

The Effect of Religious and Ethnic Values on Executive Compensation in Jordanian Firms

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Abstract

This study examines the impact of religious and ethnic values on executive compensation in Jordanian firms from 2016 to 2022, using regression analysis with Diff-GMM and Sys-GMM estimation methods to examine compensation dynamics and their alignment with values. The Sys-GMM model shows a robust positive relationship between lagged and current executive compensation. With respect to Islamic values, both methods show a significant decrease in executive compensation in firms that adhere to Islamic principles. In addition, Christian and Catholic affiliation show a significant relationship with executive compensation. Ethical values also consistently show a significant negative relationship with executive compensation. However, control variables, including company size, CEO age, education, experience, and tenure, also play a critical role in shaping executive compensation. Companies need to place these findings in the context of broader corporate dynamics and examine potential interactions with other factors that influence compensation decisions. This study contributes to the understanding of the complicated relationship between religious and ethnic values and executive compensation in Jordanian companies. The findings have important governance and practice implications for companies seeking to align their compensation practices with their values in order to promote ethical accountability, social responsibility, and fairness in the business landscape.

Keywords: Diff-GMM, Executive compensation, Ethnic values, Jordanian firms, Religious, Sys-GMM

1. Introduction

The intricate interaction between cultural and sociological elements and their substantial impact on business practises and decision-making processes has recently attracted a growing amount of attention in the field of organisational studies (Roy, et al., 2023). This growing interest is a result of the understanding that organisations do not function autonomously but rather are intricately entwined with the cultural environments in which they are found. Businesses are increasingly need to navigate and adapt to various

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cultural norms, beliefs, and expectations as globalisation continues to erase geographical boundaries. As a result, both academics and industry professionals now agree that success in today's complicated business environment depends on an awareness of these deep cultural dynamics (Jin et al., 2023). Religious and ethnic beliefs have emerged as particularly powerful influences that have a significant impact on a variety of corporate operations and outcomes among the diverse cultural factors under consideration. People's views, behaviours, and ethical frameworks have historically been significantly shaped by religion, which serves as a pillar of human identity and community (Serrano, 2023). Religious views frequently influence organisational environments across many countries and areas, influencing decision-making procedures, management styles, and even market tactics (Bermeo & Perez, 2023). Organisations have also been pushed to reevaluate their approaches to inclusion and accommodation as a result of the increased acknowledgement of the significance of religious diversity in the workforce. An organisational culture that is sensitive to the religious practises, observances, and values of its employees is required when a workforce is made up of people from various religious origins (Martins et al., 2023). Failure to do so could harm productivity and creativity as well as staff engagement and morale. Organisations are consequently becoming more aware of the need to harmonise their policies and practises with religious sensitivities in order to promote a more amicable and cooperative workplace (Olsson, 2022). Along with cultural identity, ethnic values have a strong influence on how businesses operate. Ethnic values can greatly affect consumer preferences, market behaviours, and even views of a company's authenticity and devotion to the local community in environments marked by ethnic variety, like as the instance of Jordan (Do, 2023). Successfully recognising and integrating ethnic values into their strategy positions organisations to better connect with their target consumers, creating brand loyalty and enhancing their competitive advantage. Additionally, religious and ethnic values have an impact that goes beyond simple consumer transactions (Hakovirta et al., 2023). They have a significant impact on how employees are recruited, engaged, and retained within an organisation. In response, a sense of belonging has been related to higher job satisfaction, increased employee loyalty, and improved overall organisational performance in settings that actively embrace and celebrate the religious and ethnic backgrounds of their personnel (Withanachchi, 2022). Contrarily, the rejection or marginalisation of these ideals can result in disagreements, hampered teamwork, and reduced production. A larger paradigm shift towards a more comprehensive understanding of business is highlighted by the growing focus on religious and ethnic values within the field of organisational studies (De Arteaga et al., 2022). Organisations are moving away from simply profit-driven business models and adopting a more socially conscious and culturally aware strategy. Customers, employees, investors, and regulators are among the stakeholders who are calling for organisations to show a commitment to moral behaviour, social harmony, and cultural sensitivity as societies grow more interconnected (Shrivastava & Zsolnai, 2022). Long-term success is more likely for businesses that understand and respond to this new environment because they connect their plans with the priorities and expectations of their stakeholders (Chanyasak et al., 2022). This study intends to provide light on a largely overlooked topic in the context of Middle Eastern business environments by examining the complex interaction between religious and ethnic values and executive compensation in Jordanian enterprises. Jordan, a nation with a rich history and a diversified cultural landscape, provides an enthralling setting for our study. It is distinguished by a population made up of many racial and religious groups, including a sizable minority of Christians and a Muslim majority. Additionally, the corporate environment in Jordan is characterised by a fusion of traditional and contemporary methods, providing a distinctive framework for investigating potential interactions between cultural values and CEO salary. Given its effects on organisational performance, governance, and equity, executive compensation has long been the focus of examination and discussion across the globe. Executive compensation is a complicated topic that is influenced by a variety of factors in Jordan, as it is in many other nations, including market pressures, industry conventions, regulatory requirements, and

corporate governance structures. However, the influence of religious and ethnic values on CEO salary is still a topic that has not received enough attention in the literature.

2. Literature and Hypotheses Development

2.1 Social Identity Theory

According to social identity theory, people put themselves and other people into different social groups based on shared traits like ethnicity, religion, or nationality. These group connections affect how individuals perceive themselves and others, which affects how they act, think, and interact (Lizzio-Wilson et al., 2022). Social Identity Theory can give light on how religious and ethnic values affect decision-making processes connected to compensation in the context of executive compensation in Jordanian enterprises (El Melki, & Ben Salah Saidi, 2023). According to this hypothesis, people have a tendency to like members of their own in-group and may show biases in favour of persons who have similar racial or ethnic backgrounds. The religious and racial affiliations of CEOs may be taken into account by decision-makers in the context of executive compensation, such as compensation committees or board members, intentionally or unconsciously (Bamberger, 2023). This can result in executives from particular religious or racial origins being viewed more favourably and receiving higher salary. Additionally, according to Social Identity Theory, people try to uphold a positive self-concept by boosting the standing and success of their in-group (Morris, & Webb, 2022). This could mean that CEOs align their compensation expectations with the perceived norms and values of their ethnic or religious group in terms of executive compensation (Senghor et al., 2023). Executives who strongly identify with a specific religious or ethnic group may negotiate or demand pay packages that are in line with the ideals and goals of their community. This theory also emphasises the possibility of intergroup comparisons (Anglin et al., 2022). People may perceive relative advantage or disadvantage when comparing their group's results to those of other groups. Executives from various religious or racial origins may compare their income to that of peers from other groups in the context of executive compensation (Kele et al., 2022). If perceived disparities appear, this could lead to conflicts that have an effect on workplace dynamics and productivity. According to El Melki et al. (2023), Social Identity Theory can help to explain how religious and ethnic values affect CEO compensation decisions in the setting of Jordanian businesses, both directly through biases and indirectly through executives' views of fairness and group standards. It provides a framework for comprehending how these values affect the way decisions are made, potentially leading to differing outcomes in terms of compensation based on one's religious and ethnic identities (Salla et al., 2023). In general, applying the Social Identity Theory can help shed light on the intricate interactions between religious and ethnic values and how they affect executive compensation policies in Jordanian businesses. It aids in revealing the psychological mechanisms that underlie pay decisions and how cultural elements affect how CEOs and decision-makers perceive justice, equity, and identity.

2.2 Executive Compensation in Jordanian Firms

A topic of international importance, executive compensation, or the compensation and incentives given to top-level executives inside organisations, touches on concerns with corporate governance, performance alignment, and income inequality (Almughrabi, 2022). Executive compensation in Jordanian businesses is a dynamic, changing landscape driven by a nexus of cultural, economic, and legal issues. This intricate interaction has produced a special compensating environment that takes into account both international trends and the nation's own socioeconomic context (Almarayeh, 2023). The economic realities and market factors that shape executive compensation in Jordanian businesses are at the core of these choices. Jordan's economy, like many others, has problems finding top executive skills. The need for competent executives who can successfully manage complicated corporate environments has grown as a result of globalisation, which has prompted businesses to implement competitive compensation strategies to recruit and retain qualified

leaders. Technology, finance, and the healthcare sectors are three areas where this pressure is particularly intense (Kharabsheh et al., 2022). Additionally, the country's lower market size and the lack of experienced executives may increase rivalry for leadership skills, which could result in higher salary norms. To make sure they continue to be competitive in luring executives with the necessary skills and experience, businesses frequently benchmark their executive salary against regional and global counterparts. Executive compensation practises in Jordan are significantly influenced by the country's cultural and societal makeup. Cultural values, such those derived from Islamic teachings, affect how fairness, equity, and wealth distribution are perceived. Islamic teachings provide a strong emphasis on fairness and moral behaviour, which can include executive compensation issues (Abu-Serdaneh & Ghazalat, 2022). As a result, there is an increased emphasis on making sure that pay plans reflect these principles, supporting moral business conduct and social norms. The population diversity of Jordan, which includes people from different racial and religious backgrounds, contributes to the advancement of the compensation discourse. The impression of pay equity and the distribution of rewards might be influenced by ethnic and religious beliefs. These values are taken into consideration when developing compensation plans that appeal to a variety of employee groups as organisations try to build inclusive workplaces (Olufemi, & Olufusayo, 2023). The regulatory environment significantly influences how executive compensation is structured in Jordanian businesses. Corporate governance practises, which include executive compensation disclosure and openness, are regulated by organisations like the Jordan Securities Commision. These rules are intended to improve accountability, reduce conflicts of interest, and bring together the interests of shareholders and stakeholders with those of executives (Aldegis, et al., 2023; Alkhawaldeh, et al., 2023). The composition and duties of boards of directors, including their oversight of compensation committees, are outlined in corporate governance rules such as the Jordan Corporate Governance Code (Al Muhaissen & Alobidyeen, 2022). To ensure that executive compensation plans are in line with the performance, strategy, and risk tolerance of the organisation, these committees are entrusted with creating, assessing, and approving them. Stakeholder interests and performance alignment are closely related to executive compensation. The success of the company is linked to executives' financial rewards in many compensation packages through variable elements such performance-based bonuses and stock options (Aldegis et al., 2023). This alignment makes sure that executives are motivated to take actions that support the company's long-term expansion and profitability. Executive compensation decisions are influenced by a variety of stakeholder interests, including those of shareholders, employees, and the general public. Investors want to get the most out of their money, thus they expect CEO compensation plans that take that into account (Pareek et al., 2023). The viewpoints of the employees are also very important because compensation practises can affect morale, engagement, and retention. Additionally, societal expectations on income inequality and corporate social responsibility help to shape compensation plans that are fair and consistent with prevailing social standards.

2.3 Ethnic Values in Jordan

Jordan, a nation known for its long history, diverse culture, and dynamic mosaic of ethnic groups, is influenced by a mosaic of ethnic values that help to create its own societal fabric. The ethnic variety of the country is a reflection of the peaceful cohabitation of many communities, who each contribute their own unique heritage, traditions, and values to the national identity (Teagle et al., 2022). Numerous ethnic groups, including Arab Bedouins, Palestinians, Circassians, Chechens, Armenians, and others, call Jordan home. Each group brings with it its own historical stories, linguistic quirks, and cultural customs, generating a vibrant mingling of viewpoints that enhances the nation's cultural landscape. Ethnic values play a significant role in all elements of Jordanian society, including interpersonal relationships, social norms, and community organisation. These beliefs are often deeply rooted in tradition, are passed down from one generation to the next, and have a

significant impact on how individuals understand their roles in society (Ni et al., 2023) in terms of their relationships, responsibilities, and obligations to one another. They help individuals feel like they belong to their own distinct cultural group. Beyond the scope of simple self-identification, ethnic values can have an effect on social cohesiveness and intergroup relations. The fact that Jordan values its ethnically diverse population is another proof that it is committed to tolerance and acceptance of all people. The government has pledged to protect and celebrate the heritage of the country's various ethnic communities in order to foster an environment where people of different backgrounds can coexist peacefully (Jordan et al., 2022; Alkhawaldeh et al., 2022). Religious rituals, traditional customs, and cultural festivals are only few of the many settings in which ethnic values are manifested. Marriage traditions, familial networks, and societal hierarchies are all influenced by these beliefs, which are frequently entwined with family arrangements. Additionally, they can have an effect on economic activity by influencing career decisions, business practises, and trade patterns inside and between racial and ethnic groupings. To guarantee that ethnic values are honoured, comprehended, and conserved in contemporary Jordan, efforts are made (Jordan & Maroun, 2022). Government programmes and regulations support cultural interchange, heritage preservation, and the acknowledgement of the diverse ethnic groups' contributions to the identity of the country. In order to establish a sense of togetherness in the midst of difference, education is essential in building intercultural understanding and appreciation. While Jordan's ethnic values add to its diverse cultural fabric, they also present issues with equity and integration. It takes constant communication and comprehension to strike a balance between recognising ethnic variety and developing a sense of national identity (Aririguzoh, 2022). In order to make sure that ethnic values continue to be a source of strength rather than division, addressing possible tensions and fostering social cohesion remain top priorities. In conclusion, Jordan's ethnic values are a vital and essential part of the country's cultural history. The diverse ethnic composition of Jordan adds to the country's identity as one of diversity, encouraging openness and tolerance. These principles influence people's daily lives, relationships between groups, and larger cultural conventions, emphasising the value of honouring and respecting the diverse range of ethnic identities that coexist in the nation (Alkhawaldeh, et al., 2022).

2.4 Religious in Jordan

Jordan's cultural and social landscape is profoundly impacted by religion, which also shapes the identity of the country and the lives of its citizens. Religion is fundamental to daily routines, morals, and cultural standards in a country where Islam is the religion practised by the majority of the population. The majority of Jordanians identify as Sunni Muslims, making Islam the country's official religion (Jawabreh et al., 2022). Many Jordanians base their everyday decisions on Islamic teachings, particularly the Five Pillars of Islam: faith declaration, prayer, Ramadan fasting, almsgiving, and pilgrimage to Mecca. The rhythms of cities and towns are punctuated by the call to prayer emanating from minarets, designating periods for devotion and introspection (Koburtay et al., 2023; Almahairah, et al., 2023). Ramadan is a particularly significant tradition since it unites communities in fasting, prayer, and charitable deeds. Families come together to break their fasts, fostering closer ties and highlighting the virtues of self-control and kindness. Islam has an impact on social interactions, moral behaviour, and family structures in addition to religious rites. Jordan's diversity of religious traditions extends beyond Islam alone (Valait & Berninas, 2022). A minority of Christians, including members of the Roman Catholic, Protestant, and Greek Orthodox faiths, are also present in the nation. Alongside their Muslim neighbours, Christian communities contribute to the diversity and cultural diversity of the nation (Christofis, 2023). Jordan's attempts to safeguard and maintain holy landmarks demonstrate its dedication to religious harmony and interfaith dialogue. For Christians around the world, the alleged baptismal site of Jesus along the Jordan River is significant. The respect that the country has for these locations encourages a sense of shared

heritage and respect between various religious communities. The government of Jordan is aware of the value of religious freedom and harmony (Driessen, 2023). The freedom to practise one's religion and the protection of those rights are guaranteed under the constitution. Religious organisations are permitted to oversee their own internal affairs and cultural practises because the government formally supports them (Antonov, 2022). Jordan's geopolitical location also adds another dimension to its religious story. Jordan has a specific duty to protect these sites and make access for worshippers possible as the guardian of the Christian and Islamic holy places in Jerusalem (Breger & Hammer, 2023). In conclusion, religion is a fundamental component of Jordan's cultural landscape, shaping norms, interactions, and daily life. Islam's teachings help people make moral and spiritual decisions, and the coexistence of various religious groups demonstrates the nation's dedication to religious diversity and tolerance. Jordan's diverse population is brought together by its rich religious past, which also contributes to the country's identity.

2.5 Control Variables

It is crucial to take into account a variety of potential confounding factors that could affect executive compensation outcomes when examining the impact of religious and ethnic values on CEO compensation in Jordanian enterprises. Additional control factors taken into account in this study include the following:

2.5.1 Firm Size and Industry

The size and industry of a company, as well as other corporate characteristics, have a significant impact on the nuances of executive compensation. Larger companies frequently offer more generous compensation packages to entice top managerial talent since they have more resources and market presence. Similar to this, businesses engaged in profitable sectors with strong profit margins and fierce rivalry are more likely to provide exceptional leaders with higher compensation (Burkert, 2023). This CEO compensation dichotomy based on firm size and industry highlights the critical importance of these factors in the formula for executive compensation. It is crucial to take into account any potential confounding effects resulting from firm size and industry when trying to understand the complex effects of religious and ethnic values on compensation practises (Oya, & Schaefer, 2023). Researchers can isolate the precise effects of religious and ethnic values on compensation from the broader context of corporate dimensions and market dynamics by including these variables as control measures. This analytical method reveals if religious and ethnic values have a particular influence on compensation decisions or if these influences are only a byproduct of business size and industry-specific practises. Religion and ethnicity play a distinct influence in affecting executive salary, which is revealed when firm size and industry are controlled for (Ji et al., 2021). Such an analytical lens improves the validity of inferences made from studies and enables a thorough comprehension of the complex interactions between cultural factors and compensation practises in the varied field of organisational management.

2.5.2 Executives' Qualifications and Experience

In fact, executives' credentials, experience, and talents are key factors in determining how much they are paid in organisations. The special skills and knowledge that leaders bring to their positions can have a big impact on how much value they are seen as having and how much they contribute to the success of the firm (Karasneh et al., 2020). As a result, salary decisions frequently take these skills and experiences into account, regardless of the executives' racial or religious backgrounds. Due to their capacity to promote innovation, make strategic decisions, and overcome difficult obstacles, executives who have specialised experience in areas essential to the business' operations may be paid more (Hao, et al., 2019; Alhawamdeh, et al., 2023). Similarly, senior executives who have held leadership positions for a significant amount of time frequently receive bonuses for their track record of successfully leading teams, fostering growth, and accomplishing organisational

objectives. Additionally, executive tenure is crucial in determining compensation structures. As a result of their enduring accomplishments and dedication, executives who have proven their loyalty and commitment to the company over a lengthy period of time frequently receive better salary. They are essential assets to the company because of their tenure, which shows a thorough awareness of its operations, culture, and strategic direction (Zeng et al., 2021). Together, these elements highlight the underlying meritocracy of compensation decisions, which match executive qualifications, backgrounds, and skill sets. While religious and ethnic values may have an impact on organisational dynamics such as leadership styles and business culture, they are often not the main factors that determine compensation (Elia, et al., 2021). An executive's value to the organisation is instead determined by their demonstrable contributions, level of experience, and length of service, all of which are commonly acknowledged as important determinants of compensation. In conclusion, the credentials, experience, and talents of executives serve as the cornerstone for determining their salary. These variables significantly influence compensation scales, frequently overriding issues of race and religion (Lavigne & Sá, 2021). The necessity of recognising and rewarding leaders for their concrete contributions to organisational success is emphasised by the meritocratic nature of compensation choices (Fraihat et al., 2023).

2.5.3 Education and Training

Executives' educational history and ongoing training are crucial elements that can significantly affect their skill sets, professional development, and ultimately, their market value and salary. Executives who have strong educational backgrounds and a dedication to lifelong learning typically have a greater knowledge base, improved problem-solving skills, and the ability to adjust to changing corporate environments (Gounopoulos et al., 2021). Because of this, their worth to the company is frequently higher, which can result in more attractive compensation packages. Executives with advanced degrees, such as an MBA, PhD, or speciality certifications, frequently bring specialised knowledge and analytical abilities that can greatly help to strategic decision-making, innovation, and operational efficiency (Miller, & Xu, 2020). Their educational background demonstrates a commitment to both personal and professional development, making them desirable assets for organisations looking for top leadership. Additionally, continual training and professional development programmes broaden executives' skill sets and help them keep up with best practises, industry trends, and technological breakthroughs (Zhou et al., 2021). Executives who actively participate in training initiatives show a dedication to honing their skills, which can enhance their leadership effectiveness. Controlling for CEOs' educational backgrounds and participation in training programmes becomes crucial when examining the effect of religious and ethnic values on executive compensation (Shackleton-Jones, 2019). Researchers can distinguish between the general impact of executives' credentials and professional development efforts and the specific influence of cultural values on compensation results by taking into account these variables. Independent of the educational and training backgrounds of CEOs, this analytical technique aids in illuminating whether religious and ethnic values have distinct implications on compensation (Kim et al., 2021). As a result, CEOs' educational history and continued training greatly influence their skill sets and market worth, which in turn affects their salary. Understanding the forces that influence CEO salary requires an understanding of the relationship between education, training, and compensation. Accounting for these qualification and training characteristics improves the accuracy of research findings when examining how religious and ethnic values interact with compensation decisions.

2.5.4 Age and Tenure

Executive salary is significantly influenced by the executives' ages and length of service with the organisation. These factors reflect the accumulated knowledge, skills, and contributions through time, which have a big

impact on how valuable an executive is to the company (James, 2020). Older executives or those with more experience frequently have a lot of knowledge and wisdom gained through years of managing different business situations. They gain a thorough awareness of business operations, industry dynamics, and successful leadership techniques as a result of this experience. As a result, they are frequently regarded as making significant contributions to the organization's performance, which justifies paying them more as a reward for their seasoned leadership. Moreover, leaders who have held their positions for a longer period of time have probably shown loyalty, dedication, and flexibility in response to the changing needs of the company (Meier & Schier, 2021). Because of their experience, it is likely that they are familiar with the company's culture, beliefs, and goals, which enables them to lead initiatives and make decisions with a thorough awareness of the organisational context. It's critical to take into account the potential confounding effects of age and tenure when analysing the impact of religious and ethnic values on CEO salary. Despite the fact that these variables affect compensation regardless of an executive's cultural background, they can have complex interactions with religious and ethnic values (Johan & Sari, 2020). For instance, a unique negotiation style or leadership approach that may have an impact on compensation outcomes may result from the interaction of cultural values and extended tenure. In conclusion, executive compensation decisions are highly influenced by the executives' ages and length of service with the organisation. Their cumulative experience, contributions, and understanding of the organization's complexities are important elements that should be taken into account when setting compensation levels. When examining the influence of religious and ethnic values on executive compensation, taking into account the impact of age and tenure is essential because these factors affect the organization's overall compensation structure.

3. Hypothesis Development

3.1 Effect of Religious on Executive Compensation

One of the most important institutions affecting people's values and social conventions is religion. Religion naturally strives to shape people's behaviours and community interactions by the formalisation of a diverse range of beliefs founded in a unified framework of essential principles and by establishing an authoritative stance on preferred human conduct. Therefore, it makes sense to assume that religion also has a significant influence on economic matters. In fact, Smith (1776), who examines the connection between religious clergy and economic advancement, is credited with establishing the field of research on the relationship between religion and economics. Due to its potential to influence compensation practises, ethical considerations, and equity within organisations, the impact of religious values on executive compensation has drawn attention in organisational and economic research. Researchers have looked into how religious principles and beliefs affect executive compensation negotiations, decisions, and perceptions. The importance of ethics and justice has been underlined in studies looking at how religious views affect executive compensation. Islamic beliefs, for instance, place a strong emphasis on morality, fairness in the allocation of wealth, and justice. According to Khan and Kochhar's (2018) research, businesses in Muslim-majority nations frequently employ compensation plans that adhere to Islamic ideals of moderation, which may have an impact on CEO compensation structures and levels. Furthermore, religious principles might affect how compensation committees and boards make decisions. Abdullah et al. (2017) investigated the impact of directors' religious affiliation on CEO compensation. They discovered a favourable correlation between directors' religiousness and the ethical factors taken into account when making compensation decisions, indicating that ethical concerns in executive compensation may be influenced by religious beliefs. But the impact of religious principles on executive compensation is not one-sided. Studies have also looked into potential contradictions between market-driven compensation practises and religious beliefs. Islamic religiosity has a negative impact on cash compensation but a favourable one on performance-based compensation, according to Elayan and

Noe's 2021 study of executive compensation in the UAE. Studies that span cultural boundaries have shed light on how various religious environments influence executive compensation practises. Al-Ajmi et al. (2015) looked into how religion affected executive compensation in Gulf Cooperation Council (GCC) nations, and they found that Islamic and non-Islamic nations have different compensation practises. Based on the above evidence, this study proposed that:

H1: There is significant and negative effect of religious on executive compensation

3.2 Effect of Ethnic Values on Executive Compensation

Organisational and cross-cultural research are becoming increasingly interested in the impact of ethnic values on CEO compensation. The impact of ethnic identification and related cultural norms on pay practises, perceived fairness, and overall equity in the corporate setting has been studied by academics. The potential for cultural diversity to affect the negotiation, determination, and evaluation of compensation packages has been emphasised by research looking at the impact of ethnic values on executive salary. Executives from various ethnic backgrounds may have varied expectations regarding compensation scales and the distribution of benefits depending on the cultural norms based on their own ethnicity. Studies have shown how important cultural identity is in determining compensation. Chiang and Birtch's (2020) study looked at the impact of cultural values on the link between CEO compensation and corporate social responsibility. They discovered that compensation is improved when an executive's cultural values and the company's CSR practises are in line, indicating that ethnicity may be taken into account when judging an executive's contributions. Additionally, different cultural perspectives on fairness and justice in compensation may result. Differences in negotiation tactics and pay expectations may result from CEOs' differing perspectives on what constitutes fair compensation. Executives from collectivist cultures prioritise equity and group welfare in pay negotiations, but those from individualistic cultures place more emphasis on personal contributions, according to research by Kim et al. (2019). Structures of corporate governance also touch on ethnic beliefs. In their 2018 study, Chen et al. looked into how executive compensation committees take ethnic diversity into account when making choices. They found that diverse committees are more likely to include cultural viewpoints when making compensation decisions, indicating that racial attitudes affect how executive performance is evaluated. Based on the above evidence, this study proposed that:

H2: There is significant and negative effect of ethnic values on executive compensation

4. Research Methodology

4.1 Research Design and Data

This study intends to look into how ethnic and religious values affect executive compensation in Jordanian businesses. While accounting for multiple variables, the study uses a quantitative research approach to examine the connection between religious and ethnic values and executive salary. For this study, all Jordanian businesses open from 2016 to 2022 are considered the population. 157 businesses were included in the sample, which was chosen using a stratified random sampling technique to ensure coverage across all sizes and industries. The ThomsonOne Data Stream database was used to obtain the data in 2023. The major repository from which the necessary data for the study were acquired and compiled was this source. As of 2023, using the ThomsonOne Data Stream database is a cutting-edge and thorough strategy to gathering crucial data for the study. This database, which offers a solid platform for empirical study thanks to its dependability and depth of coverage, is well-known for both. By utilising this resource, the study guarantees the capture of current and carefully curated data pertinent to the variables being studied. The choice to use the ThomsonOne Data Stream database demonstrates the study's commitment to reliable data. The study's dependability and the ensuing validity of its conclusions are enhanced by the database's well-established reputation as a reliable and trustworthy source. This careful data gathering strategy guarantees that the study

is constructed on a strong empirical foundation, strengthening the reliability of the research methodology and the findings. Essentially, using the ThomsonOne Data Stream database in 2023 increases the study's methodological rigour by offering a current and reliable supply of data, vital for thoroughly addressing the pertinent research topics. We use the Executive Compensation (EC) variable as provided by EC, drawing on earlier academic studies (Adu, et al., 2022a, 2022b). This composite indicator includes a variety of aspects, including yearly compensation, bonuses, restricted stock grants, stock option grants, long-term incentives, and salary. We compute the proportion of bonuses to base salaries (Bonus-Salary) and the proportion of the total of bonuses and other direct compensation to base salaries (Var-Salary) in order to determine the ratio of variable to fixed compensation. The variable "REL" calculates the proportion of Muslims overall in comparison to the entire population who identify as members of any religion. Similar to how "Christ" represents the proportion of Christians in the population, "Catholic" represents the percentage of people who identify as Catholics. Ethnic Diversity Index was employed in this investigation. This score measures the variety and representation of different ethnic groups inside the organisation. It takes into account the variety of ethnicities that are represented among the board, management, and employees. Greater ethnic variety and possibly stronger assimilation of ethnic values are indicated by a higher index value. We include a variety of executive and company-related indicators that have been shown in prior studies to be correlated with executive salary as control variables. According to Ting et al. (2015) and Bany-Ariffin, McGowan, Tunde, and Shahna (2014), CEO age is calculated by changing the ages of the executives for each year. A five-level scale comprising educational accomplishments ranging from 1 (Diploma or lesser) to 5 (Doctorate) characterises CEO education (Meier, & Schier, 2021). According to Matemilola et al. (2017), CEO experience refers to the combined years of experience of the chief executive officers (CEOs). We assess executive tenure (Tenure) to determine how long an executive has worked for the organisation, taking into account that higher-ranking executives often earn more on average (Finkelstein and Hambrick, 1989).

4.2 Empirical Model Estimation

Due to the panel format of our dataset, which includes both cross-sectional and time-series data, both static and dynamic panel data regression models were used in our econometric research. We used the fixed effects (FE) model, as advised by Gujarati (2004) and Wooldridge (2013), to estimate static panel data. This model is superior to the pooling ordinary least squares (OLS) method frequently used in business because it is particularly skilled at handling the underlying heterogeneity that exists among various entities. The existence of distinctive, variable intercept terms for each organisation demonstrates this advantage. By using the within-transformation method, which is frequently used for FE model estimation, time-dependent and explanatory variables can be controlled while fixed effects (unobserved heterogeneity) are completely eliminated from the equation.

$$E_{i,j} - \hat{E}_i = \varphi(G_{i,j} - \hat{G}_i) + (r_{i,j} - \hat{r}_i) \quad (1)$$

The best approach moves to using dynamic panel data regression estimate when working with dependent variables that are anticipated to exhibit a significant amount of persistence. A thorough analysis of the pertinent literature has led us to the conclusion that the inclusion of a lagged Executive Compensation term effectively depicts the inherent durability shown in Executive Compensation indicators. Dynamic panel estimate promotes itself as a more reliable and illuminating alternative to static approaches by capitalising on its ability to accept protracted effects. We specifically employ the Difference Generalised Method of Moments (Difference GMM) and the System Generalised Method of Moments (System GMM), two widely used methodologies for dynamic panel estimation that Blundell and Bond first proposed in 1998. In Equations (1) and (2), the measure of executive compensation, denoted as $E_{i,j}$, is the dependent variable, and the full set of

independent explanatory factors, denoted as $G_{i,j}$, includes variables for religion, ethnic values, firm size, executive experience, education, and training, as well as variables for age and tenure processes. While $G_{i,j}$ and $r_{i,j}$ reflect the temporally specified values of $G_{i,j}$ and $r_{i,j}$, respectively, $E_{i,j}$ refers to Executive Compensation with a time lag. It's important to keep in mind that endogeneity issues can arise with the explanatory factors in our situation, as highlighted in the works by Arora and Sharma (2016) and Sheikh et al. (2018). This is because the firm's executive compensation has an impact on the seven criteria used to assess corporate governance. Furthermore, when employing the fixed effects estimator, the regression coefficient estimates may be skewed and inconsistent when the lagged dependent variable is used as the regressor. Due to their ability to reduce the Nickel bias, Generalised Method of Moments (GMM) estimators are frequently used for estimating dynamic panels. GMM estimators provide advantages over fixed effects estimators, particularly when endogeneity and simultaneity bias are present (Arora & Sharma, 2016). The Difference GMM estimator, commonly known as the Arellano and Bond Estimator, uses the lagged levels of dependent variables as instruments for the first-differenced lags of the dependent variable when using a model with equations for each time period (Arellano & Bond, 1991). Blundell and Bond (1998) pointed out that lagged values of dependent variables occasionally serve as subpar instruments for first-difference variables. In light of these factors, the System GMM estimator is found to be a better option. It uses lagged levels of $E_{i,j}$ as instruments for the first-difference equation and lagged differences of $E_{i,j}$ as instruments for the level equation. This suggestion is based on the idea that the System GMM estimate is more stable than the Difference GMM estimator. Windmeijer-corrected standard errors for GMM estimations and robust standard errors for fixed effects estimation have both been used to account for heteroskedasticity and autocorrelation problems. We develop the following model using the System GMM technique to examine how factors such as religion, ethnic values, firm size, executive experience, education, and tenure affect executive compensation within the organisation.

$$EC_{i,j} = \omega_0 + \omega_1 EC_{i,j-1} + \omega_1 RE_{i,j-1} + \omega_2 EV_{i,j} + \omega_3 FS_{i,j} + \omega_4 CEOA_{i,j} + \omega_5 CEOT_{i,j} + \omega_6 CEOQ_{i,j} + \omega_7 CEOEXP_{i,j} + \omega_8 CEOEDU_{i,j} + w_{i,j} \quad (2)$$

5. Results and Discussion

For several variables in a dataset, descriptive statistics are provided in Table 1. These statistics help us understand each variable's central tendency, variability, skewness, and kurtosis. With a median of 0.62, CEO compensation is roughly 0.59 on average. This shows that the distribution is roughly symmetric. Compensation shows high diversity, ranging from 0.000221 to 1.115048. In comparison to the range, the standard deviation (0.27), which is tiny, is small. The distribution has a somewhat longer tail to the left and is slightly negatively skewed. The distribution appears to be highly peaked in comparison to a normal distribution, according to kurtosis (2.13). The median ethical values score is 0.18 and the mean is approximately 0.22. The distribution is biased to the right. Ethical values are variable and vary from 0.000205 to 0.907225. Since the standard deviation (0.18) is so low, it is likely that values are grouped around the mean. Positive skewness (1.11), or a tail to the right, is present. A distribution with heavier tails and more extreme values is predicted by kurtosis (4.06). The median Islam score is 0.55 and the mean is almost 0.79. The distribution is biased to the right. Islam scores are quite variable, ranging from 0.034219 to 7.556881. Significant variability is indicated by the standard deviation (0.78). There is a lengthy tail to the right, as indicated by the 3.22 strong positive skewness. The distribution is exceptionally peaked and has very heavy tails, according to kurtosis (18.74). The median (0.00261) and average (0.009657) Christians receive very poor grades. Christian scores have a narrow standard deviation (0.017981) and a range of 0 to 0.118884. The distribution has a tail to the right and is very positively skewed (3.35). The distribution appears to have unusually heavy tails, according to kurtosis (15.66). The median Catholic score is 0.24, with a mean of around

0.31. Catholic scores show moderate variability, ranging from 0.000768 to 1.258789. It is implied by the standard deviation (0.24), which is moderate. There is a tail to the right, as indicated by the somewhat positive skewness (0.89). According to kurtosis (3.02), the distribution has tails that are relatively heavy. The median firm size is 17.33, with a mean of about 17.51. The distribution is symmetric in general. With a low standard deviation (1.39), firm sizes range from 13.57 to 21.66. The distribution has a tail to the right and is mildly positively skewed (0.68). The distribution is predicted by kurtosis (3.52) to have moderately heavy tails. The median CEO age is 51 and the mean is roughly 52.28. The distribution is symmetric in general. The standard deviation of CEO ages is 10.24, with a range of ages from 22 to 72. The distribution has a tail to the right because it is slightly positively skewed (0.14). A distribution with a somewhat peaked and tailed behaviour is predicted by kurtosis (2.76). The typical CEO education level is 3, with a mean of roughly 3.46. The distribution is symmetric in general. CEO education levels have a standard deviation of 0.79 and range from 1 to 5. The distribution has a tail to the right and is mildly positively skewed (0.70). A distribution with a moderately peaked and tailed behaviour is indicated by the kurtosis (3.03). The median CEO experience is 24, while the mean is around 24.50. The distribution is symmetric in general. CEO experience has a standard deviation of 7.40 and varies from 3 to 30. The distribution has a little tail to the left and is somewhat negatively skewed (-0.15). A distribution with a moderately peaked and tailed behaviour is indicated by kurtosis (2.57). The median CEO tenure is three years, with a mean of about 3.36 years. The distribution is symmetric in general. CEO tenure has a standard deviation of 1.54 and runs from 0 to 8. The distribution has a tail to the right because it is slightly positively skewed (0.30). A distribution with a moderately peaked and tailed behaviour is predicted by kurtosis (2.69).

Table 1 Descriptive Statistics

Variables	Mean	Median	Maximum	Minimum	Std. Dev.	Skewness	Kurtosis
EC	0.587011	0.619165	1.115048	0.000221	0.271016	-0.33305	2.132286
EV	0.220507	0.180059	0.907225	0.000205	0.180858	1.113513	4.063647
ISL	0.786239	0.5542	7.556881	0.034219	0.781673	3.220235	18.73562
CRT	0.009657	0.00261	0.118884	0	0.017981	3.348721	15.65508
CTL	0.306686	0.244213	1.258789	0.000768	0.243603	0.891688	3.016023
FSIZE	17.50919	17.33444	21.65787	13.56759	1.392309	0.68376	3.515236
CEOAGE	52.28231	51	72	22	10.24413	0.140946	2.761781
CEOEDU	3.457489	3	5	1	0.793848	0.701172	3.028513
CEOEXP	24.50015	24	30	3	7.395876	-0.14819	2.571559
CEOT	3.359386	3	8	0	1.540016	0.302121	2.689205

The correlation matrix's results are shown in Table 2 below. The findings showed a negative correlation between EC (Executive Compensation) and EV (Ethical Values) of -0.38 and a negative connection between CTL (Catholic) of -0.25. According to these associations, ethical standards and Catholic ties tend to decline as executive compensation rises. (p 0.05) Both associations are statistically significant. EV and CTL have a positive correlation of 0.45 and 0.27, respectively, as does FSIZE (Firm Size). This shows that Catholic affiliations and firm size likely to expand together with rising ethical norms. The statistical significance of these connections is

high. None of the weak relationships between ISL (Islam) and the other factors are statistically significant ($p > 0.05$). Indicating that company size and CEO age tend to rise when Christian scores rise, CRT (Christian) exhibits a positive connection with FSIZE (0.14), as well as a positive correlation with CEOAGE (0.15). Statistics show that both associations are significant. Indicating that older CEOs typically have higher Christian ratings and larger business sizes are the positive correlations between CEOAGE and CRT (0.15 and 0.23, respectively) and FSIZE (0.23). Statistics show that both associations are significant. CEOEDU shows a positive connection with EV (0.14) and CEOAGE (0.16), suggesting that CEOs with more education are more likely to be older and to hold more stern moral principles. Statistics show that both associations are significant. CEOEXP (CEO Experience) and CEOEDU (CEO Education) have a positive correlation of 0.45 and a negative correlation of 0.10, respectively. This shows that CEOs with more experience have longer tenures and higher levels of education. Statistics show that both associations are significant. CEOT has a negative association with both CEOEDU (-0.11) and EC (-0.10), showing that executive compensation and education levels tend to decline as CEO tenure rises. Statistics show that both associations are significant.

Table 2 Correlation Matrix

Variables	EC	EV	ISL	CRT	CTL	FSIZE	CEOAGE	CEOEDU	CEOEXP	CEOT
EC	1.000									
EV	-0.38*	1.000								
	(0.000)									
ISL	-0.014	-0.13*	1.000							
	(0.637)	(0.000)								
CRT	0.14*	0.10*	0.17*	1.000						
	(0.000)	(0.000)	(0.000)							
CTL	-0.25*	0.45*	-0.21*	0.09*	1.000					
	(0.000)	(0.000)	(0.000)	(0.001)						
FSIZE	-0.09**	0.27*	-0.011	0.14*	0.41*	1.000				
	(0.002)	(0.000)	(0.710)	(0.000)	(0.000)					
CEOAGE	0.16*	0.015	-0.045	0.045	0.15*	0.23*	1.000			
	(0.000)	(0.611)	(0.136)	(0.132)	(0.000)	(0.000)				
CEOEDU	-0.11*	0.14*	-0.14*	-0.055	0.16*	0.021	0.048	1.000		
	(0.000)	(0.000)	(0.000)	(0.067)	(0.000)	(0.481)	(0.112)			
CEOEXP	0.014	0.07**	-0.004	0.048	0.008	-0.05	0.45*	-0.07643	1.000	
	(0.640)	(0.018)	(0.894)	(0.110)	(0.770)	(0.071)	(0.000)	0.0116		
CEOT	-0.10*	-0.19*	0.13*	0.012	-0.17*	-0.047	-0.008	0.027	-0.032	1.000
	(0.000)	(0.000)	(0.000)	(0.676)	(0.000)	(0.120)	(0.774)	(0.363)	(0.287)	

The results of regression studies utilising the Diff-GMM (Difference Generalised Method of Moments) and Sys-GMM (System Generalised Method of Moments) estimate methods are shown in Table 3. A one-unit increase in the lagged executive compensation corresponds to a 0.525-unit rise in the present executive salary in the Sys-GMM model. At the 1% level, the coefficient is statistically significant. This suggests that CEO salary levels inside these organisations have increased significantly over time. This outcome can be a sign of various elements operating in Jordanian businesses. It might imply that executive compensation practises continue over time and that earlier judgements about compensation have an impact on more recent ones. Contractual obligations, industry standards, or the impact of firm performance may be to blame for this (Zhao, Get al., 2022; Gupta, et al., 2022). The conclusion that CEO salary dynamics show significant patterns in Jordanian enterprises is supported by the significance at the 1% level, which suggests that this link is unlikely to arise by chance.

Additionally, the results of the Diff-GMM and Sys-GMM models in reference to the ISL offer fascinating new perspectives on the connection between Islamic principles and executive compensation. According to the Diff-GMM model, a one-unit increase in Islam is associated with a 0.134-percent drop in executive compensation. This implies that organisations with a better adherence to Islamic beliefs typically have lower CEO compensation levels within the context of the Diff-GMM model. This observation is supported by the statistical significance at the 1% level. The negative correlation between Islam and executive compensation, however, is magnified in the more thorough Sys-GMM model. Executive salary significantly decreases by 0.324 units for every unit increase in Islamic principles. The stronger negative association and ongoing statistical significance at the 1% level highlight the reliability of this conclusion. The results shed light on how Islamic tenets might affect business compensation (Yin et al., 2023). The findings imply that businesses embracing Islamic values might design compensation plans in accordance with modesty and equitable principles, in line with the social justice and fairness emphasised in Islamic finance. This alignment can suggest a deliberate effort to take the larger ethical framework of Islamic teachings into account when making compensation decisions. These findings suggest that religious beliefs may have an impact on business practises by showing how Islamic principles may affect choices that go beyond simple financial matters and demonstrate a concern for society welfare.

Table 3 Regression Results

Variables	Diff-GMM	Sys-GMM
Lagged EC	-	0.525*
ISL	-0.134*	-0.324*
CRT	-0.034**	-0.125**
CTL	-0.067*	-0.115*
EV	-0.345*	-0.524*
FSIZE	0.077**	0.127**
CEOAGE	0.002**	0.120**
CEOEDU	0.019**	0.137*
CEOEXP	0.013**	0.220*
CEOT	0.018**	0.097**
AR(2)	-0.10	0.95
Sargan Test	51.78	38.14
Hansen test	33.97	33.93
Number of observations	935	779
Number of companies	156	156

Note: * and ** denotes 1% and 5% level of significant respectively

According to the Diff-GMM model, a one-unit rise in Christian scores corresponds to a 0.03 reduction in CEO compensation. This suggests a potential connection of compensation practises with Christian values of modesty and social responsibility because organisations with higher degrees of Christian affiliation generally have lower executive salaries. The statistical significance at the 5% level points to a relationship that appears to be reasonably reliable. This observation is supported and confirmed by the Sys-GMM model. The coefficient shows an even more substantial fall in executive salary of 0.125 for each unit rise in Christian scores, confirming the negative association between Christian scores and executive compensation's significance. The robustness of this discovery is highlighted by the continuous significance at both levels (Kralina, 2022). The findings suggest that organisations with strong Christian ties may establish compensation policies that give priority to moral issues, equity, and societal well-being. This propensity harmonises with Christian ideals of justice and social responsibility, resulting in compensating practises that follow more general ethical standards. These results suggest that religious beliefs may have an impact that goes beyond

the spiritual, influencing organisational practises to reflect their ethical roots. However, it is crucial to take these findings into account in a larger context and investigate potential interactions with other elements affecting compensation decisions.

According to the Diff-GMM model, a one-unit rise in Catholic scores corresponds to a 0.067-percent drop in CEO compensation. This shows that businesses with stronger ties to the Catholic Church may have compensation policies that are more limited or modest, presumably in keeping with Catholic principles of social fairness and moral decency. This observation is confirmed by the Sys-GMM model. The coefficient indicates a significantly bigger fall in executive income of 0.115 for each unit rise in Catholic scores, confirming the existence of a strong negative association between Catholic affiliations and executive compensation. The robustness of this link is highlighted by the continuous importance at both levels. The findings imply that Catholic-influenced businesses may place a high priority on establishing just compensation practises and ethical business practises. The fundamental principles of Catholic social teachings, which support social justice and the common good, are reflected in this alignment. The conclusion is that successful businesses may work hard to develop equitable and fair compensation structures, taking into account not only the interests of their leaders but also the broader impact on workers and society. This link between Catholic moral principles and compensation policies shows how integral ethical issues may be to organisational decision-making.

According to the Diff-GMM model, a one-unit rise in ethical standards is connected to a significant drop in executive compensation of 0.345. This implies that businesses that place a high priority on ethics may choose executive compensation policies that are more limited or egalitarian, maybe as a sign of their commitment to social responsibility and fairness. The strength of this link is highlighted by the statistical significance at the 1% level. The Sys-GMM model adds even more support to this conclusion. The correlation shows a more pronounced fall in executive compensation of 0.524 for each unit rise in ethical standards, demonstrating that the negative association between ethical standards and executive compensation is still significant. The robustness of this observation is highlighted by the persistent significance at both levels. According to the findings, businesses that place a high priority on ethics in their decision-making may actually be more likely to create pay plans that adhere to social responsibility and fairness standards. This alignment emphasises a commitment to operating businesses ethically and socially, where compensation practises go beyond profitability to include the welfare of employees, stakeholders, and society at large. These businesses show their dedication to moral business conduct that promotes a more just and sustainable corporate environment by structuring compensation in ways that encourage fairness and equitable distribution. It's crucial to keep looking into these connections while also taking into account any potential difficulties and other circumstances that could affect how much is paid.

Firm size, a control variable, illustrates its importance in determining executive salary. Both estimating techniques show that a rise in CEO compensation follows a rise in business size. According to Diff-GMM, the coefficient is 0.077, meaning that CEO salary grows by 0.077 units for every unit rise in business size. With a value of 0.127 in the Sys-GMM model, this association is more strong. This shows that bigger companies tend to compensate their CEOs more generously, which reflects the distribution of resources and complexity that come with bigger companies. Another significant control factor that affects executive salary is the CEO's age. A small rise in executive salary is produced by both techniques for every unit increase in CEO age. Both the Diff-GMM coefficient and the Sys-GMM coefficient are 0.002 respectively. This suggests that older CEOs receive slightly greater compensation, perhaps as a result of their experience and acquired knowledge. Executive salary has been shown to be significantly impacted by CEO education. Both models show that CEO compensation increases with CEO education. In comparison to the Sys-GMM coefficient, the Diff-GMM coefficient is 0.019. This shows that businesses respect highly educated CEOs and are prepared to pay those with advanced degrees more. Executive salary is further revealed to be influenced by CEO experience.

Executive salary rises in both ways as CEO experience rises by a unit. While the Sys-GMM coefficient is 0.220, the Diff-GMM coefficient is only 0.013. These findings demonstrate the value of hiring experienced CEOs who bring expertise to their positions. Finally, CEO tenure demonstrates its importance in determining executive compensation. A unit increase in the CEO's term results in an increase in salary in both models. While the Sys-GMM coefficient is 0.097, the Diff-GMM coefficient is only 0.018. This suggests that CEOs with longer tenures frequently receive greater compensation, maybe as a result of their demonstrated leadership and familiarity with the business's operations.

6. Conclusion

In the study, it was examined how closely religious and ethnic values relate to one another and how they affect executive compensation in Jordanian businesses. The application of the Sys-GMM and Diff-GMM estimate methods yielded insightful information about this dynamic. The findings showed important patterns that provided insight into the ways that Islamic, Christian, and Catholic ideals were reflected in compensating practises. According to the findings, businesses can think about matching their pay policies to their moral and ethical principles. Islamic-inspired businesses may establish fair and modest compensation policies that reflect the values of Islamic finance. Similar to this, organisations with Christian and Catholic ties might highlight social responsibility and fairness in their pay structures. To accord with organisational objectives and encourage ethical business conduct, managers may find it advantageous to take ethical issues into account when making compensation decisions. Understanding the connection between values and pay can help executives and boards make decisions. Companies may choose pay plans that demonstrate their dedication to ethical, equitable, and socially responsible ideals. A more educated and efficient form of governance is made possible by understanding how factors like business size, CEO age, education, experience, and tenure affect compensation decisions. However, these findings need to be put into perspective within the larger organisational landscape, taking into account industry standards, monetary conditions, and any confounding factors.

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