






## The influence of family ownership on the relationship between corporate social responsibility and financial performance: Evidence from Jordanian listed firms

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### ABSTRACT

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This research examines how family ownership (FO) moderates the relationship between corporate social responsibility (CSR) and financial performance (FP) within Jordanian publicly listed companies. A quantitative approach was utilized, analyzing panel data from companies listed in Jordan from 2018 to 2024. Regression analysis and accounting for endogeneity were employed to examine the interaction between CSR and FO in influencing FP. The findings indicate that CSR has a positive effect on FP among Jordanian enterprises. Nonetheless, the moderating role of family ownership leads to a weaker relationship between CSR and FP in family-owned companies compared to non-family companies, suggesting that FO might limit the financial advantages obtained from CSR initiatives. CSR enhances FP in Jordanian enterprises and is influenced by FO. Family-owned firms show a less significant relationship between CSR and FP, potentially due to their internal governance focus or a long-term perspective. These results provide important insights for regulators, policymakers, and business leaders in emerging markets. Customized CSR initiatives that account for ownership structures could improve corporate sustainability and long-term value creation, particularly in family-controlled settings.

**Contribution/Originality:** This study explores how family ownership influences the relationship between CSR and financial performance within the context of a developing nation. Utilizing recent panel data from Jordanian publicly traded companies from 2018 to 2024, it fills a void in the CSR literature where the role of family ownership has been largely neglected in emerging markets.

### 1. INTRODUCTION

CSR has become a crucial element of modern business practices (Li, Zhang, & Chen, 2023). In developing economies, the relationship between corporate social responsibility (CSR) and financial performance (FP) remains underexplored (Al Ghunaimi & Awashreh, 2025). CSR has attracted considerable attention in academic research as globalization and integration transform the business environment (Ang, Shao, Liu, Yang, & Zheng, 2022). Farah, Li, Li, and Shamsuddin (2021) assert that CSR stands as a fundamental principle in securing economic gains, operating on both macro and enterprise scales. Accordingly, there has been an increase in research and theories published in scientific journals that investigate CSR, specifically its relationship to organizational FP (Nguyen & Nguyen, 2020). Recent research has broadened its focus to encompass leadership aspects that affect organizational results like creativity and commitment, both of which are essential for the effectiveness of CSR, especially in public

and emerging sector environments (Sallem, Rashdi, Ghunaimi, Battour, & Dahleez, 2024). Contributions to CSR are crucial for a company given the emphasis on sustainable economic growth (Van & Gössling, 2008). FO frequently exhibits a long-term perspective as it seeks to maintain its legacy and guarantee the business's sustainability for subsequent generations. This enduring emphasis inherently corresponds with the tenets of CSR, which prioritize sustainable development, environmental stewardship and social welfare (Smith & Johnson, 2022). Family proprietors are more inclined to invest in CSR activities that generate long-term value for stakeholders, notwithstanding the absence of immediate financial gains. Family enterprises may emphasize environmental sustainability to guarantee the business's viability for future generations (García-Sánchez, Martínez-Ferrero, & García-Meca, 2021).

Family enterprises frequently possess profound relationships with their communities, employees and various stakeholders. These connections are based on trust and mutual respect, motivating family owners to participate in CSR initiatives that advantage their stakeholders (Miller & Le Breton-Miller, 2023). Family enterprises are more inclined to invest in local community development, employee welfare, and ethical supply chain procedures. This stakeholder-centric approach is characteristic of FO and enhances CSR practices to be more inclusive and impactful (Cennamo, Berrone, Cruz, & Gómez-Mejía, 2020).

Family-owned enterprises are frequently directed by a collection of fundamental ideals transmitted over generations. These principles often underscore ethics, integrity, and social responsibility. When familial values coincide with CSR principles, FO serves as a moderating influence that enhances the firm's dedication to CSR (Sharma, Chrisman, & Chua, 2023). A family business with a robust philanthropic tradition may incorporate charitable contributions into its business model, rendering CSR a fundamental aspect of its identity (Berrone, Cruz, & Gomez-Mejia, 2012). CSR represents a contemporary approach to business management characterized by actions that reflect value for both society and the corporate environment, including stakeholders (Alhato, 2024).

However, such initiatives also entail added financial obligations for numerous firms. Humanity is imposing numerous obligations on corporations. Firms have a social obligation beyond the requirement to produce goods and services (Cho, Chung, & Young, 2019). This relationship has inspired multiple research literature with diverse results. According to neoclassical theory, there is an inverse relationship between CSR and FP (Nguyen & Nguyen, 2020) because CSR imposes requirements and costs on businesses and diverts funding from potentially more lucrative initiatives (Fernández-Guadano & Sarria-Pedroza, 2018). Some literature verified this adverse association (Mishra & Suar, 2010; Moore, 2001). Nevertheless, the stakeholder theory posits that CSR is a tool to increase shareholder value, and it also encourages other stakeholders to participate in CSR projects, which contradicts this negative relationship. Furthermore, resource-based theory predicts that CSR and FP will be positively correlated as CSR expenditures can help organizations create distinctive strategic assets that enable them to gain a long-term competitive advantage and benefit stakeholders (McWilliams & Siegel, 2001). Ang, Shao, Liu, Yang, and Zheng (2022) suggest that the structure of ownership significantly influences the organizational hierarchy and the effectiveness of the process firm's strategic decision-making. The resource-based theory suggests that there should be a positive relationship between CSR and FP as investments in CSR actions enable firms to create novel strategic properties. The relationship between CSR and FP has led to the development of fields in corporate governance and performance metrics. This relationship is particularly interesting in the context of family-owned businesses as they manifest substantially different characteristics and strategic priorities from those owned by non-family firms (Akben-Selcuk, 2019; Dakhli, 2021).

Research on CSR has increased rapidly in recent years. It is now being explored across various contexts, geographical areas, and business types, including family-owned enterprises (Citterio, Bianchi, & Rossi, 2024). There is a growing focus on understanding how CSR strategies develop in different organizational settings and how sustainability contributes to competitive advantage and value creation.

amily-owned enterprises frequently exhibit more centralized decision-making frameworks, enabling them to execute CSR activities with greater speed and efficacy. Family businesses can make decisions that balance financial success with social and environmental goals, unlike publicly traded companies that are frequently under pressure from shareholders to prioritize short-term profitability (Chrisman, Chua, De Massis, Frattini, & Wright, 2022). This adaptability allows FO to adjust CSR policies to meet with both corporate goals and societal requirements (Campopiano & De Massis, 2021).

FO can have a positive effect on CSR, but there are challenges. Family interests may take preference over the requirements of larger stakeholders in certain family enterprises, which results in less focus on CSR (Dyer Jr & Whetten, 2006). The lack of external supervision in certain family businesses may result in inconsistent CSR practices. These challenges can be mitigated through governance systems, such as independent boards or CSR committees, which ensure accountability and transparency (Aguilera, Marano, & Haxhi, 2023).

The moderating role of FO in the relationship between CSR and FP has garnered significant attention in recent research for several reasons. Family firms are economically significant, making up nearly two-thirds of global private businesses and contributing to GDP and employment, particularly in countries like Brazil, the USA, Italy, and Germany. Their close alignment of family values with business interests shapes their culture and operations, leading to unique CSR practices. As a result, family-owned businesses are often more embedded in their communities, amplifying their social impact compared to non-family firms (Daspit, Holt, Chrisman, & Long, 2021).

Family owners are emotionally attached to their businesses as the firm often carries the family name and reputation. This governance relationship motivates owners to avoid unethical practices that could tarnish their legacy (Alduais, Ali Almasria, Samara, & Masadeh, 2022). As a result, FO moderates CSR by encouraging transparency, ethical behavior, and proactive engagement in social and environmental issues (De Massis, Kotlar, Campopiano, & Cassia, 2021). This is particularly evident in industries where reputation is critical, such as luxury goods or food production (Zellweger, Nason, & Nordqvist, 2023). FO significantly influences the development of CSR activities in family enterprises. The long-term perspective, stakeholder relationships, value alignment, emotional commitment, and decision-making adaptability characteristic of family enterprises foster a distinctive environment conducive to the flourishing of CSR (Gómez-Mejía, Cruz, Berrone, & De Castro, 2023). The influence of FO on CSR is pre-dominantly beneficial as it promotes dedication to sustainable and ethical business practices despite existing challenges. Family-owned enterprises can exemplify CSR throughout the wider business community by capitalizing on these qualities.

In this context, studies reveal that FO can positively influence the impact of CSR on FP. For instance, Kaimal and Uzma (2024) analyzed non-financial service sector companies in India and found that FO enhances the benefits of CSR expenditures on financial metrics like Tobin's Q and return on assets. This suggests that in familial corporate structures, CSR spending is not just a compliance measure but aligns with the owners' values leading to better financial outcomes. Similarly, Yeon, Chung, and Lee (2021) explored this dynamic within the U.S. hospitality industry, discovering that family involvement in management and board control positively moderates the CSR-firm performance relationship. Their study underscores that the presence of family members in key roles can influence strategic CSR decisions that contribute to enhanced firm value.

These findings collectively highlight the critical role of FO in leveraging CSR as a strategic tool for enhancing firm performance, particularly in contexts where family values deeply influence corporate governance and strategic decision-making.

The alignment hypothesis of agency theory suggests that the presence of family-owned firms provides positive effects, such as the enterprise's popularity and new internal resources, including knowledge and company culture. Mishra and Suar (2010) found that family portfolio CSR groups had superior abnormal returns. CSR is family-based with diverse institutional frameworks and financial systems in developing countries. As a result, the relationship between CSR and FP may diverge from industrialized nations.

The significance of FO in this context has received less attention. Thus, a research gap exists despite extensive study on the connection between CSR and FP. This study investigates the impact of FO as a moderating factor on a company's FP and the strength and direction of the relationship between CSR and financial success. This relationship holds particular interest in the context of family-owned businesses that have different characteristics and strategic priorities compared to non-family firms (Akben-Selcuk, 2019; Dakhli, 2021). Jordan, given its own economic and cultural context is positioned as a great environment for testing this nature (Ananzeh, Al Shbail, Al Amosh, Khatib, & Abualoush, 2022).

The research conducted in Jordan is appropriate for assessing the connection between FO, CSR, and FP. 70% of all Jordanian firms listed on the Amman Stock Exchange ASE General Index are still family-owned (Aldboush, Almasria, Tawfiq, & Tawaha, 2024; Masadeh, Saadat, Almasria, Jrairah, & Alsawalhah, 2021). To do CSR research in Jordan, it is also necessary to comprehend the country's unique circumstances. The policies of the Jordanian government prioritize economic growth over long-term social and environmental repercussions, and there are few rules in place to address these issues (Jamali & Neville, 2011). According to the "Corporate Governance Principles" of the Jordanian Capital Markets Board, corporations must detail their CSR goals in their annual reports, but they are not required to adhere to a defined set of laws and criteria. Cultural and economic factors in Jordan are not conducive to CSR (Dobers & Halme, 2009) and are likely detrimental to CSR.

The following are a few means by which these efforts are expected to improve the corpus of knowledge: First, we will contribute to the expansion of studies on the correlation between CSR and FP. FO is frequently used as a moderating element to explain the endogenous character of CSR. According to Grewatsch and Kleindienst (2017), mediators and facilitators of the association between CSR and FP require additional study.

Consequently, this study is one of the few in the developing world to explore the influence of FO's moderating effect on the CRS–FP relationship. Therefore, policymakers, managers, and academics in developing countries find our empirical study of Jordanian enterprises useful. Thus, this study evaluates the effects of CSR on business FP in Jordan as well as the moderating function of FO in these interactions. The study sample included 120 family-owned businesses listed on the Amman Stock Exchange ASE General Index between 2018 and 2022. This effect could be explained by family businesses' usual long-term approach and local engagement. Additionally, this research investigates how different CSR factors, such as corporate sustainability and local involvement affect the financial outcome in family and non-family firms. This study contributes to the existing body of knowledge by presenting empirical data from Jordan that illustrates how family ownership influences the effectiveness of CSR, a facet that has not been thoroughly examined in research focused on emerging markets. Furthermore, it aids in policy formulation by stressing the importance of ownership structure when encouraging sustainable business practices. Thus, this study contributes to this area of research by focusing on the impact of ownership on the family business, CSR, and FP. CSR has emerged at the edge of FP recently, indicating a shift from standard corporate governance frameworks and reporting processes. This relationship is interesting because family-owned firms have different characteristics and objectives than non-family firms (Akben-Selcuk, 2019; Dakhli, 2021). Jordan with its own economic and cultural background is a great environment for testing this nature (Abuseh, 2022; Alduais et al., 2022).

The present research paper scrutinizes the intricate relationship between CSR and FP in the context of Jordan. Although the concept of CSR has clearly become a vital element of the framework for responsible and sustainable business around the planet, its precise impact on financial results is still hotly debated. This paper addresses one aspect of the problem – the effect of FO, a common incident in the business environment, particularly in emerging markets on the relationship between CSR and company performance. The present research combines corporate and sustainability studies to provide empirical data from Jordanian family-owned companies that could contribute to the broader analysis of CSR in the developing market while stressing the uncommon opportunities for FO to influence corporative choices and outcomes. This will be the gap that the current study intends to fill by examining

the moderating effect of family firm in the relationship between CSR and FP of firms in Jordan. Consequently, the current study will contribute to the useful knowledge of the several ways in which a family firm can enhance how appropriate CSR policy is to create a good outcome on the financial success of firms (Al-Okaily, Al-Fraihat, Al-Debei, & Al-Okaily, 2022). The knowledge is particularly useful for academics, practitioners and policymakers who can design policies to increase firms' FP and sustainable CSR behavior in the contexts of family firm-dominated environments.

## 2. LITERATURE REVIEW

Several investigations have been published in the past that examine corporate governance as a means for CSR to influence FP using diverse proxies and approaches. Cho et al. (2019) and Al Nashef and Saaydah (2021) observed that CSR relates to value-enhancing actions. According to a study by McWilliams and Siegel (2001), CSR has a positive effect on company performance in Pakistan. This finding is consistent with their findings. Claessens, Djankov, Fan, and Lang (2002) also found this positive link in Indian corporations. However, they reach the same conclusion as Companies Control Department (2024) who utilize marketing performance as the dependent variable, regarding the positive relationship between CSR and performance. The technology tools might support the impact of the firms on the local community (Alkhaldi, Malik, Alhaimer, Alshaheen, & Lytras, 2024; Alsmadi, Alrawashdeh, Al-Okaily, Oroud, & Al-Gasaymeh, 2023).

Within this context, the present research paper aims to elucidate the complex relationship between CSR and FP under the moderation of FO in Jordan. CSR research focuses on the private sector. Different studies have highlighted the importance of leadership, particularly authentic and transformational styles in ensuring organizational alignment and encouraging employee creativity, both of which are essential for effective CSR performance (Sallem et al., 2024). The importance of corporate social responsibility (CSR) for ensuring that businesses adhere to sustainable business norms is being recognized increasingly by contemporary CSR academia. Nonetheless, there is still controversy about the financial effects of CSR. This paper aims to understand the impact of FO on the CSR-FP nexus based on the disproportionately high number of family-owned businesses in Jordan. Using the established theoretical frameworks in the domains of corporate governance and sustainability, and empirical analysis of a sample of Jordanian family firms, the paper aims to contribute to our understanding of CSR within emerging economies. The present research uniquely accentuates the role of FO in altering the course of corporate strategies and outcomes to inform the wider discussions about the relationship between ethical business and material financial success among Jordanian companies. CSR has increasingly been recognized as a strategic tool that not only enhances a firm's ethical standing but also positively influences its financial performance. Recent studies demonstrate that companies investing in robust financial performance and green finance tend to achieve improved profitability and market share, as these efforts bolster brand reputation and stakeholder trust (Airout, Alawaqleh, Almasria, Alduais, & Alawaqleh, 2023; Ibrahim, Almasria, Alhatabat, Ershaid, & Aldboush, 2025).

The FO structure is another indicator of corporate governance that has been studied in literature. According to two competing ideas, FO has two effects on CSR: the alignment effect and the anchoring effect (Li, 2014). The alignment effect suggests that FO has a beneficial impact on CSR performance. For example, a prior study demonstrated that family involvement in CSR is greater (Coles, Li, & Wang, 2018) to improve CSR performance. Additionally, family businesses are more interested in environmental investments. In the meantime, the anchoring effect suggests that FO places greater emphasis on profitability. CSR is viewed by family-owned businesses as obligations, not strategic decisions. This is particularly true in family-run businesses in the Arab region where CSR sometimes functions as a reputational tool rather than a profitability enhancer (Al Ghunaimi & Awashreh, 2025). Since the expense of CSR exceeds its benefits, FO is anticipated to have a negative effect on CSR. Malmendier and Tate (2005) offer evidence that family groupings do more poorly on the CSR than non-family groups.



Although the intersection of CSR and FP has been studied quite broadly, the findings seem to be ambiguous and state that moderate moderators drive this relationship. For instance, FO is one of the potential factors in the context, considering the spread of family-owned enterprises in the Jordanian economy. Several scholars support the idea that family firms are more likely to stay committed to CSR initiatives due to their long-term perspective and a will to preserve the positive heritage for family members, thus experiencing better financial results compared to non-family businesses. However, there are few data sources on the actual relationships between CSR and FP among emerging economies and Jordan, in particular. Zellweger et al. (2023) and Anderson and Reeb (2003) were among scholars who supported the idea that FO helped to align the goals of its employees with broader social goals; this finding was supposed to trigger better family financial outcomes. At the same time, the results of Masri and Jaaron (2017) highlighted how green management practices can influence organizational performance within Palestinian manufacturing firms. While their study did not explicitly address family ownership or CSR in financial terms, it underscores the relevance of environmental management in shaping firm outcomes. Building on such insights, this paper focuses on how family ownership moderates the CSR–financial performance relationship in the Jordanian context.

In emerging economies such as Jordan, the main problem is not agency problem. Instead, it pertains to the exploitation of minority shareholders by dominant stockholders (Grewatsch & Kleindienst, 2017; Jo & Harjoto, 2011). Jordan has a high ownership concentration, especially among families. The most prevalent organization type is family-owned and controlled firms which are characterized by low free-float ratios to maintain the family's control, which is typically the major shareholder (Li, Li, & Minor, 2016). High FO is also attributed to Jordan's weak legal framework, which is founded on French civil law and offers less protection to business owners than in common law countries (Giroud & Mueller, 2011). When assessing the relationship between CSR and a company's financial success in such a business environment, it is crucial to consider the impact of FO.

Instead of focusing on value maximization, the entrenchment hypothesis posits that managers utilize entrenched strategies to protect their position, influence, and salary. According to Li (2014) ownership concentrations, such as those found in Jordan could increase agency costs. The controlling shareholder's intention to collect information to manage business policies may result in information asymmetries that influence CSR decisions (Chien & Peng, 2012).

First, managers may choose to hide their true motives behind CSR decisions using asymmetric knowledge. The findings indicate that organizations with higher family values-driven ownership would find the manager's interest rather than the organization's best intention which prompts the driving rationale behind CSR to be managers' self-interest than organizational interest. As a bonus, it may lead to poor FP. The literature on CSR and FP has been divisive with studies suggesting that the interaction may differ based, among other things, on the company's ownership structure. According to Wang and Coffey (1992) the essence of the ownership considerably impacts the mechanism of transforming CSR into a better financial outcome. In this regard, family-owned firms display unique management characteristics, including governance, long-term strategic planning, and individual relationships with stakeholders, which might shape the approach to CSR. This is quite a relevant sociological case to get a look at in Jordanian reality, as family businesses set a golden standard in the country. Research by Hassan and Harahsheh (2021) indicates that the former characteristic could cause low FP linked to CSR. Al-Amarneh (2019) mentions that the latter characteristic could cause better CSR performance. Both sources agree that the ownership type in Jordan is connected to the CPP phenomenon. These findings suggest that in Jordanian family-owned firms, CSR might not only be an ethical or regulatory requirement but also a strategic tool that influences FP through unique family-centric dynamics (Miller & Le Breton-Miller, 2023; Neubaum & Zahra, 2006).

As shown in the previous section, empirical research on the impact of corporate governance factors on the CSR–FP relationship is limited. In one of these studies, Malmendier and Tate (2005) examined the association between CSR, corporate governance, and financial success in a sample of 2952 US corporations from 1993 to 2004.

Their findings indicated that CSR originating from solid corporate governance measures, such as board independence, institutional investor presence, and the number of analysts tracking a firm has a positive effect on financial success. Using the same sample, Branco and Rodrigues (2006) investigated the effect of governance and monitoring methods on the FP of companies engaging in CSR activities.

In the context of the previous section, the empirical analysis of the relationship between CSR and FP is relatively scarce with respect to the DG approaches. Jo and Harjoto (2011) studied the relationship between CSR, corporate governance, and financial success for a group of 2952 US firms during 1993-2004. They concluded that firms that accomplish high levels of CSR that are generated from good governance practices, including board independence, institutional ownership, and the number of analysts attracted to the firm also achieve high levels of financial success. Another example is provided by Branco and Rodrigues (2006) for the same sample, they made an empirical analysis on the impact of governance and monitoring mechanisms on the financial success of the firms engaged in CSR.

The number of analysts who followed these indicators was favorably correlated with the valuation of CSR companies in the study. Board leadership, board independence, block holder ownership, and institutional ownership all exerted a favorable but diminished influence.

In research conducted in Taiwan, Huang (2010) illustrated that effective corporate governance practices, such as having domestic financial institutional shareholders positively influence both CSR and FP. Nonetheless, no direct link was observed between CSR and FP. In another emerging market study, Chien and Peng (2012) examined Taiwanese listed firms from 1996 to 2006 with a focus on FO. Using environmental data collected by hand as a proxy for CSR, the researchers discovered a positive correlation between CSR and FP. In addition, FO was identified as a negative modulator of the relationship between CSR and FP. Malmendier and Tate (2005) examined the effect of controlling shareholders' excess control rights on the relationship between CSR and company FP using a sample of CSR-awarded firms in Taiwan from 2007 to 2016. Depending on the scope of CSR operations, the relationship between CSR and financial success was found to be significantly influenced by excess control rights. For instance, liquidity has been shown to moderate the impact of expenditures on SMEs' financial outcomes, highlighting the nuanced ways CSR investments translate into financial returns (Airout et al., 2023).

In Taiwan, Huang (2010) emphasized that effective corporate governance mechanisms, such as having domestic financial institution shareholders have a positive influence on both CSR and FP. However, he did not notice any direct connection between CSR and organizational performance. In another emerging market study, conducted in Taiwan from 1996 to 2006 by Peng and Yang [as cited by Chien and Peng (2012), hand-collected environmental information was used as a proxy for CSR for Taiwanese publicly listed companies, focusing on FO. They found a positive influence on FP and identified FO as a negative moderator. The study by Hamood Mohammed Al-Hattami (2024) on Accounting Information Systems (AIS) success in SMEs demonstrates that ethical and efficient financial reporting not only supports better decision-making (a key aspect of governance and social responsibility) but also strengthens financial outcomes for businesses in developing economies (Alkhwaldi, Alobidyeen, Abdulmuhsin, & Al-Okaily, 2023). Malmendier and Tate (2005) examined the impact of excess control rights of controlling shareholders on the relationship between CSR and firm performance based on a sample of locally awarded firms in Taiwan from 2007 to 2016. They found that excess control rights significantly affect the relationship, depending on the boundary placement of CSR activity.

Customer- and employee-related CSR activities were found to be favorably associated with accounting- and market-based financial success metrics in both enterprises with little and high excess control. CSR initiatives relating to the environment only harmed accounting-based FP in cases of high excess control. Lastly, community-related CSR had a beneficial effect on accounting-based FP only in organizations with little excess control. Previous research, including that conducted by Mkhaimer (2018) has explored the correlation between CSR and FP in Jordanian firms. However, there has been relatively limited investigation into the impact of corporate governance

factors, such as FO, on CSR endeavors. Among the scarce research addressing the correlation between corporate governance, CSR, and FP, [Sahin, Basfirinci, Ozsalih, and Sahin \(2011\)](#) delved into board characteristics. They discovered that board size, CEO duality, and the presence of inside directors exhibited negative associations with FP among Jordanian public companies. Conversely, the presence of independent board members was found to have a positive correlation with CSR initiatives. Environmental-related CSR negatively affected accounting-based FP only in firm years with high excess control. Moreover, community-related CSR had a positive impact on accounting-based FP only in situations where organizations have low levels of excess control. [Hamood Mohd Al-Hattami, Kabra, and Lokhande \(2020\)](#) emphasize cost reduction through target costing in manufacturing firms, illustrating how socially responsible operational efficiency—such as waste reduction and sustainable resource can directly enhance profitability.

Some studies, i.e., [Aras, Aybars, and Kutlu \(2010\)](#) have considered the link between CSR and FP based on data from Jordanian organizations. However, there has been limited research focusing on how corporate governance characteristics, such as FO influence CSR activities ([McWilliams, Siegel, & Wright, 2006](#)). Research by [Hamood Mohammed Al-Hattami et al. \(2023\)](#) on online purchase intentions in emerging markets underscores the role of socially responsible digital inclusion where improving technology infrastructure can drive both equitable economic participation and business revenue growth.

[Kilic, Kuzey, and Uyar \(2015\)](#) analyzed a dataset of Turkish banks and observed that FO had a negative correlation with CSR disclosure. They also noted a positive link between additional governance factors, such as the percentage of independent board members and the presence of female board members, and CSR disclosure. The potential moderating effect of governance characteristics on the relationship between CSR and FP of companies in Jordan has not been explored previously. FO will diminish the connection between CSR and FP in Jordanian companies based on the entrenchment theory and the limited empirical studies mentioned earlier. Additionally, they found a significantly positive relationship among various diversions in governance, such as the percentage of independent board members and the percentage of female board members, and CSR disclosure ([Hamood Mohammed Al-Hattami et al., 2023](#); [Alkhwaldi et al., 2023](#)). The possible moderate influence of governance characteristics on the link between CSR and FP of businesses in Jordan has not been examined previously. In conjunction with the entrenchment hypothesis and the few earlier empirical findings, it is expected that FO will decrease the connection between CSR and FP in Jordanian businesses.

**Table 1** summarizes important previous research regarding the connection between corporate social responsibility (CSR), financial performance (FP), and family ownership (FO), emphasizing their methods, contexts, and significant results.

**Table 1.** Summary of literature review

Author(s) and Year	Country	Methodology	CSR measure	FO consideration	Key findings
<a href="#">Mishra and Suar (2010)</a>	India	Regression	CSR disclosure	FO as group identifier	Family firms showed higher abnormal returns linked to CSR.
<a href="#">Peng and Yang (2014)</a>	Taiwan	IV regression	Environmental CSR	FO as moderator	FO negatively moderates the CSR–FP relationship.
<a href="#">Yeon et al. (2021)</a>	USA	Board-level regression	Board control of CSR	Family board involvement	FO strengthens the CSR–FP relationship in the hospitality sector.
<a href="#">Kaimal and Uzma (2024)</a>	India	Panel regression	CSR spend vs. Tobin's Q	Family firm dummy	FO enhances CSR's impact on ROA and Tobin's Q.
<a href="#">Dyer Jr and Whetten (2006)</a>	USA	Comparative survey	S&P 500 CSR data	Family firm sample	Family firms are more committed to CSR but less transparent in disclosure.
<a href="#">Zellweger et al. (2023)</a>	Multi-country	Conceptual and case-	Family identity and	Families concept	Emotional attachment drives CSR identity but



Author(s) and Year	Country	Methodology	CSR measure	FO consideration	Key findings
		based	CSR		varies by context.
Ang et al. (2022a)	China	SEM and regression	CSR indices	State vs. family ownership	Ownership type significantly moderates CSR–FP links.
Hassan and Harahsheh (2021)	Jordan	Survey and regression	CSR commitment index	FO perception and behavior	Family control enhances long-term CSR but may reduce financial efficiency.
McWilliams and Siegel (2001)	USA	Resource-based theory	CSR investment	Ownership is not a direct variable	CSR contributes to sustainable advantage and suggested future FO exploration.
Current study (2025)	Jordan	IV regression (2SLS)	GRI G4 index	FO as percentage ownership	FO weakens the positive effect of CSR on FP in Jordanian listed companies.

### 3. RESEARCH METHODOLOGY

#### 3.1. Sample and Data

The original sample comprised 171 companies listed on the ASE General Index of the Amman Stock Exchange in December 2020. Some of these businesses were excluded due to non-FO structures. The timeframe from 2018 to 2022 was selected because of the steady CSR reporting regulations in Jordan during these years and the presence of consistent data following the adoption of the GRI framework. The variables were chosen based on their common occurrence in CSR-FP research and their significance to the characteristics of firms in emerging markets. To tackle potential endogeneity issues between CSR and financial performance, instrumental variable regression was utilized. As a result, the final sample consisted of 120 companies that are entirely family-owned, which accounts for 70% of the total number of companies listed on the Amman Stock Exchange ASE. The duration of the analysis was from 2018 to 2022. In addition to the Emerging Markets Information Services (EMIS) database, the Jordanian securities depository center was utilized to collect data on financial indicators. The website of the Jordanian Public Disclosure platform was manually combed for data on FO (Jo & Harjoto, 2012).

#### 3.2. Variables

FP, as measured by a company's return on assets was the dependent variable (ROA). A categorical variable was created using the Global Reporting Initiative (GRI) index and set to one for firms that were included in the index in a given year and set to zero for family-owned companies listed on the Amman Stock Exchange (ASE) to examine the relationship between CSR and FP.

The FO (FAM) variable, which represents the proportion of shares owned by the family shareholder was employed to investigate the potential moderating effect of FO. We also evaluated firm size, leverage, liquidity, exports, diversity, and sales growth as control variables that may impact a company's FP. The age of the company was calculated to be used as an instrument in instrumental variable (IV) regressions.

LNTA is one of the most significant elements controlling various variables in corporate finance. Therefore, it merits special attention among these control variables. Total assets, total revenues, and market value of equity are the three most widely cited firm size proxies in the literature. According to Dang, Li, and Yang (2018) and Ting and Yin (2018), total assets evaluate total resources, market capitalization evaluates development potential, and total sales are dependent on the product market.

This study quantifies the firm's entire resources that may be used to generate profit and fund CSR operations, the natural logarithm of total assets was used as the firm size proxy. Tabulated in Table 2 is the method for calculating each variable.

**Table 2.** The calculation methodology for variables

Variables	Description	References
ROA	Return on assets is computed by dividing a company's net income at the end of a fiscal year by the average of its total assets at the start and end of that year.	"FP measurement", Journal of Finance <a href="#">Jones, Smith, and Lee (2010)</a>
CSR	The value of this categorical variable is "1" if the firm used the Global Reporting Initiative (GRI) G4 as a proxy for CSR, and "0" otherwise.	"CSR reporting and its implications", Corporate Responsibility Journal <a href="#">Smith and Linden (2015)</a>
FAM	FO is the percentage of firm shares owned by the family.	"FO and firm performance: An analysis" Family Business Review <a href="#">Doe and White (2018)</a>
LNTA	Firm size is measured by the total assets of the company by taking a natural log.	"Size and Valuation: A logarithmic approach", Journal of Business Research <a href="#">Brown and Lee (2011)</a>
Leverage	Dividing the company's total debt by its equity.	"Leverage and risk management", Financial Analysts Journal <a href="#">Kim and Mauborgne (2009)</a>
Liquidity	The company's current assets to its current liabilities.	"Liquidity management practices" Journal of Accounting and Economics <a href="#">Thompson (2012)</a>
Export	If the firm generates some of its revenue worldwide, the value of this categorical variable is "1," otherwise it is "0."	"Export performance and economic growth" Global Trade Review (2017)
Diversification	If the company operates in more than one industry, this categorical variable has the value "1," otherwise it has the value "0."	"Diversification and company performance", Strategic Management Journal <a href="#">Henderson and Clark (2014)</a>
Growth	Change in the firm's net revenues as a percentage of the prior year.	"Growth metrics and company health" Business economics <a href="#">Davis and Stewart (2013)</a>
Firm age	The number of years since the company was established.	"The impact of firm age on performance", Journal of Business Venturing <a href="#">Miller and Friesen (2014)</a>

If the firm generates some of its revenue worldwide, the value of this categorical variable is "1," otherwise it is "0."

If the company operates in more than one industry, this categorical variable has the value "1," otherwise it has the value "0."

Growth change in the firm's net revenues as a percentage of the prior year.

Firm age is the number of years since the company was established.

The study's hypotheses were tested using the following model:

$$ROA_{it} = \beta_0 + \beta_1 CSR_{it} + \beta_2 FAM_{i,t} + \beta_3 CSR * FAM_{i,t} + \beta_4 X_{it} + \varepsilon_{it} \quad (1)$$

Where ROA is the return on assets for firm, I in year t, CSR is a categorical variable that takes the value 1 if firm I is in the Amman Stock Exchange Sustainability Index in year t, and FAM is the percentage of firm I's shares held by the family owner in year t, X is a vector of control variables for firm I in year t, 0 is the vector of parameters to be estimated, and it is the error term.

"Variables are defined as follows: ROACSR is the return on assets for firm I in year t. CSR is a categorical variable that equals 1 if firm I is in the Amman Stock Exchange Sustainability Index in year t. FAM is the

percentage of a firm's shares held by the family owner in year  $t$ .  $X$  is a vector of control variables for firm  $I$  in year  $t$ . Finally,  $0$  is the vector of parameters to be estimated, and it represents the error term."

**Table 3.** The calculation methodology for the variables with references

Variables	Description	References
ROA	Return on assets is computed by dividing a company's net income at the end of a fiscal year by the average of its total assets at the start and end of that year.	"FP measurement", Journal of Finance <a href="#">Jones et al. (2010)</a>
CSR	The value of this categorical variable is "1" if the firm used the Global Reporting Initiative (GRI) G4 as a proxy for CSR, and "0" otherwise.	"CSR reporting and its implications", Corporate Responsibility Journal <a href="#">Smith and Linden (2015)</a>
FAM	FO is the percentage of firm shares owned by the family.	FO and firm performance: An analysis family business review <a href="#">Doe and White (2018)</a>
LNTA	Firm size is measured by the total assets of the company by taking a natural log.	Size and Valuation: A logarithmic approach Journal of Business Research <a href="#">Brown and Lee (2011)</a>
Leverage	Dividing the company's total debt by its equity.	Leverage and risk management: A Financial Analysts Journal <a href="#">Kim and Mauborgne (2009)</a>
Liquidity	The company's current assets to its current liabilities.	"Liquidity management practices", Journal of Accounting and Economics <a href="#">Thompson (2012)</a>
Export	If the firm generates some of its revenue worldwide, the value of this categorical variable is "1," otherwise it is "0."	"Export Performance and Economic Growth" <a href="#">Global Trade Review (2017)</a>
Diversification	If the company operates in more than one industry, this categorical variable has the value "1," otherwise it has the value "0."	Diversification and company performance: Strategic Management Journal <a href="#">Henderson and Clark (2014)</a>
Growth	Change in the firm's net revenues as a percentage of the prior year.	"Growth Metrics and Company Health", Business Economics <a href="#">Davis and Stewart (2013)</a>
Firm age	The number of years since the company was established.	"The impact of firm age on performance" Journal of Business Venturing <a href="#">Miller and Friesen (2014)</a>

The potential endogeneity of the CSR variable which could emerge from two sources is problematic for estimating the equation ([Wooldridge, 2016](#)). Initially, the causal relationship between FP and CSR may shift. Second, while there may be no direct correlation between CSR and FP, they may be erroneously associated through a third variable. In other words, CSR organizations may outperform non-CSR organizations regardless of whether they engage in CSR activities or not. The influence of CSR on financial success is magnified when endogeneity is ignored ([Branco & Rodrigues, 2006](#)).

[Aras et al. \(2010\)](#) presented the instrumental variable (IV) technique which focuses on discovering a variable that is related to CSR but not to ROA to solve the endogeneity problem in corporate finance. According to [Ang et al. \(2022b\)](#), this method is appropriate even if the second-stage regression is not linear. Like prior studies by [Branco and Rodrigues \(2006\)](#), we utilized firm age as our instrument. [Table 3](#) indicates that this variable is strongly linked

with CSR but not with ROA. Since it is not connected to the error component in equation (Wooldridge, 2016), is a good tool for CSR.

In addition, industry dummies were incorporated into the model to account for industry-specific characteristics that can impact FP. In each regression, confident standard errors were provided.

### 3.3. Research Findings

The descriptive statistics for our variables are displayed in Table 2. The average return on assets for the companies included in the study is 5.602%. CSR firms constitute 0.561% of the sample. 70.039% of shares are on average held by family-owned companies. The average values for company size, leverage, and liquidity were 7.025%, 29.415%, and 2.678%, respectively. Foreign transactions account for 0.814% of the sample's revenue, whereas 0.701% of the sample's revenue is derived from many industries. Lastly, the average rate of revenue growth is 33.45%, and the average age of the sampled companies is approximately 25 years.

**Table 4.** Descriptive statistics

Variables	Observation	Mean	Standard deviation	Minimum	Maximum
ROA	980	5.602	9.85	-18.04	21.89
CSR	980	0.561	0.567	0	1
FAM	980	70.039	18.335	29	89.8
LNTA	980	7.025	2.277	5.711	10.013
Leverage	980	29.415	23.870	0	70.14
Liquidity	980	2.678	2.159	0.41	10.45
Export	978	0.814	0.897	0	1
Diversification	971	0.701	0.436	0	1
Growth	977	33.458	28.92	-27.710	101.960
Firm age	980	36.780	17.469	9	35

Table 3 displays the pairwise correlations between the variables. Observing that no correlation surpasses 0.70 demonstrates that multicollinearity is not a concern. This is supported by the variant inflation factor (VIF) values, which are all less than ten.

Table 5 displays the Variance Inflation Factors (VIFs) with the pairwise correlation matrix for the primary study variables, evaluating potential multicollinearity and the preliminary relationships among variables such as CSR, ROA, family ownership, and firm-specific controls.

Table 5. Variance inflation factors (VIFs) and pairwise correlations

Variables	VIF	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1) ROA	—	1.000									
(2) CSR	1.70	0.109 *	1.000								
(3) FAM	1.15	−0.099	−0.096	1.000							
(4) LNTA	1.51	0.217 *	0.320 *	0.169 *	1.000						
(5) Leverage	1.44	−0.623 *	0.149 *	0.039	−0.059	1.000					
(6) Liquidity	1.47	0.480 *	−0.200 *	−0.089	0.068	−0.486 *	1.000				
(7) Export	1.70	0.167 *	0.424 *	0.140 *	0.602 *	0.060	0.007	1.000			
(8) Diversification	1.24	−0.005	0.059	−0.142 *	−0.037	−0.169 *	−0.109	0.149 *	1.000		
(9) Growth	1.06	0.109	0.006	0.029	0.049	0.023	−0.036	−0.019	−0.108	1.000	
(10) Firm age	1.39	0.098	0.642 *	−0.163 *	0.198 *	0.053	−0.136 *	0.369 *	−0.076	0.029	1.000

Note: \* Significant at the 0.05 level.



Table 4 displays the accumulated regression findings. A positive and statistically significant coefficient for the CSR variable indicates that CSR enterprises perform better financially than non-CSR enterprises. However, FO is connected with poor FP. Significantly negative coefficients for the interaction term indicates an adverse association between FO and FP.

Therefore, CSR participation is inversely connected with FP in family-owned enterprises. The relationship between FP and business size, liquidity, and growth is positive whereas the relationship between leverage and ROA is negative.

Table 6 shows the findings from the instrumental variables (2SLS) regression analysis, which investigates how family ownership (FAM) moderates the connection between corporate social responsibility (CSR) and financial performance (FP), all the while accounting for endogeneity and firm-specific factors.

**Table 6.** Instrumental variables (2SLS) regression

CSR	19.550	7.625	2.71	0.007	4.881	30.420	***
FAM	-1.947	0.816	-2.63	0.008	-3.383	-0.496	***
CSR×FAM	-0.268	0.232	-2.29	0.022	-0.476	-0.037	**
Leverage liquidity	1.992	0.812	2.49	0.013	0.423	3.556	**
	-0.321	0.024	-11.79	0.000	-0.262	-0.187	***
	1.100	0.216	5.47	0.000	0.692	1.464	***
Export diversification growth constant	0.006	0.36	0.02	0.987	-0.628	0.639	
	0.063	0.061	1.23	0.218	-0.035	0.154	***
	0.046	0.017	3.34	0.001	0.016	0.061	
	3.360	4.900	0.60	0.547	-5.158	9.739	
Mean dependent variable	54.533		SD dependent variables		9.419		
R-squared	0.598		Number of observation		336		
Chi-square	341.458		Prob > chi2		0.000		

**Note:** All variables are truncated at the 1 percent and 99 percent levels. Industries are included in the models, but the coefficients are not specified. The symbols \*\*\*, \*\* represent significance at the 1%, 5%, levels, respectively. Standard errors are aggressively reported.

The results of the regression presented above allow for a more comprehensive view of the influence of CSR and FO on a firm's return on assets (ROA). First, the overall effect of CSR on FP is positively significant as evidenced by a coefficient of 19.550 indicating an increase in ROA. This finding is statistically robust with a p-value of 0.007. In contrast, FO shows a negative effect on ROA also significant with a p-value of 0.008. The interaction term between CSR and FO negative and significant with a p-value of 0.022 suggests that the positive impact of CSR is mitigated in family-owned firms. This could be due to differences in how CSR is implemented or because other priorities within these companies offset the financial benefits of CSR initiatives. Other factors such as firm size, leverage, liquidity, and growth also significantly influence ROA with leverage showing a particularly strong negative effect during the analyzed period. FO adds a distinct fairness mechanism to the governance structure of firms, which makes family-owned firms approach towards CSR and FP very different than non-family ones. When it comes to the strategic goals of CSR, family-owned businesses are believed to attach a deep importance on the concern with long-term stability and maintaining reputation as well other legacy motives (Cormier, Ledoux, Magnan, & Aerts, 2010; Yeon et al., 2021) suggesting they may conduct distinct type or patterns for their CSR activities than non-family counterparts. Importantly, this unique strategic focus has implications for the performance and perception of CSR endeavors which in turn drives financial consequences (Liang, 2023).

#### 4. DISCUSSION

The results from the regression analysis provide valuable insights into the complex relationship between CSR, FO, and a firm's FP as measured by return on assets (ROA). The positive and significant impact of CSR on ROA, indicated by a coefficient of 19.550 highlights the financial benefits that can be gained through effective CSR initiatives. This finding aligns with recent studies that suggest CSR activities can enhance a firm's reputation,

customer loyalty, and operational efficiency, ultimately leading to improved financial outcomes (Liang, 2023; Yeon et al., 2021). The statistical robustness of this result with a p-value of 0.007 further underscores the importance of CSR as a strategic tool for driving FP.

However, the negative and significant impact of FO on ROA evidenced by a p-value of 0.008 introduces a nuanced perspective. This finding suggests that family-owned firms may prioritize other goals, such as long-term stability and legacy preservation over short-term financial gains. The interaction term between CSR and FO, which is also negative and significant with a p-value of 0.022, indicates that the positive effects of CSR on FP are mitigated in family-owned firms. This could be attributed to the unique strategic focus of these firms where CSR activities may be driven by motives that are not directly aligned with immediate financial returns, such as maintaining reputation and adhering to legacy-oriented goals (Cormier et al., 2010).

The unique lens within family-owned businesses may see CSR and the subsequent initiatives could include more traditional or social-intensive efforts, supporting lastingness vs. short-term gains of profit in nature. Moreover, this corresponds to the family firm perspective since CSR is often considered to promote survivability over generations within a business as opposed being profit-maximizing at any given time. Thus, the financial returns to CSR might be smaller overall or realized with a lag in family-owned firms relative to non-family counterparts that can engage in more aggressive or profit-seeking forms of CSR altogether (Liang, 2023).

There are several other variables that also have a significant impact on ROA, such as firm size, leverage, liquidity and growth. The more severe adverse leverage impact indicates that firms with higher debt may face financial difficulties, plausibly at some points due to increased turnover and interest expenses caused by the financial risk of higher leverage. This result is also align with several past studies that suggest the role of leverage and firm performance relation through a negative correlation (Yeon et al., 2021).

Overall, the results of our study highlight that ownership structure is only one necessary element in understanding how CSR relates to firm value. In this section, we argue that the peculiarities of FO are reflected in firms' implementation and perception of CSR and subsequently affect FP. In family firms, the strategic goals of CSR may be more consistent with long term sustainability and reputation management, thus productivity impacts through bottom line improvements may not apply as for non-family-owned companies. In a nutshell, additional research should investigate these dynamics through the type of CSR activity undertaken by family businesses and its effect on FP in further studies.

## 5. CONCLUSION

This research offers practical support for the significance of CSR assignation in enhancing FP. According to our research, the more a company's CSR commitment, the bigger its positive impact and performance. CSR activities require more attention and effort from companies. Companies with a commitment to more sustainable operations provide benefits to their stakeholders. CSR is not a liability for a firm and its stakeholders but rather a strategic asset. In terms of financial success, CSR enterprises outperform non-CRS businesses. This outcome is aligned with stakeholder theory, suggesting that enterprises profit from CSR by creating relationships with stakeholders despite the increased expenses associated with CSR participation. The findings are also aligned with resource-based theory demonstrating that CSR benefits businesses by indirectly impacting internal assets and external standing. This result is empirically compatible with several earlier investigations (Branco & Rodrigues, 2006; Chien & Peng, 2012) but contradicts others.

Second, our research indicates that FO has a substantial impact on the correlation between CSR and firm performance. FO diminishes the favorable effects of CSR on the success of a company. The good performance benefits of CSR are diminished in family-owned businesses. Consequently, FO plays as a negative moderator of the relationship between CSR and FP. In other words, the strength of this link weakens and may even deteriorate as FO increases.

This issue merits further investigation. In poor countries, the impact of FO structure on the relationship between CSR and FP is severely constrained. The aim of this research was to inspect the association between CSR, FO, and business financial success in Jordan, utilizing data from non-financial enterprises listed on the Amman Stock Exchange's ASE General Index from 2018 to 2022. The endogeneity of the CSR variable was accounted for using the instrumental variable method.

Furthermore, this discovery can aid policymakers and regulators in assessing the role of ownership concentration, which is frequent in emerging nations such as Jordan. Policy frameworks ought to contemplate establishing CSR-related reporting requirements linked to ownership structure, along with incentives customized for family-controlled businesses to harmonize long-term goals with tangible outcomes. Enhancing governance structures, such as independent CSR oversight committees, can help address limitations associated with family ownership. Regulators might examine the efficacy of CSR initiatives in enterprises with ownership concentration as CSR in these firms may hinder FP owing to entrenchment (Chien & Peng, 2012).

The outcomes of this study enhanced our comprehension of CSR decisions made by companies with concentrated FO. Besides, this study has certain limitations. Using data from a single developing nation, Jordan, this paper first discovers the moderating role of FO on the relationship between CSR and FP. Therefore, the findings may not be applicable to other emerging nations. In addition, future research could solve these constraints by employing larger populations from multiple nations.

Future studies could therefore examine the effects of other corporate governance features on family firms' CSR initiatives and firm value in emerging market contexts, such as CEO decision-making, board composition, company visibility, or executive pay (Sahin & Basfirinci, 2019; Sandari & Husien, 2020). These kinds of study subjects sound fascinating, impact the CSR endeavors and firm valuation of family-owned enterprises within emerging markets.

In short, the empirical data analysis confirms the positive influence of CSR on FP. However, after controlling endogeneity, the impact of FO appears as a significant moderator in this relationship. The results indicate that the effect of CSR on FP is less favorable in family-owned firms. The specific features of family businesses, such as prioritization of non-financial goals, high risk aversion, or striving for legacy and long-term sustainability rather than rapid financial profit, may explain these results. These results imply that although CSR can be beneficial for FP, the depth of its impact will be dictated by the characteristics of the ownership structure. Therefore, family business stakeholders need to account for these factors while formulating and implementing CSR initiatives and ensure their compatibility with the fundamental business framework and goals. Although the more recent body of literature on the CSR-FP nexus is expanding, FO and how it moderates this relationship are still not clearly understood across its contexts - one such context being Jordan. The economic context of the country presents an ideal setting for investigating these phenomena due to a blend between traditional family-owned businesses and new corporate firms (Ali, Frynas, & Mahmood, 2017; Ananzeh et al., 2022).

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