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The Impact of Ownership Structure on the Insurance Companies Applicability of Corporate Governance Instructions

Dr. Baker Ahmad Aledwan
Dr. Omar Mohammed Zraqat
The World Islamic Science & Education University, Jordan- Amman
Dr. Lina Fuad Murwih Hussien
Jarash University Jordan

Abstract:
The study aimed at recognizing the concepts and principles of corporate governance, identifying the commitment level of the Jordanian insurance companies to apply the corporate governance instructions issued by the insurance commission and specifying the role of different types of owners in actuating the corporate governance regulations and elevating their quality. The study was conducted on a sample of 15 insurance companies enlisted in Amman Stock market during the period from 2011 to 2014; and in order to measure the ownership structure's variables, the insurance companies financial reports published on Amman Stock market site were utilized, their contents were checked and the companies ownership structure types were identified through the centralization of company shares ownership at a specific entity whereby the ownership structure was divided into five types namely family ownership, institutional ownership, individual ownership, government ownership and foreign ownership. The corporate governance instructions to insurance companies were adopted to design a questionnaire which incorporates five divisions connected to each of the board of directors, the executive management, the audit committee, the risk management and the internal control system and the internal auditing. The questionnaire was distributed on the insurance companies employees who occupied different administrative positions. To realize the objectives of the study, a number of statistical methods that accommodate with the nature of the study were used like the simple regression and the multiple regression models to test the hypotheses of the study. The results indicated that the Jordanian insurance companies manifest acceptable obligation to apply the corporate governance instructions, and revealed the presence of an effect of the ownership structure on the level of those instructions' application.

Based on those results, the study presented a cluster of recommendations from which are: specifying the controlling entities in charge of following up the actual implementation of the corporate governance instructions at insurance companies, reformulating said instructions in a way that guarantees the protection of the stakeholders' rights and clarifying the tasks and duties of the audit committee.

Key Words:
Ownership structure, corporate governance.

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Introduction

Since the beginning of 1980s, corporate governance issues have attracted the attention of many researchers and professionals where lots of cases were discussed regarding corporate governance like companies fraud, companies failure and collapse, the misuse of managerial authority and social and environmental responsibilities of companies. Nevertheless, many corporate governance issues were inconspicuous and not clearly exposed except following the financial crisis of 97-2000 whereupon many researchers and vocational entities attributed this crisis to the failure of corporate governance regulations. This rushed many researchers to conduct their studies and urged the organizing bodies in various countries to issue and modifies the regulations and laws related to corporate governance (Collet & Hrasky, 2005).

The Jordanian environment was not far from the global developments in the corporate governance domain. Many relevant bodies issued regulations and instructions that recognize the work of companies and tighten the relation between the different parts of the company (Shanikat & Abbadi, 2011). Jordan Securities Commission, The central bank, insurance commission and companies control department issued regulations and instructions concerning corporate governance and formed committees to pursue the commitment and application of companies to those regulations (Securities Depository Center, 2017). Despite the multiplicity of the controlling and supervising bodies in Jordan, the financial crises and stumbling cases that came upon many companies worldwide blustered numerous Jordanian companies as well and led them to bankruptcy (Al-Sawalqa, 2014) like the Arab German Insurance Company which was liquidated for reasons related to negative administrative practices and deviation against regulations and instructions.

Considering the importance of the insurance sector and the hard circumstances it is going through as a result of the insurance commission cancellation, it was necessary to recognize the corporate governance reality in this sector and to study the factors that may potentially affect the level of corporate governance at insurance companies under the absence of legal monitoring and accountability by the competent authorities.

Problem of the Study

As a result of the differences in the company's ownership structures and the variance in the owners' interests and the nature of the goals they seek to realize out of their investments (Dalton, Daily & Roengpitya, 2003), we can foresee soma variation in their outlook and recognition to the significance of corporate governance in the company. The targets sought by the owners of investments companies may completely differ from those of the individual investors. Moreover, the perceptions of the different types of owners about the role of the external auditor may also vary with the difference of goals.

Thus, the problem of the study is revolving around the following questions:

1. Do the insurance companies in Jordan apply the corporate governance instructions?
2. Does the ownership structure affect the applicability of corporate governance instructions by the insurance companies in Jordan?

Hypotheses of the Study

Through the questions presented by the study and the objectives it looks forward to realize and by referring to the previous literature, the study's hypotheses were coined as follows:

Main Hypothesis H01: There is no statistically significant effect of the ownership structure on the level of insurance companies commitment to apply the corporate governance instructions to insurance companies.

From this hypothesis stem five sub-hypotheses which are:

H01.1: There is no statistically significant effect of the family ownership on the level of insurance companies commitment to apply the corporate governance instructions to insurance companies.

H01.2: There is no statistically significant effect of the institutional ownership on the level of insurance companies commitment to apply the corporate governance instructions to insurance companies.

H01.3: There is no statistically significant effect of the individual ownership on the level of insurance companies commitment to apply the corporate governance instructions to insurance companies.

H01.4: There is no statistically significant effect of the government ownership on the level of insurance companies commitment to apply the corporate governance instructions to insurance companies.

H01.5: There is no statistically significant effect of the foreign ownership on the level of insurance companies commitment to apply the corporate governance instructions to insurance companies.

Objectives of the Study

This study basically aims at clarifying the role of different sorts of owners in actuating the corporate governance and raising its quality to protect the interests of different stakeholders and maintain the continuation of the company. The study objectives can be summarized in the following:

1. Measuring the level of the Jordanian insurance companies application of the corporate governance instructions.
2. Verifying the role of different types of ownership in the level of Jordanian insurance companies commitment to the corporate governance instructions.

Importance of the Study

The importance of this study comes from the role of owners and their effect in the companies applicability of corporate governance as they are considered as influential parties I directing the behavior and monitoring the acts of the companies under the current circumstances of the insurance sector in Jordan.

Theoretical Framework

Ownership Structure

The work of Berleand & Means in 1932 was the basis of ownership structure studies. The starting point of their work was to identify the problems related to the separation of ownership from management. Later on, Jensen & Mecling (1976) expanded in studying those ideas to a great extent by interlining the agency theory (Zureigat, 2011). According to the agency theory, the company represents a link between two parties: The principals (owners) and the agents (management); and since both parties have different and contradicted preferences, the management may take decisions that do not agree with the owners' wishes or needs (Jensen & Mecling, 1976). In spite of the uncertainty of some preferences and attitudes from the owners' desires, most researches in agency theory confirm the presence of such slay (Dalton, Hitt, Certo & Dalton, 2007). Investigating the ownership structure plays a substantial role to understand the compatibility between the owners' interests and the management's desires (Dalton, Daily & Roengpitya, 2003), as the different types of owners possess companies to realize financial goals, with some simple exceptions, but they differ in the manner of negotiation according to the legal and organizational environment and their ability to collect and treat information. Owner, in this study, were divided into different types.

Forms of Ownership Structure

Internal Ownership: Internal ownership means the shares owned by the management. Those shares help and increase the agreeability between the directors' and owners interests; whereby, the decisions of those directors tend to cope with the wishes of a broad bracket of owners (Dalton et al., 2003). In this context, the internal shareholders can be divided into three categories:

1. Executive Directors: Researchers in the fields of financing, law, economy, strategic management and accounting studied how and when internal ownership supports and helps the compatibility between the interests of owners and directors. This is of the simplest accesses as the executives'' ownership to large portions makes them seek to employ the company's resources in highly profitable investments on the long-run. Furthermore, they do not attempt to evade their financial and strategic responsibilities (Jensen & Mecling, 1976).

Subsequently, views are conflicted concerning the impact of the executive management's ownership of shares as such ownership may increase the company's risks (Rajopal & Shevlin, 2002). However, (Desai & Dhamapla, 2006) produced exactly the opposite. Some researchers argue that the executive management's ownership leads, in many cases, to a conflict between the management's behavior and owners' goals (Thomas & Nagarajan, 2013).

2. Board of Directors Members Ownership: We could say that the goals of the board directors members agree and harmonize with those of the owners (Hermalin & Weisbach, 2003). Hence, there was no much significance to studying the impact of the board of directors members' ownership compared to that of the executive managers (Al-Bassam, Ntim, Opong & Downs, 2015). This comports with the argument of the agency theory in that the members of the board of directors must necessarily have the same interests of the shareholders.

3. Non-Executive Employees: Thousands of companies reward their employees through granting them some of the company's shares (Blasi, Kruse & Bernstein, 2003). (Welbourne & Gomez-Mejia, 1995) believe that such shares lead to goals compatibility, reduce the absence of employees, lessen the employees' complaints about work pressure, increase the efficiency and improve the company's performance in general and consequently realize gains which are the basic actuator of share prices. However, some researchers found that the performance of the companies which follow this type of incentives is not better than that of other companies (Krus & Blasi, 1995).

External Ownership: Outsider ownership may help the shareholders to practice more effective control over the behavior of the management. This is what (Dalton et al., 2003) called control entrance. To specify the external owners' ability to practice monitoring tasks on the management, we have to distinguish the types of those owners as follows:

1. Concentrated Ownership: According to (Connelly et al., 2010), the Securities and Exchange Commission (SEC) defined ownership concentration as the ownership size that

exceeds %5 of the total shares of the company. Two factors stimulate investors to possess such large ownership of shares which are the increase in private benefits and concentration of control.

Here, we have to distinguish between large portion shareholders inside the company (executives and directors) and those of large ownership from outside the company because of the great ability of the insiders to observe the company's procedures (Connelly et al., 2010). Researchers stated that the owners of large portions usually serve the company or work for it as directors or senior officers (Holdernes, 2003).

Family ownership is one category of individual concentrated ownership and has received great attention from the academic researchers (Anderson & Reeb, 2003; Burkart, Panunzi & Shleifer, 2003). The majority of applied researchers point out that seldom does family ownership create value for the company small shareholders except in such rare cases when the founder of the company works as an executive director.

Another form of ownership concentration is the ownership of the state (government ownership). This form of ownership obviously appears in start-up companies. Government ownership leads to multiple problems such as budget restrictions, innovation weakness, weak financial performance and corruption increase.

2. Private Ownership: Practically, many companies practice their activities in the market despite not trading their sticks in financial markets. Most often, those companies are owned by a blend of founders and some other closely related individuals. In this type of companies, capital owners control the censorship over the company's business. This is because the newly established companies greatly depend on the cash flows provided by capital owners; and consequently, those owners are able to negotiate with the management and control its activities.

Corporate Governance

In the last two decades, the world witnessed a number of company failure cases. Particularly, scandals of companies like (Enron, WorldCom, and Baring Bank) directed the attention of researchers and professionals toward corporate governance (Bauwhede & Willekens, 2008; Ntim, 2014). In addition, the financial crisis in the nineties of the last century raised many inquiries about the corporate governance systems, and whether companies are able to continue, stand and compete under the feebleness of the corporate governance systems (Rwegasira, 2000; Ho & Wond, 2001; Haniffa & Hudaib, 2006). As a result of those events, many international and local initiatives were launched to present recommendations to practice good company governance (Collett & Harsky, 2005). The suggested recommendations aimed at increasing transparency in the financial and non-financial reports, clarifying the tasks and responsibilities of companies managements and increasing accountability which will help companies to maintain the shareholders' confidence, protect stakeholders and improve performance (Cadbury Report, 1992).

The Organization of Economic Cooperation and Development (OECD) defined governance as "The system that guides and adjusts the works of the company where it describes and assigns the rights and duties to the different parties of the company like the board of directors, shareholders and stakeholders; and establishes the required rules and procedures to take the decisions related to the company's affairs to identify the goals and the needed strategies to realize them" (OECD, 1999, P. 11).

The Insurance Regulatory Commission defined corporate governance as: "A set of relationships among the company's directorate, executive management, shareholders and other stakeholders which aim at the fulfillment of the company and the insured interests and monitoring the achievement of those goals and the company's commitment to the principles of justice, transparency and disclosure about its financial position, performance, ownership and adherence to the provisions of relevant legislations" (Corporate governance directives of the reinsurance company and the foundations of its organization and management, 2010, Official Gazette No. 5016, P. 1391).

(Al-Bishtawi, Zraqat & Al-Hiyasat, 2014, P. 56) defined it as: "The framework that provides an appropriate structure through which the company can place its goals, establish the necessary means to realize those goals and control performance. Good corporate governance is to present reasonable incentives to the board of directors and the management to follow up with realization of those goals for the best interest of the company and shareholders. It should also facilitate the effective control and encourage companies to use their available resources efficiently. "

Through the former definitions, governance can be defined as "A supervisory and controlling system that includes a number of rules and foundations which organize the relationships in the company and specify the duties and obligations of all the parties participating in the managerial process for the purpose of reducing contradiction and creating balance among the management, investors and fostering disclosure and transparency.

The Importance of Corporate Governance

The proper and effective implementation of the legal and organizational demands of corporate governance contributes in shaping and improving the reputation of the company (Al-Sawalqa, 2014). This is because companies will respect the rights of their shareholders, debtors and dealers and guarantee transparency and accountability. As a result, companies will enjoy high confidence from all relevant parties. Moreover, the company that begins by acknowledging and actuating the governance principles will receive enormous benefits like the provision and reduction of capital, increase in the value of assets, the ability to attract foreign investments (Abu-Salim, 2014), gravitating clients and distinctive partners and the ability to work on sustainable development on the long-run (Shil, 2003).

The Agency Theory

The agency relationship is defined as: "A contract between one person or more who represent the owners (principal) and another person or more who represent the management (agent) to perform some services on their behalf, and this contract includes delegating the decision making authority to the agent" (Jensen & Meckling, 1976. P: 308). According to this definition, the agency relationship assumes the detachment of ownership from management which leads to two problems between principals and agents namely clash of interests and inconformity of information (Jensen & Meckling, 1976).

The Relationship between Ownership Structure and Corporate Governance

The company's ownership structure reflects the ability of the controlling owners in the hands of whom shares are concentrated in formulating the board of directors and monitoring the performance of the management. The facilitating element of this control is the power of those owners and the presence of an incentive which is firstly obtaining the most possible control and secondly receiving cash flows**.** Due to the frail legal protection to investors in the developing countries of which is Jordan, investors try to possess a large sum of shares to form a concentrated ownership that enables them to defend their interests in the company. Researchers and studies confirm the presence of a relationship between the ownership structure and each of agency cost (Fleming, Heaney & McCosker, 2005; Henry, 2010) and the financial reports quality. Additionally, ownership structure is the main determiner of the application level of corporate governance rules (Ntim et al., 2012).

Following is one explanation to the relationship of ownership structure, in its different types, with corporate governance:

Institutional Ownership

Many studies investigated the role of investment institutions in the filed od corporate governance and the effects resulting from the participation of those institutions in enhancing the effective governance structure that aims at limiting the timeserving administrative conduct guided to achieve personal interest (Chung, Firth & Kim, 2002). Contrary to small investors, investments institutions, because of their financial interests and independence, have the motive to monitor the management. Many researches and studies indicated that institutional ownership affects the applicability of corporate governance for many reasons: First: They have more ability and resources of information than small shareholders. Second: They have high level of knowledge and experience to assess the management's decisions and interpret the information disclosed in the financial reports (Chung et al., 2002). Third: Their voting ability allows them to take proper procedures when necessary (Donnelly and Mulcahy, 2008). Consequently, the investment institutions have strong motive to claim detailed information and to observe the disclosure policies of companies (Barako et al., 2006).

Foreign Ownership

Foreign investors are exposed to huge variance in information because of the remote distance and the language (Huafang & Jianguo, 2007). Therefore, they ask for the application of corporate governance to a great extent to reduce this variance in information (Haniffa and Cooke, 2002). In compliance with this view, companies with foreign ownership have strong drives to apply corporate governance in order to meet the expectations of foreign investors (Huafang and Jianguo, 2007; Elsayed, 2010). Furthermore, companies tend to apply corporate governance for the purpose of attracting foreign capitals.

Government Ownership

There are two points of view to explain the government's motives to invest in the shares of the companies listed in the stock market, The first opinion presumes that the investment of governments in shares is a kind of reaction against the markets' failure, the financial crises or the ill achievement of social objectives by the free market economies. The second opinion believes that the government's desire to achieve political goals like rewarding some entities of influencing election is the reason that urges the government to invest in the shares of listed companies.

Family Ownership

There are two types of agency problems in family companies: The first is the agency problem related to separating ownership from management, and the second is the agency problem related to the rights among the controlling category and the shareholders with low level of ownership (Morck & Yeung, 2003). Some researchers argue that family companies are more exposed to the second problem than the first problem whereby the family ownership and control enable it to keep an eye on the management and control its behavior to vast limits which lessens the first type of agency problems. However, because of the dominant families' motives to control the company and to work in it, the second type of agency problems increase (Morck & Yeung, 2003). Therefore, the agency theory states that family ownership may increase or reduce the agency problems and could have on explicit impact in the quality of auditing and the level of applying corporate governance (Lehn, 1985).

Per contra, the other opinion states that the second type of agency problems come with family ownership as a result of the dominant and solidarity motives among the families that own large portions. They may also have motives for expropriation from other investors, The controlling families can also nominate certain people to occupy significant positions in the board of directors and the executive management which allows the controlling families to impose weak corporate governance giving chance to opportunistic behavior to take place (Gomez-Mejia, Nunez-Nickel & Gutierrez, 2001).

Previous Studies

Most studies asserted that ownership structure is the main axis of the level of corporate governance application in companies (Sabeena & Suganya, 2016). Many researchers looked into the impact of concentrated ownership on the corporate governance application level (Al-Hazaimeh et al., 2014; Mohamed et al., 2014; Na'imeh, 2016) but without checking the features of the entity where such ownership is concentrated as there is different influence of each type of owners. Ownership may be concentrated in investment companies or controlling families or else the government may own the largest portion of the companies shares.

Many studies investigated the role of investment institutions in enhancing the effective corporate governance which aims at limiting the opportunistic behavior of the management (Mohamed et al., 2016) and demanding high quality auditing (Abdul-Aziz, 2016). Several researchers tested the role of corporate governance in the various aspects of companies work where some studies examined the relationship between institutional ownership and the level of corporate governance in companies. Some other studies made no distinction between senior individual investors and investment institutions (Mohamed et al., 2016). They also did not differentiate between local investment companies and foreign investment companies (Sabeena & Suganya, 2016). This will necessarily lead to different results concerning those studies.

Previous studies also showed that foreign ownership is connected to high levels of corporate governance application (Aboidoglu et al., 2015) and confirmed that companies tend to improve their corporate governance to gravitate foreign capitals. Studies also revealed the feebleness of corporate governance in case the state controlled company shares as the companies owned by the government are not inclined to improve corporate governance. Researchers explain this by the goal of governmental investment where the companies owned by the government do not focus on the financial performance as they do concerning other objectives like the social and political issues. In the same token, governmental companies have no problems in getting the needed cash. The studies also highlighted that governmental companies do not depend on high quality auditing firms but prefer local firms and offices. As for family ownership, studies indicated the absence of agency problem concerning the separation of ownership from management as the owners themselves run the company. However, agency problem appears in the gap between the controlling families and minor shareholders where the controlling families attempt to expropriate minor investors (Bozer & Bozer, 2007) and consequently practice pressure over the management to conceal information from minor investors. This contradicts with good governance principles and requires low quality auditing. Therefore, the studies spotlighted the conjunction of family ownership with low levels of corporate governance and auditing (Zureigat, 2011).

Methodology of the Study

This study is of the applied studies in solving field problems and developing work styles and productivity in the accounting and administrative domains. The study adopts the descriptive method which aims at describing certain phenomena or events and collecting factual information about them. It also cares for what the phenomena and events should be by suggesting the steps or methods that may lead them to the desired image.

Population of the Study

The study population includes all the general shareholding insurance companies listed in Amman stock market which counted (24) companies till the end of 2016.

Sample of the Study

A sample of 15 companies forming %62.5 of the study population was chosen and this ratio is statistically acceptable according to (Sekaran, 2000) table where the researcher chose the general shareholding insurance companies listed in Amman stock market and which are not liquidated, do not suffer financial stumbling and continuously published their financial statements during the period (2011-2015).

Measuring the Variables of the Study: The study variables were measured as follows:

First: Measuring the dependent variable (corporate governance application)

The study measured the Jordanian insurance companies application of corporate governance relying on the corporate governance instructions to insurance companies issued by the insurance commission. Said instructions included five dimensions connected to each of the board directors, the executive management, the audit committee, risk management and internal control system and internal auditing. A set of provisions was determined for each of those dimensions including the responsibilities, validities and conditions that should be available for each of those dimensions.

Depending on those instructions, a questionnaire was prepared including the five dimensions mentioned in the corporate governance instructions to insurance companies. The questionnaire was divided into five parts where each of the corporate governance dimensions instructions were included to measure the company's commitment to them. The questionnaire was distributed to the insurance companies employees in different positions.

Second: The independent variable (ownership structure)

Ownership structure was measured by reference to the annual reports of the companies and checking their contents. The forms of companies ownership structure was determined through the concentration of the company’s shares at a specific entity. The ownership was considered concentrated according to the definition of the Securities and Exchange Commission (SEC) which defined ownership concentration as the size of ownership that exceeds %5 of the total number of the company's shares, and accordingly, the ownership structure's variables were determined as follows:

1. Family ownership: Measured through the company's shares ownership concentration with a specific family.
2. Institutional ownership: Measured through the company's shares ownership concentration with institutions.
3. Individual ownership: Represents the companies which do not have ownership concentration with any specific party.
4. Government ownership: Measured through the company's shares ownership concentration with the government.
5. Measured through the company's shares ownership concentration with foreign investors.

Data Resources

The study depended on two main resources to collect data:

First: The literature that treated the subject matter of the study by referring to the Arabic and foreign scientific references of books and previous studies which handled corporate governance and ownership structure.

Second: The data received from its main sources and divided into two parts:

1- Primary data which was collected depending on a questionnaire which included the study model dependent variables represented in the corporate governance instructions to insurance companies together with the foundations of their organization, management and the modifications issued by the insurance commission in 2006 and which were measured through the following dimensions: Board of directors (11) questions, executive management (6) questions, audit committee (5) questions, risk management and internal control system (7) questions and internal auditing (12) questions.

2- Primary data concerning the measurement of the ownership structure components (family, institutional, individual, government, foreign) by referring to the annual reports of the study sample's companies during the period 2011-2014 whereby the size of the auditing office was measured through the number of the chartered accountants who have previous experience in auditing insurance companies. The auditing fees were measured through the amount of money charged by the audit office while customer retention was measured by the companies retention of the auditor for four years.

Unit of Analysis

The study targeted general directors, their deputies, and managers of the departments and divisions related to financial affairs, control, internal auditing, risk management, compensations and insurance services in each company who totally counted about 250 directors and managers. According to (Sekaran, 2000, 22), the sample size of (150) is considered to represent the study population. After distributing the questionnaire on the average of (10) questionnaires to each company, 135 questionnaires were recollected from which (120) questionnaires were analyzable, i.e. at the rate of (%80) of the total number of the questionnaire, (15) questionnaires were not analyzable for their incompleteness. In order to treat the questionnaire's items related to the second part statistically, completely applied was given (2) marks, partly applied (1) mark and not applied (0) marks. And accordingly, to facilitate decision making and judging the results.

Multicollinearity

This phenomenon indicates the presence of quasi-total linear correlation between two or more variables which inflates the value of the coefficient or determination R^2 and makes it bigger than its actual value. Therefore, the value of variance inflation factor was calculated for each variable pursuant to the tested hypothesis. Table No. (1) shows the results of multiple correlation test among the independent variables of the study. The results point out that the VIF value were all higher than (1) and less than (10) which refers to the absence of multiple linear correlation problem among the variables of the study (Gujarati, 2004, 253).

Table (1): Results of multicollinearity among independent variables

Variable	VIF
family ownership	5.530
institutional ownership	6.070
individual ownership	3.997
government ownership	2.431
foreign ownership	2.687

1. Autocorrelation:

Of the regression conditions is the date to be free from the autocorrelation problem which is known by the existence of a correlation between the random error limits in the regression model. This produces bias in the value of the estimated parameters and consequently weakness in the predictability of the model. This can be verified by performing Durbin-Watson Test the value of which ranges between (0 and 4). The existence of the autocorrelation phenomena is rejected whenever (D-W) value comes closer to the number 2 (Gujarat, 2004, 496). Table No. (2) shows the results of Durbin-Watson test for the study hypotheses and this makes clear that all Durbin-Watson values in all the hypotheses of the study are close to the number 2 which means that the data is free form the autocorrelation problem.

Table (2) the autocorrelation problem test

Hypothesis	Calculated D-W Value	Result
H01	**1.841**	**No autocorrelation**
H01-1	**1.792**	**No autocorrelation**
H01-2	**1.705**	**No autocorrelation**
H01-3	**1.878**	**No autocorrelation**
H01-4	**1.837**	**No autocorrelation**
H01-5	**1.697**	**No autocorrelation**

2. The Reliability of the Study Tool

For the purpose of testing the internal consistency of the study questions, Cronbach's Alpha test was performed to all the items of the dependent variable's dimensions (corporate governance). When the value of this coefficient is higher than 60% this means that the questions are measuring what they are supposed to measure providing the possibility to depend on the given data to test the hypotheses of the study (Sekaran & Bougie, 2012, 184). Table No. (3) clarifies the results of the test and shows that all Cronbach's Alpha values of all the dependent variable dimensions items were higher than %60 indicating the possibility to depend on the data in testing the hypotheses.

Table No. (3): Cronbach's Alpha coefficient values for the study tool items

No.	Dimension	Alpha Value
1	**Board of directors**	**0.702**
2	**Executive management**	**0.747**

3	**Audit committee**	**0.681**
4	**Risk management and internal control system**	**0.895**
5	**Internal auditing**	**0.805**
	All items	**0.783**

Descriptive Statistics and Hypotheses Test
First: The descriptive Statistics of the Study Sample Characteristics

This section contains a description of the introducing and demographic characteristics of the study sample members who work at insurance companies and who count (120) persons to whom the questionnaire were distributed as shown in table No. (4)

Table No. (4): Descriptive of the demographic variables of the study sample

Demographic Variables	Description	Frequency	Percentage
Gender	Male	97	80.8
	Female	23	19.2
	Total	**120**	**100**
Academic qualification	Bachelor's degree	87	72.5
	M.A	25	20.8
	Ph.D.	4	3.3
	Other	4	3.3
	Total	**120**	**100**
Years of experience	Less than 5 years	11	9.2
	From 5- less than 10 years	58	48.3
	From 10- less than 15 years	31	25.8
	15 years and more	20	16.7
	Total	**120**	**100**
Job position	General director/ deputy general director	9	7.5
	Unit manager	23	19.2
	Head of department	37	30.8
	Head of division	51	42.5
	Total	**120**	**100**

Table (4) shows that the number of males in the study sample got the highest percentage at %80.80 of the sample. This is attributed to the cultural concepts of society concerning the males' right to occupy administrative positions. As for the academic qualification, the highest percentage was taken by the bachelor's degree category which constituted %72.50 of the sample followed by those who have Master degree. This means that the administrators of insurance companies enjoy the necessary scientific and cognitive efficiency. We notice that the experience years category of (5 years to less than 10 years) occupied the first rank with %48.30 of the sample which points out that the administrative boards of the insurance companies have the required experiences to perform the tasks related to the insurance services. Finally, the job position of head of division constituted %42.50 of the sample followed by the head of department, and this corresponds with the administrative pyramid in companies where the number increases the more we move toward the base of the pyramid.

Second: The Descriptive Statistics of the Study Variables

This part of the study offers a description of the study variables were the arithmetic means, standard deviations and the maximum and minimum values were calculated producing the following results:

1. **The Dependent Variable (corporate governance)**

Table No. (5) shows the arithmetic means, standard deviations, rank and the application level of the dependent variable's dimensions (corporate governance).

Table No. (5): The arithmetic means, standard deviations and the level of corporate governance application at insurance companies

No.	Item	Arithmetic means	Standard deviation	Rank	Application level
1-	Audit committee	1.612	0.210	1	High
2-	Board of directors	1.554	0.232	2	High
3-	Internal auditing	1.503	0.170	3	High
4-	Executive management	1.436	0.260	4	High
5-	Risk management and internal control system	1.405	0.196	5	High
Corporate governance		**1.502**	**0.121**		**High**

Table No. (5) shows that the general level of corporate governance application at the Jordanian insurance companies was high, where the general mean reached at (1.502) with a standard deviation of (0.121) where it came after (the audit committee) in the first rank with an arithmetic mean of (0.210) with a high application level, while it was after (risk management and internal control system) in the last rank with an arithmetic mean of (1.405) and a standard deviation of (0.196) with high level of application. The attainment of the highest level of application by the audit committee is an issue that needs to be considered and the items related to the audit committee need to be studied as it is clear that there is shortcoming in the corporate governance instructions in relation to the audit committee as they focus on the formative issues not the substantial ones that may affect relevant parties.

We can also notice the powerful influence of the management which threatens the independence of the internal auditor and the audit committee as all the instructions related to the audit committee and the internal auditor obtained high levels of application except for the executive management's decisions and their control. This reveals the existence of agency problem and the incapability to steer the company's activities in o manner that guarantees balance between the management and the shareholders.

2. The Independent Variable Ownership Structure

This variable was measured through the following dimensions (family ownership, institutional ownership, individual ownership, government ownership, foreign ownership). Table No. (6) shows the descriptive statistics of those dimensions.

Table No. (6): The Descriptive Statistics of the Independent Variable Dimensions (Ownership Structure) for the Period 2011-2014

ownership structure dimensions	description	frequency	percentage
family ownership	absence of family	13	21.7

	ownership			
	presence of family ownership	47	78.3	
	total	60	100.0	
institutional ownership	absence of institutional ownership	47	78.3	
	presence of institutional ownership	13	21.7	
	total	60	100.0	
individual ownership	absence of individual ownership	56	93.3	
	presence of individual ownership	4	6.7	
	total	60	100.0	
scale dimensi	arithmetic mean	highest value	least value	standard deviation
government ownership	**0.0006**	0.064	0.000	0.019
foreign ownership	**0.162**	0.532	0.001	0.164

Table (6) shows that the rate of views to (absence of family ownership) during the period (2011-2014) was (21.7%) while the views of (presence of family ownership) was (78.3%); this indicates that the majority of the studied insurance companies were family companies. The view rate of (absence of institutional ownership) was (78.3%) while it was (21.7%) for the (presence of institutional ownership). This reflects the weak interest of investment institutions to invest in insurance companies shares. We also notice that the view rate of (absence of individual ownership) reached at (93.3%) while the views rate of (presence of individual ownership) was (6.7%) which agrees with that most ownership in insurance companies is concentrated ownership where individuals are not inclined to invest in insurance companies. As for the mean of government ownership, it reached at (0.006) with a standard deviation of (0.019) while the highest record value during this period was (0.064) and the lowest value was (0.000). This clearly indicates the lock of interests of the public institutions and the independent governmental units in investing in the insurance companies' shares. Finally, we notice that the mean of foreign ownership reached at (0.162) with a standard deviation of (0.164) while the highest recorded value during this period was (0.532) and the lowest value was (0.001) which points out the interest of the foreign investor to invest in the shares of insurance companies.

Third: Testing the Hypotheses of the Study

The main hypothesis of the study was tested by means of the multiple linear regression while its sub-hypothesis were tested through the simple linear regression presenting the following results:

Test of the main hypothesis H01: There is no statistically significant effect of the ownership structure on the level of insurance companies commitment to apply the corporate governance instructions to insurance companies.

Table No. (7): Test results of the ownership structure impact on the level of insurance companies commitment to apply the corporate governance instructions

dependent variable	Model Summery		ANOVA		Coefficient				
	R	R^2	calculated F	Sig F	description	B	standard error	T	Sig t
corporate governance	0.830	0.688	3.973*	**0.035**	family ownership	0.005	0.128	0.039	0.972
					institutional ownership	0.017	0.132	0.129	0.898
					individual ownership	0.364	0.184	1.974	0.080
					government ownership	0.952	0.352	2.705*	**0.021**
					foreign ownership	0.115	0.051	2.255*	**0.030**
					fixed regression	1.476	0.13	11.354*	**0.000**

* The impact is of statistical significance at (a ≤ 0.05)

The results of table No. (7) indicate that the correlation coefficient (R = 0.830) refers to the relationship between the independent variables and the dependent variable. In addition, the effect of the independent variables (the ownership structure dimensions) on the dependent variable (corporate governance) is statistically significant where F calculated value was (3.973) at a significance level (Sig = 0.035) which is less than 0.05 whereby the value of the coefficient of determination (R^2 = 0.688) which indicates that (%68.8) of the variance in the (corporate governance) can be interpreted through the variance in the (ownership structure dimensions) altogether. Therefore, we reject the first main null hypothesis and accept the alternative hypothesis which states: "There is statistically significant effect of the ownership structure on the level of insurance companies commitment to the corporate governance instructions to insurance companies", and this agrees with the outcome of most studies wherein ownership structure was considered the main determiner to the level of corporate governance rules application (Eng and Mak, 2003; Huafang and Jianguo, 2007; Ntim et al., 2012).

Table No. (8): The results of ownership structure dimensions effect on corporate governance

dependent variable	Model Summery		ANOVA		Coefficient				
	R	r^2	calculated F	Sig F*	description	B	standard error	calculated T	Sig t*
corporate governance **first sub-hypothesis**	0.181	0.033	0.438	0.519	**family ownership**	0.019	0.029	0.662	0.519

corporate governance **second sub-hypothesis**	0.122	0.015	0.195	0.666	**institutional ownership**	0.013	0.029	0.441	0.666
corporate governance **third sub-hypothesis**	0.481	0.231	3.915	0.069	**individual ownership**	-0.321	0.162	-1.979	0.069
corporate governance **fourth sub-hypothesis**	0.655	0.430	9.787*	0.008	**government ownership**	0.017	0.005	3.128*	**0.008**
corporate governance **fifth sub-hypothesis**	0.571	0.326	6.285*	0.026	**foreign ownership**	0.177	0.071	2.507*	**0.026**

* The impact is of statistical significance at (a ≤ 0.05)

1. First dub-hypothesis H01-1: There is no statistically significant effect of family ownership on the level of insurance companies commitment to apply the corporate governance instructions to insurance companies.

The results of table (8) show that (r = 0.181) and this refers to the relationship between (corporate governance) and (family ownership). It is also shown that the value of determination coefficient (r^2 = 0.033) which means that (family ownership) interpreted (%3.3) of the variance in (corporate governance) keeping the other factors constant. It was also clear that (F) value was (0.438) at a confidence level (Sig = 0.519) and this affirms the non-morality of the regression at (a ≤ 0.05).

The coefficient table shows that the value of (B = 0.019) and the value of (t = 0.662) at a confidence level (Sig = 0.519) and this asserts the non-morality of the coefficient at (a ≤ 0.05). Based on the aforementioned, we accept the first null sub-hypothesis which states: **"There is no statistically significant effect of family ownership on the level of insurance companies commitment to apply the corporate governance instructions to insurance companies."**

This indicates the absence of effect of the family ownership on the level of Jordanian insurance companies commitment to apply corporate governance and this copes with the study of (Al-Janadi et al., 2013) which revealed the absence of statistically significant relationship between families ownership to Saudi companies shares and the level of the companies application to corporate governance. This result also agreed with the study of (Naveed et al., 2015) in Pakistan and this result can be explained by the proximity of the organizational environment in Jordan, Saudi Arabia and Pakistan which are all developing countries with startup markets.

2. Second sub-hypothesis H01-2: There is no statistically significant effect of institutional ownership on the level of insurance companies commitment to apply corporate governance instructions to insurance companies.

The results of table (8) indicate that the value of ($r = 0.122$), and this refers to the relationship between (corporate governance) and (institutional ownership) and it is clear that the value of determination coefficient ($r^2 = 0.015$) which means that (institutional ownership) interpreted (%1.5) of the variance in (corporate governance) keeping the other factors constant. It also appeared that (F) value was (0.195) at confidence level (Sig = 0.666) which confirms the non-morality of the regression at ($a \leq 0.05$).

The coefficient table showed that the value of ($B = 0.013$) and that the value of ($t = 0.441$) at confidence level (Sig = 0.666) which asserts the non-morality of the coefficient at ($a \leq 0.05$).

Based on the aforementioned, we accept the second null sub-hypothesis which states:

"There is no statistically significant effect of institutional ownership on the level of insurance companies commitment to apply corporate governance instructions to insurance companies."

This refers to the absence of effect of institutional ownership on the level of Jordanian insurance companies commitment to apply corporate governance. This result, which contradicts the outcome of most studies concerning the presence of positive effect of institutional ownership on the quality of corporate governance (Al-Rifa'i. 201; Al-Shehadat & Abdul-Jalil, 2012; Zureigat, 2015; Lakhal, 2015; Sakka & Jaroui, 2016; Mohamed et al., 2011) means the non-existence of institutional ownership concentration at the Jordanian insurance companies, but this result agrees with the study of (Waweru, 2014) through comparing the influential factors in the level of corporate governance quality among the companies in South Africa and Kenya.

3. Third sub-hypothesis H01-3: There is no statistically significant effect of individual ownership on the level of insurance companies commitment to apply corporate governance instructions to insurance companies.

The results of table (8) indicate that the value of ($r= 0.481$) and this refers to the relationship between (corporate governance) and (individual ownership) and show that the determination coefficient value is ($r^2 = 0.231$) which means that (individual ownership) interpreted (%23.1) of the variance in (corporate governance) keeping the other factors constant. It was also cleat that (f) value was (3.915) at confidence level of (Sig = 0.069) which confirms the non-morality of the regression at ($a \leq 0.05$).

The coefficient table shows that the value of ($B = 0.321$) and that the value of ($t= 1.979$) at the confidence level (Sig = 0.069) which affirms the non-morality of the coefficient at ($a \leq 0.05$).

Based on the aforementioned, we accept the third null sub-hypothesis which states:

"There is no statistically significant effect of individual ownership on the level of insurance companies commitment to apply corporate governance instructions to insurance companies."

This points out the absence of effect of the individual ownership on the level of Jordanian insurance companies commitment to apply corporate governance. This agrees with the studies of (Al-Da'our & Abed, 2013; Sabeena & Suganya, 2011; Zureigat, 2014; Al-Hazaimeh et al., 2016) where the study of (Al-Da'our & Abed, 2013) showed the unawareness of the minor individual owners of the importance of the corporate governance and consequently their lock of interest in the level of its application. The study of (Sabeena & Suganya, 2011) stated that the individual investors do not pay adequate attention to corporate governance nor do they seek information, and that their interest is focused on increasing the revenues of their investments and inclined to invest in companies shares depending on the reputation of the company and their confidence in its management.

4. Fourth sub-hypothesis H01-4: There is no statistically significant effect of the government ownership on the level of the insurance companies commitment to apply the corporate governance instructions to insurance companies.

The results of table (8) indicate that the value of (r = 0.655), and this refers to the relationship between (corporate governance) and (government ownership). The value of determination coefficient is (r^2 = 0.430) which means that (government ownership) interpreted (%43.0) of the variance in the (corporate governance) keeping the other factors constant. They also show that the value of (F) reached at (9.787) at the confidence level (Sig = 0.008) which asserts the morality of the regression at ($a \leq 0.05$).

Based on the aforementioned, we reject the fourth null sub-hypothesis and accept the alternative which states:

"There is a statistically significant effect of the government ownership on the level of the insurance companies commitment to apply the corporate governance instructions to insurance companies.

This indicates the presence of statistically significant positive effect of the government ownership on the level of Jordanian insurance companies to apply corporate governance. This agrees with the study of (M. Al-Bassam et al., 2015). The positive effect of the government ownership can be interpreted by the interest of the government representatives in the companies' boards of directors in implementing the instructions literally to avoid accountability and maintain their membership in the board of directors. However, the study of (Habbash, 2013; Al-Janadi et al., 2013) revealed a negative effect of the government ownership in the Saudi companies. This difference in results can be explained by the thinking nature of the government's representatives and their interests connected to keeping their positions in the board of directors where the reward of the board's membership is a kind of incentive for the government's representatives in Jordan while it has no significance among the government's representatives in Saudi Companies.

5. Fifth sub-hypothesis H01-5: There is no statistically significant effect of the foreign ownership on the level of the insurance companies commitment to apply corporate governance instructions to insurance companies.

The results of table (8) indicate that the value (r =0.571) and this refers to the relationship between (corporate governance) and (foreign ownership) and that the determination coefficient value is (r^2 =0.326) which means that (foreign ownership) interpreted (%32.6) of the variance in (corporate governance) keeping the other factors constant. It was also clear that (f) value reached at (6.285) at a confidence level (Sig = 0.026) which affirms the morality of the regression at ($a \leq 0.05$).

The coefficient table showed that the value of (B = 0.177) and the value of (t = 2.507) at a confidence level (Sig = 0.026) and this confirms the morality of the coefficient at ($a \leq 0.05$).

Based on the aforementioned, we reject the fifth null sub-hypothesis and accept the alternative one which states:

"There is a statistically significant effect of the foreign ownership on the level of the insurance companies commitment to apply corporate governance instructions to insurance companies."

The results of table (8) reveal the presence of statistically significant positive effect of the foreign ownership on the level of Jordanian insurance companies commitment to apply corporate governance which agrees with the studies of (Abu-Saleem, 2014; Abodioglu et al., 2016; Sabeena & Suganya, 2016; Chu & Song, 2011; Zureigat, 2013; Suwaidan, Abed & Khoury, 2015). The positive effect of the foreign ownership can be explained in that foreign investors are exposed to large variance of information because of the remoteness and the language.

Conclusions and Recommendations

Viewing the results of the study, the following conclusions can be produced:

1. There is commitment among the Jordanian insurance companies to apply the corporate governance instructions issued by the insurance commission.
2. There is an impact of the ownership structure on the level of the insurance companies commitment to apply the corporate governance instructions.
3. The high level of the insurance companies application to the corporate governance instructions cannot be regarded as a solution to the agency problem at the Jordanian insurance companies as the insurance companies application was related to the face items, but the companies management did not provide adequate disclosures to the relevant parties about the manners of company management.
4. Despite the companies adherence to the instructions related to the internal dimensions like forming the audit committee and the existence risk management and internal control systems, such dimensions are just formal and do not have influence in solving the problems which corporate governance is seeking to terminate.

Based on the results produced by the study, it recommends the following:

1. Determining the controlling entities in charge of following up the insurance companies application to the corporate governance instructions and performing a sort of accountability to the insurance companies on the level of actual and not formal compliance especially in connection to the protection of the parties which do not enjoy authority or ability to obtain information.
2. Restudying and formulating the instructions in a way that guarantees the effectiveness of the corporate governance principles as the current instructions require the formulation of committees.
3. Conducting more studies about the methods and measures that may protect the interests of minor investors and keep them far from the opportunistic practices of the management or the controlling owners' behavior.
4. Enhancing the procedures that assure the independence of the audit committee and the internal auditing of companies and granting their non-submission to the desires of the executive management and the board of directors.

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