

Chapter 12

The Role of Governance Attributes in Corporate Social Responsibility (CSR) Practices Evidence From Jordan

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ABSTRACT

The importance of information disclosure is increasing for stakeholders, mainly the non-financial disclosure, and the primary objective of the current study is to investigate the impact of a set of governance attributes on the level of corporate social responsibility disclosure in the Jordanian context. The study sample consisted of 51 industrial companies listed during 2012 to 2017; a set of statistical analyzes were used, such as descriptive statistics and multiple regression. Empirical evidence shows that the board size and audit committee play a crucial role in the social responsibility disclosure, while other factors (board activity, board compensation, non-executive directors, and audit company type) have no effect on disclosure. The findings are expected to have potential effects on the capital market in Jordan in terms of focusing on the strengths that support the social responsibility disclosure and the development of guidelines that contribute to promoting a disclosure culture between the listed companies, which support government plans in achieving sustainability.

INTRODUCTION

Recently, Non-financial reporting and disclosures has received widespread attention from many stakeholders, mainly societies, government agencies, investors, and shareholders. Attention comes in light of increased international interest in issues related to sustainability, including corporate social responsibility. Sheehy (2015) defined corporate social responsibility as “a type of international private business self-regulation”. In addition, Carrell (1979) defined CSR as “The social responsibility of business en-

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compasses the economic, legal, ethical, and discretionary expectations that society has of organizations at any given point in time". In this context, Tilt (2009) provided a definition of social accounting as "the communication of social and environmental effects of a company's economic actions to particular interest groups within society and to society at large". It is noted from the previous definitions that social responsibility relates to two parties, the companies and the relevant stakeholders.

Companies should look more broadly outside the scope of the idea of achieving profits only, as they must engage more in activities related to social responsibility and disclose their contribution in order to improve their image in front of different stakeholders and meet their different demands and needs. On the other hand, stakeholders' awareness of their rights also contributed to pressuring companies to consider their information needs (Md Zaini, Samkin, Sharma, & Davey, 2018). On the other hand, many companies are trying to show their contribution through disclosure, either in their annual reports or in other available means of disclosure, which aim to being more involved in the social contract (ElHawary & Arafa, 2018). In this respect, companies began to deal with the social responsibility agenda as an obligation towards stakeholders and response to their expectations (Hamrouni et al. 2019).

Developing countries like Jordan need many of these initiatives related to social responsibility. Where that is known that the developing countries face great difficulties in sustainable development (Roseland, 2000), where Jordan is currently suffering from internal and external crises, such as the humanitarian asylum crisis which led to an increase in the population of the country, and the crises in the countries around Jordan, which affected the level of exports significantly. All of this led to major negative social and economic impacts. As for internal challenges, there are limited natural resources, the existence of financial and administrative corruption, high rates of tax evasion, in addition to unemployment and poverty rates that are increasing year after year. In 2015, the government launched an initiative called Jordan Vision 2025, which is related to achieving the goals of sustainable development and accelerating the pace of development in the economic, social and environmental fields in Jordan.

In the laws governing the capital markets in Jordan (Amman Stock Exchange and the Jordan Securities Commission) there is no clear obligation for companies to disclose information related to corporate social responsibility (CSR). As Article 5 of Chapter Five of the disclosure and transparency states: "The company shall disclose its policy regarding the local community and the environment" (Jordan Securities Commission, 2009). On the other hand, laws require companies to disclose their non-social contribution through an explicit text stating that there are no environmental or social contributions of the company.

The purpose of this chapter is to know the impact of factors related to corporate governance attributes as potential determinants of disclosure of social responsibility for Jordanian industrial companies listed on the Amman Stock Exchange during the period from 2012 to 2017. The study is primarily concerned with investigating a level of disclosure of social responsibility among the Jordanian industrial companies listed. Secondly, the main objective of this study is to investigate the impact of the factors related to governance. Corporate governance is likely to play a critical role in improving the quality of disclosures in corporate financial reporting (Basuony et al. 2018), which is (the audit committee, non-executive directors, board compensation, board size, board activity and audit company type) on the level of disclosure of social responsibility. Jordan is also seen as an important model for neighboring countries, as it shares many characteristics with these countries, such as religion, culture and economic conditions (Alshhadat, 2017), and the results of this study can be generalized to the countries surrounding Jordan.

Accordingly, the first research question will study the level of disclosure of social responsibility, while our second research question will study the governance attributes and its role of social responsibility disclosure. The results of the study will give an insight into the policy makers and relevant government

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