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Impact of Corporate Governance Characteristics on Corporate Social Responsibility Disclosure Index – A Case Study of Islamic Banks in Pakistan

Mariam Parveen
MS Scholar, School of Commerce and Accountancy, University of Management and Technology, Lahore, Pakistan.
farah.yasser@umt.edu.pk

Farah Yaseer
Assistant Professor, School of Commerce and Accountancy, University of Management and Technology, Lahore, Pakistan.

Dr. Talat Hussain
Assistant Professor, Institute of Islamic Banking, University of Management and Technology, Lahore, Pakistan.

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Mariam Parveen

Contact Information

INSTITUTE OF ISLAMIC BANKING (IIB)
UNIVERSITY OF MANAGEMENT AND TECHNOLOGY
C-II, Johar Town, Lahore +92-42-3521-2801-10 (Ext – 3418)

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Impact of Corporate Governance Characteristics on Corporate Social Responsibility Disclosure Index – A Case Study of Islamic Banks in Pakistan

Mariam Parveen[1*]

Farah Yasser[2]

Dr. Talat Hussain[3]

Abstract

The relationship between corporate governance characteristics and Corporate Social Responsibility (CSR) disclosure was analyzed empirically in this study. For this purpose, data was collected from Islamic banks in Pakistan for the time period spanning from 2009-2016. Regression analysis was used along with descriptive statistics, correlation analysis and incremental regression analysis. The study found significant findings in favor of hypotheses regarding CEO duality, profitability and board independence for Islamic banks. All the empirical findings concluded that the determinants of corporate governance have a momentous influence on the reporting of CSR of Islamic banks in Pakistan. The outcomes of this research are valuable for policy makers and managers for the evaluation of the existing principles of corporate governance structure by considering its influence on CSR disclosure in the Islamic banking sector.

***Keywords*:** corporate governance characteristics, corporate social responsibility disclosure, Islamic Banks.

Introduction

Enron, WorldCom and Global Crossing corporate failures and frauds raised the issue of corporate governance all across the world. After such issues, individuals demanded a strong and well defined corporate governance structure based on a crystal clear financial system along with shareholders duties and responsibilities (Chapra & Ahmed, 2002), (McLaren, 2004).

Recently, there has been a drastic increase in the pressure on corporations for the implementation of Corporate Social Responsibility (CSR) which in turn affects the environment as well as the societal culture of the corporations themselves. As a result, managers are now more concerned about and accountable to the society. CSR also measures the extent to which corporations are ensuing the

[1] MS Scholar, School of Commerce and Accountancy, University of Management and Technology, Lahore, Pakistan.

[2] Assistant Professor, School of Commerce and Accountancy, University of Management and Technology, Lahore.

[3] Assistant Professor, Institute of Islamic Banking, University of Management and Technology, Lahore, Pakistan.

* Corresponding Author Email: farah.yasser@umt.edu.pk

disclosure and execution of their policies and social burdens. These disclosures require appropriate and judicious implementation of policies after globalization.

Banking started in Pakistan during the British era. After appearing as an independent country on world map, the scope of banking increased immensely. The State Bank of Pakistan is the first bank of Pakistan and it started its functions in July 1948. Rules and regulations for the operation of banks were introduced through the State Bank of Pakistan Act, 1956. Islamic banking started in Pakistan in the year 1977. At that time, only three countries in the whole world had started interest free banking and Pakistan was one of them which switched to interest free banking on a nationwide scale. Islamic banks are also concerned with the effective and efficient application of CSR and its disclosure.

1.1. Problem Statement

The comprehensive relationship between a firm and society is termed as Corporate Social Responsibility. One major contribution of firms towards CSR is the proper disclosure of social responsibilities in their annual reports. CSR and corporate governance are effectively the same if we relate both with the improvement and enrichment of firms' responsibility towards benefiting the society (Jamali & Neville, 2011). For the last few years, CSR has been one of the most important concerns in the corporate world.

In developing economies like Pakistan, CSR model is still in its initial phase. Mostly, corporations and people do not know about their rights and duties in Pakistan. Firms take CSR as an obligation and do not consider its long lasting benefits and advantages for the corporations themselves as well as for the society(Waheed, 2005). In Pakistan, aids, gifts, education or assistance are considered sufficient for giving a positive CSR image to have a contention gain (Majeed, Aziz, & Saleem, 2015).

1.2. Significance of the Study

Corporate Social Responsibility (CSR) is now considered as one of the more exciting, extensive and debatable areas for academia as well as for researchers (Ramasamy & Yeung, 2009). CSR disclosure is well-thought-out as a vital prerequisite for corporations according to rules and regulations (H.-U.-Z. Khan, Halabi, & Samy, 2009). CSR reflects a much needed vantage point of a complete corporate governance structure and a strong mutual association of the corporate world and the society. Many studies have examined a noteworthy association among corporations' profitability and CSR disclosure such as Ghazali (2007), Tilt, (2009) and Guthrie and Parker (1989). But there are only a few previous researches which have discussed corporate governance in its entirety along with a CSR framework within the financial sector especially with reference to Islamic banks (Barako & Brown, 2008; H.-U.-Z. Khan, 2010). By exploring this area, this research work contributes in the existing literature by analyzing the issue of corporate governance characteristics along with the disclosure of CSR by Islamic banks in Pakistan. Also, the current study contributes to the existing literature. The current study delivers an empirical window on the relationship of corporate governance indicators with CSR disclosure mainly for the Islamic banking sector in developing countries like Pakistan.

1.3. Objective of the Study

The main objective of this study is to identify those corporate governance determinants which significantly affect the CSR disclosure of Islamic banks in Pakistan. Moreover, it also examines whether a positive or an adverse relationship exists among the higher proportions of non-executive directors in board structure with the proper disclosure of CSR. Besides, the current study also looks into the influence of the separated roles of CEO and Chairman and other corporate governance attributes on CSR among Islamic banks in Pakistan.

1.4. Research Question

Firms want to establish their positive image regarding social and environmental responsibilities along with their higher product line (Mian, 2010). Therefore, it is important to explore the answers of the subsequent research questions.

- What are the number of items disclosed in CSR disclosure of Islamic Banks in Pakistan?

- Do corporate governance characteristics indicate a positive and significant influence on CSR disclosure among Islamic Banks in Pakistan?

2. Literature Review

The impact of corporate governance on CSR is discussed in several studies and there are several diverse features that can affect this complete association in different ways. Moreover, the argument about the influence of CSR and corporate governance on Islamic banks in Pakistan is very challenging and crucial. According to different concepts, a very robust corporate governance system shows the disclosure of CSR. Simultaneously, corporate governance structure along with its supple policies and CSR disclosure gives the chance of relative gain to Islamic banks that will ultimately provide help in lifting the economic growth of the economy (Jalil and Ma, 2008; Kwame Asiedu, 2013). Garmsiri, Vakilifard, and Talebnia (2018) examined the effect of corporate governance characteristics on CSR of the company. According to them, board size of the firm is not significantly correlated with CSR, whereas there is a noteworthy relationship between financial performance and CSR. Cao & Haung (2010) investigated the association between CSR and corporate governance by using index analysis and revealed that board size, board independence and CEO duality are significantly and positively related with each other.

2.1.Theoretical Framework

The relationship between CSR disclosure and corporate governance structure can be discussed with reference to numerous theories like legitimacy theory, recourse dependency theory, and stakeholder and political cost theory (Giannarakis, Konteos, & Sariannidis, 2014).

a. Legitimacy Theory: Developed countries' banking and financial frameworks are followed by developing countries to have a higher legitimacy with international agencies, governments and other external stakeholders (Reed, 2002; Khan, Muttakin, and Siddiqui, 2013) . According to this theory, companies must consider social, moral and ethical customs and standards and become socially responsible (Guthrie and Parker, 1989).

b. Recourse Dependency Theory: Recourse dependency theory tells us that a company's capability means the ability to effectively manage its inside as well as outside resources (McGuire, Sundgren, & Schneeweis, 1988). As per the proportion of their ownership, shareholders have the right to participate in corporate effective decision making process (Baysinger & Butler, 1985). In this way, non-executive and independent directors are considered a more important determinant in developing a significant association between the firm and external environment (Rosenstein & Wyatt, 1990).

c. Social and Political Cost Theory: Bigger corporations have greater political cost as compared to smaller companies because bigger companies are usually more receptive and perceptible to the societal and political matters (Hossain & Hammami, 2009). Mostly, firms prefer to use such accounting methods which consider CSR as part of social responsibility and report minimum profit to reduce political cost.

d. *Research Gap:* Recently no study has been conducted regarding the impact of corporate governance on characteristics of CSR Disclosure Index. Most of the previous work done was conducted on the sample of non-financial companies in developed economies while the banking sector particularly Islamic banks were ignored. Moreover, there is limited work on CSR disclosure in corporate governance framework in the financial sector of Pakistan and other developing economies. This study attempts to fill the gap in the empirical literature regarding the impact of corporate governance on CSRDI in Islamic banking sector.

2.2. The Impact of Corporate Governance on CSR Reporting

It is very difficult to find out any notable variation between CSR and corporate governance. The word corporate refers to a framework that is based on ethical values, integrity, discipline, answerability and accountability. Previously, corporate governance reflected a structure that was associated merely with real decision making process in the company, whereas CSR was considered for strategic undertakings in the society as a whole (Odia, 2014).

Currently, this study shows a rich picture with a balanced understanding of existing corporate norms and applications with an impeccable link of corporate governance and CSR of a company. In the past, only the corporations in developed countries accomplished CSR disclosure (Belal, 2000). Generally, CSR was practiced in non-financial firms and financial sectors were entirely overlooked specially the banks of a country. For that reason, little work was done previously on banks and especially Islamic banks in Pakistan. The current article provides a momentous addition in the existing literature by providing empirical evidence for the association between corporate governance characteristics and CSR disclosure for Islamic banks in Pakistan.

2.3. Hypothesis Development

2.3.1. Board Size. Literature review suggests board size as one of the prominent factors to screen, regulate and report an efficient corporate governance structure of any company. A large number of directors in the board always improve business's worth because directors always assist companies with their expertise in various fields of knowledge and proficiency (Bukair and Rahman, 2015b; Bukair and Rahman, 2015a; Beasley, 1996; Boone, Field, Karpoff, and Raheja, 2007). On the contrary, ineffectual communication and judgments produce in effective exposure of CSR of a company. So, the hypothesis can be constructed as follows,

H1. *There is a negative association between board size and disclosure of CSR among Islamic banks in Pakistan.*

2.3.2. Board Independence. Another robust feature of effective corporate governance is the percentage or the proportion of non-executive independent directors in the board. The higher the proportion of independent and non-executive directors, the greater the firm's prospects to control and monitor the management (Petra, 2005). To check the outcome of board independence on CSR disclosure, the following hypothesis can be made,

H2. *There is a positive association between the proportion of non-executive directors and disclosure of CSR among Islamic banks in Pakistan.*

2.3.3. Foreign Ownership. When there are foreign stakeholders in a company, the company faces geographical difference among the owners and the managers that cause proficient disclosure of CSR (Schipper, 1981; Veronica Siregar & Bachtiar, 2010). So, the following hypothesis can be assumed,

H3. *There is a positive association between foreign ownership and disclosure of CSR among Islamic banks in Pakistan***.**

2.3.4. Public Ownership. A more diverse ownership structure causes a more voluntary reporting of CSR (Chau and Gray, 2010; Cullen and Christopher, 2002; Ullmann et al., 1985). If there is a high proportion of shareholders in a company, then the benefits of CSR are larger as compared to the associated cost of a firm (Udayasankar, 2008; A. Khan et al., 2013).

H4. *There is a positive association between public ownership and disclosure of CSR among Islamic Banks in Pakistan.*

2.3.5. Profitability. The companies that have a workable and serviceable attitude to the public or society incline to have greater profits because CSR is a substantial cause for profit (Dienes & Velte, 2016). Literature shows that companies making more profit disclose CSR more effectively in order to create a positive and productive picture for long term existence and ultimately greater profitability (Kathy Rao, Tilt, & Lester, 2012)**.**

H5. *There is a positive association between profitability and disclosure of CSR among Islamic banks in Pakistan***.**

2.3.6. Size. Firms larger in size tend to be involved in more business activities along with enjoying high social and environmental influence. Larger firms have more shareholders which are particularly concerned with responsible social and environmental behavior due to their personal interests regarding high profits (Freeman, 2010; Simpson and Gleason, 1999). By considering all the literature based studies, a significant relation can be assumed among bank size (in terms of total assets of the bank) and CSR disclosure (Prado-Lorenzo & Garcia-Sanchez, 2010)

H6. *There is a positive association between bank size and disclosure of CSR among Islamic banks in Pakistan.*

2.3.7. Audit Committees. The impact of audit committee on the entire structure of corporate governance has an extensive importance as shown in previous studies (Turley and Zaman, 2004; 2007). The main role of an audit committee in a company is to create essential modifications and approval of accounting policies and thus more effective disclosure of CSR.

H7. *There is a positive association between existence of audit committee and disclosure of CSR among Islamic banks in Pakistan.*

2.3.8. CEO Duality. CEO duality means a single director that has two authorities simultaneously, such as that of CEO and Chairman of the board, in a company (Rechner & Dalton, 1989). Therefore, it is hypothesized that

H8. *There is a negative association between CEO duality and disclosure of CSR among Islamic banks in Pakistan.*

3. Research Methodology

With the help of panel data, this research examines the influence of the corporate governance frameworks on CSR among Islamic banks in Pakistan by using the significant regression analysis method. This section of the study is about the detailed explanation of variables, their descriptive statistics and other techniques that were used for analysis. Table 1 below lists the Islamic banks in this study.

Table 1
Islamic Banks in Pakistan

Sr. No	Name of Islamic Banks in Pakistan
1	Meezan Bank
2	Dubai Islamic Bank Pakistan Limited
3	Al Baraka Bank Pakistan Limited
4	Bank Islami Pakistan Limited

3.1. Model Specification

Regression analysis was used for checking the association between corporate governance determinants and CSR disclosure among Islamic banks in Pakistan. All assumptions of regression analysis for normality, linearity, multi-collinearity and correlation matrix Variance Inflation Factor (VIF) were examined before running the regression model (Roberts, 1992). If VIF value is beyond 10 then it would be considered alarming (Ghazali, 2007; Ho & Wong, 2001). Another test known as Durbin Watson was performed to test the autocorrelation problem. Durbin Watson test with value of around 2 has been considered in the model used for the study (Pomering & Dolnicar, 2009).

Given below are the models applied to examine the impact of corporate governance on the disclosure of CSR among Islamic banks in Pakistan, where the dependent variable is CSR disclosure. The independent variables include CEO duality, with the value of dummy variable as one if the same person has dual authority both as Chairman and Chief Executive Officer (CEODU), size as a natural logarithm of total assets (FSIZE), audit committee with the value for dummy variable as 1 if it exists (AUDCOM), profitability calculated as Return on Assets ratio (ROA), public ownership as the proportion of shares owned by the public (PUB), foreign ownership as the proportion of shares owned by foreign investors (FROWN), board independence as the percentage of independent non-executive directors on board (BIND) and board size.

CSRDI= f (SSE, CAP, DCFG, MVA)

Where

CSRDI = Corporate Social Responsibility Disclosure Index

BSIZE = Board Size

BIND = Board Independence

AUDCOM = Audit Committee

ROA = Profitability

FOROWN = Foreign Ownership

PUB = Public Ownership

f= functional relationship

The econometric form of the equation (1) as

Model:

$$\boldsymbol{CSRDI = \beta_0 + \beta_1 BSIZE + \beta_2 BIND + \beta_3 AUDCOM + \beta_4 ROA + \beta_5 FOROWN + \beta_6 PUB + \varepsilon_i}$$

β_0 is represented as an intercept of model and β_1 to β_6 are the parameters of independent variables and ε is error term of this analysis.

3.2. Data and Research Methodology

Panel data has been used from the years 2009 to 2016 for the current study to test the association between the disclosure of CSR and the framework of corporate governance among Islamic banks in Pakistan. The sample of this research includes four Islamic banks listed on Pakistan Stock Exchange. This sample was selected based on the availability of data. Sample size of this study is quite reasonable and acceptable as compared to the sample size used in previous studies (Said, Hj Zainuddin, and Haron, 2009; Baden, Harwood, and Woodward, 2009).

3.3. Measurement of the Variables

3.3.1. Dependent Variable - CSR Disclosure Index (CSRDI). A checklist containing around 30 items was framed from the annual reports of the companies to check the level of CSR disclosure. This checklist is based on previous studies in literature (Haniffa and Cooke, 2002; 2005; Mohd Ghazali, 2007). A dichotomous technique was used for constructing CSR disclosure index where the value is “1”if the significant element is appropriately exposed by the Islamic banks and “0” if it is not disclosed (Milne and Adler, 1999; Elo and Kyngäs, 2008; Graneheim and Lundman, 2004; Hsieh and Shannon, 2005). This CSRD Index consisted of five major categories of CSR including the health segment, support to education sector, actions for natural disaster, donations, and activities for workers, environmental problems, and product and services. All the judgments were made after a comprehensive reading of annual reports and relevant websites of the banks (Hochberg, Renals, Robinson, and Cook, 1995; Hossain and Reaz, 2007). The model for CSR Disclosure Index (CSRDI) is given below.

$$\mathbf{CSRDI = \Sigma di30/nj}$$

Where di is 1, if the item di is disclosed and 0 if the item di is not disclosed, nj is the maximum number of items for the firms and nj $\leq$ 40. Cronbach alpha was used to check the internal reliability and consistency of all the listed items on the checklist for CSR Disclosure Index (Cronbach, 1951; Botosan, 1997).

This study checked the clarity and individuality related to the Pakistani banking segment atmosphere and common exclusivity of the items of the study. Only the items linked with the banking industry were used in this study. Finally, 30 CSR reporting items were included in this study.

3.3.2. Independent Variables. In this empirical analysis, six important and most frequently considered determinants were used for corporate governance structure. These were board size, dual role of CEO, existence of audit committee, board independence, public and foreign ownership. These determinants were used to measure the authenticity and quality of corporate governance. (Lefort and Urzúa, 2008; Carter, Simkins, and Simpson, 2003; Singh and Davidson III, 2003; Baker and Gompers, 2003).

a. **Board Independence:** The proxy for board independence is the amount or ratio of independent non-executive directors on the board. According to the definition, an independent director is a person outside the organization who is elected as director of the corporation by shareholders (Eng and Mak, 2003; Yan Lam and Kam Lee, 2008).

b. **CEO Duality:** For the proxy of the CEO duality**,** a dummy variable was used. Dummy variable is considered as 1 if CEO is also the Chairman of the Board Gul and Leung (2004).

c. **Board Size:** Board size is calculated as the total number of directors on the board. Companies with bigger board sizes are more answerable and disclose their societal obligations (Gul & Leung, 2004).

d. **Public Ownership:** Public ownership is measured as the proportion of capital stock owned by the general public in any corporation. Those corporations that have a large number of publically owned shares are more responsible in terms of accountability and these corporations usually provide more CSR disclosures (Hull & Rothenberg, 2008).

e. **Foreign Ownership:** Foreign ownership is defined as the number of capital stocks owned by the foreign investors in a corporation. More precisely, foreign ownership is the percentage of shares held by foreign stockholders as compared to the total stockholders of any corporation (Veronica Siregar and Bachtiar, 2010).

f. **Audit Committee:** This variable is used as a dummy variable in this study which has a value of "1" in the presence of audit committee and "0" otherwise.

3.3.3. Control Variables. This study used two types of control variables including profitability (ROA) and size. These control variables have been used by many researchers in their studies. Profitability is measured by ROA (Return on assets) which has been used already by many scholars (Ho and Wong, 2001; Bliss and Balachandran, 2003).

4. Results and Discussion Analysis

This section reports the empirical findings of all the models that were applied to test the association between corporate governance and CSRD is closure Index (CSRDI) among Islamic banks of Pakistan. First, we present the findings of the overall extent of CSR reporting from the year 2009 to 2016 in Islamic banks and then we will report findings of the relationship of corporate governance and CSRDI among the banking sector.

4.1. Overall Extent of CSR Reporting from the Year 2009 to 2016

In this study, 30 CSR related items were selected listed in table 2. This list is provided by the Securities Commission of Pakistan (SECP) for banking sector only.

Table 2
Overall list of CSR Items relevant to banking sector provided by SECP

Sr. No	Item Description
I Community involvement/Community	
1	Charitable donations and subscriptions
2	Community program (Health and Education)
3	Sponsorships and advertising
II Environmental/Environment	
4	Awards for environmental protection
5	Environmental policies
6	Promoting environmental awareness in the community through promotional tools
7	Support for public/private actions designed to protect the environment
8	Past and current operating costs of environmental friendly equipment and facilities
9	Planting of trees to make the country green
III Activities for Employees	
10	Number of Employees/Human resource
11	Employee profit sharing
12	Employee training and development
13	Employee welfare
14	Employee education
15	Employees Relations
16	Managerial remuneration
17	Part time job facilities for the students

18	Information about support for day-care, maternity and paternity leave
19	Worker's occupational health and safety
20	Child labor and related actions
IV Product and service information	
21	Types of products disclosed
22	Focus on customer service and satisfaction
23	Receipt of awards (local/international) for CSR activities
24	Focus on customer service and satisfaction
25	Discussion of marketing network
26	Product quality and safety
27	Product development and Research
V Value added information	
28	Value added statement
29	top management
30	vision and mission statement

4.2. Banks' Ranking Based on Reporting of CSR Items

The table 3 below shows the ranking of Islamic banks in Pakistan based on the total number of items disclosed by banks selected under the category of CSR. Meezan Bank ranks first as it has disclosed 20 CSR items out of 30, followed by Bank Islami (18.5 items), Al-Baraka Bank (13 items) and Dubai Islamic Bank (7 items), respectively.

Table 3

Ranking of the Islamic banks based on the reporting of CSR items

Sr. No	Bank Name	No. of Items Disclosed	%	Ranking
1	Al Baraka Bank (Pakistan) Limited	13.00	43.33	3
2	Bank Islami Pakistan Limited	18.50	61.67	2
3	Dubai Islamic Bank Pakistan Limited	7.00	23.33	4
4	Meezan Bank Limited	20.25	67.50	1

4.3. Descriptive Statistics

Table 4 shows the results of descriptive statistics for Islamic banks in Pakistan from 2009 to 2016. It is very clear from the mean value of board independence (47%) that most of the Islamic banks in Pakistan have non-executive independent directors in their respective boards. These findings clearly indicate that most financial institutions especially Islamic banks in Pakistan are dominated by non-executive directors. Moreover, mean value (7.46%) clearly indicates that Islamic banks in Pakistan are not owned mainly by foreign shareholders and the majority of shares are owned by public with the mean value of 11%. Furthermore, it is also clearly reported that 97% banks, that is, the majority of Islamic banks have a proper audit committee. On the other hand, profitability ratio is 7.29% for these banks.

Table 4
Descriptive statistics for independent variables

Independent Variable	Obs	Mean	Std. Dev.	Min	Max
Board Size (BSIZE)	32	9.72	1.61	7.00	14.00
Board Independence (BIND)	32	4.72	0.85	4.00	7.00
CEO Duality (DUAL)	32	0.50	0.51	0.000	1.00
Audit Committee (AUDCOM)	32	0.97	0.18	0.000	1.00
Profitability (ROA)	32	7.29	24.53	-29.20	86.76
Foreign Ownership (FOROWN)	32	7.46	5.81	0.05	17.59
Public Ownership (PUB)	32	11.77	6.16	0.30	23.23

4.4. Correlation Analysis

Table 5 shows the results of correlation analysis for the sample of this study. All variables correlate significantly except foreign ownership. CSRDI is positively correlated with board independence, existence of audit committee and profitability (Iqbal, Ahmad, Basheer, & Nadeem, 2012).

Table 5
Correlation Analysis

	CSR Index	BSIE	BIND	DAUL	AUD COM	ROA	FOR OWN	PUB
CSR Index	1							
BSIZE	0.14	1						
BIND	0.5186	0.2462	1					
DUAL	-0.8164	0.1774	-0.2611	1				
AUDCOM	0.0137	0.1947	0.1541	0.1796	1			
ROA	0.2395	-0.045	-0.0782	0.1069	0.2604	1		
FOROWN	-0.7165	-0.1281	-0.336	0.7834	0.1057	0.2184	1	
PUB	-0.6234	-0.2509	-0.2438	0.6759	-0.3393	-0.0385	0.567	1

4.5. Multivariate Analysis

Regression analysis was used to investigate the significant association among selected independent and dependent variables from 2009 to 2016 among Islamic banks in Pakistan (Sharif & Rashid, 2014). The model used for this study is mentioned below.

$$\boldsymbol{CSRDI = \beta_0 + \beta_1 BSIZE_i + \beta_2 BIND_i + \beta_3 AUDCOM_i + \beta_4 ROA_i + \beta_5 FOROWN_i + \beta_6 PUB_i + \varepsilon_i}$$

Where

CSRDI = Corporate Social Responsibility Disclosure Index
BSIZE = Board Size
BIND = Board Independence
AUDCOM = Audit Committee
ROA = Profitability
FOROWN = Foreign Ownership
PUB = Public Ownership

Table 6 presents the findings for the model of regression analysis (Islamic Banks). The significant p-value for f-statistics indicates that the model used for this study is appropriate. Moreover, the value of R-Square is approximately 84.5% which means that the selected independent variables explain almost 85% variance in the dependent variable by using the selected regression model. There is also found a significant positive relationship between CSRDI and board independence. It indicates that Islamic banks with a higher proportion of non-executive directors on their board tend to disclose social responsibility voluntarily. These results are in favor of the hypothesis regarding board independence and consistent with the findings of previous studies such as Haniffa and Cooke (2005) and Chen and Jaggi (2001).

Moreover, this study also found a significant positive association among board size and index of CSR disclosure among Islamic banks in Pakistan which is not in favor of our hypothesis. This study also suggests significant positive and negative relationships between CSRDI with profitability and CEO duality, respectively (Roberts, 1992; Cormier & Gordon, 2001). Table 8 also shows the values for variance inflation factor. The value of VIF for all the selected variables is lower than 10 which is recommended to avoid the collinearity problem (Gujarati, 2009; Kennedy, 1992). But, this study did not find any significant association among foreign ownership, public ownership and CSRDI which is consistent with the findings of Branco and Rodrigues (2008).

Table 6
Multiple regression results using index (CSRDI)

Variables	**Coefficients**	**T**	**P > t**	**VIF**
BSIZE	0.085	2.68	0.013	2.11
BIND	0.110	2.34	0.028	1.31
DUAL	-0.948	4.82	0.000	8.09
AUDCOM	0.486	1.68	0.100	2.12
ROA	0.003	1.91	0.069	1.15
FOROWN	0.011	0.95	0.352	3.52
PUB	0.016	1.32	0.200	4.79
Intercept	2.397	4.58	0.000	-
R-Square	84.55			
Adjusted R-Square	79.9			
F-Statistics (1,24)	18.69***			
Prob > F	0.000			
Number of Observations	32			

4.6. Incremental Regressions Results

The findings of incremental regression analysis are mentioned in table 7. This analysis has been performed by removing all selected independent variables one by one to check the significance on the basis of R-Square value (Sharif & Rashid, 2014). In table 7, OLS1 shows the results of the original regression model with all independent variables selected for this study. The study found significant change in the value of R-Square by removing independent variables board size and CEO duality as 79% and 69% in OLS2 and OLS4, respectively. These results indicate that board size and the dual role of CEO are important determinants of corporate governance framework to affect the reporting of CSR among Islamic banks in Pakistan.

Table 7
Incremental Regression Results

	OLS1	OLS2	OLS3	OLS4	OLS5	OLS6	OLS7	OLS8
BSIZE	0.085**	-	0.108***	-0.019	0.068**	0.085**	0.072**	0.060**
BIND	0.110**	0.149***	-	0.169**	0.133***	0.116**	0.109**	0.125**
DUAL	-0.948***	-0.588***	-1.067***	-	-0.761***	-0.914***	-0.824***	-0.750***
AUDCOM	0.486	0.232	0.680**	-0.304	-	0.374	0.444	0.232
ROA	-0.003*	-0.003	-0.003*	-0.002	-0.002	-	-0.003*	-0.003*
FOROWN	0.011	-0.002	0.010	-0.025*	0.008	0.006	-	0.008
PUB	0.016	-0.003	0.023*	-0.029**	0.003	0.016	0.014	-
R-Square	84.55	79.85	80.97	69.48	82.67	82.15	83.92	83.37
Adj R-Square	79.9	75.01	76.4	62.16	78.52	77.87	80.06	79.38

5. Conclusion, Implications and Future Recommendations

This research work explored the relationship between the determinants of corporate governance framework with the disclosure of CSR among Islamic banks in Pakistan from the year 2009 to 2016. The foremost aim of this research was to analyze the relationship between corporate governance structures and the reporting of CSR in the Islamic banking sector. In order to get a momentous association among the selected and required dependent and independent variables, this study used different statistical tools such as descriptive statistics, correlation analysis, multiple regression analysis and incremental regression analysis.

For the statistical model, F-statistic value is 18.49 which indicates that the model used in this study is significant and suitable. The value of R-Square is approximately 84.5% which means that selected independent variables explain almost 85% variance in the dependent variable by using the selected regression model. This study also revealed the existence of a positive significant relationship between CSRDI and determinants of corporate governance. Board Independence, as per the findings of regression analysis, depicted that Islamic banks with a higher number of non-executive directors on their board tend to disclose social responsibility voluntarily. These results are in favor of our hypothesis regarding board independence mentioned below and consistent with the findings of previous studies such as Roszaini M Haniffa and Cooke (2005) and Chen and Jaggi (2001).

Moreover, this study also found a statistically significant and positive association between board size and CSRDI among Islamic banks in Pakistan which is not in favor of our hypothesis. This study also suggested significantly positive and negative relationships of CSRDI with profitability and CEO duality, respectively (Roberts, 1992; Cormier & Gordon, 2001). But, this study did not find any significant association between foreign ownership, public ownership and CSRDI which is consistent with the findings of Branco and Rodrigues (2008).

The results of this study are very useful for managers and decision makers for the implementation of the exact factors or causes of corporate governance structure with CSR revelations. Moreover, this study is going to benefit the policies regarding CSR and corporate governance practices for healthier performance either socially or financially. The current study is also an effort to contribute in Islamic banking literature. Additionally, this study will contribute an exact depiction of the influence of corporate governance practices on voluntary disclosure of CSR by Islamic banks in developing economies.

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