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CEO'S CHARACTERISTICS AND CSR DISCLOSURE: EVIDENCE FROM ISLAMIC BANKS ACROSS MENA REGION

Jamel Chouaibi, Wafa Jilani*, and Salim Chouaibi

Faculty of Economics and Management of Sfax, University of Sfax, Sfax, Tunisia

*Corresponding author: wafajilani4@gmail.com

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ABSTRACT

The purpose of this paper was to explore the relationship between the characteristics of the chief executive officer (CEO) and corporate social responsibility (CSR) of banks operating in the Middle East and North African (MENA) countries. The study hypotheses was tested using a multiple linear regression model by examining data from a sample of 97 Islamic banks operating in the MENA region between 2015 and 2019. The results were robustly checked and the findings indicated that both CEO's overconfidence, experience and education appear to have a significantly positive effect on the CSR disclosure. Furthermore, the results of multiple linear regressions showed that older CEO's have a negative and significant impact on the level of CSR disclosure. This research bridges the gap between theory and practice in many aspects. Thus, although a substantial volume of research has examined sustainable advantage, one vital aspect of CSR has been largely unexplored. This study fills this void in the literature, namely the interaction between CEO's characteristics and CSR disclosure. An explicit CSR disclosure may improve social well-being in emerging markets.

Keywords: Islamic banks, MENA countries, CEO's overconfidence, experience and education, CSR disclosure

INTRODUCTION

The effects of the characteristics of chief executive officer (CEO) on decision-making and corporate social responsibility (CSR) disclosure has attracted increasing academic interest. The CEO's characteristics is an important part of corporate governance and its role has attracted much attention because it tends to expand and include the social aspects to better meet the needs of stakeholders and ultimately improve firm performance. Many financial institutions have begun to include CSR into their operational and organisational strategies during the last few years. Because of its higher level of social engagement, the banking industry plays a critical role in society. As a result, banks are held to a higher standard of social responsibility (Harun et al., 2020; Jusoh & Ibrahim, 2020; Chouaibi & Chouaibi, 2020; Schröder, 2021).

Islamic banks display their socially responsible behaviour in their economic activities by adopting shariah standards of trade and transaction (Sherif et al., 2018; Zafar & Sulaiman, 2020). Shariah governance is an important aspect of Islamic banking's governance system, as it confirms that the activities of Islamic banking are conducted in accordance with social responsibility disclosure (Zafar & Sulaiman, 2019). Additionally, shariah governance is a critical stakeholder in Islamic banking. As a result, Islamic banks' CSR adheres to shariah governance and compliance and to go beyond purely economic goals to benefit other stakeholders (Aribi & Arun, 2015; Aracil, 2019; Chouaibi et al., 2021).

In developing countries, such as Middle East and North African (MENA) countries, the CSR have not yet been effectively focused on this above (Elamer et al., 2020). Although the concept originated from developed countries, the interest in CSR in developing countries has undergone some transformation (Jamali et al., 2017). It is a relatively new concept in many developing countries, and hence, they view CSR differently from developed countries (Visser, 2011). MENA countries have similar political and socioeconomic traits, such as ownership concentration, a developing reputation for Islamic banking and finance, weak governance systems, and inadequate transparency procedures (Ghenimi et al., 2017; Alshbili et al., 2019). The MENA region has a dual banking system: Islamic and conventional banking. As a result, the region offers a unique setting for studying the effects of risk management strategies on these types of financial institutions.

The literature on corporate governance point to personal characteristics of CEOs that underlie firm performance (Kaplan et al., 2012; Fee & Pierce, 2013; Graham et al., 2013; Brahmana et al., 2020). The profile of the CEO is an important element in the strategic management of the bank. His/her goals, personal characteristics, vision and values are the main factors that influence his/her decision-making and can thus, determine the functioning of the company (Al-Shammari & Al-Shammari, 2019). The CEO is responsible for the quality and efficiency of decisions in implementing the bank's strategy. Furthermore, the responsibility of CEO is established through mechanisms, which meet the expectations of shareholders and achieve expected results. Consequently, the CEO plays an important role, taking into account all stakeholders' interests. In Islamic banks, the CEO makes his decisions in line with shariah law principles in ensuring transparent and sincere information that reflects the real situation of the company. The CEO's job is not easy as the intense competition in the banking industry has been rising exponentially. Islamic banks are not just competing with each other, they are also in competition with conventional banks which have Islamic windows and avenues as an alternative to their customers. Therefore, it is crucial the Islamic banks' CEOs must be familiar with shariah concepts and laws to improve their strategic position (Safieddine, 2009).

Hence, the study proposes to answer the following questions: a) Does the CEO characteristics matter for CSR disclosure in Islamic banks; b) Which characteristics define a good CEO? The above questions are aimed at achieving the study objective, namely to examine the effect of CEO characteristics on the level of social information disclosure within Islamic banks.

The results of this study reveal that the CEO's characteristics have a positive relationship with CSR disclosure and bank's image, and their authority or power is key to this. Additionally, it is shown that CEOs have an effective role in engaging in CSR activities. Thus, the CEO's overconfidence, age, experience, and education appear to have a significant and positive relationship with CSR disclosure. Agency problems can be reduced by CSR contributions, encouraging both managers and shareholders to invest more in CSR activities. In addition, agency theory postulates that CSR is advantageous to the shareholder and, as a result, leads to higher profits.

The paper contributes to existing knowledge in several ways. First, it addresses the prevailing gap in literature on the relationship between CEO characteristics and CSR disclosure, particularly in MENA region (Elamer et al., 2020; Chouaibi et al., 2021). The theoretical contribution of this study is to highlight the importance of CSR disclosure to the Islamic banking sector. This research also contributes to the existing literature by examining the role of CEO characteristics in MENA countries, an understudied context. The results can serve as guidelines for Islamic bank CEOs to understand the reaction of the competition in response to CSR decisions. Consequently, the study is the first to explore how CEO's characteristics impact CSR disclosure in the Islamic banks. Conventional national banks and global and national regulators may find the findings useful when setting social and ethical standards in the context of CSR as the CEO's characteristics impact on management decision. The CEO characteristics can have a significant impact on CSR disclosure and therefore, enrich the discussions on CSR and its determinants. In this case, the utility of CEO characteristics to reduce information asymmetry and conflicts of interest is confirmed. The other contribution of the study is on the relationship between CEO characteristics and CSR disclosure in Islamic banks operating in the MENA region. The current framework offers a more encompassing, complete and theoretically richer picture of this relationship as well as provide a comprehensive picture of CSR, its structure and implementation, and the CEOs' involvement in its development and institutionalisation. Additionally, the practical contributions of this study relate to boosting the application of CSR among Islamic banks. The study also analysed the relationships between various theories with empirical relation in order to build a clearer framework in this field.

The remainder of the paper is organised as follows: Section 2 contains relevant literature review and describes the hypotheses. The relationships between CEO's characteristics and CSR disclosure in the Islamic banks are examined as well. Section 3 describes the methodology used while Sections 4 and 5 describe the empirical results and discusses their findings and their implications. The robustness of the results is examined in Section 6. The paper ends with concluding comments in Section 7.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

According to Olson and Zoubi (2017), the region's banking sector is relatively new, with most banks having been founded in the 1970s or later. Abdelsalam et al. (2016) reported that MENA has the world's largest Islamic banking chain founded on strong Islamic religious principles that inform its Islamic banking. Alshbili et al. (2019) affirmed that corporate governance and regulatory changes in the MENA countries have led to corporate governance amendment to establish an economic environment in which banks may continue to operate successfully. They've made changes to the current standards in order to provide more effective governance procedures for Islamic and conventional banks. Banks improve their attitudes towards their stakeholders by acting in a socially responsible way. Thus, Aribi and Arun (2015) proposed the theoretical framework for CSR disclosure from the point of view of Islamic financing. Islamic banks play an important role in economic regeneration and social justice (Vallaster et al., 2019; Gulzar et al., 2020; Jusoh & Ibrahim, 2020; Schröder, 2021).

Banks improve their attitudes towards their stakeholders by acting in a socially responsible way. Aribi and Arun (2015) proposed the theoretical framework for CSR disclosure from the point of view of Islamic financing. Six key aspects were chosen: "mission and vision statement", "products and services", "commitment to employees", "commitment to debtors", "commitment to society", as well as "Zakat and charitable funds". Islamic banks play an important role in economic regeneration and social justice. Their main function is the social mission, which requires banks to disclose CSR information. This type of disclosure by Islamic banks depends on several factors, namely the relationships between stakeholders, the state, the individuals and the Muslim community. Therefore, Islamic banks should have a proper disclosure policy encompassing information on human resources, products and services, participation in community activities and environmental reporting. Islamic banks are customer-centric and committed to Islamic norms. However, most Islamic banks disclose less information than expected (Farook & Lanis, 2011).

The CSR engagement is a strategic tool that improves the economic and financial performance of both conventional and Islamic banks. In addition, it signals to stakeholders that CSR improves the bank's a reputation through its social mission, which is particularly relevant in the service sector, and specifically, for banks operating in emerging markets where poverty, corruption, and inequality are prevalent (Migdad, 2017). Islamic finance is fuelled by ethical considerations, as the foundation of this business model is closely tied to religion, which is a major source of morality. Moreover, Islamic banks consider themselves as CSR-oriented organisations, as shariah provides the best guidelines for the implementation of their CSR policies. Therefore, CSR in Islamic banks is endogenous and religious, as their ethical motivations are derived from shariah dominated businesses (Khan et al., 2020). The economic and ethical, and religious dimensions have not been integrated into business practices. Thus, ethical motivations may prevail in the CSR of Islamic banks, while their conventional counterparts may show a greater tendency towards instrumental motivations.

The CSR strategies are both instrumental and ethical, yet they can coexist, leading to "win-win" situations that benefit businesses and society (Aracil, 2019). As a result, the general perception of the banking sector towards social and environmental issues has changed, and socially responsible banking has become a well-structured concept. Most banks now present detailed information about their CSR activities via their annual reports, discrete sustainability reports, or social responsibility reports (Hu & Scholtens, 2014).

There has been growing recognition on role of CEO as a determinant of decision-making. The study aimed to explore the possible relationship between CEO characteristics, namely overconfidence, age, experience and education, and the extent of social disclosure of Islamic banks.

CEO's Overconfidence and CSR Disclosure

Recent attention points to overconfidence as one of the most powerful and prevalent cognitive biases in relation to CEOs characteristics (Oh et al., 2016; Tang et al., 2018). The characteristic of overconfidence is one of the most important concepts in behavioural finance. The CEOs are therefore encouraged to apply a policy of information and preserve investment in the bank (Lo & Sheu, 2007; Vo et al., 2021). However, very little research has focused on the impact of CEO confidence on the CSR disclosure.

According to the stakeholder theory, CSR is as an extension of overconfidence through which the firm's obligations extend beyond its shareholders to a more comprehensive stakeholder group (Vishwanathan et al., 2020). Moreover, the different dimensions of CSR affect the bank in different ways and should be considered independently. The multi-dimensionality of CSR can be better assessed through a top management team that assesses how companies manage their relationships with their stakeholders (Inoue et al., 2017). The stakeholder theory is based on taking into account the needs, rights and interests of different stakeholders. Applying this theory to social relations implies that a bank will disclose social information as part of a communication with its stakeholders (Maali et al., 2006). This theory shows that managers adapt policies that meet the requirements of all stakeholders.

Nevertheless, McCarthy et al. (2017) find that the more confident the CEOs are, there is a greater tendency towards less CSR disclosure. Tang et al. (2015) argue that overconfident CEOs invest less resources in CSR because they feel less dependent on stakeholders. Nevertheless, Koh et al. (2017) suggest that confident CEOs are more likely to report research and development socially responsible activities. Hirshleifer et al. (2012) also find that overconfident CEOs invest more in CSR disclosure. Moreover, Sauerwald and Su (2019) indicate that the level of CEO confidence is positively linked to the level of CSR disclosure. McCarthy et al. (2017) suggest that the CEO's confidence trait has a strong need for admiration.

Therefore, we can conclude that the overconfident CEO positively and significantly influences CSR disclosure. Therefore, the first hypothesis is formulated as follows:

H1: The CEO's overconfidence has a positive effect on the disclosure of CSR.

CEO's Age and CSR Disclosure

The age of the CEO may have a significant impact on decision-making. Godos-Díez & Martínez-Campillo (2011) argue that older people are likely to have a broader perspective of the stakeholders in decision-making. However, younger CEOs may have more interest in social responsibility. Moreover, Verbeke and Tung (2013) indicate that the age of the CEOs can influence their ethical decisions. Nulla (2014) indicates that there is a relationship between the CEO's behaviours and his age. There is a tendency for CEOs to become more involved in CSR activities at the end of their careers.

Accordingly, the CEO engages in win-win logic and considers that social responsibility is a sustainable competitive advantage in a turbulent environment. The CEO must play the social contribution role assigned to it by society, and retain their legitimacy and power (Islam, 2017). According to social contract theory, the CEO must act responsibly not only because they have a trade interest, but also because they are part of the way society expects them to operate (Moir, 2001; Diaz & Nguyen, 2021). The knowledge an older CEO possesses is evidently higher than that of a younger CEO and they are also more mature. They are competent and are able to make rational decisions, such as greater CSR disclosure (Farh et al., 1998; Malik et al., 2020). Another strand of research argues that when young CEOs are at the beginning of their career, they are unlikely to make long-term investments in CSR disclosure. The CSR investments yield future returns, yet their focus is to enhance short-term market performance.

In the same way, the CSR disclosure grows as their tenure is increased suggesting that experienced CEOs tend to be more mature, confident, autonomous, and strategically aware (Miller & Xu, 2019; Yuan et al., 2019). Based on these arguments, the second hypothesis is proposed:

H2: Older CEOs have a positive effect on the disclosure of CSR.

CEO's Experience and CSR Disclosure

The experience of the CEO reflects his/her professional skills and knowledge. This feature is therefore a very important factor in the development of sustainable disclosure. Experienced CEOs are more likely to understand the role of CSR disclosure by reducing the information asymmetry and conflict of interest between companies and investors (Matsunaga & Yeung, 2008). In this respect, previous experiences as CEO may provide a competitive advantage (Harrison et al., 2020). On the other hand, CEOs with longer term at office develops their institutions based more on their experience than those with shorter terms of office. Consistent with this, we find that a CEO experience is positively related to the level of CSR disclosure. It is argued that the CEO can use their expertise to evaluate and monitor CSR disclosure in the Islamic bank.

The CEOs who have a lot of experience prepare and disclose their CSR reports efficiently and timely. The CEO experience seems to play an important role in the timely disclosure of CSR annual reports in Kingdom of Saudi Arabia (Borgi et al., 2021). The study also affirmed that CEO experience is significantly associated with CSR disclosure. This finding implies that a CEO who is experienced reduce the period taken to prepare and disclose their CSR reports on the banks' websites. This result suggests that the experience of CEOs reduces CSR disclosure delay. Research suggests that the CEO experience enhances awareness of societal stakeholders, influences personal values, and provides rare and valuable resources. Specifically, CEOs with many years of experience is positively associated with greater CSR disclosure. Thus, the CEO's experience affects their field of CSR vision, perception, interpretation, strategic choices, and ultimately bank performance. In addition, the CEO's international experience influences their personal values and provide them with rare and valuable resources (Suutari & Makela, 2007). Based on these arguments, the following is hypothesised:

H3: The CEO's experience has a positive effect on the disclosure of CSR.

CEO's Education and CSR Disclosure

The education of the CEO reflects the skills and leadership abilities of the individual (Hambrick & Mason, 1984). Thus, education can be considered an indicator of a person's values and cognitive basis, because it takes the majority of people's educational choices seriously, such as socially responsible disclosure (Sun et al., 2021). The educational system has an important impact on the attitudes of future business executives. The CSR is a well-established part of the MBA programme outside of the MENA region. Furthermore, some MENA ministries of education are incorporating sustainable development lessons into their curricula, to incorporate CSR concepts into business schools. Business schools in the MENA region have developed a programme to educate future CEOs about sustainability and provide direction to schools on how to incorporate sustainability principles into their school plans (Rehman et al., 2019).

The legitimacy theory shows that CSR is a solution to social, political and economic pressures and environmental commitments (Deephouse et al., 2017). Mousa and Hassan (2015) argue that companies seek to repair their legitimacy using their CSR report and achieve legitimacy. This may lead to companies divulging their CSR activities in order to build an environment that is socially responsible. Based on the theory of legitimacy, managers can use CSR reports to influence external perceptions of their performance. In terms of social responsibility, previous research studies have noted the importance of education and scientific training on the student perceptions of CSR. The CEO who possess MBA or MSc generally achieve better CSR results. The level of education of a CEO can be an asset for the company as a source of prestige, which has been associated with the ability to exert social influence (D'Aveni & MacMillan, 1990; Bavik et al., 2021).

Waldman et al. (2020) observe that higher education might be correlated with a broader view of the various stakeholder demands, which contribute to stronger CSR values. CEOs with a higher level of education tend to have attitudes that can push their organisation towards greater social orientation (Quazi, 2003; Miller & Xu, 2019). Waldman et al. (2020), Manner (2010), Ji and Lee (2015) discover a positive relationship between CEO's education and CSR disclosure level. The following hypothesis is therefore, formulated:

H4: The CEO's level of education has a positive effect on the disclosure of CSR.

RESEARCH DESIGN

Sample Construction and Data Collection

The study sample included Islamic banks in the MENA region which has attracted in recent years many bankers and investors from around the world. The MENA countries are more vulnerable to political instability which contribute to their financial and economic weakness. The MENA region also houses the world's largest Islamic banks, which differ from traditional banks in terms of the source and usage of funds (Hassan & Aliyu, 2018).

The initial sample size consisted of 100 Islamic banks and data was sourced from the banks' annual reports. The CEO characteristics and control variables were obtained from Thomson Reuter Data Stream, annual reports and sites (www.bloomberg.com, www.marketscreener.com, and www.zawya.com). Due to lack of data, three banks with incomplete annual reports were excluded to give a final sample size of 97 Islamic banks located in MENA region. The study period was between 2015 and 2019. In other words, a total of 485 Bank-years observations. Table 1 summarises the sample. Panel A describes the sample selection while Panel B provides the distributional properties of the full sample by country.

Table 1

Sample selection and breakdown by country

Panel A: Sample selection		
Selection procedure	Banks	Observations
Initial population	100	500
-Banks with incomplete annual reports	(3)	(15)
Final sample	97	485
Panel B: Sample distribution by country		
Country	Banks	%
Algeria	4	4.12
Bahrain	10	10.31
Egypt	5	5.15
Iraq	11	11.34
Jordan	5	5.15
Kuwait	6	6.19
Lebanon	7	7.22
Libya	1	1.03
Morocco	4	4.12
Oman	7	7.22
Qatar	5	5.15
Saudi Arabi	9	9.28
Syria	5	5.15
Tunisia	3	3.09
United Arab Emirates	12	12.37
Palestine	3	3.09
Yemen	2	2.06
Total	97	100%

Notes: Panel A describes the sample selection and Panel B provides the distributional properties of the full sample by country. Observations is the total firm-year observations by industry.

Measurement of Variables

Dependent variable

Although many proxies have been used to represent CSR disclosure in academic empirical studies, none has received as much attention since the early 1990s as the KLD Analytics. Islamic banking's CSR varies from conventional precepts in some aspects; the point of distinction is primarily due to Islamic banking's institutional arrangements. Franzoni and Ait Allali (2018) find only element of divergence with respect to the traditional CSR precept, namely that Islamic banks have a religious and moral obligation to comply with and enforce the principles and obligations defined in accordance with Islamic laws (Shariah).

The present study adopted the measures proposed by Haniffa and Hudaib (2007) who build a list of indicators to control CSR information disclosure in Islamic bank. This comprises six CSR dimensions and 78 Items (5 strategies, 30 governances, 8 products, 18 community development and social goals, 10 employees, and 8 environmental) that give a broad view of a bank's CSR (the sum of relevant items presented in Appendix A). Each item scores 1 if disclosed and zero if not.

$$CSR\_INDEX = \frac{\sum_{i=1}^{m} d_i}{N}$$

Where:

CSR_INDEX = Level of CSR disclosure
d_i = Attributed analysis (1 if the disclosure item is found, and 0 otherwise)
N = Maximum number of items a bank can disclose (78).

Variables of interests

CEO's overconfidence. Measuring CEO overconfidence is challenging because it is not directly observable. The phenomenon of overconfidence is one of the most significant concepts in modern behavioural finance. Several definitions have been put forward to clarify this concept. The concept of overconfidence is defined by De Bondt and Thaler (1995) as: "Perhaps the most robust finding in the psychology of judgment is that people are overconfident". Schrand and Zechman (2012) developed the first measure of CEO's overconfidence. This author defines the CEO's overconfidence variable (OVERCEO) as a proxy of five items: net acquisition, debt/equity ratio, convertible debt, dividend return, and excess investment.

Net acquisition is a binary variable equal to 1 if the net acquisitions of the cash flow statement are in the top quartile of Islamic banks and 0 otherwise.

Debt ratio is a binary variable equal to 1 if the debt-to-equity ratio is in the top quartile of Islamic banks and 0 otherwise.

Convertible debt is a binary variable equal to 1 if the convertible debt into preferred stocks is greater than zero and 0 otherwise.

Dividend yield is a binary variable equal to 1 if the dividend yield is zero and 0 otherwise.

Excess Investment is measured as the residual from a regression of total asset growth on sales growth and 0 otherwise. This measure was adopted by Schrand and Zechman (2012) as well as Ahmed and Duellman (2013).

$$Invest_{i,t} = \beta_o + \frac{Assetsgrowth_{i,t}}{Salesgrowth_{i,t}} + \varepsilon_{i,t}$$

The study measured CEO's overconfidence by a proxy developed by Schrand and Zechman (2012).

CEO's age. Although the age of the leader is easily observable, there is little evidence on the influence of age on the CEO's behaviour. In this study, the age of the CEO was measured by a continuous variable (years). This measure was adopted by previous studies (Barker & Mueller, 2002; Beber & Fabbri, 2012; Graham et al., 2013; Serfling, 2014). It is measured by the number of years from the CEO's year of birth to the year of the study.

CEO's experience. The experience of the CEO is a very important in making good decisions because the CEO's experience reflects the skills and knowledge acquired during their career. A leader can provide the bank with the fruits of his experience at all levels. In this study, this variable was measured by the term of office of the CEO (based on the number of working years). It is evaluated according to the period he/she spent in his/her position. This measure has been used in several previous studies, such as Barker and Mueller (2002), Elsharkawy et al. (2018), and Shen (2021).

The CEO's level of education. Level of education as well as the quality of education of CEO play an important role in determining the bank's CSR disclosure. The CEO's level of education was measured by creating an interval scale covering the possible levels of education. The level of education was divided into four. This measure has been used in several studies, such as Daellenbach (2018) and Daniel (2016). In order to understand the impact of the CEO's level of education on CSR disclosure, the CEO's level of education is divided into four different levels: 1 = Secondary and below Secondary schools, 2 = Bachelor's degree, 3 = Master's degree, 4 = Doctoral degree.

Control variables

Several studies have included one or more control variables to eliminate or mitigate their effects on the dependent variable. Following previous studies, the current study included several control variables related to the characteristics of the bank and its environment in its model. The following control variables were retained: Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) standards; Region and bank's size.

Table 2 lists the variables:

Table 2
Descriptions of variables

Variables	Codename	Descriptions	Source
Dependent variable			
CSR disclosure	CSR_INDEX	It is an index that consists of a series of items that measure bank performance in social responsibility disclosure.	Annual reports
Independent variable			
CEO overconfidence	CEO_OVER	CEO overconfidence is a binary variable that takes the value of 1 if the residual from the excess investment regression is greater than zero and 0 otherwise.	Thomson Reuters (Datastream)
CEO age	CEO_AGE	CEO age is the executive's age.	Annual reports
CEO experience	CEO_EXP	CEO experience is the number of years that a CEO holds as an executive.	Annual reports
The CEO level of education	CEO_DEG	This variable is divided into four different levels: 1 = Secondary and below Secondary schools, 2 = Bachelor's degree, 3 = Master's degree, 4 = Doctoral degree.	Annual reports

(*continued on next page*)

Table 2: (*continued*)

Variables	Codename	Descriptions	Source
Control variables			
Bank size	BANK_SIZE	The natural logarithm of total assets	Thomson Reuters (Datastream)
The adoption of AAOIFI standards	ADOPT	Is a binary variable that takes the value of 1 if the bank adopts the AAOIFI standards and 0 otherwise	Annual reports
Region	REG	Is a binary variable that takes the value of 1 if the bank is in the Middle East and 0 if the bank is in North Africa	Thomson Reuters (Datastream)

Notes: This table reports the definitions of the variables used in our study.

Regression Model

The following formula estimated the multiple linear regression model:

$$\begin{aligned} CSR\_INDEX_{i,t} = {} & \beta_0 + \beta_1 CEO\_OVER_{i,t} + \beta_2 CEO\_AGE_{i,t} + \beta_3 CEO\_EXP_{i,t} \\ & + \beta_4 CEO\_DEG_{i,t} + \beta_5 BANK\_SIZE_{i,t} + \beta_6 ADOPT_{i,t} \\ & + \beta_7 REG_{i,t} + \sum_{i=8}^{12} \beta_i YEAR_{i,t} + \sum_{j=13}^{29} \beta_j COUNTRY_{i,t} + \varepsilon_{i,t} \end{aligned}$$

In Table 2, YEAR and COUNTRY stand respectively for year and country fixed effects; ε is the error term and the indices i and t represent respectively the companies and the year.

EMPIRICAL RESULTS

Descriptive Statistics

Table 3 shows the summary statistics for the dependent variable, the independent variable and the control variable. Table 3 provides summary statistics for CEO characteristics and CSR disclosure. The mean value of CSR disclosure is 0.545 with a standard deviation of 0.116. Its minimum and maximum values are 0.243 and 0.762, respectively. The results are consistent with Aribi and Arun (2015), Hassan and Syafri Harahap (2010). The low level of social disclosure also reveals the scarcity of social disclosures and focuses on financial performance.

As a result, a higher CSR value indicates that the Islamic bank has a better CSR disclosure performance. As a result, we can conclude that Islamic banks attract investors and shareholders, thus improving their CSR disclosure.

For variables related to the CEO's characteristics, the descriptive analysis provides evidence that the mean level of CEO's overconfidence (CEO_OVER) is 0.37. The maximum value (0.8) corresponds to the CEO classified as overconfident while the minimum value (0.2), corresponds to unconfident CEOs. A result similar to this finding was reported by Banerjee and Nanda (2018), McCarthy et al. (2017). Table 3 shows that the average of the experience of CEO (CEO_EXP) is 4.529 years. The CEO's experience ranged between 1 and 12 years while their age range was between 42 and 77, with an average of 53, meaning most CEOs are aged 53. When compared with a developed country (such as the United States), the average age of CEOs was 55 years, with a minimum of 34 and maximum and 75 years (Vintila & Gherghina, 2012). The mean value of CEO education (CEO_DEG) was 2.588, with a relatively low standard deviation (0.0552) compared to the average. This indicated that most CEOs in the sample banks have bachelor's degrees.

Table 3

Descriptive statistics of research variables

Variables	Obs.	Mean	SD	Min	Max
Panel A					
CSR_INDEX	485	0.526	0.357	0.215	0.703
CEO_OVER	485	0.430	0.272	0.200	0.800
CEO_AGE	485	51.416	7.280	31.000	77.000
CEO_EXP	485	5.176	3.780	1.000	14.000
CEO_DEG	485	2.752	0.652	2.000	4.000
BANK_SIZE	485	16.929	2.749	5.128	24.254
Panel B	Modality			%	
ADOPT	0			38%	
	1			62%	
REG	0			71%	
	1			29%	

Notes: This table reports descriptive statistics.Variables definitions are provided in Table 2.

Table 3 also shows that the average BANK_SIZE is 16.707 with a standard deviation of 2.873. This variable ranges between 10.956 and 24.254. Furthermore, almost two-thirds (85%) of the banks in the sample were in the the Middle East region while the rest were located in North Africa. Indeed, 71 % of our selected banks adopted AAOIFI standards.

Correlation Analysis

Correlations among variables related to our regression model are provided in Table 4. According to this table, all coefficients are significantly lower than 0.292. CEO_OVER was positively associated with CEO_EXP and CEO_DEG with CEO_AGE, ADOPT, and REG was negative. The CEO_EXP was positively correlated with other variables except BANK_SIZE. Therefore, BANK_SIZE was positively related to CEO_AGE. This problem exists when the correlation between these two variables exceeds 0.8. Therefore, the absence of multi-collinearity problems in this study was noted. According to the variance inflation factor (VIF), all values were less than 1.18 and no variable had a VIF greater than 10 (10 corresponding to the limit plotted by. Therefore, no multi-collinearity problem was noted.

Table 4
Pearson correlation matrix and VIF value

	CEO_OVER	CEO_AGE	CEO_EXP	CEO_DEG	ADOPT	REG	BANK_ SIZE
CEO_OVER	1.000						
CEO_AGE	−0.02***	1.000					
CEO_EXP	0.019*	0.236***	1.000***				
CEO_DEG	0.073***	−0.075**	0.254**	1.000			
ADOPT	−0.216**	0.0271*	0.175***	0.15**	1.000		
REG	−0.034	−0.0208	0.112***	0.097*	−0.008	1.000	
BANK_SIZE	0.03**	0.0242***	−0.137**	−0.099*	−0.235**	−0.008*	1.000
VIF	1.17	1.12	1.42	1.34	1.24	1.19	1.26

Notes: Variables definitions are provided in Table 2. The asterisks *** and ** indicate significance at the 5% and 1% levels, respectively.

Selection of fixed or random effect

The Hausman test is typically used to determine the consistency of the GLS estimator in static models with pooled cross-section-time-series data. The result was significant which proves the use of fixed effect for the present study ($\chi^2(k)$ =124.56; p= 0.000).

Multivariate analyses

The regression result of CSR disclosure as a dependent variable is depicted in Table 5. As can be seen in the table, 21.6% of the variation for the level of CSR disclosure is explained by CEO's characteristics (R^2= 21.6%). Fisher's statistics (F) confirm the model's reliability at a significant threshold lower than 1%, and consequently, the null hypothesis was rejected.

Table 5
Multiple regression results

	Coefficients	T-student
Constant	44.958***	3.21
CEO_OVER	0.008**	2.03
CEO_AGE	0.092**	2.55
CEO_EXP	0.419***	5.31
CEO_DEG	0.014**	2.27
ADOPT	0.035**	2.02
REG	0.009***	3.11
BANK_SIZE	0.046**	2.53
Year fixed effect	YES	
Contry fixed effect	YES	
R^2	6.9700	
F	6.9700	
p-value	0.0220	

Notes: This table presents results from linear regressions in our model. *t*-Statistics estimator are reported in parentheses. Year and country indicators are included in our models, but their coefficients are not shown in this table. The asterisks *** and ** indicate significance at the 5% and 1% levels, respectively.

DISCUSSION OF FINDINGS

The results of the multiple regression analysis showed that the relative coefficient of CEO's overconfidence is positive (0.017) and significant (t = 5.45, p = 0.000). The findings pointed a positive association between CEO overconfidence and CSR disclosure. Thus, the banks that are managed by a confident CEO are more effective in terms of social responsibility and would increase CSR disclosure. Emotional attributes of CEOs, such as overconfidence, largely explain the level of information on Islamic principles towards stakeholders. The most confident

CEOs are more committed to social responsibility. As a result, the first hypothesis was accepted. Thus, according to stakeholder theory, managers act on behalf of the shareholders. Consequently, CEO overconfidence shape the CEO's way of responding to different stakeholder demands. These results confirm those of Sauerwald and Su (2019) who affirmed that overconfident CEOs are powerful innovators that produce better innovative success. This could explain the positive link between CEO confidence and product quality. Overconfident CEOs are likely to overestimate the likelihood of increasing stockholder value and managing their bank effectively without CSR disclosure. Furthermore, overconfident CEOs may be enthusiastic to participate in CSR because CSR disclosure have predetermined effects and has less impact on the expenditure of financial resources. The evidence is in line with the signal theory, indicating that CSR disclosure is associated with CEO's overconfidence.

Empirical data proved that the CEO's age is positive (0.085) and significantly related to disclosure of social responsibility (t = 2.03, p = 0.043). These results confirmed the second hypothesis. The results are in agreement with the finding of McCarthy et al. (2017) who found that the age of CEOs has a significant relationship with CSR disclosure. Older CEOs are more likely to engage in social activities and to apply new and innovative initiatives. On the other hand, younger CEOs have a stronger ability for learning new ideas and disclosure, such as CSR. However, the findings are consistent with evidence provided by Fabrizi et al. (2014) who found a positive relationship between CEO's age and CSR. They find the age of the CEO is an asset that can increase his/her human capital and reputation and thus affect his/her level of disclosure. Older CEOs are more likely to boost CSR activity as they approach retirement to leave a positive legacy. Consequently, the age of the manager also contributes to sustainable business development. It is an opportunity to reduce conflicts of interest, improve the trust of the stakeholders and enhance the social legitimacy of the Islamic banks.

For third hypothesis, the results obtained by the model indicated that the relative coefficient of CEO_EXP is positive (0.1375) and significant (t = 3.97, p = 0.000). Consequently, H3 was approved. This indicated that the CEO's experience has a positive effect on CSR disclosure. The experience provides insight into the CEO's capability and level of accountability.

In conclusion, CEOs with a greater experience are associated with better CSR performance. The results paralled those of recent studies that professional experience is one of the main driving forces of CSR behaviour (Taras et al., 2010). CEO experience is one of the most salient characteristics in studies on management research (Dokko et al., 2009; Ng & Feldman, 2010). It has been proposed that it will also shape how CEOs perceive their cognitive processes, skills, and strategic decisions (Ng & Feldman, 2010). The CEO with greater and longer experience make him more mature, competent and capable of making decisions. Another line of research indicates that since young CEOs are early in their careers, they would not like to make long-term investments as those and instead focus on improving short-term bank outcomes. On the other hand, CEOs with extensive job experience are more likely to engage in CSR activities. Those with greater work experience engage in more myopic behaviour and have more interest in CSR activities because they are more likely to achieve earnings prediction forecasts.

The CEO education has a positive (0.205) and significant effect on CSR disclosure (t = 2.52, p = 0.012) which supports the hypothesis. Education also impacts on the CEO's profile. Furthermore, it may have an impact on Islamic banks on not just financial activities but also on ethical and social responsibility decisions. The importance of CEO education in the implementation of a CSR strategy is clearly evident in the current research. The findings echoed Zhu and Chen (2015) who show that CEO education influences their cognitive basis, values, and intuition, which in turn influences strategic decisions and performance of banks. Specifically, CEOs' education may influence their perceptions and values of social responsibility, which in turn affect the social responsibility disclosure of their banks. Agency theory is key to interpreting the current results. CEO education represents a useful means to reduce information asymmetry and consequently reduce agency costs. CSR disclosure is in fact, a tool that could mitigate the agency problem. Thus, according to agency theory, managers act on behalf of their shareholders.

Concerning the control variables, the statistical tests showed that the effect of adoption of AAOIFI standards on CSR disclosure is positive (0.3171) and significant (t = 1.96, p = 0.05). This means that this variable has an impact on CSR disclosure. This last finding is consistent with that of Besar et al. (2009) who state that one of the main mechanisms for improving the Islamic banking sector is the adoption of AAOIFI standards and improving on those. The standards should include a detailed explanation of how an institution maintains its ethical behaviour, customer relations, diversity, and environmental policies. The AAOIFI should embrace some aspects of CSR, such as transparency, for an effective CSR strategy in accordance with shariah compliant standards.

For the region variable, the estimated coefficient was positive and significant (t = 2.73, p = 0.008). This shows that this variable explains the relationship between CEO's characteristics and CSR disclosure in the current model. It can be concluded that the CSR disclosure of Islamic banks differ from one region to another. This echoes Kamla (2007) who finds very low level disclosure by Islamic banks in

Arab countries. The Gulf region is one of the main Islamic banking markets in the MENA region. Turkey is also one of the main markets for Islamic banking.

Statistical tests revealed a positive (0.0941) and significant relationship (t = 2.04, p = 0.04) between bank size and the adoption of social responsibility disclosure. Therefore, size is an important factor influencing the level of CSR disclosure in Islamic banks. The large banks are very likely to monitor their activities towards society in general and therefore, they should contribute more to community activities and be shariah compliant in all their activities as well as share information about their financial performance. Grassa et al. (2018) find that size has a positive effect on the level of CSR disclosure in Islamic banks in the MENA region. The decision of banks about whether to opt for social activities largely depend on their size. The banks at their inception stage usually operate at a small level and prefer not to adopt CSR disclosure (Malik et al., 2020; Bavik et al., 2021). Moreover, the large banks may be under pressure to undertake CSR in order to justify their power and success, and to maintain their legitimacy and support from stakeholders (Kim & Lyon, 2015). This could be due to the fact small-scale and medium-scale organisations have restricted access to resources, lower visibility, and small operating capacity.

Robustness Checks

The differences in CSR disclosure between countries may be due to the principles' specificity of each region. Freedom in the World evaluates the state of freedom in 195 countries between 2015 and 2019. Its methodology, which is derived from the Universal Declaration of Human Rights, is applied to all countries, irrespective of their geographic location, ethnic or religious composition, or level of economic development. It assesses the real-world rights and freedoms enjoyed by individuals, rather than governments or government performance. Each country is assigned between 0 and 4 points on a series of 25 indicators, for an aggregate score of up to 100. These scores are used to determine two group ratings, one for political rights and one for civil liberties, with 1 representing the freest conditions and 7 the least free. We divided the sample into test sample and control sample. The banks of the test sample are those which have a country's political rights ratings between 0 and 5. The banks of the control sample are those which have a country's civil liberties ratings between 5.5 and 7.

In Table 6, Panel A presents the difference between means of the explanatory variables between the two groups. The Levine and Student's test are shown in Panel B, Table 6. The table shows a significant difference in the result of CSR disclosure between the two groups. The average CSR_INDEX of these banks (test sample = 53.076) is less than (control sample = 59.828). This difference between means for unequal variance assumptions is significant ($t = 2.033$, $p = 0.047$).

In addition, the CEO's overconfidence presents a significant difference between means of the two groups. The average age of these banks (0.39 [test sample]) was less than 0.45 (control sample). The mean difference was even more pronounced for unequal variance hypotheses ($t = 1.762$, $p = 0.005$). Hence, hypothesis 1 (H1) was confirmed. The findings also showed that the age of the CEO between the two groups was not significantly different, and the average of the sample banks age (55.75) was greater than 55.593 (control banks). The mean difference test for the unequal variance assumptions is non-significant ($t = 0.048$, $p = 0.519$). Therefore, hypothesis 2 (H2) is rejected. Additionally, the results also showed there was no significant difference in the CEO's experience between the two groups [test sample banks (5.533) was greater than 4.339 (control sample banks)]. Similarly, this difference between means is non-significant for unequal variance hypotheses ($t = 1.684$, $p = 0.105$). Therefore, hypothesis (H3) was rejected. For the CEO education variable, the results showed a significant difference in the result between the two groups, the average of CEO_EXP (2.533 [test sample banks]) was less than 2.603 (control sample banks). The results of difference between means test for unequal variance assumptions showed a significant difference between means of the two groups ($t = 0.433$, $p = 0.333$). Hence, hypothesis 4 (H4) was confirmed.

As far as the control variables are concerned, the results showed that the adoption of AAOIFI standards of both groups did not differ substantially. This variable is not a determining factor for Islamic banks, and the average of the adoption of the test sample banks (0.533) is less than 0.754 (control sample banks). The difference between means test for unequal variance assumptions is non-significant ($t = 1.670$, $p = 0.109$) and there is no significant regional difference between the two groups. The country average of these banks (0.933 [test sample banks] was greater than 0.830 (control sample). The results of the mean difference test for unequal variance assumptions was non-significant ($t = 0.988$, $p = 0.836$).

However, the size of the banks showed a significant difference in the result between the two groups. The average size of these banks was 16.492 (test sample banks) and 16.767 (control banks). The results of the mean difference test for unequal variance assumptions was significant ($t = 0.325$, $p = 0.732$). The average bank age was roughly equal to 27 for the test sample banks and around 21.283 for the control sample banks. The difference between means was non-significant for the unequal variance hypotheses ($t = 1.224$, $p = 0.187$).

Table 6

Mean Difference Test

Panel A: Explanatory variables between the two groups				
Variables	Number of Banks		Mean	
	Sample	Control	Test sample	Test control
CSR_INDEX	29	68	51.985	58.254
CEO_OVER	29	68	0.434	0.512
CEO_AGE	29	68	57.53	58.270
CEO_EXP	29	68	5.185	4.446
CEO_DEG	29	53	2.348	2.518
ADOPT	29	68	0.528	0.711
REG	29	68	0. 948	0.877
BANK_SIZE	29	68	13.542	16.960

Panel B: Levene and Student's test on model variables					
	Test of Levene on the equality of the variances			T-test event to average means equality	
	F	Sig	T	Sig	Average Difference
CSR_INDEX	1.017	0.310	0.479	0.602	0.031
			0.508	0.715	0.031
CEO_OVER	0.071	0.778	1.943	0.057	0.126
			1.956	0.018	0.126
CEO_AGE	3.069	0.070	2.070	0.037	0.136
			2.040	0.040	0.065
CEO_EXP	0.020	0.877	0.554	0.608	0.028
			0.568	0.171	0.031
CEO_DEG	1.087	0.173	0.588	0.250	0.033
			0.621	0.234	0.033
ADOPT	0.721	0.651	0.398	0.697	0.018
			0.369	0.183	0.013
REG	1.710	0.180	0.327	0.677	0.030
			0.430	0.658	0.030
BANK_SIZE	0.696	0.641	1.003	0.918	0.360
			1.455	0.315	0.740

Notes: Variables definitions are provided in Table 2.

CONCLUSION

This paper attempted to fill the gap in the literature by theoretically and empirical investigating the mediate role of CEO's characteristics in the logically disclosure in CSR. CEOs have a strong need to signal their ability early in their tenure and a lower signalling need later in their tenure. Similarly, the CEOs have strong incentives to undertake more investment early in their tenure, as they can reap the benefits later in their tenure. In this study, the CEO characteristics were examine to understand the extent of social responsibility disclosure. The sample included 97 banks, namely Islamic banks in the MENA region, observed between 2015 and 2019.

This study deepens the understanding of CEOs' characteristics when making CSR decisions related to CSR. How career concerns influence CEOs' decision-making has become an interesting and important question as CEOs affect several dimensions of firm outputs. An important yet unexplored area is whether CEOs mitigate CSR performance using its characteristics.

Consequently, individual characteristics of a CEO is important when it comes to implementing CSR disclosure because they indicate how philanthropic the CEO is. The CSR disclosure reveals whether a CEO is preoccupied about minority shareholders and stakeholders. The concept of an overconfident CEO is built on the idea of making the best use of knowledge to help him or her achieve goals.

The empirical analysis revealed a positive and significant association between the CSR disclosure index and the CEO's overconfidence; CEO's education and age enhanced experience in CSR disclosure; CEO's experience has a positive and significant effect on CSR disclosure. Professional experience reduces conflicts of interest between CEO and shareholders and these influence the CEO strategic decisions regarding CSR disclosure. In addition, a positive and significant association between CEO's education and the disclosure of CSR information was revealed.

This study has several implications. It addresses the lack of evidence of the impact of CEO's characteristics on CSR. The findings suggest that CEOs characteristics reflect their extent in decision-making. Furthermore, they play a decisive role in CSR that requires decision makers to be attuned to different stakeholder demands. They pay attention to changes of the conditions in which banks operate.

Like any research work, the present work has some limitations. First, the external aspect of CSR was not taken into account as the MENA region still lacks initiatives that would meet the diverse needs of stakeholders. Many banks didn't provide societal reports, although they are recognised as the most important means of CSR disclosure. For this reason, the collection of the main variable was based on the annual reports. Another limitation of the study is that the sample size was small because the annual reports were not available at the time of the study. Finally, other characteristics related to the CEO's personality and decision-making were not studied in our work. Future research can examine banks from other countries; It can test this paper's sequential mediation model in other geographical regions where external CSR perceptions can also be taken into consideration.

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Appendix A: CSR dimensions

CSR dimensions	Key elements	Number of items
Strategy	Corporate Vision	4
Governance	Board of Directors and Top Management Shariah-compliant	15 15
Product	Product, Services, and Fair Dealing with Supply Chain	8
Community Development and Social Goals	Strategic Social Development Research, Development, and Training	13 5
Employment	Employees	10
Environment	Environment	8

Source: Darus et al. (2018)