of Accounting*, 31(2), 175-195.
- Fernandez-Feijoo, B., Romero, S., & Ruiz, S. (2012). Does board gender composition affect corporate social responsibility reporting? 1. *International Journal of Business and Social Science*, 3(1).
- Fernando, S., & Lawrence, S. (2014). A theoretical framework for CSR practices: integrating legitimacy theory, stakeholder theory and institutional theory. *Journal of Theoretical Accounting Research*, 10(1), 149-178.
- Font, X., Walmsley, A., Cogotti, S., McCombes, L., & Häusler, N. (2012). Corporate social responsibility: The disclosure–performance gap. *Tourism Management*, 33(6), 1544-1553.

- Forker, I. J., 1992, "Corporate Governance And Disclosure Quality", *Accounting And Business Research*, 22(86): 111-124.
- Freedman, M. and Stagliano, A. J. (1992) "European unification, accounting harmonization, and social disclosures" *The International Journal of Accounting* 27(2), 112-122
- Freedman, M. and Stagliano, A. J. (2008) "Environmental disclosures: electric utilities and Phase 2 of the Clean Air Act." *Critical Perspectives on Accounting* 19(4), 466-486
- Freeman, R. E. (1984). *Strategic management: a stakeholder approach*. Boston: Pitman-Ballinger.
- Freeman, R. E. (2010). *Strategic management: A stakeholder approach*. Cambridge University Press.
- Frias-Aceituno, J. V., Rodriguez-Ariza, L., & Garcia-Sanchez, I. M. (2013). The role of the board in the dissemination of integrated corporate social reporting. *Corporate Social Responsibility and Environmental Management*, 20(4), 219-233.
- Friedman, M. (1970). The social responsibility of business is to increase its profits. *The New York Time Magazine* 122(13), 32-33.
- Fryer, D. (1991), "Qualitative methods in occupational psychology: Reflections upon why they are so useful but so little used", *The Occupational Psychologist*, 14 (Special issue on qualitative methods), 3-6.
- Frynas, J. G. (2012). Corporate social responsibility or government regulation? Evidence on oil spill prevention. *Ecology and Society*, 17(4).
- Frynas, J. G., & Stephens, S. (2015). Political corporate social responsibility: Reviewing theories and setting new agendas. *International Journal of Management Reviews*, 17(4), 483-509.
- Fuente, J. A., García-Sánchez, I. M., & Lozano, M. B. (2017). The role of the board of directors in the adoption of GRI guidelines for the disclosure of CSR information. *Journal of Cleaner Production*, 141, 737-750.
- Gallego-Álvarez, I., & Quina-Custodio, I. A. (2016). Disclosure of corporate social responsibility information and explanatory factors. *Online Information Review*, 40(2), 218-238.

- Gamble, G., Hsu, K., Jackson, C., & Tollerson, C. (1996). Environmental disclosures in annual reports: an international perspective. *The International Journal of Accounting*, 31(3), 293-331.
- Gamerschlag, R., Möller, K., & Verbeeten, F. (2011). Determinants of voluntary CSR disclosure: empirical evidence from Germany. *Review of Managerial Science*, 5(2-3), 233-262.
- Garay, L., Gomis, J. M., & González, F. (2017). Management, Altruism, and Customer Focus as Drivers of Corporate Social Responsibility in Tourism Intermediation. *Tourism Analysis*, 22(2), 255-260.
- Garcia-Meca, E., & Martinez, I. (2005). Assessing the quality of disclosure on intangibles in the Spanish capital market. *European Business Review*, 17(4), 305–313.
- García Sánchez, I. M., Rodríguez Domínguez, L., & Gallego Álvarez, I. (2011). Corporate governance and strategic information on the internet: a study of Spanish listed companies. *Accounting, Auditing & Accountability Journal*, 24(4), 471-501
- Ge, W., & Liu, M. (2015). Corporate social responsibility and the cost of corporate bonds. *Journal of Accounting and Public Policy*, 34(6), 597-624.
- George, D., & Mallery, P. (2003). *SPSS for Windows step by step: A simple guide and reference*. 11.0 update (4th ed.). Boston: Allyn & Bacon.
- Ghazali, N. A. (2007). Ownership structure and corporate social responsibility disclosure: some Malaysian evidence. *Corporate Governance: The international journal of business in society*, 7(3), 251-266.
- Ghazali, N. A. M., & Weetman, P. (2006). Perpetuating traditional influences: Voluntary disclosure in Malaysia following the economic crisis. *Journal of International Accounting, Auditing and Taxation*, 15(2), 226-248.
- Ghoul, S.E., Guedhami, O., Kwok, C.C.Y. and Mishra, D.R. (2011). Does Corporate Social Responsibility Affect the Cost of Capital? *Journal of Banking and Finance*, 35(9): 2388-2406.
- Giannarakis, G. (2014). The determinants influencing the extent of CSR disclosure. *International Journal of Law and Management*, 56(5), 393-416.
- Gill, A. (2008). Corporate Governance as Social Responsibility: A Research Agenda. *Berkeley Journal of International Law*, 26 (2): 452-478.

- Gliem, R. R., & Gliem, J. A. (2003). Calculating, interpreting, and reporting Cronbach's alpha reliability coefficient for Likert-type scales. Midwest Research-to-Practice Conference in Adult, Continuing, and Community Education
- Godfrey, P. C., Merrill, C. B., & Hansen, J. M. (2009). The relationship between corporate social responsibility and shareholder value: An empirical test of the risk management hypothesis. *Strategic Management Journal*, 30(4), 425-445.
- Gul, F. A., & Leung, S. (2004). Board leadership, outside directors' expertise and voluntary corporate disclosures. *Journal of Accounting and public Policy*, 23(5), 351-379.
- Grave, S.B., Waddock, S.A., (1994). Institutional owners and corporate social performance. *Academy of Management Journal* 37 (4), 1034–1046
- Gray, R., Bebbington, J., & Walters, D. (1993). Accounting for the environment. *London: Paul Chapman.*
- Gray, R., Javad, M., Power, D. M., Sinclair, C. D., (2001). Social and Environmental Disclosure and Corporate Characteristics: A Research Note and Extension. *Journal of Business Finance & Accounting*, 28(3/4): 327-356.
- Gray, R., Kouhy, R., & Lavers, S. (1995a). Corporate social and environmental reporting: a review of literature and a longitudinal study of UK disclosure. *Accounting, Auditing and Accountability Journal*, 8(2), 47-77.
- Gray, R., Kouhy, R. and Lavers, S. (1995b) "Methodological themes: constructing a research database of social and environmental reporting by UK companies", *Accounting, Auditing and Accountability Journal*, 8(2), 78-101.
- Gray, R., Owen, D., & Adams, C. (1996). *Accounting & accountability: changes and challenges in corporate social and environmental reporting*. Prentice Hall.
- Greene, J., Caracelli, V., & Graham, W., (1989) "Toward a conceptual framework for mixed-method evaluation designs" *Educational Evaluation and Policy Analysis*, 11, 255-274
- GRI: (2012) <https://www.globalreporting.org/resourcelibrary/GRI-Reporting-Trends-2011.pdf>; the statistics are from the Sustainability Disclosure Database and include information as at 19 April 2012. Accessed 25 October 2016

- Grosbois, D. (2012). Corporate social responsibility reporting by the global hotel industry: Commitment, initiatives and performance. *International Journal of Hospitality Management*, 31(3), 896-905.
- Grossman, S. & Hart, O., 1988, 'One Share-One Vote and the Market for Corporate Control', *Journal of Financial Economics*, 20: 175–202.
- Guiso, L., Sapienza, P., & Zingales, L. (2008). Trusting the stock market. *the Journal of Finance*, 63(6), 2557-2600.
- Gul, F. A., Srinidhi, B., & Ng, A. C. (2011). Does board gender diversity improve the informativeness of stock prices?. *Journal of Accounting and Economics*, 51(3), 314-338.
- Gunawan, J., & Hermawan, R. (2012). Corporate Social Disclosures in Southeast Asia: A Preliminary Study. *Issues in Social & Environmental Accounting*, 6.
- Guthrie, J., & Parker, L. D. (1989). Corporate social reporting: a rebuttal of legitimacy theory. *Accounting and business research*, 19(76), 343-352.
- Guthrie, J., & Parker, L. D. (1990). *Corporate social disclosure practice: a comparative international analysis*.
- Habbash, M. (2017). Corporate governance and corporate social responsibility disclosure: evidence from Saudi Arabia. *International Journal of Corporate Strategy and Social Responsibility*, 1(2), 161-178.
- Hąbek, P., & Wolniak, R. (2013). Analysis of approaches to CSR reporting in selected European Union countries. *International Journal of Economics and Research*, 4(6), 79-95.
- Hąbek, P., & Wolniak, R. (2016). Assessing the quality of corporate social responsibility reports: the case of reporting practices in selected European Union member states. *Quality & quantity*, 50(1), 399-420.
- Hackston, D. & Milne, M. J., (1996). Some Determinants of Social and Environmental Disclosures in New Zealand Companies. *Accounting, Auditing & Accountability Journal*, 9(1): 77-108.

- Haddad, A. E., AlShattarat, W. K., AbuGhazaleh, N. M., & Nobanee, H. (2015). The impact of ownership structure and family board domination on voluntary disclosure for Jordanian listed companies. *Eurasian Business Review*, 5(2), 203-234.
- Haddad, A. E., Sbeiti, W. M., & Qasim, A. (2017). Accounting legislation, corporate governance codes and disclosure in Jordan: a review. *International Journal of Law and Management*, 59(1), 147-176.
- Hafsi, T., & Turgut, G. (2013). Boardroom diversity and its effect on social performance: Conceptualization and empirical evidence. *Journal of Business Ethics*, 112(3), 463-479.
- Hahn, R., & Lülfs, R. (2014). Legitimizing negative aspects in GRI-oriented sustainability reporting: A qualitative analysis of corporate disclosure strategies. *Journal of Business Ethics*, 123(3), 401-420.
- Hair, J. F., Black, W. C., Anderson, R. E., & Tatham, R. L. (1998). *Multivariate data analysis* (Vol. 5, No. 3, pp. 207-219). Upper Saddle River, NJ: Prentice hall.
- Haji, A. (2013). Corporate social responsibility disclosures over time: evidence from Malaysia. *Managerial auditing journal*, 28(7), 647-676.
- Halme, M., & Huse, M. (1997). The influence of corporate governance, industry and country factors on environmental reporting. *Scandinavian Journal of Management*, 13(2), 137-157.
- Hamann, E. T., Lane, B., & Hudak, M. (2000). CSRD roll-out in Maine: Lessons from a statewide case study. *Faculty Publications: Department of Teaching, Learning and Teacher Education*, 46.
- Haniffa, R.M., Cooke, T.E. (2005). The impact of culture and governance on corporate social reporting. *Journal of Accounting and Public Policy* 24 (5), 391–430.
- Haniffa, M. R., and Cooke, T. E. (2002). ‘Culture, Corporate Governance and Disclosure in Malaysian Corporations’, *Abacus*, 38 (3): 317–349.
- Hassan, A., & Syafri Harahap, S. (2010). Exploring corporate social responsibility disclosure: the case of Islamic banks. *International Journal of Islamic and Middle Eastern Finance and Management*, 3(3), 203-227.

- Hasseldine, J., Salama, A. I., & Toms, J. S. (2005). Quantity versus quality: the impact of environmental disclosures on the reputations of UK Plcs. *The British Accounting Review*, 37(2), 231-248.
- Hauswald R. & Marquez, R., 2006, 'Governance Mechanisms and Corporate Disclosure', Working Paper, University of Maryland.
- Healy, P. M., & Palepu, K. G. (2001). Information asymmetry, corporate disclosure, and the capital markets: A review of the empirical disclosure literature. *Journal of Accounting and Economics*, 31(3), 405–440.
- Heinze, D.C., (1976). Financial correlates of a social measure. *Akron Business and Economic Review* 7 (1), 48–51.
- Helfaya, A., & Moussa, T. (2017). Do Board's Corporate Social Responsibility Strategy and Orientation Influence Environmental Sustainability Disclosure? UK Evidence. *Business Strategy and the Environment*.
- Henningson, J., 2008, "Does SEE Information Make A Difference to Fund Managers?" *Sustainable Development*, 16: 169-179.
- Hillman, A. J., & Keim, G. D. (2001). Shareholder value, stakeholder management, and social issues: what's the bottom line?. *Strategic management journal*, 125-139.
- Ho, L-C. J. & Taylor, M. E., 2007, "An Empirical Analysis of Triple Bottom-Line Reporting and Its Determinants: Evidence from the United States and Japan", *Journal Of International Financial Management And Accounting*, 18(2): 123-150.
- Ho, S. S. M. & Wong, K. S., 2001, "A study of The Relationship Between Corporate Governance Structure and The Extent of Voluntary Disclosure", *Journal Of International Accounting, Auditing & Taxation*, 10(2): 139-156.
- Holder-Webb, L., Cohen, J., Nath, L. and Wood, D. (2009). The Supply of Corporate Social Responsibility Disclosures Among U.S. Firms. *Journal of Business Ethics*, 84(4): 497-527.
- Holderness, C. G. (2009). The myth of diffuse ownership in the United States. *Review of Financial studies*, 22(4), 1377-1408.

- Holme, R., & Watts, P. (1999). Corporate social responsibility. *Geneva: World Business Council for Sustainable Development.*
- Hooks, J., Coy, D., & Davey, H. (2002). The information gap in annual reports. *Accounting, Auditing & Accountability Journal, 15*(4), 501-522.
- Hooks, J., And Staden, C. (2011). Evaluating environmental disclosures: The relationship between quality and extent measures. *The British accounting review 43*, 200-213.
- Hossain, M., Islam, K., & Andrew, J. (2006). Corporate social and environmental disclosure in developing countries: Evidence from Bangladesh.
- Hossain, M., & Reaz, M. (2007). The determinants and characteristics of voluntary disclosure by Indian banking companies. *Corporate Social Responsibility and Environmental Management, 14*(5), 274-288.
- Hossain, M., Perera, M. H. B., & Rahman, A. R. (1995). Voluntary disclosure in the annual reports of New Zealand companies. *Journal of International Financial Management & Accounting, 6*(1), 69-87.
- Hou, J., & Reber, B. H. (2011). Dimensions of disclosures: Corporate social responsibility (CSR) reporting by media companies. *Public Relations Review, 37*(2), 166-168.
- Huang, C. L., & Kung, F. H. (2010). Drivers of environmental disclosure and stakeholder expectation: Evidence from Taiwan. *Journal of Business Ethics, 96*(3), 435-451.
- Huang, J., Duan, Z., & Zhu, G. (2017). Does Corporate Social Responsibility Affect the Cost of Bank Loans? Evidence from China. *Emerging Markets Finance and Trade*, 1-14.
- Hughes, M.A. & Garrett, D.E., 1990, "Intercoder Reliability Estimation Approaches in Marketing: A Generalizability Theory Framework for Quantitative Data", *Journal of Marketing Research, 27*(2):185-195.
- Hughen, L., Lulseged, A., & Upton, D. R. (2014). Improving stakeholder value through sustainability and integrated reporting. *The CPA journal, 84*(3), 57.
- Hussainey, K., & Hassanein, A. (2017). Corporate reporting in emerging economies: determinants and consequences. *Journal of Financial Reporting and Accounting*, (just-accepted), 00-00.
- Hussainey, K., & Mouselli, S. (2010). Disclosure quality and stock returns in the UK. *Journal of Applied Accounting Research, 11*(2), 154-174.

- Husser, J., & Evraert-Bardinet, F. (2014). The effect of social and environmental disclosure on companies' market value/L'effet de la divulgation sociale et environnementale sur la valeur de marché des entreprises/El efecto de divulgación social y ambiental en el valor de mercado de las empresas. *Management international*, 19(1), 6.1
- Husted, B. W. & Allen, D. B., 2007, "Corporate Social Strategy in Multinational Enterprises: Antecedents and Value Creation", *Journal Of Business Ethics*, 74: 345-361.
- Ibrahim, A. H, & Hanefah, M. M. (2016). Board diversity and corporate social responsibility in Jordan. *Journal of Financial Reporting and Accounting*, 14(2), 279-298.
- Idowu, S. O., & Pappasolomou, I. (2007). Are the corporate social responsibility matters based on good intentions or false pretences? An empirical study of the motivations behind the issuing of CSR reports by UK companies. *Corporate Governance: The international journal of business in society*, 7(2), 136-147.
- Imhoff, E. A. (1992). The relation between perceived accounting quality and economic characteristics of the firm. *Journal of Accounting and Public Policy*, 11(2), 97–118
- Initiative, G. R. (2011). G3 Sustainability Reporting Guidelines, Version 3.1. Amsterdam, The Netherlands: Global Reporting Initiative.
- Inoue, Y., & Lee, S. (2011). Effects of different dimensions of corporate social responsibility on corporate financial performance in tourism-related industries. *Tourism Management*, 32(4), 790-804.
- International Accounting Standards Board. (2010). *Management Commentary: A Framework for Presentation*. IFRS Foundation Publications.
- International Accounting Standards Board (2006). Discussion Paper: *Management commentary*. International Accounting Standards Board, London.
- Ioannou, I., & Serafeim, G. (2015). The impact of corporate social responsibility on investment recommendations: Analysts' perceptions and shifting institutional logics. *Strategic Management Journal*, 36(7), 1053-1081
- Isaksson, R., & Steimle, U. (2009). What does GRI-reporting tell us about corporate sustainability?. *The TQM Journal*, 21(2), 168-181.
- Ismail, K. N. I. K., & Ibrahim, A. H. (2009). Social and environmental disclosure in the annual reports of Jordanian companies. *Issues in Social and Environmental Accounting*, 2(2), 198-210.

- Jenkins, H. (2004). Corporate social responsibility and the mining industry: conflicts and constructs. *Corporate Social Responsibility and Environmental Management*, 11(1), 23-34.
- Jenkins, H., & Yakovleva, N. (2006). Corporate social responsibility in the mining industry: Exploring trends in social and environmental disclosure. *Journal of cleaner production*, 14(3), 271-284.
- Jennifer Ho, L. C., & Taylor, M. E. (2007). An Empirical Analysis of Triple Bottom-Line Reporting and its Determinants: Evidence from the United States and Japan. *Journal of International Financial Management & Accounting*, 18(2), 123-150.
- Jensen, M. C. and Meckling, W. H. (1976). Theory of the firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of financial economics*, 3(4): 305- 360.
- Jitaree, W., Lodh, S. C., & Bhati, S. S. (2014). The relationship between corporate social responsibility disclosure and financial performance: Evidence from Thailand.
- Jizi, M. I., Salama, A., Dixon, R., & Stratling, R. (2014). Corporate governance and corporate social responsibility disclosure: evidence from the US banking sector. *Journal of Business Ethics*, 125(4), 601-615.
- Jo, H. and Harjoto, M. (2011). Corporate Governance and Firm Value: The Impact of Corporate Social Responsibility. *Journal of Business Ethics*, 103: 351–383.
- Jo, H., & Harjoto, M. A. (2012). The causal effect of corporate governance on corporate social responsibility. *Journal of business ethics*, 106(1), 53-72.
- Jo, H., & Na, H. (2012). Does CSR reduce firm risk? Evidence from controversial industry sectors. *Journal of Business Ethics*, 110(4), 441-456
- Johnson, R.A. and Greening, D.W. (1999). The Effects of Corporate Governance and Institutional Ownership Types on Corporate Social Performance. *The Academy of Management Journal*, 42(5): 564-576.
- Jordan GDP Annual Growth Rate, (2016). Available online from [<http://www.tradingeconomics.com/jordan/gdp-growth-annual>].
- Jordan Securities Commission (2004), *Instructions Of Issuing Companies Disclosure*, Jordan, available at: [http://www.jsc.gov.jo/Public/English.aspx?Site\\_ID=1&Page\\_ID=71](http://www.jsc.gov.jo/Public/English.aspx?Site_ID=1&Page_ID=71)

- Jordan Securities Commission (2009), *Jordanian Code on Corporate Governance*, Jordan Securities Commission, Amman, available at: <http://jsc.gov.jo/library/634365426651890968.pdf>
- Jose, A., & Lee, S. M. (2007). Environmental reporting of global corporations: A content analysis based on website disclosures. *Journal of Business Ethics*, 72(4), 307–321.
- Judge, W.Q., Douglas, T.J., (1998). Performance implications of incorporating natural environmental issues into the strategic planning process: an empirical assessment. *Journal of Management Studies* 35 (2), 241–262.
- Juhmani, O. I. (2013). Ownership structure and corporate voluntary disclosure: Evidence from Bahrain. *International Journal of Accounting and Financial Reporting*, 3(2), 133.
- Kang, H. G. (2004). Disclosure-risk premium: Asset pricing under asymmetric information, manipulation and ambiguity. *Manipulation and Ambiguity (October 28, 2004)*.
- Kang, K. H., Lee, S., & Huh, C. (2010). Impacts of positive and negative corporate social responsibility activities on company performance in the hospitality industry. *International Journal of Hospitality Management*, 29(1), 72-82.
- Kansal, M., Joshi, M., & Batra, G. S. (2014). Determinants of corporate social responsibility disclosures: Evidence from India. *Advances in Accounting*, 30(1), 217-229.
- Karagiorgos, T. (2010). Corporate social responsibility and financial performance: An empirical analysis on Greek companies. *European Research Studies*, 13(4), 85-110.
- Kakani, R. K., Saha, B., & Reddy, V. N. (2001). Determinants of financial performance of Indian corporate sector in the post-liberalization era: an exploratory study. *National Stock Exchange of India Limited, NSE Research Initiative Paper*, (5).
- Karamanou, I., & Vafeas, N. (2005). The association between corporate boards, audit committees, and management earnings forecasts: An empirical analysis. *Journal of Accounting research*, 43(3), 453-486.
- Kaymak, T., & Bektas, E. (2017). Corporate Social Responsibility and Governance: Information Disclosure in Multinational Corporations. *Corporate Social Responsibility and Environmental Management*.
- Kent, P. and Stewart, J. (2008). Corporate Governance and Disclosures on the Transition to International Financial Reporting Standards. *Accounting and Finance*, 48(4): 649- 671.

- Keusch, T., Bollen, L. H., & Hassink, H. F. (2012). Self-serving bias in annual report narratives: An empirical analysis of the impact of economic crises. *European Accounting Review*, 21(3), 623-648.
- Khan, A., Muttakin, M. B., & Siddiqui, J. (2013). Corporate governance and corporate social responsibility disclosures: Evidence from an emerging economy. *Journal of business ethics*, 114(2), 207-223.
- Khan, H. U. Z. (2010). The effect of corporate governance elements on corporate social responsibility (CSR) reporting: Empirical evidence from private commercial banks of Bangladesh. *International Journal of Law and Management*, 52(2), 82-109.
- Khan, M. N. A. A. (2015). Internet Financial Reporting in Malaysia: Preparers' and Users' Perceptions. *Procedia-Social and Behavioral Sciences*, 172, 778-785.
- Kolk, A. and Pinkse, J. (2010). The Integration of Corporate Governance in Corporate Social Responsibility Disclosures. *Corporate Social Responsibility and Environmental Management*, 17(1): 150-26.
- Kolsi, M. C. (2012). The determinants of corporate voluntary disclosure: Evidence from the Tunisian capital market. *IUP Journal of Accounting Research & Audit Practices*, 11(4), 49.
- KPMG. (2011). KPMG international survey of corporate responsibility reporting 2011. Amsterdam: KPMG Global Sustainability Services.
- KPMG. (2013). KPMG international survey of corporate responsibility reporting 2013. Retrieved from <https://home.kpmg.com/bm/en/home/insights/2016/07/the-kpmg-survey-of-corporate-responsibility-reporting-2013.html>
- KPMG. (2015). KPMG international survey Corporate Responsibility Reporting 2015. Retrieved from <https://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Documents/kpmg-survey-of-corporate-responsibility-reporting-2015-O-201511.pdf>.
- Krippendorff, K., 1980, "Content Analysis: An Introduction to Its Methodology", Sage, London.
- Krippendorff, K. (2004). Reliability in content analysis. *Human Communication Research*, 30(3), 411-433.

- Krippendorff, K. (2007). Computing Krippendorff's alpha reliability. *Departmental papers (ASC)*, 43.
- Krippendorff, K. (2011). Agreement and information in the reliability of coding. *Communication Methods and Measures*, 5(2), 93-112.
- Kuasirikun, N., & Sherer, M. (2004). Corporate social accounting disclosure in Thailand. *Accounting, Auditing & Accountability Journal*, 17(4), 629-660.
- Labelle, R. (2002). The Statement of Corporate Governance Practices (SCGP) A Voluntary Disclosure and Corporate governance Perspective. *HEC Montréal Working paper*.
- Laksmna, I. (2008). Corporate board governance and voluntary disclosure of executive compensation practices. *Contemporary Accounting Research*, 25(4), 1147-1182.
- Lee, S., Kim, Y. K., & Kim, K. (2016). Corporate Governance, Firm Risk, And Corporate Social Responsibility: Evidence From Korean Firms. *Journal of Applied Business Research*, 32(1), 303.
- Lee, S., Singal, M., & Kang, K. H. (2013). The corporate social responsibility–financial performance link in the US restaurant industry: Do economic conditions matter?. *International Journal of Hospitality Management*, 32, 2-10.
- Leuz, C. & Verrecchia, R. E., 2000, “The Economic Consequences of Increased Disclosure”, *Journal Of Accounting Research*, 38: 91-124.
- Li, D., Xin, L., Chen, X., & Ren, S. (2017). Corporate social responsibility, media attention and firm value: empirical research on Chinese manufacturing firms. *Quality & Quantity*, 1-15.
- Li, F., Li, T., Minor, D., & Minor, D. (2016). CEO power, corporate social responsibility, and firm value: a test of agency theory. *International Journal of Managerial Finance*, 12(5), 611-628.
- Li, J., Pike, R., & Haniffa, R. (2008). Intellectual capital disclosure and corporate governance structure in UK firms. *Accounting and Business Research*, 38(2), 137-159.
- Li, S., Fetscherin, M., Alon, I., Lattemann, C. and Yeh, K. (2010). Corporate Social Responsibility in Emerging Markets. *Management International Review*, 50(5): 635-654.
- Lim, S., Matolcsy, Z. and Chow, D. (2007). The Association between Board Composition and Different Types of Voluntary Disclosure. *European Accounting Review*, 16(3): 555-583.

- Lin, C. H., Yang, H. L., & Liou, D. Y. (2009). The impact of corporate social responsibility on financial performance: Evidence from business in Taiwan. *Technology in Society*, 31(1), 56-63.
- Lins, K. V., Servaes, H., & Tamayo, A. (2017). Social capital, trust, and firm performance: The value of corporate social responsibility during the financial crisis. *The Journal of Finance*.
- Liu, X., & Anbumozhi, V. (2009). Determinant factors of corporate environmental information disclosure: an empirical study of Chinese listed companies. *Journal of cleaner production*, 17(6), 593-600.
- Lock, I., & Seele, P. (2016). The credibility of CSR (corporate social responsibility) reports in Europe. Evidence from a quantitative content analysis in 11 countries. *Journal of Cleaner Production*, 122, 186-200.
- Lowe, R. A. (2001). Entrepreneurship and information asymmetry: theory and evidence from the University of California. *Unpublished working paper, Haas School of Business*.
- Lu, Y., & Abeysekera, I. (2014). Stakeholders' power, corporate characteristics, and social and environmental disclosure: evidence from China. *Journal of Cleaner Production*, 64, 426-436.
- Luft Mobus, J. (2005). Mandatory environmental disclosures in a legitimacy theory context. *Accounting, Auditing & Accountability Journal*, 18(4), 492-517.
- Maamoun, A. (2013). Corporate social responsibility and the developing world: commitment or duplicity?. *Business Studies Journal*, 5(2).
- Mackenzie, C. (2007). Boards, Incentives and Corporate Social Responsibility: the case for a change of emphasis. *Corporate Governance: An International Review*, 15(5): 935-943.
- Madi, H. K., Ishak, Z., & Manaf, N. A. A. (2014). The impact of audit committee characteristics on corporate voluntary disclosure. *Procedia-Social and Behavioral Sciences*, 164, 486-492
- Mahoney, L., & Roberts, R. W. (2007, September). Corporate social performance, financial performance and institutional ownership in Canadian firms. In *Accounting Forum* (Vol. 31, No. 3, pp. 233-253). Elsevier.

- Maignan, I. & Ralston, D. A., (2002) “Corporate social responsibility in Europe and the U.S.: Insights from businesses' self-presentations *Journal of International Business Studies*; Third Quarter; 33(3), 497-514
- Majeed, S., Aziz, T., & Saleem, S. (2015). The Effect of Corporate Governance Elements on Corporate Social Responsibility (CSR) Disclosure: An Empirical Evidence from Listed Companies at KSE Pakistan. *International Journal of Financial Studies*, 3(4), 530-556.
- Makhija, A. K. & Patton, J. M., 2004, “The Impact of Firm Ownership Structure on Voluntary Disclosure: Empirical Evidence from Czech Annual Reports”, *Journal of Business*, 77(3): 457-491.
- Malik, M. (2015). Value-enhancing capabilities of CSR: A brief review of contemporary literature. *Journal of Business Ethics*, 127(2), 419-438.
- Mallin, C., Farag, H., & Ow-Yong, K. (2014). Corporate social responsibility and financial performance in Islamic banks. *Journal of Economic Behavior & Organization*, 103, S21-S38.
- Marston, C. L., & Shrikes, P. J. (1991). The use of disclosure indices in accounting research: A review article. *British Accounting Review*, 23(3), 195–210.
- Martínez-Ferrero, J., Garcia-Sanchez, I. M., & Cuadrado-Ballesteros, B. (2015). Effect of financial reporting quality on sustainability information disclosure. *Corporate Social Responsibility and Environmental Management*, 22(1), 45-64.
- Matten, D., & Moon, J. (2008). “Implicit” and “explicit” CSR: a conceptual framework for a comparative understanding of corporate social responsibility. *Academy of management review*, 33(2), 404-424.
- Mayring, P. (2012). Qualitative Inhaltsanalyse-ein Beispiel für Mixed Methods. *Mixed Methods in der empirischen Bildungsforschung*, 27-36.
- McMullen, D. A. (1996). Audit committee performance: An investigation of the consequences associated with audit committees. *Auditing*, 15(1), 87.
- McWilliams, A. and Siegel, D. (2001). Corporate Social Responsibility: A Theory of the Firm Perspective. *The Academy of Management Review*, 26(1): 117-127.
- McWilliams, A., Siegel, D. S., & Wright, P. M. (2006). Corporate social responsibility: Strategic implications. *Journal of management studies*, 43(1), 1-18.

- Meek, G.K., Roberts, C.B. and Gray, S.J (1995). Factors Influencing Voluntary Annual Report Disclosures By U.S., U.K. and Continental European Multinational Corporations. *Journal of International Business Studies*, 26(3): 555-572.
- Mehralian, G., Nazari, J. A., Zarei, L., & Rasekh, H. R. (2016). The effects of corporate social responsibility on organizational performance in the Iranian pharmaceutical industry: The mediating role of TQM. *Journal of Cleaner Production*, 135, 689-698.
- Menassa, E. (2010). Corporate social responsibility: An exploratory study of the quality and extent of social disclosures by Lebanese commercial banks. *Journal of Applied Accounting Research*, 11(1), 4-23.
- Michelon, G., & Parbonetti, A. (2012). The effect of corporate governance on sustainability disclosure. *Journal of Management & Governance*, 16(3), 477-509.
- Michelon, G., Pilonato, S., & Ricceri, F. (2015). CSR reporting practices and the quality of disclosure: An empirical analysis. *Critical Perspectives on Accounting*, 33, 59-78.
- Miller, G. S., & Skinner, D. J. (2015). The evolving disclosure landscape: How changes in technology, the media, and capital markets are affecting disclosure. *Journal of Accounting Research*, 53(2), 221-239.
- Milgrom, P. & Roberts, J., 1992, "Economics, Management and Organisation", Englewood Cliffs, NJ, Prentice Hall.
- Moehrle, S. R., Jonas, G. A., Kozloski, T. M., & Reynolds-Moehrle, J. A. (2012). Developments in accounting regulation: A synthesis and annotated bibliography of evidence and commentary in the 2009 academic literature. *Research in Accounting Regulation*, 24(2), 45–64.
- Mohd Ghazali, N. A. (2007). Ownership structure and corporate social responsibility disclosure: some Malaysian evidence. *Corporate Governance: The international journal of business in society*, 7(3), 251-266.
- Money, K. and Schepers, H. (2007). Are CSR and corporate governance converging? A view from boardroom directors and company secretaries in FTSE100 companies in the UK. *Journal of General Management*, 33(2): 1-11.

- Monteiro, S. M., & Aibar-Guzmán, B. (2010). Determinants of environmental disclosure in the annual reports of large companies operating in Portugal. *Corporate Social Responsibility and Environmental Management*, 17(4), 185-204.
- Morgan, D. L. (1998) “Practical strategies for combining qualitative and quantitative methods: Applications to health research”. *Qualitative Health Research*, 8, 362-376
- Murray, A. & Sinclair, D., Power, D., Gray, R., 2006, “Do Financial Markets Care about Social and Environmental Disclosure? Further Evidence and Exploration From the UK”, *Accounting, Auditing & Accountability Journal*, 19(2): 228-255.
- Muttakin, M. B., Khan, A., & Mihret, D. G. (2016). The effect of board capital and CEO power on corporate social responsibility disclosures. *Journal of Business Ethics*, 1-16.
- Nagar, V., Nanda, D., & Wysocki, P. (2003). Discretionary disclosure and stock-based incentives. *Journal of accounting and economics*, 34(1), 283-309.
- Naser, K., Al-Hussaini, A., Al-Kwari, D., & Nuseibeh, R. (2006). Determinants of corporate social disclosure in developing countries: the case of Qatar. *Advances in International Accounting*, 19, 1-23.
- Naser, K., & Hassan, Y. (2013). Determinants of corporate social responsibility reporting: Evidence from an emerging economy. *Journal of Contemporary Issues in Business Research*, 2(3), 56-74.
- Naser, K., & Nuseibeh, R. (2003). Quality of financial reporting: evidence from the listed Saudi nonfinancial companies. *The International Journal of Accounting*, 38(1), 41-69.
- Nekhili, M., Nagati, H., Chtioui, T., & Rebolledo, C. (2017). Corporate social responsibility disclosure and market value: Family versus nonfamily firms. *Journal of Business Research*, 77, 41-52.
- Nelling, E., & Webb, E. (2009). Corporate social responsibility and financial performance: the “virtuous circle” revisited. *Review of Quantitative Finance and Accounting*, 32(2), 197-209.
- Neu, D., Warsame, H., & Pedwell, K. (1998). Managing public impressions: environmental disclosures in annual reports. *Accounting, organizations and society*, 23(3), 265-282.
- Nicolau, J.L., (2008). Corporate social responsibility: worth-creating activities. *Annals of Tourism Research* 35 (4), 990–1006.

- Niehm, L. S., Swinney, J., & Miller, N. J. (2008). Community social responsibility and its consequences for family business performance. *Journal of Small Business Management*, 46(3), 331-350.
- Norwegian Ministry of Foreign Affairs. (2009). *Corporate social responsibility in a global economy*. Retrieved from <https://www.rederi.no/en/DownloadFile/?file=71634>
- Ntim, C. and Soobaroyen, T. (2013), “Black economic empowerment disclosures by South Africa listed corporations: the influence of ownership and board characteristics”, *Journal of Business Ethics*, Vol. 116 No. 1, pp. 121-138.
- O’Dwyer, B. (2002). Managerial perceptions of corporate social disclosure: An Irish story. *Accounting, Auditing & Accountability Journal*, 15(3), 406 – 436.
- O’Dwyer, B., Owen, D., & Unerman, J. (2011). Seeking legitimacy for new assurance forms: The case of assurance on sustainability reporting. *Accounting, Organizations and Society*, 36(1), 31-52.
- Ocasio, W. & Joseph, J., 2005, “Cultural Adaptation and Institutional Change: The Evolution of Vocabularies of Corporate Governance, 1972-2003”, *Poetics*, 33: 163- 178.
- Oh, W. Y., Chang, Y. K., & Martynov, A. (2011). The effect of ownership structure on corporate social responsibility: Empirical evidence from Korea. *Journal of business ethics*, 104(2), 283-297.
- Omar, B., & Simon, J. (2011). Corporate aggregate disclosure practices in Jordan. *Advances in Accounting*, 27(1), 166-186.
- Omar, B. F., & Zallom, N. O. (2016). Corporate social responsibility and market value: evidence from Jordan. *Journal of Financial Reporting and Accounting*, 14(1), 2-29.
- O’Neill, P. (2002). Tectonic change: The qualitative paradigm in psychology. *Canadian Psychology/Psychologie canadienne*, 43(3), 190.
- Okoye, A. (2009). Theorising corporate social responsibility as an essentially contested concept: is a definition necessary?. *Journal of Business Ethics*, 89(4), 613-627.
- Orlitzky, M., Schmidt, F.L., Rynes, S.L., (2003). Corporate social and financial performance: a meta-analysis. *Organization Studies* 24 (3), 403–441.
- Palazzo, G., & Richter, U. (2005). CSR business as usual? The case of the tobacco industry. *Journal of Business Ethics*, 61(4), 387-401.

- Park, J., Lee, H., & Kim, C. (2014). Corporate social responsibilities, consumer trust and corporate reputation: South Korean consumers' perspectives. *Journal of Business Research*, 67(3), 295-302.
- Patel, S. A. & Dallas, G., 2002, “Transparency and Disclosure: An Overview of Methodology and Study Results- United States”, Standard & Poor’s, <http://www.theia.org/chapters/pubdocs/86/S&P.pdf>.
- Patelli, L., & Prencipe, A. (2007). The relationship between voluntary disclosure and independent directors in the presence of a dominant shareholder. *European Accounting Review*, 16(1), 5-33.
- Patten, D. M. (1992). Exposure, legitimacy, and social disclosure. *Journal of Accounting and public policy*, 10(4), 297-308.
- Patton, M.Q. (1980), “*Qualitative evaluation methods*”. Newbury Park, CA: Sage.
- Pava, M.L., Krusz, J., (1996). The association between corporate social-responsibility and financial performance: the paradox of social cost. *Journal of Business Ethics* 15 (3), 321–357.
- PBS (2012). Steve Coll: How Exxon shaped the climate debate (Frontline) <http://www.PBS.org/wgbh/pages/frontline/environment/climate-of-doubt/steve-coll-how-exxon-shaped-the-climate-debate/>
- Perrini, F. (2005). Building a European portrait of corporate social responsibility reporting. *European management journal*, 23(6), 611-627.
- Petersen, C., & Plenborg, T. (2006). Voluntary disclosure and information asymmetry in Denmark. *Journal of International Accounting, Auditing and Taxation*, 15(2), 127-149.
- Philippe, D., & Durand, R. (2011). The impact of norm-conforming behaviors on firm reputation. *Strategic Management Journal*, 32(9), 969-993.
- Platonova, E., Asutay, M., Dixon, R., & Mohammad, S. (2016). The impact of corporate social responsibility disclosure on financial performance: evidence from the GCC Islamic Banking Sector. *Journal of Business Ethics*, 1-21.

- Plumlee, M.; Brown, D.; Marshall, S., 2008, “The Impact of Voluntary Environmental Disclosure Quality on Firm Value”, Working Paper, University of Utah. [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=992269](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=992269).
- Plumlee, M., Brown, D., Hayes, R. M., & Marshall, R. S. (2015). Voluntary environmental disclosure quality and firm value: Further evidence. *Journal of Accounting and Public Policy*, 34(4), 336-361.
- Polonsky, M. J., & Jevons, C. (2006). Understanding issue complexity when building a socially responsible brand. *European business review*, 18(5), 340-349.
- Polonsky, M., & Jevons, C. (2009). Global branding and strategic CSR: an overview of three types of complexity. *International Marketing Review*, 26(3), 327-347.
- Pollach, I. (2011). Online privacy as a corporate social responsibility: an empirical study. *Business ethics: a European review*, 20(1), 88-102.
- Pomering, A., & Johnson, L. W. (2009). Advertising corporate social responsibility initiatives to communicate corporate image: Inhibiting scepticism to enhance persuasion. *Corporate Communications: An International Journal*, 14(4), 420-439.
- Poolthong, Y., & Mandhachitara, R. (2009). Customer expectations of CSR, perceived service quality and brand effect in Thai retail banking. *International Journal of Bank Marketing*, 27(6), 408-427.
- Poshakwale, S. and Courtis, J. K. (2005). Disclosure Level and Cost of Equity Capital: Evidence from the Banking Industry. *Managerial & Decision Economics*, 26(7): 431-444.
- Qiu, Y., Shaukat, A., & Tharyan, R. (2016). Environmental and social disclosures: Link with corporate financial performance. *The British Accounting Review*, 48(1), 102-116.
- Quaak, L., Aalbers, T., & Goedee, J. (2007). Transparency of corporate social responsibility in Dutch breweries. *Journal of Business Ethics*, 76(3), 293-308.
- Raffournier, B. (1995). The determinants of voluntary financial disclosure by Swiss listed companies. *European accounting review*, 4(2), 261-280.

- Rahahleh, M. Y., & Sharairi, J. A. (2008). The Extent of Social Responsibility Accounting Application in the Qualified Industrial Zones in Jordan. *International Management Review*, 4(2), 5.
- Rahman, A. R., 2002, "Incomplete Financial Contracting, Disclosure, Corporate Governance and Firm Value - with Evidence from a Moderate Market for Corporate Control Environment", [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=348304](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=348304).
- Ratajczak, P., & Szutowski, D. (2016). Exploring the relationship between CSR and innovation. *Sustainability Accounting, Management and Policy Journal*, 7(2).
- Naseem, M. A., Rehman, R. U., Ikram, A., & Malik, F. (2017). Impact Of Board Characteristics On Corporate Social Responsibility Disclosure. *Journal of Applied Business Research (JABR)*, 33(4), 799-808.
- Remenyi, D., & Williams, B. (1998). *Doing research in business and management: an introduction to process and method*.
- Rennie, D. L., Watson, K. D., & Monteiro, A. M. (2002). The rise of qualitative research in psychology. *Canadian Psychology/Psychologie canadienne*, 43(3), 179.
- Rettab, B., Brik, A. B., & Mellahi, K. (2009). A study of management perceptions of the impact of corporate social responsibility on organisational performance in emerging economies: the case of Dubai. *Journal of Business Ethics*, 89(3), 371-390.
- Reverte, C. (2009). Determinants of Corporate Social Responsibility Disclosure Ratings by Spanish Listed Firms. *Journal of Business Ethics*, 88(2): 351-366.
- Reverte, C. (2016). Corporate social responsibility disclosure and market valuation: evidence from Spanish listed firms. *Review of Managerial Science*, 10(2), 411-435.
- Riahi-Belkaoui, A., 2004, *Accounting Theory*, fifth edition, Thomson learning.
- Robson, C., (2002), *Real World Research*, 2nd edition, Blackwell, Oxford.
- Roe, M., 2002, "Corporate Law's Limits", *Journal of Legal Studies*, 31: 233-271.
- ROSC (2005). Report on the observance of standards and codes (Jordan), corporate governance country assessment, World Bank-IMF. Available from <jor\_rocs\_cg.pdf>.
- Rouf, D., & Abdur, M. (2011). The corporate social responsibility disclosure: a study of listed companies in Bangladesh.
- Ruf, B. M., Muralidhar, K., Brown, R. M., Janney, J. J., & Paul, K. (2001). An empirical investigation of the relationship between change in corporate social performance and financial performance: A stakeholder theory perspective. *Journal of Business Ethics*, 32(2), 143-156.

- Russo, A., & Perrini, F. (2010). Investigating stakeholder theory and social capital: CSR in large firms and SMEs. *Journal of Business ethics*, 91(2), 207-221.
- Ryan, C., Stanley, T., & Nelson, M. (2002). Accountability disclosure by Queensland local government councils: 1997–1999. *Financial Accountability and Management*, 18(3), 261–289.
- Said, R., Hj Zainuddin, Y., & Haron, H. (2009). The relationship between corporate social responsibility disclosure and corporate governance characteristics in Malaysian public listed companies. *Social Responsibility Journal*, 5(2), 212-226.
- Salama, A., Anderson, K. and Toms, J.S. (2011). Does community and environmental responsibility affect firm risk? Evidence from UK panel data 1994-2006. *Business Ethics: A European Review*, 20(2): 192-204.
- Saleh, M., Zulkifli, N., & Muhamad, R. (2010). Corporate social responsibility disclosure and its relation on institutional ownership: Evidence from public listed companies in Malaysia. *Managerial Auditing Journal*, 25(6), 591-613.
- Samaha, K., Dahawy, K., Hussainey, K. & Stapleton, P. (2012). The extent of corporate governance disclosure and its determinants in a developing market: The case of Egypt. *Advances in Accounting*, 28(1), 168-178.
- Samaha, K., Khlif, H., & Hussainey, K. (2015). The impact of board and audit committee characteristics on voluntary disclosure: A meta-analysis. *Journal of International Accounting, Auditing and Taxation*, 24, 13-28.
- Sartawi, M.S., Hindawi, R.M., Bsoul, R. and Ali, A.J. (2014), “Board composition, firm characteristics, and voluntary disclosure: the case of Jordanian firms listed on the Amman stock exchange”, *International Business Research*, Vol. 7 No. 6.
- Saunders, M., Lewis, P. & Thornhill, A., (2009), “*Research Methods for Business Students*” (5th Ed), Financial Times Prentice-Hall, Harlow, ISBN: 9780273716860.
- Schleicher, T., Hussainey, K., & Walker, M. (2007). Loss firms’ annual report narratives and share price anticipation of earnings. *The British Accounting Review*, 39(2), 153-171.
- Seitanidi, M. M., & Crane, A. (2009). Implementing CSR through partnerships: Understanding the selection, design and institutionalisation of nonprofit-business partnerships. *Journal of business ethics*, 85(2), 413-429
- Seppanen, M., 2009, “Empirical Classification of Resources in A Business Model Concept”, *Intangible Capital*, 5(2): 102-124.

- Scherer, A. G., & Palazzo, G. (2011). The new political role of business in a globalized world: A review of a new perspective on CSR and its implications for the firm, governance, and democracy. *Journal of management studies*, 48(4), 899-931.
- Scholtens, B. (2008). Corporate Social Responsibility in the International Banking Industry. *Journal of Business Ethics*, 86(2): 159-175.
- Shane, P.B. & Spicer, B.H., 1983, "Market Response to Environmental Information Produced Outside the Firm", *The Accounting Review*, vol. LVIII(3): 521-538.
- Sharfman, M., & Fernando, C. S. (2008). Environmental risk management and the cost of capital. *Strategic Management Journal*, *Forthcoming*.
- Shen, C. H., & Chang, Y. (2009). Ambition versus conscience, does corporate social responsibility pay off? The application of matching methods. *Journal of Business Ethics*, 88(1), 133-153.
- Shiraz, A. (1998). Social reporting: nice idea, but... Corporate social and environmental reporting in developing countries is an admirable concept, but there is a long way to go before the theory can be made to work. *AUSTRALIAN CPA*, 68, 58-59.
- Simpson, G. W., Kohers, T., (2002). The link between corporate social and financial performance: evidence from the banking industry. *J. Bus. Ethics* 35 (2),97–109.
- Singer J. D and Willett J. B. (2003) *Applied Longitudinal Data Analysis Modelling Change and Event Occurrence*. Oxford University Press New York ISBN-13 978-0-19-515296-8.
- Singh, B. J. R. (2016). Corporate social responsibility in India. *International Journal of Higher Education Research & Development*, 1(1).
- Škare, M., & Golja, T. (2012). Corporate Social Responsibility and Corporate Financial Performance—Is There a Link?. *Ekonomika istraživanja*, (1), 215-242.
- Smith, K. T. (2017). Longitudinal Analysis of Corporate Social Responsibility on Company Websites. *Business and Professional Communication Quarterly*, 80(1), 70-90.
- Solomon, J.F. & Solomon, A., 2006, "Private Social, Ethical and Environmental Disclosure", *Accounting, Auditing & Accountability Journal*, 19(4): 564-591.
- Spitzeck, H. (2009). The Development of Governance Structure for Corporate Responsibility. *Corporate Governance*, 9(4): 495-505.

- Staden, C. J., & Hooks, J. (2007). A comprehensive comparison of corporate environmental reporting and responsiveness. *The British Accounting Review*, 39(3), 197-210.
- Stanton, P. S. a. J. (2002). Corporate annual reports: research perspectives used. *Accounting, Auditing & Accountability Journal*, 15(4): 478-500.
- Starks, L.T. (2009). EFA Keynote Speech: "Corporate Governance and Corporate Social Responsibility: What Do Investors Care about? What Should Investors Care about? *The Financial Review*, 44(4): 461-468.
- Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of management review*, 20(3), 571-610.
- Sweeney, L., & Coughlan, J. (2008). Do different industries report corporate social responsibility differently? An investigation through the lens of stakeholder theory. *Journal of Marketing Communications*, 14(2), 113-124.
- Tagesson, T., Blank, V., Broberg, P., Collin, S., 2009, "What Explains the Extent and Content of Social and Environmental Disclosures on Corporate Websites: A Study of Social and Environmental Reporting in Swedish-Listed Corporations", *Corporate Social Responsibility and Environmental Management*, DOI: 10.1002/csr.194.
- Tamimi, N., & Sebastianelli, R. (2017). Transparency among S&P 500 companies: an analysis of ESG disclosure scores. *Management Decision*, 55(8), 1660-1680.
- Teoh, S.H., Welch, I., Wazzan, C.P., (1999). The effect of socially activist investment policies on the financial markets: evidence from the South African boycott. *Journal of Business* 72 (1), 35–89.
- Tessler, M. (2002). Islam and democracy in the Middle East: The impact of religious orientations on attitudes toward democracy in four Arab countries. *Comparative Politics*, 337-354.
- Thorne, L., S. Mahoney, L., & Manetti, G. (2014). Motivations for issuing standalone CSR reports: a survey of Canadian firms. *Accounting, Auditing & Accountability Journal*, 27(4), 686-714.
- Tilling, M. V. (2004). *Refinements in legitimacy theory in social and environmental accounting*. School of Commerce, Flinders University.
- Tilt, C. A. (1994). The influence of external pressure groups on corporate social disclosure: some empirical evidence. *Accounting, Auditing & Accountability Journal*, 7(4), 47-72.

- Tilt, C. A. (2001). The content and disclosure of Australian corporate environmental policies. *Accounting, Auditing & Accountability Journal*, 14(2), 190-212.
- Tobin, J. (1969). A general equilibrium approach to monetary theory. *Journal of money, credit and banking*, 1(1), 15-29.
- Toms, J. S. (2002). Firm resources, quality signals and the determinants of corporate environmental reputation: some UK evidence. *The British Accounting Review*, 34(3), 257–282.
- Tooley, S., & Guthrie, J. (2007). Reporting performance by New Zealand secondary schools: an analysis of disclosures. *Financial Accountability and Management*, 23(4), 351–374.
- Torres-Reyna, O. (2007). Panel data analysis fixed and random effects using Stata (v. 4.2). *Data & Statistical Services, Princeton University*.
- Tsang, E. (1998). A longitudinal study of corporate social reporting in Singapore: the case of the banking, food and beverages and hotel industries. *Accounting, Auditing, & Accountability Journal*, 11(5), 624 - 635.
- Tschopp, D., & Huefner, R. J. (2015). Comparing the Evolution of CSR Reporting to that of Financial Reporting. *Journal of Business Ethics*, 127(3), 565-577.
- Trencansky, D., & Tsapralidis, D. (2014). The effects of company's age, size and type of industry on the level of CSR: The development of a new scale for measurement of the level of CSR.
- Tresch, R. W. (2014). *Public finance: A normative theory*. Academic Press
- Trochim, W. M., (2006) “*The Research Methods Knowledge Base*,” 2nd Edition Accessed online, at <http://www.socialresearchmethods.net/kb/> (version current as of October 20, 2006).
- Trotman, K. T., & Bradley, G. W., (1981) “Associations between social responsibility disclosure and characteristics of companies” *Accounting, Organisations and Society*, 6(4), 355-362.
- Truong, M. (2016). The Effect of Culture on Enterprise's Perception of Corporate Social Responsibility: The Case of Vietnam. *Procedia CIRP*, 40, 680-686.
- Tschopp, D., & Huefner, R. J. (2015). Comparing the Evolution of CSR Reporting to that of Financial Reporting. *Journal of Business Ethics*, 127(3), 565-577.
- Unerman, J. (2000). Methodological issues-Reflections on quantification in corporate social reporting content analysis. *Accounting, Auditing & Accountability Journal*, 13(5), 667-681.

- Underdown, B. & Taylor, P. J., 1985, "Accounting Theory and Policy Making", London: Heinemann.
- Uwuigbe, U., & Egbide, B. C. (2012). Corporate social responsibility disclosures in Nigeria: A study of listed financial and non-financial firms. *Journal of Management and Sustainability*, 2(1), 160.
- Van der Laan Smith, J., Adhikari, A., & Tondkar, R. H. (2005). Exploring differences in social disclosures internationally: A stakeholder perspective. *Journal of Accounting and Public Policy*, 24(2), 123-151.
- Vance, S. C. (1975). Are socially responsible corporations good investment risks. *Management review*, 64(8), 19-24.
- Vernon, P. E. (2014). *Intelligence and Cultural Environment (Psychology Revivals)*. Routledge
- von Arx, U., & Ziegler, A. (2014). The effect of corporate social responsibility on stock performance: New evidence for the USA and Europe. *Quantitative Finance*, 14(6), 977-991.
- Vurro, C., & Perrini, F. (2011). Making the most of corporate social responsibility reporting: Disclosure structure and its impact on performance. *Corporate Governance: The international journal of business in society*, 11(4), 459-474.
- Waddock, S. A., & Graves, S. B. (1997). The corporate social performance-financial performance link. *Strategic management journal*, 18(4), 303-319.
- Wahba, H., 2008, "Does The Market Value Corporate Environmental Responsibility? An Empirical Examination", *Corporate Social Responsibility and Environmental Management*, 15: 89-99.
- Walden, W. D. and Schwartz, B. N., (1997) "Environmental Disclosures and Public Policy Pressure" *Journal of Accounting and Public Policy*, 16, 125-154
- Wallace, R. O., Naser, K., & Mora, A. (1994). The relationship between the comprehensiveness of corporate annual reports and firm characteristics in Spain. *Accounting and business research*, 25(97), 41-53.
- Wanderley L, Lucian R, Farache F, Filho J (2008) CSR information disclosure on the web: A context-based approach analysing the influence of country of origin and industry sector. *J Bus Ethics* 82(2):369-378

- Wang, M., & Hussainey, K. (2013). Voluntary forward-looking statements driven by corporate governance and their value relevance. *Journal of Accounting and Public Policy*, 32(3), 26-49.
- Watson, A., Shrikes, P., & Marston, C. (2002). Voluntary disclosure of accounting ratios in the UK. *The British Accounting Review*, 34(4), 289-313.
- Williams, S. M. (1999). Voluntary environmental and social accounting disclosure practices in the Asia-Pacific region: An international empirical test of political economy theory. *The International Journal of Accounting*, 34(2), 209-238.
- Williams, S. M., & Pei, C. A. H. W. (1999). Corporate social disclosures by listed companies on their web sites: An international comparison. *The International Journal of Accounting*, 34(3), 389-419.
- Wilmshurst, T. D., & Frost, G. R. (2000). Corporate Environmental Reporting: A Test of Legitimacy Theory. *Accounting, Auditing & Accountability Journal*, 13(1), 10 - 26.
- Worthy, J. C. & Neuschel, R. P., 1983, "Emerging Issues in Corporate Governance", Chicago North-western University Press.
- Wright, P., Ferris, S.P., (1997). Agency conflict and corporate strategy: the effect of divestment on corporate value. *Strategic Management Journal* 18 (1), 77–83.
- Wu, M. L. (2006). Corporate social performance, corporate financial performance, and firm size: A meta-analysis. *Journal of American Academy of Business*, 8(1), 163-171.
- Wuttichindanon, S. (2017). Corporate social responsibility disclosure—choices of report and its determinants: Empirical evidence from firms listed on the Stock Exchange of Thailand. *Kasetsart Journal of Social Sciences*.
- Xiao, J. Z., Yang, H., & Chow, C. W. (2004). The determinants and characteristics of voluntary Internet-based disclosures by listed Chinese companies. *Journal of accounting and public policy*, 23(3), 191-225.
- Yakovleva, N. (2017). *Corporate social responsibility in the mining industries*. Routledge.
- Yekini, K. C., Adelopo, I., Andrikopoulos, P., & Yekini, S. (2015, December). Impact of board independence on the quality of community disclosures in annual reports. In *Accounting Forum* (Vol. 39, No. 4, pp. 249-267). Elsevier.

- Yeoh, P. (2010). Narrative reporting: the UK experience. *International Journal of Law and Management*, 52(3), 211-231.
- Yusoff, H., Mohamad, S. S., & Darus, F. (2013). The influence of CSR disclosure structure on corporate financial performance: evidence from stakeholders' perspectives. *Procedia Economics and Finance*, 7, 213-220.
- Zattoni, A., & Cuomo, F. (2010). How Independent, Competent and Incentivized Should Non-executive Directors Be? An Empirical Investigation of Good Governance Codes. *British Journal of Management*, 21(1), 63-79.
- Zeghal, D., & Ahmed, S. A. (1990). Comparison of social responsibility information disclosure media used by Canadian firms. *Accounting, Auditing & Accountability Journal*, 3(1).
- Zeitun, R. (2009). Ownership structure, corporate performance and failure: Evidence from panel data of emerging market the case of Jordan. *Corporate Ownership and Control*, 6(4), 96.
- Zeng, S. X., Xu, X. D., Yin, H. T., & Tam, C. M. (2012). Factors that drive Chinese listed companies in voluntary disclosure of environmental information. *Journal of Business Ethics*, 109(3), 309-321.
- Zhu, Q., Liu, J., & Lai, K. H. (2016). Corporate social responsibility practices and performance improvement among Chinese national state-owned enterprises. *International Journal of Production Economics*, 171, 417-426.
- Zourarakis, N. S. (2009). Voluntary disclosure: Evidence from UK. [Online] Available: <http://www.efinancialnews.com/story/2010-12-15/walker-transparency-regulation-buyout>.

## Appendix 1: Firms annual reports

<b>Report</b>	
COMPANY'S NAME	N
AFAQ FOR ENERGY CO. P.L.C	6
AKARY FOR INDUSTRIES AND REAL ESTATE INVESTMENTS	6
<b>AL AHLIA ENTERPRISES</b>	<b>2</b>
AL- SHARQ INVESTMENTS PROJECTS(HOLDING)	6
AL-BILAD MEDICAL SERVICES	6
AL-DAWLIYAH FOR HOTELS & MALLS	6
AL-EKBAL PRINTING AND PACKAGING	6
AL-EQBAL INVESTMENT COMPANY LTD	6
AL-FARIS NATIONAL COMPANY FOR INVESTMENT AND EXPORT	6
AL-ISRA FOR EDUCATION AND INVESTMENT "PLC"	6
AL-QARIA FOOD & VEGETABLE OIL INDUSTRIES CO. P.L.C	6
AL-QUDS READY MIX	6
AL-RAKAEZ INVESTMENT CO.	6
AL-ZARQA EDUCATIONAL AND INVESTMENT	6
ALIA- THE ROYAL JORDANIAN AIRLINES PLC.	6
ARAB ALUMINIUM INDUSTRY /ARAL	6
ARAB CENTER FOR PHARM.& CHEMICALS	6
ARAB COMPANY FOR INVESTMENT PROJECTS	6
ARAB ELECTRICAL INDUSTRIES	6
ARAB INTERNATIONAL HOTELS	6
ARAB WEAVERS UNION COMPANY P.L.C	6
ARABIAN AVIATION INVESTMENT COMPANY	6
ARABIAN STEEL PIPES MANUFACTURING	6
ASSAS FOR CONCRETE PRODUCTS CO.LTD	6
BINDAR TRADING & INVESTMENT CO . P.L.C	6
CENTURY INVESTMENT GROUP	6
COMPREHENSIVE LEASING COMPANY PLC	6
COMPREHENSIVE MULTIPLE PROJECT COMPANY	6
DAR AL DAWA DEVELOPMENT AND INVESTMENT	6
EL-ZAY READY WEAR MANUFACTURING	6
ENJAZ FOR DEVELOPMENT AND MULTI PROJECTS COMPANY P.L.C	6
FIRST NATIONAL VEGETABLE OIL INDUSTRIES CO.	<b>4</b>
GENERAL INVESTMENT	6
GENERAL MINING COMPANY PLC	6
HAYAT PHARMACEUTICAL INDUSTRIES CO.	6
IBN ALHAYTHAM HOSPITAL COMPANY	6
INTERMEDIATE PETROCHEMICALS INDUSTRIES CO. LTD.	<b>5</b>
INTERNATIONAL FOR MEDICAL INVESTMENT	6
INTERNATIONAL SILICA INDUSTRIAL	6
INVESTMENTS AND INTEGRATED INDUSTRIES CO. PLC (HOLDING CO)	6
IRBID DISTRICT ELECTRICITY	6
ITTIHAD SCHOOLS	6
JORDAN CHEMICAL INDUSTRIES	6
JORDAN CLOTHING COMPANY P.L.C	6
JORDAN DAIRY	6
JORDAN ELECTRIC POWER	6

JORDAN EXPRESS TOURIST TRANSPORT	6
JORDAN HOTELS & TOURISM	6
JORDAN INDUSTRIAL RESOURCES	6
JORDAN INTERNATIONAL TRADING CENTER	6
JORDAN INVESTMENT & TOURISM TRANSPORT(ALFA)	6
JORDAN MARBLE COMPANY P.L.C.	6
JORDAN NATIONAL SHIPPING LINES	6
JORDAN PAPER AND CARDBOARD FACTORIES	5
JORDAN PETROLEUM REFINERY	6
JORDAN PHOSPHATE MINES	6
JORDAN POULTRY PROCESSING & MARKETING	6
JORDAN PRESS & PUBLISHING/(AD-DUSTOUR)	5
JORDAN PRESS FOUNDATION/AL-RA'I	6
JORDAN PROJECTS FOR TOURISM DEVELOPMENT	6
JORDAN STEEL	6
JORDAN TELECOM	6
JORDAN TRADE FAC	6
JORDAN VEGETABLE OIL INDUSTRIES	6
JORDAN WOOD INDUSTRIES / JWICO	6
JORDANIAN DUTY FREE SHOPS	6
MASAFAT FOR SPECIALISED TRANSPORT	6
MEDITERRANEAN TOURISM INVESTMENT	6
MIDDLE EAST PHARMA. & CHMICAL IND. & MEDICAL APPLIANCES	6
MIDDLE EAST SPECIALIZED CABLES COMPANY/MESC_JORDAN PLC	6
MODEL RESTAURANTS COMPANY PLC	3
NATIONAL ALUMINIUM INDUSTRIAL	6
NATIONAL CABLE & WIRE MANUFACTURING	6
NATIONAL CHLORINE INDUSTRIES	6
NATIONAL OIL AND ELECTRICITY PRODUCTION FRPM OIL SHALE COMPANY	6
NATIONAL PETROULEUM	6
NATIONAL POULTRY	6
NATIONAL STEEL INDUSTRY	6
NOPAR FOR TRADING AND INVESTMENT	6
NORTHERN CEMENT CO.	5
NUTRI DAR	6
OFFTEC HOLDING GROUP PLC	6
PEARL- SANITARY PAPER CONVERTING	6
PETRA EDUCATION COMPANY	6
PHILADELPHIA INTERNATIONAL EDUCATIONAL INVESTMENT COMPANY	6
PHILADELPHIA PHARMACEUTICALS	6
PREMIER BUSINESS AND PROJECTS CO.LTD	6
READY MIX CONCRTE AND CONSTRUCTION SUPPLIES	6
RUM GROUP FOR TRANSPORTATION & TOURISM INVESTMENT	6
SALAM INTERNATIONAL TRANSPORT AND TRADING	6
SHEBA METAL CASTING	4
SINIORA FOOD INDUSTRIES	5
SOUTH ELECTRONICS	6
SPECIALIZED JORDANIAN INVESTMENT	6
SPECIALIZED TRADING & INVESTMENT	6

SURA DEVELOPMENT & INVESTMENT PLC	6
THE ARAB INTERNATIONAL FOOD FACTORIES	4
THE ARAB INTERNATIONAL FOR EDUCATION AND INVESTMENT.	6
THE ARAB PESTICIDES & VETERINARY DRUGS MFG. CO.	6
THE ARAB POTASH	6
THE CONSULTANT & INVESTMENT GROUP	6
THE INDUSTRIAL COMMERCIAL & AGRICULTURAL	6
THE JORDAN CEMENT FACTORIES	6
THE JORDAN PIPES MANUFACTURING	6
THE JORDAN WORSTED MILLS	6
THE JORDANIAN PHARMACEUTICAL MANUFACTURING	6
TRANSPORT& INVESTMENT BARTER COMPANY	6
TRAVERTINE COMPANY LTD	6
TRUST INTERNATIONAL TRANSPORT	6
UBOUR LOGISTIC SERVICES PLC	6
UNION TOBACCO & CIGARETTE INDUSTRIES	6
UNITED CABLE INDUSTRIES	6
UNITED GROUP FOR LAND TRANSPORT CO. P.L.C	6
UNITED IRON & STEEL MANUFACTURING CO. P.L.C	6
UNIVERSAL CHEMICAL INDUSTRIES	6
UNIVERSAL MODERN INDUSTRIES	6
WINTER VALLEY TOURISM INVESTMENT CO.	6
ZARA INVESTEMENT HOLDING	6
Total	690