BOARD CHARACTERISTICS AND CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE IN THE JORDANIAN BANKS

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Abstract

This paper aims to examine the impact of board characteristics on the level of corporate social responsibility disclosure (CSRD) in the Jordanian banking sector for a sample of 147 banks/years during a period of 10 years (2004-2013). A checklist consisting of 100 items is developed to measure the disclosure level and the result indicates a relatively low level of disclosure in Jordanian banks. Multiple regression analysis is employed to examine the developed hypotheses. The results indicated that the larger board size and higher level of disclosure are correlated. However, low level of disclosure is associated to higher proportion of independent directors and institutional directors. In addition, female director is found to negatively affect the level of disclosure. This study has filled some of the previous studies' gaps; the study is conducted in a new business environment. Besides, previous CSRD's studies have not considered some of the board characteristics such as institutional directors. Thus this study investigates their impacts on the level of CSRD. In addition, this study provides some guidelines for the 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.

Keywords: Board Characteristics, Institutional Directors, Banks, Jordan

1. INTRODUCTION

As consequences of the corporation collapse in the last two decades such as Commerce Bank, Clearstream Banking and Bank of Credit and Commerce International, the business community has demanded the corporations for more financial and non-financial disclosure about their activities. Those several financial scandals revealed the lack of social and environmental corporate concerns in addition to the lack of ethics. Hence, financial scandals in the banking sector lead the community to reduce the level of banking's trust (Al-bdour, Nasruddin & Lin, 2010). Thus, the banking sector realizes that concerning the economic benefits (profitability and growth) is not the way to have a successful business, effective business considers all the stakeholders' aspects besides the firm's interests, it includes social welfare and compliance with laws (McWilliams, Siegel & Wright, 2006).

In addition, it is important to notice that the financial crisis in 2008 started in the financial sector firstly. More specifically in the real estate sector, then started affected the banking sector mainly then other sectors. Hence, the last global financial crisis is a financial crisis rather than economic crisis. Nevertheless, any crisis affecting the financial sector will considerably affect the economy based on the strong relationship between the financial sector and other sectors. Further, it is undoubted that the banking sector plays a linking role in the economy. It can be said that the banking sector is the blood vessel of the economy.

CSRD is formulated from different theoretical perspective such as legitimacy theory (Guthrie & Parker, 1989) and signaling theory (Prencipe, 2002; Hussainey & Aal-Eisa, 2009). The basic notion of the legitimacy theory is a "social contract" between the firm and the social that it operates in and are required to perform various desirable socially actions (Guthrie & Parker, 1989). Thus, firms are disclosing information to legitimize their existence (Gray, Kouhy & Lavers, 1995). Increasing the media attention (Brown & Deegan, 1998) public pressure (Patten, 1992) could be the main reasons to enhance the level of CSRD. In addition, CSRD is seen as self-laudatory (Deegan & Rankin, 1996; Neu, Warsame & Pedwell, 1998) as a part of the image building process. In Jordan, as well as in other developing countries, the private sector is required to work side by side with the government in order to fulfill the society's needs. Scarcity of nature resources in Jordan and high level of poverty and unemployment create serious problems to the Jordanian government. According to the official resources, the poverty level exceeded to 14.5% of the total population, while it is 27% based on non-governmental institutions (European Economy, 2009). Furthermore, the unemployment level reached to 13% especially among youth (European Economy, 2009) and educated (Ahid & Augustine, 2012). Therefore, banks and other firms are required to launch initiatives that contribute to the development of local community. The private sector is seen as a considerable part of the sustainable development processes in the country. Thus, it is

required to carry a part of the burdens in Jordan; therefore, firms should contribute to the social either through launching social projects or contributing to some of the projects which are targeted low-income people. Accordingly, private sector is required to offer job opportunities which can help in solving the both mentioned problems; poverty and unemployment. Banking sector can play a significant role in reducing the unemployment level by offering some loans to support small businesses. This can indubitably enhance the banks' images and considerably support small projects in the country.

The financial scandals worldwide, the collapse of the biggest companies and the global financial crisis have shed the light on the need of good corporate governance. The failures of some biggest firms around the world such as Commerce Bank (1991) Enron (2001), Adelphia (2002), and World Com (2002) resulted to loss the potential investors' confidence in the accounting reporting procedures (Becht, Marco & Röell, 2002). The global financial crisis in the mid of 2008 received more attention in the current studies. It can be argued that poor corporate governance led to the collapse of the biggest firms in the world. Global financial crises started in the banking sector as known "loan crisis" once the borrowers could not pay back their loans resulting in the collapse the biggest international bank; Lehman Brothers Bank.

In the case of Jordan, the collapse of Al-Batra Bank in 1989 has knocked the alarm of the need to improve the banking system. The bank was established in Jordan in 1978 and became the second largest bank in the country but it collapsed in 1989. The bank's bankruptcy had many dark sides on the Jordanian economy as a whole not only on the Jordanian financial sector. In general, the depositors lost their deposits, the employees lost their jobs and the investors lost their confidence in the Jordanian market. Following the scandal of Al-Batra Bank, other three Jordanian Banks faced some serious financial situations during the period of 2000-2002 namely; Jordan-Gulf Bank, Philadelphia Investment Bank and Amman Investment Bank. Either due to corruption or mismanagement, thus, poor corporate governance led to the collapse of those banks. The JCB faced challenges to prevent the bankruptcy of those banks. The JCB decided to: (1) restructuring Jordan-Gulf Bank with new top management and new board of directors, and (2) merging Philadelphia Investment Bank and Amman Investment Bank with other banks in order to protect the Jordanian economy, depositors' rights, shareholders' rights and employees' job. More recently, JCB decided to eliminate the Capital Bank's board of directors due to some governance problems in 2009. JCB announced that the financial situations and the solvency of the Capital Bank are at a good level and the reason of this action is precautionary because the bank did not follow the notifications of the JCB regarding the decision making.

Thus, as consequences of the mentioned financial crisis worldwide and in Jordan, a great pressure has been exerting over implementing better corporate governance practices. Unanimously, good corporate governance is considered by various authors as fundamental solution to the various problems occurring in the current market environment. Researchers from different fields as accounting, economic and law have conducted researches based on corporate governance in order to highlight its positive impact in the current market (Shleifer & Vishny, 1997). Good corporate governance practices leads to qualified management team and better allocation of the resources. In addition, it may enhance the performance of the firm which may, as a result, contribute significantly to the firm's share price and maximize the shareholder value (Keong, 2002).

Corporate governance in emerging and transaction economies concerns mainly about corporate transparency and disclosure. Some of the Asian companies in the emerging markets are characterized as lack of transparency and low level of information disclosure (Rachagan, 2010; Chen, Li & Shapiro, 2011). It is argued that corporate governance mechanisms and management control effectiveness play significant roles in enhancing the reliability of financial reporting process. In the same vein, the CSRD is found to be relatively low in the developing countries including Jordan (Abu-Baker & Naser, 2000). In addition, the CSR were not extensively disclosed by the banking sectors in the developing countries such as Kenya (Barako & Brown, 2008), Pakistan (Sharif & Rashid, 2013) and Gulf countries (Bukair & Abdul Rahman, 2015).

As a result of inconclusive findings regarding the impact of the board size and board composition on CSRD, it seems worthy to study those variables in new market environment because of their importance in the board's structure. Further, this study will investigate the board composition from different perspective, in addition to board independence and gender; this study investigates the impact of institutional directors in the board. Notwithstanding the extensive studies that have shed some lights on the importance of the roles play by female directors, it has not been investigated in the Arabic countries. Therefore, investigating the board gender in different culture could enhance the understandability of the gender diversity in Jordan. More interestingly, institutional directors are expected to be expert due to their roles played in their investing firms. Institutional directors are added in the boards to represent institutional blockholders. Thus, institutional blockholders are long-term oriented investors and they are expected to be more aware about the importance of disclosure including CSRD to signal their responsible activities and their firm's transparency.

The significance of this study is driven from the importance of the banking sector itself. The banking sector in any country is a key pillar in the economic and financial system. It could be due to the major impact of this sector on the overall development process economically and socially. In Jordan, the banks should be listed or owned by a listed corporation. In addition, the banking sector is considered as a largest sector in the country. 14 banks out of 16 are listed in the top 20 companies. The banking sector in Jordan represent almost 44% and 80% of the market capitalization and total assets respectively in 2012. Notably, through their traditional functions, the banks used to collect the savings and then redistribute them to the different economic sectors, whether it is in the form of loans and credit facilities or in the form of direct investments in the capital of companies. Therefore, banks have been seen as a link between various sectors and economic activities. However, the banking sector has been ignored in the previous

studies due to its strict regulatory requirements (Hossain, Tan &Adams, 1994; Deegan, 2002; Leung & Horwitz 2004; Ismail & Chandler 2005; Barako & Brown, 2008). Therefore, this study is conducted to fill this gap by providing better understanding about the CSRD in Jordan. In other words, this study will contribute to the existing researches via its main focus in a developing country and in a vital sector.

The results of this study provide an evidence of new board structure that may affect the CSRD in developing countries. That is, 46% of the directors are representing institutions either blockholder institutions or independent institutions. The results indicate that lower level of CSRD is correlated with higher proportion of institutional directors. In addition, more proportion of independent directors is found to negatively affecting the extent of CSRD. This could be due substitute roles played by the independent directors. More specifically, 30% of the independent directors are former politicians. Thus, they may play political roles rather than monitoring the management. Furthermore, banks with a female director disclose significantly less information related to the social and environment.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1. Board Size

A firm's board size refers to the number of firm's directors serving in the board of directors (Jensen & Meckling, 1976). Roles of board size have been a controversial issue from different views. It is argued that the board size can affect the process of monitoring, decision making and disclosure. Raheja (2005) pointed out that advising and monitoring are the two important functions of the board of directors. Chaganti et al. (1985) and Akhtaruddin et al. (2009) stated that the size of the board has significant impacts in controlling, monitoring and information disclosure. This may lead to conclude that the size of the board does a matter in the firm.

Based on the agency theory, larger companies need larger boards to control and monitor the management actions. This means that the size of the firm is an influential factor that determines the board of directors' size. This viewpoint has been empirically supported by many authors. Coles et al. (2008) pointed out that large and complex firms, which have diversified businesses, need more members in their board because they need more advising requirements. Dalton et al. (1999) pointed out that larger boards are likely to consist of more experts and knowledgeable directors, and offer better advice to the CEO. This indicated that complex firms need larger boards. Many members in the boards may enhance director's board to perform their roles more effectively. Large board might improve the transparency in the firms, considers the shareholders groups during the board meetings and maximizing the level of voluntary disclosure and CSR practices and disclosure. In addition, boards with more members may reduce the problems of information asymmetry (Chen & Jaggi, 2001), uncertainty and the lack of information (Birnbaum, 1984).

Focusing on the CSRD, few studies have shed the light on the relationship between the board size and CSRD and the results are still inconsistent. The board size in the Malaysian government-linked companies is positively and significantly associated to the extent of CSRD (Esa &Ghazali, 2010). However, Said et al. (2009) found that the board size does not influence the CSRD in both firm annual reports and firm websites. In the banking sector, Jizi et al. (2014) found that the board size and quality of CSRD are positively associated in the US banks. However, Bukair and Abdul Rahman (2015) examined the influence of board size on CSRD in the Islamic banks of Gulf Cooperation Council countries. Their studies reviled that the mean board size is reasonable as suggested by Lepton and Lorsch (1992) and Jensen (1993), who suggested that board size should consist of a maximum eight directors. Nevertheless, their result indicated that the board size has no effect on improving CSRD. Based on the above discussion, the following hypothesis is developed:

H_1*: *there is a significant relationship between board size and the level of CSRD.

2.2. Board Independence

The presence of independent directors in the board enhances the role of the board as a shareholders' agent. The main notion of the agency theory is the separation of ownership and management; hence, independent directors are believed to be more effective monitors. Independent directors reduce the conflict of interest between contracting parties and they are expected to act at the best shareholders' interest. Agency theory's theorists argue that the larger number of non-executives in the board might effectively monitor the top management and protect the shareholders and other stakeholders by ensuring that there is no collusion with top managers to expropriate minorities' wealth. Furthermore, resource dependency theory suggests that outside directors provide their firm with more information, resources, and legitimacy, which may lead to ensure quality managerial decisions and thus improve firm performance (Hillman, Cannella & Paetzold, 2000).

Chen and Jaggi (2001) suggested that majority of independent directors serving in the board should lead to improve the awareness of the demands of information disclosure and, hence, it is expected that nonexecutives would enhance the information disclosure in terms of comprehensiveness and quality. Consequently, several studies considered the independent directors as significant players on the board influencing the discrete manner, including firing and hiring of the CEOs and compensate the top management (Weisbach, 1988; Borokhovich et al., 1996), negotiating takeover premiums (Byrd & Hickman, 1992; Cotter et al., 1997), and adopting of antitakeover devices (Brickley et al, 1994). Therefore, it is assumed that more independent directors in the board may lead to improve the transparency and the corporate social performance and the CSRD of Jordanian banks, since the outside directors will motivate the top management to consider the social in their strategy and enhance the disclosure of social activities. Many studies have showed that board independence has a positive impact on CSR and CSRD (e.g., Johnson & Greening, 1999; Webb, 2004; Zhang et al., 2013; Sharif & Rashid, 2013). Therefore, the following hypothesis is developed:

H_2*: *there is a significant positive impact of board independence on CSRD.

2.3. Institutional Directors

The importance of institutional directors has emerged from the significant percentage of shares held by their institutions. Thus, they have great voting power leading them to play significant roles in the boardrooms. Previous studies have highlighted the institutional directors as effective mechanism to monitor the management (Coffee, 1991) and improving the corporate governance system (Brickley et al., 1988). More importantly, institutional directors are considered as strategic directors (Oh et al., 2011) leading to engage in CSR activities (Bushee & Noe, 2000). Generally, the investment institutions own significant proportions of shares in different firms and thus, they are supposed to have some directors in their investee firms to represent them in the boards, monitor the management, enhance the decision making, protect their institutions' interests.

Accordingly, institutional directors will be affected by compensation systems of their firms and their firms' orientation investments. In addition, the compensation system will affect the orientation investment because some institution ties the compensation to performance. As a result, the institutional directors will adopt short-orientation investment to meet the rewards system (Starks, 1987). Correspondingly, institutional directors representing the public pension funds are often salaried and their institutions are long-term oriented (Starks, 1987).

In the public pension funds, all stakeholders may be taken into the consideration in the board meetings. Institutional directors, more specifically, who represent public pension funds enhance corporate social performance and corporate accountability (Gilson & Kraakman, 1991). Further, public pension funds are found to be long-term oriented (Starks, 1987) and willing to hold shares in an investee firm up to a decade (Hill & Snell, 1988). By contrast, mutual funds, investment banks and insurance companies tend to be short-oriented investors. In addition, their representative directors are rewarded based on the investee firm's financial performance (Starks, 1987). Therefore, pension funds are the most significant institutional investors to align the interests between the contracting parties (Schwab & Thomas, 1993). Thus, institutional directors may be more aware about the disclosure of the social and environmental activities to mitigate the pressure of the public. Therefore, the following hypothesis is developed:

***H_3**: there is a significant relationship between institutional directors and CSRD.*

2.4. Female Directors

The considerable participation of women in all the activities around the world has noticeably increased. As a result, women presence in the boardroom cannot be disregard in this era. Agency theory suggests that board diversity enhance the board independence (Carter et al., 2007) and board gender is considered as one of the diversity variables in the previous studies. Having women in the board has some benefits such as embedding diversity (Fernando, 2007) and enhancing the opportunity to achieving the competitive advantage (Mattis, 2000).

With respect to the CSR and CSRD, the majority of the previous studies found that female directors enhance the CSR practices (Zhang et al., 2013, Boulouta, 2013) CSR rating (Bear et al,, 2010) CSRD (Fernandez-Feijoo et al., 2012) quality of environmental reporting (Oba & Fodio, 2012). Furthermore, Shauki (2011) studied the CSRD in Indonesia from stakeholders' perceptions and the results indicated that gender diversity significantly influenced the level of CSRD. Webb (2004) and Bernardi and Threadgill, (2011) found that the firms with female directors are more socially responsible in the US. Zhang et al. (2013) found evidence that more female directors in the board enhanced the corporate social performance. Mallin & Michelon (2011) found that better corporate citizens have greater proportion of female directors in their boardrooms. Having women in the boards may be considered as the consciousness signal of the firms about issues related to minorities and women and thus ensures the citizenship of the firms (Soares, Carter & Combopiano, 2009). The empirical result indicated that firms with more female directors serving in the board have higher level of philanthropy and charitable giving (Wang & Coffey, 1992; Williams, 2003). As well as, better work environments (Bernardi et al., 2006; Johnson & Greening, 1999). Based on the abovementioned discussion, the following hypothesis is developed:

***H_4**: there is a significant positive relationship between existence of women in the board and CSRD.*

2.5. Control variables

Control variables are used due to their correlations with the dependent variables (Meyers, Gamst, & Guarino, 2006). Control variables are considerable in the results' interpretation of a study, they provide better picture of the relationship between independent and dependent variables (Meyers et al., 2006). This study includes control variables to address the potential omitted variables that might influence the firms to engage more in the socially responsible activities and thus disclose them accordingly.

2.5.1. Bank Size

Prior studies have indicated that company size and the extent of CSRD are positively associated. Firm size is considered as an important determinant of CSRD. CSR is a tool to protect or enhance the firm's image and reputation (Hooghiemstra, 2000). Hence, taking the social in account in image-building may influence the firms to engage more in CSR and accordingly extent the disclosure level (Belkaoui & Karpik, 1989). Thus, larger firms are expected to engage more in CSR as a tool of image building (Ghazali, 2007).Due to their visibility, the level of CSRD is expected to be more comprehensive in the larger firms. Social expects that large firms are good corporate citizenship and therefore, the firms are required to concern their society and environment to legitimizing their existence.

Legitimacy theory suggests that large firm disclose more information related to the social and

environment due to accountability and visibility reasons (Cormier & Gordon, 2001).Therefore, the annual reports of the large firms provide information related to CSR more efficiently (Cowen, Ferreri &Parker, 1987). It is believed that the large firms have greater resources than small ones. Therefore, large firms are expected to participate more in the socially responsible activities. The previous studies have found a positive and significant relationship between firm size and CSR and CSRD (e.g. Johnson & Greening, 1999; Haniffa & Cooke, 2005; Ghazali, 2007; Said et al. 2009; Jo & Harjoto, 2011; Oh et al., 2011; Sharif &Rashid, 2013).

2.5.2. Leverage

Based on the agency theory, agency tension and leverage are relatively associated positively (Jensen & Meckling, 1976). Chow (1982) highlighted the agency costs in the firms; that is when the proportion of debt increases, the potential of transferring the wealth from bondholders to shareholders becomes greater. Therefore, higher debt levels may cause the firms to incur higher monitoring costs (Esa & Ghazali, 2012). Consequently, firms with high debts may disclose more information in order to reduce the monitoring costs (Ahmed & Courtis, 1999). In addition, leveraged firms tend to participate more in socially responsible activities and accordingly have a higher level of CSRD in order to assure creditors and investors that their business is sustainable and credible (Roberts, 1992; Naser et al., 2006; Esa & Ghazali, 2012). Agency theory suggests also that firms with high leverage level disclose less CSR information. This assumption has been supported empirically by different studies (e.g., Belkaoui & Karpik, 1989; Cormier & Magnan, 1999). Firms with high level of leverage are viewed as risky firms. Therefore, they are less flexible to engage more in CSR activities and they focus mainly in the activities related-business. Jensen (1986) and Zwiebel (1996) reported that firms with cash in place are more flexible generally in over investment. Thus, leverage tends to discourage firms to invest in socially responsible activities (Barnea & Rubin, 2010).

Empirically, studies on the influence of leverage on CSRD have inconsistent results. Some prior studies found that leverage is significantly and negatively associated to the extent of CSRD (e.g., Harvey, Lins & Roper, 2004; Barnea & Rubin, 2010; Reverte, 2009; Li & Zhang, 2010; Oh et al., 2011) while some other studies found insignificant relationship between leverage and CSRD (e.g., Haniffa & Cooke, 2005; Yulita, 2010; Lucyanda &Siagian, 2012).

2.5.3. Profitability (ROA)

Profitability is the ability of a firm to produce a profit that would sustain its growth in the long-term and short-term. Previous studies have indicated an inconclusive association between profitability and CSRD. Belkaoui and Karpik (1989) argued that socially responsible firms are expected to be more profitable because they have the important constituents of a successful firm. In the other hand, some others argued that investing in CSR may increase the cost and thus decrease the profits (e.g., Balabanis et al., 1998). The management of the profitable firms may have more freedom and flexibility to engage more in CSR activities and accordingly extent the CSRD level in order to explain their contribution to the society (Haniffa & Cooke, 2005). Profitability is used as a control variable in the previous studies to avoid conflict with slack-resources theory (Waddock & Graves, 1997). That is less profitable firms have limited resources to engage in CSR activities than high profitable firms. Campbell (2007) argued that weak financial performance may cause firms to suffer losses and jeopardizing shareholder value. In Campbell's argument, the managers will find more opportunities to raise the profits in order to benefit themselves as well, so they may engage in socially irresponsible activities in order to improve their financial situation.

In some authors' perspectives, CSR is viewed as public pressures more than economic pressures (Williams, 1999) due accountability and visibility reasons (Cormier & Gordon, 2001). Therefore, profitability has been found to be insignificant associated to CSR. Johnson and Greening (1999) found insignificant relationship between profitability and product quality dimension of CSR. They suggested better allocation of recourse for product quality in well-performed firms and poorly-performed firms as well. Similarly, some of the previous studies empirically found that profitability is not a significant factor enhancing CSRD (e.g., Belkaoui & Karpik, 1989; Patten, 1992; Hackston & Milne, 1996; Richardson & Welker, 2001; Hamid, 2004; Mohd Ghazali, 2007; Rahman & Widyasari, 2008; Consolandi, Nascenzi &Jaiswal-Dale, 2008; Yulita, 2010; Untari, 2010; Oh et al., 2011; Esa & Ghazali, 2012).

2.5.4. Liquidity ratio

Liquidity ratio is one of the most important ratios in the banks to ensure the banks have sufficient capital adequacy and solvency. Based on the Basel Committee, the liquidity ratio should not be less than eight percent. However, the Jordanian Central Bank (JCB) tends to be stricter in this ratio; it requires the bank to have a minimum of 12%.

3. EMPIRICAL METHOD

3.1. Sample

The financial sector is the focus of this study due to the lack of studies (Ismail & Chandler, 2005; Barako & Brown, 2008). In addition, this study selects the banking sector as a sample of this study due to its considerable representation in the capital market in Jordan. Based on the statistical published data by the JCB, the banking sector occupies approximately 44% of the total market capitalization in the country in 2012. Furthermore, the banking sector contributes to the Jordanian JDP by almost 51%. More interestingly, the total banks' assets represent 80% of the total assets in the market in 2012. In addition, 14 listed banks out of 16 are amongst the largest 20 listed firms in the market indicating that the banking sector is the largest sector in Jordan.

The data is collected from the Jordanian banks in a period of 10 years (2004-2013). The year of 2013 is chosen because it is the most recent year in

conducting this study. As a result, it helps to capture better image about CSRD in most current period. However, in the year of 2003, three of the Jordanian banks faced some financial troubles. As a result, two of those banks merged with other banks, and one bank restructured its activities, management and board. Therefore, two of those three banks are not existed anymore. Thus, the year of 2004 is chosen. In the case of unpublished annual reports, they are collected manually from the banks. In general, out of 155 annual reports, the study could collect 147 annual reports; 122 annual reports were downloaded online while 25 annual reports were collected manually from the banks. However, eight annual reports were missing.

3.2. Measurement of the variable

3.2.1. Measurement of the dependent variable (CSRD index)

CSRD is a voluntary disclosure about activities related to employees, social, market place and environment. The main purpose of such disclosure is to hold the firms responsible to their society and to encourage the positive impacts of the firms to all related parties. According to Holt (2004), CSRD is seen as an issue of disclosure about the importance of a company's activities on stakeholders consisting of employees, customers, government, investors, regulators and society as a whole.

The extent (level) of CSRD is considerably important in this study. According to Unerman (2000), the quantity issues assist to capture richer picture of CSRD. Some of the previous studies considered the CSRD quantity as a proxy of CSRD quality (Krippendorff, 1980; Gray et al., 1995; Deegan & Gordon, 1996; Deegan & Rankin, 1996; Neu et al., 1998; Unerman, 2000; Nielsen, 2008). Nonetheless, some of the past studies argued that quantity disclosure method and quality disclosure method have slight differences and they found the two methods are highly correlated (Gunawan, 2011; Hooks & van Staden, 2011). Hence, this study employs content analysis as a research tool to capture the quantity of CSRD. Content analysis has been widely used in the previous studies and it is proved as an effective method in CSRD studies. This study constructs a CSRD checklist spanning four dimensions of CSR namely; employee dimension, community dimension, market place dimension (products and customer relations), environment dimension. Total of 100 disclosure items are included in this checklist. In constructing the CSR checklist, the checklist is adopted from previous studies in developing countries (e.g., Haniffa & Cooke, 2005; Ghazali, 2007; Amran & Devi, 2008; Saleh Al Arussi et al., 2010), and banking sector (e.g., Barako & Brown, 2008; Sharif & Rashid, 2013) with some modification to capture the most developed CSR checklist in the banking sectors. The modification is needed to fit the Jordanian environment.

3.2.2. Measurement of independent variables

Date related to board characteristics and banks' characteristics is collected from the annual reports of the banks. Board size has been measured as the total number of directors serving on the boardroom similar to other studies (e.g. Yermach, 1996; Kiel & Nicholson, 2003; Abdullah, 2004; Bonn et al., 2004; Coles et al., 2008; Chen & Nowland, 2010; Al-Matari et al., 2012, Ghabayen 2012). Therefore, the same measurement will be used in this study. Moreover, The Jordanian regulations emphasizes the importance of independent non-executive directors, this study will measure the board independence by the ratio of independent non-executive directors divided to total directors and similar to the previous studies (e.g., Haniffa & Cooke, 2005; Mohd Ghazali & Weetman, 2006; Said et al., 2009; Abdullah et al., 2011; Ghazali, 2010; Ben-Amar & Zeghal, 2011; Almatari et al., 2012; Ghabayen, 2012).As suggested by the Jordanian Code, the director will be considered as independent director if he/she has met all the following criteria:

i) not been employed by the bank for the preceding three years;

ii) not a relative (up to the second degree) of an administrator of the bank;

iii) not receiving payment or compensation from the bank (other than as a director);

iv) not a director or owner of a company with which the bank does business (other than business relationships made in the ordinary course of business of the bank and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated parties);

v) not, nor in the past three years has been, affiliated with or employed by a present or former auditor of the bank; and

vi) neither a shareholder with effective interest in the capital of the bank nor affiliated with one. (Jordanian Corporate governance Code, 2007).

In addition, this study measures the female directors based on their existence; board with at least one woman is coded (1) and (0) otherwise. Similar measurement was used previously (e.g., Rose, 2007; Oba & Fodio, 2012; Ahern & Dittmar, 2011). Meanwhile the institutional directors are the directors who represent the investing firms such as funds, banks and insurance companies and will be measured as a proportion of the institutional directors to the total board. Regarding the control variables, bank size will be measured as a log of the total assets similar to other studies (e.g., Eng & Mak, 2003; Gul & Leung, 2004; Haniffa & Cooke, 2005; Barako et al., 2006; Cheng & Courtenay, 2006; Mohd Ghazali & Wheetman, 2006; Ghazali, 2007; Esa & Ghazali, 2012). Similar to some other studies in measuring leverage (e.g., Eng & Mak, 2003; Huafang & Jianguo, 2007; Reverte, 2009; Oh et al., 2011; Esa & Ghazali, 2012), it will be measured as long-term debt divided by the total assets. Profitability will be measured by using return on assets ratio (ROA) that is earnings before tax divided by total assets of the bank. ROA tells what a bank can do with what it controls. It gives an indication of the profitability of the business. ROA has been used widely to measure the profitability (e.g., Waddock & Graves, 1997; Griffin & Mahon, 1997; Johnson & Greening, 1997; Ghazali, 2007; Baron, Harjoto, & Jo, 2009; Li & Zhang, 2010; Jo & Harjoto, 2011; Oh et al., 2011; Esa & Ghazali, 2012). Finally, the liquidity ratio is measured as a percentage of the liquidity to the capital market as measured by the Basel Committee and JCB.

3.3. Regression Model

The following regression model is utilized to determine the influence of the independent variables on CSRD.

$$CSRD=\beta 0+\beta 1BSIZE+\beta 2BIND+\beta 3INDR+\beta 4FDR+\beta 5 SIZ+\beta 6LEV+\beta 7ROA+ \beta 8LR+ \varepsilon$$

Where;

CSRD is Corporate Social Responsibility Disclosure, BSIZE is Board Size. BIND=Board Independence.

INDR=Institutional Directors. FDR=Female Directors. SIZ= Bank Size. LEV= Leverage. ROA= Return On Assets. LR= Liquidity Ratio and ε is Error Term.

4. Data Analysis and Empirical Results

This section highlights the findings of our analysis on Jordanian banks. Firstly, dependent variable (CSRD) is described and compared to the results from other developed countries, and then the description of board characteristics is discussed and compared with others' results.

4. 1. Descriptive analysis

4.1.1. Descriptive of Dependent Variable

It can be seen from Table.4.1 that the average index disclosure by the Jordanian banks is 47%. The highest level of disclosure is 83% and lowest is 21% indicating that some of the Jordanian banks have a good level of disclosure. However, it reveals a contrary indicator; the low level of CSRD may mean either a low level of CSR activities or a lack of CSR reporting experience. This level of disclosure is comparable to the level of CSRD in some banking sector in developing countries such as Pakistan (0.47) (Sharif & Rashid, 2013) and higher than Kenyan banks (15%) (Barako & Brown, 2008). In addition, it is higher than non-financial Bangladeshi firms as documented in Sufian and Zahan (2013) they found that the level of CSRD in non-financial firms was 6.41%. Further, Ghazali (2007) and Said, Zainuddin and Haron (2013) reported low level of CSRD in Malaysia with a percentage of 25.2% and 13.9 % respectively. Similarly, Uwuigbe (2011) found that the level of CSRD in Nigeria is almost 22%.

Table 4.1. Descriptive statistics of CSRD (per dimensions) and reliability

Dimension	*Obs*	*Mean*	*Min*	*Max*	*Std. Deviation*	*No. Items*	*Cronbach's Alpha*
Employee	147	.53	.020	.993	.319916	31	.656
Community	147	.43	.109	.966	.549552	32	.797
Market	147	.57	.000	.993	.273503	25	.664
Environment	147	.20	.014	.932	.186655	12	.713
Overall	147	.47	.21	.83	.1098518	100	.888

Obviously, the disclosure related to the market dimension has the highest mean (0.57) while the environmental dimension has the lowest score (0.20). Additionally, employee dimension has a score higher than the mean of the overall index (0.53) unlike the community dimension (0.43). The low level of environmental dimension reveals less attention paid to the environment. It might be due to the absence of environmental institutions which resulted lower pressure from stakeholders. Another reason is that the financial sector in general and the banking sector specifically consider themselves as eco-friendly business resulting in less concern to the activities related to the environment. However, the Jordanian banks pay more attention to disclose activities related to the market dimension, which may reveal that the banks consider reporting such activities as strategic advertisements and image building rather than social responsibility. Appendix (A) represents the frequency of every item in the index.

This study uses Cronbach's alpha in order to check the reliability of the index. Higher Cronbach's alpha (closer to 1) indicates higher consistency reliability (Uma, 2003). Even though the adequate size of the coefficient is debatable amongst authors, but Cronbach's alpha with the values of 0.60 to 0.70 are acceptable (Hair, Anderson, Tatham, & Black, 1998). For this study (as shown in Table.1) the Cronbach's alpha of the whole index is 0.888 which considered as a high degree of reliability.

4.1.2. Descriptive of Independent

Based on the Jordanian corporate governance code, the board size shall not be less than five members and not more than 13 members. The descriptive statistics in the table shows that the Jordanian banks are fully complied with this recommendation; the largest boards consist of 13 directors while the smallest ones consist of five directors. In a comparison, it is less than the average of the U.S banks, 12.5 members, (Jizi et al., 2014) and more than the banks in the neighboring gulf countries, 8.3 members, (Bukair & Rahman, 2015). Moreover, based on the corporate governance guidelines in the Jordanian banking sector, it is recommended that the board of directors shall consist of diverse directors; executives and non-executives taking into consideration to have a majority of non-executives. In addition, the code recommends the banks to have at least three independent directors. In this study, the board independence is calculated as the percentage of independent directors divided on the board size. As shown in the Table.4.2 the independent directors represent in average 41% of the total directors. However, some of the Jordanian banks have no independent directors (this study considers the grey director as non-independent non-executive director). Whereas, some other banks have boards with a dominant independent directors; the maximum percentage of independent directors is found to be 73%. Compared to the other studies in the banking sector, Jizi et al. (2014) and Bukair and Rahman (2015) found the U.S banks and Gulf banks are dominated with independent directors with average of 81% and 88% respectively.

The institutional directors represent 46% of all the directors in the Jordanian banks (Table.4.2). The institutional ownership plays a considerable role in determining the percentage of institutional directors; that is, one institution with a significant

ownership might have more than one director to be represented in the board of an investee bank. Based on the Jordanian companies' law, the institutions have the right to appoint one director or more based on their percentage of ownership to represent them in the investees' boards (Article, 135, Para.A.1, 2006). Table.4.2 shows that some of the banks have no institutional director while some other banks have a dominant institutional director, maximum of 92%. Regarding the female director, the descriptive analysis shows that 24% of the banks have at least one women serving in the board. This percentage is similar to those found by Barako and Brown (2008). They found that, out of 40 banks in Kenya, five banks have at least one female, three banks have two women and two banks have three women. In short, the females are serving in 10 banks over 40 in Kenya (25%).

Table 4.2. Descriptive of Board Characteristics

Variable	*Obs*	*Unit*	*Mean*	*Median*	*Std. Dev.*	*Min*	*Max*
Board Size	147	Number	10.27	11	2.043	5	13
Independent Directors	147	Ratio	0.41	0.43	0.150	0.00	0.73
Female Director	147	Dummy	0.24	0	0.432	0	1
Institutional Directors	147	Ratio	0.46	0.43	0.224	0.00	0.92

4.1.3. Descriptive of Control Variables

The size of the bank is measured by the log of the total assets. The descriptive analysis shows that the mean of the log bank size is 9.14 with a maximum of 10.708 and minimum of 8.225. Leverage is measured as long-term debt divided by the total assets. In average, bank's leverage is 76% with a maximum of 96% and minimum nine percent. This percentage is less than the U.S banks' percentage; Jizi et al. (2014) reported that the U.S banks are leveraged with an average of 90%. Due to the nature of the businesses in the banks, the level of leverage is higher than non-financial firms. The average of leverage in the non-financial firms is found to be 40% in Malaysia (Hoq et al., 2010) and 50% in Korea (Oh et al., 2011).

Table 4.3. Descriptive of Control Variables

Variable	*Obs*	*Unit*	*Mean*	*Std.Dev.*	*Min*	*Max*
Bank Size (Log)	147	Log	9.14	0.483	8.225	10.708
Leverage	147	Ratio	0.72	0.276	0.001	0.963
Profitability (ROA)	147	Ratio	0.02	0.010	-0.015	0.059
Liquidity Ratio	147	Ratio	0.20	0.078	0.1068	0.7023

Furthermore, profitability is measured by using return on assets ratio (ROA) that is earnings before tax divided by total assets of the bank. The mean of the ROA is almost 2%. In general, the banks' total assets are huge due to the depositor element. In some cases, the total assets of a given bank can be 15 times more than its capital market. In the sample of this study, the maximum score of the ROA is almost 6% while the minimum score is -1.5%. Only one bank in the sample of this study has recorded losses. The bank has reported that the lost in the financial year (2011) occurred due to preventive action taken by the bank to reduce the effect of the doubtful accounts. Compared to other studies, Jizi et al. (2014) reported that the average ROA in the U.S banking sector is -11%. In the non-financial firm, the average ROA is found to be different based on the sample of the study and the country. In the developed countries, the average ROA was 1.86% in the U.S (Johnson & Greening 1999) while it was 4.5% in Korea (Oh et al., 2011). Similar result was found in an emerging country, Malaysia, with an average of 4% (Hoq et al., 2010). However, the results in the Arabic markets were not consistent; Ghabayen (2012) reported the average ROA is 5.8% in Saudi market while Al-Matari et al. (2012) documented low level of ROA in Kuwaiti market with an average of 1% only.

The liquidity ratio is measured by the liquidity divided to the capital. Some banks have high level of liquidity ratio with a maximum score of 70% while some other banks have a low liquidity ratio with a minimum score of 10.7%. In average, the Jordanian banks have an adequate of liquidity ration with a mean of 20% which is higher than the level required by Basel Committee (8%) and JCB (12%).

4.2. Pearson Correlation

Pearson correlation matrix is used to test the relationship between the independent variables and dependent variable in one side, and to test the relationship between the independent variables to each other in the other side. Moreover, correlation matrix is used to detect multicollinearity between the independent variables (Weisberg, 2005). The Pearson correlation in Table.4.4 shows that all the independent variables are positively correlated to CSRD at 1% except the institutional director which is positively significant but at 5%. In addition, bank size is positively associated to CSRD at 1%. However, leverage and liquidity ratio are found to be negatively correlated to CSRD at 1% while the ROA is not significantly related to CSRD.

Further, Pearson correlation matrix is used to check the multicollinearity problem between independent variables (Weisberg, 2005). Yet, the cut-off point of multicollinearity problem is debatable between authors. The majority of the literatures consider the multicollinearity as a problem if the Pearson correlation results exceed 0.80 (Farrar & Glauber, 1967; Studenmund & Cassidy, 2001; Gujarati, 2003). Pearson correlation shows that there is no multicollinearity problem between the independent variables; the highest correlation between the independent variables is found between the institutional directors and board size (56%).

Table 4.4. Pearson Correlation

		1	2	3	4	5	6	7	8	9
1	CSRD	1.00								
2	Board size	0.29***	1.00							
3	Board Independent	0.21***	0.26***	1.00						
4	Institutional Director	0.16*	0.56***	-0.28***	1.00					
5	Female	0.21***	0.17**	0.22***	-0.07	1.00				
6	Bank Size (Log)	0.67***	0.33***	0.23***	0.13	0.21***	1.00			
7	Leverage	-0.20***	0.21***	-0.05	0.26***	-0.14*	-0.44***	1.00		
8	Profitability (ROA)	-0.08	0.11	0.06	0.08	0.03	0.09	0.26***	1.00	
9	Liquidity Ratio	-0.25***	-0.03	-0.23***	0.09	0.00	-0.29***	-0.24***	-0.21***	1.00

*Notes: 1) ***, ** and * present the significance at 0.01, 0.05 and 0.1 respectively.*

Supplementary, variance inflation factor (VIF) is also used to test the multicollinearity. Accordingly, if the VIF value is higher than 10, the multicollinearity is thought to be problematic (Neter, Wasserman & Kutner, 1989; Gujarati & Porter, 2003; Ho, 2006; Hair et al., 2006). In this study, all the variables are well below the critical limit of VIF (10.00) they vary from 1.12 to 2.42. This confirms that there is no multicollinearity problem in this model as shown in Table.4.5.

4.3. Multiple Regression Analysis

Before analyze the data, the main assumption of the analysis such as outliers, normality, linearity, multicollinearity, homoscedasticity and autocorrelation were employed. The data is found to be free of outliers and multicollinearity. As well as, it became normally distributed after transforming the non-normal variable (liquidity ratio). In addition, the data was autocorrelated and suffered from heteroscedasticity problem. According to Driscoll and Kraay (1998), heteroscedastic and autocorrelated data are suggested to use *xtscc* standard errors for coefficients estimated by pooled OLS/WLS or fixed-effects regression. The Drisc/Kraay standard errors structure is assumed to be heteroscedastic and autocorrelated up to some level and probably correlated between the panels. The xtscc command is suitable for both balanced and unbalanced panel data. In addition, it handles missing values. Thus, this study employs *xtscc* in order to solve the issues related to the heteroscedasticity and autocorrelation.

Furthermore, the study employed *husman test* to decide either fixed effect model or random effect model is more appropriate to be used in the study (Greene, 2011). The *Hausman test* of this study decides that the fixed effect model is the appropriate model to be used in the model of this study as presented in Table.4.5. Statistically, the P-value model is highly significant at 0.01(Prob> Chi2 is less than 0.05). This means that the random effect models are rejected and fixed effect models are accepted. The variables of this study could explain 66.5 of variations in CSRD in the Jordanian banking sector.

The first hypothesis postulates a significant relationship between board size and CSRD. Based on the multiple regression analysis, the board size plays significant roles in enhancing the level of CSRD in the Jordanian banking sector. Thus, the fifth hypothesis is supported. This result is similar to some of the previous studies' findings either in banking sector (Jizi et al., 2014) or in other sector such as government-linked companies (Esa & Ghazali, 2010). The resource dependency theory suggests that larger boards provide larger pool of expertise to the firms.

Based on the agency theory, larger companies need larger boards to control and monitor the management actions. This means that the size of the firm is an influential factor that determines the board of directors' size. This viewpoint has been empirically supported by many authors. Coles et al. (2008) pointed out that large and complex firms, which have diversified businesses, need more members in their board because they need more advising requirements. Dalton et al. (1999) pointed out that larger boards are likely to consist of more experts and knowledgeable directors, and offer better advice to the CEO. Thus, more members serving in the boards may lead to wider exchange of ideas and experiences (Esa & Ghazali, 2010).

Table 4.5. Multiple Regressions Analysis

Variables	*Coef*	*t*	*Skewness*	*Kurtosis*	*VIF*
Constant	2.719	4.49***			
Board size	0.006	2.76**	-1.03	3.41	2.38
Board Independence	-0.174	-2.99***	-.10	2.37	1.56
Institutional Directors	-0.249	-4.79***	.042	2.62	1.12
Female Directors	-0.043	-6.70***	1.19	2.41	2.18
Bank Size	-0.274	-3.65***	1.48	5.93	2.42
Leverage	0.177	4.020***	-1.51	3.760	2.37
(Profitability) ROA	-0.528	-0.820	.42	5.71	1.15
Liquidity Ratio	0.010	2.060**	-.05	2.77	1.12
Years	Included				
Number of Observations	147				
Number of Group	16				
Prob > F	0.0000				
R – Square (Within)	0.665				

Notes: ** *> 0.01,* * > 0.05 and *>0.1.

In the case of Jordan, banks with larger boards provide more information regarding CSR. It could be due to the fruitful discussion during the meetings. Many members in the boards may enhance director's board to perform their roles more effectively. In addition, greater number of directors in the board might be a better monitoring tool because the will have the ability to perform their function more effectively. Furthermore, more directors in the board have better ability to solve the problem facing the company due to the varied directors' viewpoints. Large board might improve the transparency in the firms, considers the shareholders groups during the board meetings and maximizing the level of voluntary disclosure and CSR practices and disclosure. Akhtaruddin, Hossain and Hossain (2009) stated that the size of the board has significant impacts on the level of controlling, monitoring and information disclosure.

In contrast to the expectation, the higher proportion of the independent directors leads to lower level of CSRD. Thus, second hypothesis is rejected. Proportion of independent directors and the level of CSRD are found to be negatively associated at 1 per cent. This result is inconsistent to the agency theory which suggests the independent directors as important factor in enhancing the disclosure level. However, this result is consistent to some of the previous studies' results either in voluntary disclosure (e.g., Eng & Mak, 2003; Gul & Leung, 2004; Barako et al., 2006; Al-Moataz & Hussainey, 2010) or in CSRD (e.g., Haniffa & Cooke, 2005; Esa & Ghazali, 2010).

Agency theory and resource dependency theory argue that independent directors are effective tools in improving corporate governance system and enhance the procedure of decision making. This assumption was empirically supported by the previous studies. Many studies have found that the independent directors (and outside directors) enhance the level of CSRD (Johnson & Greening, 1999; Webb, 2004; Ienciu, 2012; Sharif & Rashid, 2013; Zhang et al., 2013). The case of Jordan seems to be unique in this context, that is, very few executives are serving in the boards. In the other words, the majority of the board members are non-executives. They are either independent (41%) or non-independent non-executives (48%). Interestingly, some banks have boards with entirely outside director; even the CEO is not sitting in the board. This study focuses mainly in the independent directors due to the assumption of their truly and totally independence.

The independent directors seem to be appointed for political purposes; 30% of the independent directors are former politicians. Political directors play significant roles in the banks, they are appointed due to their connection to the government. It is expected from the politicians to avoid the government penalties and provide unique information to their banks. Thus, this high percentage of the political directors who serve as independent directors in the board might play significant roles in the banks rather than enhancing the financial performance or disclosure. Hence, if the political directors serve in the boards as independent directors, they are chosen based on their political experience to connect the banks to the government and to the different resources. In addition, the independent directors in the developing countries might not be truly and fully independent from the banks; they might be connected to the bank though business. In some cases, the banks appoint institutions (big customers) to serve as independent directors. In some other cases, the independent directors might be appointed from the CEO's circle.

In respect to the institutional directors, the third hypothesis postulates a significant relationship between institutional directors and CSRD. The multiple regression analysis shows that the higher level of institutional directors and lower lever of CSRD are associated at 1 per cent level. Thus, the hypothesis is supported. Institutional directors occupy 46.4% of the directors' seats in the Jordanian banks. The majority of the institutional directors (66.5%) are non-independent non-executives, representing blockholders, while (22.5%) of the institutional directors are representing independent institutions. However, almost 11% of the institutional directors are serving as CEOs. High level of the institutional directors serving in the Jordanian banks' boards could be due to the level of institutional ownership. The institutional ownership plays a considerable role in determining the percentage of institutional directors; that is, one institution with a significant ownership might have more than one director to be represented in the board of an investee bank.

The institutional directors are appointed initially to represent their investing institutions that hold significant shares. The Jordanian Bank Acts (2006) state that an institution with significant ownership has the right to appoint a director(s), based on their ownership, to represent them in the board. The greater the institution has shares, the more directors can represent it in the board. In some cases, a board can be fully dominated by an institution, thus, it has the power to assign or remove CEOs. In other cases, they can assign CEO from their institutions. As a result, the CEO will represent the investing institution. Therefore, institutional directors or institutional-CEO will act in the best interest of their institutions rather than considering all the aspects of the banks. Agency theory suggests a clear separation between ownership and management in order to have effective monitoring in the board. If the CEO is representing other parties, it seems that he/she is an affiliated manager who is following the strategic of his/her investing institutions. Unarguably, it can be assumed that board consisting of a majority one institution, based on their institution's significance shares, tends to appoint a CEO from their own institution. In fact, it looks like there is no clear separation between agents (institution) and management (CEO).

It is very important to notice that the institutional directors have occupied a considerable percentage of the boards' seats. They present almost 46.4% of the total seats in the Jordanian banking sector. This frequent occurrence is seriously unsettling because, in several occasions, banks disclose information related to the legal directors (institutions) rather than their representative directors. Therefore, a lot of the important information related to the representative directors, such as their ownership or their status or their

relationship with the bank, is hidden. It can be said that the higher percentage of the institutional directors serving in the boards, the less information related to the social and environment is disclosed. The institutional directors will implement the strategy of their institutions, thus, if the CSRD is not considered as an important element in the holding institution, it seems very difficult for the institutional directors to go toward socially responsible business. Furthermore, the flow of the information to the public will be based on the institution's interests.

This study finds some pitfalls by some Jordanian banks in appointing independent directors. It finds that some banks appoint institutions as independent directors but it is observed that the directors who represent those institutions are blockholders. In some cases, one or more blockholders are not elected to sit in the boards because their ownership is less significant than others or due to the requirement of the Jordanian code to appoint some independent directors. Thus, some banks tend to appoint those blockholders under independent institutions' names resulting in reducing both the board independence and bank reporting transparency.

Furthermore, independent directors are appointed due to the expected potential value to be added to the banks. Appointing institutional directors as independent directors seems to be doubtful due to the unknown experience of the individual directors who are going to represent the institutions. If the representative directors are known in advanced of the appointment or the institution is appointed to set in the board under a condition of selecting a specific individual, it surely reduces the independence level of the director. One of the reason could be behind appointing institutions to serve as board members is satisfying big customers. In a business environment such as banks, the banks rely deeply on the deposits due to its low costs and to have an adequate of liquidity ratio. Thus, the banks need to have good customer-relations to ensure the sustainability of the banks. Unarguably, the banks rely on the institutional customers rather than individual customers due to their huge deposits and transactions. The majority of the Jordanian banks have a department to care the big customers and strengthen the relationship with them in order to ensure their loyalty and achieve their satisfaction. Some institutions have more than one owner, thus, the bank may appoint the institution to serve as independent director. Then the owners of that institution elect or appoint one of them, or one of their staffs, to represent them in the board of that bank. Therefore, it is still doubtful to appoint institutions to serve as independent directors because the absence of the identity of their representatives.

The fourth hypothesis postulates a significant positive relationship between female directors and CSRD in Jordan. The results of this study indicate a significant negative relationship between female directors and CSRD. Thus, the hypothesis is not supported. This result is in line to some of the previous studies (e.g., Coffey & Wang, 1998). The main assumption of the negative impact of females on CSRD is that the females are considered as token directors in Jordan. This assumption is driven from the argument by previous studies who consider the female as tokens if they are less than three women in the boards (Konrad et al., 2008; Torchia et al., 2011). No Jordanian bank has three female directors, the maximum is two women. However, the majority of the banks (76%) have no woman in their boards.

In general, the working woman in the business is not accepted in some of the Arabic cultures. Even if is accepted in some other Arabic countries but the job's tenure of the women seems to be shorter than men. Females in the Arabic business environment prefer to retire early. In Jordan, for example, the early retirement age is 46 years. Hence, it is seldom to appoint a young female as a director in the board due to the assumption of poor experience. Brockmann and Simmonds (1997) argued that older managers are more successful due to their higher level of experience. This assumption can be readily generalized to the boards' members.

Regarding the control variables, larger banks tend to disclose less information related to CSR. Bank size and CSRD are found to be negatively associated at 1 per cent. Large banks may tend to focus on disclose the information related to the performance rather than social or environmental information. Leverage and CSRD are positively associated in this study. Based on the agency theory, agency tension and leverage are relatively associated positively (Jensen & Meckling, 1976). Chow (1982) highlighted the agency costs in the firms; that is when the proportion of debt increases, the potential of transferring the wealth from bondholders to shareholders becomes greater. Therefore, higher debt levels may cause the firms to incur higher monitoring costs (Esa & Ghazali, 2012). Consequently, firms with high debts may disclose more information in order to reduce the monitoring costs (Ahmed & Courtis, 1999). In addition, leveraged firms tend to participate more in socially responsible activities and accordingly have a higher level of CSRD in order to assure creditors and investors that their business is sustainable and credible (Roberts, 1992; Naser et al., 2006; Esa & Ghazali, 2012).

Profitability (ROA) is found to be insignificantly associated to CSRD in the Jordanian Banks. CSR is viewed as public pressures more than economic pressures (Williams, 1999), due accountability and visibility reasons (Cormier & Gordon, 2001). Johnson & Greening (1999) found insignificant relationship between profitability and product quality dimension of CSR. They suggested better allocation of recourse for product quality in well-performed firms and poorly-performed firms as well. Similarly, some of the previous studies empirically found that profitability is not a significant factor enhancing CSRD (e.g., Ghazali, 2007; Untari, 2010; Oh et al., 2011; Esa & Ghazali, 2012). In addition, the higher liquidity ratio and higher level of CSRD are found to be positively associated at 10 per cent significant level.

5. CONCLUSION, CONTRIBUTION, RECOMMENDATION, LIMITATION AND FUTURE STUDIES

The current study examines the level of CSRD in a developing country; Jordan. In addition, it examines the impacts of board characteristics on the level of

CSRD. Focusing on the financial sector, which has been widely ignored in the previous studies, this study employed panel data of 147 bank-years from 16 banks in the period 2004-2013. The variables used in this study could explain the low level of CSRD in Jordan. In general, the level of CSRD is relatively low with an average of 47%.

Four board mechanisms are used in this study namely; board size, independent directors, institutional directors and female directors. The higher proportion of independent directors and institutional director, the lower CSRD is found. The explanation of the negative impacts of the independent directors on CSRD could be due to the alternative roles played by them. The study finds that 30% of the independent directors are politically connected. Therefore, they might play political roles instead of enhancing the banks' reporting or transparency. In addition to the fact that the independent director in Jordan may not be truly independent; they may come from the blockholders or CEOs circles. Further, the existence of female director and low level of CSRD are correlated. However, the larger board size is found to be effective in explaining the level of CSRD.

In regards to the control variable, the study uses four control variables namely; bank size, leverage, profitability (ROA) and liquidity ratio. Larger banks disclose less CSRD while leverage and liquidity ratio enhance the level of CSRD at significant levels ($p>0.01$ and 0.05 respectively). In the other hand, ROA and low level of CSRD are found to be related. In addition, the study controls the data using the year as a control variable as suggested by Stata guideline.

This study contributes to the body of knowledge in several ways. Developing countries in general and Arabic countries in specific have scarcity of studies related to CSRD. In addition, financial sector has been widely ignored in previous literatures due to their rigorous regulatory system (Barako & Brown, 2008). Thus, this study provides an evidence of CSRD in a banking sector and in a developing country context; Jordan. Furthermore, this study is conducted in a unique business environment; that is the majority of the board members are outsiders either independent (41%) or non-independent non-executives (48%). In addition, this study argues that the independent directors in Jordan play substitute roles in the boards. They may play political roles; 30% of the independent directors are former politicians. Moreover, this study extents the literature thoroughly investigating new characteristics of the board of directors. The institutional directors' variable is introduced in this study. Based on our best knowledge, this study is the first paper in introducing such variable. Appointing institutional directors is a unique practice in Jordan. The variable is measured based on the proportion of the institutional directors serving in the board. Interestingly, it is found that the institutional directors occupy 46% of the total banks' seats and they have a negative and significant impact on CSRD.

This is one of the first studies to examine the impacts of corporate governance mechanisms on the level of CSRD in Jordan. Thus, the findings of this study might be interested to several groups of shareholders and stakeholders such as government, regulators, potential investors and CSR agencies. The low level disclosure may attract the attention of the regulators to motivate the banks in order to enhance CSR practices and disclosure. In addition, the regulators may issue a CSR's guideline to report the social and environmental activities based on the country's needs. Furthermore, the government is supposed to be good steward, thus, they should play more significant roles in the governmental-linked banks. In Jordan, the governmental ownership in the banks is very low; however, the government is still required to encourage the linked-banks and other banks to pay more attention to the social needs.

In addition, clearly separation between the ownership and management is needed. Due to the large capital market of the banks, it seems very difficult for one individual to dominantly control a significant percentage of a bank. However, the institutional ownership is relatively high in the banking sector. Thus, it is not surprising to find that the CEOs in some of those banks are serving in the board in behalf of institutional blockholder. More explicitly, the CEOs sit in the boards or head the board as biggest blockholders' representatives. This indicates that there is no clear separation between management and owners. On the contrary, the CEOs, in this case, will strengthen both management and board which may lead the management beside the board to expropriate the minority shareholders. Consequently, the agency problem between majority and minority shareholders will be maximized. Therefore, clearly definition of the separation between owners and management is needed.

Similar to all studies, this study has some limitations. The major limitation in this study and other studies is the data collection issues. The sample of this study is designed to be 154 banks/years. However, the study collects 123 annual reports either from the banks' websites or from ASE's website. In addition, 24 annual reports were collected manually from the banks (hard copies). In order to collect the CSR data, a comprehensive checklist is developed. The checklist is developed based on the related studies, and the study attempts to highly be subjective, but it still cannot be argued that the study is free from subjectivity. Thus, the index of this study cannot be fully adopted by other studies in different environment. The items of the checklist are modified to fit the Jordanian social problem such as unemployment, poverty and scarcity of natural resources. Thus, this index can be adopted by other studies with some modifications.

Future studies might also investigate the boards' committees such as executive committee, audit committee, risk management committee and corporate governance committee. In addition, future studies in developing countries may consider the ethics variables as important factors to enhance the corporate disclosure and the transparency. As some of the non-independent directors may occupy the seats of independent directors as the case of institutional directors, the ethics of the boards shall be considered as important as their composition. The board members are elected or appointed to present the whole shareholders and other stakeholders. Thus, they are required to consider the interests of all contracting parties.

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APPENDIX (A)

No	Items	Frequency disclosed		No	Items	Frequency disclosed	
A.	**Employee Dimension**	%	N		**Employee Dimension (cont'):**	%	N
1.	Employee Profile	0.80	117	16.	Job satisfaction Policy	0.24	35
2.	Employees' Appreciation	0.96	141	**17.**	Amount spent for Health Insurance	0.99	146
3.	Hiring Policy	0.45	66	**18.**	Employee welfare expenses	0.99	146
4.	Safety Policy	0.21	31	**19.**	Discussion on employee welfare	0.13	19
5.	Employee Number	0.98	144	**20.**	Policy to improve the employees' quality	0.74	109
6.	Break down the employee by Gender	0.16	24	**21.**	Employees' reward System	0.97	143
7.	Break down Employee by Qualification	0.97	142	**22.**	Employees' promotion (succession policy)	0.34	50
8.	Break down employee by branch	0.72	106	**23.**	Life Insurance	0.48	70
9.	Employee Training	0.98	144	**24.**	Fuel Subsidies for employees	0.03	4
10.	Nature of Training	0.71	104	**25.**	Scholarship for employees	0.30	44
11.	Number of Training courses	0.95	139	**26.**	Scholarship for employees' children	0.07	11
12.	Number of Employee Trained	0.93	136	**27.**	Employee Moral Compact	0.64	94
13.	Gender of trained employees	0.10	14	**28.**	turnover rate	0.13	19
14.	New Employee Training	0.35	51	**29.**	Number of employee hired	0.13	19
15.	Cost Employee Training	0.97	142	**30.**	accident at workplace	0.03	4
				31.	Employment of Disabled	0.02	3
B.	**Community Dimension**				**Community Dimension (cont')**		
1.	Statement from the most senior decision-makers	0.36	53	**17.**	Supporting of Christian non-profit organization	0.14	20
2.	Disclosure about Donations' types	0.84	124	**18.**	Supporting of art activities	0.46	67
3.	Amount of donations	0.97	142	**19.**	Supporting truism events	0.22	32
4.	Donations' beneficiaries	0.52	76	**20.**	Supporting of people affected by war in neighbouring countries	0.39	58
5.	Participation in governmental or NGOs' social campaign	0.51	75	**21.**	Participation in developing rural areas	0.11	16
6.	Grants to Universities	0.20	29	**22.**	Supporting social institutions (orphan/ nursing homes/ household/ women/ children).	0.82	120
7.	Donations to NGO organizations (syndicate, foundation)	0.25	37	**23.**	Supporting poor people during Ramadhan/ Eids	0.43	63
8.	Community education program	0.71	105	**24.**	Participation in a blood donation	0.20	29
9.	Sponsoring sport related activities	0.61	90	**25.**	Encouragement the employees to participate in CSR	0.15	22
10.	Support anti-poverty institutions	0.56	83	**26.**	Anti-corruption policy	0.14	21
11.	Supporting anti-unemployment institutions (HR development)	0.44	64	**27.**	Anti-money laundry policy	0.67	98
12.	Supporting anti-Cancer institutions/ patients/ activities	0.51	75	**28.**	Anti- terrorist policy	0.44	65
13.	Supporting of culture organization/events	0.54	80	**29.**	Supporting conferences	0.45	66
14.	Supporting disabled people	0.41	61	**30.**	Supporting housing program	0.28	41
15.	Supporting of Islamic non-profit organization	0.21	31	**31.**	Training for Students	0.33	48
16.	young entrepreneur and youth	0.29	42	**32.**	Value added statement	0.50	74
C.	**Market Place Dimension**				**Market Place Dimension (cont')**		
1.	Customers Health and Safety	0.02	3	**13.**	Improvement of customer services	0.90	133
2.	Customers Compliant/Satisfaction	0.20	29	**14.**	Improvement of product quality/ services quality	0.94	138
3.	Customers' Privacy	0.24	35	**15.**	Receipt of (Local/international) awards for CSR activities	0.04	6
4.	Customers' Appreciation	0.88	129	**16.**	Value added statement	0.69	102
5.	Commitment to Customers	0.41	60	**17.**	Number of branches	0.99	145
6.	Main Customers	0.95	140	**18.**	Location of branches	0.88	129
7.	Provision of Disabled, aged, and difficult to reach customers	0.04	6	**19.**	Location of bank's headquarter	0.99	146
8.	Customers' reward rating received	0.00	0	**20.**	Number of countries where the bank operates	0.99	145
9.	Prizes to Customers	0.31	46	**21.**	Market served (sectors served)	0.98	144
10.	Product Quality	0.84	123	**22.**	Compliance with ISO 9001/ GRI or any global standard	0.11	16
11.	Product and services labelling	0.83	122	**23.**	Supporting SMEs	0.50	74
12.	Discussion on major types of products/ services/ projects	0.81	119	**24.**	Number of ATMs	0.56	83
				25.	Location of ATMs	0.13	19
D.	**Environment Dimension**				**Environment Dimension (cont')**		
1.	Environmental management system (Environmental Policy)	0.19	28	**7.**	Cleaning public places	0.12	17
2.	Recycling activities	0.09	13	**8.**	Supporting environmental institutions/activities	0.41	61
3.	Energy Saving policy/equipment	0.06	9	**9.**	Amount spent on environment	0.15	22
4.	Water saving/equipment	0.04	6	**10.**	Encourage customers and employees to save energy/ use alternative energy	0.05	8
5.	Anti-Desertification/Trees plantation	0.14	20	**11.**	Supporting Green Banking	0.93	137
6.	Environmental damage repair	0.01	2	**12.**	Responsible Financing Policy	0.18	27