

Fifth, results from this study found that Islamic CSR was ignored by Jordanian companies. Future studies should highlight and focus on Islamic CSR to determine why companies listed on ASE do not disclose information related to Islamic CSR.

Sixth, the factors that influence the level of CSR disclosure are not limited to the variables used in the current study. Future studies might be extended by including other variables such as cognitive characteristics, which consider board diversity but less-observable attributes (such as, education, skill, knowledge, tenure, professional background, and personality characteristics). Other variables could be also considered, such as cultural factors.

Seventh, since this study examines the quantity of CSR disclosure, the result may not give a complete picture of CSR disclosure practices in Jordan. Hence, it would be worthwhile for future research to investigate the quality of CSR disclosure.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

The previous chapter presented the data analysis and finding of the hypotheses testing and provided a detailed discussion of the findings. This chapter begins by presenting the conclusions of this study and discusses the theoretical, economic, managerial, policy and regulation implications of the findings. This is followed by a discussion of the limitations of the study whilst suggesting possible areas for future research on CSR disclosure.

6.2 CONCLUSIONS

Much attention has been given to the CSR issue in Jordan. Such attention is derived from the importance of CSR disclosure as channels to attract foreign direct investment. Based on this fact, this study aims to examine the disclosure practice of CSR amongst Jordanian listed companies. In particular, this study empirically examines the influence of corporate governance mechanisms and board diversity characteristics on the level of CSR disclosures in the annual reports of the Jordanian listed companies.

On the whole, this study concludes that almost all Jordanian companies in the sample disclosed some form of CSR information in their annual reports. In addition, we conclude that the level of CSR disclosure in Jordan in terms of the amount of disclosure is high with a mean of 76.38 sentences, while the CSR disclosure index is moderate with an average of 30% of the checklist items. This finding indicates an improvement in the disclosure practice of Jordanian companies especially after implementing the corporate governance code where, the result show a significant increase in the level CSR reporting from the pre-to the post-regulation year. This highlights the powerful governance regulations in Jordan in improving the level of CSR disclosure in the annual reports. The study revealed that Jordanian companies are more concerned with disclosing information related to employees since the majority of items related to this information are a mandatory disclosure requirement. Such information is considered by managers as the most valuable asset because, employee related disclosures led to increase employee loyalty and may use as a signal to stakeholders to enhance a firm image and to response to the public pressure. This is followed by product and service information, community involvement information and environmental information. In contrast, Jordanian companies were not concerned with Islamic CSR as only one company disclosed information pertaining to this theme.

The results provide evidence that board diversity characteristics play an important role in determining the level of CSR disclosure. Three board diversity variables namely, independent directors, foreign board members and woman director, were found to have a significant impact in explaining the level of CSR disclosure in Jordan. This implies that companies with a higher proportion of board diversity are more

likely to have a higher level of CSR disclosure. Board diversity will bring new insights and perspectives to the firm, which lead to better decision-making. However, young directors were found to have no significant relationship with the level of CSR disclosure. Additionally, findings on the corporate governance variables suggest that only an audit committee is positively related to the level of CSR. This implies that the greater the number of independent directors sitting on an audit committee, the higher the level of CSR disclosure. On the other hand, family members on the board, multiple directorships, and CEO duality did not show any significant relationship with CSR disclosure.

The evidence to support the moderating effect of the board size on the relationships between the governance and board diversity characteristics with the level of CSR reporting were weak. The results failed to find any moderate effect of board size on all board diversity variables with CSR disclosure. However, there was a significant moderating effect with corporate governance mechanisms, except family members on the board. This result imply that CEO duality, independent audit committee, and multiple directorships serving on large boards tend to disclose more CSR information rather than on small boards.

The current study contributes to the existing literature of CSR disclosure in Jordan. The main contribution is its being the first study to empirically address corporate governance characteristics, specifically board diversity, on CSR disclosure in Jordan especially, after implementing the corporate governance code. This study also offers significant contributions to existing CSR literature by introducing new variables such as female directors, which is an important factor that may influence the disclose

information related to CSR. As far as this researcher is aware, no study has previously examined this variable in Jordan or among other Arabic and MENA-region countries.

6.3 IMPLICATIONS OF THE STUDY

6.3.1 Implications for Policy Makers and Regulators

This study may have potential policy and regulation implications.

1. Results from this study indicate that the woman directors have a greater influence on CSR disclosure. Despite the significant effect of woman directors on CSR, the representation of women in the boardroom remains low in Jordan. Such findings may attract the attention of different policy makers by providing them with valuable insights which help them to understand the importance of gender diversity on the board. Accordingly, the results will encourage the policy makers in Jordan to adopt policies in this regard such as the implementation of quotas for women in the boardroom. Adopting such policies will increase the participation of women in the decision making of the companies and reduce gender bias since there is discrimination against women in the workplace in Jordan.

2. Another possible implication concerns Islamic CSR. The result from this study indicated the absence of Islamic CSR practice of Jordanian listed companies. This result will open the door for regulators and managers in Jordan to rethink this matter by integrating and embedding Islamic CSR into CSR guidelines and practices in Jordan. This is necessary to better meet the needs of Muslim stakeholders, specifically

Muslim investors and facilitate better religious and economic decisions. It is high time we improve Islamic CSR in Jordan, since it plans to introduce *Shariah*-compliant companies in ASE.

3. One of the most notable finding in this study is a significant increase in the level of CSR disclosure from the pre (before CG code) to the post (after CG code) regulation periods. Regulators in Jordan should focus on enhancing and strengthening the regulations related to corporate governance. In this regard, the Jordan Securities Commission (JSC) and Amman Stock Exchange (ASE) should emphasise the skills of the board members through developing a mandatory programme for training and education for directors to enhance their skills and knowledge of corporate governance and CSR, since the foreign directors tend to disclose more information of CSR rather than Jordanian directors. Moreover, such kind of programme might also be useful for companies that not complying with regulation by increases the directors' awareness of the importance of adopting CSR and governance policy in the companies.

6.3.2 Implications for Theory

The results of this study imply that there is no specific theory to explain and support the CSR practices in Jordanian companies. As mentioned in Chapter 4, no single theory is adopted in this study. Resource dependence theory has been introduced as a possible explanation of the relationship between board diversity and CSR disclosure. While, agency theory has been employed as a possible explanation of corporate governance mechanisms in relation with CSR disclosure. In general, the findings of this study imply that board diversity characteristics have a positive impact on the level

of CSR disclosure. This result provides a good explanation that is supported by resource dependence theory. According to this theory, board diversity will increase the resources provided by board members, and consequently provide unique information to the management for better decision-making thereby improving CSR disclosure.

In terms of corporate governance mechanisms, agency theory does not appear to explain and support corporate governance mechanisms. This is because agency theory focuses on economic activities rather than social activities. This theory fails to account for non-financial motivations for suppressing disclosure (Okcabol and Tinker, 1993). Nevertheless, the result indicated that audit committee was found to be strongly explained by this theory. It suggests that the presence of independent directors on an audit committee will reduce agency costs (Forker, 1992) and improve internal control (Ho and Wong, 2001) and support the owners in monitoring the managers' activities. Hence, disclosing CSR information as indicators can ensure the objectivity of the audit committee for financial reporting (Khan et al., 2012).

The result also indicated that some variables may be explained by both theories. For example, the result found a positive impact of independent directors on the CSR disclosure and this could be explained from different theoretical perspectives. From the resource dependence perspective, independent directors provide resources, information, skill, and legitimacy to the board (Hillman et al., 2000), which in turn will enhance the board's decisions and add value to both the firm and the community. Therefore, they disclose CSR as good news to reflect the good reputation of the company. From an agency perspective, independent directors improve the monitoring

function because they are able to do their duties on behalf of the shareholders, and are less likely to be manipulated by the CEO (Webb, 2004). Therefore, independent directors tend to provide more voluntary disclosures to reduce the information asymmetry between shareholders and managers and reduce litigation risk. A major theoretical implication of this study is that agency theory is an applicable theory to address the principal-agency problem, which arises as a result of the separation of management. This could be through focus on the independence of board member as well as audit committee. Thus, this study established the argument that independent directors and audit committee is a powerful governance mechanisms to reduce agency problem by disclosure more information.

6.3.3 Economic Implications

The findings of this study have significant economic implications. As the main purpose of CSR in Jordan is to attract foreign investment, the results indicated that foreign directors play an important role on improving the CSR disclosure in Jordan. In this regard, foreign directors may be viewed as valuable resources using for attracting foreign investors. This is because foreign board members can remove the barriers to cross-border investment since they have connections to a wide variety of networks and constituencies such as suppliers, customers, and investors. Moreover, foreign board members are seen as a signal to foreign investors that the company is properly monitored and managed professionally in their best interests (Oxelheim and Randøy, 2003). Therefore, the appointment of foreign directors in Jordanian companies should be encouraged because they will benefit the Jordanian economy by capitalising on

investment opportunities which in turn leads to a positive impact on economic growth.

6.3.4 Managerial Implications

Firms also learn and benefit from the findings of this study. The results provide valuable insights to the management wishing to enhance the CSR and governance quality. The CSR themes and items of this study may serve as a useful guideline for implementing CSR disclosure practices, since there is an absence of a guideline of best disclosure practices in Jordan. Moreover, the findings of this study may help managers better understand how characteristics of board diversity and governance structure affect CSR and more importantly, to identify which of these characteristics are more powerful in the monitoring function and determine CSR. In this context, firms must ensure the independence of the board member as well as audit committee and ensure the diversity of board members. Employing such mechanisms for the appointment of board members will lead to better governance and CSR disclosure which in turn bring benefit to companies such as improving financial performance, enhancing the corporate image and reputation, and increasing customer loyalty, productivity, and quality.

Based on the results of this thesis, companies in Jordan are not concerned with disclosing information related to environmental issues and Islamic CSR. The management must shed light on these issues and take the necessary actions for disclosing additional information in order to meet the needs of various stakeholders, especially Muslims.

The findings of this study might also be useful to the professional accounting body, represented by the Jordanian Association of Certified Public Accountants (JACPA). The study may help the professional accounting body to evaluate the CSR and governance practices in Jordan. It may encourage them to adopt guidelines for improved CSR disclosure practices. The adoption of guidelines is better rather than leaving it to management decision. This will help reduce variations in disclosures especially between first and second markets as well as between industry types. Moreover, JACPA should improve its members and the audit profession through providing training and awareness and regularly update its members with all requirements and standards related to corporate governance and disclosure in order to enhance the quality of accounting measurement and information disclosure.

6.4 LIMITATIONS

Like any other study, this study is subject to a certain number of limitations that need to be considered. **First**, this study focused only on the CSR disclosure in annual reports. Although annual reports in Jordan are considered to be the main data source for CSR information (Abu-Baker and Naser, 2000), CSR disclosure may also be provided via other channels such as internet websites, media releases, newspaper advertisements and company brochures. However, such information sources were not included in this study because it is difficult to obtain such information for all companies since, the information provided by these media is affected by timing of events, this leads to less accessibility and availability, compared to annual reports which are required to be issued by companies on a yearly basis.

Second, this study examined only the companies listed on the Amman stock exchange (ASE). Therefore, the generalisations might be limited to listed companies and might not be generalised to non-listed companies because there are differences in characteristic, legislation, and regulations between those companies such as ownership structure and corporate governance system. Listed companies were only selected in this study because investors are more willing to invest in the listed companies rather than unlisted. Moreover, information disclosed by listed companies have a high standard of availability, quality, and credibility.

Third, the study only investigated the quantity of CSR disclosure rather than quality. Ignoring quality of disclosure may lead to an incomplete picture of CSR. Nevertheless evaluating only the quantity of disclosure seems reasonable as the debate of CSR in Jordan is still focused on quantity. In addition, the quantity of CSR disclosures may reflect the disclosure's quality (Deegan and Gordon, 1996), with little difference between CSR quality and the quantity (Gunawan, 2010).

6.5 FUTURE RESEARCH

The following are some suggestions to be considered for future research regarding CSR disclosure.

First, the current study used annual reports as a channel of CSR disclosure. Future research may consider other forms of information especially companies' website which become more broadly used in some companies. There is an increasing trend of

reporting CSR via the internet due to greater demand by stakeholders due to the rapid developments in communications and technology.

Second, the study has investigated CSR disclosure over four years; two years before implementing CG code and two years after implementing the CG code. Future research should examine the level of CSR disclosure over a longer period. As the code is newly emerged in Jordan, companies need time to comply with the new legislative and regulations. This will allow evaluating the relationship between corporate governance on the CSR level more effectively.

Third, instead of considering only companies listed on the ASE, it would be useful for future studies to examine the CSR disclosure for non-listed companies especially after establishing the new CG code by Companies Control Department for those companies not listed on the ASE which include private shareholding companies and limited liability companies. This could enable investors and other stakeholders to assess the governance system and corporate reporting behaviour for those companies while also allowing a comparison possible between such companies and listed companies.

Fourth, this study could also be replicated in the context of Arab countries. In addition, comparative studies can be conducted between countries that have similar characteristics. Such studies would be useful and may provide further insights. Such studies would be useful since the results can be further confirmed and may provide further insights on CSR practices, and assess the role of board diversity and governance system in Arab countries especially, Gulf countries which have a high standard of economic development.