THE MEDIATING ROLE OF FOREIGN OWNERSHIP IN THE RELATIONSHIP BETWEEN BOARD CHARACTERISTICS AND VOLUNTARY DISCLOSURES OF JORDANIAN BANKS

Hussein Mohammed Alrabba, Yarmouk University, Irbid-Jordan
Ayman Ahmad Abu Haija, Jadara University, Irbid-Jordan
Alaa Mohammad AlQudah, Yarmouk University, Irbid-Jordan
Mohammad Jamal Azzam, Yarmouk University, Irbid-Jordan

ABSTRACT

This study aims mainly to delve into the mediating effect of foreign ownership on the relationship between board characteristics and Voluntary Disclosure (VD) of Jordanian banks. Principally this study covers several Corporate Governance (CG) mechanisms that may have an effect on VD levels in the Jordanian banks. Initially this study focuses on independent members, board size, board meetings, external directorships and foreign ownership over a sample of listed banks between 2013 and 2017. Two separate OLS regression models are used to examine the mediating effect of foreign ownership on the relationship between CG mechanisms and VD levels. In line with the current study's prediction, the findings show a significant positive relationship between foreign ownership and VD levels. However, controlling the mediating effect of foreign ownership on the relationship between CG mechanisms and VD levels seems to be inefficient in enhancing the levels of VD, since the association between board characteristics and VD, however, remains essentially unchanged from the results that are reported in model one before controlling the mediating effect of foreign ownership. Indeed, this study documents negative correlation between independent members, board size, board meetings, and external directorship and VD levels. The Jordanian regulatory bodies should be more aware of devote more efforts to ensure effective and efficient adoption of CG mechanisms in a way that enhance mechanisms monitoring roles.

Keywords: Foreign Ownership, Corporate Governance, Voluntary Disclosure.

INTRODUCTION

Increasingly, Voluntary Disclosure (VD) of both financial and non-financial information in company reporting has gradually been of interest to most researchers and other financial statements' users. Studies conducted in both developed and developing countries, but little has been done in Jordan regarding the impact of foreign ownership to VD index of banks in Jordan (Jonasson, 2013). The VD of company reports shows freedom of the management of companies to provide both financial and non-financial information to satisfy investors and shareholders concerning investment plans, since the management enjoys enormous information superiority compared to investors and shareholders (Alfraih & Almutawa, 2017). Self-centered management often awards themselves more privileges and may often be associate themselves with unbeneficial projects. This results in information asymmetry when the ownership and control issues of an organization are positioned towards personal interests forgetting about investors and shareholders (Healy & Palepu, 2001).

Some mechanisms put forward to mitigate information asymmetries include monitoring and transparency that requires disclosure of pertinent information to assist investors and shareholders to assess whether resources have been managed adequately to maximize profits in the firm. The board of directors should monitor the behaviors and activities of the management in terms of improving the quality of decisions made by the managers that in turn influences the interests of stakeholders (Klein, 2002). However, the effectiveness of board monitoring is solely determined by the composition of the board (Garven, 2015).

Banks are critical to enhancing the economic growth of a country, and the failure of a banking system is crucial than any other sector in the economy. On average, shares, subsidiaries and cross-border loans of bank assets across developing countries held by foreign bank ownership have risen (AICPA, 2017). Foreign banks encourage competition among local banks and increase their efficiency through reducing of net interest margins. Therefore, this encourages the growth of an economy through efficient resources allocation.

Rivals, on the other hand, argue that foreign bank investors tend to select low default risk borrowers and subject local banks to serving customers with a high risk that result to its inefficiency and a reduction in the level of competition (Davies et al., 2016). Foreign banks tend to reduce the level of competition with the local banks by tracking the rent-seeking activities.

This study examines the intervening role that foreign ownership may play in the relationship between board characteristics and voluntary disclosures. This examination is expected to very interesting in the context of Jordan due to several reasons. First, the market capitalization of stocks owned by foreigners at the Amman Stock Exchange (ASE) increased dramatically over time. Indeed, the statistics disclosed by the ASE show that their ownership increased from 37% in 1999 to 48% at the end of 2017. Second, these stocks are owned by 95 foreign nationalities. This diversity in foreigners' background and experiences is most likely to be associated with high-quality reporting. Third, the reviewed literature in the next sections revealed a scarcity of research on foreign ownership in developing countries, noticeably Jordan (Makhlouf et al., 2018). Together, these reasons provide this study a unique opportunity to examine the Jordanian capital market and show the role that foreigners may play in enhancing the level of banks' VD. This will be done by analyzing secondary data collected manually form banks' annual reports that listed at the ASE from 2013 to 2017.

Study Significance

Jordan's countrywide economy experienced several developments due to the remarkable economic growth. The current economic conditions in Jordan are rising because of the financial crises it experienced. Stern operation of accounting regulations gives crucial information about Jordan banking economy (Kavoura et al., 2017).

The importance of this study is to investigate a theoretical and empirical inference on the impact of foreign ownership on board management and VD in Jordanian banks. Bank information requires that its statements pertaining information disclosure in the annual reports should be reliable and relevant to provide useful information to influence investor's decision positively. Indeed, one of the critical criteria that may create stability in a bank's operations and guarantee reliable and valid financial position is external reporting (VD) (Agliata et al., 2014). Moreover, Bokpin and Isshaq (2009) claimed that Foreign investors consider corporate governance and disclosure practices of firms in making their investment decisions. Thus, foreign investors will avoid investing in countries with a governance regime with poor disclosure practices. Additionally, Aripin et al. (2017) found that ownership concentration has a positive association with financial ratios disclosure.

This study tries to evaluate the intervention of foreign ownership to the board on issuing VD in their annual reports to reduce information asymmetries problems. Foreign ownership information will assist to provide additional substantiation for Jordanian regulators to improve further on local bank information sharing in their annual reporting. Therefore, this study tries to answer the following questions:

1. What is the relationship between board characteristics (i.e. board independence, board size, board meetings and busy director) and VD?
2. Is there a mediating effect for foreign ownership on the relationship between board characteristics (i.e. board independence, board size, board meetings and busy director) and VD practices of banks in Jordan?

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

In order to shed light on previous studies related to the research problem, the researchers adopted the systematic approach mentioned by Tranfield et al. (2003) to build the literature review and hypotheses development. However, such an approach helps in building the research in a way that offers an exhaustive overview of prior studies that are connected to the issue under investigation. Furthermore, this approach helps researchers to specify the related studies which provide reliable and logical justifications to examine a specific research problem. Additionally, using this approach paves the channels for conducting future investigations based on valid and accurate results since a clear set of steps has been used to extract conclusions of previous studies (Centobelli et al., 2016; Thorpe et al., 2005).

Foreign Ownership

Foreign ownership improves the firm’s corporate reporting practices (Ali et al., 2008). Due to geographical barriers, foreign investors are expected to experience high levels of information asymmetry as equated to local Jordanian competitors. Albassam and Ntim (2017), found out that foreign investors have a habit of investing more in banks that disclose higher levels of information. Through foreign ownership power, foreign investors are likely to encourage management to communicate higher information levels. Albassam and Ntim (2017), concluded that there is a definite relationship between foreign ownership and the level of voluntary disclosure. Foreign investors are highly attracted to companies that are associated with low levels of asymmetry information (Alnabsha et al., 2017). Foreigners possess the improved expertise to monitor companies freely. Consequently, the high percentages of foreign ownership encourage local Jordanian companies to improve their levels of information transparency. Foreign investors who are excellent in corporate governance assists enhance managerial control of a company. Additionally, concentrated ownership (foreign ownership) is motivated to take corrective actions as a response of a board’s inefficiency in achieving principals’ goals; for instance, they may have the power to change the CEOs or modify the path of the monitoring map in their firms (Tahir & Sabir, 2014). This discussion leads to the following hypothesis.

Hypothesis 1: There is a positive significance mediating role for foreign ownership in the relationship between board characteristics and voluntary disclosures of Jordanian banks.

Board Independence

Individual members are viewed as a control mechanism for performing independent monitoring activities and are not employed by the bank (Khalil & Ozkan, 2016). Their presence reduces the information asymmetry hence controlling the agency issue between management and investors/shareholders (Chen & Zhang, 2014; Fama & Jensen, 1983). Therefore, the higher the number of individual members, the more information they would disclose to the shareholders and investors (Jizi, 2017). From the stakeholder point of view; independent members in a firm's boards are inclined to play a key role in enhancing firms published information in a way that guarantees maximization in shareholders' interests (Jaggi et al., 2018; Michelon & Parbonetti, 2012).

Previous literature in this regard is still controversial. Some studies such as Habbash et al. (2016) pointed out that, the presence of independent members within boards' structure was one of the main factors that had no impact on the level of VD within the Saudi context. Likewise, increasing the percentage of outside independent directors did not play the expected monitoring role for them. Indeed, they were curbing a firm's transparency by correlating negatively with VD levels (Lim et al., 2017; Mohammed, 2018)**.** Prior findings are consistent with Bueno et al. (2018) who claim that, independent directors were not keen to behave as trusted representatives in order to enhancing VD levels. However, the Italian independent members were inclined to minimize the conflict of interest between a firm's agents and principals by enhancing the VD levels (Jaggi et al., 2018)**.** Additionally, Samaha et al. (2015), supported agency theory proposition; by documenting a positive effect of such members on VD level.

However, under the recommendations of the Corporate Governance Code (CGC) in Jordan, one-third of board size should be independent members. Therefore, and based on the previous discussion and recommendation the following hypothesis is formulated as follows:

H2: There is a positive significant relationship between board independence and the level of VD in Jordanian banks.

Board Size

The critical role of the board of directors is to monitor and control activities on the management (Chen & Zhang, 2014). Islam (2017) and Sahu and Manna (2013) state that increasing board members, in turn, improves the proficiency of the board in performing its operations that increase the transparency disclosure of information by the management. Bigger board sizes often have different and diverse opinions that increase their capacity to effectively monitor management activities, which boosts the bank's disclosure policy. Supporting this stand, larger boards affect the levels of VD positively in compare with other sized boards within the Latin America firms (Husted & de Sousa-Filho, 2018). Furthermore, the volume of the voluntary disclosed data by larger boards was more efficient and reliable to external users in compare with smaller boards (Albassam & Ntim, 2017). Similarly, Samaha et al. (2015) found a significant effect of larger boards in improving firms VD in their investigation.

In contrast, appointing more directors in a firm's boards was a frustrating decision since they were inefficient members to enhancing a firm's VD levels (Mohammed, 2018)**.** Evidence from emerging markets also confirms that, smaller boards show more objectivity and experience in increasing the level of VD within the Libyan market (Alnabsha et al., 2018)**.** Bhasin et al.

(2015) failed to document a noticeable impact of larger boards on the level of banks VD in Kazakhstan.

However, according to Jordan's security commission, it recommends a board that comprises of more than five and less than fifteen members of the listed firms at the Amman Stock Exchange (ASE). The following hypothesis is formulated as follows:

H3: There is a positive significant relationship between board size and VD in Jordanian banks.

Board Meetings

Although the board size and the structure of the board concentration and member profile has a critical role in monitoring management functions, the persistence of the board shows the actual level of activities undertaken and the quality of monitoring the board has on management (Islam, 2017). The frequency of board meetings has often been used as a measure of the effectiveness of the board of directors (Elijah & Ayemere, 2015). A frequent board meeting will assist in strategizing, planning and assessing the performance of the management and improve investor/stakeholder representation. The board of directors will frequently be updated on emerging issues on time. Significantly, such active boards show a sense of professionalism in allocating sufficient time to deeply discuses a firm's issue probably in a way which constrain any unfavorable decisions by managers (Elijah & Ayemere, 2015). Therefore, the frequency of board meetings positively impacts on the level of voluntary information disclosure.

In this regard, Alnabsha et al. (2018) argued that, boards with regular meetings were more inclined to pass more information in their reports. Meanwhile, Xiang et al. (2014) and Nelson et al. (2010) notice that; smaller boards were more active and qualified in increasing the quality of firms' voluntary disclosure. Likewise, Alhazaimeh et al. (2014) supported the prior conclusions by documenting that, active boards show a rational behavior in enhancing external users trust in firm's published information through its VD channels.

In contrast, a few investigations concluded different conclusion regarding the importance of regular meetings in enhancing firm's VD levels, since such boards are expected to be dominated by powerful CEOs who may direct the decisions of firms' boards to their side instead of maximizing shareholders wealth. For instance, Ben-Amar et al. (2017) documented a weak impact of active boards in filling the information gap since a negative correlation is reported with VD levels. Additionally, conducting systematic meetings by firms' boards did not serve the Italian CGC goals since they were less active and experienced in enhancing firms VD levels (Torchia & Calabrò, 2016).

To sum up, the prior intuitive show mixed conclusions regarding the impact of board meetings on the level of VD in various contexts. Actually, each context has unique social or economical characteristics and this may create deviations in the obtained results. Hence, further investigations are needed. The Jordanian securities commission asks boards' members to held at least six meetings yearly. Hence, and based on the previous discussion, the following hypothesis is formulated as follows:

H4: There is a positive significant relationship between board meetings and VD in Jordanian Banks.

Cross-Directorships (Busy Directors)

Another important mechanism that may affect the transparency and integrity of the published information is cross-directorships (Jamaludin et al., 2015; Lee & Lee, 2014). In this vein, two perspectives should be considered to explain the impact of concurrent seats on firms VD levels. The resource dependency theory supports board's members to connect with firm's environment through serving in several boards concurrently in order to secure the required resources that safeguard firm's survival (Pfeffer & Gerald, 1978). Indeed, directors from different backgrounds contribute significantly to the professional knowledge imparted to the board. Consistent with argument, Kim et al. (2018) found out that the smaller the number of directors, the more effective they will supervise the operations of the management. In other words, when the size of aboard is more significant with the directors having a diversified background; then the possibility of quality of information disclosed is higher.

The second perspective relays on "*busyness hypothesis"* that presents busy directors as unqualified and experienced members to run firm's activities since they are so busy to act efficiently on behalf of firm's shareholders (Baccouche & Omri, 2014). For example, the external ties through the concurrent seats has reduced firm's VD levels in Kuwait (Alfraih & Almutawa, 2017).

In general, previous literature shows rareness in investigations that explain the effects of external seats on firm's VD levels; therefore, this study aims to shed light on the impact of such mechanism on VD level within the Jordanian context. The Jordanian CGC is clear regarding the allowed number of external seats that can be occupied by firm's directors. Indeed, the CGC mentions that, in all circumstances, board's members can have serve in five seats concurrently in maximum. Hence, the following hypothesis is drawn.

H5: The Cross-Directorships (busy directors) has a positive significant relationship with the level of voluntary information disclosure in Jordanian Banks.

UNDERPINNING THEORY (AGENCY THEORY)

Agency theory models the association between the principal and agent. It is referred to an agency relationship where principals involve an agent in performing some services involving authorizing some decisions based on agreed terms (Bagnoli & Watts, 2017). In this case owners (principals) are motivated to relinquish their monitoring responsibilities to other party called agents (Mallin, 2011). As a result of this delegation in authority, a conflict of interest is expected to take place between firm's agents and principals (Jensen & Meckling, 1976). Interestingly, this situation motivates agents to control the flow of the published information to serve their personal goals; and this phenomenon is called "*information asymmetry*" (Wahab & Shaipah, 2010). In other words, agents have the upper hand that gives them a flexible access to a firm operation and non-operation information (Thomsen & Conyon, 2012). Therefore, agency problem gives the power for managers to disclose what serves their personal goals whether this disclosed information was voluntary or mandatory.

In the context of agency problem, principals pay incurred fees to ensure that their interests are not put at stake (Fama & Jensen, 1983; Mallin, 2011). Some of these fees may cover auditing service, bonuses or activating (adopting) the monitoring mechanisms such as corporate governance (Mallin, 2011). For example, introducing independent members to a board structure ma put a reliable pressure on agents to disclose all information that serve principals interests and other interested groups. Additionally, the presence of experienced owners such as institutional or foreign owners is expected to minimize the issue of information asymmetry issue (Khalil & Ozkan, 2016; Mallin, 2011).

METHODOLOGY

After developing the hypotheses, this section explains the sample selection, data collection procedure, and measurement of variables under study, amongst others. This study extracted data from annual reports to explore the mediating role of foreign ownership in the relationship between board characteristics and VD. Hair Jr et al. (2015) assert that some of the advantages of using secondary data are that it saves time and cost of acquiring the information generated. It is helpful to acquire the actual state of phenomenon under study. To choose the banks relevant to the study, they had to meet two conditions:

1. The bank has financial statements data for the study period. Banks that are newly listed or delisted during the study period were excluded.
2. The bank traded regularly at the ASE during the study period.

Population of the Study

Sekaran and Bougie (2016) refers to population as the entire group, events, or things of interest that the researcher wishes to investigate, and the sample is a subset of the population. In this study, the population is Jordanian Banks Sector. There are 24 banks in Jordan, only 15 banks are listed in Amman Stock Exchange (ASE); one of them has no data for some years during the covered period. Only 14 banks are included in this study from year 2013 to year 2017. Table 1 illustrates sample selection.

Table 1
SAMPLE SELECTION

Number of banks in Jordan	24
Number of listed banks at ASE	15
Number of banks did not meet conditions	1
Final sample	14

Measurement

This research covers different main characteristics that have a noticeable role in enhancing firm's VD. To estimate the dependent variable, we constructed an index that comprises of eight dimensions as a measurement of VD based on the following studies (Abeywardana & Panditharathna, 2016; Al-Janadi et al., 2012; Alfraih & Almutawa, 2017; El-Diftar et al., 2017). First, Background of the Bank (11 questions); second, Bank Strategy (5 questions); third, Corporate Environments (5 questions); fourth, Financial Performance (9 questions); fifth, Forward Looking Information (7 questions); sixth, Human Capital Information (13 questions); seventh, Corporate Social Responsibility (5 questions) and finally, Risk Management (7 questions) (Table 2).

Board mechanisms cover five characteristics. Board Independence (Board.Ind) is estimated by the number of independent members divided by the board size. Board Meetings are the number of board meetings held during the year. The number of board members was used to estimate Board Size. The Cross-Directorships (Busy Directors) were estimated by the percentage of directors who hold three or more directorships to the total number of directors. Finally, the percentage of shares owned by foreigners in the firm was used to estimate the Foreign Ownership. Furthermore, a set of three control variables was selected to achieve the main goal of this study. Return on Assets (ROA) is measured by dividing net income over total assets.

Leverage is calculated by dividing total liabilities by total assets, and the natural logarithm of the total assets is used to estimate bank size.

Table 2
VOLUNTARY DISCLOSURE INDEX

Background of the Bank	**Bank Strategy**
Brief narrative history of the bank/ Finance company	Corporate Mission
Description of bank/ Finance company Structure	Corporate Goals and Objectives
Description of major services	Corporate ethics
The legal form of the bank/ Finance company	Corporate Values
Address of bank or Finance company/telephone/fax	Corporate Strategies
Bank / Finance company Website address	**Corporate Environment**
Email address	General Outlook of the economic environment
Date and details of establishment	General Outlook of the industry environment
General Outlook of business activities	General Outlook of the social environment
List of branches location	General Outlook of the legal environment
Information on branches/telephone/fax/ adders for correspondence	General Outlook about the political environment
Financial Performance	**Forward looking information**
Brief discussion and analysis of a bank's/Finance company's financial position.	Forecasts of cash flows
Qualitative forecast of earnings	Forecasts of revenue
Return on equity	Economic influence to bank's or company's future
Net interest margin	Political influence to bank's or company's future
Earnings per share	legal influence to bank's or company's future
Risk weighted assets	Social influence to bank's or company's future
Total liquid asset to assets ratio	Discussion on future industry trend
Financial statistics for more than two years	**Human and Intellectual Capital**
List of top five shareholders of the bank	Amount spent on employee training
Corporate social responsibility	Equal opportunity policy statement
Sponsoring public health, sporting or recreational projects	Employee recruitment policy
Information on donations to charitable organizations	Human resources accounting
Supporting national pride/ government - sponsored campaigns	Category of employees undergoing training
Discussion of employees' welfare	Policy on training
Statement of corporate social responsibility	Total No. of employees
Risk Management	Category of employees by gender
Information on risk management committee	Employees Certificates
Information on risk management structure	The % of local employees to the total employees.
Information on credit management structure	The total number of employees for the current year only.
Quantitative information on gross loan/deposits	The classification of Board members into executive and non-executive
Amount and details of problem loans or details by internal risk ratings	The previous experience of board members.
Disclosure of credit rating system	General descriptions of market risk segments

RESULTS AND DISCUSSION

Descriptive Statistics

This section outlines the variables used to describe listed banks at the Amman Stock Exchange (ASE). The mean of the Voluntary Disclosure (VD) is 83% with a median of 85%, as indicated in Table 3. It seems that the mean of VD in Jordanian banks is relatively high, which is found in most previous studies on VD. This result suggests that Jordanian banks have realized the important role of voluntary information disclosed in their annual reports, which in turn enables them to attract more investors, especially foreigners. Interestingly, in a similar developing context, Alfraih and Almutawa (2017) shows a lower level of VD by reporting an average of 23% of Kuwaiti firms.

Table 3 also describes several of the attributes linked to the VD. The attributes include board independence, board size, busy directors, board meetings, and the fraction of shares owned by foreigners. The mean value of independent directors (BOARD.IND) is approximately 38% with a median of 36%. This indicates that Jordanian banks have a reasonable percentage of independent directors serving on their boards. Surprisingly, the minimum percentage of independent directors is zero. This result is inconsistent with the CGC requirements; at least one third of a board's directors must be independent.[1] A possible justification of this result is that all boards' members in some banks are a representative of their institutions that own more than 10% of banks' shares, thus they lose their independence. In general, this average of representative seems to be higher than the average reported by Dias, Rodrigues, and Craig (2017) in Portugal.

The average board size (BOARD.SIZE) was around eleven directors (mean=10.92) with a median of eleven. This implies that Jordanian banks have relatively large board size, especially when compared with board size in other countries like the UK where, on average, boards have approximately eight directors (Zalata & Roberts, 2016) and the US where the average board size is approximately nine directors (Chiu et al., 2012). The CGC obliges listed firms on the ASE to meet at least six times during the year. Indeed, Table 3 displays that the average board meetings (BOARD.MEETING) was eight with a median of seven. This average of board activity is close to Boubaker et al. (2015) finding regarding board meetings (7 meetings), and lower than the Vietnam market in which the average of firms' boards was 5 meetings (Essa et al., 2016).

The mean value of busy directors (BUSY.DIRECTORS) is 30.3% and the median is 28.5%. This suggests that banks have directors with rich experience, obtained by serving in several different boards, which in turn may confer benefits to firms such as enhancing financial performance and disclosing more voluntary information. Comparable to other markets such as Hong-Kong and Malaysia, the Jordanian directors seem to be busier than them (Lee and Lee, 2014).

The Jordan Securities Commission (JSC) in Jordan discloses that approximately 50% of shares of listed firms at the ASE at the end of 2017 are owned by foreign investors (JSC 2018). Table 3 shows that in the present sample the mean value of foreign ownership (FOR.OWN) is around 42%. This implies that, even with the unstable conditions regarding its neighbouring countries like Syria and Iraq; the Jordanian business environment is very attractive for foreigners, especially when compared with other markets (i.e. Korea) where foreigners own only 13% (Park et al., 2017).

This section also discusses the descriptive statistics of the control variables used in this study. The variables are bank size, leverage, and return on assets. The average size (BANKSIZE) of Jordanian banks, based on the value of their total assets is $US 5.6 billion.[2] On average, 87%of banks' assets are financed using debt (LEV). This indicates that the leverage percentage in Jordanian banks is relatively high, especially when compared to a selection of US, UK, and Chinees firms, where the percentage is approximately 37, 52, and 55 respectively (Chen & Zhang, 2014; Mitra et al., 2013; Peasnell et al., 2005). Finally, the mean value of return on assets (ROA) is 100.22%, thus banks have high level of financial performance.

Table 3
DESCRIPTIVE STATISTICS FOR THE DEPENDENT, INDEPENDENT, AND CONTROL VARIABLES

Variables	Minimum	Maximum	Mean	Median	SD
VD	0.548	0.935	0.846	0.854	0.073
Board Ind.	0.000	0.727	0.376	0.363	0.144
Board Size	7.000	13.00	10.92	11.00	1.497
Board Meeting	6.000	19.00	8.000	7.000	2.536
Busy directors	0.181	0.818	0.488	0.458	0.154
For. Own	0.000	0.987	0.413	0.295	0.308
ROA	0.240	2.047	1.224	1.203	0.448
LEV	0.755	0.984	0.870	0.867	0.034
Bank Size	94.95	4,904	561.9	223.0	1200

Notes: This Table illustrates the descriptive statistics for the dependent and independent variables of listed banks on the ASE from 2013 to 2017.VD: The voluntary disclosure index. Board Ind: The number of independent members divided by the board size. Board Size: The number of board members. Board Meeting: The number of a board meetings. Busy directors: The percentage of directors who hold three or more directorships to the total number of directors. For. Own: The percentage of foreigner ownership in the bank. ROA: Net income divided by total assets. LEV: Total liabilities divided by total assets. Bank Size: The total assets of the bank.

Table 4 presents the correlation matrix of Pearson coefficients to identify whether the problem of multicollinearity exists. The literature suggests that multicollinearity is a concern when the correlation reaches 70% or more (Asteriou & Hall, 2011; Gujarati, 2009). The highest correlation in the present study is 41% between foreign ownership and board meeting. Another significant correlation exists between board independence and board size where the correlation is 37.7%. Overall, there are no high-level correlations between the variables in this study. Multicollinearity does not appear to be a threat to the results obtained from the regression model.

Table 4
CORRELATION MATRIX OF PEARSON COEFFICIENTS

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
VD	**(1)**	1.000								
BOARD.IND	**(2)**	-0.335*	1.000							
BOARD.SIZE	**(3)**	0.167	-0.377*	1.000						
BOARD.MEETING	**(4)**	0.097	0.097	-0.019	1.000					
BUSY.DIRECTOR	**(5)**	-0.231	-0.085	-0.115	-0.151	1.000				
FOR.OWN	**(6)**	0.027	-0.221	0.292*	-0.413	-0.105	1.000			
ROA	**(7)**	-0.187	-0.003	0.105	-0.299*	-0.311*	0.238*	1.000		
LEV	**(8)**	-0.340*	0.303*	0.149	0.338	-0.224	-0.063	-0.198	1.000	
BANK.SIZE	**(9)**	-0.144	0.181	0.254*	-0.325*	0.010	0.080	0.209	0.083	1.000

Notes: This Table illustrates the Pearson correlation coefficients of banks listed on the ASE from 2013 to 2017. The symbol (*) denotes significance at 5%in two-tailed test. All variables were defined previously in Table 1.

Linearity, normality, and homoscedasticity are important assumptions that should be checked before regression test is performed. According to Hair Jr et al. (2015), testing the normality of the data can be done by exploring skewness and kurtosis ratio. Normality is assumed when the skewness and the kurtosis are between ± 1.96 at alpha value .05 and ± 2.58 at alpha 0.01, respectively.

The scatter plots diagram various variables and the scatter plot diagrams of standardized residuals show no indication of the presence of nonlinear responses in the two sets of data. It also shows that the variance of the dependent variable is the same for all values of the independent variables as no nonlinear pattern is observed. The results of normality test (comprising the Q-Q plot and detrended Q-Q plot) of the data shows that the data represent a sample of normal population distributed homogeneously.

Table 5 reports the findings of two separate OLS regression models. The first displays the findings for the association between board characteristics and VD. Model two introduces the mediating role of foreign ownership on this association. The intercept's coefficient is positive and significant. The probability of F-value is (0.00) and the adjusted R^2 is 51.2% in model one and 53.2% in model two.

This study proposes that independent directors may be associated with improvements in the level of VD. The results reported in Table 5 do not support this proposition and show a negative and significant association between board independence (BOARD.IND) and VD (coefficient=-0.274, p<0.01).This suggests that firms in which a board comprises a high percentage of independent directors are not necessarily having a high level of VD. One possible explanation of this result is that firms that have ownership concentration, as the case in the current study, are less likely to disclose more voluntary information pertaining their activities. This result is consistent with the findings of previous studies in several different contexts, such as Lepore et al. (2018), that board of directors becomes less effective in enhancing the extent of VD when ownership concentration exists. Another possible justification of this result is that some banks may increase the number of independent directors to have a "*fashionable label*" to meet the CGC requirements without a serious intent to monitor management.

Busy directors are also found to be negatively associated with VD. This result is quite unexpected as the proposed role of busy directors in the current study as well as the majority of previous studies is to enhance the level of VD. This negative association could be based on the reasoning that the majority of those directors are representing their institutions in many listed firms on the ASE. This suggests that those directors are not "*true busy directors*" simply because they do what their institutions want, but not what they want and prefer. This in turn may impair those directors to effectively direct banks' managers to disclose all relevant voluntary information as a result of the problem of information asymmetry.

Table 5
RESULTS OF THE ASSOCIATION BETWEEN THE BOARD ATTRIBUTES, FOREIGN OWNERSHIP AND VD

Hypothesis	Variable	Predicted sign	Coefficients Model One	Coefficients Model Two	Results
H1	BOARD.IND	+	-0.274^{***}	-0.282^{***}	*Not accepted*
H2	BOARD.SIZE	+	-0.002	-0.005	*Not accepted*
H3	BOARD.MEETING	+	-0.001	0.001	*Not accepted*
H4	BUSY.DIRECTOR	+	-0.325^{***}	-0.338^{***}	*Not accepted*
H5	FOR.OWN	+		0.039^{*}	*Accepted*

Table 5
RESULTS OF THE ASSOCIATION BETWEEN THE BOARD ATTRIBUTES, FOREIGN OWNERSHIP AND VD

-	ROA	?	-0.081***	-0.084***	-
-	LEV	?	-0.186	-0.236	-
-	BANK.SIZE	+	3.340***	3.680***	-
Adjusted R^2 *P-value*			51.2 0.000	53.2 0.000	

Notes: This Table presents the results of OLS regression for the association between the board attributes, foreign ownership, control variables and VD. The sample comprises of listed banks on the ASE from 2013 to 2017. The Table reports the findings of two separate models. Model one displays the findings for association between the board attributes and VD. Model two displays the findings by introducing foreign ownership as a mediating effect on this association. The dependent variable in all the models is VD. Independent and control variables are defined previously in Table 1.
The symbols (*), (**) and (***) denote significance at 10, 5 and 1 percent, respectively, in two-tailed test.

Other board of directors' attributes (i.e. size and meeting) are found to be insignificantly associated with VD. Table 5 also reports the findings of control variables. Return on assets is found to be negatively associated with VD, whereas bank size is positively associated with VD. No significant association, however, is found regarding leverage.

Model two of Table 5 provides the results of the mediating effect of foreign ownership on the association between board characteristics and VD. Consistent with the current study's prediction, the results reveal that there is a positive and significant association between foreign ownership and VD (coefficient=0.039, p<0.1). The association between board characteristics and VD, however, remains essentially unchanged from the results that are reported in model one. This result suggests that while foreigners do not play a vital role in enhancing the potential positive association between board characteristics and VD, their existence among banks' ownership structure exert some pressure on managers to increase the magnitude of VD.

CONCLUSIONS

This study aims to evaluate the impact of foreign ownership on board management and voluntary disclosure in Jordanian banks. Simply put, the results of this study show a negative and significant correlation between VD and the presence of independent members in banks board's structure. This result is in line with Samaha et al. (2015) who document a negative relationship between such members and VD levels.In contrast, some previous studies supported agency theory proposition by documenting a noticeable role of independent members in enhancing VD levels in different contexts (Elfeky, 2017).

Our findings reveal that, busy directors who occupied various seats in different firms were less effective in pushing firms to increase the levels of VD. Indeed, we documented a negative relationship between busy-directors and VD. This finding is in line with Goh et al. (2016) who found that, busy directors were less motivated to publish more voluntary information.

Similarly, larger boards were more cautious in enhancing VD levels by documenting a negative relationship between large boards and the level of disclosed information. In general, this conclusion contradicts Samaha et al. (2015) findings in which a positive relationship is documented with VD.

In addition, the results show an inverse relationship between board meetings and VD levels. That means, boards with regular and systematic meetings were less enthusiastic in enhancing investors decisions by reporting less voluntary information. This result contradicts other conclusions that show a positive effect of active boards on VD quality in different contexts (Barros et al. 2013). Interestingly, the reported results revealed that, the presence of foreign ownership plays a pivotal role in enhancing the level of banks DV.

To conclude, our findings provide several evidences that show contrasting results to agency theory which introduces several CG mechanisms as supporting tools to enhance VD levels. Consequently, the Jordanian regulators should pay more attention to activate CG mechanisms efficiently to have noticeable effects on VD levels.

However, the main results of this study may offer many implications for several groups such as regulators (i.e. ASE), investors and shareholders. It provides practical evidences regarding CG effectiveness in increasing VD levels in a way that helps the ASE to modify CG recommendations to be more valid. In terms of shareholders and investors benefits, it may send a clear signal for them that, foreign owners act as trusted players to protect shareholders wealth.

Meanwhile, this research has many limitations. First, this study covers the financial sector (i.e. listed banks) excluding by that the non-financial sectors since it has different requirements and rules. Therefore, future investigations are highly recommended to cover other sectors in order to draw a comprehensive view about CG effectiveness within the Jordanian context. Second, the study also has a small sample compared with other markets such as the developed markets and this may limit the generalizability of the current study's findings. Third, it paid attention to the mediating role of foreign ownership on the relationship between board of directors' characteristics and VD, thus, examining the mediating role of other ownership types (i.e. family ownership or institutional ownership) is expected to expand the knowledge about their role in supporting CG effectiveness. Therefore, the results of this study are limited to the Jordanian conditions and should be interpreted under these limitations.

ENDNOTE

1. The CGC (2008), which was implemented from January 1, 2009 states that "*The administration of the Company is entrusted to a board of directors whose members shall be not less than five and not more than thirteen, as determined by the Company's memorandum of association…provided that at least one third of the board members are independent members*". The CGC (2008) also states that "*The board member loses his independence…If the member has a control in the company of more than 10% of the company's capital*".
2. One Jordanian Dinar equals to $US 1.40.

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