

The Moderating Effect of CEO Power on the Relationship between Corporate Social Responsibility and Cost of Equity Capital

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Abstract

This study examines the direct relationship between corporate social responsibility (CSR) and cost of equity capital (COEC) in Jordanian banks (commercial banks and Islamic banks), as well as the effect of CEO power as a moderating variable on the relationship between corporate social responsibility and the cost of equity capital.

A quantitative approach was used in this study, which is considered one of the most used scientific approaches in such studies, where the study population included all banking sectors listed on Amman stock exchange totaling a number of (16) banks during the period (2010-2020). The study results showed that there is a negative relationship between CSR and the cost of equity capital. Additionally, CEO pay and tenure negatively impact the cost of equity capital and moderate the relationship between CSR and COEC. Furthermore, CEO duality had no impact on the cost of equity capital. Finally, the study recommended that Jordanian banks give more attention to CSR activities in their various businesses to increase the disclosure of activities related to corporate social responsibility.

Keywords: Corporate Social Responsibility, Cost of Equity Capital, Chief Executive Officer CEO, and Jordanian Commercial and Islamic Banks.

