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Does corporate governance affect corporate social responsibility?

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A B S T R A C T

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This research aimed to examine the impact of corporate governance on the corporate social responsibility of the Jordanian companies listed on the Amman stock exchange. Using a dynamic panel system, the current investigation of 65 Jordanians uses GMM estimation for the years 2018 to 2022. Corporate social responsibility has been measured using a corporate social responsibility index. It has 84 items divided into four groups: employee activity items, environmental items, objects related to society and the items related to customers are in the last group. The study concluded that Jordan demonstrated a substantial level of corporate social responsibility in keeping with Jordan's expanding understanding of and practice of corporate governance. Specifically, this study indicated that board meetings, foreign ownership, and block holder ownership significantly influenced corporate social responsibility. Our study's findings should interest policymakers as well as regulators in nations with similar business ownership and regulatory regimes. This study contributes to addressing an oversight in the literature on social responsibility studies as well as corporate governance characteristics. As a result, this paper provides useful information and insights for businesses and regulators seeking to increase the impact of social responsibility on their businesses through a focus on corporate governance excellence.

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1. Introduction

Agency theory, which featured a conflict of interest between the company's management, investors, and all other stakeholders, gave rise to the concept of corporate governance, which demonstrated the need to enact laws and rules regulating the relationship between different parties interested in companies. Therefore, the 1987 founding of the American Institute of Certified Public Accountants by establishing the Committee for the Protection of Administrative Organizations. Following the advent of financial crises brought on by the insolvency of numerous large corporations in the USA in 2001, corporate governance has attracted a lot of attention. According to several definitions, corporate governance is the process through which enterprises are managed and governed. The Cad- bury Committee is based in the UK. The term social responsibility began in the 1930s, however, the definition was developed in the 1970s to indicate the social role that organizations should play in improving the well-being of society. Most management scholars have unanimously agreed that it is no longer acceptable for any facility to limit itself to making profits, but rather it must bear its responsibility towards society to achieve compatibility between the projects it implements and the environment in which it operates so that it does not cause any harm to this society. The term social responsibility indicates that community organizations of all kinds must stop harm from society or remove this harm if it occurs to them and contribute to serving society and improving the quality of human life for citizens by adhering to laws, ensuring the rights of workers, and preserving the environment. There are several explanations of what corporate social responsibility is, such as: CSR is defined as "the voluntary integration of social and environmental concerns

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into business operations and into their interaction with stakeholders" by the European Commission (2002). Vision, workplace, community relations, marketplace and accountability are the five elements that make up the definition of CSR. According to Vilanova et al. (2009), the organization's vision, for instance, encompasses the idea of corporate social responsibility (CSR), codes and values. Community relations include partnerships with a range of stakeholders, like clients, suppliers, and so on. Labor regulations and human rights are issues at work for the organization. Accountability includes both financial reporting and communicative transparency. Marketplace addresses the relationship between CSR and important business processes like sales and purchasing. Complete definition was put forth by AB Carroll in 1983, who stated that "corporate social responsibility involves the conduct of a business so that it is economically profitable, law-abiding, ethical, and socially supportive" (Carroll, 1983). The CSR philosophy thus establishes the link between a firm and its stakeholders (Alsmadi at al., 2020; Maqbool & Zameer, 2018). Because it can boost a company's competitiveness, CSR is becoming an increasingly important topic for business organizations. This inspired the researcher to investigate how CSR is influenced by corporate governance in publicly traded Jordanian firms' annual reports.

2. Literature review

Corporate social responsibility and governance has received attention recently, especially after the scandals in finance, with a stream of studies and research focusing on the extent to which companies adhere to rules and principles Governance or the level of disclosure of this commitment, as well as social responsibility. CSR refers to a business technique that integrates social and environmental issues into its operations and interactions with various stakeholders. Companies undertaking CSR try to go beyond mere profit making and actively contribute to the proper being of society and the environment. The concept emphasizes ethical behavior, transparency, and sustainable practices to make certain a tremendous effect on each commercial enterprise and the wider community. Corporate Governance (CG) refers to the gadget of guidelines, practices, and processes by which an agency is directed and managed. It entails balancing the hobbies of numerous stakeholders, together with shareholders, management, clients, suppliers, financiers, authorities, and the network. The number one intention of corporate governance is to provide a framework for accomplishing a company's objectives, encompassing strategic courses, powerful decision making, and ethical concerns. This study makes the claim that corporate governance significantly influences improving CSR. Stakeholder and agency theory contend that good company governance has a positive impact on corporate social responsibility.

CSR is a notion that garnered global consideration and gained fresh relevance in the global financial system. The rise in concern for CSR in recent years could be attributed to the entrance into globalization and global interchange, as a result, business complexity has increased, along with new expectations such as greater openness and corporate citizenship. Furthermore, as governments have typically claimed the primary accountability for improving the way individuals live, society's desires have provided governments with the means to do so (Jamali 2006). Schwartz (2011) defines moral duties as standards, norms, and expectations that question what shareholders, employees, consumers, and the network consider fair, simple, and in line with stakeholders' ethical rights. As a result, society expects corporations to be more ethical in their interactions with other parties. Philanthropic duties are the smallest tier of the pyramid, involving a company's voluntary charitable gifts and organizational support to improve the quality of life for its stakeholders. These donations are seen positively by society. Philanthropic duties can sometimes overlap with ethical duties. The distinction is that it is not always obvious as immoral behavior when commercial enterprises do not donate to nonprofit organizations (Carroll, 1991, 1999).

According to Schwartz and Carroll (2003), obstacles in Carroll's (1991) CSR are a pyramid. To begin, the structure of the pyramid represents an order of CSR fields, which suggests that the segment at the top of the pyramid is more essential than the one at the bottom. Carroll apparently did not envisage this type of CSR ranking for her CSR pyramid. Second, the pyramid shape cannot completely represent the intricate connection between the CSR domain names. As a result, they propose an alternate method for conceptualizing social responsibility (CSR), a three-area version (financial issues, criminal and ethical obligations). In this context, the focus is turning to the role that businesses play in society, and organizations are attempting to differentiate themselves by participating in what is referred to as CSR. The World Business Council for Sustainable Development defines CSR as an organization's commitment to long-term economic development through partnerships with employees, their families, and local communities. In general, CSR is a set of rules, regulations, and initiatives that are integrated across business operations and managerial processes with the goal of maximizing the positive effects of the company's activities on society. The findings of Kytle et al. (2005), with the growing complexity of international corporate management, CSR reporting methods have evolved as a crucial management tool. CSR reporting integrates CSR actions into a company's strategic risk management, maximizing its impact. According to Waddock et al. (2002), employees' impressions of a corporation's management of duties influence their decision to work there. Publishing sustainability-related information can position a company as an "employer of choice," leading to increased loyalty, reduced staff turnover, and increased potential to attract and retain top talent. According to Margolis and Walsh (2003), corporations can improve their financial performance by engaging in CSR initiatives and disclosing them. Corporations prioritize CSR disclosure to improve the availability of financing and the value of shareholders by meeting stakeholder expectations. Investors want to invest in firms that practice a significant part of CSR (Roberts, 1992). The agency dilemma occurs when a company's ownership and control are separated (Jensen & Meckling, 1976). Managers involved in day-to-day operations have access to more information than stockholders do. Shareholders are also unable to view the managers firsthand. This knowledge asymmetry causes problems when managers' interests do not align with shareholders' goals. Companies can utilize yearly reports, in addition to corporate governance, to reduce information asymmetry in the relationship between the principal and the agent.

The annual report frequently includes financial information as well as reports from management outlining their successes and performance in a particular year. Furthermore, the corporation can make CSR. According to agency theory, CSR and corporate governance practices can reduce agency conflicts, resulting in lower agency costs and information asymmetry. It expected that larger and more comprehensive disclosures about CSR would help the corporation lessen its agency worries. As noted at the outset, CSR is a complex term that, like corporate governance, is defined in a variety of ways. Nonetheless, there is some agreement that it requires paying careful consideration to the social, ethical, and environmental dimensions of business operations (Whetten et al., 2002). One key aspect affecting how CSR is defined is whether the topic matter is perceived as internal or external. According to Deakin and Hobbs (2007), managers of publicly traded companies commonly see CSR as a way of coping with external concerns such as the ethical implications of outsourcing manufacturing activities, fair trade procedures, and global environmental issues. Corporate governance, as a result, usually revolves around a fixed set of established attributes, including ensuring duty to shareholders and other participants, creating processes to manipulate executive conduct, guaranteeing that agencies are run in accordance with legal requirements and accountable for all stakeholders, guaranteeing that reporting systems are built in such a way that successful governance is facilitated, and crafting an effective management/strategic management As a result, sound and powerful CG is built around leadership, routing, management, openness, and accountability (Van den Berghe & Louche, 2005). Since involvement in CSR as well as reporting may affect a company's risks or profitability, investors are starting to consider social conduct when making investment decisions.

Ghoul et al. (2011) found that investing in relations with staff, environmental policies, and CSR product initiatives helps enterprises minimize their capital costs. Investors are increasingly requiring managers and boards to participate in CSR and provide evidence of their efforts. However, corporations' involvement in CSR is more than motivated by the desire to maximize long-term profits for shareholders. Businesses' reliance on other stakeholders, as well as the institutions and resources provided by civil society, indicates a mutual expectation that firms balance a variety of interests of stakeholders while also being accountable to society (van Marrewijk 2003). Strong corporate governance mechanisms, as counseled through the business enterprise concept, are essential to align the pastimes of managers with those of shareholders. CSR is considered as a way for businesses to illustrate their dedication to long-term cost advent and ethical behavior, lowering company conflicts by selling accountable conduct. Both company governance and CSR align with stakeholder principle by emphasizing the importance of thinking about and managing the pastimes of diverse stakeholders. Effective corporate governance ensures that stakeholder pastimes taken under consideration in choice making, at the same time as CSR projects directly address the concerns of different stakeholder businesses. Corporate governance and CSR practices can be encouraged with the aid of institutional pressures. Companies undertake governance structures and CSR initiatives that align with societal expectations to maintain legitimacy. Institutional principle facilitates explaining why corporations with proper governance practices also are probably to interact in CSR, as both are seen as valid and anticipated through society. CSR practices, which often contain engagement with external stakeholders, contribute to coping with aid dependencies. By addressing social and environmental worries, organizations can construct advantageous relationships with groups, customers, and regulators. Effective company governance helps resource dependency through making sure responsible control of outside relationships and dependencies.

Corporate governance and CSR practices are both strategies employed by companies to decorate their legitimacy. An organization with obvious and moral governance practices is more likely to be perceived as valid, and engaging in CSR tasks further strengthens this legitimacy through demonstrating a commitment to social and environmental obligation. These theories together guide the concept that sturdy corporate governance and CSR are not remote principles but are interconnected techniques that help agencies navigate the complexities of their outside environment, build high-quality relationships with stakeholders, and contribute to long-time period success and sustainability. Corporate governance and corporate social responsibility are closely related because effective corporate governance procedures can assist businesses in incorporating CSR into their daily operations. These are examples of the ways that corporate governance and CSR related, via Indiafreenotes (2023): Transparency and disclosure: As part of sound corporate governance procedures, businesses must be open and honest with stakeholders, investors, consumers, and employees about how they conduct business. Information concerning the company's CSR policy and initiatives falls under this category. Moreover, Board oversight: The effective oversight provided by the board of directors is one of the most crucial aspects of good corporate governance. The board must guarantee that the business runs responsibly and sustainably, this considers how the business' operations affect the social and environmental domains.

Several studies have supported positive nexus. Corporate governance and social responsibility positively correlated, according to Marty and Sun (2015). Farooq Ullah and Kimani (2015) conducted a study that corroborates our hypothesis that corporate governance significantly affects the CSR practices of the investigated firms. The courting between company governance and CSR is complicated and inter- connected. Both ideas are essential components of an organization's common method to sustainability and moral business practices. CSR and corporate governance have been the subject of numerous studies in the past. Some of these research (such as Said et al. (2009); Haniffa and Cooke (2005), Khasharmeh and Desoky (2013); Perrigot et al. (2012) and Hamid and Atan (2011)) have found a strong correlation between CSR and corporate governance. The findings of Hussainey et al. (2011), Naser, and Hassan (2013) studies, which claimed that the impact of government ownership was statistically insignificant, offered the opposite support.

Since the results typically show it is true that the audit committee positively associated with the level of corporate social responsibility, it is clear from the literature on CSR in annual reports that it is the most examined variable (e.g. Kabir & Thai, 2017; Zureigat et al., 2023). The earlier research has put out a variety of plausible explanations for the relationship between CSR level and the audit committee. Wright (1996) discovered that financial reporting and audit committee composition are closely connected. According to McMullen and Raghunandan (1996), more accurate financial reporting and having an audit go hand in hand. Audit committees are typically viewed as supervisory organizations that enhance the role of audit attestation in the external financial reporting process. In order to increase the annual report's scope for relevance and dependability, typically, the audit committee is given responsibility for financial reporting by the board (DeZoort, 1997; Wolnizer, 1995). According to Forker (1992), the audit committee is a useful monitoring instrument for enhancing disclosure and lowering agency expenses. According to agency theory, audit committees should reduce agency expenses, particularly if they mostly consist of non-executive directors in accordance with the best international practice. The effectiveness of financial accounting is one of the benefits that anticipated from the usage of audit committees (Collier, 1993). Internal control may include audit committees significantly (Fama, 1980; Fama & Jensen, 1983). One may anticipate that the audit committee in Jordanian listed businesses will reveal more information about corporate social responsibility based on the extrapolation from the prior debate.

Arguably, the company's directors should meet on a regular basis so that all decisions may be made after a thorough discussion, sound arguments, and serious analysis. As boards attend regular conferences, their members are more inclined to keep informed about the firm's relevant performance, allowing them to act, influence, and direct the appropriate action to address the issue (Ponnu & Karthigeyan, 2010). According to Vafeas (1999), the frequency of meetings attended by directors serves as a good proxy for their monitoring efforts. The usual board session will take place to address the issue of insufficient director contact. This is applicable to executives that require little interaction time to carry out their monitoring tasks. This view is supported by criticisms of directors who stretch their resources too thin by accepting too many external directorships, making it difficult for them to attend meetings on a regular basis and therefore effectively monitor management. This clearly implies that directors on boards that meet more regularly are more inclined to carry out their obligations in the best interests of shareholders. Boards of directors must be actively engaged in achieving their corporate governance requirements, particularly in ensuring high quality and open disclosure in annual filings (Kent and Stewart, 2008). The notion is that a live board would provide better monitoring than an inactive board. Furthermore, frequent meetings mixed with casual sideline chats can create and strengthen cohesive ties between members (Lipton and Lorsch, 1992). This promotes productive communication among directors and improves firm performance. Directors that meet regularly can carry out their responsibilities thoroughly and successfully. While many acknowledged that conscientious boards would probably improve the amount of supervision in corporate reporting, there appears to be no agreement on how often meetings. It must be noted that effective decision control is not likely to take place if meetings are held only once a year or not at all. Hahn and Lasfer (2015) propose that the amount of board meetings is determined by company-specific characteristics such as salary, business success, complexity, financial crisis, and corporate governance. According to agency and stewardship theories, the frequency of board meetings correlates with problems. Companies with higher scale, more diverse activities or larger staff are likely to have more monitoring and advisory needs, as well as more board meetings. Furthermore, amid a crisis, the board of directors tends to convene more frequently (Hahn & Lasfer, 2015). The investor difficulties and market performance are likely to impact the board of directors' actions, which may increase or decrease the frequency of meetings (Vafeas, 1999). The company's board of directors will be more effective in observing the management, claiming more meetings it holds, leading to a greater control role (Anderson & Daoud, 2005). Despite this claim, the current study contends that board meetings can affect how much CSR practiced because of how effective the board of directors will be at overseeing management.

Many past studies on this subject investigated the relationship between the number of members and the nature of CSR. The studies have produced a mixed bag of findings; for example, Said, Zainuddin, and Haron (2009) and Samaha et al. (2012) discovered no correlation between the size of the board and the CSR's reach. However, some of them (such as Kabir and Thai, 2017; Ezat, 2008) have discovered a strong association. The literature about board size is divided into two areas. One side favors huge boards, while the other advocates for smaller boards. Supporters of larger boards argued that large boards are inefficient since they have less control over management and raise agency costs. However, this concept is challenged by the assertion that managers may influence larger boards less. Small boards are considered efficient, yet managers may have influenced them. Furthermore, large boards exhibit diversity in terms of director education, expertise, and gender (Laksmana, 2008). Several researchers have found that disclosure of CSR and board size are positively related (Ntim & Soobaroyen, 2013). Stakeholders prefer a smaller board of commissioners. With extra assets available for the purpose of session monitoring, who's in this instance is the boards of commissioners, it expected that the CSR would walk more. smoothly and overall CSR improved. The ownership structure was established in a variety of unique ways. In practice, however, the phrase "ownership structure" has two meanings: the first refers to the organization's literal possession shape, such as the total number of shares of the company held by each separate owner organization (Carpenter et al., 2001). The second definition pertains to a state of equitable consciousness. Bigger boards are inclined to be influenced by the CEO, which makes coordination, interaction and decision-making less effective (Jensen, 1993). However, as there is no agreement on the ideal size of the board, it postulated that board size is related to how much CSR is included.

Foreign ownership is commonly regarded as a superior monitoring signal in developing nations, potentially influencing both the execution and disclosure of CSR initiatives. Foreign stakeholders are significant stakeholders for the company. According to the agency hypothesis, international board members and cross-listed companies assist corporations improve their responsibility through more CSR disclosure. This is foreign shareholders improve CSR disclosure by eliminating knowledge asymmetry. Investment in other countries raises the possibility of increased knowledge asymmetry. It occurs notably if one invests in developing nations that have a distinct system of law. On the contrary, investing in CSR may reduce information asymmetry because it allows an organization to differentiate itself and send a signal of confidence (Siegel and Vitaliano, 2007). As a result, investing in a socially conscious business can help to mitigate the danger of foreign investment. Foreign ownership is shown to have a favorable correlation with CSR scores. Given that, most foreign investors are institutional investors; they are likely to be long-term focused. Foreign investors will put pressure on enterprises to implement socially responsible practices to show their clients that they are dependable and responsible (Oh et al., 2011a). According to Khan et al. (2013a), conducted empirical research demonstrating that foreign ownership has a favorable influence on CSR disclosure. Higher levels of foreign ownership result in the implementation of foreign practices (Oh et al., 2011b). In addition to the geographical separation of management and owners. Due to geographic separation, foreign shareholders demand an elevated level of disclosure; they expect more openness practices from domestic firms as result of their foreign market knowledge, so they are acutely aware of the need for businesses to be socially conscious in the current environment (Haniffa & Cooke, 2002; Bradbury, 1990, 1991). Prior research suggests a positive association between foreign ownership and disclosure of corporate social responsibility (Haniffa & Cooke, 2002; Tran, Lam, & Luu, 2020). Numerous past studies on CSR have investigated the connection with foreign ownership and CSR. There was no connection between the intensity of some of these studies' findings and CSR and foreign ownership, while other studies reported conflicting results (e.g. Said, Zainuddin, & Haron, 2009). However, some of them (e.g. Kabir & Thai, 2017; Khan et al. 2013b) have discovered it is strongly linked.

The enterprise might also face extended stress to reveal extra records because of government intervention, given that the authorities considered a relied-on entity through the public. Eng and Mak (2003) located a connection between authority’s possession and heightened self-disclosure. Higher government possession and lower managerial stakes have been associated with extended transparency. Mohammed and Abdullah (2004) highlighted the influence of governments in many developing international locations, controlling important resources and actively shaping regulations to set up norms for company social obligation (CSR) activities. According to institutional concept, governments are viewed as social systems with the coercive ability to regulate organizational conduct via laws and regulations. Governmental investors are strongly prompted to sell advanced social overall performance, as financial fulfillment may not be their number one objective. Consistent with the new organizational style, the ruling class acts as a social unit and exercises the coercive power of the state by formulating and enforcing laws and regulations to regulate various actors related to all institutional levels in society's actions on public trust and orientation in meeting public expectations. Government ownership increasingly expected to force organizations to disclose more information, including information about corporate social responsibility (CSR) according to Muttakin and Subramaniam (2015). Companies in countries with susceptible governance structures may also engage in low-impact CSR programs. The research on the subject shows that most of the findings indicate that government ownership has a positive correlation with the CSR, making it the most often researched variable in CSR. (Said, Zainuddin & Haron, 2009). Abdullah and Nasir (2004) also discovered that the volume of voluntary disclosures influenced by the size of shareholdings connected to the government. Government shareholdings anticipated to increase corporate social responsibility.

Ownership with the aid of block holders, individuals or entities retaining more than 5% of the agency's stocks, represents a favorable component within the ownership structure of the corporation. The control of the organization is perturbed by this scenario as most shareholders in this category already own a big right of entry to employer statistics. Another notable attention is the transparency of corporate governance, especially concerning the tenure of the board members. The period of the board contributors' terms intently related to the developing level of pride and information. Board’s capacity for overseeing the business is expected to improve as its experience and knowledge grow. As a result, transparency is a sign of appropriate agency management, which in this situation is the disclosure of corporate governance practices (Dewayantoa et al., 2020). The interaction between the block-holder and the CSR is characterized by a flow of student dialogue. As proposed with the aid of Barnea and Rubin (2010), they posit that investments in Corporate Social Responsibility (CSR) provide psychological gratification to massive shareholders and bosses, as these endeavors extensively have an effect on prestige and reputation. In this context, predominant shareholders would possibly leverage their impact to allocate the business enterprise's sources for non-public benefit through excessively making an investment in CSR for photograph enhancement in place of proper altruistic reasons. This may want to doubtlessly bring about conflicts among minority stakeholders and majority shareholders. Dam and Scholtens (2013) contend that concentrated possession and Corporate Social Responsibility (CSR) sports are not like-minded. They argue that even as big shareholders achieve blessings that make bigger to all shareholders, now not all shareholders endure the related charges. Given that CSR investments generate benefits for all stakeholders, the efforts and expenses incurred by way of predominant proprietors will not be thoroughly stated. Consequently, even if an enterprise enjoys a superb social reputation, a higher concentration of ownership makes it much less likely for huge shareholders to help CSR initiatives that lack a tangible and clean return on funding. Since massive shareholders preserve sway over managerial choices, they are willing to dissuade managers from accomplishing such sports. The research on the subject shows that CSR in the annual reports that block holder ownership is the most common variable which has been examined, since the findings mostly show that block holder ownership is positively associated with the extent of CSR (e.g. Said, Zainuddin & Haron, 2009).

According to above mention justifications, the following hypotheses will target at identifying the impact of the board of directors on the economic performance of Jordanian companies:

H$_1$: *Audit committee has a significant positive relationship with the level of CSR in listed companies in Jordan.*
H$_2$: *Board meetings have a significant positive relationship with the level of CSR in listed companies in Jordan.*
H$_3$: *The number of members of a company's board has a significant positive relationship with the level of CSR in listed companies in Jordan.*
H$_4$: *Foreign ownership has a significant positive relationship with the level of CSR in listed companies in Jordan.*
H$_5$: *Government ownership has a significant positive relationship with the level of CSR in listed companies in Jordan.*
H$_6$: *Block holder ownership has a significant positive relationship with the level of CSR in listed companies in Jordan.*

3. Method

The study's primary focus is on the laws for the ASE during the Period (2018-2022), which concentrates on financial reports provided by companies listed there. This investigation will focus on the 65 companies registered on the stock in Jordan. As opposed to that, the financial sector is excluded due to specific financial reporting laws set by the Insurance Commission and the Jordan Central Bank. Information taken from the annual reports of businesses. The Social Responsibility Disclosure Index was used in this study since it has 84 items divided into four groups. Employee activity items compose the first group (Al-Haziameh et al., 2020). Environmental items compose the second group. Objects related to society are in the third group, and the items related to customers are in the last group. The following measurement of independent variable:

- Audit committee: According to Ho and Wong (2001), the value of (1) denotes the committee's presence, whereas a code of (0) denotes its absence.
- Board meetings: counted as the total number of board meetings that occur each year (Alhazimeh at al., 2014).
- The number of directors on the board was used to calculate the size of the board (Bushman, Chen, Engel, and Smith, 2004).
- The ratio of shares owned by foreigners to the total number of shares issued used to determine foreign ownership (Al-Omoush et al., 2020).
- Government ownership (GO) calculated a proportion of the total number of shares issued (Eng & Mak, 2003).
- If a block holder (BH) owns more than 5% of the outstanding shares, the ownership is calculated using the total shares owned by institutions. (Pattern & Mahkhija 2004).

The Generalized Method of Moments (GMM), a dynamic panel approach, considers how previous CSR has affected the current CSR. It uses a sample having many businesses and a short period of time horizon. The researcher can better comprehend the dynamic of adjustment because many economic interactions are dynamic in nature. To solve the endogeneity, use instrumental variables estimation by providing suitable instruments for the endogenous regressor. Instruments need to satisfy two requirements: It must be relevant that they exhibit a strong enough correlation with the endogenous regressor. Moreover, it must have no correlation with the equation error term. The explanatory variables are subject to three hypotheses:

1. A preset variable that relates to historical inaccuracy can serve as an explanatory variable.

2. An endogenous variable, which may relate to the past and current mistake, can also serve as an explanatory variable.

3. An explanatory variable is considered strictly exogenous if it has no correlation with the present mistake, the past error, or the future error.

AR1 shows the first order autocorrelation, which examines whether, is correlated with the expected significant correlation because they have in common. Therefore, AR1 is expected to be less than 10%. (AR2) shows the second order autocorrelation, which examines whether, is correlated with expected insignificant results. Therefore, AR2 is expected to be more than 10%. However, as mentioned by Roodman (2009), the GMM system has a high capacity to produce moment circumstances. Too many instruments in a system undermine the Hansen test. A study has utilized two main tactics to decrease the number of instruments: Using only a subset of the lags available for instruments. Moreover, combining instruments by reducing the size of the instrument matrix's block and adding them into smaller sets. Calderon et al. (2002), Roodman (2009), Beck and Levine (2004), and Levine and Levine (2005) all published studies on these two techniques.

One-step results are better than two-step results, according to Bond (2002). This is because his simulation tests have shown that the two-step estimator performs worse, when either the asymptotic t-ratio tends to get too high or small, respectively. The two-step GMM estimates the coefficients somewhat more precisely than the one-step GMM, according to Wind Meijer (2005), with smaller bias and standard errors. The two-step estimate with corrected standard errors appears to be slightly superior to cluster robust one-step estimation because the stated two-step standard errors with the correction perform effectively. Using the GMM estimator to get outcomes that are objective, reliable and effective (Arellano and Bond, 1991). Arellano and Bover (1995), and Blundell and Bond (1998), there are requirements tests. First, the Sargan or Hansen tests of over-identifying constraints, which check the general reliability of the instruments and look at the sample analogue of the moment conditions used in the estimation process. The adjusted error term exhibits no serial correlation, according to the serial correlation tests, which come in second. The validity of the extra moment's conditions on the system GMM is then checked using the difference in Hansen test. This test computes the difference between the Hansen statistic generated by the system GMM and the difference GMM. If the three null hypotheses are not ruled out, the estimated model is accepted.

4. Results

Results of the two-step method GMM used to evaluate the determinants of CSR are shown in Table 1. The findings show that CSR has a tendency across time in which previous CSR has a major influence on the present. However, some factors simultaneously affect CSR; include block holder ownership, board meetings, and foreign ownership. Specifically. Firms are encouraged to reveal their CSR information due to increased board meetings, foreign ownership, and block holder ownership. Despite our assumption of a considerable contribution to the CSR, the data imply minor coefficients for some parameters, including the audit committee, board size, and government ownership. Both two specification tests' findings—AR (2), which looks at serial correlation, and Hansen, which looks at the instrument's dependability—are trustworthy. The p-values for the AR (2) and Hansen tests are more than 0.10, which denotes statistical insignificance at the 10% level, as shown by Table 1. The converted residuals' lack of autocorrelation and the reliability of the moment's conditions used in the models imply that the empirical model has been described accurately. We exclude the extra moment conditions, such as the difference in Hansen tests, which are similarly statistically insignificant, to save space.

Table 1
Two-step system GMM with dynamic panel-data estimate

	Coefficients	Standard Error	P-Value
CSR IND	0.944	0.052	0.000***
Audit committee	0.068	0.541	0.878
Board meetings	0.356	0.154	0.021**
Board size	0.445	0.450	0.371
Foreign ownership	0.083	0.026	0.001***
Government ownership	0.071	0.042	0.125
Block holder ownership	0.063	0.022	0.003***
AR (2) - p value	0.340		
Hansen / Sargan	0.533		

NotE (1): 10%, 5%, and 1% significant values are indicated by *, **, and ***, respectively.

(2)To conserve space, year dummies and constant are not included. Additionally, all p-values of the exogeneity of instrument subsets' differences in Hansen tests has been rejected at least at a 10% level of significance.

5. Discussion

The results of the present study are supported by the findings of some prior studies. The finding of the board meetings was statistically significant. This result is consistent with some previous studies (e.g. Hahn & Lasfer, 2015; Anderson & Daoud, 2005) who found that board meetings influence corporate social responsibility in the annual reports. In contrast, this result seems not to support the result of prior studies (e.g. Alhazimeh at al., 2014) which found that the board meeting did not influence corporate social responsibility in the annual reports. As mentioned above, the empirical results of the GMM in Table1 reveals that the board meeting is an explanatory variable of the corporate social responsibility in the annual reports of the Jordanian listed companies. Thus, the result indicates that the listed companies seem to enhance corporate social responsibility in their annual reports through their board meetings. Several reasons can explain the significance of the board meeting. First, the number of meetings that directors attend is an excellent proxy for directors' monitoring efforts. Second, frequent meetings paired with casual sideline conversations can develop and strengthen cohesive relationships among members. Therefore, it concluded that hypothesis H2 (i.e. Board meetings have a significant positive relationship with the level of CSR in listed companies in Jordan) is supported.

The results of the present study are supported by the findings of some prior studies. The finding of foreign ownership was statistically significant. This result is consistent with some previous studies (e.g. Kabir and Thai, 2017; Khan et al. 2013a) who found that foreign ownership influences corporate social responsibility in the annual reports. In contrast, this result seems not to support the result of prior studies (e.g. Said, Zainuddin, & Haron, 2009) which found that foreign ownership did not influence corporate social responsibility in the annual reports. As mentioned above, the empirical results of the GMM in Table1 reveals that the foreign ownership is an explanatory variable of the CSR in the annual reports of the Jordanian listed companies. Thus, the result indicates that the listed companies seem to enhance corporate social responsibility in their annual reports through their foreign ownership. Several reasons can explain the significance of foreign ownership. First, according to the agency hypothesis, international board members and cross-listed companies assist corporations to improve their responsibility through more CSR disclosure. Second, Foreign investors will put pressure on enterprises to implement socially responsible practices to show their clients that they are dependable and responsible. Therefore, it can be concluded that hypothesis H4 (i.e. foreign ownership has a significant positive relationship with the level of CSR in listed companies in Jordan) is supported.

The results of the present study are supported by the findings of some prior studies. The finding of the block holder ownership was statistically significant. This result is consistent with some previous studies (e.g. Said, Zainuddin & Haron, 2009; Dam and Scholtens, 2013) who found that block holder ownership influences corporate social responsibility in the annual reports. In contrast, this result seems not to support the result of prior studies (e.g. Eng & Mak, 2003) which found that the block holder ownership did not influence corporate social responsibility in the annual reports. As mentioned above, the empirical results of the GMM in Table 1 reveals that the block holder ownership is an explanatory variable of the corporate social responsibility in the annual reports of the Jordanian listed companies. Thus, the result indicates that the listed companies seem to enhance corporate social responsibility in their annual reports through their block holder ownership. Several reasons can explain the significance of block holder ownership. Large shareholders may also use their power to seize the corporation's resources for their own benefit by overinvesting in CSR for the sake of a photograph rather than genuine altruism, which may lead to conflicts between minority organizations and majority shareholders. Therefore, it can be concluded that hypothesis H6 (i.e. Block holder ownership has a significant positive relationship with the level of CSR in listed companies in Jordan) is supported.

6. Conclusion

In developed nations, the subject of CSR has received a great deal of research; nevertheless, studies of this topic in small, open economies have received minimal attention. As a result, using a dynamic panel data structure, this study focused on how CG and CSR are related in publicly traded Jordanian companies' annual reports to fill this hole in previous work. The present research seeks to define the elements that affect CSR level in Jordanian listed companies for the years 2018 through 2022. This study also looked at how corporate governance affects CSR. The results indicate that CSR tends to considerably influence the current one over time. However, several aspects, such as foreign ownership, Board meetings, and block holder ownership, also have an impact on CSR. Most research on corporate governance is primarily concerned with its relationship to corporate performance, with a few arguably linking company governance to corporate social responsibility. As such, this observation serves as a complement to this subject. In conclusion, the connection between corporate governance and CSR is symbiotic. Companies with robust governance structures are much more likely to embody CSR, and powerful CSR practices, in turn, contribute to improved corporate governance by fostering moral conduct, stakeholder engagement, and long-term sustainability. This integration is vital for building acceptance as true with, enhancing recognition, and growing price for each business enterprise and society.

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