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Institutional directors and corporate social responsibility disclosure in the Jordanian banks

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Abstract

This study examines the impact of institutional directors on the level of corporate social responsibility disclosure (CSRD) in the Jordanian banks. A comprehensive CSR checklist, consisting of 100 items, is designed to collect the data from 147 observations from 2004 to 2013. The descriptive analysis shows, relatively, a low level of CSRD with a mean of 46%. In addition, institutional directors occupy 46.4% of the banks' board seats. The analysis shows that 11% of the institutional directors are serving as CEOs, 22.5% are independent institutional directors and 65.5% are non-independent non-executive directors. Results from multiple regression analysis show that institutional directors, has a negative and non-significant impact on the level of CSRD. However, we break down the institutional directors to two groups based on their status; institutional independent directors and institutional non-independent non-executive directors. The results show that the two groups have positive significant impacts on the level of CSRD. Then, the institutional CEO (CEO institutional-affiliated) is analyzed and it has a significant negative impact. Regarding the control variables, bank age and leverage significantly and positively enhance the CSRD while board size and profitability (ROA) are insignificantly related to CSRD.

Keywords: CSRD, Institutional directors, banks, Jordan.

1. INTRODUCTION

In recent decades, the interest of CSRD has increased among academics and practitioners in the economic world. Major companies have started concerning to promote awareness about social and environmental impacts. After the collapse of big corporations in the world such as Commerce Bank (1991), Adelphia, Enron 2001, and World Com 2002, the demand of more financial and non-financial information has steadily increased. Those big financial scandals revealed the lack of ethical, social and environmental corporate concerns.

In the case of Jordan, the collapse of Al-Batra Bank in 1989 has knocked the alarm of the need to improve the banking system. The bank was established in Jordan in 1978 and became the second largest bank in the country but it collapsed in 1989. The bank's bankruptcy had many dark sides on the Jordanian economy as a whole not only on the Jordanian financial sector. The main impacts of this bankruptcy were: the remittances of Jordanian working abroad decreased sharply because they lost their confidence on the Jordanian dinar (Central bank of Jordan data). In general, the depositors lost their deposits, the employees lost their jobs and the investors lost their confidence in the Jordanian market. After the investigation by the Jordanian State Security Court, the court found that the CEO of the bank (who was the founder and the chairman also) was, besides using the bank's resources for his own interests, participating with some top managers in fraud and misstatements. Following the

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scandal of Al-Batra Bank, other three Jordanian Banks faced some serious financial situations during the period of 2000-2002 namely; Jordan-Gulf Bank Philadelphia Investment Bank and Amman Investment Bank. The three mentioned banks faced some financial problems due to unwarranted loans and the corruption of the top management.

In the comparative business market, top management is more responsible to the society. They are required to consider CSR in their decisions making in order to gain social and economic benefits (Andayani & Atmini, 2012). Therefore, the present role of accounting is to meet the needs of the social such as deliver information to the interested parties in order to evaluate economic and financial activities. Managers should consider the interest of all owners, shareholders and other stakeholders, such as employees, suppliers, consumers and whole the society. Nik-Ahmad (1999) considered CSRD as important as the disclosure of financial information in decision making.

Corporate social responsibility (CSR) is an optimal tool to improve the financial firm performance (Pava & Krausz, 1991; Preston & O'Bannon 1997; Taha & Haziwan, 2013), sales growth and returns (Ruf et al., 2001) firm's reputation (Freeman, 1984), employee satisfaction, and customer satisfaction (Andayani & Atmini 2012). Another important purpose of CSR is to improve the brand image which will result in increasing sales and improving customer's loyalty (Taha, 2013). Furthermore, good workplace is one of the firm's responsibilities towards the employees. Having good workplace will improve the quality and productivity (Taha, 2013) and attract skilled employees (Gardiner et al., 2003).

Currently, there is a demand for companies to go beyond financial accountability to shareholders and integrate interests of all stakeholders. In short, CSR reporting arises from the idea of accountability, which is an important concept in corporate governance. Hence, the pressure on firms to report CSR activities has been increased (Day & Woodward, 2009). CSR reporting involves voluntary disclosure of corporate's actions concerning social and environmental issues (Ellerup Nielsen & Thomsen, 2007). Therefore, the role of a corporate report is to inform society of the extent of actions taken by the firm in fulfilling their responsibilities (Deegan, 2004).

The concept of CSR has been defined by authors and institution as well, World Business Council for Sustainable Development (WBCSD) defines CSR as "the continuing commitment by a business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large". Similarly, European Commission goes in the same line of (WBCSD)'s definition. It is stated that CSR is "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". Additionally, Institute of Chartered Accountants in England and Wales pointed out that "Corporate responsibility is about ensuring that organizations manage their businesses to make a positive impact on society and the environment whilst maximizing value for their shareholders". The above definitions offered by international organizations, it is clear that CSR focuses on the activities and policies of a corporation regarding matters of environmental impacts, social involvement, human rights, and products.

This study has contributed to the current literatures in several ways; besides examining the level of CSRD in a developing country, it provides an evidence of CSRD in a banking sector. Financial sectors in general, and more specifically banks, have been widely ignored in previous literatures due to their stringent regulatory system (Barako & Brown, 2008). In addition, this study extents other studies by deeper investigating the board of directors. Previous studies have indicated that investment orientation and reward system in the investment institutions may affect the attitudes of institution directors. However, we provide an evidence of the institutional directors' status in extending the reporting of CSR. Moreover, it is argued that the institutional directors are qualified and experts, therefore, it is expected that institutional directors do add value to the investee firms.

Next sections of this paper are organized as following; section two represents the literature review including theoretical perspective and hypothesis development. Third section represents the design of the research including sample, data collection, measurement of the variables and research methods. The empirical results are discussed in the section four. Finally, conclusion, contribution, implementation and future work is presented in the fifth section.

2. LITERATURE REVIEW

2.1. Legitimacy theory

The basic notion of the legitimacy theory is a "social contract" between the firm and the social that it operates in and are required to perform various desirable socially actions (Guthrie & Parker, 1989). Legitimacy theory has been widely used to explain CSRD motivations (e.g. Guthrie & Parker, 1989; O'Donovan, 2002; O'Dwyer, 2002). Legitimacy theory suggests that large firm disclose more information related to the social and environment due to accountability and visibility reasons (Cormier & Gordon, 2001).Therefore, the annual reports of the large firms provide information related to CSR more efficiently (Cowen, Ferreri &Parker, 1987). Haniffa and Cooke (2005) concluded that management discloses more information in order to reduce the perceived legitimacy gap between management and shareholders resulting in improving CSRD.

2.2. Recourse dependency theory

Firms are viewed in resource dependency theory as depending on their external environment. Based on this theory, organizational effectiveness is resulted from the ability of the firm to manage its internal resources, and more importantly, its ability to secure the vital external resources (Pfeffer & Salancik, 1978). Non-executive directors are believed to be more monitoring mechanism (Grace et al., 1995). Institution with a significant ownership has the right to appoint one or more directors, based on their ownership, to represent them in the bank's board (Jordanian Companies Law, Article 136, 2006). Thus, blockholders, via their representative directors, will have the power to affect corporate decisions (Boyd, 1994). Therefore, independent directors are expected to play more roles in protecting the minorities' rights and link the firm to their external environment. Outside directors have a vital network to confer the firms with necessary strategic resources and information (Ruigrok et al., 2007).

2.3. Institutional director and CSRD

The importance of institutional directors has emerged from the significant of institutional ownership and from the significant roles they play in the boardrooms. Previous studies have highlighted the institutional directors as effective mechanism to monitor the management (Coffee, 1991) and improving the corporate governance system (Brickley et al., 1988). More importantly, institutional directors are considered as strategic directors (Oh et al., 2011) leading to engage in CSR activities (Bushee & Noe, 2000). Previous studies related to ownership structure have indicated that the ownership and voting power are associated (Brickley et al., 1988; Shleifer & Vishny, 1997). Generally, institutional investors own a significant percentage of shares (Pound, 1992; Oh et al., 2011). As a result, institutional investors have more information than other shareholders and important voting power in the board (Shleifer &Vishny, 1997).

Institutional investors can be categorized as mutual funds, investment banks, insurance companies and pension funds. Therefore, those institution investors may have representative(s) in their investee firms based on their shareholdings. Thus, those directors are assumed to add values to the investee firms' boards. Previous studies indicated that the investment orientation is different from type to type. For instance, mutual funds, insurance companies and investment banks consider the financial performance as a main objective (Starks, 1987) unlike the public pension funds. Accordingly, institutional directors will be affected by compensation systems of their firms and their firms' investment orientation. In addition, the compensation system will affect the orientation investment because some institution ties the compensation to the performance. As a result, the institutional directors will adopt short-orientation investment to meet the rewards system (Starks, 1987). Correspondingly, institutional directors representing the public pension funds are often salaried and their institutions are long-term oriented (Starks, 1987).

In the public pension funds, they may take all the stakeholders in their consideration in the board meetings. Institutional directors, more specifically, who represent public pension funds enhance corporate social performance and corporate accountability (Gilson & Kraakman, 1991). Further, public pension funds are found to be long-term oriented (Starks, 1987) and willing to hold shares in an investee firm up to a decade (Hill & Snell's, 1988). By contrast, mutual funds, investment banks and insurance companies tend to be short-oriented investors. In addition, their representative directors are rewarded based on the investee firm's financial performance (Starks, 1987). Therefore, Schwab and Thomas (1998) stated that pension funds are the most significant institutional investors to align the interests between the contracting parties.

On the other hand, institutional owners may pressure their representative directors to enhance the financial performance in the short-term. Therefore, they may not be willing to spend their time or their firm's resources in such social activities (Johnson & Greening, 1999). Likewise, previous studies found that institutional managers consider corporate growth strategies rather than developing R&D strategies (Hoskisson et al., 1996; Kochhar & David, 1996). Indubitably, R&D strategies are long-term investment, and some institutional directors consider short-term investment in order to meet the reward system. On the other words, investment managers prefer to spend their time and their fund's recourses in a way that improves their short financial performance rather than developing the firm image or reputation. Further, Johnson and Greening (1999) reported that institutional managers are not interested to spend their time or invest their resources in developing community, woman and minorities and employee relations (the human resource dimension of CSR). Therefore, the following hypotheses are developed:

H_1: *there is a significant relationship between institutional directors and CSRD.*

Previous studies related to ownership structure have indicated that the ownership and voting power are associated (Brickley et al., 1988; Shleifer & Vishny, 1997). Therefore, the non-independent non-executive institutional directors seem to have more voting power than their independent counterparts. Significant institution ownership results in difficulties of selling the shares without affecting the share price (Pound, 1992; Oh et al., 2011). This indicates that institutional investors are supposed to invest in long-term activities including CSR. In addition, independent institutional directors are expected to be good safeguarded due to their independence roles. Legal independent directors are assumed to play the roles of individual independent directors. Therefore, the following H_{1a} and H_{1b} are developed:

H_{1a}: *there is a significant relationship between independent institutional directors and CSRD.*
H_{1b}: *there is a significant relationship between non-independent non-executive institutional directors and CSRD.*

Agency theory suggests that the ownership and management should be separated in order to have effective monitoring in the board. If the CEO is representing other parties, it seems that he/she is an affiliated manager who is following the strategic of his/her investing institutions. Unarguably, the board has the power to appoint or remove the CEO. It can be assumed that board of director, consisting of a majority one institution, based on their institution's significance ownership, tend to appoint a CEO from their own institution. Therefore:

H_{1c}: *there is a negative significant relationship between CEO institutional director and CSRD.*

3. RESEARCH DESIGN

3.1. Sample

A ten years data set consisting of 16 banks is used in this study. However, 13 annual reports are missing resulting in reducing the sample to 147 banks/years. Banking sector is chosen in this study because it is the largest sector in Jordan in terms of capitalization. Interestingly, 14 banks (out of 16) are categorized under the top 20 firms in Jordan. Further, annual reports of the top market capitalization firms reveal that those firms are more interested and concerned of being benchmarked for corporate governance best practice (Kiel & Nicholson, 2003; Abeysekera & Guthrie 2005; Yau et al., 2009; Ghosh et al., 2010). This means that the top market capitalization firms use their annual reports as an indicator of good corporate governance.

3.2. Data Collection

Data related to CSR activities is gathered from both annual reports and CSR reports (sustainability reports and GRI reports). Additionally, the data related to the institutional directors is collected from annual reports (directors' profiles). However, some banks disclose information related to the legal directors (institutions) rather than the representative directors. In these cases, information regarding the representative directors is gathered from Amman Exchange Market (AEM) using two reports namely; the appointment and resignation reports and board of directors and ownership reports. Lastly, data related to the control variables is collected from the annual reports of the banks.

3.3. Measurement of the Variables

3.3.1. Measurement CSRD

Content analysis is used to check the information about CSR activities made by the Jordanian banks with the list of items in the CSRD index. Disclosed item scores 1 and otherwise 0. Then, the CSRD is calculated to each bank by calculating the ratio of actual score whereas maximum score that a bank can get is 100 and the minimum is 0. Further, similar to other studies (e.g., Haniffa & Cooke 2005; and Ghazali, 2007), the unweighted method is used in this study to score the CSR. On the other words, all items are equally valued. This means that all the items have the same value regardless of their relevance or importance of specific user groups (Cooke, 1989; and Chau and Gray, 2002). Besides, no any penalty has been imposed for undisclosed items

(Haniffa & Cooke, 2002) and all the dimensions are equally valued. The unweighted method used in disclosure index helps in reducing the subjectivity in evaluating the weights of the items (Barako & Brown, 2008). The CSR index is computed as follows:

$$CSRindex = \frac{\sum_{t=1}^{nj} Xij}{nj}$$

Where; CSR index is CSR reporting index; nj is number of items expected for jth firm; Xij equals 1 if the item disclosed and 0 otherwise. So that $0 <= ij <= 1$

3.3.2. Measurement of Independent Variable

Table 3.1. Measurement of institutional director

Variables	Definition	Measurement
Institutional director	Directors who representing an institution.	Percentage of institutional directors to the board size.
Independent institutional director	Directors who represent an institution with ownership less than 5%.	Percentage of Independent institutional director to institutional director.
Non-independent non-executive institutional director	Directors who represent an institution with ownership more than 5%.	Percentage of non-independent non-executive institutional director to institutional director.
Institutional CEO	CEO who is representing an institution (institutional-affiliated CEO).	Dummy variable, 1 if the CEO is representing an institution and 0 otherwise.
Board size	Size of the board of director.	Number of the directors setting in the board.
Banks age	The age of the selected bank since its establishment.	The number of years since the bank was established.
Leverage	Long-term debt divided by the total assets.	The percentage of the bank's long debts by the total assets.
Profitability	Return on assets.	Earnings before tax divided by total assets.

3.4. Research Models

The following regression models are utilized to determine the influence of institutional director on CSRD:

CSRD= β0+ β1INSD+ β2BSIZE+ β3 BAGE + β4 LEV + β5 ROA + ε……… (1)
CSRD= β0+ β1INSDIND+ β2INSDNINE+ β3BSIZE+ β4 BAGE + β5 LEV + β6 ROA + ε……… (2)
CSRD= β0+ β1CEO-INSD+ β2BSIZE+ β3 BAGE + β4 LEV + β5 ROA + ε ……… (3)

Where; CSRD is Corporate Social Responsibility Disclosure, INSD is institutional director, BSIZE is the board size, INSDIND is independent institutional director, INSDNINE is non-independent non-executive institutional director, CEO-INSD is a CEO who representing an institution, BAGE is Bank Age, LEV is Leverage, and ε is Error Term.

4. RESULTS AND DISCUSSION

4.1 Descriptive Analysis

It can be seen from Table.4.1 that the in average Jordanian banks disclose 46% of our checklists' items. The highest disclosure level is 83% while the lowest is 21%. This result indicates that even some banks have moved toward a social responsible business in the last decade, some other banks are still not taking into consideration the social responsible activities. The low level of CSRD may mean either a low level of CSR activities or a lack of CSR reporting experience, or it might be because of the cost of reporting. This level of disclosure is similar to the level of CSRD in some banking sector in Pakistan, 47%, (Sharif & Rashid, 2013). However, it is higher than Kenyan banks disclosure level, 15%, (Barako & Brown, 2008).

Table 4.1. Descriptive Analysis

Variable	Obs	Mean	Median	Std. dev	Min	Max
CSRD	147	0.46	0.45	0.1099	0.21	0.83
Institutional director	147	0.4644	42.9	0.2260	0.0	0.9167
Independent institutional director	147	0.2253	18.2	0.2283	0.0	0.75
Non-independent non-executive institutional director	147	0.6651	66.67	0.2917	0.0	1.5
CEO institutional director	147	0.1088	0	0.3125	0.0	1
Board Size	147	10.27	11	2.04	5	13
Bank age	147	31.45	29	17.92	1	83
Leverage	147	0.7624	84.7	0.2159	0.089	0.963
ROA	147	0.0192	0.019	0.0095	-0.015	0.059

Regarding the institutional directors, 46.4% of the directors in the Jordanian banks are institutional directors. The majority of the institutional directors (66.5%) are non-independent non-executives, representing blockholders, while (22.5%) of the institutional directors are representing independent institutions. However, almost 11% of the institutional directors are serving as CEOs. High level of the institutional directors serving in the Jordanian banks' boards could be due to the level of institutional ownership. The institutional ownership plays a considerable role in determining the percentage of institutional directors; that is, one institution with a significant ownership might have more than one director to be represented in the board of an investee bank. Based on the Jordanian companies' law, the institutions have the right to appoint one director or more based on their percentage of ownership to represent them in the investees' boards (Article, 135, Para.A.1, 2006).

Furthermore, this study includes control variables to address the potential omitted variables that might influence the firms to engage more in the socially responsible activities and thus disclose them accordingly. Four control variables are employed in this study namely; board size, firm age, leverage and profitability. Based on the Jordanian corporate governance code, the board size shall not be less than five members and not more than 13 members. The descriptive statistics in Table 4.1 shows that the Jordanian banks are fully complied with this recommendation; the maximum board size is found to be 13 directors while the minimum size is five. The mean board size is 10.27 members indicating that the Jordanian banks' boards are not crowded. The average bank age is 31.5 years; the eldest bank was established in1931 (83 years old) while the newest bank was established in the end of 2011 (one year old). In addition, the mean of the leverage in the Jordanian banks is 76% with a maximum of 96% and a minimum 9%. The average of ROA level in the Jordanian banks is almost 2%, while the maximum level is around 6%, some other banks recorded losses resulting in a minus of ROA (-1.5%).

4.2 Pearson Correlation Matrix

Pearson correlation matrix is used to examine the relationship between independent variables to each other (Weisberg, 2005). In the first model, as shown in Table 4.2, institutional director is positively and significantly correlated with board size and leverage at the level 0.001 and 0.05 respectively. Board size is also correlated to bank age and leverage ($P < 0.001$). In addition, leverage is found to be correlated to bank age and ROA ($P < 0.001$).

Table 4.2. Pearson Correlation Matrix

Model (1)								
	VIF	CSRD	INSD	Board size	Bank age	Leverage	ROA	
CSRD		1.0000						
INSD	1.51	0.1534	1.0000					
Board size	1.85	0.2839***	0.5610***	1.0000				
Bank age	1.28	0.5986***	0.0844	0.3912***	1.0000			
Leverage	1.37	0.0828***	0.1726**	0.3492***	0.3049***	1.0000		
ROA	1.17	-0.1404*	0.1060	0.0951	0. 0166	0.3619***	1.0000	
Model (2)								
	VIF	CSRD	INSDIND	INSDNINE	Board size	Bank age	Leverage	ROA
CSRD		1.0000						
INSDIND	2.14	0.2298***	1.0000					
INSDNINE	1.60	-0.0534	-0.4465***	1.0000				
Board size	1.56	0.2839***	0.4019***	0.1738**	1.0000			
Bank age	1.40	0.5986***	0.4652***	-0.1262	0.3912***	1.0000		
Leverage	1.48	0.0828	0.3760***	0.0611	0.3492***	0.3049***	1.0000	
ROA	1.17	-0.1404	0.1361*	-0.0077	0.0951	0. 0166	0.3619***	1.0000
Model (3)								
	VIF	CSRD	CEO-INSD	Board size	Bank age	Leverage	ROA	
CSRD		1.0000						
CEO-INSD	1.08	-0.0228	1.0000					
Board size	1.30	0.2839***	-0.1006	1.0000				
Bank age	1.24	0.5986***	-0.0462	0.3912***	1.0000			
Leverage	1.42	0.0828	0.1802**	0.3492***	0.3049***	1.0000		
ROA	1.17	-0.1404	0.1364*	0.0951	0. 0166	0.3619***	1.0000	

Notes: (1) INSD is institutional director, INSDIND is independent institutional director, INSDNINE is non-independent non-executive institutional director, CEO-INSD is a CEO who representing an institution. (2) ***, ** and * present the significance at 0.01, 0.05 and 0.1 respectively.

In the alternative analysis, this paper breaks down the institutional directors into two groups, independent and non-independent, non-executive (model 2). Independent institutional director is found to be correlated to board size, board age, leverage ($P < 0.001$) and to ROA ($P < 0.01$). Further, Independent institutional director and non-independent, non-executive institutional director are found to be negatively correlated ($P < 0.01$). This indicates that banks with institutional blockholders do not tend to appoint independent directors from independent institution. In the third model, the institutional-CEO (CEO-affiliated) is analysed separately and measured as a dummy variable equals one if the CEO is affiliated to institutional investors and zero otherwise. The results show positive correlations between institutional CEO and both board size ($P < 0.05$) and bank age ($P < 0.01$).

Further, Pearson correlation is used to detect multicollinearity between the independent variables (Weisberg, 2005). Multicollinearity is considered as a problem if the Pearson correlation results exceed 0.70 (Tabachnick & Fidell, 2001) or if it is higher than 0.80 (Farrar & Glauber, 1967; Studenmund & Cassidy, 2001). Pearson correlation shows that there is no multicollinearity problem between the independent variables. As shown in Table 4.2, the highest correlation between independent variables is 0.561 which is found between board size and institutional director (first model). Based on the Table 4.2, the multicollinearity is not considered as a problem in this study.

Variance inflation factor (VIF) is also used to test the multicollinearity in this study. Accordingly, if the VIF value is higher than 10, the multicollinearity is thought to be problematic (Gujarati & Porter, 2003; Hair et al., 2006). In order to solve multicollinearity problem, one of the variable should be dropped (Hair et al., 2006). In this study, the VIF of the variables are well below the critical limit of VIF (10.0) they vary from 2.14 to 1. 17. This confirms that there is no multicollinearity problem in this study.

4.3 Multiple Regression Analysis

Multiple regression is used to test the casual relationship between CSRD and institutional director. In the first model, institutional directors is measured as a percentage of institutional directors serving in the board to the board size. The result from multiple regression analysis shows that there is a negative but insignificant relationship between CSRD and institutional directors. Institutions' types have been done in the previous literatures; Schwab and Thomas (1998) suggested that pension funds consider all CSR's dimensions in order to improve the financial performance. In this study, 46.4% of the directors are representing institutions; therefore, it is worthy to go deeper in their characteristics based on their status rather than their institutions' types. Thus, this study breaks down the institutional director variables into two groups; independent institutional director and non-independent non-executive institutional director. Results in (model 2) indicate a positive significant relationship between both groups; independent institutional director and non-independent non-executive institutional director, and CSRD. This results support the results of other studies that studies the relationship between board composition and CSRD (such as Ghazali, 2007 and Sharif & Rashid, 2013).

Table 4.3. Multiple Regression Analysis

CSRD	Model (1)	Model (2)	Model (3)
Insd	-0.031 (-0.43)	—	—
Insdind	—	0.198*** (3.89)	—
Insdnine	—	0.179*** (5.05)	—
Ceo-insd	—	—	-0.047*** (-6.42)
Board size	0.007 (0.85)	0.005 (0.82)	0.006 (0.79)
Bank age	0.022*** (7.45)	0.022*** (8.64)	0.023*** (7.67)
Leverage	0.164*** (8.69)	0.134*** (5.83)	0.179*** (8.39)
ROA	-0.205 (-0.35)	-0.531 (-0.11)	-0.213 (-0.35)
Intercept	0.101*** (-4.20)	-0.086*** (-6.48)	-0.447*** (-4.93)
R^2	.5746	.6151	.5902
Husman test	158.11***	121.15***	115.34***

Notes: INSD is institutional director, INSDIND is independent institutional director, INSDNINE is non-independent non-executive institutional director, CEO-INSD is a CEO who representing an institution.
***, ** and * present the significance at 0.01, 0.05 and 0.1 respectively.

In the case of institutional CEOs, the banks disclose less information related to the social and environment; they disclose around 45.4% compared to 46.1 to their peers as shown in Table 4.4. In general, banks with institutional CEOs have more institutional directors 51% compared to 46% for their peers. In addition, the bank tends to appoint less independent institutional directors. In average, banks with institutional CEOs have only six percent independent institutional directors (from to total institutional director) compared to 25% to their counterparts. This means that, if the institutional directors exist in a board, the board will be dominantly occupied by non-independent non-executive institutional directors. Therefore, the voting power will be concentrated in the hands of the blockholders (or their representatives) which might affect the minorities' rights. All the banks, either with institutional CEOs or not, have almost the same percentage of non-independent non-executive institutional directors; almost 66.6% of the institutional directors are representative of blockholders. Moreover, banks with institutional CEOs have smaller boards, are younger in age and leveraged but have more profitability.

Table 4.4. Comparative between institutional CEOs and Non-institutional CEO

	CSRD	board size	INSD	INSDIND	INSDNINE	Bank age	Leverage	ROA
Non CEO-INSD	0.461	10.3	0.46	0.25	0.665	31.75	0.75	0.019
CEO-INSD	0.453	9.7	0.51	0.06	0.666	29.18	0.87	0.023

Notes: INSD is institutional director, INSDIND is independent institutional director, INSDNINE is non-independent non-executive institutional director, CEO-INSD is a CEO who representing an institution, Non CEO-INSD is a CEO who is not representing an institution.

As seen in the table 4.4, the profitability of the banks run by institutional CEO is higher than their counterparts. This result indicates that institutional CEOs prefer to spend their time and their fund's recourses in a way that improves their financial performance rather than developing the firm image or reputation. This finding is similar to Johnson and Greening (1999) who concluded that institutional owners may pressure their representative directors to enhance the financial performance in the short-term. Therefore, they may not be willing to spend their time or their firm's resources in such social activities.

The adjusted R^2 of the three models are shown in the Table 4.3; in the first model, the adjusted R^2 is almost 57.5% and it increases to 61.5% in the second model. This means that there is a significant change in the adjusted R^2. However, the adjusted R^2 increases almost 1.5% in the third model. These results reveal that studying the institutional directors as a whole has not given a clear picture in this study. Thus, breaking down the institutional directors based on their status gives better explanation. Non-independent non-executive institutional directors and institutional CEOs play more roles in enhancing the level of CSRD unlike the institutional CEOs. This result is consistent with the results of Shleifer and Vishny (1997) who found institutional investors have more information than other shareholders and important voting power in the board. Unarguably, the ownership structure is related to the voting power (Brickley et al., 1988; Shleifer & Vishny, 1997). Further, it is found in the previous studies that the institutions own a significant percentage of the investee's shares (Pound, 1992; Oh et al., 2011). The results of this study seem to support the results and arguments of the previous studies. The representatives of blockholder institutions (non-independent non-executive institutional directors) play more significant roles than the representatives of independent institutions. Moreover, institutional CEO and low level of CSRD are found to be related as suggested by the agency theory.

It is very important to notice that the institutional directors have occupied a considerable percentage of the boards' seats. They present almost 46.4% of the total seats in the Jordanian banking sector. This frequent occurrence is seriously unsettling because, in several occasions, banks disclose information related to the legal directors (institutions) rather than their representative directors. Therefore, a lot of the important information related to the representative directors, such as their ownership or their status or their relationship with the bank, is hidden. This study finds some pitfalls by some Jordanian banks in appointing independent directors. It finds that some banks appoint institutions as independent directors but it is observed that the directors who represent those institutions are either blockholders (grey directors) or a bank's former manager resulting in reducing both the board independence and bank reporting transparency. Based on the Jordanian corporate governance code of the banking sector, the director is considered as non-independent if he/she "has not been employed by the bank for the preceding three years". These grey directors seem to appear more in the case of institutional directors. In this study, grey directors are considered as non-independent directors. Consequently, in many cases, the percentage of independent director seems to be less than the requirement of the Jordanian corporate governance code. It can be concluded that such directors' appointments might have a serious implication in the presence of the Jordanian corporate governance code.

5. CONCLUSION, IMPLEMENTATION AND FUTURE STUDIES

This study examines the level of CSRD in the banking sector of Jordan. In addition, it examines the impact of institutional directors on the level of CSRD. The descriptive analysis shows, relatively, a low level of CSRD with a mean of 46%. In addition, institutional directors occupy 46.4% of the banks' board seats. The analysis shows that 11% of the institutional directors are serving as CEOs, 22.5 % are independent institutional directors and 65.5% are non-independent non-executive directors. The results show that the institutional non-independent non-executive directors and institutional independent directors have a positive significant impact on the level of CSRD while the institutional CEOs have a significant negative impact.

This study contributes to the body of knowledge by different ways; firstly, it sheds some light on the CSRD in a developing country. Developing countries in general and Arabic countries in specific have scarcity of studies related to CSR. In addition, this study provides an evidence of CSRD in a banking sector. Financial sectors in general, and more specifically banks, have been widely ignored in previous literatures due to their stringent regulatory system. In addition, this study extents other studies by deeply investigating the board of directors. Previous studies have indicated that investment orientation and reward system in the investment institutions may affect the attitudes of institution directors. However, we provide an evidence of the institutional directors' status in extending the reporting of CSR. Moreover, it is argued that the institutional directors are qualified and experts, therefore, it is expected that institutional directors do add value to the investee firms. Theoretically, this study finds a support of separation of ownership and management by providing empirical evidence of the relationship between institutional CEO and CSRD.

The main implementation of this study to the regulators is to clearly define the independent director. As some banks tend to appoint institutional directors as independent directors while in real they are not independent, the regulators are supposed to prohibit appointing institutional directors without clearly identifying their relationship to their bank and other banks in the Jordanian market. In addition, the banks are required to identify the representative directors side by side with their institutions to enhance the transparency of banks' reporting.

The challenges facing the firms can be due their focusing on the profits and low contribution to the society in which they operate and achieve their goals. Communities expect from the firms to be a part of the society; therefore, firms are required to be socially responsible in order to protect their survival and to get the acceptance from their societies. Further studies may extent the current study by examining the reasons of low level of CSRD. In addition, other studies may go beyond the traditional variable such as board size and independent board to study the boards more deeply. Quality and competence of board members is needed more than the board size and independence in the developing countries especially countries with low level of transparency.

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