

Corporate Governance and Market Power Nexus: The Mediating Role of Corporate Social Responsibility

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Abstract

The study investigated the influence of corporate governance (CG), including board independence, size, and diversity, on market power, with a focus on the mediating role of corporate social responsibility (CSR) within listed firms on the Ghana Stock Exchange (GSE). Utilizing secondary data spanning seven years from 2015 to 2022, gathered from 39 listed firms, the research employed Pooled Ordinary Least Square (OLS) and Panel Linear Model (PLM) techniques, incorporating fixed effect and random effect models. Results indicated that board independence significantly predicted both market power and CSR activities, while board size did not directly influence market power but did affect CSR activities. Additionally, board gender diversity demonstrated a significant impact on market power but not on CSR activities. Moreover, CSR, when considered as an independent variable, significantly influenced market power. Notably, CSR was found to play a mediating role, significantly mediating the relationship between the various dimensions of CG and market power among listed firms in Ghana. This underscores the intricate interplay between CG, CSR, and market power within the context of the Ghanaian stock exchange. The findings provide valuable insights for firms, regulators, and policymakers aiming to enhance corporate governance practices and leverage CSR initiatives to strengthen market power and overall firm performance.

Keywords

CSR, Corporate Governance, Board Independence, Board Size, Board Diversity, Market Power, Listed Firms, Ghana

1. Introduction

The relevance of corporate governance has become increasingly evident in contemporary business landscapes, particularly for companies aiming to gain a competitive edge in their operations (Padachi et al., 2017; Ararat et al., 2021). In today's global business environment, characterized by increasing complexity and interconnectedness, the importance of effective corporate governance practices cannot be overstated. From mitigating agency conflicts between shareholders and management to fostering sustainable business practices and maintaining stakeholders' trust, corporate governance influences various aspects of organizational performance and behavior (Ararat et al., 2021). Corporate governance, as a pivotal aspect of organizational management, encompasses the structures, processes, and systems through which companies are directed and controlled. It plays a fundamental role in ensuring accountability, transparency, and the protection of stakeholders' interests. Effective corporate governance mechanisms, such as ensuring board independence, appropriate board size, and diverse board composition, are essential for promoting transparency, accountability, and ethical behavior in organizations (Kyerem & Ausloos, 2021). According to Khairredine et al. (2020) board independence ensures that board members can make objective decisions without undue influence from management, thereby safeguarding the interests of stakeholders. More so, board size refers to the number of directors serving on a company's board of directors. It is a crucial aspect of corporate governance, influencing the effectiveness and decision-making processes of the board. Additionally, a diverse board brings varied perspectives and experiences to decision-making processes, leading to more robust strategies that consider a broader range of stakeholders' interests (Kyerem & Ausloos, 2021). Moreover, strong corporate governance practices mitigate market power abuses, ensuring fair competition and sustainable business practices.

Corporate governance and market power nexus have long been subjects of significant interest and scrutiny within the realms of business and economics. The relationship between corporate governance practices and a firm's market power, defined as its ability to influence market outcomes and exercise control over competitors and consumers, has been a focal point for researchers, policymakers, and industry practitioners alike (O'Sullivan, 2020). The effectiveness of corporate governance mechanisms, such as board structures, board independence, board size and board gender diversity, in shaping firms' market power dynamics has profound implications for market competition, economic efficiency, and societal welfare (Zaman et al., 2022). Yet empirical literature is lagging behind in terms of evidence to the impact of corporate governance on market power of firms. While some scholars (Xiong et al., 2024) have highlighted importance of corporate governance few studies in recent times have emphasized the role that corporate governance play in enhancing firms' market power. In addition, the precise nature of this relationship remains complex and multifaceted, influenced by various internal and external factors within the corporate environment (Jain & Jamali, 2016; Giroud & Mueller, 2011).

Market power is the ability of a firm or a group of firms to influence the market price of goods or services by controlling the quantity supplied, either by reducing or increasing it (Webber, 2015). Firms with significant market power can manipulate prices, restrict output, and impact consumer choice, often resulting in higher prices and reduced consumer welfare. Market power can arise from various factors, including barriers to entry, economies of scale, product differentiation, and control over essential resources (Chang et al., 2022). It enables firms to operate in less competitive environments, allowing them to generate higher profits and exert influence over market dynamics. However, excessive market power can lead to market distortions, reduced efficiency, and potential harm to consumers, making it a focal point for regulatory scrutiny and antitrust enforcement.

There has been a growing focus on understanding the interplay between corporate governance, market power, and CSR. Particularly, scholars have begun to explore the potential mediating role of CSR in the relationship between corporate governance practices and market power outcomes. However, despite the theoretical significance of this mediated relationship, empirical evidence supporting its existence remains relatively scarce. While there is theoretical rationale suggesting that CSR activities may influence how corporate governance mechanisms affect market power, empirical studies addressing this specific mediation process are limited. Therefore, there is a need for further research to empirically examine the extent to which CSR acts as a mediator in shaping the relationship between corporate governance practices and market power outcomes. Such investigations could offer valuable insights into the mechanisms through which corporate governance influences market power dynamics, ultimately contributing to a deeper understanding of the complex interplay between governance, CSR, and market outcomes. In this regard, CSR refers to a firm's voluntary actions and initiatives aimed at contributing to societal well-being, beyond its core economic objectives (Zaman et al., 2022). The integration of CSR practices into corporate governance frameworks has been posited as a mechanism to mitigate market power abuses, enhance stakeholder trust, and foster long-term sustainable value creation (Fahad & Rahman, 2020). The alignment of corporate governance principles with ethical, social, and environmental considerations, makes firms not only bolster their reputational capital but also engender greater accountability and transparency in their market interactions. This study seeks to explore the interplay between corporate governance, market power, and CSR, with a particular focus on the mediating role of CSR in shaping the relationship between corporate governance mechanisms and firms' market power dynamics. Examining the extent to which CSR practices mediate the influence of corporate governance on market power outcomes, this research aims to shed light on the mechanisms through which firms can leverage responsible business practices to enhance their competitive positioning while simultaneously contributing to broader societal welfare goals. Through empirical analysis and theoretical synthesis, this study aims to provide valuable insights for academics, practitioners, and policymakers interested in understand-

ing and fostering responsible corporate behavior within the context of market dynamics and governance structures.

2. Theoretical Review

Agency theory (Jensen & Meckling's, 1976), a fundamental concept in the field of corporate governance, delves into the intricate relationship between principals, typically represented by shareholders, and agents, who are often the managers entrusted with running the firm on behalf of the shareholders (Li et al., 2016). The theory scrutinizes the mechanisms through which corporate governance structures, including board compositions and executive remuneration schemes, serve to harmonize the potentially conflicting interests of managers and shareholders (Cherian et al., 2020). By establishing incentives and monitoring mechanisms, these governance practices aim to align managerial actions with the overarching goal of maximizing shareholder wealth. In the context of the present study, agency theory assumes paramount significance as it offers a lens through which to examine how adept corporate governance practices function to alleviate agency conflicts within firms and shape their market power dynamics (Li et al., 2016). Agency conflicts arise due to the inherent divergence of interests between managers, who may prioritize personal gains or organizational growth at the expense of shareholder returns, and shareholders, who seek to optimize their investments' value (Javeed & Lefen, 2019). Effective corporate governance mechanisms, such as robust board oversight and performance-based executive compensation structures, act as checks and balances to mitigate these conflicts and ensure managerial accountability.

Moreover, agency theory provides insights into how the resolution of agency conflicts through enhanced corporate governance practices can impact firms' market power. Aligning managerial incentives with shareholder interests and fostering transparency and accountability, firms may be better positioned to assert their dominance in the marketplace. Effective governance mechanisms instill confidence among investors, creditors, and other stakeholders, enhancing the firm's reputation and access to capital (Cherian et al., 2020). Consequently, firms with strong corporate governance frameworks may exhibit greater market power, manifested through enhanced competitive advantage, pricing discretion, and strategic positioning within their respective industries. In summary, agency theory offers a robust theoretical framework for understanding the intricate interplay between corporate governance, agency conflicts, and firms' market power dynamics. By elucidating the mechanisms through which effective governance practices mitigate agency problems and bolster firms' competitive capabilities, this theory enriches our comprehension of the complex dynamics shaping modern corporate landscapes.

3. Corporate Governance

Within the context of corporate governance, agency theory serves as a guiding principle for designing governance mechanisms and structures aimed at mitigat-

ing agency conflicts and aligning the interests of principals and agents (Zaman et al., 2022). Key components of effective corporate governance, such as board size, board diversity and board independence, are conceived and implemented with the overarching goal of minimizing agency costs and maximizing shareholder value (Zaman et al., 2022). Moreover, agency theory sheds light on the mechanisms through which corporate governance mechanisms operate to ensure managerial accountability and transparency. Through instituting mechanisms for monitoring and control, such as independent board oversight, gender diverse board, moderate board size, and performance-based incentives, firms seek to mitigate the agency risks associated with managerial discretion and opportunism (Jain & Jamali, 2016). Through these mechanisms, corporate governance practices aim to foster trust and confidence among stakeholders, thereby enhancing the firm's market powers in terms of products and services. In the view of Pande and Ansari (2014), the system of laws, rules and factors that control operations of an organization is defined as corporate governance. That is, the system by which firms or organization are directed and controlled. Corporate governance framework therefore stipulates the rights and responsibilities among all stakeholders in the organization including the board, managers, shareholders and others (Pande & Ansari, 2014). Corporate governance also helps to determine the policies and procedures for making decisions in corporate management affairs. By so doing, it also provides the means by which the organization's objectives are set and the ways of attaining them and monitoring performance. In the view of Aljifri and Moustafa (2007), corporate governance system is to extent a country-specific framework of legal, institutional and cultural factors shaping the patterns of influence that shareholders or stakeholders exert on managerial decision making. It can be deduced from a perspective of policy that corporate governance is a blend of law, finance and management of a company (Ghosh, 2017). Managers often conform to the institutional rules, regulations and policies in managing the dealings of the institution to ensure the separation of ownership from that of the control power. It is noted that, the management expertise of organizations is very central in safeguarding the framework of control in order to attain corporate goals. Conclusively, this study agrees that, corporate governance defines the form, procedures, and practices by which an institution accomplishes its business affairs and works to achieve its financial, operational and strategic objectives, and long-term sustainability.

This study delved deeply into several key CG practices, focusing particularly on board independence, board diversity, and board size. Each of these practices plays a crucial role in shaping the governance framework of an organization and has profound implications for its performance, decision-making processes, and stakeholder relationships. First, the study examined the concept of board independence, which refers to the composition of the board of directors with a sufficient number of independent directors who are free from any conflicts of interest that could compromise their ability to act in the best interests of shareholders (Khairiddine et al., 2020). Board independence serves as a critical safeguard against managerial oppor-

tunism and ensures effective oversight of management decisions. The degree of board independence ensures the effectiveness of governance structures in promoting transparency, accountability, and shareholder value. Second, the study investigated board diversity, recognizing the importance of diverse gender perspectives, backgrounds, and experiences among board members in fostering effective decision-making and risk management. Board diversity encompasses various dimensions, including gender. By examining the level of diversity within the boardrooms of firms, the research sought to ascertain the extent to which governance practices reflect principles of inclusivity, equity, impact market power and CSR activities (Xiong et al., 2024). Thirdly, the study focused on board size, which refers to the number of directors serving on the board. Board size is a critical governance attribute that influences the dynamics of boardroom deliberations, the effectiveness of oversight mechanisms, and the ability of directors to fulfill their duties and responsibilities effectively (Ararat et al., 2021). An optimal board size aims to identify governance practices that strike the right balance between representation and efficiency. Moreover, the study sought to investigate whether board size influences firm performance, decision-making quality, and stakeholder perceptions.

4. Corporate Social Responsibility

The Agency theory, while primarily focused on the relationship between principals (shareholders) and agents (managers) within a firm, also offers valuable insights into the realm of CSR (Barnea & Rubin, 2010). Within the framework of the Agency theory, CSR can be understood as a mechanism for addressing the principal-agent problem by aligning the interests of managers with those of shareholders, as well as broader stakeholder groups (Zaman et al., 2022). Embracing CSR initiatives ensure that firms mitigate agency conflicts and enhance market power by incorporating ethical, social, and environmental considerations into their decision-making processes. Furthermore, CSR can be viewed as a mechanism for managing reputation risk within the Agency theory framework (Chang et al., 2022). Firms that prioritize CSR initiatives are better equipped to mitigate reputational threats and adverse publicity that may arise from unethical behavior or social and environmental controversies. By proactively addressing societal concerns and demonstrating corporate citizenship, firms can enhance their reputation capital, thereby reducing the likelihood of agency conflicts and reputational damage that could undermine shareholder value. According to Turner et al. (2019), CSR is the disclosure of corporate behaviours that aims to affect stakeholders positively and that go beyond its economic interest. In the view of Carroll (1979, cited in Carroll, 2016), CSR of business encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organisations at a given point in time. This definition even though widely accepted, especially in the developed economies and in larger firms or multinational companies, it has received a number of criticisms given its significance and context. Visser (2011) revisited the Carroll original four part constructs and the pyramidal depiction of

CSR in developing countries and argued that the order of the layers differ in developing countries from the classic pyramid. Vesser (2011) maintained that each country or region has a different set of drivers of CSR. In Africa, cultural values, traditions, political reforms, socio-economic priorities, government gaps and crises response differ from country to country.

What constitutes CSR varies from one firm to another, as there have been differing expectations of the nature of companies' responsibility to society (Rodrigo & Arenas, 2008). Numerous related constructs exist such as: "corporate or business responsibility, corporate or business citizenship, corporate social responsiveness, corporate social performance, community relations, social responsibility, business ethics, stakeholder management, sustainability and others alike" (Rodrigo & Arenas, 2008, p 571). Although, these diverse approaches to CSR potentially create confusion, the different concepts demonstrate overlapping views of CSR as perceived by different researchers (Waddock, 2004). Though these terminologies will sometimes be preferred by different supporters, CSR will continue to be the centerpiece of these competing and complimentary frameworks (Carroll, 2016) and would be adopted around the world for transformation in everywhere it is practiced. Once more, Business for Social Responsibility (Ramasastry, 2015) delineated the concept of CSR into four dimensions. Economic businesses have a responsibility to produce goods and services that society wants and sell them at a profit; legal, businesses have to obey the law; ethics, business institutions have to exhibit behavior and ethical norms beyond what is required by law; and discretionary, business institutions have to exhibit voluntary roles driven by social norms. Within the Ghanaian context, CSR is perceived as a strategic choice by organizations to voluntarily address social factors that may hinder the achievement of corporate objectives (Amponsah-Tawiah & Dartey-Baah, 2011). It is obvious that the economic, social and environmental aspects of CSR are in line with previous definitions of CSR (Glavas & Kelley, 2014). By including economic, social and environmental factors in the operationalisation of the measures in this study, it is necessary to find out the impact of these distinctive factors on market power. The dimension of CSR practices encompasses a wide range of activities and initiatives aimed at addressing societal needs and contributing to the well-being of various stakeholders. This study delved into several key dimensions of CSR practices, each focusing on different aspects of social and environmental responsibility, including CSR towards community development, environmental sustainability, employees, customers, education, and health.

First, CSR towards community development involves initiatives aimed at improving the quality of life and socioeconomic conditions of communities in which a company operates (Chilufya et al., 2019). This can include investments in infrastructure development, support for local education and healthcare programs, and contributions to community development projects (Banks et al., 2016). By actively engaging with local communities and addressing their needs, firms can build trust, foster positive relationships, and enhance their social license to operate. Sec-

ondly, environmental sustainability is a critical dimension of CSR that focuses on minimizing the environmental impact of business operations and promoting sustainable practices (Halme et al., 2020). This can involve measures to reduce carbon emissions, conserve natural resources, promote renewable energy sources, and minimize waste generation and pollution. Adopting environmentally responsible practices ensure that firms can mitigate their ecological footprint, comply with regulatory requirements, and contribute to global efforts to combat climate change and environmental degradation (Shahzad et al., 2020). Thirdly, CSR towards employees encompasses initiatives aimed at fostering a positive work environment, promoting employee well-being, and supporting professional development and growth opportunities (Kong et al., 2021). This can include fair labor practices, diversity and inclusion programs, employee health and safety initiatives, and employee training and skill development programs. Through prioritizing employee welfare and engagement, firms can enhance employee satisfaction, productivity, and retention, ultimately contributing to organizational success and sustainability. Fourthly, CSR towards customers focuses on delivering value to customers while upholding ethical and responsible business practices (Fandos-Roig et al., 2020). This can involve providing high-quality products and services, ensuring fair pricing and transparent marketing practices, and prioritizing customer satisfaction and feedback. Fifthly, CSR initiatives aimed at education involve investments in educational programs, scholarships, and skill development initiatives aimed at empowering individuals and communities through access to education and lifelong learning opportunities (Al Sakkaf et al., 2023). Lastly, CSR towards health encompasses initiatives aimed at promoting health and well-being among employees, customers, and communities (Ahmad et al., 2023). This can include workplace wellness programs, access to healthcare services, support for public health initiatives, and investments in healthcare infrastructure and research. By prioritizing health and well-being, firms can enhance employee productivity, reduce healthcare costs, and contribute to improved health outcomes and quality of life for individuals and communities.

5. Market Power

Market power pertains to a company's relative capacity to influence the price of a commodity within the marketplace by manipulating either the level of supply, demand, or both. Determining the market power among firms within an industry typically involves identifying those firms that wield the highest proportion of market share, whether through sales, output, value added, number of employees, or the value of assets (Giroud & Mueller, 2011). Various methods can be employed to compute market power concentration, with the Herfindahl-Hirschman index (HHI) being a commonly utilized measure (Shukla & Thampy, 2011). The HHI serves as an indicator of industry competitiveness based on the market concentration of its participants. This index, widely regarded as the predominant summary measure of concentration in theoretical literature, often acts as a benchmark for

assessing other concentration indices (Giroud & Mueller, 2011). Bikker and Haaf (2002) defined the HHI as the summation of the squares of bank sizes measured as market shares. By emphasizing the significance of larger banks through greater weight assignment and individually incorporating each bank, the HHI mitigates the potential for arbitrary cut-offs and insensitivity to share distribution. The HHI index ranges between $1/n$ and 1, with its lowest value, equivalent to the reciprocal of the number of firms, realized when all market participants are of equal size, and unity attained in a monopoly scenario (Demirel & Hatırlı, 2017).

6. Hypotheses Development

6.1. Corporate Governance and Market Power

The relationship between CG and Market Power is a subject of significant scholarly interest and debate. Studies like the one by Chang et al. (2018) focusing on Taiwan region have delved into how corporate governance influences a firm's product market power. This research sheds light on how governance mechanisms impact a company's competitive position within the market (Chang et al., 2018). Moreover, the literature emphasizes the importance of understanding how governance structures, such as board composition and executive power, can affect a firm's ability to exert market power and compete effectively. In a broader context, the concept of market governance as a balance of power, as discussed by Vogel (2023), adds another layer to the discussion. Vogel's work highlights how power dynamics within markets can influence governance structures and outcomes, underscoring the intricate relationship between power distribution, market dynamics, and governance mechanisms. This perspective suggests that the distribution of power among market participants, including firms and regulatory bodies, plays a crucial role in shaping market competitiveness and the exercise of market power. Choua et al. (2011) uncovered a nuanced relationship between CG structures, market competition, and firm performance. Their findings suggest that firms operating in competitive industries or with low market power often exhibit weaker CG structures. Interestingly, the study also revealed that the impact of CG quality on firm performance is contingent upon the level of product market competition. Specifically, they found that CG quality significantly influences firm performance only in contexts where product market competition is weak. This highlights the interplay between external market dynamics and internal governance mechanisms, indicating that the efficacy of CG practices in driving performance outcomes may vary depending on the competitive landscape within which firms operate.

In a complementary vein, Liu et al. (2018) demonstrated the moderating role of CG practices in mitigating the adverse effects of higher product market competition (PMC) on firm performance. Their research suggests that strong CG practices serve as a buffer against the negative impact of heightened PMC, particularly for firms controlled by State-Owned Enterprises (SOEs). Interestingly, they found that SOEs exhibit a weaker association between higher PMC and lower performance compared to non-SOEs, implying that ownership structure may influence how firms respond

to competitive pressures. Furthermore, the study elucidated that the moderating effect of SOEs on the PMC-performance relationship is more pronounced in firms with robust CG practices compared to those with weaker governance frameworks. This underscores the importance of CG mechanisms in shaping firms' resilience to market competition and suggests that effective governance practices can help firms navigate challenging market environments and maintain performance stability. Further studies on the relationship between CG and market power are warranted given the complex interplay and implications elucidated by existing research. Choua et al. (2011) highlighted how CG structures may weaken in competitive industries or in the presence of low market power, underscoring the need to understand how governance mechanisms adapt to varying market conditions. Moreover, their findings suggest that the influence of CG quality on firm performance is contingent upon the level of product market competition, emphasizing the dynamic nature of this relationship. Additionally, Liu et al. (2018) demonstrated the moderating role of CG practices in mitigating the adverse effects of higher product market competition on firm performance, particularly for SOEs. These findings underscore the significance of exploring how CG mechanisms interact with market power dynamics to influence firm behavior, performance outcomes, and overall market competitiveness. Further studies in this area could shed light on the mechanisms through which CG practices adapt to competitive pressures, the effectiveness of governance mechanisms in mitigating market power abuses, and the implications for firm performance and market efficiency. Understanding these relationships is essential for policymakers, investors, and stakeholders in shaping regulatory frameworks, investment decisions, and corporate strategies aimed at promoting sustainable and equitable market competition.

H1: Board independence will significantly predict market power

H2: Board size will significantly predict market power

H3: Board diversity will significantly predict market power

6.2. Corporate Governance and CSR

According to Harjoto and Jo's (2011) research, there exists a positive correlation between CSR adoption and specific governance attributes, such as board independence and institutional ownership. Their findings suggest that firms with greater board independence and higher levels of institutional ownership are more inclined to engage in CSR activities. This implies that governance structures characterized by independent oversight and significant institutional ownership may encourage firms to prioritize social and environmental considerations in their decision-making processes. Such alignment between governance characteristics and CSR choices underscores the importance of effective governance mechanisms in fostering responsible business practices and stakeholder-oriented strategies within organizations. Again, Jo and Harjoto (2012) revealed that there is a positive relationship between the lag of CG variables and firms' engagement in CSR, even after accounting for different firm characteristics. Their findings suggest that firms tend to increase their CSR activities over time as corporate governance prac-

tices evolve and mature. This indicates that improvements in corporate governance, such as enhanced board independence, size and diversity mechanisms, may lead to a subsequent uptick in CSR engagement among firms. This underscores the significance of a forward-looking approach to corporate governance, where firms continuously adapt and refine their governance practices to align with evolving CSR expectations and societal demands. Fahad et al. (2020) noted that corporate governance factors, including board independence, CEO duality, and the presence of a sustainability committee, positively influence CSR disclosure practices within firms. Conversely, their study found that certain governance variables, such as board age, employee CSR training initiatives, and the representation of women on the board, may weaken CSR disclosure. These findings suggest that while certain governance characteristics foster transparency and accountability in CSR reporting, others may have a mitigating effect. The observed relationship underscores the nuanced interplay between governance structures and CSR practices, highlighting the importance of considering a range of governance factors in shaping firms' CSR disclosure strategies (Fahad et al., 2020).

The need for further study on the relationship between CG and CSR is paramount due to the multifaceted dynamics elucidated by existing research. Harjoto and Jo's (2011) and Jo and Harjoto's (2012) findings underscore the pivotal role of specific governance attributes, such as board independence, institutional ownership, and the evolution of CG variables, in driving firms' CSR engagement. These studies suggest a positive correlation between effective governance mechanisms and firms' inclination towards CSR activities, implying that robust governance structures may catalyze responsible business practices. Moreover, Fahad et al. (2020) shed light on the nuanced interplay between various CG factors and CSR disclosure practices, indicating that while certain governance characteristics foster transparency and accountability in CSR reporting, others may hinder it. Such complexities warrant further investigation to delineate the mechanisms through which governance structures influence CSR initiatives and disclosure practices. A deeper understanding of these relationships can inform policymakers, investors, and stakeholders about the efficacy of governance reforms in promoting sustainable and socially responsible business conduct, ultimately contributing to the advancement of corporate governance theory and practice. Therefore, this study hypothesizes that

H4: Board independence will significantly predict CSR

H5: Board size will significantly predict CSR

H6: Board diversity will significantly predict CSR

6.3. CSR and Market Power

In alignment with the findings of Chang et al. (2022), the positive relationship observed between CSR initiatives and excess price-cost margins underscores the pivotal role of CSR in bolstering firms' market power dynamics. By prioritizing and investing in CSR activities, firms demonstrate a commitment to ethical, social, and

environmental responsibility, which can yield substantial benefits in terms of enhancing product differentiation, brand reputation, and consumer loyalty. Indeed, firms that prioritize CSR activities often cultivate a positive brand image and reputation, which can translate into greater consumer trust and preference for their products and services. The observed link between CSR and excess price-cost margins suggests that firms that integrate CSR principles into their business strategies may be able to command higher prices for their products or services relative to their production costs. This phenomenon can be attributed to consumers' willingness to pay a premium for products associated with socially responsible and environmentally sustainable practices. Moreover, CSR initiatives can contribute to building long-term relationships with customers, fostering brand loyalty and reducing price sensitivity, thereby enabling firms to maintain higher profit margins and gain a competitive edge in the market. Further, [Chang et al. \(2015\)](#) uncovered a significant relationship between product market competition, governance structures, and firms' leverage adjustment speeds. Their findings suggest that in the presence of intense product market competition, firms with weaker governance structures are incentivized to prioritize shareholder wealth maximization, leading to accelerated adjustments towards target leverage ratios. This implies that competitive market environments exert pressure on firms with weaker governance mechanisms to swiftly adapt their capital structures to align with market demands and optimize shareholder value. Such insights underscore the dynamic interplay between market forces, corporate governance practices, and financial decision-making processes, highlighting the importance of understanding how firms respond to competitive pressures within the broader context of governance frameworks.

H7: CSR significantly predicts market power

6.4. Mediating role of CSR on CG and Market Power

Exploring the mediating role of CSR in the relationship between CG and market power offers a nuanced understanding of how governance practices influence firms' competitive positioning. Corporate governance mechanisms, such as board structures, executive compensation, and shareholder activism, shape firms' behavior and decision-making processes. At the same time, CSR initiatives reflect a firm's commitment to ethical, social, and environmental responsibilities, influencing its reputation, stakeholder relations, and market perception. Therefore, examining the mediating role of CSR between CG and market power can elucidate how governance practices indirectly impacts firms' competitive advantages and market positions through their CSR strategies. Firms with robust governance frameworks may prioritize CSR activities as a means to enhance stakeholder trust, mitigate reputation risks, and differentiate themselves in the marketplace, thus potentially strengthening their market power. Conversely, firms with weaker governance structures may face challenges in effectively implementing CSR initiatives, potentially diminishing their ability to assert market dominance. By investigating this mediation pathway, researchers can gain insights into the mecha-

nisms through which governance practices shape firms' market power dynamics via their CSR engagements, informing strategies aimed at enhancing both governance effectiveness and market competitiveness. [Xu et al. \(2022\)](#) contributed to the understanding of the intricate interplay between corporate governance (CG), Corporate Social Responsibility (CSR), and firm performance. Their findings suggest that CSR plays a partial mediating role in the relationship between CG and firm performance, highlighting the importance of ethical and socially responsible business practices in enhancing overall organizational success. However, it's notable that their study did not incorporate market power as a substitute for firm performance, which could offer additional insights into the broader implications of CG and CSR interactions on firms' competitive positioning and market dominance. Thus, while the mediation of CSR on the CG-firm performance relationship is significant, future research should explore the role of market power as an alternative outcome variable to provide a more comprehensive understanding of how CG and CSR jointly influence firms' competitive advantages and market positions.

[Ben-Fatma and Chouaibi \(2023\)](#) contributed to the understanding of the relationship between CSR, CG, and firm value. Their study revealed a positive influence of CSR on firm value, indicating the importance of ethical and socially responsible business practices in enhancing overall company worth. Moreover, their findings suggested that CSR partially mediates the relationship between good corporate governance and firm value, highlighting the role of governance mechanisms in fostering CSR initiatives that ultimately contribute to firm value creation. However, their study did not extend to consider factors such as market power, which could offer further insights into the broader implications of CSR and CG interactions on firms' competitive positioning and market dominance. Thus, while the mediation of CSR on the CG-firm value relationship is significant, future research should explore additional variables to provide a comprehensive understanding of the mechanisms underlying the relationship between CSR, CG, and firm value.

The examination of the mediating role of CSR on the relationship between CG and market power remains crucial due to its potential to provide deeper insights into the complex dynamics shaping firms' competitive advantages and market dominance. While existing research has highlighted the mediating effect of CSR on the relationship between CG and firm performance or value, the incorporation of market power as an outcome variable presents a novel avenue for inquiry. Understanding how CSR practices influenced by governance structures impact firms' market power can elucidate the mechanisms through which governance mechanisms indirectly shape firms' competitive positioning in the marketplace. Such insights can inform strategic decision-making processes aimed at enhancing both governance effectiveness and market competitiveness. Moreover, exploring the mediating role of CSR on the CG-market power relationship can offer a holistic understanding of how governance practices influence firms' ability to assert dominance in the market, thereby contributing to the advancement of corporate governance theory and practice in the context of market dynamics.

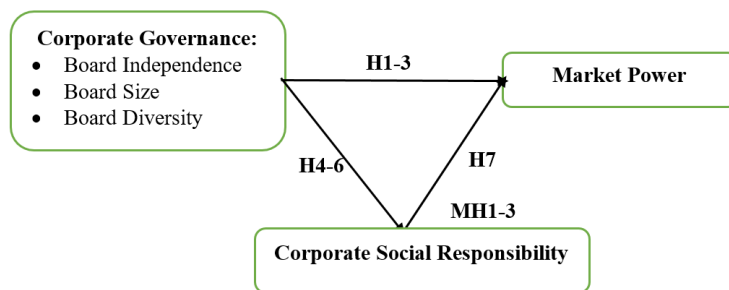
MH1: CSR will mediate the relationship between board independence and market power

MH2: CSR will mediate the relationship between board size and market power

MH3: CSR will mediate the relationship between board diversity and market power

7. Research Model

The research model (**Figure 1**) below demonstrates that corporate governance in its dimensions have a direct predictive power on market power and CSR. CSR also predicts market power and at the same time mediates the relationship between corporate governance and market power. This study seeks to test this model through a panel data set analysis in the context of listed firms in the Ghana Stock Exchange.



Source: Author's construct (2024).

Figure 1. Research model.

8. Research Approach

The study adopted a quantitative research approach with a longitudinal design focusing on data from 39 listed firms from Ghana Stock Exchange (GSE). This sample size (39 firms) is similar to [Waworuntu et al. \(2014\)](#) with 40 firms as their sample in a similar context. A longitudinal design is more appropriate in establishing causal relationships ([Uprichard, 2013](#)) among the variables of the study. The data spanned from 2015 to 2022. The base year was informed by the fact that firms that had data on the variables of the study were selected with the base year starting from 2015 to 2022. One other criteria that was used to narrow down the sample was on accessibility and whether the information needed on the study variables were available. The study consequently considered a balanced panel data set that includes 39 firms and over 10 variables and 390 firm year observations. The data was extracted due to the fact that: First, the company must have complete data on the variables of the study reported in the financial statements and have their annual reports or financial statement published yearly. Secondly, the company must have existed and issued financial statements or annual reports online. Therefore, the data was extracted based on the fact that there is availability of financial statements. The data was extracted from yearly financial reports of the selected listed firms in GSE. Third, the firm must be duly registered or licensed to

carry out business in Ghana. Fourth, the firm must have operated in Ghana for at least five years. Thirdly the firm must have audited financial reports available online. The secondary data canvassed from the yearly reports and financial statements of selected firms was converted to a panel dataset. A panel dataset allows for a very effective way to data analysis as it offers variations in constructing parameters estimates, as well as permitting the use of econometric techniques in a relatively simple way. The study adopted pooled panel regression (OLS) analysis using cross-sectional units of observations across several years to produce a more informative data and estimates that are more robust than cross-sectional designs (Baltagi, 2015). The data gathered was analyzed by way of descriptive statistics. Microsoft Excel and the statistical package for social sciences (SPSS) as well as STATA were used and presented in frequency distribution and regression estimates for an effective and efficient interpretation. Multiple regression was also conducted to analyze the impact of CSR and corporate governance systems on market power. Based on the analytical procedures, the following models were developed for testing.

9. Measurement Models

9.1. Corporate Governance

The study adopted the measures of Klein (2002) to measure corporate governance systems among firms in Ghana. First, board independence was measured as the number of non-executive directors divided by the total number of board members. Second, board size was also measured as the square of the number of board members in the firm because the relationship between board size and financial performance is non-linear. Therefore, the board size variable is squared due to its non-linear relationship with financial performance. The association between board size and financial performance is non-linear because, while large board size may be effective in supervising duties, escalating board sizes may rather be ineffective in their supervision duties. Boards size have been cited as a major corporate governance mechanism and because these boards are entrusted with the responsibility of strategically leading a firm with effective decision making and proper monitoring on behalf of the principals of the firms. The size of the board is important corporate governance characteristic. It indicates the number of members in board. The relationship between board size and corporate social responsibility reporting is mixed. Third, Board gender diversity was simply measured by the number of women on the board divided by the total number of board members. This assumption is consistent with other scholars (Kukah et al., 2016).

9.2. Corporate Social Responsibility

The measurement of the CSR was done by constructing a CSR reporting index. In developing the index, references was first be made to the items/checklists employed by previous research which covered the themes. The CSR disclosure items would be extracted from companies' annual reports. A dichotomous proce-

sure would be applied where a company would be awarded one (1) if an item included in the index is disclosed in the annual report and zero (0) if it is not disclosed. Accordingly, the CSR disclosure index for a company is would be derived by computing the ratio of actual scores awarded divided by the maximum score:

$$CSRR_{it} = \frac{\text{Total items disclosure by ompany}_{it}}{\text{Total maximum disclosure score}_{it}} \quad (1)$$

9.3. Market Power

The market power among firms in an industry can generally be determined by identifying the firms that command the highest proportion of the market share either through sales, output, value added, number employed or value of assets. The market power concentration can be computed in many ways, popular indices are the Herfindahl-Hirschman index (HHI) and the Lerner Index (LI). The HHI measures the competitiveness of a firm within an industry in terms of the market concentration of its participants (Shukla & Thampy, 2011, Brezina et al. 2016). To calculate the HHI, one takes the percentage market share of each service or manufacturing firm in an industry, square that number, and then add all the squares together. The formula to calculate HHI is thus based on the following formula:

$$HHI = s_{1t}^2 + s_{2t}^2 + s_{3t}^2 \cdots + s_n^2 \quad (2)$$

where n is the number of firms in the market and s_n denotes the market share of the n th firm. Higher values of the index indicate higher market concentration and monopoly power as well as decreased competitiveness. The index decreases when a market is made up of a larger number of firms, each with a smaller market share.

The HH index is very easy to calculate and has a wide practical application. For instance, in the advanced countries, government institutions that deal with anti-trust issues frequently use the HH index to assess how a proposed or actual merger or acquisition would change or has changed the market concentration in a particular industry. Proposed mergers that raise the index substantially are flagged as concerns and brought before the government's antitrust institutions for further scrutiny. In nutshell, the HHI Index is an index that measures the market concentration of firms in an industry. A highly concentrated industry is one where only a few players in the industry hold a large percentage of the market share, leading to a near-monopolistic situation. A low degree of concentration means that the industry is closer to a perfect competition scenario, where many firms of more or less equal size share the market.

10. Control Variables

10.1 Firm Size

Firm size has been widely in literature (Lin et al., 2012), which is measured by the

logarithm of a firm's total assets (Arthurs et al., 2008). Accordingly, firm size is introduced as a control one and an aspect of the corporate governance variable in this study. According to Wang et al. (2018), larger firms have tendency to devote more resources to other activities as such as they tend to perform better than small firms.

10.2. Ownership Structure

The concentration of share ownership is measured by the number of shareholders (COS). Although the traditional perspective supports the positive effect of ownership concentration on firm performance, some researchers have also observed a negative effect. With a large number of owners, they can get more control to control the company which can provide greater personal benefits. The relationship between ownership concentration and firm performance, from several previous studies shows negative results.

10.3. Age of Firm

Firm age is an indicator that shows the existence and ability of companies in competing. Companies that have long been existed will have more experiences. Research results show that age of a company affects Corporate Social Responsibility. Thus for companies that have long been surviving have more experience in the disclosure of Corporate Social Responsibility (Michelon et al., 2015).

10.4. Industry

The type of industry in which a firm operates is an important characteristic that can significantly influence the firm's performance, competitiveness, and profitability. Different industries have unique features, such as the level of competition, market demand and supply, regulations, technologies, and consumer behaviors. Therefore, a firm's success in an industry depends on its ability to understand and adapt to these factors. For example, some industries, such as technology and innovation, are highly competitive and require firms to invest heavily in research and development (R&D) to stay relevant and develop new products that meet the ever-changing consumer needs. On the other hand, some industries, such as utilities and infrastructure, may be less competitive but highly regulated, requiring firms to comply with strict regulations and standards to ensure the safety of the public and the environment. Moreover, different industries have different levels of profitability and risk. For instance, some industries, such as healthcare and biotechnology, may have high profitability due to high demand for their products compared with other industries.

10.5. Data Analyses and Interpretations

The descriptive analysis (Table 1) provided valuable insights into the central tendencies and variability of the variables under scrutiny. It revealed that the average age of the firms encompassed in the study was 46 years, indicating a sub-

stantial duration of operations within the sample. This suggests that the included firms have a considerable level of experience in their respective industries, which could potentially influence their corporate governance practices and market dynamics.

Table 1. Descriptive statistics.

| Variable | Mean | SD | Minimum | Maximum |
|---------------------|-------|-------|---------|---------|
| Firm Age | 45.84 | 33.55 | 4 | 163 |
| Firm Size | .47 | .49 | .0 | 1 |
| Ownership Structure | .74 | .44 | .0 | 1 |
| Industry | .57 | .36 | .0 | 1 |
| Board Independent | .77 | .48 | .44 | .91 |
| Board Size | 9.45 | 2.59 | 5 | 17 |
| Board Diversity | .21 | .21 | .00 | .57 |
| CSRI | .03 | .05 | .00 | .67 |
| Market Power (HHI) | 10.89 | 21.82 | .01 | 98.80 |

Source: Modified from Field Data (2024).

Furthermore, the average firm size was determined to be 47, indicating the typical scale of operations among the studied companies. This metric provides context regarding the relative magnitude of the firms involved, which could influence their governance structures and market interactions. Additionally, examining the mean values of key variables such as board independence, board size, and board diversity revealed important characteristics of the governance landscape within the sample. With mean values of 0.77 for board independence, 9 for board size, and 0.21 for board diversity, it suggests that, on average, the studied firms exhibit a moderate level of board independence, a relatively small board size, and a modest degree of diversity among board members. Moreover, the mean values for CSR and market power were calculated to be 0.03 and 10.89, respectively. These figures shed light on the companies' engagement in corporate social responsibility initiatives and their perceived market power. The relatively low mean value for CSR suggests that, on average, the firms have limited involvement in CSR activities, while the higher mean value for market power indicates a substantial presence and influence within their respective markets. These findings provide a foundational understanding of the prevailing conditions within the studied firms, setting the stage for further analysis and interpretation of the data.

10.6. Correlations Matrix

The findings from the correlation analysis (**Table 2**) underscore the significance of CR dimensions and CSR in influencing market power. Notably, board independence exhibited a significant association with market power ($r = .325, P < .01$), indicating that companies with more independent boards tend to wield greater

market power. Additionally, board independence also correlated positively with CSR ($r = .228, P < .01$), suggesting that boards with a higher degree of independence are more likely to prioritize socially responsible practices. This aligns with the notion that independent boards are better equipped to make decisions that benefit both the company and its stakeholders, thereby enhancing market power and fostering a positive societal impact. Furthermore, the analysis revealed a notable relationship between board size and both market power and CSR. Companies with larger boards demonstrated a stronger market presence, as evidenced by the significant correlation between board size and market power ($r = .151, P < .05$). Additionally, larger boards were also positively correlated with CSR ($r = .330, P < .01$), implying that organizations with more extensive boards may be more inclined to engage in socially responsible activities. This suggests that the composition of the board, particularly its size, plays a pivotal role in shaping the firm's market power and its commitment to CSR initiatives. Moreover, the positive significant relationship between board diversity and both market power and CSR highlights the importance of diversity in corporate governance structures. Companies with more diverse boards exhibited greater market power ($r = .302, P < .01$), indicating that diversity in board composition may contribute to enhanced decision-making processes and strategic planning, ultimately leading to a stronger market position. Additionally, board diversity was positively associated with CSR ($r = .150, P < .01$), suggesting that diverse boards are more likely to prioritize ethical and socially responsible practices. Overall, these findings underscore the crucial role of corporate governance dimensions and CSR in shaping market power and organizational behavior.

Table 2. Bivariate correlation analysis.

| S/N | Variable | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|-----|--------------------|-------|--------|--------|--------|--------|--------|--------|--------|---|
| 1 | Firm Age | 1 | | | | | | | | |
| 2 | Firm Size | .081 | 1 | | | | | | | |
| 3 | Ownership | -.025 | .159** | 1 | | | | | | |
| 4 | Industry | .087 | .252** | .178** | 1 | | | | | |
| 5 | Board Indep. | -.035 | .626** | .125* | .087 | 1 | | | | |
| 6 | Board Size | -.025 | .125** | .124* | .281** | .299** | 1 | | | |
| 7 | Board Diversity | .022 | .259** | -.115 | -.019 | .254** | .177** | 1 | | |
| 8 | CSRI | .066 | .382** | .163** | .178** | .228** | .330** | .150* | 1 | |
| 9 | Market Power (HHI) | .055 | .153* | -.093 | .130* | .325** | .151* | .302** | .117** | 1 |

Note: * = 0.05, ** = 0.01, *** = 0.001 significance.

10.7. Testing of Hypotheses

The first aspect of the analysis investigated the effect of corporate governance on market power and CSR. From **Table 3** and **Table 4**, the panel data analysis re-

vealed that corporate governance dimensions such as board independence significantly predicted market power ($\beta = .28, P < .05$) as indicated by the hypothesis one (H1) and hence it was accepted by the data. Board size did not significantly predict market power ($\beta = .09, P > .05$) contrary to what was predicted and therefore hypothesis two (H2) was rejected by the data. Board gender diversity significantly predicted market power ($\beta = .36, P < .01$) same as was predicted by hypothesis three (H3) and so was accepted.

Table 3. Panel regression analysis: testing direct model.

| Variable | Board Independence | | Board Size | | Board Diversity | | CSRI | |
|-----------|----------------------|------|----------------------|------|----------------------|------|----------------------|------|
| | Beta (β) (t) | P | Beta (β) (t) | P | Beta (β) (t) | P | Beta (β) (t) | P |
| HHI (DV) | .278** (2.754) | .006 | .091 (1.180) | .239 | .360*** (3.611) | .000 | .140* (2.132) | .034 |
| Firm Age | .070 (1.159) | .247 | | | | | | |
| Firm Size | -.118 (-1.952) | .052 | | | | | | |
| Ownership | .075 (.958) | .339 | | | | | | |
| Industry | .126 (1.641) | .102 | | | | | | |
| CSR (DV) | .169* (1.776) | .077 | .284** (4.821) | .000 | .047 (.500) | .618 | | |
| Firm Age | .066 (1.166) | .245 | | | | | | |
| Firm Size | .038 (.660) | .510 | | | | | | |
| Ownership | .231** (3.165) | .002 | | | | | | |
| Industry | .077 (1.307) | .193 | | | | | | |

Note: $R = .326, R^2 = .106, \text{Adjusted } R^2 = .082, \text{F-Statistics} = 4.376 \text{ (df} = 7, 258)$; * $P < 0.05$; ** $P < 0.01$; *** $P < 0.001$, *Fixed Effect Model, Chisq* = 20.253, $P = 0.001$; DV = Dependent Variable.

The second aspect of the analysis investigated the influence of corporate governance on CSR. In this vein, board independence predicted CSR ($\beta = .17, P < .05$) and therefore hypothesis four (H4) was supported by the data as proposed earlier. Board size significantly influenced CSR ($\beta = .28, P < .01$) similar to what was suggested in hypothesis five (H5) and hence, it was supported. Lastly, board gender diversity did not predict CSR ($\beta = .05, P > .05$) as was indicated by the hypothesis six (H6), hence the data rejected it. Furthermore, the third aspect of the analysis focused on the relationship between CSR on market power. The analysis revealed a significant relationship between CSR and market power ($\beta = .14, P < .05$) as predicted by hypothesis seven (H7), hence was accepted.

Table 4. Table summary of direct relationships.

| Relationship | Estimate | Decision | Interpretation |
|-------------------------|----------|--------------------|----------------|
| H1: BI \rightarrow MP | .28** | Significant Effect | Accepted |
| H2: BS \rightarrow MP | .09 | Not Significant | Rejected |
| H3: BD \rightarrow MP | .36*** | Significant effect | Accepted |

Continued

| | | | |
|--------------|---------------|--------------------|----------|
| H4: BI → CSR | .17* | Quasi Significant | Accepted |
| H5: BS → CSR | .28** | Significant Effect | Accepted |
| H6: BD → CSR | .05 | Not Significant | Rejected |
| H7: CSR → MP | .140* (2.132) | Significant Effect | Accepted |

Source: Modified from field Data (2024).

10.8. Mediation Analyses

The mediated relationships focused on the role of CSR on the relationship between corporate governance and market power. It is noted that this relationship was shed on the three dimensions of corporate governance as measured in this study. Hence, three mediation hypotheses were tested from the Andrew Haye's process model. From **Table 5**, the finding revealed a significant mediation role of CSR on the relationship between board independence and market power ($\beta = .029$, $LB = .0069$, $UB = .0650$, $P < .01$) as predicted by mediated hypothesis one (MH1), hence it was accepted. Moreover, there is a significant mediation role of CSR on the relationship between board size and market power ($\beta = .009$, $LB = .0017$, $UB = .0179$, $P < .01$) similar to the prediction of the mediated hypothesis two (MH2) and was supported by the data. Furthermore, the mediated hypothesis that CSR significantly mediated the relationship between board diversity and market power ($\beta = .0649$, $LB = .0176$, $UB = .1342$, $P < .01$) was supported by the data and hence, was accepted.

Table 5. Andrew Haye's process model: testing the mediation model.

| Mediated Path relationship | Estimates (SE) | Lower Bounds | Upper Bounds | Decision | Interpretation |
|----------------------------|----------------|--------------|--------------|-----------|----------------|
| BI → CSR → MP | .0290 (.0152) | .0069 | .0650 | Mediation | MH1: Accepted |
| BS → CSR → MP | .0089 (.0042) | .0017 | .0179 | Mediation | MH2: Accepted |
| BD → CSR → MP | .0649 (.0305) | .0176 | .1342 | Mediation | MH3: Accepted |

Note: MH = Mediation Hypothesis, SE = Standard Error.

11. Discussion

11.1. Corporate Governance and Market Power

The finding that board independence predicts market power indeed aligns with the intuitive expectations of corporate governance dynamics. Board independence, characterized by the presence of directors who are not affiliated with the firm's management or significant shareholders, is often associated with enhanced oversight and accountability mechanisms. Independent directors are presumed to bring diverse perspectives, objectivity, and a commitment to shareholder interests, thereby mitigating agency problems and aligning managerial decisions with broader stakeholder interests (Chang et al., 2018). In this context, it makes sense that firms with more independent boards would be better positioned to exercise

market power, as they are likely to adopt strategic decisions that optimize long-term value creation rather than succumbing to managerial self-interest or short-term profit maximization (Choua et al., 2011). Moreover, independent boards are often associated with stronger governance structures and mechanisms for monitoring managerial behavior, reducing the likelihood of managerial entrenchment or opportunistic behaviors that could erode market power (Vogel, 2023). Therefore, the finding underscores the pivotal role of board independence in shaping firms' competitive positioning and market dominance, highlighting the importance of effective governance mechanisms in fostering sustainable and value-enhancing business strategies.

Furthermore, the finding that board size did not predict market power challenges conventional expectations regarding the relationship between board composition and firm competitiveness. Traditionally, larger boards have been associated with greater diversity of expertise and perspectives, potentially enabling more comprehensive decision-making and strategic oversight (Choua et al., 2011). However, the lack of a predictive relationship between board size and market power suggests that the sheer number of directors may not be the primary determinant of a firm's competitive advantage. Instead, other factors such as board composition, independence, and effectiveness in decision-making processes may play a more significant role in shaping market power dynamics (Liu et al., 2018). This finding underscores the importance of considering the quality, rather than the quantity, of board members in driving firm competitiveness. Effective governance structures that prioritize diversity, independence, and expertise among board members may be more instrumental in enhancing market power and sustaining long-term competitive advantages. Therefore, while board size remains an important consideration in corporate governance, its direct impact on market power may be nuanced and contingent upon other governance factors.

Moreover, the finding that board gender diversity has a positive and significant impact on market power underscores the importance of diversity in corporate governance for enhancing firm competitiveness. Gender diversity on corporate boards has been increasingly recognized as a crucial factor in promoting varied perspectives, innovative thinking, and effective decision-making processes (Liu et al., 2018). The positive impact of board gender diversity on market power suggests that firms with more diverse boards are better equipped to navigate complex market dynamics, capitalize on emerging opportunities, and respond to changing consumer preferences (Chang et al., 2018). This finding highlights the potential benefits of gender-inclusive governance structures in driving sustainable competitive advantages and fostering long-term value creation. By embracing gender diversity at the board level, firms can leverage a broader range of talents and insights, thereby enhancing their ability to assert dominance in the marketplace and maintain resilience in the face of competitive pressures. Overall, the finding underscores the business case for gender diversity in corporate leadership and its potential to contribute to enhanced market power and firm performance.

11.2. Corporate Governance and CSR

The finding that board independence significantly predicts CSR resonates with the inherent logic of corporate governance principles. Board independence, characterized by directors who are autonomous from management and free from conflicts of interest, is expected to promote ethical decision-making and accountability to stakeholders, including considerations for CSR initiatives (Jo & Harjoto, 2012). The finding imply that independent boards are often perceived as better equipped to prioritize the long-term interests of shareholders and other stakeholders, including environmental and social concerns, over short-term financial gains (Fahad et al., 2020). Therefore, it is logical to expect that firms with more independent boards would demonstrate a greater commitment to CSR practices, as independent directors are likely to advocate for responsible business conduct and align corporate strategies with broader societal values. This finding underscores the importance of board independence as a catalyst for fostering CSR initiatives within organizations, highlighting the pivotal role of governance structures in promoting sustainable and socially responsible business practices.

Furthermore, the finding that board size predicts CSR offers insights into the nuanced dynamics of corporate governance and its influence on CSR initiatives in crucial. Traditionally, larger boards have been associated with increased diversity of perspectives and expertise, potentially fostering robust decision-making processes (Fahad et al., 2020). However, the predictive relationship between board size and CSR suggests that simply having a larger board may not guarantee a stronger commitment to CSR practices. Instead, it indicates that the effectiveness of CSR initiatives may be influenced by factors beyond board size, such as board composition, leadership dynamics, and organizational culture. Therefore, while board size remains an important consideration in corporate governance, its direct impact on CSR outcomes may be contingent upon other governance factors. This finding underscores the need for organizations to focus on fostering a governance environment that prioritizes ethical leadership, stakeholder engagement, and a culture of social responsibility to effectively drive CSR initiatives and enhance organizational sustainability (Harjoto & Jo, 2011).

Moreover, the study's finding of a non-significant relationship between board gender diversity and CSR challenges prevailing theoretical assumptions that female directors inherently enhance CSR through diverse perspectives and inclusive decision-making (Bear et al., 2010). This discrepancy may be explained by tokenism theory (Kanter, 1977), which suggests that mere numerical representation without substantive influence, such as when women hold minority board positions without decision-making power, fails to translate into meaningful CSR outcomes (Torchia et al., 2011). Additionally, resource dependence theory (Pfeffer & Salancik, 1978) posits that the effectiveness of gender diversity depends on contextual factors like board dynamics and organizational culture; when female directors lack support from ethical leadership or face resistance in male-dominated

governance structures, their potential CSR contributions may be neutralized (Adams & Ferreira, 2009). Furthermore, stakeholder theory (Freeman, 1984) suggests that CSR adoption requires more than diverse boards, it demands alignment between governance structures (e.g., CSR committees), leadership values, and incentive systems that prioritize long-term stakeholder interests over token diversity metrics (Fahad et al., 2020). Therefore, while gender diversity remains an important aspect of corporate governance, organizations must look beyond gender representation on boards and focus on cultivating a governance environment that prioritizes ethical leadership, stakeholder engagement, and a culture of social responsibility to effectively drive CSR initiatives and enhance organizational sustainability. Thus, the non-significant result underscores the need for holistic governance reforms that combine gender diversity with ethical leadership development, cultural transformation, and explicit CSR accountability mechanisms to realize sustainable impact (Jo & Harjoto, 2012).

11.3. CSR and Market Power

Moreover, the finding that CSR has a positive and significant impact on market power highlights the strategic importance of CSR initiatives in enhancing firms' competitive positioning. By actively engaging in CSR practices, firms can build goodwill, enhance their reputation, and strengthen relationships with key stakeholders, thereby gaining a competitive advantage in the marketplace (Chang et al., 2015). The positive impact of CSR on market power suggests that firms that prioritize social and environmental responsibility are perceived more favorably by consumers, investors, and regulators, leading to increased market share, pricing power, and overall market dominance (Chang et al., 2022). This finding underscores the business case for CSR as not only a moral imperative but also a strategic imperative for firms seeking to achieve sustainable growth and long-term success. By integrating CSR into their business strategies, firms can not only contribute to societal welfare but also enhance their competitiveness and profitability in the market, thus creating shared value for both the firm and society.

11.4. The Mediating Role of CSR

The finding that CSR mediates the relationship between CG factors such as board independence, size, and diversity, and market power offers valuable insights into the intricate interplay between governance mechanisms and firm competitiveness. Firstly, the mediating role of CSR underscores the importance of ethical and socially responsible business practices in shaping firms' market power dynamics. Board independence, often associated with greater accountability and oversight, can foster a culture of transparency and integrity within organizations, prompting them to prioritize CSR initiatives that enhance their reputation and stakeholder trust (Xu et al., 2022). Similarly, board size and diversity, when combined with effective governance structures, can facilitate comprehensive decision-making processes that consider a wide range of perspectives, including social and envi-

ronmental concerns (Ben-Fatma & Chouaibi, 2023). Therefore, the mediation of CSR on the relationship between CG factors and market power highlights the instrumental role of governance mechanisms in driving firms' strategic CSR initiatives and enhancing their competitive positioning in the marketplace. Secondly, the finding that CSR mediates the relationship between CG factors and market power underscores the strategic value of CSR as a driver of firm competitiveness. Effective governance practices, characterized by independent, diverse, and accountable boards, provide the foundation for fostering a corporate culture that values social responsibility and sustainability (Bajic & Yurtoglu, 2018). By integrating CSR into their business strategies, firms can leverage their governance structures to enhance their reputation, attract socially conscious investors, and differentiate themselves from competitors. Moreover, CSR initiatives driven by strong governance mechanisms can contribute to building long-term relationships with stakeholders, including customers, employees, and communities, thereby strengthening firms' market power and resilience against competitive pressures (Xu et al., 2022). This highlights the symbiotic relationship between CG, CSR, and market power, wherein effective governance practices facilitate the implementation of CSR initiatives that ultimately enhance firms' competitiveness and sustainability in the market.

Furthermore, the mediation of CSR on the relationship between CG factors and market power underscores the importance of aligning governance mechanisms with broader stakeholder expectations and societal values. In today's increasingly complex and interconnected business environment, stakeholders demand greater transparency, accountability, and ethical conduct from corporations (Chang et al., 2022). Independent and diverse boards, supported by robust governance frameworks, play a critical role in guiding firms towards responsible business practices that benefit not only shareholders but also other stakeholders and society at large (Ben-Fatma & Chouaibi, 2023). By integrating CSR considerations into their governance structures, firms can demonstrate their commitment to ethical leadership and sustainable business practices, thereby enhancing their reputation and legitimacy in the eyes of stakeholders. This, in turn, can bolster firms' market power by fostering trust and loyalty among customers, attracting top talent, and securing favorable relationships with regulators and policymakers. Moreover, the mediation of CSR on the relationship between CG factors and market power highlights the potential for CSR initiatives to serve as a strategic tool for firms to gain a competitive edge in the marketplace. In today's hypercompetitive business landscape, where differentiation is crucial for success, CSR can serve as a key differentiator that sets firms apart from their competitors (Chang et al., 2022). By proactively addressing social and environmental challenges through CSR initiatives, firms can enhance their brand image, build customer loyalty, and cultivate a positive corporate reputation, all of which contribute to strengthening their market power. Additionally, CSR-driven innovations and partnerships can open up new market opportunities and revenue streams, further enhancing firms' competitive position-

ing and market dominance (Zaman et al., 2022). Therefore, by leveraging their governance structures to drive CSR initiatives, firms can not only create social value but also reap significant business benefits that contribute to their long-term success and sustainability.

12. Implications

12.1. Managerial Implications

The findings regarding the mediating role of CSR in the relationship between CG factors and market power offer several important managerial implications for firms seeking to enhance their competitiveness and sustainability. First, managers should prioritize the establishment of effective governance structures characterized by independent, diverse, and accountable boards. By ensuring board independence, firms can foster a culture of transparency and integrity that is conducive to responsible decision-making and ethical business practices. Moreover, diverse boards bring a variety of perspectives and expertise to the table, enabling more comprehensive and strategic decision-making processes. Therefore, managers should strive to recruit board members with diverse backgrounds, experiences, and skills to capitalize on the benefits of board diversity in driving CSR initiatives and enhancing market power. Secondly, managers should recognize the strategic value of integrating CSR considerations into their governance frameworks and business strategies. Effective governance practices provide the foundation for implementing CSR initiatives that align with stakeholder expectations and societal values. By embedding CSR into their corporate DNA, firms can enhance their reputation, build trust with stakeholders, and differentiate themselves in the marketplace. Therefore, managers should proactively incorporate CSR considerations into their governance structures, strategic planning processes, and performance metrics to ensure that CSR is integrated into all aspects of the business. Thirdly, managers should leverage CSR initiatives as a strategic tool for enhancing market power and gaining a competitive edge. CSR-driven innovations, partnerships, and branding strategies can create unique value propositions that resonate with customers, investors, and other stakeholders. By aligning CSR initiatives with core business objectives and market needs, firms can strengthen their market positioning, attract new customers, and increase market share. Therefore, managers should view CSR not only as a moral imperative but also as a strategic imperative for achieving long-term business success and market dominance.

In addition, managers should adopt a stakeholder-centric approach to governance and CSR, prioritizing the interests of all stakeholders, including customers, employees, suppliers, and communities. Effective stakeholder engagement is essential for building trust, fostering long-term relationships, and ensuring the sustainability of CSR initiatives. By actively listening to and addressing the needs and concerns of stakeholders, firms can enhance their reputation, mitigate risks, and strengthen their social license to operate. Therefore, managers should develop robust stakeholder engagement strategies that facilitate open communication, col-

laboration, and mutual value creation. Lastly, managers should embrace a culture of continuous improvement and accountability in governance and CSR practices. Regular assessments, evaluations, and audits of governance structures and CSR initiatives can help identify areas for improvement and ensure alignment with organizational goals and values. Moreover, transparent reporting and disclosure of CSR activities and performance metrics can enhance accountability and credibility with stakeholders. Therefore, managers should establish robust monitoring and evaluation mechanisms to track progress, measure impact, and drive continuous improvement in governance and CSR practices. By fostering a culture of accountability and transparency, firms can enhance their reputation, build trust, and ultimately strengthen their market power in the long-run.

12.2. Theoretical Implications

The findings regarding the mediating role of CSR in the relationship between CG factors and market power have several theoretical implications for the fields of corporate governance, CSR, and strategic management. These findings contribute to the growing body of literature on the integration of CSR into corporate governance frameworks. By highlighting the mediating effect of CSR on the relationship between CG factors such as board independence, size, and diversity, and market power, the study underscores the importance of considering CSR as an integral component of governance mechanisms. This suggests a shift towards a more holistic view of governance that recognizes the interplay between governance structures and CSR practices in shaping firms' competitive positioning and market dominance. More so, the findings contribute to the understanding of the strategic role of CSR in enhancing firm competitiveness and market power. By demonstrating the positive impact of CSR on market power and its mediating effect on the relationship between CG factors and market power, the study provides theoretical support for the strategic value of CSR as a driver of sustainable competitive advantages. This underscores the importance of viewing CSR not only as a moral obligation but also as a strategic imperative for firms seeking to gain a competitive edge in the marketplace. Therefore, these findings contribute to advancing theoretical frameworks that integrate CSR into strategic management theories, highlighting the role of CSR in creating long-term value for firms and stakeholders.

Further, the findings have implications for stakeholder theory, as they emphasize the importance of stakeholder engagement and accountability in governance and CSR practices. By demonstrating the mediating effect of CSR on the relationship between CG factors and market power, the study highlights the importance of considering the interests and expectations of stakeholders in governance decisions and CSR initiatives. This suggests that firms that prioritize stakeholder engagement and accountability are better positioned to leverage CSR as a strategic tool for enhancing market power and gaining competitive advantages. Therefore, these findings contribute to advancing theoretical frameworks that emphasize the role of stakeholders in shaping firms' governance structures and CSR practices.

Additionally, the findings have implications for agency theory, as they shed light on the mechanisms through which governance mechanisms influence firms' behavior and performance outcomes. By demonstrating the mediating effect of CSR on the relationship between CG factors and market power, the study highlights the role of governance mechanisms in shaping firms' strategic choices and value creation processes. This suggests that governance structures that prioritize transparency, accountability, and stakeholder engagement are better equipped to drive CSR initiatives that enhance firms' competitiveness and market power. Therefore, these findings contribute to advancing theoretical frameworks that explore the agency relationship between managers and shareholders, highlighting the importance of governance mechanisms in aligning managerial behaviors with shareholder interests and broader societal values.

13. Recommendations for Further Studies

The findings regarding the mediating role of CSR on the relationship between CG factors and market power suggest several avenues for further research to deepen our understanding of these complex dynamics and their implications for firms and stakeholders. First, future studies could explore the moderating effects of industry-specific factors on the relationship between CG, CSR, and market power. Different industries may face unique regulatory environments, market dynamics, and stakeholder expectations, which could influence the effectiveness of governance mechanisms and CSR practices in driving market power. Therefore, investigating how industry context moderates the relationship between CG, CSR, and market power can provide valuable insights for firms operating in diverse sectors. Further, further research could expand the scope of this study by including other countries, particularly within the African region. This would allow for cross-country comparisons and provide a more robust understanding of the interplay between CG, CSR, and market power in different contexts. Moreover, future studies could delve deeper into the mechanisms through which specific CG factors, such as board independence, size, and diversity, influence firms' CSR practices and market power outcomes. Employing qualitative research methods such as interviews, case studies, and content analysis, researchers can explore the underlying processes and motivations driving firms' governance-CRS-market power dynamics. Understanding how governance mechanisms shape firms' CSR strategies, stakeholder engagements, and competitive strategies can provide actionable insights for managers seeking to leverage CG for enhancing market power and sustainability.

Additionally, further research could investigate the role of cultural and institutional factors in shaping firms' governance-CRS-market power relationships across different national contexts. Cross-country comparative studies can shed light on how variations in cultural norms, legal frameworks, and institutional environments influence the effectiveness of governance mechanisms and CSR practices in driving market power outcomes. By examining how firms navigate diverse reg-

ulatory and cultural landscapes, researchers can identify best practices and policy implications for promoting responsible governance and sustainable business practices globally. Furthermore, future studies could explore the interactive effects of CG, CSR, and technological innovations on firms' market power and competitive advantages. With the rapid advancement of digital technologies and the emergence of new business models, firms are facing unprecedented challenges and opportunities in the marketplace. Investigating how firms leverage governance mechanisms and CSR strategies to adapt to technological disruptions, enhance customer engagement, and drive innovation can provide valuable insights into the evolving nature of governance-CRS-market power relationships in the digital age. Therefore, researchers are encouraged to explore these and other avenues for further studies to advance our theoretical understanding and practical applications of governance, CSR, and market power dynamics.

14. Conclusion

In conclusion, the findings regarding the mediating role of CSR on the relationship between CG factors and market power underscore the intricate interplay between governance mechanisms, CSR practices, and firms' competitive positioning in the marketplace. The study highlights the strategic importance of effective governance structures characterized by board independence, diversity, and accountability in driving CSR initiatives that enhance firms' reputation, stakeholder trust, and market power. Moreover, the findings emphasize the need for firms to integrate CSR considerations into their governance frameworks and strategic decision-making processes to gain a competitive edge in today's complex and interconnected business environment. Moving forward, further research is warranted to explore the moderating effects of industry-specific factors, longitudinal impacts of CG reforms and CSR investments, underlying mechanisms driving governance-CRS-market power relationships, cross-country comparative studies, and the interactive effects of CG, CSR, and technological innovations. Overall, these findings contribute to advancing theoretical understanding and practical applications of governance, CSR, and market power dynamics, informing strategic decision-making processes for firms and policymakers alike.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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