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The Impact of Corporate Governance and Disclosure on Non-Jordanian Ownership in Jordanian Manufacturing and Service Companies: An Empirical Study

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This paper provides empirical evidence of the impact of corporate governance and the extent of disclosure on non-Jordanian ownership in Jordanian manufacturing and service companies listed on the Amman Stock Exchange (ASE). The study was conducted on 68 companies for the year 2019. Data was collected from the annual reports of the companies and from the website of the ASE. Corporate governance was measured by board size, the proportion of non-executive directors, existence of the audit committee and institutional ownership. The extent of disclosure was measured by a disclosure index. While non-Jordanian ownership was measured by the percentage of shares owned by non-Jordanian investors (Arab and Foreign investors). In addition, company size, profitability, liquidity, and financial leverage were used as control variables. To examine the study hypotheses, multiple regression analysis was used. The results revealed that non-Jordanian ownership is positively related to institutional ownership ratio, proportion of nonexecutive directors as a proxy for board independence, company size and extent of disclosure. In addition, the results indicated the existence of a negative relationship between non-Jordanian ownership and debt ratio, though, at the 10% level of significance. Conclusions drawn from the current study may be of interest to policy makers and regulators in developing countries who want to improve the flow of foreign capital in their markets.

Key words: *Corporate Governance, Disclosure, Non-Jordanian Ownership, Amman Stock Exchange.*

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1. Introduction

Over the past decade, corporate governance has become an important issue and received much attention from investors and regulators worldwide, especially after the East Asian Crisis in 1997 (Mangena and Tauringana, 2007). Corporate governance plays an effective role in monitoring the activities of management and directors, improving transparency and disclosure of information, and reducing agency problem through protecting the interest of shareholders from expropriation by corporate managers (Ho and Wong, 2001). In order to reduce the risk of financial crisis, the Organization for Economic Cooperation and Development (OECD) issued principles of corporate governance that were adopted by thirty member countries in 1999. One of the most important components of corporate governance is transparency and disclosure practices that are followed by firms (Bokpin and Isshaq, 2009). Mangena and Tauringana (2007) indicated that good corporate governance generates investors' goodwill and confidence. They revealed that foreign investors generally tend to hold their wealth in companies in which they are well informed and where their investments are well protected. According to Luez *et al.* (2009) foreigners invest less in firms which have poor investors' protection, low level of disclosure and weak corporate governance. Also, they argued that firms with poor governance practice and low transparency have greater level of information asymmetry between controlling and minority shareholders, as well as between foreign and local investors. Jiang and Kim (2004) revealed that the level of information asymmetry influences the investment decisions of foreign investors. In addition, they concluded that firms with high levels of information asymmetry have a lower percent of foreign ownership, and firms with low levels of information asymmetry have a higher percent of foreign ownership. Prior research reveals that firms with high foreign ownership have effective corporate governance, better transparency and disclosure practices compared with firms that do not have foreign ownership (Ertuna and Tukel, 2014). Lack of transparency and poor disclosure make it very difficult for investors to assess the amount, timing, and uncertainty of expected future cash flows.

Considering the above discussions, the current study attempts to investigate the association between non-Jordanian share ownership and both corporate governance mechanisms and the extent of disclosure in the Jordanian manufacturing and service companies listed on the Amman Stock Exchange. None of the studies have examined the association between nondomestic share ownership and both corporate governance and the extent of disclosure in the context of an emerging economy, Jordan, except for Suwaidan *et al.* (2013) study. However, the current study extends Suwaidan *et al.* (2013) study by examining the impact of disclosure as a measure of information transparency on the non-Jordanian investment in manufacturing and service companies listed on the ASE. This paper hopes to provide feedback to regulators in the ASE and to companies as well about whether non-Jordanian investors consider corporate governance mechanisms and disclosure in their investment decisions.

The remainder of this paper is organized as follows: section 2 discusses the theoretical framework of the study. Section 3 reviews prior studies and section 4 develops the research

hypotheses. Section 5 presents methodology of the study. Section 6 discusses the results of multiple regression analysis. Section 7 summarizes the findings and presents the main conclusions of the study.

2. Theoretical Framework

2.1 Corporate Governance and Foreign Ownership

As a sequence of globalization, corporate governance has necessarily become an important element in attracting foreign investments (Talamo, 2011). Many countries around the world have liberalised their polices to attract investment from multinational business enterprises. Kim *et al.* (2011) highlight the importance of home country characteristics in determining the investment preference of foreign shareholdings. Foreign investors hold a greater amount of their wealth in countries that have good corporate governance quality, strong accounting standards, shareholders right and legal frameworks. They argued that countries with low governance quality have weak investor protection, low information disclosure and high level of information costs.

Foreign investors come from different countries whose home market is characterised by varying degrees of disparity between control and ownership (Kim *et al.*, 2011). MiChoi *et al.* (2014) investigated how disparity between ownership and control influences foreign investor decisions. They indicated that the disparity between ownership right and control right is considered as a major source of an agencies problem between controlling owners and minority outside investors. This is because controlling shareholders may have greater incentive to increase their wealth by expropriating firm resources. When firms are controlled by families, the controlling owners typically have ultimate power and absolute control over firms significantly in excess of their real cash flow rights. In addition, they argued that firms with a high level of managerial and family control have the lower percent of foreign share ownership. Foreign investors invest less in firms with high disparity between control and ownership.

2.2 Importance of Foreign Ownership

Foreign investors play a significant important role in domestic financial market and monitoring of listed firms (Kim *et al.* 2011). Talamo (2011) argued that foreign investors have a role in promoting technological and industrial development, promoting economic growth through raising capital, labour and total factor productivity and maximizing profits. Alwashah (2009) provided evidence that foreign owners have more performance effects on local firms than domestic owners, especially in emerging countries. Li *et al.* (2011) indicated that foreign investors provide firms with the incentive and tools to improve corporate governance systems. Zhu and Jiang (2012) analyzed whether foreign investors are more or less informed than domestic investors. They argued that domestic investors are better informed and have linguistic and culture advantage than foreign investors. Domestic investors watch television, listen to

radio, and read newspapers so they are able to observe productivity of the company before making their investment decisions and have better understanding of domestic markets than foreigners. On the other hand, foreign investors may have better technological skills, financial expertise and investment experience. Foreign investors are able to analyze market conditions and make trading decisions (Zhu and Jiang, 2012).

2.3 Disclosure and Foreign Ownership

In recent years, foreign investors have become more sensitized to transparency of information and disclosure practices. Morris *et al.* (2011) defined transparency as the extent to which information about operating and financial conditions, decisions, policies, and activities of the company is understandable, visible and accessible. They revealed that firms with greater levels of transparency and higher disclosure quality are able to control and reduce the agency costs and able to increase the shareholders wealth. Also, they have better stock price performance and lower cost of capital.

High quality disclosure plays a significant role in facilitating communication between management and the equity market and reducing the level of information asymmetry. Transparency and disclosure helps investors to distinguish good firms from bad firms by providing them the information they need to evaluate governance structure and firm operation, and to make investment decisions. Foreign investors prefer to invest in countries with a high legal environment, high disclosure requirements, high securities regulation, and high anti-director rights. Indeed, they hold more shares in firms that have good governance transparency, better disclosure, and performance (Ertuna and Tukel, 2014). For instance, Mangena and Tauringana (2007) indicated that foreign investors are influenced by corporate disclosure practices. Increase in a firm level of disclosure is found to be associated with increases in ownership by foreign investors.

2.4 Corporate Governance in Jordan

Jordan like other countries has become more interested in corporate governance issues, especially after the occurrence of financial collapses such as Shamaylaeh Gate (JFED, 2003). Corporate governance concepts and rules are contained in many Jordanian laws including the Company Act (1997), the Banking Law (2000), the Insurance Regulatory Act (1999) and the Securities Law (2002). Jordanian corporations are regulated by the Companies Act that is supervised by the Controller of Companies, and the Securities Act that is supervised by the Securities Depositary Center (SDC), Amman Stock Exchange (ASE) and the Jordan Securities Commissions (JSC). The Controller of Companies and the Jordan Securities Commission (JSC) play a significant role in supervising and monitoring the performance of companies. In 2003, the Company Control Department (CCD) was established as an independent department from the Ministry of Industry and Trade. The main goal of the Ministry and the CCD is to improve economic growth by developing a corporate governance code. A corporate

governance code was prepared based on the OECD principles. It provides guideline to all kinds of organizations (public shareholding companies that are not listed on the ASE, private shareholding companies, private shareholding companies that are not for profit, limited liability companies and limited liability companies that are not for profit) with the main purpose of enhancing the investment environment in Jordan, increasing the value of organizations, improving performance and sustainability by increasing transparency, fairness, accountability and responsibility of the organizations. The governance code can be divided into five sections which include the board of director roles and responsibilities, rights of shareholders, control environments, transparency and disclosure, and stakeholders (JCGC, 2012). In 2004, listed companies in Jordan were required by the Jordan Securities Commission to comply with directives of disclosure and accounting and auditing standards, including International Financial Reporting Standards.

3. Literature Review

A number of studies have been undertaken about the association between foreign ownership and, corporate governance and/or the level of disclosure. In Zimbabwe, Mangena and Tauringana (2007) examined whether differences in foreign share ownership are related to firm specific differences in corporate disclosure and corporate governance mechanisms. The study used a sample of 87 non–financial companies listed on the Zimbabwe Stock Exchange (ZSE) for the period (2002-2003). The results of the study indicated that foreign ownership is positively associated with disclosure practices, the proportion of non-executive members in the board, institutional ownership, and independence of the audit committee. But it is negatively associated with board size and size of audit committee.

Leuz *et al.* (2009) examined the relationship between foreign investment and corporate governance for a sample of 4409 firms from twenty-nine countries for the year 1997. The results indicated that foreigners invest less in firms with a high level of insider control, and in firms that have weak levels of information flow and weak investor protection.

Alwashah (2009) examined whether differences in foreign share ownership are related to firm differences in corporate governance mechanisms and other company characteristics. The study used a sample of companies listed on the Amman Stock Exchange (ASE) during the period (2004-2009). The results revealed that foreign investors hold fewer shares in firms in which founding family ownership and control is high. The study also found a negative relationship between board size and institutional ownership, and foreign ownership. Finally, the study indicated that foreign investors prefer to invest in large companies that have high market to book ratio and low leverage.

In Ghana, Bokpin and Isshaq (2009) investigated the impact of corporate governance structure and level of disclosure practices on foreign share ownership for a sample of 35 companies

listed on the Ghana Stock Exchange (GSE) during the period (2002-2007). The results indicated that foreign ownership is positively associated with corporate governance and disclosure practices across firms listed on the GSE.

In Jordan, Suwaidan *et al.* (2013) investigated whether differences in non-Jordanian share ownership are associated with firm specific differences in corporate governance mechanisms. The study used a sample of 183 companies listed on the Amman Stock Exchange (ASE) for the year 2010. The results revealed that non-Jordanian share ownership is positively associated with ownership concentration and institutional ownership, but it is negatively associated with board size, the existence of audit committee, board independence and CEO duality.

In Turkey, Ertuna and Tukel (2014) examined the relationship between the level of foreign institutional investment and disclosure level for a sample of firms listed on the Istanbul Stock Exchange (ISE) for the year 2006. The researchers constructed transparency and a disclosure index consisting of mandatory and voluntary components. The results showed that foreign institutional investors are positively associated with voluntary disclosure but are negatively associated with mandatory disclosure.

In another study, Tunay and Yuksel (2017) examined the relationship between corporate governance and foreign ownership for a sample of 65 banks listed in a number of developing countries for the period (2004-2013). The results indicated that good corporate governance quality is positively associated with foreign ownership.

In Central and Eastern European Countries (CEE), Taran *et al.* (2017) examined the relationship between financial disclosure and foreign ownership for a sample of 1100 companies listed on the CEE Region for the period (2005-2015). The results showed that foreign ownership is positively associated with financial disclosure.

Farhan and Bin Annuar (2018) investigated the effect of corporate governance on foreign ownership for a sample of 72 firms listed on the UAE financial market for the period (2010-2013). The results of the study indicated that foreign ownership is positively associated with board size and the existence of audit committee.

In a more recent study, Agyemang et. al., (2019) examined the relationship between country-level corporate governance and foreign direct investment in African economies for the period (2009-2015). The results indicated that African economies characterised with high ethical values tend to attract more foreign direct investment. In addition, the study indicated that when an economy is connected with effective corporate boards, it tends to attract much foreign direct investment. Finally, the study found a negative relationship between effectiveness of regulation of securities and exchanges and foreign direct investment.

4. Development of Research Hypotheses

1. Board Size

The board of directors (governing body) is a group of individuals who formulate the policies, strategies, and objectives of the firm. Boards of directors are responsible for hiring and firing of management, providing, and giving access to resources. Also, they seek to protect the interests of shareholders in a competitive environment. They are viewed as an essential mechanism in corporate governance to monitor top management behaviors. The number of directors on the board varies from board to board depending on factors like the type of the firm, the size of assets and the board culture (Fauzi and Locke, 2012). Yermack (1996) argued that smaller board sizes are better than larger ones, because they are more effective in solving agency problems. He indicated that firms with smaller boards have higher values in the capital markets. Suwaidan *et al.* (2013) found a negative relation between board size and non-Jordanian share ownership. From these explanations, we can propose the following hypothesis:

H1: There is a negative relationship between the size of board and non-Jordanian share ownership.

2. Non- Executive Directors

Non- executive directors (outside directors) are members of the company board of directors who are not engaged in the day-to-day decisions that are made by management of the company. In other words, they are independent from executive directors, and have sound judgment, strong interpersonal skills, and high ethical standards. Typically, non-executive directors play an important role in monitoring and controlling the activities of corporate managers and improving the quality of the audit process and the effectiveness of the board. Furthermore, they protect the interest of shareholders from expropriation by managers (Mangena and Tauringana, 2007). Fathi (2013) showed that firms with a larger proportion of non-executive directors have better transparency and disclosure practices. The presence of independent directors reduces the incidence of fraudulent financial statement. Bokpin and Isshaq (2009) found a positive relation between the percentage of non- executive directors and foreign share ownership. From these explanations, we can propose the following hypothesis:

H2: There is a positive relationship between the percentage of non-executive directors and non-Jordanian share ownership.

3. Audit Committee

The existence of an audit committee is expected to influence the investment decisions of foreign investors. The audit committee can be viewed as a cornerstone of effective corporate governance. Akhtaruddin *et al.* (2009) argued that the audit committee plays an active role in examining the quality of information disclosed, enhancing corporate transparency, reducing

agency cost and the level of information asymmetry between managers and outside investors. The existence of an audit committee has a positive impact on the quality of earnings. Moreover, Bedard *et al.* (2004) supported that companies with effective, efficient, and independent audit committee are less likely to be plagued by incidence of earnings management or financial accounting fraud. For instance, Mangena and Tauringana (2007) found a positive relation between the existence of audit committees and foreign share ownership. From these explanations, we can propose the following hypothesis:

H3: There is a positive relationship between the existence of an audit committee and non-Jordanian share ownership.

4. Institutional Ownership

Foreign investors prefer to invest in companies whose shares are tradable and owned by institutional investors (World Bank, 2003). Alwashah (2009) indicated that institutional investors have a large proportion of the firms' cash flow and have greater expertise and greater ability to act rationally. They have the power to influence the performance of the companies in which they have ownership by monitoring the board's decisions and safeguarding the interest of shareholders. Institutional ownership plays a fundamental role in improving corporate governance practices and reducing the level of information asymmetry. For instance, Suwaidan *et al.* (2013) found a positive relation between the percentage of shares owned by institutional investors and non-Jordanian share ownership. From these explanations, we can propose the following hypothesis:

H4: There is a positive relationship between the institutional ownership ratio and non-Jordanian share ownership.

5. Disclosure

Disclosure is a fundamental tool by which companies report their performance. Disclosure systems that are based on high quality standards are necessary to ensure that financial markets and economies function well. High quality disclosure gives investors with knowledge of whether there is domestic or foreign confidence in the credibility of financial reporting. Greater levels of voluntary disclosure improves the value relevance of information contained in financial statements (Alfaraih and Alanezi, 2011). Bokpin and Isshaq (2009) found a positive relationship between the extent of disclosure practices and foreign share ownership. From these explanations, we can propose the following hypothesis:

H5: There is a positive relationship between the extent of disclosure practices and non-Jordanian share ownership.

5. Research Methodology

This part of the study describes the population of the study and its sample, variables of the study and the multiple regression model that is used to test the study hypotheses.

5.1 Sample Selection

The population of the study includes all manufacturing and service companies listed on the Amman Stock Exchange (ASE) for the year 2019. However, the sample was limited to companies on which all the needed data was available. Data was collected from the annual reports of the sampled companies and from the website of the ASE.

5.2 Variables of the Study

5.2.1 Dependent Variable

Non-Jordanian ownership

Data for non-Jordanian ownership was obtained from the website of the ASE. Consistent with prior research (Suwaidan *et al.* 2013), non-Jordanian ownership was measured by the percentage of shares owned by non-Jordanian investors, whether *Arabs or Foreign*ers, at the end of the financial year.

5.2.2 Independent Variables

Corporate Governance

As discussed earlier and consistent with prior studies, the current study employs common measures that are often cited by studies as effective corporate governance (Mangena and Tauringana, 2007; Suwaidan *et al.* 2013). These are: board size, proportion of non-executive directors, existence of audit committee and institutional ownership.

The Extent of Disclosure

Consistent with previous studies (Suwaidan et. al. 2004; Mangena and Tauringana, 2007; Bokpin and Isshaq, 2009; and Abu Qa'adan, and Suwaidan, 2019), the extent (quality) of disclosure for each company was measured by a disclosure index. Mathematically, the disclosure index is a ratio of the number of items of information disclosed by a company to the total number of items included in the index. The disclosure index consists of 26 items covering the following three categories:

A. General corporate information
B. Financial disclosure
C. *Projections and future information*

Thus, a company’s extent of disclosure is expressed as a percentage range from 0%, if the company did not disclose any item, to 100% if the company disclosed all the items.

5.2.3 Control Variables

There are other variables (other than corporate governance variables and disclosure) that may influence investors' investment decisions. These variables are referred in the literature as control variables. The current study employs four control variables, which are: company size, profitability, financial leverage, and liquidity. As expected, non-Jordanian investors tend to hold stocks in firms that are characterised by large size, large cash positions, low leverage and have better performance. Bokpin and Isshaq (2009) argued that foreign ownership increases as the size of the company increases. Mangena and Tauringana (2007) and Suwaidan *et al.* (2013) provided evidence supporting a positive relationship between return on equity and foreign ownership. Bokpin and Isshaq (2009) also indicated that highly levered firms have lower percent of foreign ownership. Finally, Mangena and Tauringana (2007) indicated that liquidity of the company was positively associated with foreign share ownership.

5.3 Model Specification

In order to examine the impact of corporate governance and the extent of disclosure on non-Jordanian ownership, the Ordinary Least Square (OLS) regression model was used to estimate the relationships between the dependent and independent variables. The following multiple regression model is tested:

$$NJOW_{it} = \beta 0 + \beta 1\ IOR_{it} + \beta 2\ BS_{it} + \beta 3\ NED_{it} + \beta 4\ DL_{it} + \beta 5\ AC_{it} + \beta 6\ MC_{it} + \beta 7\ ROE_{it} + \beta 8\ CR_{it} + \beta 9\ DR_{it} + \beta 10\ INDT_{it} + \varepsilon j$$

Table (1) presents the variables included in the regression model and their definitions. In addition, Figure (1) provides a descriptive summary of the model.

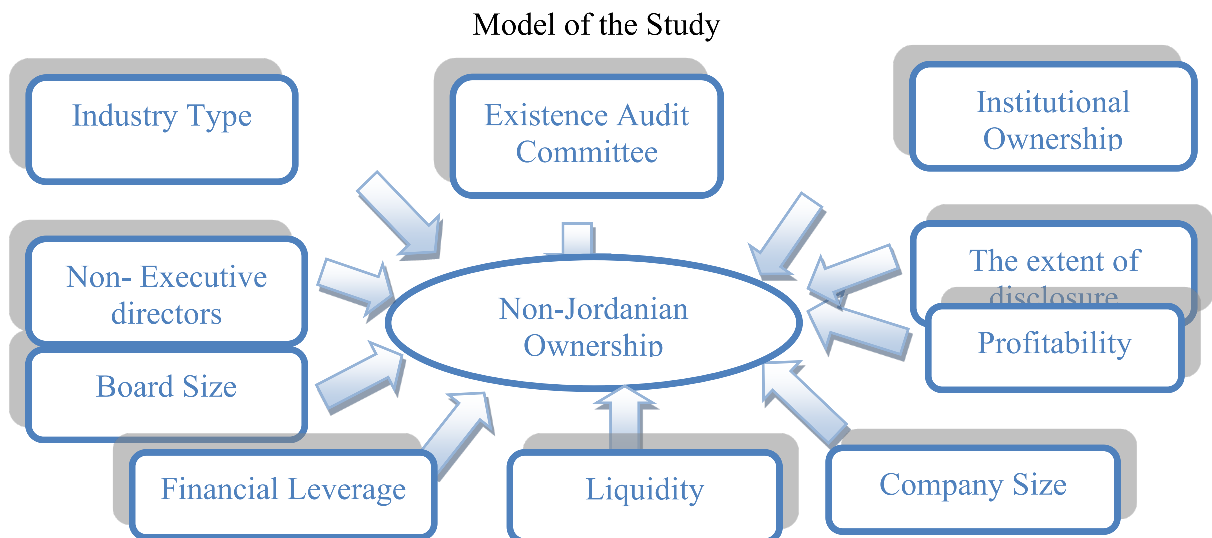
Table (1)

Definition of Variables Included in the Multiple Regression Model

Variables	Definitions
NJOW	Non-Jordanian ownership, measured by the percentage of shares owned by non-Jordanian investors, whether Arabs or Foreigners, at the end of the financial year.
IOR	Institutional ownership ratio, measured by the percentage of shares owned or controlled by institutional owners to total number of shares outstanding.
BS	Board size, measured by the number of directors on the board.
NED	Proportion of nonexecutive directors to total number of directors in the company's board.
DL	Disclosure level measured by a disclosure index.
AC	Existence of an audit committee was expressed as a dummy variable, where (1) is given if there is an audit committee and (0) is given if there is no audit committee.
MC	Market capitalisation, calculated by multiplying the number of shares outstanding by the market share price on December 31, 2019.
ROE	Return on equity, measured by net income divided by shareholder's funds on December 31, 2019.
CR	Current ratio as a measure of liquidity, measured as a ratio of current assets to current liabilities on December 31, 2019.
DR	Debt ratio, measured as a ratio of total liabilities divided by total assets on December 31, 2019.
INDT	Industry type, where (1) is given if the company belongs to the manufacturing sector, and (0) is given if the company belongs to the service sector.
$\beta0.....\beta10$	Regression coefficient
εj	Error term

Figure (1)

Model of the Study



6. Empirical Results

6.1 Descriptive Statistics

Table 2 presents a summary of statistics for the dependent variable of the study. As seen, on average 17.64 percent of a company's shares is owned by non-Jordanian (10.55 percent owned by Arab investors and 7.10 percent owned by foreign investors). It can be noted from the table that there is a large variation in the non-Jordanian ownership between the sample companies. This is evidenced by the minimum, maximum and the standard deviation values reported in the table. This means that non-Jordanian ownership varies considerably between the sample companies.

Table (2)
Summary Statistics for Dependent Variable

	Min.	Max.	Mean	SD
Non-Jordanian ownership (%)	.170	99.95	17.64	25.12
Arab (%)	.000	77.63	10.55	14.36
Foreign (%)	.000	99.95	7.10	18.98

Table (3) presents summary statistics for the continuous independent and control variables. As seen from the table, on average 49.9 percent of the shares of a company is owned by institutional investors. Also, as indicated by the standard deviation and the minimum and maximum values, there a considerable variation in the institutional ownership ratio variable between the sample companies. The table also illustrates that on average a company's size of board of director is approximately 9 members with a range of 12 (16 – 4) members. This is consistent with the requirement of the Jordanian Companies Act. In addition, the mean of the proportion of nonexecutive directors on the board is 76.82 percent which indicates that boards of directors in Jordanian manufacturing and service companies enjoy a considerable high level of independence. As seen from the table, on average, a company disclosed 57.72 percent of the 26 items included in the disclosure index. The lowest and highest scores are 27% and 78% respectively, with a standard deviation of 23%. This indicates that the level of disclosure varies between the sample companies.

As for other continuous independent variables, Table (3) shows that market capitalisation of companies varies considerably, ranging from 990,000 to 1703853100 (Jordanian Dinar), with a mean of 63634505. The mean value of return on equity for the sample companies is negative (.0686). Further, on average, a company's current ratio is 2.17 times with a standard deviation of 1.86 times suggesting a considerable variation in the liquidity of the sample companies. Finally, the table shows that on average, 36.45% of the company assets is financed by liabilities

with a standard deviation of 24.55% suggesting a high variation in using financial leverage in the capital structures of the sample companies.

Table (3)
Summary Statistics for Continuous Independent and Control Variables

	N	Min.	Max.	Mean	SD
IOR	76	.010	1.000	.49908	.304969
BS	76	4	16	8.79	2.913
NED	76	.10	1.00	.7682	.23017
DL	76	.270	.780	.57724	.109125
MC	75	990000	1703853100	63634505	215072291
ROE	75	-.8125-	.33510	-.06869-	.5040
CR	73	.040	8.240	2.17315	1.860
DR	76	.0373	.9590	36.450	24.550
Valid N (list wise)	71				

Tables (4) and (5) provide information about whether or not the company has an audit committee, and the type of the company's industry, respectively. As seen from the table, 79% of the sample companies have an audit committee, and 52.6% of the investigated companies belong to the service sector, while 47.4% of the companies belong to the manufacturing sector.

Table (4)
Existence of Audit Committee

Audit committee	Frequency	Percent
No	14	21
Yes	54	79
Total	68	100

Table (5)
Industry Type

	Frequency	Percent
Service	40	52.6
Manufacturing	36	47.4
Total	76	100.0

6.2 Testing Regression Assumptions

6.2.1 Normality

One of the important assumptions of using multiple regression analysis is to ensure that the variables in the regression model are normally distributed. To investigate this, a Kolmogorov-Smirnov test for normality was used and confirmed that the size variable (market capitalisation) deviated significantly from normality. To reduce this problem, the variable was transformed using logarithm. A Kolmogorov-Smirnov test after the transformation indicated that the size variable did not deviate significantly from normality.

6.2.2 Multicollinearity

One of the problems which often arises in conducting regression analysis is the existence of the multicollinearity between the independent (explanatory) variables. According to Barrow (1988), the multicollinearity problem occurs when two or more independent variables are highly correlated which makes it difficult to determine the individual contribution of each variable to the prediction of the dependent variable. In the current study, several techniques are used to detect multicollinearity. One such technique is the Pearson correlation matrix. Anderson *et al.* (1993) indicated that the multicollinearity problem exists if the Pearson correlation for any two of the independent variables exceeds 70%. As seen from the Table (6), the highest correlation is 50.1% which is between the variables the percentage of nonexecutive directors in the board and the industry type. This implies that no multicollinearity problem exists in the regression model.

Another effective technique of testing the multicollinearity is the Variance Inflation Factor (VIF), when the VIF is more than 10; this indicates that the variable is highly collinear (Gujarati, 2005). As seen in the Table (7) the last column, the VIF values for all independent variables are well below 10. These results suggest that multicollinearity is not a problem in the current regression model. Thus, the results of the regression analysis can be interpreted with a greater degree of confidence.

Table (6)
Pearson Correlation Matrix and Variance Inflation Factor (VIF) for the Explanatory Variables

	IOR	BS	NED	DS	MC	ROE	CR	DR	AC.	IT
IOR	1	.155	-.148-	.393**	.307**	.157	-.094-	.184	-.046-	-.078-
BS	.155	1	.008	.187	.441**	.081	.106	.100	.220	-.131-
NED	-.148-	.008	1	-.107-	.117	-.074-	-.073-	-.011-	.183	.501**
DL	.393**	.187	-.107-	1	.159	-.083-	-.065-	.046	.139	-.003-
MC	.307**	.441**	.117	.159	1	.361**	.015	.020	.200	-.182-
ROE	.157	.081	-.074-	-.083-	.361**	1	.300*	-.282-*	.018	-.079-
CR	-.094-	.106	-.073-	-.065-	.015	.300*	1	-.416-**	.021	.060
DR	.184	.100	-.011-	.046	.020	-.282-*	-.416-**	1	.062	.125
AC	-.046-	.220	.183	.139	.200	.018	.021	.062	1	-.122-
INDT	-.078-	-.131-	.501**	-.003-	-.182-	-.079-	.060	.125	-.122-	1

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

6.3 Multiple Regression Results

This section discusses the empirical results concerning the relationships between the independent variables and non-Jordanian ownership. Table (7) shows the results of regressing the independent variables on the dependent variable (non-Jordanian ownership). As seen from the table, the regression model is highly significant (F= 3.629, P= 0.001) with an adjusted R^2 of 0.441. Therefore, approximately 44% of the variations in non-Jordanian ownership can be explained by the independent variables included in the regression model.

As seen from Table (7), four of the ten explanatory variables are found significant at, at least, the 5% level, with positive coefficients indicating a positive relationship between each of the four variables and non-Jordanian ownership. These variables are an institutional ownership ratio (t = 2.101, p=.040), the extent of disclosure (t= 3.133, p=.003), market capitalisations (t= 2.159, p=.035) and industry type (t= 2.217, p= .031). The coefficients of these variables are positive indicating a positive relationship between each of the four variables and non-Jordanian ownership.

As for the industry type variable, which was represented by a dummy variable, in the model, the manufacturing type of industry was identified to be significantly associated with a higher level of non-Jordanian ownership compared to the service type, which served as the control variable with which the manufacturing type of industry was compared.

To sum up, the results of the regression analysis indicate that companies that are expected to attract non-Jordanian investors are those companies that belong to the manufacturing sector, are large in size, have high institutional ownership and disclose more information.

Table (7)

Summary Results of the Regression Analysis

Model summary:			
R^2	0.498		
R^2 (*adj.*)	0.411		
F	5.743	Sig. F =	0.000

	Variables	In Equation			
Variables	β	Beta	t-value	Sig. t	VIF
(Constant)	-113.837-		-3.682-	.001	
IOR	19.867	.239	2.101	.040	1.490
BS	.144	.017	.149	.882	1.490
NED	8.194	.077	.610	.544	1.833
AC	1.142	.019	.182	.856	1.292
DS	75.572	.335	3.133	.003	1.324
MC	10.524	.281	2.159	.035	1.961
ROE	.067	.048	.428	.670	1.459
CR	-2.313-	-.174-	-1.590-	.117	1.383
DR	-.224-	-.200-	-1.775-	.081	1.472
INDT	13.269	.265	2.217	.031	1.646

7. Conclusions and Recommendations

The main concern of this study is to examine the impact of corporate governance and disclosure as a measure of transparency, on the non-Jordanian ownership in the Jordanian manufacturing and service companies listed on the Amman Stock Exchange for the year 2019. Prior studies have suggested that foreigners look for companies in which their interests are more likely to be protected. Also, foreign investors avoid investing in companies which have weak corporate governance structures and low levels of disclosure. Using a dataset relating to manufacturing and service companies listed on the ASE for the period 2019, we found that non-Jordanian ownership is positively associated with companies which have a higher institutional ownership ratio in their ownership structure. This variable was found significant at 5%. This result is consistent with previous studies such as Mangena and Tauringana (2007) and Suwaidan *et al.* (2013). Also, we found that non-Jordanian ownership is positively associated with level of

disclosure. This result is consistent with previous studies such as Mangena and Tauringana (2007) and Bokpin and Isshaq (2009).

As for the control variables, the results indicated that non-Jordanian ownership is positively associated with company size as measured by the company's market capitalization. This result is consistent with previous studies (e.g., Suwaidan *et al.*, 2013; Mangena and Tauringana, 2007; Jiang and Kim, 2004). Additionally, the results showed insignificant relation between non-Jordanian ownership and other control variables (return on equity, liquidity, and financial leverage) at the 5% significance level.

We therefore recommend that regulatory bodies need to encourage the Jordanian manufacturing and service companies for more compliance with corporate governance code. Also, to improve the flow of foreign capital into these firms, the Jordanian authorities should undertake a serious regulatory change to enhance corporate governance practices in the Jordanian firms especially those companies that are mostly owned by individual shareholders and companies which are small in size. Additionally, further research is needed to explain the role of foreign investors in enhancing the quality of corporate governance in the Jordanian financial market.

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