

The Impact of Internal Corporate Governance Mechanisms on Liquidity Risk at Jordanian Commercial Banks Listed On the Amman Stock Exchange

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Abstract: The aim of this research is to investigate the relationship between Internal corporate governance mechanisms and on liquidity risk using data from 13 commercial banks listed on the Amman Stock Exchange during the period 2009-2016. Panel data was utilized and the data gathered from 104 annual reports from 13 commercial banks in Amman, which analyzed using descriptive statistics, correlation, and regression. The use and analysis of data collected from annual reports were using descriptive statistics, correlation, and regression. Seven main corporate governance variables were analyzed in terms namely: (Board size, Board Independence, CEO /Chairman Separation, Audit Committee Independence, Ownership concentration, Institutional Ownership, and Foreign Ownership) their relative of liquidity risk. On the other hand, bank size and debt Ratio were used as a control variable. Based on the results of the study, it has been observed that Internal corporate governance mechanisms variables have a significant effect on liquidity risk

Keywords: Corporate Governance, Liquidity Risk, Panel Data.

1. Introduction

Last decade, some successful banks collapsed suddenly after a good performance. For example, in the UK, Northern Rock was one of the FTSE 100s, this problem has increasingly sparked the fear of investors affecting the bank industry in particular and market indices (Sants, 2008). Financial statements are considered the primary source of financial information for investors and other users (e.g., government, employees, consumers and suppliers), and the statements predict that they will represent the company's correct financial position (T Ulusoy, 2008). Despite the importance of financial statements, there are many aspects of the business that are not fully covered by financial statements (Aksoy & Dayi, 2017). The financial statements are prepared as required by accounting standards, but the company with its much evidence has announced bankruptcy, the main reason behind which there is a conflict of interest between managers and shareholders (Mallin, 2007).

Corporate Governance has received considerable attention, especially following the massive costly corporate scandals that have focused on the possibility that many problems with the reason to structural factors. In particular, collapses such as those that occurred at Maxwell Communications Corporation (MCC), Enron, Parmalat and others, suggested that the failure, or inability, of boards of directors to control and monitor business, laxity in accounting standards and an ethos of contented indifference on the part of many business leaders, had played important roles. In response, many committees have been formed (e.g., Cadbury Report 1992, Smith report 2003, Higgs Report 2003, Alelfartas 2019) conclude many recommendations to reform the corporate governance status. Among the significant recommendations are the board of directors responsible for the risk that faces the company in the business environment.

Some other aspects of corporate governance in banks, such as board characteristics and CEO pay and ownership, have been addressed in a few recent academic studies (Hassan & Abdulhakim, 2015) aimed to explore the relationship between the mechanisms of governance (the independence of the board of directors, the size of the board, the dual role of the chief executive officer, the quality of the audit committee) and the performance of companies registered in the Saudi stock market. To achieve this objective, the study relied on the analysis of the annual reports of a sample of (140) Saudi companies registered during the year (2013). The study also used the method of correlation and regression to analyze the relationship between the variables of the study. The results of the study indicate that there is a noticeable interest in the good governance practices in the Saudi business environment, as well as a positive relationship of significant significance between the quality of the review committees and the independence of the board members and the efficiency of the value added. While there is a significant correlation between the size of the Board of Directors, the duplication of the role of the Chief Executive Officer and the efficiency of value added (gross value added, value added of capital in kind and value added of intellectual capital) (Hassan & Abdulhakim, 2015). Beasley et al, (2005) use the survey to examine the relationship between enterprise risk management and implementation in 123 US companies. Their findings report that a positive relationship between enterprise risk management, on one hand, and; the presence

of chief risk officer, independence of the board of directors, the presence of a Big 4 auditor, and firm size (Beasley, Clune, & Hermanson, 2005). They recommend more researchers are needed to explore the relationship between risk management and corporate governance (Beasley et al., 2005), as well as in practitioner-oriented studies. Marn & Romuald (2012) have shown to examine the relationship between corporate governance and company performance using panel data from 20 listed companies in Malaysia. They had analyzed five main corporate governance variables were analyzed in terms of their relative impact on corporate performance as defined by Earnings per Share (EPS) namely: board size, board composition, audit committee, CEO status, and Ownership structure. Based on the results of the study, it was observed that the size of the board and ownership structure had a significant effect on firm performance (Marn & Romuald, 2012). Furthermore, the liquidity risk has an important role in the financial performance and net working capital management (Dayi, 2019, Alelfartas 2019).

The Financial Times (2008) reported that one of the main reasons for the world's largest investment bank, such as Goldman Sachs, Morgan Stanley and Citigroup, was risk management deficiencies. The author of the report Hal Weitzman calls for a review of risk management strategies and system procedures. Skypala (2008) of the Financial Times is blaming executives for not using risk management when using funds. Another reason for the collapse of Enron is the conflict between managers and shareholders, which causes the manager acted for their own interests and although that was against the targets of shareholders.

In addition, public policy makers around the world have begun to question the applicability of corporate governance currently applicable to financial institutions. In particular, the role of risk management in financial institutions has been submitted. In a number of recent policy documents, a comprehensive risk management framework is described in conjunction with the proposed governance structure (e.g., (Basel Committee 2008; FSA, 2008; IIF, 2007; Walker, 2009). According to the Basel Committee on Bank Supervision, effective corporate governance practices are essential to achieving and maintaining public trust and confidence in the banking system, which is critical for proper functioning of the banking sector and the economy as a whole (Bank of International Settlement (BIS), 2010) (BIS), 2014). Because the banking system plays a very important role in the economy, corporate governance is important and risk management is essential in financial institutions (Trinh, Duyen, & Thao, 2015). Therefore, researches on corporate governance and risk management have been interested in the recent academic literature (McNulty, Florackis, & Ormrod, 2012; Salhi & Boujelbene, 2012; Tsorhe, Aboagye, & Kyereboah-Coleman, 2011; Zhong, Gribbin, & Zheng, 2007) emphasized the impact of board strengths and stakeholder behaviours on the management of bank capital risk, credit risk, and liquidity risk. Cash management is important for bank management (Tolga Ulusoy, Esmer, & Dayi, 2019).

Jordan is a small country with limited resources; its financial market is aiming to the principles of equality, transparency and effectiveness. However, Jordan like other countries also experienced financial collapses such as Shamaylaeh Gate, which forces regulatory bodies to adopt a sequence of legislative, economic and financial reforms that intended to promote transparency, accountability and the rule of law in the economic life of the country (JFED, 2003). In 2005, the Jordan Securities Commission (JSC)'s announced the first Jordanian corporate governance codes for corporations listed in the ASE for the purpose of establishing a solid framework that regulates their relations and defines their responsibilities to safeguard shareholders (Al-Zamel, 2015).

The aspects of corporate governance in banking business, such as the characteristics of the board of directors, salaries and executive heads, have been addressed in a few recent academic studies (eg, (Beltratti & Stulz, 2012; Fahlenbrach & Stulz, 2011, Alelfartas 2019). However, corporate governance literature and the impact of corporate governance in financial firms are still very limited especially the case of a developing country such as that of Jordanian. Financial institutions have their own characteristics, such as high transparency, tight regulation, and intervention by a government.

This work investigates on the assessment of the link existing between Internal corporate governance mechanisms and liquidity risk. Moreover, we have used in this model to comprises two control variables related to variables characteristics; namely the bank size, and debt Ratio that it shows the effect of independent variables with dependent variables, as well as reduce random errors in the model through previous studies. Also, we suggest that the findings of this study could prove significant to regulators, investors, academics and others who argued that good corporate governance is important for raising investor assurance and market liquidity. With the compliance focusing on corporate governance presented by the Jordanian authorities, such as the report of finance committee on corporate governance, the Jordanian code of corporate governance and Jordanian stock exchange listing requirements. So, this paper will approach the impact of Internal corporate governance mechanisms on liquidity risk at Jordanian commercial banks listed on the Amman stock exchange.

The aim of this research is to determine the relationship between the internal corporate governance mechanisms and banking risks at Jordanian commercial banks listed on the Amman Stock Exchange The

following are the research objectives:

To find out the influence of board size on banking risk (the number of members of the Board of Directors each year).

To determine the influence of audit committee on banking risk (the proportion of an independent (non-executive) of Committee to the total number of Audit Committee).

To know the relationship between board Independence and banking risk (by the ratio of independent members (non-executive) in the board).

To determine the relationship between CEO\ Chairman Separation status and it's the influence of banking risk.

To know the proportion of ownership concentration on banking risk (the percentage of shares owned by the largest shareholders).

To determine the influence of the proportion of company's ownership on banking risk (the proportion of bank shares owned by companies).

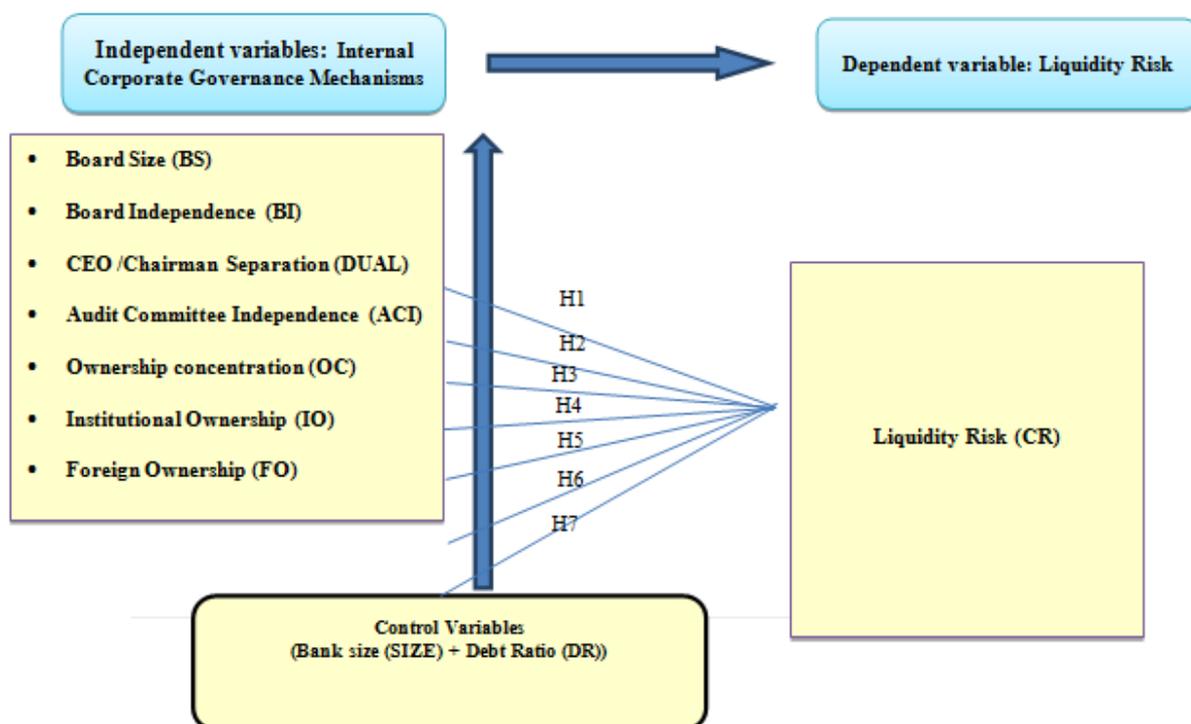
To find out the influence of foreign ownership on banking risk (the percentage of the shares of owned by foreign investors to total issued shares).

Therefore, researches on corporate governance and risk management have been interested in the recent academic literature (McNulty et al., 2012; Salhi & Boujelbene, 2012; Tsorhe et al., 2011; Zhong et al., 2007) emphasized the impact of board strengths and stakeholder behaviors on the management of bank capital risk, credit risk, and liquidity risk. McNulty et al (2012) studied the impacts of board behaviors and director characteristics on the financial risk management. This research may be helpful for the on-going debate on the assessment of the link existing between corporate governance and liquidity risk. Moreover, the findings of this study could prove significant to regulators, investors, academics and others who argued that good corporate governance is important for raising investor assurance and market liquidity. With the compliance focusing on corporate governance presented by the Jordanian authorities, such as the Report of Finance Committee on Corporate Governance, the Jordanian Code of Corporate Governance and Jordanian stock exchange listing requirements. So, this paper will approach the impact of Internal corporate governance mechanisms on liquidity risk at Jordanian commercial banks listed on the Amman stock exchange (McNulty et al., 2012).

2. Conceptual Framework and Hypotheses

1. Conceptual Framework

Figure (1) is shown to suggested for study mode conceptual frameworks are formed as below:



2. Study Hypothesis

H1: Liquidity risk is positively related to board size.

H2: Liquidity risk is positively related to the fact that chief the executive officer is a separate entity from the chairman of the board.

H3: Liquidity risk is positively related to a higher proportion of independent non-executive directors.

H4: Liquidity risk is positively related to a higher proportion of independent directors in the audit committee.

H5: Liquidity risk is positively related to the proportion of ownership concentration.

H6: Liquidity risk is positively related to the proportion of Institutional ownership.

H7: Liquidity risk is positively related to the proportion of foreign Ownership.

3. Research Methodology

This study is considered of the applied studies, which is based on private data of Jordanian banks, the study adopted the descriptive analytical approach in attempting to make meaningful inferences relating to the relationship of corporate governance variables and liquidity risk of the chosen sample.

1. Society and the research sample

The study population consisted of all Jordanian commercial banks listed on the Amman Stock Exchange, and their number (13) banks, the study relied of series of the annual of corporate governance reports and financial statements of the commercial banks during the period (2009 -2016), where they were collected 104 annual reports from 13 commercial banks in Amman.

2. Data analysis

The data for the study variables will be collected from the annual reports of the study banks for the period of study 2009-2016 and Statistical analysis will be employed in this study in order to examine the relationship among variable, to test the hypotheses and validate the findings. The data collected will be analysed using the E-views 10 to perform the correlation test, the regression test, and the descriptive statistical analysis.

3. The Measure of Liquidity risk

This section aims to present the empirical model of the study. The dependent variable (liquidity risk). The Seven independent variables include: -: Board size, Board Independence, CEO /Chairman Separation, Audit Committee Independence, Ownership concentration, Institutional Ownership, and Foreign Ownership. Finally, this model also comprises two control variables related to variables characteristics; namely the bank size and debt Ratio. The empirical model is as follow:

$$LIQR = \beta_0 + \beta_1(BS) + \beta_2(BI) + \beta_3(DUAL) + \beta_4(ACI) + \beta_5(OC) + \beta_6(IO) + \beta_7(FO) + \beta_8(SIZE) + \beta_9(DR) + \epsilon$$

I. Dependent Variable (liquidity Risk (LR):

It is measured by the ratio (Cash + short-term investments) to total deposits (Almazari, 2014).

II. Independent Variables (Internal Corporate Governance Mechanisms):

The Board Size (BS): The board of directors consider an important part of the governance structure of companies. It refers to the number of members of the Board of Directors each year (Aebi, Sabato, & Schmid, 2012; Hutchinson, Seamer, & Chapple, 2015), where the studies indicate (Huang & Wang, 2015) there is a relationship between board size and credit risk.

Board Independence (BI): Institutional investors play an active role in the governance of banks. It is calculated by the ratio of independent members (non-executive) members of the Board of Directors to the total number of Board members (Al-Smadi, 2013; Christy, Matolcsy, Wright, & Wyatt, 2013; Hutchinson et al., 2015).

CEO \Chairman Separation (DUAL): It means to separate between the Chairman and the Chairman of the Executive Director where it will be used (Dummy Variables) take the value 1 in case of separation and value (0) if the positions are not separated between them (Hearn, 2011)

Independence of the Audit Committee (IAC): The role of the board involves the formulation and supervision of strategic objectives. It is concluded the proportion of an independent (non-executive) of Committee to the

total number of Audit Committee (Christensen, Kent, & Stewart, 2010; Marn & Romuald, 2012).

Ownership Concentration (OC): It is the concluded percentage of shares owned by largest shareholders who own 5% or more of the bank's shares(Christy et al., 2013) , where the study confirmed(Al-Smadi, 2013) the existence of a significant impact of ownership concentration on credit risk.

Companies Ownership (CO): It is measured by the proportion of bank shares owned by companies (Marn & Romuald, 2012)

Foreign Ownership (FO): It is measured by the percentage of the shares of owned by foreign investors to total issued shares(Al-Amarneh, 2014; Al-Smadi, 2013).

III. Control Variable

It was added in order to control the relationship between independent variables and dependent variables, view the effect of independent variables with dependent variables, as well as reduce random errors in the model through previous studies (Liao, Mukherjee, & Wang, 2015; Obradovich & Gill, 2013; Tahir, Rehman, & Rehman.Naveed, 2015; Yaseen & Al-Amarneh, 2015), and the most important of these variables bank size and debt ratio.

4. Estimate the Model

1. Descriptive statistical analysis

The summary of the descriptive statistics for the panel data in all Jordanian commercial banks listed on the Amman Stock Exchange is reported in Table 2. It shows the distribution of liquidity risk and Internal corporate governance mechanisms variables (Board size, Board Independence, CEO /Chairman Separation, Audit Committee Independence, Ownership concentration, Institutional Ownership, and Foreign Ownership). furthermore, control variables (bank size and debt Ratio).

Table 1: Descriptive statistics

Variables	Mean	Max	Min	Stdev
LR	12.07	27.79	4.07	4.91
BS	10.7	14.0	6.0	1.8
BI	37.2	77.8	0.0	15.8
DUAL	10	9.62	94	90.4
ACI	59.5	75.0	20.0	15.5
OC	59.7	88.5	21.3	20.1
IO	8.37	91.86	0.00	13.26
FO	35.2	89.1	0.0	29.7
SIZE	21.4	24.0	19.5	1.0
DR	85.7	93.5	78.0	2.6

The table above shows the descriptive statistics of the variables used in the study. The mean of liquidity risks (12.07%), with standard deviation (4.91%) for all banks for the period 2009 – 2016. Regarding, the board size was (10.7), with standard deviation (1.8) for all banks for the period 2009 – 2016. Also, board independence, the sample means the value of (37.2%) shows that the ratio of independent non-executive directors (INEDAC) is slightly close to the half of the total number of the directors, with standard deviation (15.8%) for all banks for the period 2009 – 2016, With regards to shows that the duality for all banks for the period 2009 – 2016, where the number of observations of duality was (10), which formed (9.62%) of all observation, while the number of observations of no duality was (94), which formed (90.4%) of all observation. We can note that, almost, all bank appeared no duality, except for (Bank of Jordan) appeared duality throughout the whole period. Also, the means of audit committee independence for all banks for the period 2009 – 2016, was (59.5%), with standard deviation (15.5%) shows that the audit committee is mostly composed by independent non-executive directors. For Ownership Concentration, the mean values were (59.7%), with standard deviation (20.1%). The mean of institutional ownership for all banks for the period 2009 – 2016, was (8.37%), with standard deviation (13.26%). With regards to the mean of foreign ownership for all banks for the period 2009 – 2016, was (35.2%), with standard deviation (29.7%).

furthermore, the bank size shows that the mean value (natural logarithm of total assets) for all banks for the period 2009 – 2016, was (21.4), with standard deviation (1.0). While, shows that the mean of debt ratio for all banks for the period 2009 – 2016, was (85.7%), with standard deviation (2.6%).

2. Correlation analysis

I. Testing for unit root

While working with time series data we need to test them for stationary. This test is processed to determine if there is a systematic change in either the mean or the variance in the data, if not it should be treated appropriately, to misleading estimates and spurious regression. The verification of unit root is done in practice by using unit root tests such as Dickey-Fuller, Augmented Dickey-Fuller(Dickey & Fuller, 1979)and Phillips-Perron tests(Phillips & Perron, 1988). Augmented Dickey-Fuller test is employed which requires the estimation of the following equation

$$\Delta Y_t = \alpha + \beta Y_{t-1} + \sum_{i=1}^n \gamma_i \Delta Y + \varepsilon_t$$

The lag order n is chosen to satisfy the criteria of no autocorrelation. The null hypothesis of presence of non-stationary behavior is essentially the test of whether $\beta = 0$ or no.

Table 2: Unit Root test

Variables	ADF	Prob.	PP	Prob.
LQ	-6.184902* (-3.495021)	0.0000	-6.100982* (-3.495021)	0.0000
BS	-4.517483* (-3.495021)	0.0003	-4.686141* (-3.495021)	0.0002
BI	-5.220080* (-3.495021)	0.0000	-5.251809* (-3.495021)	0.0000
DUAL	-1.390667 (-2.582041)	0.5841	-4.284275* (-3.495021)	0.0008
IAC	-3.374349** (-2.889753)	0.0141	-3.504684* (-3.495021)	0.0097
OC	-3.535327* (-3.495021)	0.0089	-3.550544* (-3.515047)	0.0085
IO	-5.983363* (-3.495021)	0.0000	-5.961360* (-3.495021)	0.0000
FO	-2.716004*** (-2.581890)	0.0747	-2.951841** (-2.889753)	0.0430
SIZE	-2.822654*** (-2.581890)	0.0586	-2.965003* (-2.889753)	0.0416
DR	-3.937684* (-3.495021)	0.0026	-3.957503* (-3.495021)	0.0024

(*) p<0.01, (**) p<0.05, (***) p<0.10.

The results of the stationary test of Unit Root show that the (LQ, BI, BS, OC, IO and DR) are stationary at level, since the significant level (Prob.) corresponding to variables are less than 0.01. The variables (ACI, FO and SIZE) are stationary in different significant levels (0.01, 0.05 and 0.10), these results according to ADF test, with almost similar to PP test. Moreover, ADF test appears (DUAL) series with unit root, while this result rejected by PP test, which show that (DUAL) is stationary at (0.01) significant level. These results show that the null hypotheses of the unit root existence (non- Stationary) are rejected, which indicate that all mentioned variable are stationary at the level during the study period.

II. Multicollinearity Test

To test the existence of multicollinearity phenomena between model variables, Pearson correlation coefficients calculated between independent (predictor) variables, the results of testing multicollinearity between independents variables are explained by correlation matrices and VIF test as following:

Table 3: Correlation matrix for predictor variables

	BS	BI	DUAL	ACI	OC	IO	FO	SIZE	DR
BS	1.000								
BI	-0.533**	1.000							
DUAL	-0.123	-0.039	1.000						
IAC	-0.164	0.126	-0.156	1.000					
OC	-0.406**	-0.017	0.124	-0.129	1.000				
IO	0.105	0.142	-0.304**	0.146	-0.212*	1.000			
FO	-0.259**	-0.038	0.293**	-0.171	0.769**	-0.429**	1.000		
SIZE	0.347**	-0.121	-0.136	0.359**	-0.275**	-0.069	-0.128	1.000	
DR	0.081	0.017	0.068	0.062	-0.001	0.254**	-0.085	0.116	1

(**) Significant at 0.01, (*) Significant at 0.05

The above table shows that maximum value of correlation coefficient (0.769) occurred between (OC and FO), this value may indicate there is no multicollinearity problem, otherwise the values were less than or equals (± 0.769), which means there were no perfect relationship between variables. In the statistical literature the value (0.80) and more considered as an indicator of multicollinearity existence (Gujarati & Porter, 2004).

To ensure the above result, variance factor inflation (VIF) was calculated, the results in the following table

Table 4: VIF for independent variables

Variable	VIF
BS	2.375
BI	1.650
DUAL	1.271
IAC	1.415
OC	3.390
IO	1.553
FO	3.324
SIZE	1.589
DR	1.156

Table (4) shows that all VIF values were greater than (1) and less than (10). This gives evidence that there is no multicollinearity among all predicted variables. Gujarati, (2004).

III. Regression analysis and hypothesis Results

Regression analysis

This part of study deals with regression results of explained variables (liquidity risk) and the explanatory variables (BS, BI, DUAL, ACI, OC, IO, FO, SIZE and DR) of the study. The results of regression generated from fixed and random effect models. The results were as following:

Table 5: Regression results

Variable	Co-eff	Std Error	T-value	P-value*
BS	0.327	0.223	1.463	0.147
BI	-0.033	0.010	-3.223	0.002
DUAL	-0.763	0.445	-1.715	0.090
IAC	-0.052	0.028	-1.903	0.060
OC	0.003	0.028	0.110	0.913
IO	0.138	0.019	7.439	0.000
FO	0.054	0.014	3.818	0.000
SIZE	2.881	0.352	8.173	0.000
DR	-0.028	0.099	-0.288	0.774
Constant	-51.868	12.429	-4.173	0.000
R-squared	0.456			
Adjusted R-squared	0.404			
F-statistic	8.767			
Prob*(F-statistic)	0.000			
D-W	1.927			

*Significant at 0.05 level.

Hypothesis Results

Hypothesis 1 shows that liquidity risks is positively related to board size. With regard to the corporate governance variable (independent variable); board size (BS) as illustrated in the table has no significant effect on liquidity risks(at $p < 0.05$) with where coefficient value equals (0.327) is not significant with ($t = 1.463$) and ($P\text{-value} = 0.147$). This means that board size no significant effect on liquidity risks.

Hypothesis 2 underpins that liquidity risk is positively related to the fact that chief the executive officer is a separate entity from the chairman of the board. With regards to the corporate governance variable; independent non-executive directors (INEDB) has a significant effect on liquidity risk (at $p < 0.05$), where has a significant effect, where coefficient value equals (-0.033) is significant with ($t = -3.223$) and ($P\text{-value} = 0.002$). Therefore, a significant positive relationship between Board Independence and liquidity risk.

Hypothesis 3 reveals that: liquidity risk is positively related to a higher proportion of independent non-executive directors. With regards to the corporate governance variable; (DUAL)(at $p < 0.05$), has no significant effect, where coefficient value equals (-0.763) is not significant with ($t = -1.715$) and ($P\text{-value} = 0.090$).

Hypothesis 4 supports that liquidity risk is positively related to a higher proportion of independent directors in the audit committee. With regards to the corporate governance variable; independent non-executive directors in the audit committee (ACI), the table has no significant effect, where coefficient value equals (-0.052) is not significant with ($t = -1.903$) and ($P\text{-value} = 0.060$). Therefore, It no significant effect relationship between (ACI) and liquidity risk.

Hypothesis 5 supports that liquidity risk is positively related to the proportion of ownership concentration. With regards to the corporate governance variable; ownership concentration (OC), the table has shown has no significant effect, where coefficient value equals (0.003) is not significant with ($t = 0.110$) and ($P\text{-value} = 0.913$). This means that higher ownership concentration no significant effect on liquidity risk.

Hypothesis 6 shows that liquidity risk is positively related to the proportion of Institutional ownership. With regards to the corporate governance variable; Institutional ownership in the audit committee (IO), the table has a significant effect on liquidity risk (at $p < 0.05$), where coefficient value equals (0.138) is significant with ($t = 7.439$) and ($P\text{-value} = 0.000$). Therefore, a significant positive relationship between Institutional ownership and liquidity risk.

Hypothesis 7 supports that liquidity risk is positively related to the proportion of foreign Ownership. With regards to the corporate governance variable; foreign Ownership (FO), the table has shown has significant effect on liquidity risk (at $p < 0.05$), where coefficient value equals (0.054) is not significant with ($t = 3.818$) and ($P\text{-value} = 0.000$). This means that higher foreign Ownership significant effect on liquidity risk.

Finally, (SIZE) has a significant effect, where coefficient value equals (2.881) is significant with ($t = 8.173$) and ($P\text{-value} = 0.000$), and (DR) has no significant effect, where coefficient value equals (-0.028) is not significant with ($t = -0.288$) and ($P\text{-value} = 0.774$)

Moreover, ($D\text{-W} = 1.927$) indicates there is no serial correlation, where Durbin-Watson value nearby (2) indicate there is no serial correlation between error terms.

From the results presented by adjusted R-square, the percentage of Performance expressed by all the variables above the equation is the coefficient of determination equal to (0.456), which means that about

(45.6%) of the variation in liquidity risks is explained by the model. The significance value of the F statistic ($F=8.767$) is (Prob $F = 0.000$) less than 0.05, which means that the effect of independent variables aggregated is significant.

Table 6: Summary of the research result

Hypothesis	Hypothesis statement	p	Results
H1	liquidity risk is positively related to board size	0.147	Reject
H2	liquidity risk is positively related to the fact that chief the executive officer is a separate entity from the chairman of the board.	0.002	Accept
H3	liquidity risk is positively related to a higher proportion of independent non-executive directors.	0.090	Reject
H4	liquidity risk is positively related to a higher proportion of independent directors in the audit committee.	0.060	Reject
H5	liquidity risk is positively related to the proportion of ownership concentration	0.000	Reject
H6	liquidity risk is positively related to the proportion of Institutional ownership	0.000	Accept
H7	liquidity risk is positively related to the proportion of foreign Ownership	0.000	Accept

*Represent the significance at the 5% level

5. Conclusions

This study was conducted using data collected from annual reports of 13 Jordanian banks listed on Bursa Amman for the period of 2009 to 2016. This research focused on all Jordanian commercial banks. The statistical method used for this study was Panel data analysis. Seven hypotheses were developed by the researchers based on past studies (refers to table 6).

The results show that the first hypothesis which suggests that the Internal corporate governance mechanisms had an effect on liquidity risk with R Square, the coefficient of determination equal to (0.456), which means that about (45.6%) of the variation in liquidity risks is explained by the model. The significance value of the F statistic ($F=8.767$) is (Prob $F = 0.000$) less than 0.05, which means that the effect of independent variables aggregated is significant. This result is consistent with those found in prior research (Alam & Ali Shah, 2013) While different with (Al-Zamel, 2015).

In the light of the previous results, the study has the following recommendations: Jordanian central bank should find ways to enhance the banks size, through consolidation and merger, which in turn will reduce the monopoly of few banks over the banking industry and will alleviate the unsystematic risk, the study also recommend the Jordanian commercial banks are to enhance the covenant quality in a way that would not contract more debt constraints.

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