

The Results of Applying the Principles of Corporate Governance in Corporations Listed on the First Market in the Amman Stock Exchange

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Abstract

This study aims to determine the extent of the application of the principles of corporate governance in corporations listed on the First Market in the Amman Stock Exchange, to fulfill the objectives of the study questioners were distributed to the 55 first market corporations in the ASE, the results showed that there is a strong application of corporate governance in corporations listed on the First Market in the Amman Stock Exchange, a lack in awareness of corporate officers in these corporations about the importance of corporate governance principles, in addition to lack of confidentiality when it comes to sharing information with external users of the financial systems, and an increase in non-occupancy of executive tasks by Board members.

Introduction:

The principles of corporate governance are considered to be the framework for supervisory procedures, guidance and monitoring the Board of Directors, public administration, and executive management in order to achieve the company's goals, which preserve the rights of shareholders therefore maintain the financial performance of the company and prevent it from failing like major companies that failed because of management issues, lack of auditing and control departments an the lack of corporate governance principles which leads to deficiencies in financial performance.

Hence the need to expand the role of corporate governance which provides a solid and effective foundation for protecting companies, preserves the rights of shareholders, leads to a better internal and external communication system and highlights the role of transparency in the disclosure of it financial statements.

Theoretical Background:

Corporate governance is one of the most important aspects that reinforces honest policies in managerial departments and limits managerial corruption which can damage investors as well as the company's reputation.

The theoretical background can be summed up as follows:

- 1- Is there an application of corporate governance in companies listed in the ASE?
- 2- Is there an application of the principle of ensuring the existence of an effective framework for corporate governance companies listed in the ASE?
- 3- Is there an application of the principle of protecting the rights of shareholders in companies listed in the ASE?
- 4- Is there an application of the principle of equal treatment for all shareholders in joint stock companies listed in the ASE?
- 5- Is there an application of the role of beneficiaries (their role in being evolved in management) in the shareholding companies listed in the ASE?
- 6- Is there an application of the principle of disclosure and transparency in the shareholding companies listed in the ASE?
- 7- Is there an application of the principle of management responsibility in joint stock companies listed in the ASE?

Objectives of the study:

- 1- Indicating the role of corporate governance principles in showing clear and fair financial statements
- 2- Learning the extent of the application of the principles of corporate governance in the public shareholding companies listed on the First Market in the Amman Stock Exchange.
- 3- Knowing whether the study sample is subject to normal distribution or not.
- 4- Determining if the problem of linear interference exists in the independent variables

Significance of the Study:

The significance of the Study stems from highlighting the importance of corporate governance in promoting the status of joint stock companies listed in the ASE, as these companies are considered to a big factor in attracting capitals, therefore credibility should be increased to attract shareholders and investors into investing in them.

Hypotheses of the Study:

The study is based on the following hypotheses:

HO: There is no application of corporate governance principles in companies listed in the Amman Stock Exchange, the following six sub-hypotheses emerge:

HOA: There is no basic framework for corporate governance principles in companies listed in the ASE

HOB: There is no application of the principle of protecting the rights of shareholders in companies listed in the ASE.

HOC: There is no application of the principle of equal treatment of all shareholders in companies listed in the ASE.

HOD: There is no application of the role of stakeholders in managerial decisions in companies listed in the ASE.

HOE: There is no application of the principle of disclosure and transparency in companies listed in the ASE

HOF: There is no application of the principle of management's responsibility in companies listed in the ASE.

Corporate Governance:

The concept of Corporate Governance is becoming one of the most talked about concepts on the national and international level. It's considered an important factor in achieving financial and managerial success, in the shadow of globalization and global economical growth. Applying the concept of Corporate Governance is becoming the motto of many companies in the private or public sector, because it provides protection for financial operations, investors and limits managerial corruption. (The code of Corporate Governance for companies listed in the ASE, p1, <http://www.ase.com.jo/ar>)

The right and proper application of corporate governance plays an active role in the reforming of financial and administrative areas in public and private companies, which will increase the confidence of investors and bring local and international investors, as for the accounting side of it the attention to corporate governance was raised due to its impact on building reliable and trust worthy financial records to enable different users to use confidently. (Ali and Shihata, 2007), because the system of corporate governance requires a high level of transparency and integrity which eliminates disparity of information between all parties which in turn requires managements to be responsible of their decisions (Ali shah, et al.,2009)

Different concepts of corporate governance have emerged overtime due to globalization taking place in the world (Pechlaner, et al.; 2011). It had emerged as a method for reducing the negative effects of the separation of ownership and management on the biases of the agency theory. Corporate governance is based on the relationship between shareholders and management; therefore it seeks to achieve harmony between agency management along with benefiting owners. Other points of view on the institutional theory were demonstrated by Aguilera and Jackson in 2003 which lean towards beneficiaries (debtors, creditor, clients, government agencies, officers and directors). In 1999 Shankman defined corporate governance as a set of rules, and organizations in companies, that govern relations between stakeholders and the company's management, especially in the context of decision-making and control. (P: 155).

Karim and Zeina defined corporate governance as establishing internal audit mechanisms for ensuring the administrative and financial structures and the credibility of the reports. (P: 20)

In 2007 Rezaee determined that corporate governance can be defined on a small scale by the extent of a corporate compliance to reforms, and as for the definition on a larger scale corporate governance is the company's management, including the board of directors, auditors, legal counsel, financial advisors, regulators, shareholders and other stakeholders. It's also concluded that a commitment to correct moral and ethical principles is required for corporate governance to be effective, in addition to the use of incentive mechanisms, such as contracts, and organizational design (P: xi)

Serious attention to corporate governance was given due to the Asian crisis, when companies like TAYCO and WorldCom encountered huge losses that caused bankruptcy, and then the financial crisis of 2008. Boyacoglu and Akdogan assured in 2010 that Corporate Governance is the method of providing confidence for companies

and is the most effective way to resolve disputes in managements.

Reasons for the emergence of Corporate Governance:

The misappropriations and manipulation of that were widely occurring hurt and negatively affected shareholders, corporations and governments which required serious attention to solve this occurring problem, therefore, the concept of corporate governance has emerged. (Darwish 2007) listed that the emergence of is due to the requirements of the global investment institutions call for a high level of corporate governance and financial distress or bankruptcy resulting from mismanagement and abuse of power, which led the general public to take measures that would protect their interests.

Principles of Corporate Governance:

The principles of corporate governance are considered to be an important reason for improvements at corporations, as it has the rules to enable companies to achieve their goals, as a reason numerous agencies raced to set rules to benefit companies and economies, like The Cadbury Committee. The Organization of Economic & Cooperative Development (OECD) has set six key principals for corporate governance which are: ensuring an effective framework for corporate governance and shareholder rights, protection and equal treatment of shareholders, the role of stakeholders in corporate governance, disclosure, transparency and responsibilities of the Board of Directors. (www.oecd.org)

Benefits of Corporate Governance:

The SDC has made clear that more than 84% of investment institutions are prepared paying bigger amounts for buying stocks in companies with good corporate governance rather than ones with weaker governance despite the fact that they might have a better financial record. (<http://www.sdcjordan.com>)

The Center for International Private Enterprise has listed the benefits of having good corporate governance which are: Attracting capitals and foreign investments, achieving greater profits for the company, protection of investments, reducing the incidence of corruption, ensuring a smooth transition of wealth, reducing conflicts of interest, and increasing transparency while dealing with investors and creditors. The CIPE has also listed the negative impact of having a weak concept of corporate governance which includes: Reducing the chances of attracting investments, weakens competitiveness, and reduces work opportunities. (www.cipe-arabia.org)

Determinants of corporate governance: corporate governance involves two types of determinants internal and external (Fawzy, 2003)

- A- External determinants:** the overall climate for investment in the state/country, which include laws governing the functionality of the market, bankruptcy laws, as well as efficiency of the financial sector in the provision of funding for the projects, and the efficiency of the regulatory bodies (such as the Central Bank and the Stock Exchange)
- B- Internal determinants:** It refers to the rules and principles that determine the decision-making process, task management between the General Assembly and members of the Board of Directors which help to reduce inconsistencies between them.

Previous studies:

1- The Jodeh study 2008, titled: "The extent of the application of the principles of corporate governance in Palestinian banks according to the principles of the Organization for Economic Cooperation and Development, and the principles of the Basel Committee on Banking Supervision."

This study aimed to learn the reality of corporate governance in the Bank of Palestine according to the OCED and the Basel Committee principles principals for banking Supervision with respect to the following variables: Sex, age, academic major, and the number of years of banking experience. The study concluded that Bank of Palestine abides by the principles of corporate governance to a high extent, and that the application of the principles of corporate governance has a positive impact in the Bank's performance indicators.

2- Eyad Jubair's study in 2008 titled: "The commitment of the Jordanian trade unions to applying the principles of corporate governance".

This study aimed to measure the extent to which Jordanian trade unions to applying the principles of corporate governance, and to achieve the objectives of this study questionnaire consisting of 40 questions was designed and distributed to the study sample consisting of the Jordanian Engineers Association, which is more than 50% of the study population. The study has shown that there is an application of corporate governance principles mentioned in the hypotheses of the study. The most important results were regarding the 8th hypothesis which stated that there were statistically significant differences in the views of the members of the Jordanian Engineers Association, about the extent of the commitment of Jordanian trade unions to applying the principles of corporate governance.

3- Alazmi's study in 2011 titled "The role of corporate governance in raising the competitiveness of

Kuwaiti companies.”

The study aimed to recognize the role of corporate governance in raising the competitiveness of Kuwaiti companies. The researchers handled two kinds of data: Secondary data and primary data, the study sample consisted of (280) The questionnaires of an original (360) questionnaires were distributed to the study sample consisting of members of the board of directors and financial managers in the Kuwaiti companies listed on the Kuwait Stock Exchange. The main findings of the study were that there is an effect for (corporate governance, preservation of the rights of shareholders, the role of stakeholders in the methods of practice management authorities of the company, disclosure, transparency, and the responsibilities of the Board of Directors), in raising the competitive advantage of Kuwaiti companies listed on the Kuwait Stock Exchange.

4- Her Lee, Ku, Chen & Jing-Fong's study in 2012 titled “Corporate governance factors and profit management in public companies in Taiwan”

The study sample consisted of 268 public owned companies in Taiwan. The study used a modified Jones model to test free cash flow, discretionary accrual items, and some corporate governance factors. The analysis showed that the positive correlation on discretionary accruals and free cash flow, the results also showed the companies audited by (Big Four CPA) have less estimated Merit elements, and the debt-to-asset ratio has a negative correlation with receivables estimated, the results also show that applying the concept of corporate governance results in no re-drafting or reviewing a number of financial reports and revenue estimates, and analysis also shows different behaviors regarding revenue management between high-tech industries and traditional ones.

5- Jorge Pelayo, Gregory Calderon & Hector Mauricio Serna's study in 2012 titled “Corporate restructuring and its impact on human resources management and financial performance.”

This study comes to learn about corporate restructuring and its impact on human resources management and financial performance. In the context of the Colombian business environment, for that reason, the study analyzed the concept of corporate governance, behavior of managers, agency theory, and the theory of supervision. Development methodology designed to test four models, using regression analysis.

6- The Ergin study in 2012 “Assessment of corporate governance and financial performance on the basis of the Turkish market.”

This paper discussed the effect of corporate governance on the price of stocks at companies. The classification started in 2006, when all companies in the Istanbul Stock Exchange were examined from 2006 to 2010, using a price model, and further analysis was conducted to assess the overall impact of corporate governance on the stock price, by eliminating any link between the independent variables and the levels of corporate governance. Results indicated that corporate governance had a positive correlation with not only the financial aspect but the accounting aspect as well.

7- Shah, Kouser, Aamir and Hussain's study in 2012 with the title “The impact of corporate governance and ownership structure of the company's financial performance and risk behavior.”

This paper examines the relationship between ownership structures; type of ownership, with the level of corporate governance adaptation in companies, and their financial performance. Analysis was conducted in three sections

Using data from 2006 to 2010, and it included the results indicated that the improvement in corporate practices enhanced the company's financial performance and limited the level of risk while conducting important projects. These results give a look at the organizational structure of an institution, and prove the fact that ownership concentrated in the hands of major shareholders is one of the factors in reducing the level of company's governance, their financial performance, as well as increasing level the risk undertaken by the companies.

Statistical analysis:

The methodology the study:

This study is one of the field studies in which the researcher used a descriptive analytical method, in order to know the effect of applying the principles of corporate governance on the financial performance of public shareholding companies listed in the ASE.

The population of the study:

The study population consists of companies listed in the first market at the Amman Stock Exchange, regardless of their sector, their number; according to the ASE are 55 companies for the year 2013-2012.

55 questioners were distributed to Directors, managers, financiers, auditors, and to others involved in governance, 53 questioners were retrieved resulting in a 96.3% retrieval rate, two companies refused to participate in the study while one company's participation was not considered due to it not releasing its financial statements for financial analysis, which makes a study sample consisting of 52 companies (a 94.5% participation rate)

Methods of data collection:

Researchers relied on two sources of data collection in preparing this study, primary sources, and secondary sources, as follows:

A- Primary sources: Data obtained by the researcher during the preparation of the questionnaire that

satisfies the objectives of the study which is, based on both the theoretical framework and previous studies.

- B- Secondary sources: included data obtained by the researcher from books, magazines and previous studies that are relevant to the subject, a number of Internet sites, including the Amman Stock Exchange's website were also used.

The researcher developed the questionnaire according to the hypotheses and variables of the study, the Likert scale Quintet was also used, the questionnaire consisted of two main parts:

- A- First Part: designed to know the demographics of the study sample, which included, gender, academic major, academic qualification, job position, years of experience, professional certification, and whether the company belongs to the public or private sector
- B- Second Part: allocated for the statements that covered the study variables, which measure the impact of applying the principles of corporate governance in financial performance, which are as follows:
 - 1- The first variable: the principle of ensuring the existence of basis for an effective framework for corporate governance. (11 sentences measured from 13-1)
 - 2- The second variable: the principle of protecting the rights of shareholders. (11 sentences measured from 24-14)
 - 3- The third variable: the principle of equal treatment of all shareholders (5 sentences measured from 29-5)
 - 4- The fourth variable: the principle of the role of stakeholders (11 sentences measured from 40-30)
 - 5- The fifth variable: the principle of disclosure and transparency (15 sentences measured from 55-41)
 - 6- The sixth variable: The principle of management's responsibility. (14 sentences measured from 69-56)

Questionnaire scale selection:

The researcher chose the penta-gradient (Likert Scale), because it is one of the most common metrics to measure opinions and responses, as it eases understanding of the data. It shows the range of study sample's agreement with each paragraph of the questionnaire as demonstrated below:

Strongly agree	Agree	Somewhat agree	disagree	Strongly disagree
5 degrees	4 degrees	3 degrees	2 degrees	1 degree

To measure the range of study sample's corporate governance, a scale divided to 3 parts was used were 5 was the highest degree on the scale and 1 was the lowest with Cut-off grade calculated as follows: $\{(5-1)/(3)\} = 1.33$ Therefore the 3 levels are:

- 1- Low degree of agreement (1-2.33)
- 2- Medium degree of agreement (2.34-3.67)
- 3- Strong degree of agreement (3.68-5)

To determine the positive and negative responses the following formula was used $\{(5+1) / (2) = 3\}$ were the negative responses ranged from (1-2.99) and the positive responses ranging from (3-6)

Tool veracity:

To verify the veracity of the tool of the study, it was presented to specialized arbitrators in Jordanian and American universities, to determine the suitability of the data collection tool the researcher has taken into account the proposed observations of arbitrators and conducted the required adjustments to the questionnaire before distributing it to the study sample.

Cronbach Alpha was used to determine the stability of the study; with a result of 93.1% which is considered a high result therefore the outcomes of this study are accepted because in order to accept a study's outcomes the Cronbach Alpha result should be higher than 60%

Variables	Paragraph numbers	Cronbach Alpha	Stability percentage
1	13	0.856	85.6%
2	11	0.657	65.7%
3	5	0.637	63.7%
4	11	0.609	60.9%
5	15	0.889	88.9%
6	14	0.819	81.9%
7	69	0.931	93.1%

Statistical processing methods:

The researcher used SPSS software to analyze the statistical data in this study; the researcher has used the following statistical processing methods:

- 1- Cronbach Alpha: Used to test the reliability of the study tool which was used to collect data, in other

words, is used to test (the internal consistency of the paragraphs of the questionnaire).

- 2- Arithmetic mean: used to test the positive power level managers have on the dimensions of the power of managers and their roles in companies listed in the First Market at the Amman Stock Exchange.
- 3- Standard deviation: used to determine the variation in answers of the study sample's average values
- 4- Variance Inflation Factors: Used to test for the existence of Multicollinearity in the independent variables
- 5- One-Sample K-S Test: used to determine if the variables of this study follow Normal Distribution.

The results of statistical analysis and hypothesis testing:

In order to facilitate displaying the results of the study, they were put in order according to the sequence of the questions and hypotheses of the study, as follows:

The results regarding the main issue of the study:

To what degree are the principles of corporate governance implemented at companies listed in the ASE?

To answer the first question of the study, the arithmetic averages and standard deviations were calculated from the estimates of the study sample in joint stock companies listed in the ASE, for each principal of corporate governance (an effective framework for corporate governance, preservation of the rights of shareholders, equal treatment of all shareholders, the role of stakeholders, disclosure, transparency, and the responsibility of management), In order to determine the degree of interest of directors in each of the mentioned principles.

The following is a detailed description of the study sample's estimates for each principle of corporate governance and paragraphs in joint stock companies listed in the Amman Stock Exchange:

1- The principle of ensuring the existence of an effective framework for corporate governance:

Results posted in the table below shows an increase in the general arithmetic mean for the principle of ensuring the existence of an effective framework for corporate governance which shows the interest of Jordanian companies in the principle.

Application degree	Rank	Standard Deviation	Mean	Paragraph	Paragraph Number
High	6	0.64	4.50	Administration seeks to work on achieving the company's vision and mission.	1
High	11	0.53	4.27	Responsibilities are divided between executive and supervisory authorities fairly and according to needs.	2
High	1	0.43	4.83	The financial statements are prepared in accordance with the rules and principles of the international legislation.	3
High	4	0.58	4.53	There is a strong regulatory system in the company.	4
High	3	0.54	4.54	Auditing enhances the activation of governance	5
High	2	0.63	4.62	Audit committee's availability in a company.	6
High	7	0.67	4.48	Audit Departments operate independently	7
High	8	0.58	4.31	There is awareness about mandatory and non-mandatory regulations imposed on the company by regulators.	8
High	9	0.64	4.29	Detecting errors and correcting them according to the standards of governance.	9
High	10	0.78	4.28	Separating the ownership and management	10
High	12	0.72	4.21	Carrying out periodic reports about governance and related topics	11
High	13	0.80	4.06	The awareness of company's staff of the importance of corporate governance and principles.	12
High	5	0.64	4.52	Managements should try to improve the company's reputation with the public	13
High	-	0.39	4.42	Overall Mean and Standard deviation	-

It is clear from the results shown in the table that the arithmetical averages of the principle of ensuring the existence of an effective framework for corporate governance are high; the third paragraph came in first place with a mean of 4.83 and a standard deviation of 0.43, while the 12th experience in the last place of the priority ladder with a mean of 4.06 and a standard deviation of 0.80. Results show that managements positively follow the paragraphs of principle of ensuring the existence of an effective framework for corporate governance.

2- The principle of protecting the rights of shareholders:

The following table shows a high arithmetic mean value for the rights of shareholders (3.99) and a standard deviation of (0.37) which tells us that the application of the principle of protecting the rights of shareholders is high.

Application degree	Rank	Standard Deviation	Mean	Paragraph	Paragraph Number
High	4	0.92	4.48	Transferring stock ownership without terms from management	14
High	1	0.40	4.81	Preserving the right of shareholders to obtain profits and without delay.	15
Moderate	10	1.17	3.33	Allowing shareholders to choose the method of profits distribution	16
High	5	0.69	4.38	Shareholders have the right to express their opinion about the financial statements	17
High	3	0.54	4.52	Shareholders ability to obtain financial and non-financial data	18
Low	11	0.93	1.75	Concealing information about shareholders	19
High	8	0.91	4.10	Shareholders ability of obtaining data at anytime	20
High	7	0.95	4.19	Allowing any shareholder to be nominated for presidency of the Board of Directors.	21
High	2	0.73	4.54	Allowing shareholders to freely participate in ordinary and extraordinary meetings of the General Assembly.	22
High	6	0.74	4.25	The participation of shareholders in General Assembly meetings is effective and productive	23
Moderate	9	1.07	3.58	Any shareholder has the right to review an external auditor in order to get information about a company and financial condition.	24
High	-	0.37	3.99	Overall Mean and Standard deviation	-

It is clear from the results shown in the table that the arithmetical averages of the principle of protecting the rights of shareholders are high as they ranged from 1.75-4.81; paragraph 15 came in first place with a mean of 4.81 and a standard deviation of 0.40, while paragraph number 19 came in at last place with a mean of 1.75 and a standard deviation of 0.93. These results show the high application of the principle of protecting the rights of shareholders.

3- The principle of equal treatment of all shareholders:

Results in the table below show a high mean value 3.50 and a standard deviation of 0.50 for the principle of equal treatment of all shareholders which shows the positive interest and implementation of the principle of equal treatment of all shareholders.

Application degree	Rank	Standard Deviation	Mean	Paragraph	Paragraph Number
High	1	0.63	4.62	Board of Directors should maintain the financial or non-financial rights of minor shareholders in the company	25
High	2	1.04	4.12	Allowing minor shareholders to vote on important decisions and policies	26
Moderate	5	1.31	2.77	Rules to Control the percentage of contribution from ordinary people	27
Moderate	4	1.35	2.85	determining the percentage of contribution of owners with interests in the company	28
Moderate	3	0.75	3.15	All shareholders should compensate for damages caused by false and distorted information which lead to receiving heavy losses	29
Moderate	-	0.55	3.50	Overall Mean and Standard deviation	-

The results in the table above show high values of arithmetic mean for the principle of equal treatment of all shareholders were article number 25 came in first place with an arithmetic mean of 4.62 and a standard deviation of 0.63, while the 27th paragraph took last place with a mean of 2.77 and a standard deviation of 1.31. The overall results showed a positive implementation of the principle of equal treatment of all shareholders.

4- The principle of the role of stakeholders in the practice of management authorities:

Results in the table below show a high mean value of 3.87 and a standard deviation of 0.38 for the principle of the role of stakeholders in the practice of management authorities, these results indicate the high interest from the study sample in the principle.

Application degree	Rank	Standard Deviation	Mean	Paragraph	Paragraph Number
High	4	0.77	4.27	Allows for employees to be shareholders in the company.	30
High	6	0.94	3.85	Holding meetings with staff and taking their points of view into consideration	31
High	7	1.12	3.81	Special Comities that are responsible for providing employees with their financial rights	32
Moderate	10	1.05	3.13	The structure of wages and salaries in the company and in accordance with the laws and regulations and without any interference from the administration.	33
High	3	0.67	4.46	The company's management seeks to strengthen the role and independence of the external auditor.	34
High	1	0.47	4.69	External auditors are provided with full financial statement without delay	35
Moderate	9	0.88	3.35	Bondholders having full access to all documents regardless of confidentiality.	36
Moderate	11	0.63	2.81	Bondholders can interfere with policies and decisions set by management	37
Moderate	8	0.78	3.58	Laws the protects Bondholders' and lenders within the company	38
High	2	0.67	4.48	The application of corporate governance principles to strengthen the company's position in the market.	39
High	5	1.12	4.10	Disclose information to all stakeholders with clarity and transparency	40
High	-	0.38	3.87	Overall Mean and Standard deviation	-

It is clear from the table above that the principle of the role of stakeholders in the practice of management authorities has high mean values that ranged from (2.81 to 4.69). Paragraph 35 came in first place with an arithmetic mean of 4.69 and standard deviation of 0.47 while the 37th paragraph came in last place with a mean of 2.81 and a standard deviation of 0.63. The results indicate a positive implementation and knowledge of the principle of the role of stakeholders in the practice of management authorities from the study sample.

5- The principle of disclosure and transparency:

The results listed in the table below show high mean values (4.45) and a standard deviation of (0.47)

Application degree	Rank	Standard Deviation	Mean	Paragraph	Paragraph Number
High	9	0.87	4.38	Restructuring of the company's management to have understandable functions.	41
High	5	0.66	4.62	Disclosing the names of major shareholders and the percentage ownership	42
High	12	0.90	4.35	Disclosing important annual report data to audit committees	43
High	1	0.70	4.69	Disclosing financial and non-financial statements in a clear and comprehensive manor.	44
High	11	0.82	4.36	Disclosing the responsibilities and tasks assigned to each member of the Board of Directors and executive managers in the annual reports.	45
High	7	0.67	4.50	All information is disclosed to all shareholders and stakeholders in real time and without delay.	46
High	4	0.51	4.67	Disclosing the salaries of members of management in financial reports, and the value of the allowances payable to them.	47
High	8	0.96	4.42	Disclosing the number of meetings members of the Board of Directors in the financial reports.	48
High	13	0.88	4.31	Disclosing important decisions that occurred following a meeting of the Governing Council in the financial reports.	49
High	6	0.61	4.54	Disclosing any significant selling of shares or assets with clarity and transparency.	50
High	14	0.78	4.29	Disclosing the extent of the independence of the internal audit department and the control system in the company in the financial statements.	51
High	15	0.89	3.79	Disclosing the strengths and weaknesses in both the financial system of the company or the management in the company's annual reports.	52
High	10	0.66	4.37	Disclosing any risks that could threaten the continuity of the company and the position of the company's management in the annual reports	53
High	1	0.46	4.71	Having quarterly or semi-annual reports to show the financial and non-financial statuses of the company	54
High	3	0.58	4.69	Disclosing the company's annual results on schedule.	55
High	-	0.47	4.45	Overall Mean and Standard deviation	-

It is clear from the table above that the principle of disclosure and transparency has high mean values that ranged from (3.79 to 4.71). Paragraph 54 came in first place with an arithmetic mean of 4.71 and standard deviation of 0.46 while the 52nd paragraph came in last place with a mean of 3.79 and a standard deviation of 0.89. The results indicate a positive implementation and knowledge of the principle of disclosure and transparency.

6- The principle of the responsibility of management:

Results in the table below show a high mean value 4.29 and a standard deviation of 0.44 for the principle of the responsibility of management which shows a positive interest and implementation for it.

Application degree	Rank	Standard Deviation	Mean	Paragraph	Paragraph Number
High	2	0.64	4.58	audit committees are independent from management	56
High	1	0.60	4.63	Members of the Board of Directors consist of highly qualified university graduates.	57
High	5	1.02	4.48	Separating the positions of chairman and CEO.	58
Moderate	14	1.43	3.62	A Board Member should not hold an executive function whether it is salaried or not	59
High	13	0.85	3.79	Members of the Board of Directors are elected according to their previous experiences.	60
High	11	0.68	4.17	There are criteria for determining membership of the Governing Council members.	61
High	7	0.70	4.44	Develop management objectives and strategies	62
High	8	0.68	4.35	Board of Directors oversees the restructuring of the company in terms of powers and responsibilities.	63
High	6	0.61	4.48	Governing Council constitutes audit committees in accordance with the standards required	64
High	12	0.98	3.85	Governing Council puts the plans and programs for development and training	65
High	10	0.69	4.27	Members of the Governing Council their duties in accordance with the standards and laws without interfering with the rest of the employees in the company.	66
High	9	0.62	4.33	Members of the Board of Directors oversee the executive management	67
High	4	0.61	4.50	Board of Directors has the right to form committees in order to conduct work and achieve the desired goals.	68
High	3	0.70	4.52	The members of the Governing Council are selected in accordance with the laws and regulations set by the authorities and exchange organization.	69
High	-	0.44	4.29	Overall Mean and Standard deviation	-

The results in the table above show high values of arithmetic mean for the principle of the responsibility of management ranging between (3.62 and 4.63). Were article number 57 came in first place with an arithmetic mean of 4.63 and a standard deviation of 0.60, while the 59th paragraph took last place with a mean of 3.62 and a standard deviation of 1.43. The overall results showed a positive implementation of the principle of the responsibility of management.

After the detailed description of the principles of corporate governance, the relative importance of the study sample estimates for the degree of application of the principles mentioned as the table below demonstrates

Application degree	Relative Importance	Mean	Standard Deviation	Principles of corporate governance	Paragraph Number
High	2	0.39	4.42	ensuring the existence of an effective framework for corporate governance	1
High	4	0.37	3.99	protecting the rights of shareholders	2
Moderate	6	0.55	3.50	equal treatment of all shareholders	3
High	5	0.38	3.87	the role of stakeholders in the practice of management authorities	4
High	1	0.47	4.45	disclosure and transparency	5
High	3	0.44	4.29	responsibility of management	6

Results of Hypotheses testing:

1- VIF Test:

critical value	Tolerance	VIF	Principles of corporate governance (Independent Variables)	Paragraph Number
5	0.440	2.272	ensuring the existence of an effective framework for corporate governance	1
5	0.424	2.356	protecting the rights of shareholders	2
5	0.910	1.099	equal treatment of all shareholders	3
5	0.406	2.462	the role of stakeholders in the practice of management authorities	4
5	0.420	2.382	disclosure and transparency	5
5	0.383	2.614	responsibility of management	6

It's clear from the results shown in the Table above the lack of Multicollinearity between the independent variables, which is confirmed by the (VIF) test used for independent variables

2- Kolmogorov–Smirnov test (One-sample K-S test):

Kolmogorov–Smirnov test (One-sample K-S test) was used to test if the data follows the Normal Distribution by testing the following statistical hypothesis:

H0: study variables are subject to normal distribution

H1: study variables are not subject to normal distribution

Statistical significance	Calculated value (z)	Frequency	study variables
0.470	0.847	52	ensuring the existence of an effective framework for corporate governance
0.356	0.928	52	protecting the rights of shareholders
0.194	1.079	52	equal treatment of all shareholders
0.361	0.923	52	the role of stakeholders in the practice of management authorities
0.297	0.975	52	disclosure and transparency
0.800	0.644	52	responsibility of management
0.101	1.222	52	Profitability
0.798	0.646	52	Return on Assets

It is noted from the table above that the calculated Z value is less than the tabulated Z value (1.96) and that the values of the statistical significance are greater than the alpha level $\alpha = 0.05$, therefore H0 is rejected which means that the data does follow normal distribution.

Results and recommendations:

Results:

- 1- A reduced staff awareness in public shareholding companies listed on the First Market in the Amman Stock Exchange of the importance of corporate governance.
- 2- A decline in hiding financial and non-financial information from shareholders.
- 3- A drop in the existence of laws that determine the percentage of contribution in the company from the ordinary public, in public shareholding companies listed on the First Market in the Amman Stock Exchange

- 4- A decline in the bondholders ability to intervene with management policies of public shareholding companies listed on the First Market in the Amman Stock Exchange
- 5- A reduction in the disclosure of the strengths and weaknesses in both the financial and non-financial sides in public shareholding companies listed on the First Market in the Amman Stock Exchange.
- 6- A decline of members of the Board of Directors not occupying any executive Jobs, in public shareholding companies listed on the First Market in the Amman Stock Exchange.
- 7- There is an increase in the application of the principles of corporate governance, in public shareholding companies listed on the First Market in the Amman Stock Exchange, where the level of assessment of managers and auditors is positive, and the degree of applying the principles of corporate governance in surveyed companies ranged between medium and high.

Recommendations:

The continuation of public shareholding companies listed in the First Market in the Amman Stock Exchange of the application of corporate governance and its different principles.

Public shareholding companies listed on the First Market in the Amman Stock Exchange should educate its employees of the importance of corporate governance, which will increase their experience and knowledge, which will reflect positively on the company's performance.

Public shareholding companies listed on the First Market in the Amman Stock Exchange should increase disclosure of financial or non-financial statements to their shareholders, to increase their awareness and their ability to make decisions.

Allowing minor shareholders and investors to sell their shares or buy stocks without any personal pressures from the Board of Directors

Maintaining the rights of bondholders, and not allow them to manage a company's policies.

Increasing disclosures relating to the strengths in the company's financial system, to increase the confidence of shareholders and investors, increase the popularity of the company, and increase confidence among stakeholders in the public shareholding companies listed on the First Market in the Amman Stock Exchange.

The need for separating members of the Board of Directors or its Chairman, and any other executive position in public shareholding companies listed on the First Market in the Amman Stock Exchange.

A commitment from public shareholding companies listed on the First Market in the ASE to the application of the principles of corporate governance.

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