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**CORPORATE GOVERNANCE, RISK MANAGEMENT, AND CORPORATE
SOCIAL RESPONSIBILITY: EVIDENCE FROM JORDAN**

YOUSEF MOHAMMAD SAID SHAHWAN

**Thesis Submitted in Fulfillment of the Requirements for the Degree of Doctor of
Philosophy in the School of Maritime Business and Management
Universiti Malaysia Terengganu**

2017

DEDICATION

My Mother

Mardiah Shahwan

A strong and gentle soul who taught me to trust in Allah, believe in hard work and that so much could be done with little.

My Father

Dr. Mohammad Shahwan

For earning an honest living for us and for supporting and encouraging me to believe in myself.

Professor Mahmoud Alwadi

For being my guardian during my educational career.

My Uncles

Professor Rajab Shahwan and Associate Prof. Rashid Shahwan

For being the cause of my happiness.

Abstract of the thesis presented to the Senate of Universiti Malaysia Terengganu
in fulfillment of the requirement for the degree of Doctor of Philosophy

**CORPORATE GOVERNANCE, RISK MANAGEMENT, AND CORPORATE
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YOUSEF MOHAMMAD SAID SHAHWAN

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Main Supervisor : Nor Raihan Mohamad, PhD
Co-Supervisor : Akmalia Mohamad Ariff, PhD
Associate Professor Azwadi Ali, PhD
School : School of Maritime Business and Management

This research was motivated by a number of issues, which include, the increasing numbers of refugees, increased poverty level, the non-availability of natural resources (such as petroleum) in Jordan, and the low level of contribution of the companies to the Jordanian society through Corporate Social Responsibility (CSR). Corporate Social Responsibility is perceived as one of the moral commitments towards stakeholders, whereas moral commitment is an important precaution to avoid the recurrence of the non-financial risk. Corporate Social Responsibility should be managed and its non-practice can be alleviated by having effective Corporate Governance (CG). However, the extant corporate social responsibility's literature focuses more on the relationship between the firms and manager characteristics, and thus, less on the role of Organisation for Economic Co-operation and Development (OECD) code of Corporate Governance and risk management. Therefore, it is imperative to investigate the role of Corporate Governance on Corporate Social Responsibility practice and disclosure and risk management in Jordanian companies. The

current study examines two issues: first, the interaction between Corporate Governance and risk management to alleviate the issue of Corporate Social Responsibility practice and disclosure and second, to give a full view of the real level of Corporate Social Responsibility practice and disclosure, in trying to bridge the gap between them. Using a sample of 148 Jordanian listed companies for the year 2015, this study analyzed the cross-sectional data using a number of analysis techniques in SPSS and Smart PLS. The Corporate Social Responsibility disclosure data were collected using the corporate annual reports, while Corporate Social Responsibility practices, Corporate Governance and risk management data were collected using companies' responses to survey questionnaire items, which were sent to the top management of these companies.

The results of this study show that the Corporate Social Responsibility practice is at a good level, while the level of Corporate Social Responsibility disclosure in the annual reports for the companies is low. The latter could be related to the weakness of awareness among the managers about the importance of Corporate Social Responsibility disclosure. Furthermore, the results of the hypothesis testing show that the corporate social responsibility practice was significantly and positively affected by corporate governance. Further, the impact of corporate governance on corporate social responsibility disclosure was found to be insignificant. Moreover, the results of testing the moderating effect of risk management on the relationship between corporate governance and corporate social responsibility practice was found to be insignificant. Furthermore, the result of the test of moderating effect of risk management on the relationship between corporate governance and corporate social responsibility disclosure was also found to be insignificant. By examining the relationships between variables in the research model, this study contributes to the Corporate Governance literature with respect to the importance of the OECD code of

Corporate Governance to restore corporate governance effectiveness in the developing and emerging economy context. In addition, this study contributes to the corporate social responsibility literature in respect of the factors affecting the practice of Corporate Social Responsibility like Corporate Governance and the other factors that limit the disclosure of Corporate Social Responsibility such as, litigation costs. In conclusion, further steps have to be taken by all relevant parties including government agencies, individual managers, or internal and external stakeholders, to nurture Corporate Social Responsibility practice and disclosure in Jordan so to improve the nation's status in the global map of socially responsible nations.

Abstrak tesis yang dikemukakan kepada Senat Universiti Malaysia Terengganu sebagai memenuhi keperluan untuk ijazah Doktor Falsafah.

**TADBIR URUS KORPORAT, PENGURUSAN RISIKO DAN TANGGUNGJAWAB
SOSIAL KORPORAT: BUKTI DARIPADA JORDAN**

YOUSEF MOHAMMAD SAID SHAHWAN

2017

Penyelia Utama : Nor Raihan Mohamad, PhD
Penyelia Bersama : Akmalia Mohamad Ariff, PhD
Professor Madya Azwadi Ali, PhD
Pusat Pengajian : Pusat Pengajian Perniagaan dan Pengurusan Maritim

Kajian ini dibuat berdasarkan kepada beberapa isu iaitu bilangan pelarian yang bertambah, tahap kemiskinan yang kian meningkat, ketiadaan sumber asli (seperti petroleum) di Jordan, dan tahap sumbangan syarikat-syarikat yang rendah kepada masyarakat Jordan melalui Tanggungjawab Sosial Korporat (*Corporate Social Responsibility*). Tanggungjawab Sosial Korporat boleh dilihat sebagai komitmen moral kepada pemegang tauh, di mana komitmen moral adalah digunakan sebagai langkah pencegahan untuk mengelakkan berlakunya risiko. Tanggungjawab Sosial Korporat perlu diuruskan dengan baik dan amalan yang tidak dipraktikkan ini dapat diatasi dengan adanya urus Tadbir Korporat (*Corporate Governance*) yang efektif. Walau bagaimanapun, kebanyakan kajian literatur berkaitan korporat tanggungjawab sosial adalah lebih berfokuskan kepada hubungan antara syarikat dengan ciri-ciri pengurus dan hanya sebahagian sahaja kajian tentang peranan kod organisasi untuk Kerjasama dan Pembangunan Ekonomi

(Organisation for Economic Co-operation and Development)). Oleh itu, adalah penting untuk mengkaji tentang peranan urus Tadbir Korporat ke atas amalan Tanggungjawab Sosial Korporat dan pendedahannya serta pengurusan risiko dalam syarikat di Jordan. Kajian ini bertujuan untuk merungkai dua isu: pertama, hubung kait antara urus Tadbir Korporat dengan pengurusan risiko untuk menyelesaikan isu antara amalan Tanggungjawab Sosial Korporat dengan pendedahannya; dan kedua, untuk memberikan gambaran penuh ke atas tahap amalan Tanggungjawab Sosial Korporat dan pendedahan yang sebenar dalam usaha untuk merapatkan jurang antara kedua-duanya. Sebanyak 148 buah syarikat yang tersenarai di pasaran saham Jordan pada tahun 2015 digunakan sebagai sampel kajian. Kajian ini menganalisis data keratan rentas dengan menggunakan beberapa teknik analisis data dalam SPSS dan SmartPLS. Data penyampaian Tanggungjawab Sosial Korporat telah dikumpul dengan menggunakan laporan tahunan korporat, manakala data amalan Tanggungjawab Sosial Korporat, urus Tadbir Korporat dan pengurusan risiko dikumpul dengan menggunakan maklum balas syarikat dalam borang kaji selidik yang telah dihantar kepada pihak pengurusan teratas dalam syarikat-syarikat tersebut.

Hasil kajian menunjukkan bahawa amalan Tanggungjawab Sosial Korporat berada di tahap yang baik, manakala tahap pendedahan Tanggungjawab Sosial Korporat untuk syarikat yang sama dalam laporan tahunan adalah rendah. Tahap yang rendah tersebut mungkin berkaitan dengan kelemahan dalam kesedaran para pengurus tentang kepentingan pendedahan Tanggungjawab Sosial Korporat. Tambahan lagi, hasil daripada pengujian hipotesis turut menunjukkan bahawa tanggungjawab sosial korporat adalah dipengaruhi oleh urus tadbir korporat secara positif dan signifikan. Manakala, impak urus tadbir korporat terhadap pendedahan Tanggungjawab Sosial Korporat adalah tidak signifikan. Di samping itu, keputusan ujian kesan moderator bagi pengurusan risiko terhadap urus Tadbir

Korporat dan pendedahan Tanggungjawab Sosial Korporat juga adalah tidak signifikan. Dengan mengkaji tentang hubungan antara pembolehubah dalam model kajian, didapati kajian ini menyumbang kepada kajian literatur tadbir urus korporat dari segi kepentingan kod OECD dalam urus Tadbir Korporat untuk mengembalikan keberkesanan urus tadbir korporat dalam konteks ekonomi yang sedang membangun. Malah, kajian ini juga menyumbang kepada kajian literatur Tanggungjawab Sosial Korporat pada konteks faktor-faktor yang mempengaruhi amalan Tanggungjawab Sosial Korporat seperti urus Tadbir Korporat dan faktor lain yang menghadkan pendedahan Tanggungjawab Sosial Korporat seperti kos untuk tindakan undang-undang. Kesimpulannya, langkah-langkah tambahan perlu diambil oleh semua pihak yang terlibat termasuklah agensi kerajaan, pengurus individu, atau pemegang amanah luaran dan dalaman, untuk memupuk amalan dan pendedahan Tanggungjawab Sosial Korporat di Jordan untuk meningkatkan lagi statusnya di mata dunia sebagai negara yang mempunyai tanggungjawab sosial yang tinggi.