

**THE IMPACT OF CORPORATE GOVERNANCE PRINCIPLES APPLICATION ON  
FINANCIAL PERFORMANCE OF PUBLIC SHAREHOLDING COMPANIES  
LISTED IN AMMAN STOCK EXCHANGE**

**Dr. Nedal Al-Ramahi,**  
Zarqa University, Jordan

**Dr. Abdullah Barakat,**  
Shaqra University, Saudi Arabia

**Yousef Shahwan,**  
Zarqa University, Jordan

---

**ABSTRACT:** *This study aimed to investigate the extent of corporate governance principles in the public shareholding companies listed on the First Market in Amman Stock Exchange. To achieve the objective of this study, the researchers distributed 55 questionnaires to first market companies in Amman Stock Exchange. The results showed that there is a strong application of corporate governance principles in the public shareholding companies listed in the First Market in the Amman Stock Exchange. Moreover there is a declination in staff awareness of public shareholding companies listed in the First Market in the Amman Stock Exchange, the importance of corporate governance and its principles. In addition, there is also a declination related to hide some information to shareholders, whether financial or non-financial, and a declination of disclosing strengths and weaknesses points, either in company's financial system or its disclosures annual reports management in the, and a decrease in Board of Directors member occupation of any executive function, either with or without salary.*

**KEYWORDS:** Governance, Financial Performance, Shareholding, Amman Stock Exchange

---

## **INTRODUCTION**

Corporate governance is considered the general framework for supervisory procedures, and control on Board of Directors; in order to ensure procedures correctness related management control process, executive management, and correctness of measures to be taken, in its quest to achieve company objectives. This ensures maintaining shareholders rights through strengthening company's financial performance. One of the main reasons that led to major companies collapse is departments complicity, weak structure, weak control and follow-up units, and a lack of disclosure and transparency required to enhance the entity of the company, and maintain stakeholder rights with the company and the shareholders, which led to deficiencies in companies financial performance since financial performance is considered one of the most important measures of management efficiency, and indicating implement commitment of rules and standards used in companies.

### **Problem statement**

Poor application of corporate governance, which is considered one of the most important pillars to enhance transparency, increase control and supervision on management and reduction fraud committed by some executives and companies Boards of Directors, which may cause damage to shareholders, investors, stakeholders, and company's reputation as well as. Based on the foregoing, the statement problem can be summarized in the following question:

To what extent corporate governance principles are applied in companies listed in Amman Stock Exchange?

### **Study Importance**

The study importance stems of its attempt to highlight the importance of corporate governance and principles, in enhancing public shareholding companies listed in Amman Stock Exchange status since these companies are deemed one of the most important sectors in of capitals attracting process that requires enhancing their position among other sectors in Jordanian market through proving their credibility and transparency to increase shareholders trust and other parties.

### **Study Hypotheses**

The study is based on the following hypothesis :

H0: there is no statistically significant relationship between governance principles implamentation in shareholding companies listed in Amman Stock Exchange and their financial performance

Two sub-hypotheses are derived from as follows:

HOA: there is no statistically significant relationship between governance principles implementation in shareholding companies listed in Amman Stock Exchange and their profitability .

HOB: there is no statistically significant relationship between governance principles implementation in shareholding companies listed in Amman Stock Exchange and their return on assets.

### **THEORETICAL FRAMEWORK**

Corporate governance has become one of most important mentioned subjects on local and international level, and has become an important pillar to enhance success and economic ,development and organizational reform in light of globalization and recent huge economic openness between countries witnessed in the last decades, in light of intensive competition. Implementation of rules and principles of corporate governance also become a slogan adopted by both private and public sectors alike , the row sector started appealing it as a mean to enhance confidence in any country economy , and evidence of existence of fair and transparent policies , and rules to protect investors and stakeholders , and indication of commitment level that managements have reached of professional commitment with good management ,transparent, and accountability rules , and existence of procedures to reduce corruption and fraud .(Public Shareholding companies listed in Amman Stock Exchange Guide of Corporate Governance ‘<http://www.ase.com.jo/ar>)

Proper implementation of corporate governance has an effective role in financial and management areas reform for private and public companies sectors, which lead to increase investors' confidence in financial statements, and activate local investment, attract foreign investment, support financial market, and push economic wheel strongly forward. From accountability aspect ,interests of corporate governance increased in an attempt to restore data users' confidence represented by all stakeholders 'parties, shareholders' and dealer in financial market in particular in accuracy and integrity of disclosed information by companies departments through menus and published reports (Ali A. and Shehata, 2007), because corporate governance needs new level of disclosure and sufficient information to eliminate information differences between parties for achieving balance between stakeholders powers in

companies, which make corporate insiders (management) accountable for their actions (Ali Shah, et al., 2009).

Across with time corporate governance concept has differed and developed, and accrued development due to openness and globalization that world is witnessing. Since (Pechlaner, et al., 2011) showed that it was a concept emerged in an attempt to alleviate the negative effects of ownership and management separation, on the basis of agency theory. Where corporate governance includes all systems in relationship context between shareholders and management that are seeking to achieve harmony between agency managers and owners interests, so solving the main problem which is agent problem, he also showed other points of view existence that based on institutional theory as Aguilera and Jackson 2003, which takes stakeholders direction weather (they are suppliers, creditors, customers or government departments and employee or managers. Shankman (1999) defined corporate governance as: a set of rules, traditions, and organization in all companies that organize relationship between stakeholders and company management in particular especially in control context and decision-making.

Karim and Zeina (2007) defined governance as: establishment of contractual internal control mechanisms, motives, and accountability to insure management and financial structure and reports credibility. Zabihllah Rezaee (2007) showed that corporate governance can be defined in narrower scope as: corporate compliance with reforms where in wider concept he defined it as: wide set of participants in company's management including board of directors, management, auditors, legal consultant, financial consultant, organizers, standards developers, shareholders, and other stakeholders. He also showed this can't be achieved only through activate correct commitment, moral and ethics principles control, professional behavior and accepting accountability, and he also mentioned that some researchers explain that corporate governance relationship is greater than a relationship between companies and many providers by focusing on wider part of stakeholders. Corporate Governance verifies how to secure and stimulate companies' effective management through the use of incentive mechanisms, such as contracts, organizational design, and legislations.

### **Corporate Governance Principle:**

Corporate governance principles are considered as one of most important pillars that lead to companies' prosperity since it represents the main principles for achieving company goals and visions in both local and international levels. Many committees have started for developing framework and rules to enhance and improve countries and companies economics, like Cadbury and Vint Committee, and Organization of Economic & Cooperative Development (OECD). OECD has put six main rules for corporate governance and explain it as follows: (www.oecd.org:) ensuring existence of effective framework for corporate governance and protecting shareholders equity and equal treatment between shareholders and stakeholders role in corporate governance and disclosure, transparency and board of directors responsibility.

### **Financial analysis:**

Financial performance and financial analysis become one of most important areas in cognitive science, its need started after the huge collapses and repression of many companies that took place in late twenties and early thirties, which imposed the need to study companies financial reports content effectively to enable the related and concerned of financial statement know their real performance, and predicting company future. Its importance its increase after Second World War where inflation phenomenon started to spread and its impact on financial statement. This was the reason of using new quantity means in financial analysis process for the purpose

of raising analysis efficiency to be a tool in decision-taking, either on state level or private companies' level. (Khanfar and Mattarneh, 2011, p 71).

The financial analysis is one of the most important topics in the operations of the investment, in particular, because of its ability senior assistant in the analysis and interpretation of the results of the financial statements in the financial statements, and its ability to predict the conduct of business operations, and demonstrate the company's ability to perform its functions and determine the extent of continuity, knowing the points the strengths and weaknesses of the companies.

Where financial analysis convert vast amount of historical figures to organized relationship, provide information that are more benefits to decision-makers, to be used for evaluate companies financial and credit positions (Al-Nu'aimi and Al-Tamimi, 2008, p.20), therefore financial analysis is considered as main pillar in provide financial statements that most useful in decision-making process rationalization, and it works on using financial statement and information to find ration and mathematical models that seeking to get information that use in performance evaluation process and good decision-making.( Al-Sheikh, 2008, pp 2-3)Financial statements analysis consider as a tool to explain this statement, and identify its content relationship, figures significance that listed in, and provide information that helps on estimate institution value ( Al-Khalayla 2012 ,p3). Financial analysis show management and board of director's efficiency and capacity to perform duties and work properly, also show company and its department's efficiency extant performance in doing its function and activities.

### **Financial analysis concept**

Financial statement analysis is an analysis that highlights the important relationship in the financial statements. Financial statement analysis focuses on the evaluation of past performance of the business firm in terms of liquidity, profitability, operational efficiency and growth potentiality. Financial statements analysis includes the method use in assessing and interpreting the result of past performance and current financial position as they relate to particular factors of interest in investment decisions. Therefore financial statement analysis is an important means of assessing past performance and in forecasting and planning future performance.

### **Financial analysis goals**

There is many goals and purposes of financial analysis, and methods of mention and display differed between writers, (Khanfar & Mattarneh, 2011,p72) mentions set of objectives which are knowing institution financial position, judgment of company profitability ability, judgment of financial and operational performance efficiency in the company, internal control restriction and future planning, knowing weakness and strength points in the institution and work to develop solutions, and knowing institution capacity extant to satisfy its debt weather in long or short term. Financial analysis is consider as one of most important subject particularly in investments process, because of its capacity in helping in analysis and explain financial data in financial data in financial statement, and its capacity of predicting companies operations, and shows company capacity extant in doing its functions and identify its continuity extant, and knowing strength and weakness points in companies.

### **Financial Ratios**

Financial ratios are considered one to the most financial analysis tools commonly used , and there is no specific list includes all these percents sue anyone who is performing analysis can attribute any number of statement to another number , in the current year to a number in

previous year , if this comparison was meaningful and significant . (Al-Khalayla 0.2012, p 42).

"Financial ratio is a tool of financial analysis tools , provides a measure of relationship between two items of financial statements " ( Khanfar , Mattarneh), 2011 , p 127

Al-Nu'aimi and Al-Tamimi, (2008, p 83 ) defined it "as a relationship between accounting values listed in the financial statements arranges and organized to be a function for performance evaluation of a particular activity at a particular point time The financial ratios is " a process of financial data available about an institution in order to obtain information used in decision making process and in assessing trades and industry institutions performance in the past and present as well as in diagnosis of any problem exist (financial or operational) and anticipating what will be the situation in the future " (Karajeh et al, 2006, p 157)

### **Profitability Ratio**

Profitability means to measure the company estimated gain, and it is an indicator that explains efficiency that accompanied operations completion carried out by the company during a specific time period (Mohammad Ismail and Noor.2008)

The goal of using this ratio, is a measure company ability and its projects on gain, net profit from operating activities carried out by the company, since the ratio is one of the most important financial indicators objectivity and credibility, from standpoint of the ability of projects to achieve profits from operating activities practiced by Companies (Al-Hayali, 2007)

Net profit after tax / net sales = profit ratio

### **Return on Assets Rate of (ROA)**

It is possible through ability measure of each dinars invested to achieve operating profit , it reflects the ability to achieve profit from available assets, regardless of the way they were funded by those assets ( Al-Khalayla.2012 ) , and since corporate assets consist of total liabilities and capital , and since these funds are used to finance company's business and operating activities , return on assets rate gives a clear picture of companies actions effectiveness in converting those invested funds into profits since they are used to compare companies in asymmetric sectors ; because it depends on company's assets size ( <http://smefinancial.wordpress.com>), and can be used as indicator management efficient use of company assets ,, and can be expressed mathematically as follows:

Net Profit / Total Assets=ROA

### **Previous studies:**

Her Lee& Ku & Chen& Jing-Fong, (2012), entitled Study: corporate governance and Taiwan public company profit management behavior factors: This study aimed to investigate corporate governance factors effects and profit management behavior, subject study consist of 268 companies from companies owned by public Taiwan sector. The study used adjustment model of Jones to test free cash money, and estimated dues item and some corporate governance factors, analysis show that correlation positive on estimated dues with free cash flow, result indicate that company audited by major auditing companies (Big-four CPA).estimate dues elements are less, and debt ratio to assets have a negative relationship with estimate dues, results show that corporate governance implementation indicate turnover average of internal auditors, and there is no rephrase or review financial report and profit expectation for large number of items that related to estimate dues, analysis also shows different behaviors of profit management between high and traditional technology industry.

Jorge Pelayo & Gregorio Calderon, and Hector Mauricio (2012), study entitled study entitled: corporate governance structured its impact in human resources management and financial performance. This study seeking to discuss corporate governance structure in human resources management, and financial performance in Colombian business environment context to achieve this goal, this study carried out analysis for corporate governance concept, and displayed current thoughts for each of corporate governance and managers behaviors, agency theory, supervision theory, and to develop mythology that aims to test four models by using regression analysis Ergin, (2012) study entitled: corporate governance evaluation and financial performance depend on market evidence from turkey.

This paper aims to study whether investors dependent on corporate governance classification incase share price assessment, classification started in 2006, where all companies were examined in Istanbul exchange market from 2006 to 2010, using prices model. More analysis carried out to evaluate corporate governance total impact in share price, by eliminating and correlation between dependent variables and corporate governance degrees. Result indicate that corporate governance gave classification, positive and largely related, not only in financial performance also in accounting performance and corporate governance sub-elements, which found that have positive relationship in financial performance from stakeholders, disclosure and public transparency. Shah, kouser, Aamir, and Hussein, (2012) study entitled: Corporate governance impact and ownership structure in company on financial performance and involving behavior risk.

This paper investigating in ownership structure with its two dimensions relationship, institution type and its focus with corporate governance adaption level from company and its financial performance , and risk behavior due stock market proceeds, the analysis carried out in three sectors, by using data panel from 2006 until 2010, included 40 companies listed in Kuwait exchange market, result indicate that company practices improvement increased company financial performance and reduced risk level during do most serious projects, and there is negative relationship with ownership focus, improve that the ownership focus increase contribute in reduce good practices level by companies, and this results give a view at institution structure. From Pakistan companies and proves that focused institution in major shareholders it's one of result of reduces corporate governance level and financial performance and also the result of risk level increase company perform.

### **Statistical Analysis**

This section deals with method and procedures used in this study, since it gives a detailed description of study methodology , population, sample , tools used for data collection, and explains statistical methods used to analyze data; in order to obtain the results .

### **METHODOLOGY**

The study is deemed as a field study in which researchers used the descriptive analytical method, in order to know the impact of corporate governance principles application on the financial performance of public shareholding companies listed on the Amman Stock Exchange

### **Population and Sampling**

The study population consists of joint stock companies listed on ASE , regardless of sector, while the study sample was listed companies in the first market, Researchers distributed questionnaires and collected them for 55 companies for the year 2013-2012 on managers ,

directors , financial auditors , and who has close relationship with governance system used in these companies, (53) questionnaires were collected that is ( 96.3 % ) of the distributed total questionnaires one questionnaire was disregarded so the surveyed sample was (52) that is ( 94.5 % ) of the total population . Table (3) illustrates that

**Table 1: Distributed and collected questionnaires**

Study Population	Number of distributed questionnaires	Collected Questionnaires		Valid Questionnaires for analysis	
		No.	Percent	No.	Percent
Public shareholding companies list in the first Market in Amman Stock Exchange	55	53	96.3	52	94.5

#### **Data collection methods :**

Researchers depends on two types of data collection sources for study preparation process , namely: primary sources and secondary sources the primary sources are those data obtained by researchers through preparation of a questionnaire related to study subject, according to theoretical framework and previous studies. Secondary sources include data obtained by researchers from books and researches, and literature review, magazines, and previous studies relevant to research subject, and a number of Internet sites, and researchers also used data released by the Amman Stock Exchange an available on the Internet.

#### **Study instrument**

Researchers have developed a questionnaire according to hypotheses and variables, and the use of five pointed Likert scale. The questionnaire consisted of two main sections: The first Section: To know the demographics of study sample, since it included seven paragraphs of demographic data,: sex, major, educational qualification, job, years of experience, professional certification, and the sector the company belongs to .Section two has been allocated for statements that cover study variables of the, which measures impact of corporate governance principles application in the financial performance as follows:

- The first variable : It is the principle of ensuring the existence of a basis for an effective framework for corporate governance , and included (13 ) paragraphs and has been measured by ( 1-13 )statements.

- The second variable : it is the principle of maintain of shareholders rights, and included (11)statements measured by ( 14-24 ).

- The third variable : the principle of equal treatment of all shareholders , and included (5) statements and measured by ( 25-29).

- The fourth variable: it is stakeholders principle role, included (11 ) statements , measured by ( 30-40).

- The fifth variable: It is the principle of disclosure and transparency , included (15 ) statement measured by ( 41-55).

- The sixth Variable: It is the principle of management responsibility included (14 ) statements measured by ( 56-69)

**Questionnaire Scale Selection:**

Researchers used five points Likert Scale since it is one of the most scales used to measure opinions and responses, due to ease understanding, since study sample indicates the extent of their agreement on each paragraph according to the scale in question, and as follows

Strongly agree	Agree	To some Extent	Disagree	Strongly disagree
5	4	3	2	1

To measure study sample evaluation degree corporate governance principles implementation of the public shareholding companies listed in Amman Stock Exchange, three levels scale was used, where the interval was calculated by dividing the difference between the highest value of the scale (5) and the lowest value (1) over three, This means that the interval is as follows  $1-5 / 3 = 1.33$ .

Thus, the three levels as follows:

A - Low degree = 1-2.33.

B - Medium degree 2.34-3.67

C - High degree 3.68-5

Test standard amounting (3), the output of dividing the sum of the highest value of the scale (5) and the lowest value in which (1) over (2), that is  $\{ (5 + 1) / 2 = 3 \}$ , for the purpose of diagnosis sampling unit responses negative and positive as follows:

Limits of negative response are 1-2.99

Limits of positive response are 3-5.

Therefore study instrument in its final form directed to public shareholding companies listed on the Amman Stock Exchange consists of (69) paragraph as attached with

**Instrument Validity**

To check instrument validity, the instrument was given to a panel of professional referees in Jordanian and American universities to find its validity as a tool for data collection. All of their comments were taken in consideration and all required modification was made before questionnaire distribution.

**Instrument reliability**

To ensure questionnaire validity as an instrument to collect required data for these research objectives, researchers use its reliability extent by using coefficient Cronbach's Alpha, therefore questionnaire reliability was (93.1%), which is high degree to adopt this study results, since acceptable ratio to generalize study is (60%) and table (2- indicate reliability coefficient for study model variable:

**Table (2)**

**Cronbach's Alpha coefficients and Study Model Variables Calculated Reliability Percent**

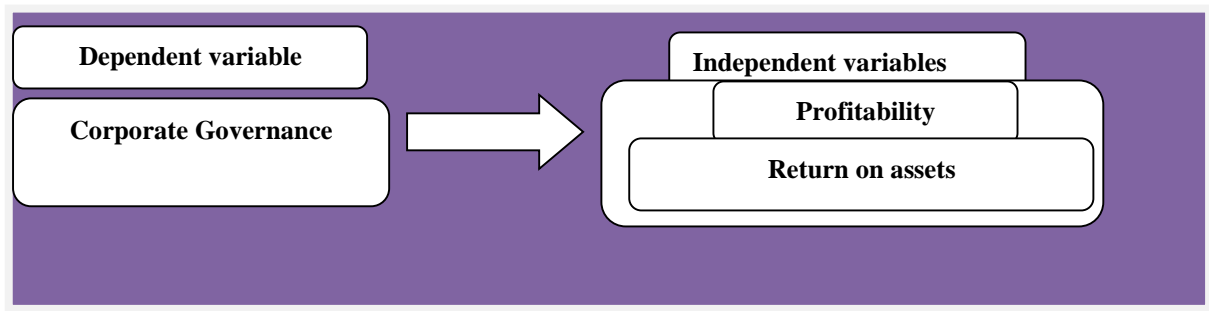
Variables ( governance Application Principles)	Statements Number	Cronbach's Alpha	Reliability Percent
Ensuring the availability of corporate governance effective framework base	13	0.856	%85.6
Shareholders Equity maintain	11	0.657	%65.7



Equal treatment between all shareholders	5	0.637	%63.7
Stakeholders Role	11	0.609	%60.9
Transparency and disclosure	15	0.889	%88.9
Management responsibility	14	0.819	%81.9
<b>Total Instrument</b>	<b>69</b>	<b>0.931</b>	<b>%93.1</b>

### Virtual study model

In light of study problem and its purposes researchers set virtual model for study to show dependent and independent variables as follows:



Researchers use the following statistical methods **Cronbach's Alpha coefficient**: it was used to test reliability of study instrument that was used for data collection, in other words it is used to test (internal consistency for questionnaire statements). **Mean**: it was used to know managers responses strength level for managers dimensions and their roles in institution listed in first market in Amman Exchange Market. **Standard deviation**: it was used to determine study sample responses dispersion of means value. **(VIF test)(Variance inflation factors)**: this test was used to insure of multi collinearity existence between dependent variable. **One-Sample K-S Test almokrof test**: was used to insure that variable study data subject is subject to normal distribution or not

### Statistical Results and Hypotheses testing

This section aimed to analyze samples responses data and displaying the statistical results obtains through using Statistical Package for Social Sciences ( SPSS) resulted from five points Likert Scale

#### Hypotheses testing

**H<sub>01</sub>=There is no statistically significant impact at level ( $\alpha \leq 0.05$ ) for corporate governance Principals' implementation on public shareholding companies listed in Amman exchange financial performance.** To test the validity or non-validity of the first main hypothesis of, Friedman Test was used nonparametric as shown in table (3) as follows:

**Table 3 : Friedman Test Results for corporate governance principles implementation impact on profitability of public shareholding companies listed in Amman Stock Exchange**

Corporate Governance Principles	Ranks Mean	Calculated ( $\chi^2$ )	Sig
Ensuring the availability of corporate governance effective framework base	5.06	<b>144.364</b>	<b>0.000</b>
Shareholders Equity maintain	3.09		
Equal treatment between all shareholders	2.00		
Stakeholders Role	2.43		
Transparency and disclosure	5.27		
Management responsibility	4.58		

{ ( $\chi^2$ ) tabulated value with degree of freedom (6) at significant level ( $\alpha = 0.05$ ) } = 12.592

Results shown in the table ( 3 ) indicate that chi-square ( $\chi^2$ ) calculated value is ( 144.364 ) is more than ( $\chi^2$ ) tabulated value ( 12.592 ) , as well as the statistical significance value ( 0.000 ) is less than the level of significance ( $\alpha = 0.05$ ) , therefore the null hypothesis ( $H_0$ ) is rejected, this means that there is a statistically significant impact at significance level ( $\alpha = 0.05$ ), of corporate governance principles application on the financial performance of companies listed in Amman Stock Exchange. It is worth to mention that disclosure and transparency principle is the most effective one on financial performance compared to the rest of principles ,calculated ranks mean (5.27)confirmed that , followed by the impact of ( ensuring that there is a basis for an effective corporate governancframework principle , calculated ranks mean (5.06)confirmed that.

Upon finalization of first main hypothesis testing, through verification that there is a statistically significant impact at significance level ( $\alpha = 0.05$ ), for corporate governance principles application on the financial performance of companies listed in Amman Stock Exchange in general, Researchers have to verify validity of Sub- hypotheses emanating from the main hypothesis as follows

#### **1-First sub hypothesis test**

**$H_{01}$ =There is no statistically significant impact at level ( $\alpha \leq 0.05$ ) for corporate governance principals implementation on profitability of public shareholding companies listed in Amman exchange financial performance**

To test the validity or non-validity of the first main hypothesis of, Friedman Test was used nonparametric as shown in table (5) as follows:

**Table 5: Friedman Test Results for corporate governance principles implementation impact on profitability of public shareholding companies listed in Amman Stock Exchange**

Corporate Governance Principles	Ranks Mean	Calculated ( $\chi^2$ )	Sig
Ensuring the availability of corporate governance effective framework base	5.42	116.946	0.000
Shareholders Equity maintain	3.41		
Equal treatment between all shareholders	2.27		
Stakeholders Role	2.76		
Transparency and disclosure	5.60		
Management responsibility	4.90		

{ ( $\chi^2$ ) tabulated value with degree of freedom (6) at significant level ( $\alpha = 0.05$ ) } = 12.592

Results shown in the table ( 5 ) indicate that chi-square ( $\chi^2$ ) calculated value is (116.946) is more than ( $\chi^2$ ) tabulated value ( 12.592 ) , as well as the statistical significance value ( 0.000 ) is less than the level of significance ( $\alpha = 0.05$ ) , therefore the null hypothesis ( $H_{011}$ ) is rejected, this means that there is a statistically significant impact at significance level ( $\alpha = 0.05$ ), of corporate governance principles application on profitability of companies listed in Amman Stock Exchange. It is worth to mention that disclosure and transparency principle is the most effective one on financial performance compared to the rest of principles ,calculated ranks mean (5.62)confirmed that , followed by the impact of ( ensuring that there is a basis for an effective corporate governance framework principle , calculated ranks mean (5.42)confirmed that.

#### 1-Second sub hypothesis test

**$H_{012}$  :=There is no statistically significant impact at level ( $\alpha \leq 0.05$ ) for corporate governance principals implementation on return on assets of public shareholding companies listed in Amman exchange financial performance**

To test the validity or non-validity of the first main hypothesis of, Friedman Test was used nonparametric as shown in table (6) as follows:

**Table 6: Friedman Test Results for corporate governance principles implementation impact on profitability of public shareholding companies listed in Amman Stock Exchange**

Corporate Governance Principles	Ranks Mean	Calculated ( $\chi^2$ )	Sig
Ensuring the availability of corporate governance effective framework base	5.02	156.547	0.000
Shareholders Equity maintain	3.05		
Equal treatment between all shareholders	1.94		
Stakeholders Role	2.39		
Transparency and disclosure	5.21		
Management responsibility	4.54		

$\{\chi^2\}$  tabulated value with degree of freedom (6) at significant level  
 $(\alpha = 0.05)\} = 12.592$

Results shown in the table ( 6 ) indicate that chi-square ( $\chi^2$ ) calculated value is (156.547) is more than ( $\chi^2$ ) tabulated value ( 12.592 ) , as well as the statistical significance value ( 0.000 ) is less than the level of significance ( $\alpha = 0.05$ ) , therefore the null hypothesis ( $H_{011}$ ) is rejected, this means that there is a statistically significant impact at significance level ( $\alpha = 0.05$ ), of corporate governance principles application on return on assets of companies listed in Amman Stock Exchange. It is worth to mention that disclosure and transparency principle is the most effective one on financial performance compared to the rest of principles ,calculated ranks mean (5.21)confirmed that , followed by the impact of ( ensuring that there is a basis for an effective corporate governance framework principle , calculated ranks mean (5.02)confirmed that.

## RESULTS

- There is an impact of corporate governance implementation on financial performance of joint stock companies listed on First Market in Amman Stock Exchange. Disclosure and transparency ) principle is the most principal that affect financial performance compared with the rest principles , then ( ensuring that there is a basis for an effective framework for corporate governance) principle
- There is an impact of corporate governance implementation on profitability of joint stock companies listed on First Market in Amman Stock Exchange .Disclosure and transparency) principle is the most principal that affect profitability compared with the rest principles , then(ensuring that there is a basis for an effective framework for corporate governance) principle .
- There is an impact of corporate governance implementation on return on asset of joint stock companies listed on First Market in Amman Stock Exchange .Disclosure and transparency ) principle is the most principal that affect return on assets compared with the rest principles , then ( ensuring that there is a basis for an effective framework for corporate governance) principle .

## RECOMMENDATIONS

- Public shareholding companies listed on First Market in Amman Stock Exchange ,had to continue in corporate governance implementation , and all of its principles , and develop implementation methods
- Public shareholding companies listed on First Market in Amman Stock Exchange ,had to continue in committing with disclosure and transparency principle , since it has a significant impact on the company's profitability and return on assets
- Public shareholding companies listed on First Market in Amman Stock Exchange ,had to continue in committing with ensuring the existence of a basis for an effective framework for corporate governance because it has a significant impact, on company's profitability and return on assets

**REFERENCES**

- Aguilera, Ruth & Jackson, Gregory, (2003), The Cross-National Diversity of Corporate Governance: Dimensions and Determinants, *Academy of Management Review*, Vol.28 No.3 PP. 447-465
- Al-Azmi , (2011) , Corporate Governance Role in Raising Kuwaiti Companies Competitiveness, Master Thesis , School of Business , University of Middle East , Amman - Jordan.
- Al-Hayali, Walid, (2007), Financial Analysis, Arab Open Academy in Denmark, Denmark.
- Ali, Abdul Wahab and Shehata, Shehata, (2007), Audit and Corporate Governance in Contemporary international and Arab Business environment, Egypt - Cairo, Al Jameiah House.
- Ali shah& Butt& Hasan,(2009), Corporate Governance and Earnings Management an Empirical Evidence From Pakistani Listed Companies, *European Journal of Scientific Research*; Feb2009, Vol. 26 Issue 4, p624-638, 15p.
- Al-Khalayla , Mahmoud , (2012) , Financial analysis using Financial statements , Amman - Jordan , Dar Wael for publication pp.3-42
- Al-Nu'aimi , Adnan , and Al-Tamimi , Ershaid (2008) Financial Analysis and Planning , Contemporary Trends ,Jordan - Amman , Dar Yazori for Publication and Distribution
- Al-Sheikh , Fahmi , (2008) , Financial Analysis, Ramallah, Palestine, pp 2-3
- Darwish , Adnan, (2007) , Corporate Governance and Board of Directors Role , Union of Arab Banks
- Ergin Emre, (2012), corporate governance evaluation and financial performance depend on market evidence from turkey, *International Journal of Economics and Finance* Vol.4 No.9 PP. 61-68.
- Her Lee& Ku& Chen& Jing-Fong, (2012),A Study of Corporate Governance Factors and Earnings Management Behaviors of Taiwan Public Companies, *International Journal of Business, Humanities & Technology*; Vol. 2 Issue 5, p79-88, 10p.
- Jorge Pelayo & Gregorio Calderon, and Hector Mauricio (2012), corporate governance structured its impact in human resources management and financial performance, *China-USA Business Review*, Vol.11 No.8 PP. 1133-1145.
- Karajeh , Abdul Halim and Rababa'a , Ali and Sekran Yasser ,Matar Moses and Joseph , Tawfiq , (2006) , Management and Financial Analysis ( Principles , Concepts , Applications ) , 2<sup>nd</sup> ed. , Jordan - Amman , Dar Safa'a. Pp. 156-157
- Karim El-Mufti, and Zeina Ammar, Effective Public Policy Engagement, (2012), *Youth Economic Forum Journal*, p. 20.
- Khanfar , M ,And Mattarneh , Ghassan , (2011) , Financial statements Analysis , Theoretical and Practical Approach, 3rd ed. , Amman - Jordan , Dar Al Masira for publication and distribution
- Mohammed Munir and Ismail, I. and Noor, Abdul Nasser, (2008), Financial Analysis, Decision-Making Approach, 3rd ed., Amman - Jordan, Dar Wael for publication.
- Pechlaner, H., Fischer, E., & Hammann, E.M. (2009). Leadership and Innovation Processes – Development of Products and Services Based on Core Competencies. In M. Peters & B. Pikkemaat (Eds.), *Innovation in Hospitality and Tourism* (pp. 31-58). New York: Routledge.
- Shah Abid Ali, Kouser Rehana, Aamir Muhammed, and Muzhar Hussein, (2012), corporate governance impact and ownership structure in company on financial performance and involving behavior risk, *International Research Journal of Finance and Economics*, Issue 93, PP. 44-55.

Shankman, Neil A., (1999), reframing the Debate between Agency and Stakeholder theories of the Firm, Journal of Business Ethics, and Vol.19 No.4 PP. 319-334.

Zabihllah Rezaee, 2007, Corporate Governance Post–Sarbanes- Oxley, America, John Wiley & Sons, Inc.

#### Web sites

- <http://www.ase.com.jo/ar/node/846>
- <http://www.oecd.org/daf/ca/oecdprinciplesofcorporategovernance.htm> .
- <http://smefinancial.wordpress.com>

### Questionnaire

#### Dear Respondent

#### Greetings

The researcher is conducting a field study entitled impact of corporate governance principles application on financial performance of public shareholding companies listed in Amman Stock Exchange , You are kindly requested to answer the questions attached , knowing that that all answers will be treated confidentially , and for scientific research purposes only .

#### The first section: Demographic characteristics

Gender: ☐ Male ☐ Female

**Major:** ☐ Accounting ☐ Financial and banking  
☐ Business Administration. ☐ Other..... specify

**Qualification:** ☐ Doctorate ☐ Master  
☐ Bachelor ☐ Less than Bachelor

**Job title** ☐ Director ☐ Financial Manager  
☐ Auditor ☐ other.....

**Years of Experience** ☐ Less than 5 Years ☐ 5-10 Years  
☐ 10-15 year's ☐ 15 + years

**Professional certificates** ☐ CPA ☐ JCPA  
☐ CMA ☐ other.....

#### Sector

Financial		Services		Industry	
Banks		Educational services		Drugs and medical industries	
Insurance		Hotels and Tourism		Chemical Industries	
Diversified financial services		transport		Food and beverage	
Real estate		technology and telecommunications		tobacco and cigarettes	
		Information		Mining and quarrying industries	
		Utilities and Energy		Industries Engineering and Construction	
		Business services		clothing and leather and fabric industry,	

#### Second Part

Please tick X against the statement you agree with

N0.	Statement	S.Agree	Agree	Neutral	Disagree	S.Disagree
1	Administration is seeking to achieve company's vision and mission					
2	Responsibilities are divided between executive , supervisory and regulatory powers fairly and in accordance with needs					
3	Financial statements are prepared in accordance with rules and principles stipulated in legislation and International regulations					
4	There is a strong control system in the company					
5	The control system enhances to activate governance process activation					
6	There are auditing committees in the company					
7	The audit committees work independently of management control n					
8	There are fully aware of distinction between mandatory laws and non-mandatory imposed by regulators on the company					
9	Errors are discovered governed quickly in accordance with governance standards					
10	Ownership and company management are separated					
12	Periodical reports are preparing regarding company's commitment and its management of implementation corporate governance principles					
13	The company educates employees with the importance of corporate governance principles					
15	Company's management improves company's reputation before public					
16	Transfer process and stock ownership registration is made quickly, accurately and without conditions that delay this process or hampered by management					
17	Shareholders are entitled to give their opinions in financial statements					
18	Share holders can obtain full financial statement and non financial statements					
19	Some information are hiddent from share holders either financial or non financial					

20	Shareholder can obtain information from the company at any time					
21	Any shareholder is allowed to nominate himself for board of director presidency if required conditions are fulfilled					
22	Shareholders are allowed to participate freely in ordinary and extraordinary association meeting					
23	Shareholders participation in general assembly meeting is active					
24	Ant shareholder is entitled to ask external auditor for obtaining any enquires regarding the company and its financial situation					
25	Board of directors maintains small shareholders equity either financial of non financial ones					
26	Small shareholders are allowed to vote on company's basic, important policies and decisions					
27	There are rules that identify participation percent in the company by natural persons					
28	There is a participation percent limit for stakeholders					
29	All Shareholders will be compensated against damage accrued because stating wrong and distorted information that led to great losses					
30	Employees are allowed to be shareholders in the company					
31	Employees opinions are taken by management and hold meeting with them					
32	There is a special committee entrusted to give every employee his financial equity such as compensations and rewards					
33	Salaries and wages are structured according to laws and regulation without any interventions by management					
34	Company Management is seeking to enhance external auditor role and his independence					
35	External auditor obtains full financial statement without any barriers or delay					
36	Bond holders review all information inside the company regardless its secrecy					
37	Bond holder intervene in companies management decisions and policies					



38	There are laws that keep bond holders and lenders equity in the company					
39	Cooperate governance and principals implementation enhances company's market position					
40	Information are disclosed to stakeholders according to his relationship only clearly and transparency					
41	Company management structure and its administrative and functional order are clear and understandable					
42	Major share holders names and their ownership ratio are disclose					
43	Auditing committees disclose all data, conclusions and important decisions that were take in their annual report					
44	Financial and non financial statements are disclosed in company's annual report clearly and understandable					
45	Responsibilities and tasks assigned to Board of Directors and executive management are disclosed in annual reports.					
46	All information are disclosed for shareholders and all stakeholders at the same time and without delay.					
47	Salaries of management members are disclosed in the financial reports and compensation paid to them.					
48	Number of members meeting times of the Board of Directors in financial reports					
49	Important decisions that resulted from board meeting are disclosed in financial reports					
50	Large selling of shares or any assets of the company are disclosed clarity and transparency					
51	Internal audit department independence and control system in the company's financial statements are disclosed fairly and clearly.					
52	Strengths and weaknesses points either in financial system or company's management are disclosed in company's annual reports.					
53	Any risks that may threaten the company's continuity and company's					

	management position are disclosure in annual reports					
54	Quarterly or semi-annual statements are prepared to show company's financial and non-financial situation.					
55	Company's annual results are disclosed timely.					
56	Audit committees are independent of management					
57	Board of Directors members have high qualifications					
58	Board of Directors Chairman and Chief Executive positions are separated					
59	Board of Directors member does not hold any executive function, whether with or without salary					
60	Board of Directors members are elected according to their previous experience					
61	There are criteria for identifying Board of Directors membership					
62	Management sets and develop goals and strategies					
63	Board of Directors supervisors company structuring in terms of powers and responsibilities					
64	Board of Directors forms audit committees in accordance with the standards related to these committees					
65	Board of Directors sets plans and programs for the development and training					
66	Board of Directors members perform their work in accordance with standards and laws without interfering with the rest of the employees of the company					
67	Board of Directors members supervise executive management fully without any bias					
68	Board of Directors is entitled to form any committees it deems appropriate in order to perform work and achieve the desired goals					
69	Board of Directors members are selected in accordance with laws and legislation and regulations announced by the regulatory authorities and stock market					