THE IMPACT OF RISK DISCLOSURE ON THE CORPORATE SOCIAL RESPONSIBILITY OF BANKS

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Abstract

This paper's objective is to examine how Jordanian banks exposing risks affects their corporate social responsibility (CSR) (Pham & Tran, 2020; Abu Qa'dan & Suwaidan, 2019). The primary purpose of the study is to evaluate how risk disclosure and CSR are related in Jordan's banking industry. For this investigation, information was gathered from 23 Jordanian banks that are listed on the Amman Stock Exchange (ASE) throughout a ten-year period, from 2010 to 2019. CSR was utilized as the dependent variable in a regression model that included four independent variables to represent the risk disclosure. The investigation included measures to guarantee that the outcomes were unaffected by the age of each bank, its size, leverage, and return on equity (ROE). The study's results indicate that there was a positive correlation between the independent variables and CSR. This implies that risk disclosure is a useful strategy for enhancing CSR in the banking sector. The results of this study have significant applications for policymakers, future scholars, and bank managers. In order to comprehend the connection between risk disclosure and CSR in different nations and within various industries, the study further emphasizes the significance of further research in this area.

Keywords: Corporate Social Responsibility, Risk Disclosure, Jordanian Banks

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1. INTRODUCTION

A company's annual report and its financial disclosure is of critical importance for both a company and its investors. It enables investors to make informed decisions about the financial position of a company based on full and accurate financial information. In the absence of an annual report, investors would have incomplete information upon which to base their investment decisions, therefore, leaving them more vulnerable to make risky or poor investment decisions. A company's

reputation can also be affected as a result of the transparency of its financial reporting (Al Shbail, Salleh, et al., 2023; Taha et al., 2023; Ting, 2021; Wichianrak et al., 2022; Yu & Bondi, 2019; Zubeltzu-Jaka et al., 2020). A company is able to build trust with its investors and stakeholders by ensuring that it provides accurate and comprehensive financial information; this is vital if a company wishes to have long-term success as it encourages investment and support (Roberts, 1992; Santana et al., 2020; Sbaih et al., 2023; Al Shbail, Alshurafat, et al., 2023).

Corporate social responsibility (CSR) is where a company takes responsibility for any acts or decisions that it takes that result in any social or environmental impact. CSR involves a company taking responsibility for its actions and making improvements that benefit society as a whole (Padilla-Lozano & Collazzo, 2022). CSR has become of increased importance as both consumers and investors are now more socially and environmentally responsible (Odat et al., 2021; Pham & Tran, 2020; Pistoni et al., 2018; Pucheta-Martínez & Gallego-Álvarez, 2019; Abu Qa'dan & Suwaidan, 2019).

The mandatory or voluntary nature of disclosure in the banking sector is a fundamental characteristic that determines whether information is provided by legal requirement or voluntarily by banks (Pham & Tran, 2020; Pistoni et al., 2018; Pucheta-Martínez & Gallego-Álvarez, 2019). Mandatory disclosure ensures compliance and minimum transparency, while voluntary disclosure allows banks to go beyond legal requirements, showcase their strengths and values, and build trust with stakeholders. Both forms of disclosure play a crucial role in promoting transparency, accountability, and informed decision-making in the banking sector.

Importantly, CSR can help to improve a company's reputation and enable it to build trust with its consumers and stakeholders (Bonuedi et al., 2020). When a company takes action to address any social or environmental issues, it can give the positive impression that it cares as much about these issues as its profit margins (Haloush et al., 2021; Jaradat et al., 2022; Nekhili et al., 2017). This positive impression can result in the company benefitting from an increase in both customer loyalty and investor support, thereby resulting in an increase in profits and financial performance. This paper intends to examine the impact of risk disclosure on corporate social responsibility within the banking sector (Naseem et al., 2017).

This paper has a number of components that make up its structure. The literature relating to the subject matter of the paper is analyzed in Section 2. The methodologies used in the research are described in Section 3. Section 4 presents the data analysis and findings as well as the significance of the results and their relation to existing literature are addressed. At last, the study's conclusion is presented in Section 5.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Hypotheses development

The financial data provided in the annual report allows investors to contrast the performance of other businesses operating in the same sector. This facilitates investors being able to identify companies that are performing well and those that may be experiencing difficulties (Sbaih et al., 2023; Taha et al., 2023). This information can also help to highlight trends and patterns within the industry that can assist investors with making informed decisions regarding where to invest their money (Peterson & Jeong, 2010; Sardo & Serrasqueiro, 2017). In addition, financial disclosure in the annual report is important with regard to regulation. It helps regulators to ensure that companies are adhering to correct accounting practices and that any financial information they are providing is accurate and reliable. Regulators also use this information to identify potential fraud or other financial misconduct (Ananzeh, Alshurafat, Bugshan, et al., 2022; Ananzeh, Alshurafat, & Hussainey, 2022; Dahmash et al., 2021; Peterson & Jeong, 2010; Sardo & Serrasqueiro, 2017).

Finally, financial disclosure in the annual report is important for the purpose of company management. It provides managers with clarity regarding a company's financial performance and allows them to identify areas where improvements can be made (Matar & Eneizan, 2018; Mattera et al., 2021). This information can thereafter be used in order to generate strategic decisions about the company's future direction and help ensure its long-term success (Maharani & Faisal, 2019).

In conclusion, financial disclosure in the annual report is crucial for both companies and investors (Hazaima et al., 2017). It provides investors with the information they need to make informed decisions, allows for transparency and builds trust. Additionally, it allows for the performance of various organizations to be compared by investors, and it assists regulators in ensuring correct accounting procedures, preventing fraud and wrongdoing (Alshurafat, Ananzeh, et al., 2023; El Khoury et al., 2023; Galant & Cadez, 2017). The company's management can discover areas for improvement thanks to financial disclosure, which also helps it make strategic decisions (Alam et al., 2018; Desoky, 2020).

CSR helps employers recruit and keep talent. When considering a potential work opportunity, many individuals take other factors into account in addition to pay (Alshurafat, Al-Mawali, et al., 2023; Ting, 2021; Wichianrak et al., 2022; Yu & Bondi, 2019; Zubeltzu-Jaka et al., 2020). Many people are equally interested in working for a company whose values align with their own and which is making a beneficial contribution to the world. By making CSR a higher priority, a company is likely to attract and retain employees who are interested in making a difference in the world (Alshurafat, Alaqrabawi, et al., 2023; Dahmash et al., 2023; Stahl et al., 2020). CSR can also help to reduce an organization's impact on the environment, as well as improve its energy efficiency. Reducing its energy usage will lead to an organization saving money. It can also reduce the likelihood of a company receiving onerous regulatory fines and penalties as well as help to protect the environment and promote sustainable development (Santana et al., 2020).

CSR also helps to address issues within society and contributes to more sustainable development, therefore, benefitting an organization and creating

a more stable and financially successful society, providing additional opportunities for companies to do business (Alshurafat, 2022; Alshurafat et al., 2022; Pucheta-Martínez & Gallego-Álvarez, 2019; Abu Qa'dan & Suwaidan, 2019; Roberts, 1992). CSR also helps to mitigate against potential risks and future business challenges that relate to issues within society. Many organizations undertake CSR activities, for example, by carrying out voluntary work, donating money to charity and investing in community development programs. These actions can all have a positive impact and contribute to creating stronger and more resilient communities (Al-Hazaima et al., 2022; Al Shbeil et al., 2023; Alaqrabawi & Alshurafat, 2021; Nekhili et al., 2017; Padilla-Lozano & Collazzo, 2022; Pistoni et al., 2018; Nur Probohudono et al., 2013).

In conclusion, CSR has become increasingly important in a world where consumers and investors have become more socially and environmentally responsible (Al Shbail, Alshurafat, Ananzeh, & Al-Msiedeen, 2022; Al Shbail, Alshurafat, Ananzeh, & Bani-Khalid, 2022; Al Shbail et al., 2021; Malik et al., 2021; Matuszak et al., 2019; Mulyadi & Anwar, 2012; Naseem et al., 2017). It can help to improve an organization's reputation, build trust with its consumers and other stakeholders, attract and retain employees, reduce any environmental impact, address issues within society, contribute to sustainable development, benefit the community and society in general, and mitigate potential business risks and challenges (Suileek & Alshurafat, 2023; Ibrahim & Hanefah, 2016; Khan et al., 2013; Amoako & Dartey-Baah, 2020; Lindgreen & Swaen, 2010; Liu & Zhang, 2017; Al Shbail, Alshurafat, Ananzeh, & Bani-Khalid, 2022).

Banks are exposed to specific risks that can have a substantial impact on their financial performance and stability (Nur Probohudono et al., 2013; Ryu, 2018). These risks can be classified as credit risk and market risk.

Credit risk is where there is a risk of loss as a consequence of a borrower's failure to make repayments towards a loan or other financial obligation. Banks are exposed to credit risk through loans, leases, and other financial products they provide, specifically: 1) mortgages, 2) personal loans, 3) credit card loans, and 4) business loans. Banks must be prudent at balancing credit risk by carefully assessing whether a borrower is creditworthy, setting sensible and affordable credit limits for borrowers, and regularly checking the situation regarding borrowers with personal or business loans for any signs that the debt is becoming unmanageable. Banks use various methods to measure credit risks, including: credit scoring, credit rating, and credit monitoring (Nur Probohudono et al., 2013).

Market risk is the risk of loss that results from variations in the value of a bank's investments, including; stocks, bonds, and derivatives. A bank's trading activities can also expose it to market risk. These activities can include the buying and selling of securities and currencies (Hang & Huy, 2021). Banks must ensure that they effectively manage market risk by monitoring their investment portfolios and making any changes that are necessary to avoid, or minimize any adverse impacts from market fluctuations. Banks use various methods to measure market risk, including value at risk (VaR), stress testing and scenario analysis (Hang & Huy, 2021; Nur Probohudono et al., 2013).

Operational risk is a further risk that banks are exposed to. This is the risk of suffering a loss as a result of weak or unsuccessful internal procedures, controls, human errors, or outside circumstances. Operational risk contains any risk as a result of fraud, cyber-attacks, natural disasters, and issues of regulatory compliance. Banks must manage operational risk by implementing strong internal controls, disaster recovery plans, and regular audits that are effective in identifying and addressing any potential vulnerabilities in the organization (Dai et al., 2019; Hang & Huy, 2021; Nur Probohudono et al., 2013).

Interest rate risk is an additional risk that banks are exposed to. This is the risk that a bank's financial performance may be adversely influencing modifications in national and international interest rates. Banks are exposed to interest rate risk because the interest rate applicable to their assets (loans) and liabilities (deposits) is often different. Therefore, when interest rates rise, the value of a bank's assets may decrease, while the value of its liabilities may increase. Banks must manage interest rate risk by paying close attention to interest rate trends, adjusting their lending and investment strategies, and balancing their exposure to interest rate fluctuations (Dai et al., 2019; Hang & Huy, 2021).

Liquidity risk is a further risk that banks are exposed to. This is the risk that a bank's potential inability to pay its financial commitments when they become due. This situation can occur if a bank has insufficient cash on hand (or other financial assets) to cover its immediate financial responsibilities. Banks must manage liquidity risk by ensuring that they have sufficient levels of cash (and other liquid assets), monitoring their sources of funding, regularly reviewing their use of funding, and ensuring that they implement effective contingency plans (Hang & Huy, 2021; Ryu, 2018).

In conclusion, several kinds of risk are presented by banks that can have a significant impact on their financial performance and stability. These risks include: 1) credit risk, 2) market risk, 3) operational risk, 4) interest rate risk, and 5) liquidity risk. It is important for banks to carefully manage these risks by evaluating and monitoring them, implementing strong internal controls and contingency plans, and adjusting their strategies to minimize the influence of the risks on their financial performance whenever possible (Dai et al., 2019; Hang & Huy, 2021; Ryu, 2018). These arguments above have led to the formulation of the following hypotheses:

H1: There is a positive relationship between the disclosure of credit risk and CSR.

H2: There is a positive relationship between the disclosure of interest rate risk and CSR.

H3: There is a positive relationship between the disclosure of liquidity risk and CSR.

H4: There is a positive relationship between the disclosure of operational risk and CSR.

2.2. Stakeholders' theory

The stakeholders theory is a principle found in business ethics and corporate governance that

proposes that a company has a responsibility to, not only its shareholders, but to all of its stakeholders, including customers, employees, suppliers, and the wider community (Roberts, 1992; Stahl et al., 2020). According to this theory, a company's success is not confined to just its financial performance, but also by its overall impact on all of its stakeholders. This means that a company should consider the needs and interests of all of its stakeholders when making decisions and not merely focus on maximizing profits for its shareholders. This approach is supported by the idea that companies are not just economic entities but also social and political ones. On this basis, organizations should consider the social and environmental impact of any decision-making (Peltier-Rivest & Pacini, 2019; Roberts, 1992).

The stakeholders theory promotes a sustainable and responsible approach to business. By considering the requirements and wishes of all its stakeholders, an organization can ensure that it is not merely focused on its shareholders receiving short-term financial gain, but is also positively and successfully contributing to a positive impact on society and the environment. This approach can result in long-term success for the organization and its stakeholders (Clarkson, 1995; Mi et al., 2018). In support of this theory, Barghathi et al. (2017) argue that, by considering the needs of all stakeholders, an organization can create a stable and supportive environment for its operations that can result in increased profits.

By adopting the stakeholders theory, an organization can help to improve its reputation and build trust with its stakeholders. By demonstrating that it is committed to addressing the needs and interests of all its stakeholders, it can create a positive reputation, which can result in attracting additional customers, employees, and investors to the organization. In the long-term, this can result in an increase in profits and increased success (Al-Hazaima et al., 2021; Barghathi, 2019).

3. RESEARCH METHODOLOGY

To collect data on risk disclosure practices and CSR activities, there are several methods to consider. One option is to create surveys or questionnaires aimed at bank executives, employees, or other stakeholders to gather quantitative data. This can reveal correlations and trends between the two areas (Cobanoglu & Cobanoglu, 2003). Another approach is to choose a few banks and conduct case studies to analyze their practices and initiatives in depth. This qualitative approach can provide insights into their motivations, challenges, and outcomes. Interviews or focus groups with key stakeholders, such as bank executives, regulators, investors, and CSR experts, can also offer nuanced perspectives and insights that quantitative data might miss (Silverman, 2015). Finally, regression analysis can be used to assess the relationship between variables, such as the level of risk disclosure and the extent of CSR efforts, in order to identify statistically significant connections.

The objective of this paper is to inquire into the connection between risk disclosure and corporate social responsibility within Jordanian banks. To achieve this objective, a sample of 23 Jordanian banks were selected between 2010 and 2019. To ensure the accuracy and dependability of the research findings, strict standards were applied to the sample selection. This included the requirement that the annual reports produced by each bank be publicly available on the Amman Stock Exchange (ASE) and that the banks had been consistently traded on the exchange for at least ten years. Based upon these criteria, a sample of 23 Jordanian banks listed on the ASE were chosen as the subjects of the study.

By examining the interplay between risk exposure, risk disclosure practices, and CSR initiatives, we can potentially uncover additional insights into how banks' risk management strategies may impact their commitment to social responsibility. This multi-dimensional approach would allow for a more robust and holistic interpretation of the research findings.

3.1. Variables measurement

This paper focuses on analyzing corporate social responsibility (*CSR*) as the dependent variable. There are various methods that can be adopted in order to evaluate corporate social responsibility, such as using content analysis, surveys, reputation indicators, and one-dimensional indicators (Alshurafat et al., 2023). In carrying out the investigation, corporate social responsibility was assessed using three dimensions: environmental, economic, and social. It was evaluated by using 22 items. A dichotomous method was selected whereby a sustainable item was marked as 1 if it was disclosed and 0 if it was not. To provide clarity, a corporate social responsibility index for each bank is calculated by a specific method.

$$CSR = \sum_{j=1} \frac{d_j}{n} \quad (1)$$

where, d_j = 1 if item j is disclosed, or 0 if not, and n is the maximum number of items, being 22 items. The index is calculated on a yearly base.

3.2. Independent variables

This research uses a dichotomous method to measure risk disclosure, where each item was marked as 1 if it was disclosed, and 0 if it was not. Four types of risk were evaluated in this study:

1. *Credit risk* (*CR*): The probability that a borrower will default on their loan or other credit obligations.
2. *Interest rate risk* (*IRR*): The risk that fluctuations in interest rates will have an impact on a bank's profits and capital.
3. *Liquidity risk* (*LR*): The risk that a bank will not be able to fulfill its financial obligations when they fall due.
4. *Operational risk* (*OR*): The risk of suffering a loss as a result of weak or unsuccessful internal procedures, controls, human errors, or outside circumstances. To provide clarity, a risk disclosure index for each bank is calculated by a specific method.

To clarify, each bank's risk disclosure index was calculated in the following way:

$$CR = \sum_{j=1} \frac{d_j}{n} \quad (2)$$

$$IRR = \sum_{j=1} \frac{d_j}{n} \quad (3)$$

$$LR = \sum_{j=1} \frac{d_j}{n} \quad (4)$$

$$OR = \sum_{j=1} \frac{d_j}{n} \quad (5)$$

where, d_j = 1 if item j is disclosed, or 0 if not, and n is the maximum number of items: 6 for *CR*, 4 for *IRR*, 8 for *LR*, and 5 for *OR*. The indexes are calculated on a yearly base.

3.3. Control variables

The investigation studied four control variables in order to gain a deeper understanding of the relationship between the dependent variable and the independent variables. The first control variable is the *size of the bank* (*BSIZE*), which was calculated by considering the logarithm of each bank's total asset value in the Jordanian dinar (JOD). The second variable was the *age of the bank* (*BAGE*), calculated from the date that each bank was established, until the date of the study. By comparing total debts to total assets, *leverage* (*LEV*) was calculated. The last variable was the *return on equity* (*ROE*), determined by dividing net income by total equity (Suileek & Alshurafat, 2023; Ananzeh, Alshurafat, Bugshan, et al., 2022; Dahmash et al., 2021).

3.4. Regression model

The regression model that was employed to test the study's assumptions was as follows:

$$Sustainability_{it} = \alpha + \beta_1 CR_{it} + \beta_2 IRR_{it} + \beta_3 LR_{it} + \beta_4 OR_{it} + \beta_5 BAGE_{it} + \beta_6 BSIZE_{it} + \beta_7 LEV_{it} + \beta_8 ROE_{it} + \varepsilon \quad (6)$$

where, *CR* is the credit risk, *IRR* stands for the interest rate risk, *LR* is liquidity, *OR* is the operational risk, *BAGE* measures how long each bank has been in business (in years), *BSIZE* measures the asset worth of each bank that is expressed as a logarithm, *LEV* (leverage) is total debt divided by total asset value, finally, net income divided by equity value is referred to as *ROE*.

4. DATA ANALYSIS AND EMPIRICAL RESULTS

4.1. Descriptive statistics and CSR disclosure level

Table 1 illustrates the statistics obtained further to the variables that were included in the study. The average level of corporate social responsibility disclosure among Jordanian banks is found to be low, at 0.22. This result indicates that there is a need to improve corporate social responsibility among the Jordanian banks that were the subject of this research. Additionally, the results reveal that *credit risk* is the most commonly reported area of risk, with a value of 0.25, while *liquidity risk* was the least reported, with a value of 0.15. This illustrates that, on average, banks are not dedicating adequate time and focus to matters relating to *liquidity risk*.

Table 1. Descriptive statistics and statistical distribution analysis

Variables	*Obs.*	*Mean*	*Std. dev*	*Distribution analysis*
Independent variables				
CSR level	230	0.22	0.134	1.96 (Normal)
LR level	230	0.15	0.264	0.78 (Skewed)
IRR level	230	0.17	0.187	2.21 (Normal)
CR level	230	0.25	0.221	1.14 (Skewed)
OR level	230	0.157	0.352	1.88 (Normal)
Control variables				
BSIZE	230	14,329,000.00 JOD	2,330,000.00 JOD	-
ROE	230	0.662	7.927	1.23 (Normal)
LEV	230	37.2	24.079	-
BAGE	230	26.15	16.866	-

Table 1 displays significant variations in the control variables. According to the descriptive statistics, the average size of each bank (*BSIZE*) is 14,329,000, the return on equity (*ROE*) has an average value of 0.662, the leverage (*LEV*) is 37.2, and the average age of the banks (*BAGE*) is 26.15.

4.2. Multicollinearity analysis

Table 2 illustrates the use of the variance inflation factor (VIF) method to Identify and assess any multicollinearity between the independent variables. With reference to Dahmash et al. (2021), when the VIF value is less than 10, multicollinearity is not an issue. The results presented in Table 2 demonstrate that this rule is observed across all values, suggesting that there is no multicollinearity among the independent variables.

Table 2. Multicollinearity analysis

Variables	*Variance inflation factor (VIF)*
CSR level	1.689
LR level	1.570
IRR level	1.354
CR level	1.283
OR level	1.799
BSIZE	1.268
ROE	1.649
BAGE	1.566

4.3. Empirical analysis and discussion

We conducted a simple linear regression analysis to assess our hypotheses, and the outcomes are outlined below. The initial hypothesis proposes a correlation among CSR and credit risk in Jordanian banks. The findings of the simple linear regression analysis that was conducted to examine this hypothesis are displayed in Table 3.

Table 3. Simple linear regression analysis results (*credit risk* and *CSR*)

Dependent variable	*R*	*R²*	*Adjusted R²*	*ANOVA*		*Coefficients*			
				F	*Sig. F**	*B*	*β*	*T*	*Sig. T**
CSR	0.745	0.631	0.629	284.350	0.000	0.872	0.798	20.034	0.000

*Note: * At the significance level, the impact is statistically significant (α ≤ 0.05).*

Table 3 indicates that there is a substantial positive association between *credit risk* and *CSR* in the Jordanian banks investigated. This is evidenced by a correlation coefficient of 0.745 and a coefficient of determination (R^2) of 0.631, which indicates that 63.1% of the changes in corporate social responsibility within these banks are due to credit risk. The adjusted coefficient of determination (Adj. R^2) is only slightly lower than the coefficient of determination at 0.629, demonstrating that the model is capable of accurately predicting the values of the dependent variable. Furthermore, Table 3 indicates that the model is statistically significant, with an F-value of 284.350 and a p-value of 0.000 ($\alpha \leq 0.05$), supporting the acceptance of the *H1*.

Regarding the *H2*, it proposes that a connection exists between *interest rate risk* and *CSR* within Jordanian banks. Table 4 presents the findings of a simple linear regression analysis that tested this hypothesis.

Table 4. Simple linear regression analysis results (*interest rate risk* and *CSR*)

Dependent variable	*R*	*R²*	*Adjusted R²*	*ANOVA*		*Coefficients*			
				F	*Sig. F**	*B*	*β*	*T*	*Sig. T**
CSR	0.738	0.614	0.611	198.684	0.000	0.796	0.647	16.154	0.000

*Note: * At the significance level, the impact is statistically significant (α ≤ 0.05).*

Table 4 displays that a robust positive correlation exists between *interest rate risk* and *CSR* within the Jordanian banks that were studied in this research. This is supported by a correlation coefficient of 0.738 and a coefficient of determination of 0.614, showing that 61.4% of the changes in corporate social responsibility within these banks are due to the interest rate risk variable. The adjusted coefficient of determination (Adj. R^2) is 0.611, which is slightly lower than the coefficient of determination (a difference of 0.003), demonstrating that the model is capable of accurately predicting the values of the dependent variable. Moreover, Table 4 reveals the model's significance, with an F-value of 198.684 and a p-value of 0.000 ($\alpha \leq 0.05$), supporting the acceptance of the second hypothesis.

The *H3* proposes a correlation between *liquidity risk* and *CSR* within Jordanian banks. Table 5 appears the outcomes of a simple linear regression analysis conducted to test this hypothesis.

Table 5. Simple linear regression analysis results (*liquidity risk* and *CSR*)

Dependent variable	*R*	*R²*	*Adjusted R²*	*ANOVA*		*Coefficients*			
				F	*Sig. F**	*B*	*β*	*T*	*Sig. T**
CSR	0.759	0.662	0.659	221.031	0.000	0.812	0.673	19.648	0.000

*Note: * At the significance level, the impact is statistically significant (α ≤ 0.05).*

Table 5 reveals that there exists a strong positive association between *liquidity risk* and *CSR* among the banks included in the study. This is demonstrated by a correlation coefficient of 0.759 and a coefficient of determination of 0.662, which implies that liquidity risk accounts for 66.2% of the changes in corporate social responsibility within the banks. The adjusted coefficient of determination (Adj. R^2) is 0.659, which is slightly lower than the coefficient of determination (a difference of 0.003), demonstrating that the model is capable of accurately predicting the values of the dependent variable. Furthermore, the table indicates that the model is statistically significant, with an F-value of 221.031 and a p-value of 0.000 ($\alpha \leq 0.05$), thus supporting the acceptance of the *H3*.

Table 6. Simple linear regression analysis results (*operational risk*)

Dependent variable	*R*	*R²*	*Adjusted R²*	*ANOVA*		*Coefficients*			
				F	*Sig. F**	*B*	*β*	*T*	*Sig. T**
CSR	0.698	0.578	0.576	184.236	0.000	0.647	0.591	13.542	0.000

*Note: * At the significance level, the impact is statistically significant (α ≤ 0.05).*

Table 6 displays a strong positive correlation between *operational risk* and *CSR* in the Jordanian banks examined in this study. This is evident from the correlation coefficient of 0.698 and the coefficient of determination of 0.578, indicating that 57.8% of the changes in corporate social

responsibility can be explained by operational risk. The adjusted coefficient of determination (Adj. R^2) is 0.576, which is slightly lower than the coefficient of determination (a difference of 0.002), demonstrating that the model is capable of accurately predicting the values of the dependent variable. Furthermore, the table highlights the significance of the model, with an F-value of 184.236 and a p-value of 0.000 ($\alpha \leq 0.05$), supporting the acceptance of the *H4*.

5. CONCLUSION

The objective of this research was to investigate the link between risk disclosure and CSR within Jordanian banks. To achieve this goal, data spanning a decade from 23 banks listed on the ASE was carefully collected and analyzed using regression modeling and content analysis techniques.

The results of the study indicated a strong and positive correlation between the extent of risk disclosure and the level of CSR initiatives practiced by the banks under investigation. This conclusion is consistent with previous studies carried out, including, Nur Probohudono et al. (2013), Roberts (1992), and Dai et al. (2019), that suggested that risk disclosure enhanced corporate social responsibility and encompassed all internal and external factors that impacted upon the operations carried out by banks. These previous studies emphasized the wide-ranging impact of risk disclosure on both internal and external factors affecting banks.

Based on the compelling evidence presented in this study, it is recommended that banks in Jordan and the broader banking industry focus more on improving their risk disclosure practices that are specifically linked to CSR. Additionally, there is a suggestion for an expanded role for risk disclosure within the banking sector to promote a more comprehensive integration of risk awareness and mitigation with socially responsible practices.

However, this study acknowledges a limitation in that while risk disclosure is important, it may not be the sole factor determining the level of CSR engagement. The study suggests that the level of risk exposure may be a more pertinent variable in this regard. Future research could explore the relationship between risk exposure and CSR to further enhance our understanding of socially responsible practices in the banking sector.

In summary, this study confirms the positive correlation between risk disclosure and CSR in the context of Jordanian banks. Its findings offer strategic insights for banks to enhance their CSR efforts through improved risk disclosure practices. While recognizing its limitations, this study provides a basis for future research to explore the role of risk exposure in influencing CSR, thus contributing to the academic discourse on socially responsible practices in the banking sector.

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