

**BOARD DIVERSITY, CORPORATE GOVERNANCE
MECHANISM AND CORPORATE SOCIAL RESPONSIBILITY
DISCLOSURE OF JORDANIAN LISTED COMPANIES**

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AUTHOR DECLARATION

I hereby declare that the work in this thesis is my own except for quotation and summaries which have been duly acknowledged.

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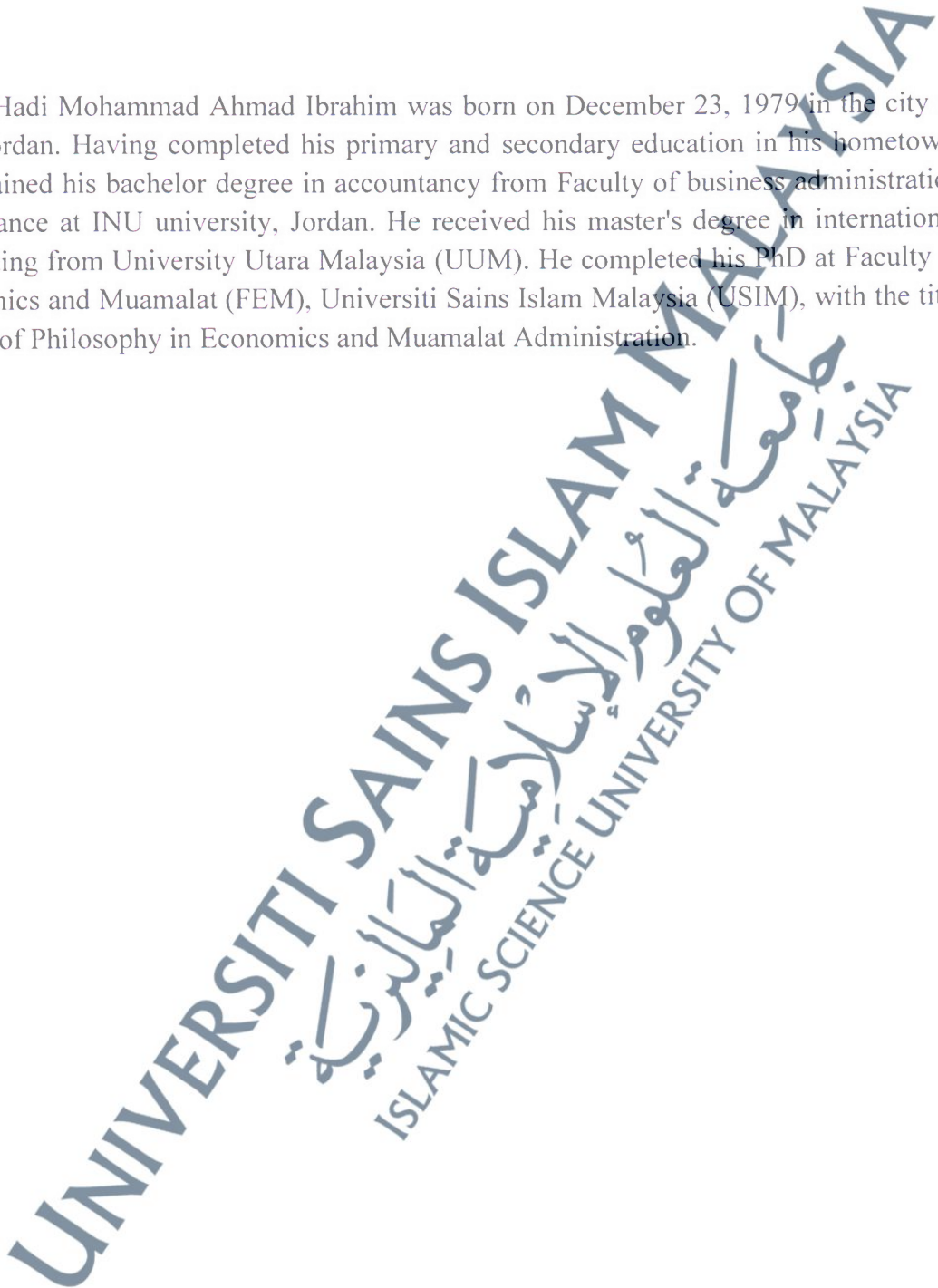
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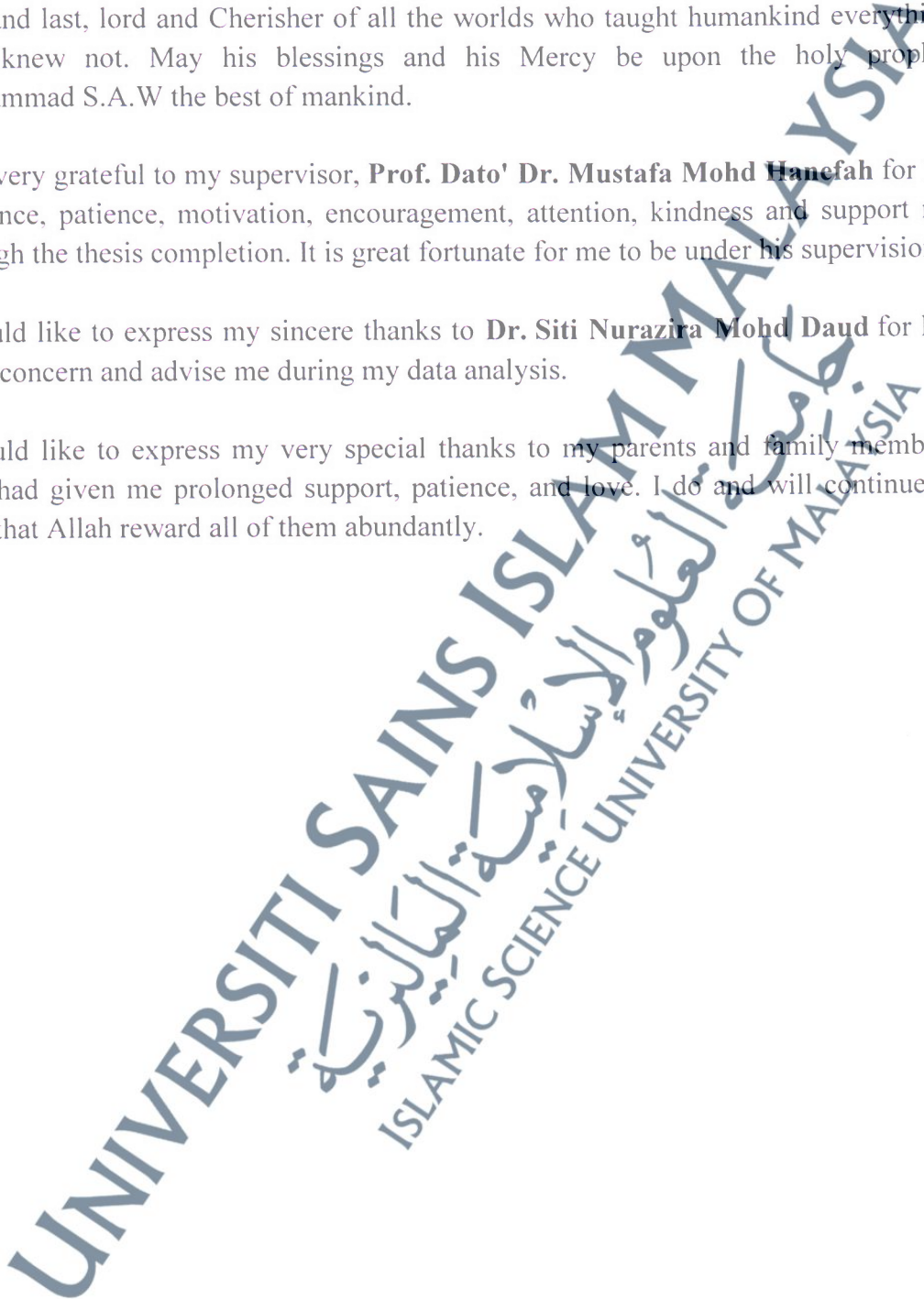
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In the name of Allah, Most Beneficent and Most Merciful, Praise and thanks to Allah, first and last, lord and Cherisher of all the worlds who taught humankind everything they knew not. May his blessings and his Mercy be upon the holy prophet Muhammad S.A.W the best of mankind.

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DEDICATION

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

(وَاحْفَظْ لَهُمَا جَنَاحَ الدَّلِّ مِنَ الرَّحْمَةِ وَقُلْ رَبِّ ارْحَمْهُمَا كَمَا رَبَّيْتَنِي صَغِيرًا)

To My Mother and My Father

Thank You for Your Support and Sacrifice

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ABSTRAK

Pendedahan tanggungjawab sosial korporat (CSR) merupakan isu penting dalam penyelidikan perakaunan kontemporari disebabkan oleh peningkatan permintaan maklumat tersebut oleh pihak berkepentingan, terutamanya pelabur. Tesis ini menilai sejauh mana pendedahan CSR dalam laporan tahunan syarikat tersenarai Jordan. Lebih penting lagi, tesis ini bertujuan mengkaji hubungan antara mekanisme tadbir urus korporat dan ciri-ciri kepelbagaian lembaga dengan tahap pendedahan CSR. Selain itu, ia juga meneliti sama ada kesan daripada faktor-faktor ini ke atas pendedahan CSR disederhanakan oleh saiz lembaga. Tesis ini menggunakan 117 sampel syarikat Jordan yang dipilih daripada pasaran pertama dan kedua Bursa Saham Amman (ASE) bagi tempoh 2007-2011. Pendedahan CSR diukur melalui jumlah ayat serta skor indeks pendedahan. Hasil analisis data panel menunjukkan peningkatan dalam tahap pendedahan CSR oleh syarikat-syarikat Jordan. Hasil kajian juga menunjukkan bahawa jumlah CSR yang didedahkan adalah tinggi manakala sifat butiran pendedahan adalah agak sederhana. Pendedahan mengenai maklumat pekerja didapati merupakan tema yang paling biasa didedahkan dalam tempoh kajian ini, tetapi apa yang mengejutkan ialah maklumat CSR dari perspektif Islam didedahkan oleh satu syarikat sahaja. Tema ini merupakan yang terendah dalam kalangan semua tema yang dikaji. Hasil penyelidikan ini juga mendedahkan perkaitan positif dan ketara antara tahap pendedahan CSR dan empat pemboleh ubah (pengarah-pengarah wanita, ahli-ahli lembaga asing, pengarah bebas dan jawatankuasa audit). Sebaliknya, tidak ada perkaitan yang ketara ditemui antara pengarah-pengarah muda, anggota keluarga sebagai lembaga, pengarah berbilang syarikat, dan keduaan Ketua Pegawai Eksekutif dengan tahap pendedahan CSR. Menariknya, keputusan analisis kesan penyederhanaan menunjukkan bahawa saiz lembaga mempunyai kesan penyederhanaan ketara ke atas hubungan antara (keduaan Ketua Pegawai Eksekutif, jawatankuasa audit dan pengarah berbilang syarikat) dan tahap pendedahan CSR. Hasil kajian ini penting bagi pembuat dasar dan pengawal selia Jordan terutamanya mengenai kepentingan peraturan tadbir urus korporat dan kepelbagaian lembaga untuk meningkatkan aktiviti-aktiviti CSR bagi syarikat yang menjadi sampel. Penggubal dasar dan badan-badan kawal selia di Jordan perlu memberi tumpuan kepada cara untuk meningkatkan dan mengukuhkan peraturan tadbir urus korporat. Selain itu, penggubal dasar di Jordan dan di negara-negara Arab yang lain perlu mewujudkan kuota untuk wanita dalam pengarah lembaga. Ini akan meningkatkan penyertaan wanita dalam proses membuat keputusan syarikat di samping mengurangkan sikap berat sebelah terhadap jantina.

ABSTRACT

Corporate social responsibility (CSR) disclosure is an important issue in contemporary accounting research due to the increased demand of such information by stakeholders, especially investor. This thesis assesses the extent of CSR disclosure in the annual reports of Jordanian listed companies. More importantly, this thesis seeks to investigate the relationship between corporate governance mechanisms and board diversity characteristics with the level of CSR disclosure. Additionally, it examines whether the impact of these factors on CSR disclosure is moderated by board size. This thesis used a sample of 117 Jordanian companies chosen from the first and second markets of the Amman Stock Exchange (ASE) for the 2007-2011 period. The CSR disclosure is measured by the number of sentences as well as in terms of disclosure index score. The results of panel data analysis show an improvement in the level of CSR disclosure by Jordanian companies. The result also indicates that the amount of CSR disclosed is high while the natures of disclosure items are rather moderate. Disclosure about employee information were found to be the most common theme disclosed over the study period, but what is surprising is that Islamic CSR information was only disclosed by one company. This theme was found to be the lowest among all themes studied. Results also revealed a positive and significant association between the level of CSR disclosure and four variables (women directors, foreign board members, independent directors and audit committee). In contrast, no significant association was found between young directors, family members on the board, multiple directorships, and CEO duality with the level of CSR disclosure. Interestingly, the result of moderating effect analysis indicated that board size has a significant moderating effect on the relationship between (CEO duality, audit committee and multiple directorships) and the level of CSR disclosure. The findings of this study are important for Jordanian policymakers and regulators especially concerning the importance of corporate governance regulations and board diversity for improving the CSR activities of the sampled companies. Policy makers and regulatory bodies in Jordan should focus on how to enhance and strengthen corporate governance regulations. Additionally, policymakers in Jordan and in other Arab countries should implement quotas for women in the boardroom. This will increase the participation of women in the decision making process of companies whilst also reducing gender bias.

ملخص الدراسة

يعتبر الإفصاح عن المسؤولية الاجتماعية من المسائل المهمة في الأبحاث المحاسبية وذلك بسبب تزايد الحاجة من قبل أصحاب المصالح وخاصة المستثمرون على مثل هذا النوع من الإفصاح. هذه الأطروحة تهدف الى تقييم الإفصاح عن المسؤولية الاجتماعية في الشركات الاردنية المدرجة في بورصة عمان، وتهدف هذه الأطروحة ايضا الى دراسة العلاقة بين خصائص حوكمة الشركات والتنوع في مجلس الادارة بمستوى الإفصاح عن المسؤولية الاجتماعية، بالإضافة الى انها تهدف الى دراسة اثر حجم مجلس الادارة في توسط العلاقة بين هذه العوامل والإفصاح. تتكون عينة هذه الدراسة من 117 شركة مدرجة اختيرت من السوق الاول والثاني للفترة الزمنية من 2007 الى 2011. عدد الجمل ومؤشر الإفصاح استخدم لقياس مستوى الإفصاح. اشارت نتائج تحليل السلاسل الزمنية المقطعية الى تحسن مستوى الإفصاح في الشركات الاردنية، كما ودلت النتائج على ان مستوى الإفصاح كان عال بالنسبة لحجم الإفصاح ومتوسط بالنسبة لطبيعة البنود التي تم الإفصاح عنها. وقد اشارت النتائج الى ان الإفصاح عن المعلومات المتعلقة بالموظفين كان عال واعتبر اكثر البنود افصاح، ولكن المستغرب هو ان الإفصاح عن المسؤولية الاجتماعية المتعلقة بالانشطة الاسلامية كان منخفض وقد اعتبر اقل البنود افصاحا في هذه الدراسة، اذ تم الإفصاح عنه فقط من قبل شركة واحدة. وقد اظهرت النتائج ايضا وجود علاقة ايجابية بين اعضاء مجلس الادارة الاناث والمستقلين والاجانب بالإضافة الى لجنة التدقيق بالإفصاح عن المسؤولية الاجتماعية. كما وظهرت النتائج الى وجود تأثير ايجابي لحجم مجلس الادارة على توسط العلاقة بين لجنة التدقيق، ازدواجية دور المدير التنفيذي، والاعضاء المنتسبين الى عدة مجالس ادراة) بمستوى الإفصاح عن المسؤولية الاجتماعية. تعتبر نتائج هذه الدراسة مهمة لصانعي السياسات والمنظمين في الاردن وخاصة فيما يتعلق بأهمية أنظمة حوكمة الشركات والتنوع في مجلس الادارة لتحسين أنشطة المسؤولية الاجتماعية للشركات وبناء على هذه النتائج، ينبغي لصانعي السياسات والهيئات التنظيمية في الأردن التركيز على كيفية تعزيز وتقوية أنظمة حوكمة الشركات. بالإضافة إلى ذلك، يتعين على صناع القرار في الأردن والدول العربية الأخرى تنفيذ حصص للنساء في مجلس الإدارة. تبني مثل هذه السياسات سيؤدي إلى زيادة مشاركة المرأة في عملية صنع القرار والحد من التحيز ضد المرأة.

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GLOSSARY

Islamic term	Meaning
<i>Allah</i>	The Arabic name of God.
<i>Hadith</i>	A record of the sayings and living example of the Prophet Muhammad (pbuh), referred to as the Sunnah.
<i>halal</i>	Is something that is lawful and permissible to use/consume in Islam
<i>haram</i>	Unlawful in Islam and activities which are explicitly prohibited by The Qur'an or the Sunnah
<i>Qard al Hassan</i>	A loan which is returned at the end of the agreed period without any interest or share in the profit or loss of the business
Qur'an	is the Holy Book, the Living Miracle, revealed from Allah as a guidance to mankind
<i>Riba</i>	Interest, it denotes any increase or addition to capital obtained by the lender as a condition of the loan.
<i>sadaqah</i>	is the charity given to the poor
<i>shari'ah</i>	Refers to the rulings contained in and derived from The Quran and the Sunnah These cover every action performed by an individual or a society.
<i>Tawhid</i>	Oneness of God. The Divine Unity. Allah is One in His Essence and His Attributes and His Acts. The centermost concept of Islam.
<i>waqf</i>	An endowment of money or property; the return or yield is typically dedicated toward a certain end
<i>zakat</i>	is an obligatory charity that every Muslim must give and one of the five pillars of Islam

ABBREVIATIONS

Acronym	Definition
ACGA	Asian Corporate Governance Association
ASE	Amman Stock Exchange
BCBS	Basle Committee on Banking Supervision
CEO	Chief Executive Officer
CG	Corporate Governance
CSR	Corporate Social Responsibility
CSRDA	Corporate Social Responsibility Disclosure Amount
CSRDI	Corporate Social Responsibility Disclosure Index
CSRR	Corporate Social Responsibility Reporting
CWDI	Corporate Women Directors International
DOS	Department of Statistics
FEM	Fixed Effects Model
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
ISA	International Standards Accounting
JACPA	Jordanian Association of Certified Public Accountants
JD	Jordanian Dinar
JSC	Jordan Securities Commission
MENA	Middle East and North Africa
MMR	Moderated Multiple Regression
OECD	Organization for Economic Co-operation and Development
OLS	Ordinary Least Square
REM	Random Effect Model
SDC	Securities Depository Centre
UNDP	United Nations Development Program
WTO	World Trade Organization