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The Relationship Between Corporate Governance Mechanisms and CSR Disclosure: Evidence from Jordanian's Listed Firms

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Abstract

The purpose of the current study is to examine the relationship between corporate governance mechanisms and corporate social responsibility disclosure in the Jordanian context. Research is quantitative in nature, based on panel data of 78 firms listed on the Amman Stock Exchange (ASE) for 8 years from 2012 to 2019, with 624 observations, To deal with an econometric problems such as heteroscedasticity and autocorrelation, the panel corrected standard error (PCSE) regression was used to assess the relationship among variables. The study found that board size affects positively CSR disclosure, while board independence and managerial ownership affect negatively CSR disclosure. On another hand, the study found that the presence female in board, CEO duality, family ownership, and concentration ownership do not affect CSR disclosure. Because of the chosen sample, the research results may lack generalisability to other country. Therefore, researchers are encouraged to test another sample. The study contributes to the understanding of how good corporate governance practices affect CSR disclosure for both academics and particularly Jordanian policymakers. This study provided new findings to bridge the gaps in the general corporate governance literature relative to the lack of consensus on the relationship between corporate governance mechanisms and CSR disclosure. The finding contributes to knowledge by providing new and original evidence that some current corporate governance mechanisms are not effective in increasing CSR disclosure in a developing setting.

Keywords: Corporate Governance, CSR disclosure, Agency Theory, Stakeholder Theory, Jordan

1. Introduction

The number of social, and environmental scandals has risen dramatically in the new millennium (Zaman et al., 2020). Moreover, the emergence of the issue of climate change, and water and air pollution that resulted from the firm's activities forced firms to be more accountable to a wider audience of stakeholders (Estiasih et al., 2019). Researchers and scholars argue that firms should be evaluated on more than just their economic growth because they are also obliged to conduct responsibly in the community (Abu Qa'dan & Suwaidan, 2019).

CSR is the concept that a profit-driven firm should broaden the scope of its objectives and ambitions beyond maximizing shareholder wealth (Ashfaq & Rui, 2018). Firms are encouraged to support CSR due to the apparent benefits. In the long run, CSR can improve a firm's reputation and competitiveness (Nour et al., 2019). Because Jordan is a small country with few natural resources, the government has paid a lot of attention to CSR activities and disclosures (Abu Qa'dan & Suwaidan, 2019). Despite the Jordanian government's efforts to enhance CSR disclosure, research in this field is sparse and still in its early stages (Abu Mallouh & Tahtamouni, 2018). Given the vital role that CSR disclosure has in conveying firm actions to stakeholders and society at large, understanding the factors that can influence CSR disclosure is essential.

The board of directors in Jordan is in charge of establishing a firm's disclosure and transparency policies, as well as monitoring information disclosure in the annual report (Jordan Securities Commission, 2017). The board of directors is seen as a critical component of good corporate governance, and the board plays a vital role in putting good corporate governance practices in place (Nor et al., 2017). Because the board plays such a vital role, it must verify that its composition is balanced and represents the firm's stakeholders and other social groups (Ibrahim & Hanefah, 2016) (Sadaa et al., 2022). Appointing women, independent directors, and minorities to the board of directors is one strategy to do this (Iren, 2016). Previous studies indicated that board composition is an important factor in enhancing firm performance (Merendino & Melville, 2018), information asymmetry (Pangestuti et al., 2017), decision-making (Muhammad et al., 2017), and CSR disclosure (Coffie et al., 2017).

Agency theory argued that shareholders seek to raise their wealth, while managers would increase their benefits (Jensen & Meckling 1976). In this context, one significant tool for reducing conflict in this situation is the ownership structure (Sadaa et al., 2020). According to Abdullah et al. (2019), ownership structure affects managers' decisions that affect firm performance, also, the ownership structure is crucial to corporate accounting behavior. Furthermore, the ownership structure is considered a critical variable in driving environmental and social perspectives of corporate governance, since different kinds of shareholders have varied environmental and social orientations (Zaid et al., 2020; Sadaa et al. 2022). In concentrated ownership firms such as in Jordan, ownership structure plays a critical role in firm growth strategies. Therefore, the Jordanian environment would be an interesting area to investigate the relationship between ownership structure and CSR disclosure.

The majority of past research has studied a link between corporate governance and firm performance. In developing post-transition economies, however, little is known about the relationship between corporate governance and CSR disclosure. As a result, it may be a unique opportunity to showcase two crucial aspects of corporate governance that can help improve CSR disclosure. Several motivations served as the driving forces behind the current investigation. Firstly, no consensus about which corporate governance mechanisms may affect CSR disclosure whether in developing or developing countries. Second, although corporate governance mechanisms are considered efficient tools for monitoring, limited studies have examined their effect on CSR disclosure in the Jordanian market. Therefore, the current study will fill up the gap by examining the effect of ownership structure (managerial ownership, family ownership, and concentration ownership), and board composition (board size, board independence, CEO duality, and board gender), on CSR disclosure in Jordanian firms.

The remaining sections of the article are structured as follows. The detailed literature evaluation and discussion of the research hypotheses are included in Section 2. The data and technique are described in Section 3. Section 4 presents the findings and the debates that follow. Section 5 presents conclusions and implications.

2. Review of Related Literature

2.1 Theoretical Framework

Previous studies that investigated the relationship between corporate governance and CSR disclosure highlighted three theories, namely, stakeholder theory, agency theory, and legitimacy theory. However, the current study employs stakeholder and theory agency theory. The current study used these theories for following reasons; drawing on agency theory, efficient corporate governance mechanisms lead to better monitoring of management, because efficient corporate governance leads to more independence (Adel et al., 2018). Thus, firms tend to provide more information to reduce information asymmetry, reduce agency costs and to protect their reputation (Ibrahim & Hanefah, 2016). According to the stakeholder theory, managers should provide CSR information to fulfill their moral, ethical, and social obligations to their stakeholders and strategically accomplish company objectives for their shareholders (Jo & Harjoto, 2012). Additionally, according to the stakeholder theory, any entity's long-term survival and sustainable growth depend on the support of all stakeholders (Freeman et al., 2004). According to Jensen and Meckling (1976), an agency relationship is a contract where one or more people hire a third party to carry out a task on their behalf and give them the right to make decisions. According to agency theory, agency conflict could be existing when managers run the firm on behalf of shareholders and act to raise their benefits instead of those of shareholders (Zaid et al., 2019).

Moreover, managers are more informed than outside investors and have more opportunities to issue money when a company is overvalued (Cui et al., 2018). Therefore, there is information asymmetry between managers and shareholders Benson et al. (2020). Furthermore, the shareholders would be unable to properly monitor the managers, there will be uncertainty in the relationship, as well as issues of information asymmetry and hidden behavior (Coleman & Wu, 2020). Agency theory indicates that the personal interest of managers affects their level of engagement in CSR disclosure and activities (Mohammadi et al., 2020). In addition, agency theory contends that firms provide CSR information to mitigate information asymmetry between shareholders and managers (Jensen & Meckling, 1976).

In the same vein, prior studies indicated that corporate governance mechanisms can reduce information asymmetry between shareholders and managers (Nor et al., 2017; Harun et al., 2020; Benson et al., 2020). On other hand, the stakeholder theory is relatively new in the domain of management and the philosophy of its presence lies in firm responsibility (Salehi et al., 2017). Stakeholder theory explores the relationship between firms and individuals who are interested in the activities of the firm (Freeman et al., 2004).

According to stakeholder theory, managers should not focus exclusively on increasing investor wealth; instead, they should satisfy a variety of stakeholders who are interested in the firm's activities (Mcwilliams et al., 2006). This theory's central premise is that a company's objectives and goals can be realized by matching the conflicting interests of stakeholders, such as customers, auditors, employees, suppliers, shareholders, and the general public (Freeman, 2004). Freeman (2004) defined stakeholders as people who have the power to influence and are influenced by a firm's objective is accomplished. This means that each group of stakeholders has the right to be viewed as a purpose in itself (Donaldson & Preston, 1995). Jo and Harjoto (2012) indicated that CSR disclosure can be used as a means of conflict resolution between the interests of firms and those of stakeholders. Further, stakeholder theory contends that firms report in response to the demands and expectations of significant stakeholders (Ullmann, 1985).

2.2 Hypothesis Development

2.2.1 Board Structure

2.2.1.1 Board size

Prior literature argued that a larger board of directors is more effective because it improves managerial efficiency by preventing attempts to manipulate shareholders (Singh & Harianto, 1989), the larger board may reduce conflicts between managers and shareholders (Nor et al., 2017). Accordingly, it can be reflected in enhanced firm disclosures by management (Harun et al., 2020). Coffie et al. (2017) indicated that larger board raise the level of CSR disclosure. Furthermore, enhance the quality of CSR disclosure. By using fifty Pakistani-listed firms from 2010-to 2014, Lone et al. (2016) indicated that larger board tends to have a positive discussion about CSR which forces management to provide more disclosure about CSR. Another evidence from Palestine Zaid et al. (2019) found that a larger board affects positively CSR disclosure. However, other studies suggest that a firm may incur more costs by a larger board Shahid et al. (2020). Furthermore, it is difficult for firms with large board to reach a consensus due to coordination problems (Aslam & Haron, 2021). Lakhal (2009) found a negative relationship between board size and voluntary disclosure. Other trends of studies documented no relationship between board size and CSR disclosure (Rouf & Hossan, 2020; Giannarakis, 2014). Thus, the underlying assumption is:

H1: There is a positive relationship between board size and CSR disclosure.

2.2.1.2 Board Independence

A board with independent directors monitors the performance of managers effectively because they have no pressure from CEO or managers (Jensen & Meckling, 1976). As well, independent directors provide objective advice to firm boards on strategic decisions (Muhammad et al., 2017). Therefore, they are more likely to engage in long-term value-adding activities such as sustainability reporting (Cheng & Courtenay, 2006). Moreover, it is claimed that independent directors are more likely to push firms to increase social disclosure to outside investors in order to ensure that corporate actions are in line with societal values and with the firm's image (Fama & Jensen, 1983). El-bassiouny and El-bassiouny (2018) used a sample of firms from Germany, US, and Egypt and found that independent directors increase the level of CSR disclosure. Likewise, Ibrahim and Hanefah (2016) used 106 Jordanian firms and documented a positive relationship between board independence and CSR disclosure. However, other studies found a negative relationship between board independence and CSR disclosure (Abu Qa'dan & Suwaidan, 2019; Bansal et al., 2018). While Thi & Pham (2018) showed that there is no relationship between board independence and CSR disclosure. Thus, the underlying assumption is:

H2: There is a positive relationship between board independence and CSR disclosure.

2.2.1.3 Board Gender Diversity

Board gender diversity has become a more important issue in recent years. According to resource dependency theory, one of the most significant corporate governance mechanisms is board gender diversity. (Agyemang-Mintah & Schadewitz, 2019), providing several resources helpful to the firm. Therefore, a more diverse board will offer the firm more valued resources, resulting in improved firm performance. This could lead to an increase in CSR disclosures (Matuszak et al., 2019). Rao and Tilt (2016) suggested that as part of a proactive diversity strategy, the appointment of women to boards of directors also may be thought of as a way to enhance firm performance, particularly in the social and environmental domains. Biswas et al. (2021) used 2637 observations and found that the existence of women on the board increases CSR disclosure. Likewise, by using content analysis Lone et al. (2016) indicated that firms with more women on board typically disclose more information than companies with fewer women on board. In the Jordanian context, Ibrahim and Hanefah (2016) documented a positive relationship between women directors and CSR disclosure. However, Majeed et al. (2015) showed a negative relationship between women's representation and CSR disclosure in Pakistan. They attributed this result to the women's participation in most cases acting as a sleeping partner in businesses. Whereas Majumder et al. (2017), and Giannarakis (2014) found that board gender has no effect on CSR disclosure. Thus, the underlying assumption is:

H3: There is a positive relationship between board gender and CSR disclosure.

2.2.1.4 CEO Duality

To avoid the CEO's opportunistic behavior, decision management and decision control should be segregated. Therefore, the CEO's position and chairman's position should be appointed to different people (Jensen & Meckling, 1976). When the chairman of the board and CEO are two people, the management will strike a balance between the interests of various stakeholders (Ashfaq & Rui, 2018). Naseem et al., (2019) indicated that firms with the duality of CEO do not perform well compared to their counterparts. Firms that have dual CEO are less likely to provide more CSR information because they would be less accountable, and their CEO can reduce board monitoring Ananzeh (2021). Abu Qa'dan and Suwaidan (2019) found a negative relationship between CEO duality and CSR disclosure level. Moreover, Zaid et al. (2019) used 33 Palestinian firms and documented that CEO duality affects negatively CSR disclosure. On contrary, Abdul Razak and Mustapha (2013) provided evidence from Malaysia that CEO duality has no effect on CSR disclosure. Similarly, Khan et al. (2013) also found no relationship between CEO duality and CSR disclosure. Congruent with the agency theory, the current study claims that the CEO duality affects negatively the function of performance monitoring, thus reducing CSR disclosures. So, the following hypothesis can be postulated:

H4: There is a negative relationship between CEO duality and CSR disclosure.

2.2.2 Ownership Structure

2.2.2.1 Ownership Concentration

Agency theory argued that when the shares of a firm are spread among a large number of shareholders, public accountability could be more (Jensen & Meckling, 1976). In other words, a greater number of stakeholders will exert pressure on firms. As a consequence, corporate ownership dispersal puts more pressure on management to expand the scope of CSR disclosure particularly, when it includes investors with a variety of social concerns (Chui & Wang, 2015). Adel et al. (2018) used data of 350 firms from 16 European countries and found that ownership concentration affects negatively CSR disclosure. Also, Ananzeh (2021) indicated that firms that have high ownership concentration tend to be less encouraged to provide CSR information since the public desire for this information is low. However, other studies argued that agency conflicts between shareholders and managers could be reduced when ownership of a firm is concentrated (Jensen & Meckling, 1976). In this case, also, shareholders have more power to monitor management (Rehan & Javaid, 2019). Fallah and Mojarrad (2018) found that concentration ownership raises the level of CSR disclosure. This is probably because shareholders who own more shares have more external power over managers, which reduces agency problems and, as a result, increases CSR reporting. Whereas Eng and Mak (2003), showed there is no relationship between ownership concentration and voluntary disclosure. Therefore, the underlying assumption is:
H5: There is a positive relationship between ownership concentration and CSR disclosure.

2.2.2.2 Managerial Ownership

According to agency theory, there is a positive relationship between managers who have interests in a firm and the performance of the firm (Jensen & Meckling, 1976). Where managerial ownership could reduce conflicts of interests between managers and shareholders

(Benson et al., 2020). Therefore, managers may provide CSR information to legitimize their activities and enhance the image of the firm (Alabdullah, 2018). Prasetio and Rudyanto (2020) used 62 Indonesian firms and showed that managerial ownership affects positively CSR disclosure. Similarly, Garas and ElMassah (2018) used 147 firms from gulf countries and documented that managerial ownership affects positively CSR disclosure. However, Majumder et al. (2017), and Eng and Mak (2003) stated that a company with managerial ownership had little real accountability. In general, there is not much public interest in them, which may help to explain why their management may not focus much investment in the direction of social responsibility because the costs may exceed the advantages. Therefore, in narrowly held or owner-managed firms, less CSR information might be expected (Khan, 2013). By analyzing data from 150 Iranian firms Mohammadi et al. (2020) found a negative relationship between managerial ownership and CSR disclosure. Likewise, Ullah et al. (2019) used 277 firms from Bangladesh and found a negative relationship between managerial ownership and CSR disclosure. Whereas Adel et al. (2018) failed to find any significance between managerial ownership and CSR disclosure. Thus, the underlying assumption is:

H6: There is a negative relationship between managerial ownership and CSR disclosure.

2.2.2.3 Family Ownership

Due to the fact that research on this subject is still in its initial stages, family firms are defined in a variety of ways (Marcelo, 2014). However, typically family-owned firm is defined as one in which a wealthy individual, family, or group of families owns or controls 5% or more of the voting stock (Villalonga & Amit, 2020). There are two viewpoints on the role of family ownership. The first view argued that families often regard their firms as an extension of the family (Dyer & Whetten, 2006). Therefore, Firms seek to establish a solid reputation and obtain the community's respect over time by offering more information on CSR (Zellweger et al., 2012). These benefits increase loyalty to their firms, eventually better financial performance (Srivastava & Bhatia, 2020). Habbash (2016) provided evidence from Saudi Arabia and found that family ownership affects positively CSR disclosure.

Dyer and Whetten (2006) have shown that family firms are more interested in CSR disclosure than nonfamily firms. Considering that they are worried about their reputation and appearance. Nonetheless, there is another viewpoint that argued that family firms have less information asymmetry (Alsaadi, 2022). Moreover, voluntary disclosures have costs, and because the family has invested more money in the firm, there is less of a need to let the agents know that they are acting in the shareholders' best interests. (Fama & Jensen, 1983). Ananzeh et al. (2022) used 94 Jordanian firms and showed a negative relationship between family ownership and CSR disclosure. In the same vein, Muttakin et al. (2015) provided evidence by using 116 firms from Bangladesh and found that family ownership affects negatively CSR disclosure. However, Salehi et al. (2017) found that there is no relationship between family ownership and CSR disclosure. Thus, the underlying assumption is:

H7: There is a positive relationship between family ownership and CSR disclosure.

3. Research Methodology

3.1 Sample

Data was gathered from secondary sources including the Amman Stock Exchange annual reports of listed firms. Particularly, the listed companies' financial statements from 2012 to 2019 were gathered. The Amman Stock Exchange has 179 firms at the end of 2020 divided into three main sectors like the financial sector, the service sector, and the industry sector. 78 service and industry firms were selected as samples due to the importance of these sectors in the Jordanian economy where they contribute around 77% of the GDP.

3.2 Definition and Measurement of Variables

3.2.1 Measuring CSR Disclosure

A content analysis technique was used to measure CSR disclosure. The most common technique for examining social and environmental reporting is content analysis, which has been widely applied in the CSR field (Gray et al., 1995), especially in firms (Milne & Adler, 1999). The Amman Stock Exchange adopted guidelines of the Global Reporting Initiative (GRI) in 2017 and encouraged firms to adhere to them, but it is still voluntary. (ASE, 2017). The GRI criteria for CSR include about 79 elements, however, the Amman Stock Exchange has adopted 46 of them because they are compatible with the Jordanian environment. As a result, the current study will use the items that the Amman Stock Exchange has adopted. The environment, economy, and social issues are covered by the 46 items in the CSR checklist. The disclosure levels of social information in the annual reports of Jordanian public firms listed on ASE will be assessed and measured by this study using an indexing method. Each component had been acquired from the annual reports of Jordanian firms to meet the study's objectives. The CSR disclosure was measured using an unweighted technique. This is done in order to remove any bias that might be present in a weighted score (Chow & Wong-Boren, 1987). Because it decreases subjectivity, the unweighted items approach is now the standard in disclosure. If the item is disclosed, then the company will receive a weight of 1, otherwise, 0. Moreover, the maximum number of items for each company is 46.

3.2.2 Measuring Corporate Governance

The corporate governance variables are board size (BS), board independence (BI), CEO duality (CEO), gender (GEN), managerial ownership (MO), family ownership (FO), and concentration ownership (CO). The number of board members is used to calculate the size of the board. The percentage of independent directors is used to measure board independence. CEO duality is a binary variable, with firms with duality being coded as "1" and those without duality being coded as "0." By counting the number of female directors, gender is calculated. The percentage of shares owned by directors serves as a proxy for managerial ownership. The proportion of common stock owned by the family represents family ownership. The percentage of the largest shareholder possessing more than 5% of the shares is known as concentration ownership.

3.2.3 Measuring Control Variables

The control variables of the current study included firm size (FS), and firm age (FA). The natural logarithm of the total assets is used to calculate the firm size. Firm age (FA) is the number of years that a firm has operated.

3.3 Research Model

Some diagnostic checks were done before the model was run. The Wooldridge test was employed to determine whether the research models had any autocorrelation, and the results showed there was. Furthermore, the Breusch–Pagan/Cook–Weisberg test was also applied to detect heteroscedasticity, and the findings show its existence. Running the model before addressing these issues leads to biased results. Therefore, to overcome these econometric problems, the current study used panel corrected standard errors (PCSE), which is a suitable estimator that adjusts both autocorrelation and heteroscedasticity (Singla, 2020; Mnif & Imen, 2020; Carl et al., 2020). As noted, the following model is estimated by the panel corrected standard errors (PCSE).

$$CSR_{it} = \alpha_{it} + \alpha_1 BS_{it} + \alpha_2 BI_{it} + \alpha_3 CEO_{it} + \alpha_4 GEN_{it} + \alpha_5 MO_{it+} + \alpha_6 FO_{it+} \alpha_7 CO_{it+} \alpha_8 FS_{it+} \alpha_9 AGE_{it} + \varepsilon_{it}$$

Where:

CSR_{it} = Corporate social responsibility disclosure level

BS_{it}= The number of board members

BI_{it} = The percentage of independent directors.

CEO_{it} = Dummy variable, if the director of the board is the same person of the chairman, this was coded “1”, while if the director of the board is not the same person of the chairman, this was coded “0”.

GEN_{it} = The number of directors’ female.

MO_{it}= Percentage of total shares held by firm directors.

FO_{it}= The percentage of common stock owned by the family.

CO_{it}= Percentage of the largest shareholder controlling more than 5% of total equity.

FS_{it}= A natural logarithm of total assets.

AGE_{it}= the number of years that a firm has operated.

ε_{it}= Error terms

3.4 Empirical Results

The objective of this research is to see how corporate governance mechanisms affect CSR disclosure. This section starts with descriptive statistics, then diagnostic tests, and finally regression analysis results, which are displayed and analyzed to determine if the hypotheses are acceptable or not.

3.4.1 Descriptive Statistics

Summary statistics for test variables employed in our regression are shown in Table **I** (the mean value, the standard error, the median, the maximum and minimum value). Table **I** shows the descriptive analysis; the minimum value of CSR disclosure is 0.27, and the maximum is 0.67. The mean of CSR disclosure is 0.11.

Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
CSR	624	0.27	0.08	0.11	0.67
MO	624	0.03	0.08	0.00	0.28
FO	624	0.24	0.26	0.00	0.80
CO	624	0.62	0.23	0.17	0.94
BS	624	8.12	2.46	5	13
BI	624	0.37	0.22	0.00	0.77
CEO	624	0.13	0.34	0.00	1
GEN	624	0.27	0.66	0.00	4
FS	624	17.36	1.23	15.40	20.30
AGE	624	25.42	16.78	2	81

Table I

This finding is acceptable when compared to other studies, such as Abu Qa'dan and Suwaidan (2019), who found that CSRD is about 30 percent in Jordanian firms. Ananzeh (2021) also found that Jordanian firms, on average, disclosed 29 percent of the items. These outcomes are hardly a surprise because Jordan's disclosure laws do not meet the requirements for full disclosures. On other hand, this outcome average is less than the average results conducted in developing countries. For instance, a study by Rehman et al. (2020) reported 57 percent of CSRD in Pakistani firms. Moreover, Platonova et al. (2018) reported 49 in GCC Islamic banking.

Table **I** also indicates that the mean of managerial ownership for the sample is 0.03, with a standard deviation of 0.08. While the maximum value is 0.28 and the minimum value is 0. Furthermore, the result indicated that the maximum value of family ownership is 0.80, while the mean value is 0.24. Table **I** demonstrated that the maximum value of concentration ownership is 0.94, while the mean value of concentration ownership is 0.62. This result agrees with studies indicating that in developing countries such as Jordan the ownership of firms is concentrated (Salem et al., 2019). Regarding board size, the maximum value of board members is 13, while the minimum value is 5. This result is consistent with Jordanian corporate governance guidelines which indicated the minimum number of board directors is 5 and the maximum number is 15. The mean value of board independence is 0.37, while the maximum value is 0.77. Also, this result is consistent with Jordanian corporate governance guidelines which indicated a third of board directors should be independent. Moreover, Table

I showed that the average value of CEO duality is 0.13, demonstrating that CEO duality is not widely used in Jordan consistently in related literature. On other hand, the maximum value of a female member is 4, and the mean value is 0.27. Concerning control variables, the mean value of the logarithm of firm size is 17.36, while the mean value of firm age is 25.42.

3.4.2 Diagnostic Tests

As demonstrated in Table II, the correlation matrices show common coefficients among the independent variables. There is no multicollinearity issue between the independent variables employed in this study model, as seen by the strongest correlation, which is between management ownership and CEO duality, which is 0.36 (Hair et al., 2020; Tabachnick & Fidell, 2019). Additionally, Table II shows that the variance inflation factors (VIFs), applicable to all of our independent variables, demonstrate to be significantly lower than the 10-cutoff mark, as determined by (Greene, 2002). The results indicate that 1.89 is the highest VIF value. It is unlikely that the multicollinearity will cause problems for the analysis.

Matrix of correlations

Variables	**-1**	**-2**	**-3**	**-4**	**-5**	**-6**	**-7**	**-8**	**-9**	**-10**	**VIF**
(1) CSR	1										
(2) BS	0.472	1									1.478
(3) BI	-0.101	-0.052	1								1.249
(4) GEN	0.07	0.15	-0.089	1							1.156
(5) CEO	-0.163	-0.073	0.101	0.292	1						1.324
(6) CO	0.047	-0.204	-0.371	-0.062	-0.089	1					1.567
(7) FO	-0.055	-0.179	0.059	0.036	0.201	0.257	1				1.328
(8) MO	-0.063	-0.052	0.004	0.075	0.355	0.008	0.361	1			1.286
(9) FS	0.467	0.45	-0.123	0.048	-0.206	0.224	-0.127	-0.135	1		1.518
(10) AGE	0.02	0.014	0.025	0.055	0.066	0.014	0.017	0.008	0.025	1	1.009

Table II

A normality test was also used to ensure that the residuals had a normal distribution. According to Table III, the Skewness and Kurtosis statistics, which take 0.282 and 2.692, respectively, support this normality. Hair et al. (2020) outlined that the normality problem exists when the Skewness values are not in the range of ±1.96 and the Kurtosis values are not in the range of ±3.00. Thus, according to Skewness and Kurtosis test for normality, residuals show normally distributed.

Normality test

Variables	Obs	Mean	Std. Dev.	Min	Max	p1	p99	Skew.	Kurt.
Model	624	0	0.078	-0.197	0.163	-0.176	0.161	-0.164	2.568

Table III

The necessity of data stationarity in panel data analysis stems from the fact that constant covariance, variance, and mean criteria must be met in order to validate the proposed parameters and models. Therefore, it is important to consider whether the data are stationary or not before estimating the relationship between corporate governance mechanisms and CSR disclosure. The Levin-Lin-Chu test is used to check for stationarity. As can be seen from Table **IV**, all the variables used in the models were found to be stationary at their levels.

Unit root test (Levin-Lin-Chu)

Variables	Statistics	p-value
CSR	-9.36	0.00
MO	-2500	0.00
FO	-110	0.00
CO	-52.08	0.00
BS	-13.7	0.00
BI	-4.1	0.00
GEN	-21.34	0.00
FS	-14.62	0.00
AGE	-21.57	0.00

Table IV

The choice of whether to estimate fixed effects or random effects was made using the Hausman specification test. The main principle of the random effect model is that firm-specific effects do not depend on other explanatory factors (Mayur & Saravanan, 2017). This independence premise can be assessed using the Hausman test. In relation to the model Table V clearly shows that the preference for the fixed effect model is accepted and the random effect model is rejected since the probability value of H0 for the model is less than 0.05. Post-estimation tests were used, which were specific to the panel data, to address the traditional assumptions of regression, such as heteroscedasticity and autocorrelation. Heteroscedasticity is certainly present, as evidenced by the modified Wald test results in Tables V. Autocorrelation is confirmed using the Woolridge test. To control for heteroscedasticity, and the autocorrelation problem, the Prais–Winsten regression with panel corrected standard errors (PCSE) is used in the study.

Econometric tests

Test models	Heteroscedasticity Modified Wald test	Serial correlation autocorrelation Wooldridge test	Specification test Hausman test
Model	130000000 (0.00)	28.47 (0.00)	34.19 (0.0001)

TableV

3.4.3 The Result of Regression

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Before running the panel data regression, the current study had to check some significant tests, such as residuals normality, heteroscedasticity, and autocorrelation. The results indicated that heteroscedasticity and autocorrelation are present. To overcome these econometric problems, the present study uses panel corrected standard errors (PCSE) which is a suitable estimator that adjusts autocorrelation, heteroscedasticity, and cross-section dependence (Singla, 2020; Mnif & Imen, 2020; Carl et al., 2020).

Prais-Winsten regression, correlated panels corrected standard errors (PCSEs)

Dependent variables	**Explanatory Variables**	**Coef.**	**St.Err.**	**p-value**	**Sig**
CSR	BS	0.004	0.002	0.033	**
	BI	-0.032	0.01	0.002	***
	GEN	-0.002	0.004	0.69	
	Duality	-0.002	0.004	0.629	
	CO	-0.015	0.011	0.159	
	FO	0.001	0.013	0.935	
	MO	-0.052	0.024	0.031	**
	FS	0.024	0.004	0	***
	AGE	0.0002	0.0001	0.904	
	Constant	-0.159	0.071	0.025	**
	Chi-square	**100.67 (0.00)**			
	R-squared	**67.00%**			
	N	**624**			

Table VI **** p<.01, ** p<.05, * p<.1*

Table **VI** shows the results of empirical research of corporate governance mechanisms on CSR disclosure. Table **VI** presents the findings of the PCSE regression. As seen in Table **VI** the Wald chi2 with p_value 0.000 indicates acceptance of the statistical model.

Table **VI** showed that there is a significant positive relationship between board size and CSR disclosure where (Coef. = 0.004, Sig = 0.00). Accordingly, H1 is supported. This finding is in the line with agency theory which argues that a larger board makes management more accountable and transparent (Harun et al., 2020). Coffie et al. (2017). Also, Table **VI** also showed that there is a significant negative relationship between board independence and CSR disclosure where (Coef. = -0.03, Sig = 0.00). Thus, H2 is rejected. This finding is in the line with previous studies (Abu Qa'dan & Suwaidan, 2019; Bansal et al., 2018), while it is contradicted with agency theory assumption and it could be attributed to the possibility that the appointment of independent directors in developing countries such as Jordan could be based on the personal relationship instead of experience or qualification (Alsartawi, 2019).

The findings regarding the presence of female on board showed that there is no relationship between that the presence of female on board and CSR disclosure. Thus, H3 is not supported.

The finding is contradicted by the resource dependence theory assumption (Agyemang-Mintah & Schadewitz, 2019), while consistent with prior studies (Majumder et al., 2017). The current study contends that the experience of board directors is critical more than the gender of board directors. Furthermore, Table **VI** showed no significant relationship between CEO duality and CSR disclosure. Accordingly, H4 is not supported. This finding is in the line with previous studies (Abdul Razak & Mustapha, 2013; Khan et al., 2013). Regarding concentration ownership, the result indicated that there is no significant relationship between concentration ownership and CSR disclosure. Thus, H5 is rejected. Although ownership concentration is high in Jordanian firms, the negative effect is not significant. This finding is contradicted by previous studies (Rehan & Javaid, 2019; Fallah & Mojarrad 2018; Ananzeh, 2021), but it is consistent with prior studies (Eng & Mak, 2003).

Table **VI** shows that there is a statistically negative relationship between managerial ownership and CSR disclosure where (Coef. = -0.052, Sig = 0.03). Therefore, H6 is accepted. This finding suggests that when managerial ownership increases, CSR disclosure will be decreased. This finding is contradicted by agency theory (Jensen & Meckling, 1976), but it is consistent with previous studies which argued firm with managerial ownership has small accountability to the public (Majumder et al., 2017; Eng & Mak, 2003). Moreover, Table **VI** indicated that there is no significant relationship between family ownership and CSR disclosure where. Therefore, H7 is accepted. This finding is in the line with previous studies which argued that families often regard their firms as an extension of the family (Dyer & Whetten, 2006). Therefore, Firms seek to establish a solid reputation and obtain the community's respect over time by offering more information on CSR (Zellweger et al., 2012). Moving to control variables, Table **VI** showed a positive and significant relationship between firm size and CSR disclosure. While Table **VI** showed there is no relationship between firm age and CSR disclosure.

4. Discussion, Implications, Recommendations, and Future Research

The theoretical and empirical literature on how corporate governance influences CSR disclosure is inconsistent, and the body of knowledge on corporate governance in general, particularly in Jordan, is scant and insufficient. Consequently, this study investigated the effect of the corporate governance mechanisms (board size, board independence, CEO duality, gender, managerial ownership, family ownership, and concentration ownership) on CSR disclosure. The research is quantitative in nature, based on 78 firms listed in ASE for 8 years from 2012 to 2019, for a total of 624 observations. The first objective of the current study is to add to an important and current debate about CSR disclosure status in Jordan.

The current study shows a low level of CSR compared with studies conducted in Jordan about 27 percent. This finding is acceptable when compared to other studies, such as Abu Qa’dan and Suwaidan (2019), who found that CSRD is about 30 percent in Jordanian firms. Ananzeh (2021) also found that Jordanian firms, on average, disclosed 29 percent of the items. These outcomes are hardly a surprise because Jordan's disclosure laws do not meet the requirements for full disclosures. On other hand, this outcome average is less than the average results conducted in developing countries. For instance, a study by Rehman et al. (2020) reported 57 percent of CSRD in Pakistani firms. Moreover, Platonova et al. (2018) reported 49 in GCC Islamic banking.

The second objective of the current study is to investigate whether there is a relationship between corporate governance mechanisms and CSR disclosure in Jordanian firms. The study documented that board size affects positively CSR disclosure, this result supports the argument that indicated larger board may reduce conflicts between managers and shareholders (Nor et al., 2017). Accordingly, it can be reflected in enhanced firm disclosures by management (Harun et al., 2020). However, this result contradicted the results of previous studies (Shahid et al., 2020; Aslam & Haron, 2021). While board independence affects negatively CSR disclosure. This result is consistent with previous studies arguing that independent directors raise coordination problems among members, thus resulting in lower CSR disclosure (Abu Qa'dan & Suwaidan, 2019; Bansal et al., 2018). However, this result is contradicted with previous studies (Rouf & Hossan, 2020; Giannarakis, 2014). Similarly, the result indicated that managerial ownership affects negatively CSR disclosure. This result is consistent with prior studies arguing that high managerial ownership seeks to maximize their interests rather than the interests of stakeholders (Khan et al., 2013; Mohammadi et al., 2020; Ullah et al., 2019). On another hand, the study found that the presence female in board, family ownership, CEO duality, and concentration ownership do not affect CSR disclosure. These results are in the line previous studies (Salehi et al., 2017; Eng & Mak, 2003; Khan et al., 2013). The findings are significant to authorities in Jordan. They should enact legislation that may encourage firms to disclose more concerning social information because of its positive effects, by enhancing the firm's image and increasing the loyalty of the customer to the firm. The current study has a number of limitations, just like any other study, which must be taken into account. First, only companies listed in the ASE were investigated for this study. As a result, the results may only be generalizable to public firms and cannot be applied to unlisted firms. Accordingly, future studies may include the financial and insurance sectors. Second, the study only investigated the 2012-2019 period, therefore future studies may investigate another period.

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