

**INTERNAL CORPORATE GOVERNANCE MECHANISMS AND  
CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE IN JORDAN:  
MODERATION EFFECTS OF BOARD EXPERTISE AND  
CONCENTRATED OWNERSHIP**

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**A Thesis Submitted in Fulfilment of the Requirements for the Degree of Doctor  
of Philosophy of Accounting in the School of Maritime Business and  
Management  
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## DEDICATION

This work is dedicated to my beloved parents; Haj Ahid Ghabayen and Khawlah Jaradat. Also, this work is dedicated to all my brothers, sisters and their families. To the *Mujahideen* and *Shuhadaa* (martyrs) in the holy land, Palestine, to the martyrs of the Jordanian army who sacrifice their wealth and souls in the way of Allah to protect our lands and save our dignity, to all of them, I dedicate this work.

Abstract of thesis presented to the Senate of Universiti Malaysia Terengganu in fulfillment of the requirement for the degree of Doctor of Philosophy

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**April 2016**

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Recently, the demand for corporate social responsibility disclosure (CSR) has been increased in both developed and developing countries. Developing markets are characterized as lack of transparency and low level of information disclosure. It is argued that corporate governance mechanisms and management control effectiveness play significant roles in enhancing the reliability of financial and non-financial reporting process. Thus, this study is an attempt to contribute to the literature by providing an evidence of the effects of the internal corporate governance mechanisms on the level of CSR in the Jordanian banking sector.

The models of this study are theoretically built based on both agency and resource dependency theory. Hence, in order to examine the proposed models, longitudinal data was collected from 16 banks in the period of 2004-2013. The descriptive results show that the level of CSR in the Jordanian banks is relatively low with an average of 46%. In addition, the empirical results show that the internal corporate governance mechanisms are significantly related to CSR. Interestingly, the study uses two

moderation variables (board expertise and concentrated ownership) to provide a deep understanding of the board characteristics and leadership structure. The moderated multiple regressions (MMR) results show that the board expertise plays significant moderation effect in this study. The effects of the board composition (independent, female, institutional and politicians) seems to be contingent on the board expertise. In addition, board expertise strengthens the effect of board size on CSRD in a negative direction. However, the board expertise could not moderate the negative effects of leadership structure on CSRD. This indicates that the resource dependency theory is more relevant to the Jordanian banking sector compared to the agency theory. Resource dependency theory assumes that the main function of the board is to provide resources to the firms rather than controlling the management. Regarding the concentrated ownership, it is used to moderate impacts of the key board characteristics (board size and board independence) and the leadership structure (CEO duality and CEO-board) on CSRD.

The MMR results show that, concentrated ownership positively moderates the effects of board independence, CEO duality and CEO-board on CSRD while there is no evidence found regarding the board size. Board size is found to be negatively moderated by larger number of blockholders. This study has filled some of the previous studies' gaps; the study is conducted in a new business environment characterized as high level of the foreign ownership. Besides, previous CSRDs studies have not considered some of the board characteristics such as institutional directors and political directors. Thus this study investigates their impacts on the level of CSRD. Moreover, the study takes into consideration the impacts of the CEO characteristics on CSRD which has been ignored previously. In addition, the study

provides some guidelines for future works. Furthermore, the findings of this study might be interested to several groups of shareholders and stakeholders such as government, regulators, potential investors and CSR agencies.

Abstrak tesis yang dikemukakan kepada Senat Universiti Malaysia Terengganu sebagai memenuhi keperluan untuk ijazah Doktor Falsafah.

**MEKANISME TADBIR URUS KORPORAT DALAMAN DAN  
PENDEDAHAN TANGGUNGJAWAB SOSIAL KORPORAT DI JORDAN:  
KESAN MODERASI KEPAKARAN LEMBAGA DAN PERMILIKAN  
TERTUMPU**

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Baru-baru ini, permintaan untuk pendedahan tanggungjawab sosial korporat (CSR/D) semakin meningkat sama ada di negara maju atau negara membangun. Pasaran membangun dianggap sebagai kurang ketelusan dan pendedahan maklumat berada di tahap yang rendah. Mekanisme tadbir urus korporat dan keberkesanan kawalan pengurusan sering dianggap memainkan peranan penting dalam meningkatkan kebolehpercayaan terhadap proses pelaporan kewangan dan bukan kewangan. Oleh itu, kajian ini adalah satu usaha untuk menyumbang kepada sorotan karya dengan menyediakan bukti kesan mekanisme tadbir urus korporat terhadap tahap CSR/D dalam sektor perbankan di Jordan.

Model kajian ini dibina berasaskan kedua-dua teori agensi dan teori kebergantungan sumber. Untuk menguji model yang dicadangkan, data longitudinal telah dikumpul daripada 16 bank untuk tempoh 2004-2013. Keputusan deskriptif menunjukkan

bahawa tahap CSRD di bank-bank Jordan adalah rendah dengan purata pendedahan hanya 46%. Di samping itu, keputusan empirikal menunjukkan bahawa mekanisme tadbir urus korporat adalah berkait secara signifikan dengan CSRD. Kajian ini menggunakan dua pembolehubah moderasi (kepakaran lembaga dan pemilikan tertumpu) untuk memberikan pemahaman yang mendalam mengenai ciri-ciri lembaga dan struktur kepimpinan. Keputusan regresi moderasi berbilang (MMR) menunjukkan bahawa kepakaran lembaga memberikan kesan moderasi yang signifikan dalam kajian ini. Kesan komposisi lembaga (kebebasan, wanita, institusi, ahli politik) didapati bergantung kepada kepakaran lembaga. Di samping itu, kepakaran lembaga memperkukuhkan kesan saiz lembaga ke atas tahap CSRD dalam arah yang berlawanan. Walau bagaimanapun, kepakaran lembaga tidak memoderasikan kesan negatif struktur kepimpinan ke atas CSRD. Ini menunjukkan bahawa teori kebergantungan sumber lebih relevan kepada sektor perbankan Jordan berbanding teori agensi. Teori kebergantungan sumber mengandaikan bahawa fungsi utama lembaga adalah untuk menyediakan sumber-sumber kepada firma dan bukannya untuk mengawal pengurusan. Mengenai pemilikan tertumpu, ianya digunakan untuk menyederhanakan kesan pembolehubah utama ciri-ciri lembaga (saiz lembaga dan kebebasan lembaga) dan struktur kepimpinan (kedua CEO dan CEO-lembaga) terhadap tahap CSRD.

Keputusan regresi moderasi berbilang (MMR) menunjukkan pemilikan tertumpu secara positif telah memoderasikan kesan kebebasan lembaga, kedua CEO dan CEO-lembaga ke atas CSRD, manakala tiada bukti yang dijumpai berkaitan saiz lembaga. Saiz lembaga pula didapati dimoderasikan secara negatif dengan saiz pemegang blok. Kajian ini telah memenuhi beberapa jurang daripada kajian-kajian

yang lepas di mana kajian ini dijalankan dalam satu persekitaran perniagaan yang baru yang bercirikan kepada pemilikan asing yang tinggi. Tambahan pula, kajian-kajian CSRD yang terdahulu tidak mengambil kira ciri-ciri lembaga seperti pengaruh institusi dan pengaruh politik. Oleh itu, kajian ini menyiasat kesan-kesan tersebut terhadap tahap CSRD dengan mengambil kira kesan ciri-ciri CEO terhadap tahap CSRD yang telah diabaikan sebelum ini. Di samping itu, kajian ini menyediakan beberapa garis panduan untuk kajian pada masa akan datang. Seterusnya, hasil daripada kajian ini mungkin akan menarik minat beberapa kumpulan pemegang saham dan pemegang taruh seperti kerajaan, pengawalselia, bakal pelabur dan agensi yang bertanggungjawab terhadap sosial korporat.