An-Najah National University
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The relationship between corporate governance and stock liquidity in Palestine and Jordan stock markets: the mediating effect of leverage

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Dedication

This master thesis is dedicated to my lovely father Taiseer Omari and my lovely mother Lutfiah Omari for their enduring patience, encouragement, and love.

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الإقرار

أنا الموقع أدناه مقدم الرسالة التي تحمل عنوان:

العلاقة بين حوكمة الشركات وسيولة الاسهم في سوقي فلسطين والاردن: الرفع المالي كمتغير وسيط

The relationship between corporate governance and stock liquidity in Palestine and Jordan stock markets: the mediating effect of leverage

أقر بأن ما اشتملت عليه الرسالة انما هو نتاج جهدي الخاص باستثناء ما تمت الاشارة اليه حيثما ورد وأن هذه الرسالة ككل أو أي جزء منها لم يقدم من قبل لنيل أي درجة علمية أو بحث علمي لدى أي مؤسسة تعليمية أو بحثية أخرى.

Declaration

The work provided in this thesis, unless otherwise referenced, is the researcher's own work, and has not been submitted elsewhere for any other degree or qualification.

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List of abbreviations

ASE	Amman Stock Exchange
BI	Board Independence
BS	Board Size
CEO	Chief Executive Officer
CEOD	Chief Executive Officer Duality
D.V	Dependent Variable
e.g	For example
FB	Female On Board
i.e	In Other Words
I.V	Independent Variable
IO	Inside Ownership
LQ	Stock Liquidity
LR	Liquidity Ratio
LV	Financial leverage
OECD	The Organization for Economic Co-Operation And Development
PJ	Control variable which refers to the firms listed in Palestine stock exchange and Amman stock market

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Abstract

This study aims to examine the influence of some corporate governance mechanisms (board size, board independence, chief executive officer duality, gender diversity in the board, and insider share ownership) on stock liquidity with mediating effect of financial leverage among 244 listed firms in Palestine stock exchange and Amman stock market during 2006 to 2017.

The study examined three main hypotheses. The first hypothesis examined the influence of corporate governance mechanisms on stock liquidity, and outcomes of the study revealed that the relationship between female on board and stock liquidity is positive and insignificant. Furthermore, there is a positive and insignificant relationship between chief executive officer duality and stock liquidity. Additionally, there is a positive and insignificant association among inside ownership and stock liquidity. However, the association among board size and stock liquidity is negative and significant. Also, there is an inverse and insignifcant relationship between board independence and stock liquidity.

The second hypothesis examined the relationship between corporate governance mechanisms and financial leverage, and findings of the study indicate that there is a positive relationship between board size, female on board, and inside ownership with financial leverage. Whereas, an inverse relationship has been found between board independence, and chief executive officer duality with financial leverage.

The third hypothesis examined the association between financial leverage and stock liquidity, and outcomes of the study revealed that there is an inverse and significant association between level of financial leverage and stock liquidity.

Chapter One

Introduction

1.1 Introduction

In the last three decades many bankruptcy scandals have been occurred such as Enron and WorldCom, due to the poor corporate governance practices, which encourage managements of these firms to deceive fund suppliers (creditors and investors) by hiding bad news and issuing unrealistic financial and nonfinancial information to the public. As a result, the trust of investors in financial reporting and stock market has been decreased to a high extent, which pushed American congress to issue Sarbanes Oxley Act in 2002 in order to protect investors through better financial reporting and disclosure.

Stock liquidity is one of the most important components in financial market composition and it is seemed to be one of the most discussed subjects by researchers. Stock liquidity is a significant tool which assists in determining level of growth and efficiency in market (Singh et al., 2015). As stock liquidity raise, firm reputation will enhance. Therefore, enterprise value will raise (Amihud and Mendelson, 2008), and the cost of raising capital will reduce (Diamond and Verrecchia, 1991).

Harris, (1990) state that financial market with higher level of liquidity has lower cost to transfer financial assets to cash. Liquidity risk is the main concern for financial market participants, because it hinders

market participants capability to buy and sell the quantity of stocks that they wish within time limits without losses. In developing countries, good governance practices will reduce the weakness in emerging financial markets, decrease the cost of raising capital and transaction cost, which enhance financial market performance and stock liquidity (Hassan, 2017).

Corporate governance is a device which oversees firm management actions in order to guarantee at management working to maximize shareholders wealth. Shleifer and Vishny, (1997) state that corporate governance provides protection to the fund suppliers by providing assurance that they will get return on their investments.

Companies that have strong governance practices will gain the trust and confidence of market participants. Gilson, (2001) argue that investment in shares requires good corporate governance and good corporate governance entails high quality information in financial reports. So, as the quality of corporate governance raises the trust of investors in firm will increase and more demand on firm stock will occur which lead to better stock liquidity. Corporate governance is deemed to be a significant subject for developing countries, due to it is vital role which corporate governance play in improving the performance of business sector in these countries (Hassan, 2017).

Even though there are about 60 years of research since the study of Modigliani and Miller in 1958, the discussion on the optimal proportion of debt to equity financing (financial leverage) remains unsolved topic

(Andres et al., 2014). One of the most significant decisions that company management take is the percentage of debt and percentage of equity which management will use in firm capital structure, because optimal level of debt and equity in capital composition can enhance company value and reduce the cost of raising capital (Sivathaasan et al., 2016). Clayman et al., (2012) state that determining the percentage of debt in the composition of the company capital which lead to optimal capital composition is hard, because it relay on company's stock liquidity and corporate governance. Previous researches have examined the association among corporate governance and financial leverage and the association among stock liquidity and financial leverage separately, which mean no study has investigated in the relationship between corporate governance and stock liquidity with the existence of financial leverage as a mediator.

1.2 Problem statement

In Arab countries there are many barriers that affect good corporate governance implementation, like the weakness of disclosure and transparency, the weakness of controlling procedures, the weak law enforcement, and the weakness of board of directors (Okpara, 2011). From several decades, a lot of criticisms have been directed toward the amount of information issued by firms listed in Palestine stock exchange and Amman stock market, the deployment of internal audit unit with low qualifications and competence, the implementation of weak internal control system, and the employment of unskilled and unsuitable persons in board of directors.

Most of listed firms at Palestine stock exchange and Amman stock market are family owned firms, and chief executive and the board of directors in these firms are often compose from the family members and their relatives and friends (Mahmoud Abu-Tapanjeh, 2006). Therefore, family firms in Palestine and Jordan hinder the implementation of good corporate governance. Corporate bankruptcy had occurred in Jordan and Palestine, which raise the importance of good corporate governance. For instance, in 1989 Petra bank scandal has occurred which was the biggest bankruptcy in Jordan since the establishment of corporate form of companies in Jordan, and another scandal was the loss of JD 130 million in Phosphate firm (Al-Awaqleh, 2008). Also in Palestine, the Arabia Insurance Entity (AIE) scandal in 2009 which has been suffered from JD 17 million losses.

Arabiat et al. (2016) show that there is a negative relationship between board size, chief executive officer duality, and stock liquidity. Also, he found a positive relationship between board independence and stock liquidity. Alsahlawi and Ammer, (2017) reached a conclusion that there is a positive association between corporate governance and stock liquidity. Yaseen and Al-Amarneh, (2013) indicates that the holdings of large owners have a direct significant association with financial leverage. Furthermore, (Alqisie, 2014) revealed that ownership concentration and board size have negative association with financial leverage whereas, CEO duality has positive relationship with financial leverage. Alabdullah et al.,

(2018) revealed that there is a negative relationship between board size and financial leverage. Qubbaja (2018) show that corporate governance quality has a reducing impact on cost of equity capital. Abobakr and Elgiziry, (2015) show that there is a negative relationship between board size, female on board and financial leverage.

The previous studies have examined the relationship between corporate governance and stock liquidity, and the relationship between corporate governance and financial leverage, and the relationship between financial leverage and stock liquidity.

Whereas, every relationship has been studied separately and limited studies have searched the mediating effect of financial leverage in the relationship between corporate governance and stock liquidity. Also, there are few studies in Palestine and Jordan that have been investigated the relationship between corporate governance and stock liquidity. Furthermore, there is a disagreement between the results of the previous studies. So, this study-to the best of my knowledge- is one of limited number of studies which investigate in the relationship between corporate governance and stock liquidity in Palestine stock exchange and Amman stock market and the mediating effect of financial leverage. So, this study will try to answer the following questions.

1.4 Research questions

Q_A: What is the effect of corporate governance on stock liquidity?

Q_{A1}: What is the effect of board independence on stock liquidity?

Q_{A2}: What is the effect of board size on stock liquidity?

Q_{A3}: What is the effect of chief executive officer duality on stock liquidity?

Q_{A4}: What is the effect of gender diversity in board on stock liquidity?

Q_{A5}: What is the effect of insider ownership on stock liquidity?

Q_B: What is the effect of corporate governance on financial leverage?

Q_{B1}: What is the effect of board independence on financial leverage?

Q_{B2}: What is the effect of board size on financial leverage?

Q_{B3}: What is the effect of chief executive officer duality on financial leverage?

Q_{B4}: What is the effect of gender diversity in board on financial leverage?

Q_{B5}: What is the effect of insider ownership on financial leverage?

Q_C: What is the effect of financial leverage on stock liquidity?

1.3 Significance of the Study

Previous studies investigated the influence of corporate governance mechanisms on company value, company performance, the cost of raising

capital, and stock liquidity e.g. (La Porta et al., 2000, Dwivedi and Jain, 2005, Gompers et al., 2003, Phani et al., 2004, Carter et al., 2003, and Amer Al-Jaifi et al., 2017). Also, other researchers investigated the effect of corporate governance on stock liquidity, and the effect of corporate governance on financial leverage, and the effect of financial leverage on stock liquidity (SAKWA, 2015, Vakilifard et al., 2011, and Cheung et al., 2017). Whereas, every study has examined one relationship only and no study has investigated in the mediating effect of financial leverage in the relationship between corporate governance and stock liquidity. Furthermore, the outcomes of the previous studies are inconsistence and they reached a mix results. In addition to that previous studies have been done in developed countries which have advance levels of corporate governance applications and more efficient stock markets comparing to emerging markets such as Palestine stock exchange and Amman stock market. Also, there are few researches in Palestine and Jordan that have been examined the effect of corporate governance on stock liquidity.

So, this study introduces significant contribution for literature because there are limited studies that examined the mediating effect of financial leverage in the relationship between corporate governance and stock liquidity. Also, the results of this study are significant and helpful for regulators in Palestine and Jordan to improve corporate governance and stock markets regulations. Furthermore, the results of this study will be valuable for investors to take the right investment decision, especially

investors these days have low level of trust in financial reporting after the occurrence of many bankruptcy scandals worldwide. Therefore, findings of this study is important also, for board of directors in the firms to improve their monitoring role over firm management and their financial reporting, to restore the trust of investors in firms financial reporting. In addition, this study is very important for creditors because findings of this study will be a helpful tool in evaluating risk premium before lending money to firms.

1.5 Study objectives

The main objective of the study is to examine the influence of corporate governance mechanisms (board size, board independence, chief executive officer duality, gender diversity in the board, and insider share ownership) on stock liquidity with mediating effect of financial leverage among 244 listed firms in Palestine stock exchange and Amman stock market during 2006 to 2017. In particular, the study aims to achieve the following specific objectives:

O_A: to determine the effect of corporate governance on stock liquidity.

O_{A1}: to determine the effect of board independence on stock liquidity.

O_{A2}: to determine the effect of board size on stock liquidity.

O_{A3}: to determine the effect of chief executive officer duality on stock liquidity.

O_{A4}: to determine the effect of gender diversity in board on stock liquidity.

O_{A5}: to determine the effect of insider ownership on stock liquidity.

O_B: to determine the effect of corporate governance on financial leverage.

O_{B1}: to determine the effect of board independence on financial leverage.

O_{B2}: to determine the effect of board size on financial leverage.

O_{B3}: to determine the effect of chief executive officer duality on financial leverage.

O_{B4}: to determine the effect of gender diversity in board on financial leverage.

O_{B5}: to determine the effect of insider ownership on financial leverage.

O_C: to determine the effect of financial leverage on stock liquidity.

1.6 Definition of terms

1.6.1 Corporate Governance

The OECD (The Organization for Economic Co-operation and Development) Principles of Corporate Governance state that:

"Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined."

Corporate governance is a group of mechanisms through which external investors shield their investments from firm management manipulations (La Porta et al., 2000). Also, Shleifer and Vishny, (1997) described corporate governance as a set of mechanisms which emphasize to investors that they will get return from their investments in the firm. Corporate governance is the safety valve which protect investors from management opportunistic behavior and poor performance (Lipton and Lorsch, 1992).

1.6.2 Stock liquidity

Schwartz and Francioni, (2004) state that stock liquidity is the number of times in which the stock can be sold and bought during specific time period. Also, stock liquidity is the capability to buy and sell stock rapidly and in big quantities without any important effect on stock price and transaction cost (Norvaišienė and Stankevičienė, 2014). Furthermore, stock liquidity is the capability to convert stocks to cash without any impact on stock price (Bogdan et al., 2012). Demsetz, (1968) define liquidity as the cost of immediacy when investor wish immediate performance for his trade and thus he has to pay bid ask spread or part of it.

1.6.3 Financial leverage

Financial leverage is the amount of debt used by firm management to finance it is assets. Financial leverage refers to the percentage of total debts to total assets which compose firm's capital structure (Moghadam et al.,

2015). Hillier et al., (2010) described financial leverage as an indicator to the degree of debt financing used by the firm. Also, Ward and Price, (2006) state that financial leverage is the percentage of debt to equity in the capital structure. So as the amount of debt financing increase financial leverage will increase. Moreover, Penman and Penman, (2001) referred to Financial leverage as the extent to which firm implement debt to finance operating assets. Financial leverage is the percentage of all company's debts including short-term and long-term liabilities to equity (Brealey et al., 2012).

Chapter Two

Literature review

2.1.1 Palestine Stock Exchange

The Palestine Stock Exchange was formed in 1995 to encourage investment in Palestine as a private shareholding firm and in February 2010 it become public shareholding firm in respond to principles of good corporate governance and transparency. Palestine stock exchange aims to provide a safe trading environment that serves investors and protects their interests, to increase the investment awareness of the local community and enhance PEX relation with local, regional and international financial institutions and Associations, to develop domestic investments and attract Palestinian Diaspora & foreign capital, to increase market depth and provide new and diverse financial tools and services, to create a proficient working environment within the PEX by investing in human capital and maintaining state of the art technologies of stock markets (Exchange, 1995).

The Palestine Stock Exchange is the first full automated stock market in Arab countries and the only Arab market which is owned by private sector and publicly traded. The Palestine Stock Exchange works under the control of Palestinian Capital Market Authority. The Palestine Stock Exchange makes every effort to introduce best trading environment through transparency, equitable treatment, and competence. There are 48

listed firms on Palestine Stock Exchange as of 31/01/2019 with market capitalization of about $3,728 million across five main economic sectors; banking and financial services, insurance, investments, industry, and services. Most of the listed companies are profitable and trade in Jordanian Dinar, while others trade in US Dollars (Exchange, 1995).

2.1.2 Amman Stock Exchange

Amman financial market was founded in 1976 and the first business day in the market was in the first of January 1978. However, in 1999 Amman financial market was split up to compose: Amman stock exchange, Jordanian securities commission, and securities depository centre. "The Amman Stock Exchange (ASE) was established in March 1999 as a non-profit independent institution; authorized to function as a regulated market for trading securities in Jordan. On February 20th 2017, the ASE has been registered as a public shareholding company completely owned by the government under the name: The Amman Stock Exchange Company (ASE Company).

The ASE Company shall be the legal and factual successor to the ASE. The ASE Company is governed by a seven-member board of directors appointed by the Council of Ministers and a full time chief executive officer oversees day-to-day responsibilities. The ASE Company aims to operate, manage and develop the operations and activities of securities, commodities, and derivatives markets inside and outside Jordan. The ASE Company seeks to provide a strong and secure environment to

ensure the interaction of supply and demand forces for trading in securities in proper and fair trading practices, and raising the awareness and knowledge of investing in the financial markets and defining the services provided by the ASE Company.

To achieve its goals; the ASE Company sets its internal rules and regulations that will govern its management, also it will set the rules and regulations related to dealing in financial markets according to best international practices. The ASE Company can calculate indices for listed securities, sign agreements, strategic, commercial, investment alliances or partnerships with other securities and derivatives markets inside and outside Jordan, data venders, and any other party that deemed to be necessary. Furthermore the ASE Company cooperates and exchange information with other financial markets, regulators, government authorities, non-governmental institutions, and any other parties inside and outside Jordan". (Exchange, 1999).

2.1.3 Corporate governance in Palestine

In order to improve the trust of investors in the performance of the Palestinian companies, to follow the successful trail of other countries in corporate governance, and to attract foreign investments, the Palestinian national committee of corporate governance issued the code of corporate governance in 2009. Which take the Organization for Economic Co-operation and Development (OECD) principles of corporate governance as a reference. The Palestinian Code defines corporate governance as "the set

of rules and procedures by which the company's management and supervision are carried out through the co-ordination of relations between the Board of Directors, the Executive Management, the shareholders, and all other concerned parties including the social and the environmental responsibilities for the company"(Committee, 2009).

In 2009 "A national committee for Corporate Governance in Palestine was formed. Consisting of representative of regulators and economic legal and academic bodies. The National Committee of Governance has decided to form technical team to work on formulation of the code of rules of the Corporate Governance. In accordance with the foundation and work plans the goal of this team is to prepare the rules of Governance in Palestine which should be in-compliance with the circumstances and legislations existing in Palestine with taking into account the stable principle in the area of regional and International Corporate Governance"(Committee, 2009).

The Code deals with the fundamental aspects of the Corporate Governance: General Committee meeting, Shareholders compatible rights, Corporate Management, Auditing, Disclosure and Transparency, and Other interest-holders in the Company.

2.1.4 Corporate governance in Jordan

The Jordanian code of corporate governance issued in 2008 by the board of the commissioners of the Jordanian Securities Commission and

applied in 2009. Jordan has applied international codes of corporate governance by including some of these corporate governance codes. These codes entail a lot of guidance in the light of good implementation of CG internationally. The codes were connected to the OECD rules and principles of corporate governance and the directing releases by the Basel Committee to encourage the corporate governance codes in national organizations (Mkheimer, 2018). The Jordanian code defines corporate governance as "the system by which organizations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organization – such as the Board of Directors, managers, shareholders and other stakeholders – and lays down the rules and procedures for decision-making"(Jordan, 2009). The Jordanian code of corporate governance was classified into different roles and responsibilities which belong to the board of directors, committee responsibilities, disclosure, and rights of stakeholders (Shanikat and Abbadi, 2011). Also, the code has been divided into a group of segments: a legislative dimension, capital market, disclosure and accounting standards, transparency, dynamic controlling of the board of directors, and protection of properties and minority rights (Khoury, 2003).

2.1.5 The organization for economic co-operation and development (OECD)

OECD has issued corporate governance principles in 1999 which included the responsibilities of board directors as follow:

"The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

A. Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders.

B. Where board decisions may affect different shareholder groups differently, the board should treat all shareholders fairly.

C. The board should ensure compliance with applicable law and take into account the interests of stakeholders.

D. The board should fulfill certain key functions, including:

1. Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures.

2. Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning.

3. Reviewing key executive and board remuneration, and ensuring a formal and transparent board nomination process.

4. Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.

5. Ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for monitoring risk, financial control, and compliance with the law.

6. Monitoring the effectiveness of the governance practices under which it operates and making changes as needed.

7. Overseeing the process of disclosure and communications.

E. The board should be able to exercise objective judgment on corporate affairs independent, in particular, from management.

1. Boards should consider assigning a sufficient number of non-executive board members capable of exercising independent judgment to tasks where there is a potential for conflict of interest. Examples of such key responsibilities are financial reporting, nomination and executive and board remuneration.

2. Board members should devote sufficient time to their responsibilities.

F. In order to fulfill their responsibilities, board members should have access to accurate, relevant and timely information" (OECD, 1999).

2.1.6 Corporate governance and stock liquidity

Stock liquidity is described as how it is easy to convert financial securities into cash. Also, it is defined as the capability to buy and sell a big quantity of stocks at minimum cost and in short time (Holden et al., 2014).

There are a macro factors that affect stock liquidity such as: Country stock market return, as the country stock market return increase it will attract more investors to invest in stock market which lead to better stock liquidity (Tian, 2010). Market Openness, Edison and Warnock, (2003) state that stock liquidity is associated with the level of capital control and economic conditions represented by interest rate. The study revealed that the higher degree of capital control refers to the stock market openness to foreign investment. Also, less restriction imposed on foreign investors leads to market openness and more stock liquidity. Country Risk, Erb et al., (1996) revealed that political risk affect international investments, and argue that political stability is important for free market developments which facilitate and attract foreign investors and enhance stock liquidity. Trading Restrictions, trading restrictions hinder the investment process and inversely affect stock market efficiency which in turn affects stock liquidity (Tian, 2010).

Also, there are many determinants for stock liquidity like: Exogenous transaction costs, exogenous transaction costs are the costs of performing transaction such as processing costs, brokerage fees and transaction taxes. Demand pressure and inventory risk, demand pressure

indicates that buyers and sellers are not available at stock market any time. Therefore, buyers will face difficulty in buying securities and sellers will face difficulty in selling securities. So, market maker come to solve this problem and buy securities at any time and selling them later, during the time period of keeping the securities it is called an asset in inventory. The risk of holding securities due to price fluctuations has price which will impose and transferred to seller. Search frictions, as the number of agents in the market increase demand pressure will decrease. As a result it becomes difficult to find a willing buyer in the market to sell particularly large number of securities for him. This leads to a cost which called search friction. Information asymmetry, when one investor possess more information than other in stock market it will be costly to buy or sell securities with informed investor (DERKS, 2012). As we have seen there are many factors that affect stock liquidity but, does corporate governance and financial leverage affect stock liquidity?

Good corporate governance enhances stock market efficiency. Because the trust of market participants will increase when the companies listed at stock market have high level of good corporate governance practices. Alsahlawi and Ammer, (2017) studied the relationship among corporate governance and stock market liquidity, they reached a conclusion that there is a positive association between corporate governance and stock liquidity. Also, Chung et al., (2010) state that good corporate governance practices affects stock liquidity because good corporate governance provide

better controlling over management actions, and thus the level of transparency will enhance and information asymmetry will decline. Fama and Jensen, (1983) argued that companies should deploy good corporate governance practices to reduce information asymmetry. Also, Diamond (1985) state that as the level of information disclosure increase information asymmetry will decrease.

2.1.6.1 Board independence and stock liquidity

According to the agency theory, independent board members are more effective in overseeing mangers who try to maximize his own interest instead of maximizing shareholders wealth, and they are more effective in decreasing agency conflicts (Fama, 1980). Elshandidy and Neri, (2015) emphasize that companies with effective governance mechanisms in place provide voluntary disclosure about risks, which improve stock liquidity. Good governance mechanisms contains controls and practices which may introduce a better level of assurance that firm mangers work to maximize shareholders' interests (Bar-Yosef and Prencipe, 2013).

Governance practices are expected to influence the quantity and quality of financial and non-financial information issued by the company to the stockholders and stakeholders. Specially, governance mechanisms can enhance enterprise's transparency through reducing company's management capability and motivation to hide part of the information that should be disclosed. Effective governance practices like board of directors independence lead to improve the quantity and quality of financial and

other information issued by company management, and thus decreasing information asymmetry (Bar-Yosef and Prencipe, 2013).

Chung et al., (2010) indicate that companies with effective governance mechanisms have lower bid ask spreads, better market quality index, and less possibility of information bias. Levesque et al., (2010) revealed that as the percentage of independent board members increase information asymmetry will decrease. Also, Heflin and Shaw, (2000) show that companies with higher degree of major shareholding, whichever by insider or outsider, have lower bid ask spread. This occurs due to the ability of block holder (as a controller of the company) to get access to the information before others, and information asymmetry may increase. Arabiat et al.(2016) conclude that there is a positive association among board independence and stock liquidity.

When an important major shareholder exists the value of good governance practices will raise particularly board of directors independence, because the threat of information asymmetry will rise. But when concentration of shareholdings reach high level, the firm decisions will be influenced by the shareholders who possess the majority of the shares which hinder the effectiveness of governance mechanisms (Prencipe and Bar-Yosef, 2011). Furthermore, Brown and Hillegeist, (2007) state that there is an inverse relationship between information asymmetry and the quality of financial reports.

Zhu, (2014) studied the effect of block shareholding and governance mechanisms on the post listing stock liquidity of initial public offering companies, 1049 initial public offering were taken from Shenzhen and Shanghai securities markets during 2001 and 2010. They reached a conclusion that companies that have higher number of stockholders and greater degree of concentrated shareholdings have a greater level of post listing stock liquidity. Also, board of directors independence, chief executive officer duality, and frequency of board of directors meetings have a positive relationship with post listing stock liquidity.

2.1.6.2 Board size and stock liquidity

Fama and Jensen, (1983) state that the efficiency and effectiveness of the board of directors rely on the number of board members (board size), board independence, and whether it separate or join the roles of chief executive officer and chairman roles.

Board of directors is composed to reduce agency conflict between firm management and owners (Dwivedi and Jain, 2005). Karmani et al., (2015) studied the influence of governance practices (board of directors characteristics, shareholding structure, disclosure and quality of audit) on firm equity liquidity among 287 French companies during 2007 to 2012. They show that governance practices have an important effect on firm equity liquidity. Firms with strong governance mechanisms have lower bid ask spreads. This means that governance practices can reduce information asymmetry and enhance firm equity liquidity.

When the board of directors perform it is role in controlling firm management in efficient and effective manner, the quantity, quality and frequency of information released by management to stakeholders and stockholders will enhance (Ajinkya et al., 2005). But, when the level of information asymmetry increase, the level of adverse selection will increase. The troubles of adverse selections will negatively influence firm equity liquidity (Glosten and Milgrom, 1985).

Chung et al., (2010) state that governance mechanisms such as board of directors size and board independence tend to decrease information asymmetry and thus enhance stock liquidity. Moreover, Amer Al-Jaifi et al., (2017) investigate the influence of effective governance mechanisms (represented by board features, audit committee features and internal audit) on firm equity liquidity among 505 companies listed in Malaysian stock exchange during 2009 to 2012. Results of the study revealed that there is a direct relationship among the effectiveness of governance mechanisms and share liquidity. Also, one of the study findings shows that a direct relationship exists between board of directors size and share liquidity.

Loukil and Yousfi, (2012) studied the influence of governance mechanisms on information asymmetry troubles and share liquidity among 49 listed companies in Tunisian securities market during 1998 to 2007. The study findings document that board of directors size and board independence have a positive influence on firm equity liquidity due to the role which board size and board independence play in decreasing

information asymmetry. But, Arabiat et al.(2016) studied the impact of corporate governance principles on the stock market liquidity on financial Jordanian public corporation, findings of the study show that there is a negative relationship between board size and stock liquidity. Also, Hassan, (2017) studied the effect of governance mechanisms on firm equity liquidity among 81 listed companies in Karachi securities market from 2005 until 2014. Results of the study indicate that there is no association between board size, number of independent directors in the board and the dual role of chief executive officer with stock liquidity. But there is a direct relationship exists between institutional shareholdings and audit committee independent with stock liquidity.

2.1.6.3 CEO duality and stock liquidity

From agency theory perspective, stockholders look to the board of directors as the main unit of defense against unacceptable actions by management (Weisbach, 1988). But when the company has dual leadership structure, chief executive officer will hold decision management and decision control. Thus, chief executive officer has more authority to monitor financial reporting and conceal some information. Dual leadership structure can raise the likelihood of stock price risk, when it distorting firm management investment decisions (Chen et al., 2015). Additionally, Daily and Dalton, (1994) revealed that there is an important direct association among dual leadership structure and firm economic failure.

Companies with dual leadership structure will have low degree of disclosed information due to the weakness of board in monitoring firm management, which reduce the degree of transparency. Under low degree of monitoring and transparency fraud actions can be concealed (Gul and Leung, 2004). Furthermore, Chen et al., (2015) studied the impact of dual leadership structure, where chief executive officer holds chairman position also, on probability of share price crash. They found that the dual role of chief executive officer is directly related to the crash of share price. Especially, for companies with high level of information asymmetry.

On the other hand, Chung et al., (2010) reported that companies with effective governance mechanisms have lower bid ask spread and lower information based trading. Bar-Yosef and Prencipe, (2013) examined the impact of governance mechanisms and earnings management on stock liquidity. They revealed that bid ask spread will be low for companies with effective governance practices such as segregation of chief executive officer and chairman roles, and board of directors independent. Also, Arabiat et al.(2016) found that there is an inverse association among chief executive officer duality and stock liquidity.

However, Ranjbar, (2015) examined the influence of selected governance mechanisms on firm equity liquidity among 123 firms listed in Tehran securities market during 2009 to 2013. They revealed that there is no significant influence of chief executive officer duality, board independence, and concentrated ownership on firm equity liquidity. While,

company size, proportion of debt to equity, and return on assets have important influence on firm equity liquidity.

2.1.6.4 Gender diversity on board and stock liquidity

The existence of female in the board increases the degree of board independence and effectiveness (Terjesen et al., 2016). Also, Catalyst, (2004) state that as the proportion of women in firm management increase firm performance will improve. Additionally, Desvaux et al., (2007) points out that the presence of women in a firm are important due to it is ability in improving firm relationship with stakeholders and stockholders.

Adams and Ferreira, (2004) revealed that the existence of women in the board will enhance the efficiency and effectiveness of the board because women have more meetings attendance comparing to men. Furthermore, Carter et al., (2003) show that a positive relationship exist between the presence of females in the company and company financial ratios. Smith et al., (2006) conclude that there is a direct association among financial performance of the company and gender diversity in firm management. Moreover, Francoeur et al., (2008) revealed that companies with great degree of gender diversity have higher earnings per share.

According to the agency theory, firm management can hide significant information in order to maximize their own interests (Jensen and Meckling, 1976). Chen et al., (2007) emphasize that weak governance practices leads to a greater degrees of information asymmetry and low

degree of firm equity liquidity. Also, Kanagaretnam et al., (2007) revealed that effective governance mechanisms decline the level of information asymmetry. A good governance practice enhances transparency level, and thus decreasing the level of information asymmetry which leads to enhance in share liquidity (Chung et al., 2010).

Information asymmetry affects firm financial and investment decisions therefore it will impact firm equity liquidity (Kyle, 1985). Information asymmetry leads to a higher cost by increasing adverse selection. Thus, investors will take advantage from low degree of information asymmetry because investors will be able to take the right decision, which decrease adverse selection and improve firm equity liquidity (Glosten and Milgrom, 1985). Likewise, Ahmed and Ali, (2017) examined how the proportion of females in the board associated with share liquidity among 944 Australians companies during the period 2008 to 2013. Results of the study indicate that there is a direct relationship among percentage of women in the board and share liquidity.

Gul et al., (2011) state that the existence of women on board will enhance share price informative by introducing better disclosure, which lead to less information asymmetry and enhance firm equity liquidity. Consistently, Ahmed and Ali, (2017) revealed that boards with gender diversity are more probably to disclose higher quantity and quality of information, which in turn lower information asymmetry. Gjerde et al., (2013) show that Information transparency improves share liquidity.

Amihud and Mendelson, (2000) state that companies with greater level of share liquidity decrease the cost of increasing their capitals. Foo and Zain, (2010) revealed that board of directors independence and diligence can minimize agency problems by enhancing information disclosure and thus enhance share liquidity. Also Gao, (2018) studied the association between the presence of female on board, earnings quality and share price informativeness. The study findings show that as the percentage of women increase in the board, share price will be more informative.

However, Earley and Mosakowski, (2000) show that the performance of diversified team is poor. Also, investors demand higher reward in order to hold illiquid share with bad performance, which raise the cost of equity financing (Butler et al., 2005).

2.1.6.5 Inside ownership and stock liquidity

Heflin and Shaw, (2000) examined the effect of insider (management and others) block shareholding on stock liquidity among 260 American listed companies during 1988 until 1989. Results of the study indicate that there is a direct association among insider block shareholding and stock liquidity represented by bid ask spread. While, Nekounam et al., (2012) examined the association among ownership structure and share equity liquidity for 74 chosen firms from Tehran securities market during 2005 to 2009. The study findings indicate that there is an inverse association among managerial degree of ownership, degree of institutional ownership, and block shareholding with share liquidity.

Næs, (2004) investigated the association among firm ownership structure and stock liquidity among listed firms in Oslo stock exchange from 1999 until 2001. Results of the study show that there is an inverse association among insider share ownership and block share ownership, with stock liquidity represented by bid ask spread. Whereas, no association has been found among institutional ownership and stock liquidity. Moreover, Sarin et al., (1996) show that as the proportion of insider share ownership increase, bid ask spread will increase. Also, they found a positive association among institutional ownership and bid ask spread.

Tobiasson et al., (1999) state that an inverse association exists among insider share ownership and stock liquidity. Also, they found insignificant association among institutional ownership and stock liquidity. Consistently, Chiang and Venkatesh, (1988) emphasize that when the level of insider shareholding raise the bid ask spread will increase. Also, they revealed that there is no association exists among institutional share ownership and bid ask spread.

Kini and Mian, (1995) conclude that insider share ownership and block shareholders have a direct influence on bid ask spread. While, they found that there is no association among institutional share ownership and bid ask spread. Likewise, Comerton-Forde and Rydge, (2006) points out that a direct association exists among the degree of insider share ownership and concentrated shareholdings, with bid ask spread. But an inverse association reached between institutional share ownership and bid ask

spread. Furthermore, Rubin, (2007) found a direct association among the percentage of insider share ownership and bid ask spread.

2.1.7 Corporate governance and financial leverage

2.1.7.1 Board independence and financial leverage

Presence of independent directors on the board of directors composition are desirable due to the diverse experience, diverse knowledge and independency that they have. As the percentage of nonexecutive officers increase, board independence level will raise which allows independent directors to effectively and efficiently control the behaviors of firm management (Ahmed Sheikh and Wang, 2012). Moreover, Weisbach, (1988) state that company management faces strong oversight as the number of independent directors increase in the board.

According to the task of external directors as an independent persons on board whom work to reduce the agency conflicts in the entity, a firm with high percentage of independent directors will has stronger monitoring degree which decrease the probability of high debt financing. So the higher the number of independent directors in the board, the more effective and efficient monitor of debt percentage used to finance the operation of a firm (Uwuigbe et al., 2014).

Pfeffer, (1972) state that number of board directors and the percentage of independent directors in the board structure are not an arbitrary event that occurs by chance, whereas it is a rational reactions by

firm to the external factors. Therefore, companies with higher need to capital market, will supposed to have higher number of independent directors. Moreover, Abor and Adjasi, (2007) point out that non-executive directors have great influence on firm strategy, through their influence on main decisions, and minimizing ambiguities that affect company. Therefore, they enhance company capability to raise fund.

The existence of independent directors in the composition of the firm's board will provide indicator to the stakeholders that firm is controlled effectively therefore fund suppliers trust in the firm will increase. As a result it will be easier for the firm to obtain more funds by using debt financing (Butt and Hasan, 2009). Furthermore, Mehran, (1992) have shown that there is a direct association among the proportion of independent directors whom representing investment bankers on company board and percentage of long term debt. Likewise, Pfeffer, (1972) argue that there is a significant direct association among the fraction of the directors whom representing financial institution on the board and percentage of financial leverage. Also, Qubbaja(2018) investigate the impact of corporate governance quality on the cost of equity capital for firms listed at Palestine exchange. The study shows that corporate governance quality has a reducing impact on cost of equity capital.

Anderson et al., (2004) reported an inverse relationship among the proportion of outside directors on the board and the cost of debt financing. Furthermore, they state that debt financing cost is less for companies with

higher percentage of outside directors comparing to companies with lower proportion of outside directors on board because fund suppliers looking to the degree of board independence as a significant factor in evaluating the cost of company debt. As well, Abor and Adjasi, (2007) documented a direct association among number of independent directors on the board and degree of financial leverage.

2.1.7.2 Board size and financial leverage

Success or failure of the firm depends mostly on the effectiveness and efficiency of the board of directors as the top decision maker in the firm (Ahmed Sheikh and Wang, 2012). Furthermore, Adams and Mehran, (2003) reported that larger board of directors can efficiently oversee the behaviors of firm managers and introduces diverse knowledge and experience.

Ahmed Sheikh and Wang, (2012) investigated the influence of governance practices on company financial leverage for one hundred and fifty five firms listed in Karachi Stock exchange from 2004 until 2008. The study found that there is a direct and significant association between board of directors size, proportion of independent directors in the board, firm size, block shareholding with firm capital structure. Moreover, Wen et al., (2002) revealed that there is a direct association among number of board of directors members and degree of financial leverage. He suggests that big board of directors face the problem of disagreement in decisions which

may influence the effectiveness and efficiency of governance and as a result firm degree of financial leverage will increase.

Anderson et al., (2004) conclude that the cost of debt financing is cheaper for firms with bigger boards of directors because creditors consider these firms have strong controlling as these firms have a big board with diverse back ground, knowledge, education and experience. Therefore it become easier and cheaper for the firm to get loan which increase financial leverage degree. Similar to that, Bokpin and Arko, (2009) documented that number of board members is directly and significantly related to the financial leverage level for companies listed in Ghanaian stock exchange. Also, Kyereboah-coleman and Biekpe, (2006) found that board of directors size is directly and significantly correlated with short term debt ratio and total debt ratio.

On the other hand, Heng et al., (2012) investigated the association among board of directors characteristics and firm capital structure for seventy five companies from Koalalampour stock exchange. The study outcomes show an inverse and significant association among board of directors size and firm financial leverage. Ranti, (2013) examined the influence of board of directors size and CEO duality on firm's capital structure. Results of the study revealed that board size relate inversely and significantly to company level of financial leverage. Also, Abor and Adjasi, (2007) pointed out that there is a significant inverse association among number of directors in the board and financial leverage ratio in which,

larger boards adapt low debt financing. Also, Alqisie, (2014) studied the effect of corporate governance on financial leverage for firms listed in Amman stock market, results of the study revealed that board size have negative association with financial leverage.

Berger et al., (1997) have shown that there is a negative relationship between board size and company level of financial leverage. They suggest that big board size will force firm management to reduce financial leverage to enhance company performance. Consistently, Butt and Hasan, (2009) studied the influence of ownership composition and governance mechanisms on financial leverage among listed firms in Pakistani stock exchange. Results of the study revealed a negative significant association among board of directors size and level of financial leverage.

2.1.7.3 Chief Executive Officer Duality and Financial leverage

Chief executive officer duality occur when a company's chief executive officer take also the chairman role in the board composition. From the agency theory view point the agency problems between stockholders and firm leadership can be minimized by splitting the roles of decision administration and decision monitor. So, chief executive officer should issue and deploy decisions as a decision management function, whereas board of directors should control those decisions as a decision monitor function. But, assigning both roles to chief executive officer may negatively affect board monitor role (Ahmed Sheikh and Wang, 2012).

Furthermore, Fama and Jensen, (1983) suggest that in a company, decision administration and decision monitor tasks must be split from each other. Decision administration task have the right to issue and implement new suggestions regarding company's resources whereas decision monitor task have the right to control those suggestions. Firm internal control system provides assurance that the two positions are separating from each other. The split of two roles will make the use and deployment of firm's resources easier, effective and efficient. Holding the positions of chief executive officer and chairman by the same person will cause in conflicts of interest and agency problems.

Yasser et al., (2015) state that decision management function which represented by chief executive officer should be segregated from decision monitor function which represented by chairman. Also, Nazir et al., (2012) argued that the chairman is the highest position in decision monitor unit and thus should not be hold by or fall under the influence of chief executive officer who is the highest position in decision management unit. Holding the two positions by the same person will lead to the agency conflicts.

Ranti, (2013) conclude that a direct association exists among the dual role of chief executive officer and firm's level of financial leverage. While a negative linkage exists among number of board members and financial leverage. Likewise, Vakilifard et al., (2011) studied the relationship between governance practices and proportion of debt to equity among listed firms in Tehran stock exchange from 2008 to 2010. They

concluded that there is a direct association among combing the functions of chief executive officers and chairman with proportion of debt to equity. Whereas, an inverse association exists among number of directors in the board and proportion of debt to equity. Also, Alqisie, (2014) state that there is a positive relationship between chief executive officer duality and financial leverage.

In contrast, Kyereboah-coleman and Biekpe, (2006) reported an inverse significant relationship among dual leadership composition and debt to equity ratio arguing that when one person takes the tasks of chief executive officer and chairman, agency problems will increase. Therefore, the cost of debt will be higher for these firms which lead to lower level of debt financing. Agyei and Owusu, (2014) reported that a negative association exists between dual leadership structure and firm capital structure measured by debt to equity ratio. Similarly, Ganiyu and Abiodun, (2012) emphasized that there is an inverse association among the dual role of chief executive officer and debt to equity ratio.

2.1.7.4 Gender diversity on board and financial leverage

The fear from female shortage in decision making levels causes many countries worldwide to issue many legislations and actions. In the last century, global interest in female existence in the composition of board of directors has increased dramatically. United States of America is the first country who controlled the percentage of female in the board of directors and it is started by this action in 2000. Today, many countries are

frequently monitoring female and male balance in board structure, such as Norway, Spain, Iceland, Finland, Netherlands, Sweden, Poland and Canada (Vinnicombe, 2009).

Adams and Ferreira, (2009) found that women directors in the board have higher board meetings attendance, therefore women directors give more attention and effort in monitoring management. Carter et al., (2010) argued that board of directors diversity can enhance it is controlling efficiency and effectiveness. Also, Brown et al., (2002) revealed that boards of directors which contain 3 or more females provided better governance actions comparing to boards without females. As the percentage of female in the board increase, it is more probably to recognize criteria to evaluate strategy, control its deployment, improve communication channels, and perform better control.

Gulamhussen and Santos, (2010) revealed that diversity of the board of directors is important to make financial decisions such as percentage of debt to equity and monitoring. Likewise, Jaradat, (2015) examined the influence of governance practices on firm financial leverage among listed companies in Amman stock exchange from 2009 to 2013. The study findings show that there is a direct association among gender diversity in the board, number of board members, and board independence with firm financial leverage.

However, Faccio et al., (2016) conclude that companies managed by woman chief executive officer have less debt financing comparing to

equity, more earnings stability, and greater opportunity of survival than companies managed by man chief executive officer. Also, Huang and Kisgen, (2013) conclude that there is a big variation in company action among companies with men executives and companies with women executives. Companies with women executives introduce lower growth, are less probably to use debt financing and are less probably to perform acquisitions comparing to firms with men executives. Also, Abobakr and Elgiziry, (2015) studied the effects of board characteristics and ownership structure on the corporate financial leverage, findings of the study show that there is a negative relationship between board size, female on board and financial leverage.

2.1.7.5 Insider ownership and financial leverage

Cheng and Tzeng, (2011) state that ownership composition plays an essential component in governance practices, due to it is impact on management behavior which reflects in debt to equity ratio and firm performance. Fama and Jensen, (1983) state that managers whom possess sufficient shares to govern the board could expropriate firm resources. Whereas, Jensen and Meckling, (1976) state that managerial equity ownership decreases firm management motivations to expropriate stockholders wealth and leads to agreements between management interests and stockholders' interests.

Warokka, (2008) document that there is a curvilinear association among management shareholding and the amount of debt financing.

Particularly, when management equity ownership is small, management interests is more probably to agree with stockholders interests, which result in high use of debt financing by management. From a broader view, when the degree of equity possession by management is big there will be little limitations on management actions, which result in a raise in opportunistic actions by management and reduced debt degrees.

Mehran, (1992) show that there is a direct association among equity possession by firm management and company's debt level. Similarly, Bokpin and Arko, (2009) emphasize that there is a direct relationship among management equity ownership and firm level of financial leverage. Consistently, Phani et al., (2004) have shown that there is a direct association among insider shareholdings and financial leverage in the enterprise with insider shareholdings more than or equal to fifty one percent, but when insider shareholdings is less than fifty one percent an inverse association exist with financial leverage.

Butt and Hasan, (2009) Studied the association among governance mechanisms and firm capital structure for 58 listed firms in Pakistan stock exchange from 2002 until 2005. The study findings show that managerial shareholding and board of directors size relate directly to firm level of financial leverage. While, the dual role of chief executive officer and board independence have no significant effect on financial leverage. Moreover, Short et al., (2002) investigate the effect of ownership construction on the capital structure of United Kingdom companies.

Outcomes of the study show that managerial equity ownership relates directly to percentage of debt to equity. But insignificant association exists among major external stock holders and debt to equity ratio. Also, Yaseen and Al-Amarneh, (2013) studied the relationship between corporate governance and financial leverage for firms listed in Amman stock market, result of the study indicates that the holdings of large owners have a direct significant association with financial leverage.

In contrast, Berger et al., (1997) revealed that company's debt to equity ratio is influenced by the level of managerial entrenchment. Managers whom own stocks try to keep away from debt in order to protect their own interests and the firm from outside threat. Ahmed Sheikh and Wang, (2012) state that an inverse association exists among management shareholding and fraction of debt financing. Similarly, Agrawal and Nagarajan, (1990) document that there is an inverse relationship exist among stock possession by management and fractions of debt to equity. Also, Alqisie, (2014) investigate in the influence of corporate governance on financial leverage for firms listed in Amman stock market, findings of the study revealed that ownership concentration has negative association with financial leverage.

2.1.8 Financial leverage and stock liquidity

Stock liquidity is a risk feature because it tells about the magnetism of the share. In the case of illiquid shares investors require specific amount of premium like compensation against illiquidity risk (Sidhu, 2018).

Raising the proportion of debt to equity will decrease the agency conflicts among shareholders and firm management. However, raising the level of firm financial leverage will raise the chance of economic failure risk. Thus, firm management must choose the best level of debt to keep away from economic failure (Aprullah et al., 2013).

Aprullah et al., (2013) investigated the effect of firm level of financial leverage on firm stock liquidity, which represented by bid ask spread. One of the study findings indicates that there is a direct effect of firm level of financial leverage on stock liquidity. Likewise, Andres et al., (2014) examined the effect of company capital structure on information asymmetry, in which information asymmetry is measured by firm stock liquidity. Results of the study indicate that as the level of financial leverage increase, information asymmetry will decrease which mean stock liquidity will increase.

On contrary, Eisfeldt and Rampini, (2006) studied the association among enterprise level of financial leverage and enterprise stock market liquidity. They found that as the firm level of financial leverage increase, stock market liquidity will decrease because companies with high degree of financial leverage alleviates information asymmetry and lead to greater cost of share trading. Also, Lipson and Mortal, (2009) studied the association among company's stock liquidity and proportion of debt to equity. Results of the study show that companies with greater degree of stock liquidity results in reducing the cost of issuing equity and therefore encourage company's management to raise firm capital through equity financing.

Moreover, Norvaišienė and Stankevičienė, (2014) state that the percentage of debt financing had an inverse influence on enterprise stock market liquidity, which mean the share of high levered companies has lower liquidity. Furthermore, Andrade and Kaplan, (1998) conclude that high debt financing is the main reason for firm financial difficulties which inversely affect firm stock liquidity. Mantecon and Poon, (2009) revealed that enterprises which have higher share liquidity can obtain loan from bank with reduced interest and thus decrease the cost of raising firm capital.

2.2 Theoretical framework

There are many theories talked about corporate governance such as: Stakeholders Theory, Stakeholders theory is build up in order to identify, analyze, develop and manage good coordination among stakeholders (Freeman, 2010). The difference between stakeholders theory and agency theory is that stakeholders theory serve bigger group of stakeholders, whereas agency theory concentrate on the relationship between shareholders (principal) and management (agent). Stewardship Theory, Stewardship theory states that the maximization of shareholders interests occur when there is a dual leadership structure which mean one person hold board chair and chief executive officer positions (Donaldson and Davis, 1991). According to stewardship theory executive members perform their duties effectively and efficiently to maximize shareholders wealth and to achieve firm objectives. Transaction Cost Economics, Transaction cost

economics theory emphasis the deployment of cost instruments like internal and external audit, segregation the positions of chairman and chief executive officer, risk analysis, good disclosure and appointment of independent outside board members. Resource Dependency Theory, Resource dependency theory comes from sociology and management fields of science. Resource dependency theory describes how the use of external resources by the company influences the performance of the company. Thus, the acquisitions of external resources are important for firm to achieve it is aims, and firm management play a vital role in choosing the required resources to achieve firm aims (Abid et al., 2015).

2.2.1 Agency Theory

Before the occurrence of the industrial revolution there was the family form of business, in which the family own and manage the business at the same time. But after the occurrence of the industrial revolution the corporate form of business appeared, in which the owners is not the managers of the firm which mean a separation between the ownership and management has taken place due to the big number of shareholders . Therefore the shareholders hire a management to manage the firm in a way that maximize shareholders wealth and interests, so this relationship between the owners and management is called principal agent relationship, but due to the human nature, that the person want all the time to maximize his own wealth and interests, the management that hired by the owners started to maximize it is own wealth and interests instead of maximizing

the wealth of the owners which mean a conflict of interest has been a raised, and this action is called agency cost.

Therefore the need for international organized regulations and controlling body to control and monitor whether the management follows these regulations in it is actions and performance has been raised specially after the born of oversees companies and multinationals enterprises that contains millions of shareholders, and in which it is stocks are listed and traded in many financial markets worldwide .

2.2.2 Corporate governance and Stock liquidity

Stock market is liquid when stocks can be traded in high volume with low price impacts (Wuyts, 2007). Stock liquidity is the capability to buy and sell a large number of a security immediately and with low cost (Holden et al., 2014). Harris, (1990) state four dimensions of liquidity, width, depth, immediacy, and resiliency. Width is the bid ask spread for specific quantity of stocks and commission and fees to be paid per stock. Depth is the quantity of stocks that can be traded at specific bid and ask prices. Immediacy refers to how rapidly trades of specific quantity of shares can be performed at specific cost. Resiliency refers to how quickly prices return to previous levels.

Bazrafshan, (2016) studied the association among board of directors independence and stock liquidity. The study show that as the proportion of independent directors increase, stock liquidity will raise. Sakwa, (2015) examined the influence of some governance mechanisms on share liquidity

among companies listed in Nairobi stock market during 2009 to 2013. They show that there is a direct relationship between board of directors size, independence and meeting frequency with firm stock liquidity.

2.2.3 Corporate governance and financial leverage

Agency problems among principal and agent occur due to the capital structure decisions as Jensen and Meckling (1976) argued. To reduce the effect of this conflict among principal and agent company can implement debt. The use of debt in the capital structure obliges firm management to make the right and best investment decisions (Frieder and Martell, 2006). When the amount of debt financing in the capital structure raise, firm management will encourage to implement firm assets effectively and efficiently because management have to repay interest payments. So, companies with low level of corporate governance efficiency employs financial leverage role to fulfill the weakness in corporate governance by using more debt in capital structure.

An enhance in the efficiency and effectiveness of corporate governance will reduce the use of debt (Haque et al., 2011), due to the controlling role that corporate governance play in monitoring firm management to safeguard stockholders. Gompers et al., (2003) state that good corporate governance mitigates agency problems and enhances the trust of market participants in company financial performance. Therefore, company's chance to obtain equity financing become easier which in turn company reduce it is using of debt financing (Drobetz et al., 2004).

2.2.4 Financial leverage and Stock liquidity

Many researchers have emphasized the role that the cost of equity plays in the relationship between company's stock liquidity and level of financial leverage. As the company's stock liquidity level improve the cost of equity will decrease, which leads to higher dependence on equity financing than debt financing (Lipson and Mortal, 2009, Udomsirikul et al., 2011). Amihud and Mendelson, (1986) conclude that high company's stock liquidity reduces the cost of equity financing, as a result the proportion of debt in capital structure will decrease. Likewise, Butler et al., (2005) state that the cost of equity financing for firms with high degree of stock liquidity will be small.

Frieder and Martell, (2006) argues that stock illiquidity is connected with greater cost of capital, because investors are ready and prefer to buy liquid stocks. For example, Brennan et al., (1998) find that equity holders require higher return for bearing illiquidity costs. Therefore, it becomes cheaper for the firm to use debt financing comparing to equity financing due to illiquidity.

2.3 Research hypothesis

Rubin, (2007) highlight the importance of governance practices in improving share liquidity. They show that employment of effective governance features such as appointment of independent board members can reduce management opportunistic behavior and improve firm financial

performance. Furthermore, the deployment of governance practices can reduce information asymmetry among management and stockholders, and can improve share liquidity. Moreover, Bar-Yosef and Prencipe, (2013) examined the effect of governance mechanisms and earnings management actions on firm stock liquidity. Findings of the study revealed that as non-institutional shareholding increase bid ask spreads will increase. But, they indicate that bid ask spread will decrease when the firm employ effective governance practices such as board of directors independence and segregation of chief executive officer and chairman roles.

However, Guo and Masulis, (2012) state that as the number of independent directors increase, chief executive officer will feel that monitoring will increase. Therefore, chief executive officer incentive to manipulate disclosure will increase in order to provide good financial picture about the company to protect himself from punishment. Also independent directors own small amount of shares in the company they monitor which mean they don't have enough incentives to perform good controlling as a result stock liquidity will be inversely affected. Furthermore, Faleye et al. (2011) argue that when chief executive officer consider outside directors as a monitors the decision making process will be slower and with less cooperation. Thus stock liquidity will be affect. So, the first hypothesis is:

H_{0A}: There is no relationship between corporate governance and stock liquidity.

H_{0A1}: There is no relationship between board independence and stock liquidity.

Anderson et al., (2004) points out that if the big size of board of directors introduces higher monitoring on financial reporting, thus the firm show higher transparency. Therefore, big size of the board will reduce information asymmetry and enhance financial reporting, which positively affect stock liquidity. As well, Cai et al., (2006) emphasize that as the board of directors size increase the adverse selection will decrease. As a result, this decreases the probability of informed trading and enhance stock liquidity. Zhu, (2014) Show that post listing stock liquidity is greater for companies with big board size, dual role of chief executive officer, higher number of independent board members and higher frequency of board meetings. Whereas, Jensen, (1993) state that small size of board of directors is better than big one, because when the number of board members increase more conflicts will raise and no consensus on decisions will be reached, which in turn has negative impact on financial disclosure which affect stock liquidity. So, the next hypothesis is:

H_{0A2}: There is no relationship between board size and stock liquidity.

Hutton et al., (2009) indicate that hiding bade information by firm management will lead to crash in share price. Kothari et al., (2009) state that the purpose of firm management from concealing bad information is to protect personal interests like employment chance and bonus. Also, Gompers et al., (2003) revealed that corporate governance practices can

positively affect share prices. Kanagaretnam et al., (2007) points out that company with greater degree of governance practices has less information asymmetry.

However, Brown and Hillegeist, (2007) conclude that there is an inverse association among information asymmetry and the quality degree of financial reporting disclosure. Chen et al., (2007) state that firms with weak transparency and disclosure will face high level of information asymmetry. They show that the cost of firm equity liquidity will be higher when the firm has low level of transparency and disclosure. Also, Cai et al., (2006) show that segregation of chief executive officer and chairman tasks will improve quantity and quality of the information disclosed to the outsiders and decreases the probability of informed trading. As a result adverse selection will decrease and firm stock liquidity will enhance. So, the following hypothesis is:

H_{0A3}*: There is no relationship between chief executive officer duality and stock liquidity.*

Hillman et al., (2007) argue that woman directors provide unique work experience and viewpoints to the board of directors. Jurkus et al., (2011) argue that gender diversity in the board decreases information asymmetry among firm management and stockholders which decline agency problems. Additionally, Gul et al., (2008) revealed that woman directors require higher degree of controlling, through higher audit practices, than men directors. Moreover, Abbott et al., (2012) state that

women directors have better and large viewpoints, which improve board independence. Also, they revealed that women perform better controlling which enhance governance practices, and decrease the probability of financial manipulation.

Furthermore, Städtler, (2016) studied the impact of women existence in the board on company's cost of capital. Study findings indicate that there is an inverse relationship among the presence of females on board and the cost of company's capital. While, Campbell and Mínguez-Vera, (2007) revealed that there is no association among gender diversity in the board and company value. So, the following hypothesis is:

H_{0A4}: There is no relationship between gender diversity on board and stock liquidity.

Insider ownership (whom have more information) have an inverse influence on stock liquidity because outsider investors (whom possess less information) want greater price for trading with them (Glosten and Milgrom, 1985). The presence of insider ownership with higher proportion of stockholdings can lead to a greater transaction cost and bid ask spread, which in turn reduce stock liquidity. In addition, Demsetz, (1968) state that company management with larger percentage of shareholdings have informational benefits. Moreover, he revealed that there is a direct association exists between insider share ownership and level of information asymmetry, and thus bid ask spread will raise and stock liquidity will decrease. So, the following hypothesis is:

H_{0A5}: There is no relationship between insider ownership and stock liquidity.

Vakilifard et al., (2011) examined the influence of governance characteristics on firm capital structure for firms listed in Iran stock exchange. They documented that percentage of external directors on board have a direct insignificant association with company capital structure. Similar to that, Al-Najjar and Hussainey, (2011) found a direct association between number of independent directors and financial leverage level. Arguing that companies with high percentage of independent directors can obtain loans easier with lower cost due to the high monitoring that independent directors perform over management actions which give fund suppliers more trust.

On contrary, Wen et al., (2002) documented a significant inverse correlation among degree of company financial leverage and percentage of independent directors on board because when firm management face stronger control from independent directors management will oblige to use lower degree of financial leverage to attain good results. Consequently greater percentage of external directors on board composition will assist in lowering agency cost.

Corsi and Prencipe, (2015) claimed that nonexecutive directors monitor firm management efficiently and oblige it to decrease financial leverage degree, to raise the value of the company, with advantages from reducing agency costs. Likewise, Ganiyu and Abiodun, (2012) studied the

effect of board features on company capital structure for firms listed in Nigerian stock exchange. Findings of the study revealed an inverse insignificant association among board composition and company capital structure. So, the following hypothesis is:

H_{0B}: There is no relationship between corporate governance and financial leverage.

H_{0B1}: There is no relationship between board independence and financial leverage.

Priya and Nimalathasan, (2013) examined the association among board features and level of financial leverage for chosen restaurants and hotels in Sri Lanka. They pointed out that there is a direct significant association among number of directors in the board, CEO duality with degree of financial leverage. As well, Jaradat, (2015) studied the association among board of directors features and capital structure for listed firms in the Jordanian stock exchange from 2009 to 2014. The study findings revealed a direct considerable association among number of board members and total debts to total assets ratio.

In contrast, Uwuigbe et al., (2014) examined the association among board of directors attributes and debt to equity ratio for listed firms in Nigerian securities exchange. Outcomes of the study revealed an inverse considerable correlation among board of directors size and capital structure. Likewise, Vakilifard et al., (2011) pointed out that there is an

inverse significant relationship among number of board directors and level of financial leverage. Also, Abobakr and Elgiziry, (2015) studied the impact of board characteristics and ownership structure on the corporate financial leverage, results of the study revealed that there is a negative relationship between board size and financial leverage. Thus, companies with big board size have low level of financial leverage. So, the following hypothesis is:

H_{0B2}: There is no relationship between board size and financial leverage.

Fosberg, (2004) investigated the influence of chief executive officer duality on debt to equity ratio among American companies. Results of the study shown that a positive relationship exist between chief executive officer duality and degree of financial leverage. Bokpin and Arko, (2009) found that there is a direct association among chief executive officer dual role and firm level of financial leverage arguing that chief executive officer has a preference to obtain fund through debt. Priya and Nimalathasan, (2013) examined the association among board of directors features and financial leverage for Sri Lankan chosen hotels and restaurants. The study findings revealed that there is a direct association among chief executive officer duality, board of directors size, meetings frequency with financial leverage.

However, Saad, (2010) collected data from 126 firms listed in Malaysian stock exchange from 1998 until 2006, to investigate the effect of governance mechanisms on debt to equity ratio. Results of the study

indicated that an inverse association exists among chief executive officer duality and debt to equity ratio. While, a direct association exist among number of board members and debt to equity ratio. Also, Ganiyu and Abiodun (2012) revealed that there is an inverse association among chief executive officer duality and level of financial leverage. In the same line Ahmed Sheikh and Wang (2011) conclude that chief executive officer duality is negatively affecting debt to equity ratio. So, the following hypothesis is:

H_{0B3}*: There is no relationship between chief executive officer duality and financial leverage.*

Boards with skills, experience and knowledge variety have greater chance to obtain needed resources than boards with less diversity (Pfeffer, 1972). Also, Kosnik, (1990) state that companies with diverse board will gain better benefits than others firms. Because diverse board provides different views and more flexible in term of decision making process which react faster to dynamic environment (Eisenhardt and Bourgeois, 1988).

While, Abobakr and Elgiziry,(2015) studied the relationship among some governance characteristics and company's level of financial leverage among 36 listed companies in Egyptian securities market during 2007 until 2011. Results of the study indicated that women on board, board size and block shareholding relate inversely to degree of financial leverage. Also, Alves et al., (2014) examined the influence of board of directors diversity

on financing choice. The study findings show that as the percentage of female increase on board, the efficiency and effectiveness of board will improve and information asymmetry among firm management and stockholders will be reduced, which leads to lower short term debt in firm capital structure. So, the following hypothesis is:

H_{0B4}: There is no relationship between gender diversity on board and financial leverage.

Equity ownership by management motivates firm management to use the optimal degree of debt financing. Managers whom own shares will face the same losses as stockholders, when they utilize less degree of debt than optimal degree in firm capital structure (Abor, 2008). Hewa Wellalage and Locke, (2012) conclude that management equity ownership has a directly impact on the percentage of long debt financing. Also Céspedes et al., (2010) reported that as the level of managerial ownership increase, the degree of firm financial leverage will raise. Driffield et al., (2005) emphasize that insider shareholding have a direct influence on debt to equity ratio.

On contrary, Friend and Lang, (1988) conclude that an inverse association exist among management equity ownership and proportion of debt to equity. Whereas, Huang, (2006) conclude that there is no association among insider share holding and firm capital structure. Kumar, (2005) Studied the linkage among companys ownership structure and financial structure for listed enterprise in Indian from 1994 to 2000. The

study results show that there is no significant association exists among directors shareholdings and firm capital composition. So, the following hypothesis is:

H_{0B5}*: There is no relationship between insider ownership and financial leverage.*

Cheung et al., (2017) investigated the influence of share liquidity on a company's use of debt or equity financing. Results of the study indicate that there is a positive relationship between firm equity liquidity and debt financing. Furthermore, Ready and Odders-White, (2006) state that companies which have greater degree of equity liquidity, have better and greater credit ratings and lower probability of bankruptcy. Chen et al., (2016) reported that companies with higher equity liquidity can obtain loan from bank with lower costs. Therefore, when the cost of debt financing has higher response to the degree of share liquidity comparing to the cost of equity financing, firm management will prefer to choose debt financing.

However, GU and CHEN, (2009) examined the influence of company equity liquidity on company capital structure. Study findings indicate that firm equity liquidity has an inverse impact on debt to equity ratio. Also, Udomsirikul et al., (2011) studied the effect of enterprise share liquidity on enterprise capital structure. Findings of the study revealed that enterprises with higher share liquidity have lower degree of financial leverage. Khediri and Daadaa, (2011) show that companies with high percent of debt financing experience decrease in share trading activities.

Lipson and Mortal, (2004) argued that as the proportion of debt to equity decrease company stock liquidity will improve. So, the following hypothesis is:

H_{0C}: There is no relationship between financial leverage and stock liquidity.

Chapter Three

Methodology

3.1 Sample and data collection

The sample of this study composed of 244 companies, in which 48 firms listed in Palestine stock exchange (service sector 12 firms, banking sector 6 firms, insurance sector 7 firms, industry sector 14 firms, and investments sector 9 firms) and 196 firms listed in Amman stock market (financial sector 101 firms, industry sector 37 firms, and services sector 58 firms) over the period 2006-2017. Data about these 244 companies that is necessary to accomplish this study was collected through financial reports of these companies and the websites of Palestine stock exchange and Amman stock market from 2006 to 2017.

3.2 Measurement

Main features of illiquid stock markets are high daily variations in price, with small amount of daily transactions, whereas, in liquid stock markets there are greater degree of price stability and greater number of transactions. In illiquid stock markets there is a higher chance to make profit due to large price fluctuations but it is more risky (Bogdan et al., 2012).

Aitken and Comerton-Forde, (2003) state that there are about sixty eight liquidity measures such as Time weighted quoted spread, Turnover

adjusted zero daily volume, Zero return, Liquidity ratio, Stock turnover ratio, Amihud illiquidity, and Return reversal. There is a disagreement between researchers about the best liquidity measure. The common measure of stock liquidity is the difference among bid and ask price. Amihud state that the bid ask spread measure is one of the best methods to measure stock liquidity. In emergent markets like Palestine and Amman markets we can't found all the necessary data to apply in all liquidity measures. For instance, bid ask data are not available on Palestine and Amman stock exchanges. Therefore, this study will use some of liquidity measures such as: liquidity ratio, due to the availability of data.

The following table illustrates how the dependent variable (stock liquidity), independent variables (board size, board independence, chief executive officer duality, gender diversity on the board, and insider ownership), and mediator (level of financial leverage) will be measured.

Variable		**Measuring method**	**Previous studies**
Dependent variable	Stock liquidity	$Liquidity\ ratio_{\ iy} = \frac{\sum_{d=1}^{D_{iy}} VOL_{idy}}{\sum_{d=1}^{D_{iy}} \lvert R_{idy} \rvert}$ VOL_{idy}: is the daily trading volume of firm *i* on day *d* of year *y*. $\lvert R_{idy} \rvert$: is the absolute daily stock returns of firm *i* on day *d* of year *y*. D_i: is the number of days with available data for firm *i* in year *y*. The higher the *LR*, the higher is stock liquidity.	Amihud et al., (1997), Berkman and Eleswarapu, (1998)
Independent variables	Board size	The number of directors on the board	Chung et al., (2010), Loukil and Yousfi, (2012)

	Board independence	The number of independent directors divided by the total number of directors on the board.	Levesque et al., (2010), Bar-Yosef and Prencipe, (2013)
	CEO duality	Takes value 1 if the chairman and the CEO are the same person and 0 otherwise.	Chen et al., (2015), Bar-Yosef and Prencipe, (2013)
	Gender diversity on board	The number of women on board divided by total number of directors in the board.	Terjesen et al., (2016), Adams and Ferreira, (2004)
	Insider ownership	The sum of shares owned by board members and their relatives and firm management and their relatives divided by total number of shares outstanding.	Heflin and Shaw, (2000), Tobiasson et al., (1999)
Mediator	Level of financial leverage	Total debt/(total debt + total equity) or total debt divided by total assets	Aprullah et al., (2013), Lipson and Mortal, (2009)

3.3 Hypothesis testing

The multi-variable regression model is used to understand the relationship between many independent variables and dependent variable. So the Multi-variable regression model is suitable for this study to find the effect of corporate governance characteristics on stock liquidity, the effect of corporate governance characteristics on financial leverage, and the effect of financial leverage on stock liquidity. In addition to that there are many studies that have been used multi-variable regression in the same manner (Amer Al-Jaifi et al., 2017, Bar-Yosef and Prencipe, 2013, Chen et al., 2007, Loukil and Yousfi, 2012, Prommin et al., 2014, Sakwa, 2015). Therefore this study used the multi-variable regression model as follow:

The first equation illustrates the relationship between corporate governance characteristics and stock liquidity.

$LQ_{it}=\beta_0+\beta_1(BoardSize_{it})+\beta_2(BoardIndependence_{it})+\beta_3(CEODuality_{it})+\beta_4(GenderDiversity_{it})+\beta_5(InsiderOwnership_{it}) + E_{it}$ ……..(1)

The second equation illustrates the relationship between corporate governance characteristics and financial leverage.

$LV_{it}=\beta_0+\beta_1(BoardSize_{it})+\beta_2(BoardIndependence_{it})+\beta_3(CEODuality_{it})+\beta_4(GenderDiversity_{it})+\beta_5(InsiderOwnership_{it}) + E_{it}$……(2)

The third equation illustrates the relationship between financial leverage and stock liquidity.

$LQ_{it}=\beta_0+\beta_1(financial\ leverage_{it})+ E_{it}$ …….(3)

Where,

LQ: Represent the stock liquidity.

LV: Represent the financial leverage.

i: Represent the company .

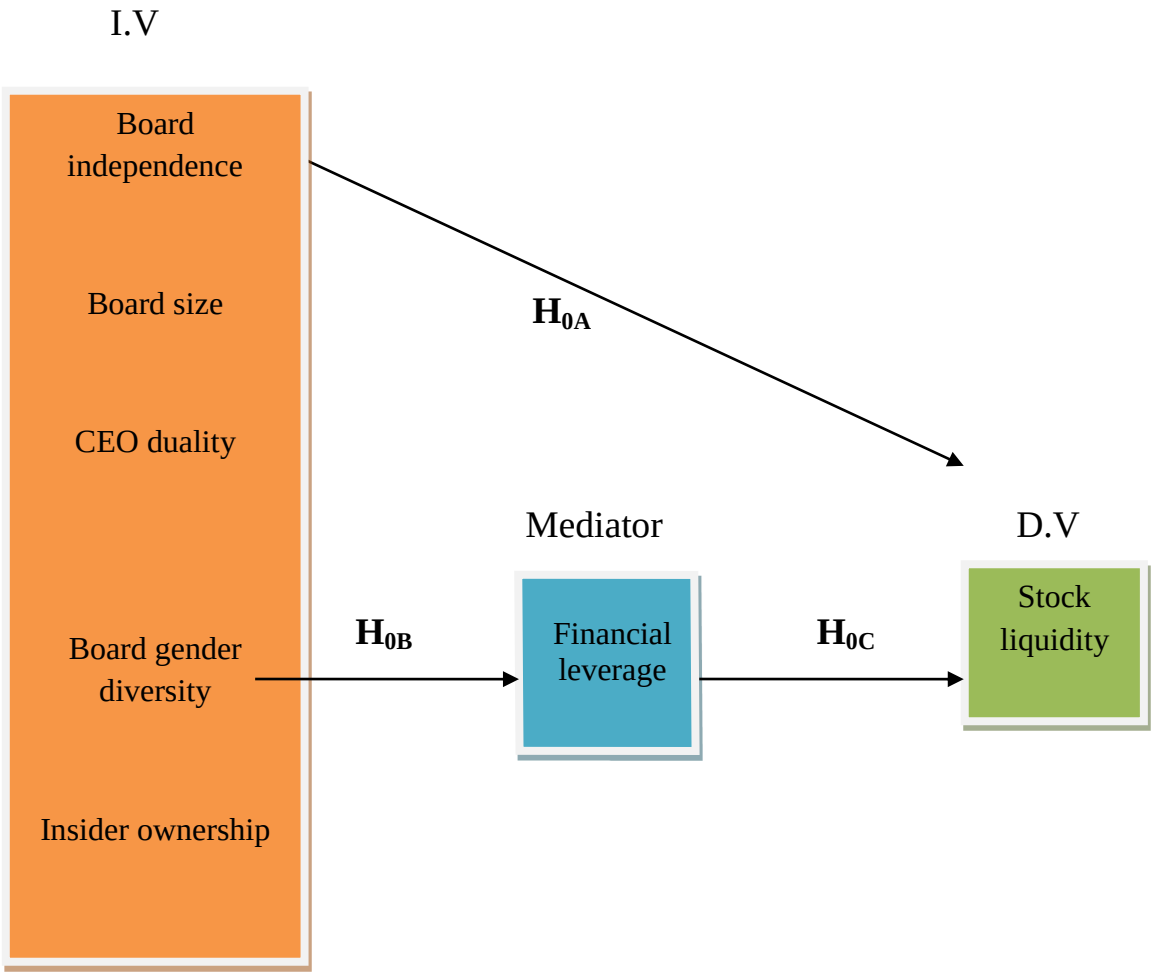
t: Represent the time .

β: Represent the sensitivity of stock liquidity (Y) from change in one variable.

E: Represent the residual.

Theoretical model

The following shape is the theoretical model which contains independent variables (Corporate governance characteristics: Board independence, board size, CEO duality, board gender diversity, and insider ownership), mediator (Financial leverage), and dependent variable (Stock liquidity). The Theoretical model illustrates the relationship between corporate governance and stock liquidity which represented by hypothesis H_{0A}, the relationship between corporate governance and financial leverage which represented by hypothesis H_{0B}, and the relationship between financial leverage and stock liquidity which represented by H_{0C}.



Chapter Four

Results and discussion

4.1 Descriptive statistics

Descriptive statistics is aimed to clarify the kind and behavior of the data, also it contains descriptive details about variables (dependent, independent and control variables). Mean introduce the average of the data or provides the central tendency of the data, median is the central item of the data, highest and lowest points of the data assist in identifying outliers, standard deviation shows the deviation of variables and data uncertainty from the mean, skewness tells us how the data is skewed negatively, positively or zero (normally distributed). Kurtosis tells us whether the distribution of data is flat distributed or peak distributed. Data is normally distributed when kurtosis is equal to three, data have a peaked distribution and concentrated around the mean when kurtosis is higher than three, whereas data have flat distribution and dispersed around the mean when kurtosis less than three (Hassan, 2017).

Table (1) introduces the descriptive statistics for corporate governance mechanisms (IO: inside ownership, FB: female on board, BS: board size, BI: board independence), financial leverage, and stock liquidity of the study with 1976 observations and cover the period from 2006 to 2017. Inside ownership has a mean of 0.450103 median of 0.4311 and the maximum value is 0.9826 and the minimum value is 0 also the standard

deviation is 0.248593. Female on board has a mean of 0.335526 with maximum value of 4 and minimum value of 0 and the standard deviations is 0.659323 and the median is 0. Board size has a mean of 8.279352 with maximum value of 15 and minimum value of 3, and median of 8 also standard deviation of 2.222987. Board independence has a mean of 1.432186 and the median is 0, also the maximum value is 11 and the minimum value is 0, and the standard deviation is 1.984358. Leverage (is the total debt divided by (total debt plus total equity)), has a mean of 0.359616, median of 0.306183, maximum value of 1.042351, minimum value of 0.000367, and standard deviation of 0.265404. Stock liquidity (trading volume divided by the absolute value of stock return) as the dependent variable in the study, has a mean of 665000000 with maximum value of 345000000000 and minimum value of 0 and the median is 12123831 also the standard deviation is 13500000000. Control variables (CEOD) excluded from descriptive statistics because it is a dummy variable which takes 1 or 0 only, and it has no meaning in descriptive statistics. Chief executive officer duality, is a control variable which take 1 if the chairman and chief executive officer are the same person and 0 when the two positions occupied by two different persons.

Table (1): Results of descriptive statistics for some corporate governance mechanisms, financial leverage, and stock liquidity

	Inside ownership	Female on board	Board size	Board independence	Financial leverage	Stock liquidity
Mean	0.450103	0.335526	8.279352	1.432186	0.359616	6.65E+08
Median	0.4311	0	8	0	0.306183	12123831
Maximum	0.9826	4	15	11	1.042351	3.45E+11
Minimum	0	0	3	0	0.000367	0
Std. Dev.	0.248593	0.659323	2.222987	1.984358	0.265404	1.35E+10
Observations	1976	1976	1976	1976	1976	1976

Descriptive statistics analysis (mean, median, maximum value, minimum value, standard deviation and number of observations) for some corporate governance mechanisms (BS: board size, FB: female on board, BI: board independence, and IO: inside ownership), financial leverage (LV) and stock liquidity (LQ).

4.2 Correlation

Correlation matrix is employed to identify the issue of multicollinearity in the data. The correlation can take values between -1 and +1 only. When the correlation between two variables has a value of +1, this means that a perfect positive correlation exists among the variables. Whereas, when the correlation between two variables has a value of -1, this means that a perfect negative correlation exists among variables. Also, when the correlation between two variables has a value of 0, this indicates that there is no correlation exists between variables. If any correlation has a value of 0.8 or more this refers to a higher probability of multicollinearity problem in that variable. The degree of correlation among corporate

governance mechanisms, which represent the independent variables in this study, is lower than 0.8, and the greatest degree of correlation exists among female on board (FB) and board size (BS) which reached 0.135693. Therefore, there is no multicollinearity problem among corporate governance mechanisms as independent variables.

Table 2 illustrates the outcomes of correlation matrix which show the degree of correlation between corporate governance mechanisms (IO: inside ownership, FM: female on board, CEOD: chief executive officer duality, BS: board size, and BI: board independence) and stock liquidity.

As we notice, inside ownership has a negative correlation with stock liquidity. Which means, as the proportion of inside ownership increase stock liquidity will decrease, which agrees with (Nekounam et al., 2012). Female on board has a positive correlation with stock liquidity. This indicates that as the number of female increase in the board stock liquidity will increase. This finding consists with (Ahmed and Ali, 2017). Chief executive officer duality has a positive correlation with stock liquidity. This means, when one person hold the position of chairman and chief executive officer at the same time stock liquidity will increase (i.e. stock liquidity increase when there is no separation between chief executive officer role and chairman role). This result agrees with (Ranjbar, 2015). Board size has a positive correlation with stock liquidity, which refers to direct association between number of board members and stock liquidity. This finding agrees with (Chung et al., 2010). Board independence has a negative correlation

with stock liquidity. Which demonstrates that as the number of independent directors on the board of directors increase stock liquidity will decrease. Which consists with (Guo and Masulis, 2012).

Table (2): Correlation Matrix between some corporate governance mechanisms and stock liquidity

	Stock liquidity	Inside ownership	Female on board	Chief executive officer duality	Board size	Board independence
Stock liquidity	1					
Inside ownership	-0.02246	1				
Female on board	0.0189	0.031541	1			
Chief executive officer duality	0.048055	-0.04476	0.012146	1		
Board size	0.002864	0.134376	0.135693	-0.10306	1	
Board independence	-0.02456	-0.02882	-0.0838	-0.05532	0.083038	1

Correlation analysis of the relationship between some corporate governance mechanisms (BS: board size, FB: female on board, BI: board independence, CEOD: chief executive officer duality and IO: inside ownership) and stock liquidity (LQ).

Table (3) show the correlation matrix between corporate governance mechanisms (BS: board size, FB: female on board, BI: board independence, CEOD: chief executive officer duality, and IO: inside ownership) and financial leverage. Female on board and board size has the strongest degree of correlation (0.153368) among corporate governance variables (independent variables) in table 3 which is less than 80%. So multicolinearity problem does not exist among corporate governance mechanisms (independent variables). Board size has a positive correlation

with financial leverage. This means, as the number of board members increase level of financial leverage will increase. This finding is in accordance with (Wen et al., 2002). Female on board has a positive correlation with financial leverage. Which demonstrates that as the percentage of female on board increase level of financial leverage will increase. This conclusion agrees with (Jaradat, 2015). Board independence has a negative correlation with financial leverage. This means, when the number of independent directors on board increase level of financial leverage will decrease. This finding consists with (Uwuigbe et al., 2014). Chief executive officer duality has a negative correlation with financial leverage. This indicates that as the roles of chief executive officer and chairman hold by one person level of financial leverage will decrease. This finding agrees with (Agyei and Owusu, 2014). Inside ownership has a positive correlation with financial leverage. This means that there is a direct relationship exists between inside ownership and level of financial leverage. This result consists with (Bokpin and Arko, 2009).

Table (3): Correlation matrix between some corporate governance mechanisms and financial leverage

	Board size	Female on board	Board independence	Chief executive officer duality	Inside ownership	Financial leverage
Board size	1					
Female on board	0.153368	1				
Board independence	0.092294	-0.03112	1			
Chief executive officer duality	-0.11367	-0.00082	-0.05127	1		
Inside ownership	0.134861	0.0348	-0.03951	-0.05874	1	
Financial leverage	0.337558	0.013411	-0.07798	-0.091	0.033606	1

Correlation analysis of the relationship between some corporate governance mechanisms (BS: board size, FB: female on board, BI: board independence, CEOD: chief executive officer duality and IO: inside ownership) and financial leverage (LV).

Table (4) shows the correlation among financial leverage and stock liquidity. From the table we can see that there is a negative correlation (-0.01325) among financial leverage and stock liquidity. This means as the level of financial leverage increase stock liquidity will decrease, (i.e. an inverse relationship exists between level of financial leverage and stock liquidity). This finding has been reached by (Eisfeldt and Rampini, 2006).

Table (4): Correlation matrix between financial leverage and stock liquidity

	Financial leverage	**Stock liquidity**
Financial leverage	1	
Stock liquidity	-0.01325	1

Correlation analysis of the relationship between financial leverage (LV) and stock liquidity (LQ).

4.3 Regression

Table (5) shows that the coefficient of board size (BS) is negative and the P-value is (0.0725). This means that the association among board size and stock liquidity is negative and significant. So, as the number of board members increase stock liquidity will decrease. This result agrees with (Hassan, 2017). Furthermore, the coefficient of female on board (FB) is positive and the P-value is (0.1243). Which indicates that the relationship between female on board and stock liquidity is positive and insignificant. Thus, as the proportion of female on board increase stock liquidity will

increase. This outcome is consistence with (Gul et al., 2011). Additionlly, the coefficient of board independence is negative with P-value of (0.58). which means that there is an inverse and insignifcant relationship between board independence (BI) and stock liquidity. Which agrees with (Faleye et al., 2011).

This finding mean as the number of independent directors on the board increase stock liquidity will decrease. Moreover, the coefficient of chief executive officer duality (CEOD) is positive with P-value of (0.4012). This refers to the existence of positive and insignificant relationship between chief executive officer duality and stock liquidity, and this result agrees with (Ranjbar, 2015). Also, the coefficient of inside ownership is positive and the P-value is (0.9424). This means that there is a positive and insignificant association among inside ownership and stock liquidity, which consist with (Heflin and Shaw, 2000).

Table (5): Regression analysis result between some corporate governance mechanisms and financial leverage

Dependent Variable: Stock liquidity				
Method: Panel Least Squares				
Sample: 2006 2017				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
Board size	-1.33E+09	7.43E+08	-1.79665	0.0725
Female on board	3.60E+09	2.34E+09	1.537429	0.1243
Board independence	-4.57E+08	8.25E+08	-0.55353	0.58
Chief executive officer duality	3.38E+09	4.02E+09	0.839713	0.4012
Inside ownership	4.55E+08	6.29E+09	0.07232	0.9424
R-squared	0.00633	Mean dependent var		1.55E+10
Adjusted R-squared	0.002958	S.D. dependent var		7.11E+10
S.E. of regression	7.10E+10	Akaike info criterion		52.81274
Sum squared resid	1.04E+25	Schwarz criterion		52.83451
Log likelihood	-54679.59	Hannan-Quinn criter.		52.82072
F-statistic	1.877438	Durbin-Watson stat		0.380272
Prob(F-statistic)	0.069326			

Regression analysis of the relationship between some corporate governance mechanisms (BS: board size, FB: female on board, BI: board independence, CEOD: chief executive officer duality and IO: inside ownership) and stock liquidity (LQ).

From table (6) we can see that board size (BS) has a positive and significant effect on financial leverage. Positive coefficient value of board size (0.033016) with P-value of (0) indicates that there is a direct relationship ship between board size and financial leverage, which mean as the number of board member increase level of financial leverage will increase.

The finding agrees with the study of (Ahmed Sheikh and Wang, 2012). Female on board has coefficient of (-0.0183) with P-value of (0.0196). Which demonstrates that there is a negative and significant association among female on board and financial leverage, this means as the number of females on board increase level of financial leverage will decrease. This result consists with (Faccio et al., 2016). Furthermore, according to the coefficient (-0.00819) and P-value (0.0031) of board independence, board independence has negative and significant relationship with level of financial leverage, it means as the number of independent directors on board increase level of financial leverage will decrease. This result consists with (Wen et al., 2002). Moreover, chief executive officer duality (CEOD) has coefficient of (-0.02951) with P-value of (0.0284), which show that there is an inverse and significant

association between chief executive officer duality and level of financial leverage. It is in line with (Ganiyu and Abiodun, 2012). Also, inside ownership (IO) has a negative and insignificant relationship with financial leverage as the coefficient (-0.00931) and P-value (0.658) shows. This demonstrates that as the proportion of inside ownership increase level of financial leverage will decrease. This finding agrees with (Ahmed Sheikh and Wang, 2012).

Table (6): Regression analysis result between some corporate governance mechanisms and financial leverage

Dependent Variable: Financial leverage				
Method: Panel Least Squares				
Sample: 2006 2017				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
Board size	0.033016	0.00249	13.25839	0
Female on board	-0.01831	0.007837	-2.33563	0.0196
Board independence	-0.00819	0.002768	-2.9599	0.0031
Chief executive officer duality	-0.02951	0.013459	-2.19277	0.0284
Inside ownership	-0.00931	0.021038	-0.44269	0.658
R-squared	0.211213	Mean dependent var		0.361263
Adjusted R-squared	0.208544	S.D. dependent var		0.267366
S.E. of regression	0.237859	Akaike info criterion		-0.03043
Sum squared resid	117.0578	Schwarz criterion		-0.00871
Log likelihood	39.60349	Hannan-Quinn criter.		-0.02247
F-statistic	79.14506	Durbin-Watson stat		0.1657
Prob (F-statistic)	0			

Regression analysis of the relationship between some corporate governance mechanisms (BS: board size, FB: female on board, BI: board independence, CEOD: chief executive officer duality and IO: inside ownership) and financial leverage (LV).

The Hausman test is the standard test for discriminating between random effect versus fixed effect in panel data. "The random effects model

gives the best linear unbiased estimates. They are consistent, efficient and unbiased. However if there is correlation between the error term of the random effects model and the independent variables, its estimates would be inconsistent and thus fixed effects model would be preferred over the random effects model. The fixed effects model estimates are always consistent, but they are inefficient compared to the random effects model estimates"(Sheytanova, 2015).

The Hausman test indicates that fixed effect should be used. Therefore, table (7) provides the fixed effect results of the relationship between corporate governance mechanisms (BS: board size, FB: female on board, BI: board independence, CEOD: chief executive officer duality, and IO: inside ownership) and financial leverage. Board size has a coefficient of (0.001363) and P-value of (0.6065). This means that there is a positive and insignificant association among board size and financial leverage. So, when the number of board members increases level of financial leverage will increase. The finding agrees with the study of (Ahmed Sheikh and Wang, 2012). Female on board has a positive and insignificant relationship with financial leverage according to the value of the coefficient (0.00748) and P-value (0.2738). This means that when the proportion of female on board increase level of financial leverage will increase. This result agrees with (Ahmed and Ali, 2017). Furthermore, board independence has a coefficient of (-0.00132) with P-value of (0.5505). This refers to the existence of negative and insignificant relationship between board

independence and financial leverage. This means, level of financial leverage decrease as the number of independent directors on board increase. This result agrees with (Wen et al., 2002). Chief executive officer duality has a negative and insignificant association with financial leverage upon the coefficient value (-0.01582) and P-value (0.1679). This indicates that level of financial leverage will decrease when the firm has dual leadership structure (chief executive officer role and chairman role are hold by the same person).This finding agrees with (Bar-Yosef and Prencipe, 2013). Moreover, inside ownership has a coefficient of (0.046214) with P-value of (0.0062). This means that there is a positive and significant relationship between inside ownership and financial leverage. (I.e. as the percentage of inside ownership increase level of financial leverage will increase). This result consists with (Heflin and Shaw, 2000).

Table (7): Hausman test results

Dependent Variable: Financial leverage				
Method: Panel Least Squares				
Sample: 2006 2017				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
Board size	0.001363	0.002645	0.515163	0.6065
Female on board	0.00748	0.006833	1.094699	0.2738
Board independence	-0.00132	0.002204	-0.59707	0.5505
Chief executive officer duality	-0.01582	0.011468	-1.37951	0.1679
Inside ownership	0.046214	0.016863	2.740613	0.0062
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.874028	Mean dependent var		0.361263
Adjusted R-squared	0.858179	S.D. dependent var		0.267366
S.E. of regression	0.100688	Akaike info criterion		-1.64821
Sum squared resid	18.69454	Schwarz criterion		-1.01566
Log likelihood	1944.665	Hannan-Quinn criter.		-1.41639
F-statistic	55.14728	Durbin-Watson stat		0.956544
Prob(F-statistic)	0			

Table (8) illustrates the association among financial leverage and stock liquidity. The coefficient has negative sign and the P-value is (0). This indicates to the existence of negative and significant relationship between level of financial leverage and stock liquidity. Which means that as the level of financial leverage increase stock liquidity will decrease. This result consists with (Eisfeldt and Rampini, 2006).

Table (8): Regression analysis result between financial leverage and stock liquidity

Dependent Variable: Stock liquidity				
Method: Panel Least Squares				
Sample: 2006 2017				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
Financial leverage	-9.41E+10	1.92E+10	-4.88727	0
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.343153	Mean dependent var		5.11E+10
Adjusted R-squared	0.279478	S.D. dependent var		1.22E+11
S.E. of regression	1.04E+11	Akaike info criterion		53.65556
Sum squared resid	2.72E+25	Schwarz criterion		54.18102
Log likelihood	-73853.33	Hannan-Quinn criter.		53.84536
F-statistic	5.389111	Durbin-Watson stat		0.974987
Prob(F-statistic)	0			

Regression analysis of the relationship between financial leverage (LV) and stock liquidity (LQ).

4.3.1 Regression analysis to see if there is a difference between Palestine stock exchange and Amman stock market

From table (9) results of regression analysis between some corporate governance mechanisms (board size, board independence, chief executive officer duality, female on board, and inside ownership) and stock liquidity

show that there is no difference between Palestine stock exchange and Amman stock market, when taking Palestine stock exchange and Amman stock market as a control variable (PJ).

Table (9): Regression analysis results between some corporate governance mechanisms and stock liquidity to see if there is a difference between Palestine and Jordan

Dependent Variable: Stock liquidity				
Method: Panel EGLS (Cross-section random effects)				
Sample: 2006 2017				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
Board size	-1.35E+08	1.03E+09	-0.13143	0.8955
Female on board	-3.04E+09	2.90E+09	-1.04962	0.294
Board independence	-1.90E+09	9.53E+08	-1.99293	0.0464
Chief executive officer duality	3.49E+09	4.87E+09	0.717712	0.473
Inside ownership	-6.12E+09	7.25E+09	-0.84411	0.3987
PJ	6.49E+09	1.02E+10	0.637872	0.5236
	Effects Specification			
			S.D.	Rho
Cross-section random			5.31E+10	0.5527
Idiosyncratic random			4.78E+10	0.4473
	Weighted Statistics			
R-squared	0.003209	Mean dependent var		4.58E+09
Adjusted R-squared	0.000311	S.D. dependent var		4.81E+10
S.E. of regression	4.81E+10	Sum squared resid		4.77E+24
F-statistic	1.107333	Durbin-Watson stat		0.826217
Prob(F-statistic)	0.355451			
	Unweighted Statistics			
R-squared	-0.00184	Mean dependent var		1.55E+10
Sum squared resid	1.05E+25	Durbin-Watson stat		0.376062

Regression analysis of the relationship between some corporate governance mechanisms (BS: board size, FB: female on board, BI: board independence, CEOD: chief executive officer duality and IO: inside ownership) and stock liquidity (LQ) and the control variable Palestine stock exchange and Amman stock market (PJ).

Table (10) show regression analysis results between some corporate governance mechanisms (board size, board independence, chief executive

officer duality, female on board, and inside ownership) and financial leverage and the control variable is Palestine stock exchange and Amman stock market (PJ). The results indicate that there is a difference between Palestine and Jordan in term of the relationship between some corporate governance and financial leverage. This difference may due to the bankruptcy scandals which happened in Jordan such as Petra bank scandal and Phosphate company losses, which inversely affect the trust of stockholders and stakeholders in firms financial reports which reflect firm performance. Therefore, all government and non government parties who have responsibility about corporate governance and financial leverage give more attention and involvement in corporate governance and financial leverage to restore the trust of stockholders and stakeholders.

Table (10): Regression analysis results between some corporate governance mechanisms and financial leverage to see if there is a difference between Palestine and Jordan

Dependent Variable: Financial leverage				
Method: Panel Least Squares				
Sample: 2006 2017				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
Board size	0.040821	0.002545	16.03844	0
Female on board	-0.01754	0.008211	-2.13558	0.0328
Board independence	-0.01357	0.002873	-4.72135	0
Chief executive officer duality	-0.03969	0.014081	-2.81895	0.0049
Inside ownership	-0.01897	0.022031	-0.86106	0.3893
PJ	-0.03734	0.016387	-2.27886	0.0228
R-squared	0.133695	Mean dependent var		0.361263
Adjusted R-squared	0.131184	S.D. dependent var		0.267366
S.E. of regression	0.249213	Akaike info criterion		0.062346
Sum squared resid	128.5617	Schwarz criterion		0.08135
Log likelihood	-57.7468	Hannan-Quinn criter.		0.069311
F-statistic	53.24301	Durbin-Watson stat		0.158199
Prob(F-statistic)	0			

Regression analysis of the relationship between stock liquidity (LV) and some corporate governance mechanisms (BS: board size, FB: female on board, BI: board independence, CEOD: chief executive officer duality and IO: inside ownership) and the control variable Palestine stock exchange and Amman stock market (PJ).

Table (11) which show regression analysis results between financial leverage and stock liquidity indicate that there is no difference between Palestine and Jordan in term of the relationship between financial leverage and stock liquidity.

Table (11): Regression analysis results between financial leverage and stock liquidity to see if there is a difference between Palestine and Jordan

Dependent Variable: Stock liquidity				
Method: Panel Least Squares				
Sample: 2006 2017				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
Financial leverage	-8.96E+09	8.78E+09	-1.0195	0.3081
PJ	-7.85E+09	5.98E+09	-1.313	6
R-squared	0.000909	Mean dependent var		5.11E+10
Adjusted R-squared	0.000185	S.D. dependent var		1.22E+11
S.E. of regression	1.22E+11	Akaike info criterion		53.89972
Sum squared resid	4.13E+25	Schwarz criterion		53.90615
Log likelihood	-74432.5	Hannan-Quinn criter.		53.90204
F-statistic	1.255641	Durbin-Watson stat		0.642256
Prob(F-statistic)	0.285056			

Regression analysis of the relationship between financial leverage (LV) and stock liquidity (LQ) and the control variable Palestine stock exchange and Amman stock market (PJ).

4.4 Practical results discussion

4.4.1 Board independence and stock liquidity

Independent board members provides grateful role in monitoring and controlling firm management who aim to maximize his own wealth instead of maximizing shareholders wealth, and they are more effective in mitigating and reducing agency problems (Fama, 1980). In particular, governance mechanisms can improve company transparency through decreasing firm's leadership capability and incentive to hide part of the information that should be issued. Good governance mechanisms such as board of directors independence lead to improve the quantity and quality of financial and other information disclosed by firm leadership, and therefore reducing information asymmetry (Bar-Yosef and Prencipe, 2013).

Levesque et al., (2010) found that as the proportion of independent board members raise information asymmetry will decline. In addition, Heflin and Shaw, (2000) show that companies with higher degree of major shareholding, whichever by insider or outsider, have lower bid ask spread. This occurs due to the ability of block holder (as a controller of the company) to get access to the information before others, and information asymmetry may increase. Moreover, Brown and Hillegeist, (2007) revealed that there is a negative association among information asymmetry and the quality of firms financial reports.

In this studty, the researher reached a result that board independence has an inverse association with stock liquidity. Which reveals that as the

number of independent directors on the board of directors raise stock liquidity will decline. Which agrees with (Guo and Masulis, 2012). The main tasks for independent directors in the board are the monitoring and the advising, but the quality and completeness of the information which independent directors receive play a vital role in the quality of monitoring and advising. Because the independent directors are outsiders and they are not an employee's in the company they don’t know any details about the firm operations and they will depend only on the information from chief executive officer which he receive from firm employees specifically senior executives. So this will inversely affect the quality and value of the information and thus inversely affect the quality of independent directors role in monitoring and advising because chief executive officer can hide bad news about independent directors and he can manipulate financial reporting which in turn affect stock liquidity.

4.4.2 Board size and stock liquidity

Board of directors is created to decrease agency problems among company management and owners. Karmani et al., (2015) searched in the effect of corporate governance mechanisms (board of directors features, shareholding structure, disclosure and quality of audit) on company equity liquidity among 287 French firms from 2007 to 2012. They found that corporate governance mechanisms have a significant influence on company equity liquidity. Companies with good corporate governance practices have lesser bid ask spreads. This means that good corporate governance

mechanisms can decrease information asymmetry and improve company equity liquidity.

Furthermore, Amer Al-Jaifi et al., (2017) studied the effect of good corporate governance practices represented by (board of directors characteristics, audit committee features and internal audit) on company equity liquidity among 505 firms listed in Malaysian stock exchange from 2009 to 2012. Outcomes of the study indicate that there is a positive association between the effectiveness of corporate governance practices and stock liquidity. In addition, one of the study results indicates that there is a positive association exists among board of directors size and stock liquidity.

Loukil and Yousfi, (2012) investigated the effect of corporate governance characteristics on information asymmetry problems and stock liquidity among 49 listed firms in Tunisian stock market from 1998 to 2007. Results of the study revealed that board of directors size and board independence have a direct effect on company stock liquidity because of the role which board size and board independence play in declining information asymmetry.

When the board of directors carry out it is function in controlling company management in efficient and effective way, the quantity, quality and regularity of information issued by firm leadership to stakeholders and stockholders will improve (Ajinkya et al., 2005). Whereas, when the degree of information asymmetry raise, the degree of adverse selection will raise.

The problems of adverse selections will inversely affect company equity liquidity (Glosten and Milgrom, 1985).

Results of this study show that board size has a direct association with stock liquidity, which means appositive relationship exists among number of board members and stock liquidity (i.e. as the number of directors on the board increase stock liquidity will enhance. This finding agrees with (Chung et al., 2010). As the number of board members increase there will be higher chance for diversity on the board, which will give opportunity to include financial advisors, legal advisors, funding experts, community leaders and other skills and experiences in board composition. Also, big board size will facilitate the work of the board by sharing the work between the group and by establishment of committees. Furthermore, it will be easier for the firm to raise fund because there are many persons work on the board of directors who have many connections and relationships. Moreover, large board size will perform good monitoring role due to the diversity and it will help the board to maintain constant performance during any change in the board or in firm management.

4.4.3 CEO duality and stock liquidity

When the firm has dual leadership structure, chief executive officer will take the authority over decision management and decision control in the firm. Therefore, chief executive officer has more power to supervise financial reporting and hide some information. Daily and Dalton, (1994)

state that there is a significant positive relationship between dual leadership structure and company bankruptcy.

Chen et al., (2015) investigated the effect of dual leadership structure, where chief executive officer takes chairman role also, on likelihood of stock price crash. Results of the study revealed that the dual role of chief executive officer is directly linked to the crash of stock price. Particularly, for firms with high degree of information asymmetry. In contrast, Bar-Yosef and Prencipe, (2013) studied the influence of corporate governance practices and earnings management on stock liquidity. Findings of the study indicate that bid ask spread will be low for firms with good corporate governance mechanisms like separation of chief executive officer and chairman functions, and board of directors independent.

Outcomes of this study show that chief executive officer duality has a direct relationship with stock liquidity. This means, when chief executive officer take his role and the role of chairman at the same time stock liquidity will raise (i.e. stock liquidity increase when there is no segregation between chief executive officer role and chairman role). This result agrees with (Ranjbar, 2015). When chief executive officer takes the role of chairman he will obtain more power within a firm, which enables him to be the single leader in the firm. Therefore, all decisions of firm activities depend on chief executive officer. This will help senior managers, employees and other stakeholders to understand chief executive officer specifically his decisions and strategy which give them obvious direction.

Dual leadership structure will safe resources and time, which mean when chief executive officer hold his position and chairman position the firm will save money which could be spend to chairman and for monitoring purposes. Also, the firm will save time because in the case of dual leadership structure chief executive officer will take less time to take a decision, because he don't need to wait for response from chairman when he want to take a decision. Therefore, saving time and money will help firm to achieve its goals. Chief executive officer has skills, knowledge and experience more than chairman because he is closer to firm details, which help him to react quickly to threats and chances.

4.4.4 Gender diversity on board and stock liquidity

Catalyst, (2004) show that as the percentage of female in company management raise company performance will enhance. Also, the presence of women in the board composition increases the level of board independence and effectiveness (Terjesen et al., 2016). Furthermore, Desvaux et al., (2007) revealed that the existence of female in a company are significant due to it is capability in enhancing company relationship with stakeholders and stockholders.

Ahmed and Ali, (2017) studied how the percentage of women in the board related to share liquidity among 944 Australians firms from 2008 to 2013. Outcomes show that there is a positive association between the proportion of females in the board and stock liquidity. Gul et al., (2011) points out that the presence of female on board will improve stock price

informative by providing better disclosure, which reduce information asymmetry and improve stock liquidity. Consistently, Ahmed and Ali, (2017) conclude that boards which contains women in it is composition are more likely to release higher quantity and quality of information, which in turn lower information asymmetry. Gjerde et al., (2013) revealed that information transparency enhances stock liquidity. On the other hand, Earley and Mosakowski, (2000) conclude that the performance of diversified team is poor. Also, investors demand greater reward in order to hold illiquid stock with bad performance, which increase the cost of equity financing (Butler et al., 2005).

In this study the researcher found that women on board have a direct association with share liquidity. This means as the number of women raise in the board share liquidity will increase. This finding consists with (Ahmed and Ali, 2017). Firms that have females directors and mangers treat with danger, which face the firm, more seriously and effectively. Also, females have better dealing with stockholders, firm employees, customers and surrounding society. Females compose fifty percent of community structure, therefore women directors know and understand females need better than men which help the firm to improve its products and services to fulfill these needs. Gender diversity, ethnic diversity and culture diversity on board of director of the firm will enrich the board and improve its ability to solve problems and to do better work, due to the diverse background, knowledge, experience and skills that they own. Furthermore, females are

more collaborative and can work in team or a lone, and they are more honest comparing to males. Moreover, females directors on board provide better monitoring, diverse perspectives, support and encouragement for colleagues and firm employees, and better dealing and connections with consumers, suppliers and stakeholders.

4.4.5 Inside ownership and stock liquidity

Næs, (2004) examined the relationship between company ownership structure and stock liquidity among listed companies in Oslo stock market during 1999 to 2001. Findings of the study indicates that there is a negative relationship between insider stock ownership and block share ownership, with stock liquidity represented by bid ask spread. Furthermore, Sarin et al., (1996) state that as the percentage of insider share ownership raise, bid ask spread will increase.

Heflin and Shaw, (2000) studied the impact of insider block shareholding on stock liquidity among 260 American listed firms from 1988 to 1989. They found that there is a positive relationship between insider block shareholding and share liquidity represented by bid ask spread. Whereas, Nekounam et al., (2012) investigated the relationship between ownership structure and stock liquidity for 74 chosen companies from Tehran stock market from 2005 to 2009. Results of the study revealed that there is a negative relationship between managerial level of ownership, level of institutional ownership, and block shareholding with stock liquidity.

Tobiasson et al., (1999) revealed that there is a negative relationship exists between insider share ownership and stock liquidity. In addition, they conclude that there is insignificant relationship between institutional ownership and stock liquidity. Consistently, Chiang and Venkatesh, (1988) points out that when the degree of insider shareholding increase the bid ask spread will increase. Also, they show that there is no relationship exists between institutional share ownership and bid ask spread.

This study revealed that inside ownership has an inverse association with stock liquidity. Which means, as the percentage of inside ownership raise stock liquidity will decrease, which agrees with (Nekounam et al., 2012). Inside share ownership by board of directors members and firm management will inversely affect the trust of investors whom do not have access to firm information, because board directors and firm management can use the information to make personal gain or to avoid loss in stock market before other investors. Also, board directors can reduce monitoring over firm management and allow them to manipulate financial reporting to introduce good financial picture about the company. Furthermore, when the firm financial performance become worse, directors on the board whom own shares in the firm will provide lower degree of monitoring and attention to this firm, and they will focus on other personal investments.

4.4.6 Board independence and financial leverage

According to the role of outside directors as independent persons on board whom work to decrease the agency problems in the company, a

company with high proportion of independent directors will has stronger controlling level. Thus, the higher the proportion of independent directors in the board composition, the more effective and efficient monitor of debt proportion used to finance the operation of a company (Uwuigbe et al., 2014).

The presence of independent directors in board of director composition will give indicator to the stakeholders that company is monitored effectively, so fund suppliers confidence in the company will raise. Therefore it will be easier for the company to get more funds by using debt financing (Butt and Hasan, 2009). Also, Mehran, (1992) revealed that there is a positive relationship between the percentage of independent directors whom representing investment bankers on firm board and proportion of long term debt. Similarly, Pfeffer, (1972) state that there is a significant positive relationship between the percentage of the directors whom representing financial institution on the board and proportion of financial leverage.

Anderson et al., (2004) show that there is a negative association between the percentage of independent directors on the board and the cost of debt financing. Moreover, they revealed that debt financing cost is low for firms with higher proportion of independent directors comparing to firms with lower percentage of independent directors on board because fund suppliers consider the level of board independence as an important factor in evaluating the cost of firm debt. In addition, Abor and Adjasi,

(2007) emphasize that there is a positive relationship between the proportion of independent directors on the board and level of financial leverage.

Result of this study show that there is an inverse association between board independence and financial leverage. This means, as the proportion of independent directors in the board raise degree of financial leverage will decline. This result agrees with (Uwuigbe et al., 2014). Independent directors on the board are persons from outside the company and they don't have any investments in the firm or any connection with firm. This mean that there is no personal interests for independent directors in the firm to encourage them to give more time, more attention and more monitoring over firm management and to know more details about firm operations and activities. Therefore, independent directors will be a weak monitoring tool, especially when he attend to the firm during board meetings only and receive the information about the firm from firm management only, which give firm management a big opportunity to hide bad news and deceive independent directors and manipulate financial reporting. This will inversely affect firm ability to raise it is fund through debt, because debt financing will be more costly especially when the creditors ask about higher interest rates due to risk.

4.4.7 Board size and financial leverage

Success or failure of the company relies to the high extent on the effectiveness and efficiency of the board of directors as the top decision

maker in the company (Ahmed Sheikh and Wang, 2012). Moreover, Adams and Mehran, (2003) conclude that bigger board of directors can efficiently monitor the actions of company managers and provides diverse knowledge and experience.

Wen et al., (2002) reported that there is a positive relationship between board size and level of financial leverage. He argues that larger board of directors face the trouble of disagreement in decisions which may impact the effectiveness and efficiency of corporate governance and thus company degree of financial leverage will raise. Likewise, Bokpin and Arko, (2009) state that there is a positive and significant association among board size and financial leverage degree for firms listed in Ghanaian stock market. Moreover, Kyereboah-coleman and Biekpe, (2006) show that the number of board members is positively and significantly associated with short term debt ratio and total debt ratio.

In contrast, Heng et al., (2012) studied the relationship between board of directors features and company capital structure for seventy five firms from Koalalampour stock market. Findings of the study revealed a negative and significant relationship between number of board members and company financial leverage. Ranti, (2013) searched the effect of board of directors size and chief executive officer duality on company capital structure. Outcomes of the study show that board size correlate negatively and significantly to financial leverage degree. Furthermore, Abor and Adjasi, (2007) revealed that there is a significant negative relationship

between board of directors size and financial leverage ratio in which, bigger boards adapt less debt financing. Also, Alabdullah et al., (2018) studied the relationship between board features and capital structure in emerging markets, findings of the study revealed that there is a negative relationship between board size and financial leverage.

Finding of this study revealed that there is a direct association between board size and financial leverage. This means, as the number of board members raise degree of financial leverage will raise. This finding is in consistence with (Wen et al., 2002). When one company applies to get loan from bank, the bank will assess risks and according to the risk level the bank decides which interest rate will demand. Therefore, large board size is an advantage to the firm, because big board size allow for diversity on the board which enrich the board by different skills, knowledge, experience and educational back ground, also big board size will give higher chance for gender diversity and ethnic diversity on board. So, diversity will enable board firm to provide better monitoring role which reduce management manipulation. Therefore, creditors and stakeholders will trust more in firm performance, as a result it will be easier and less costly for the firm to raise fund through debt.

4.4.8 Chief Executive Officer Duality and Financial leverage

Chief executive officer duality happens when a firm's chief executive officer captures also the chairman function in the board structure. Nazir et al., (2012) conclude that the chairman is the highest position in decision

monitor unit and therefore should not be hold by or fall under the effect of chief executive officer who is the highest position in decision management unit. Holding the two roles by the chief executive officer will lead to the agency problems. According to the agency theory the agency troubles among stockholders and company management can be minimized by dividing the tasks of decision administration and decision monitor. So, chief executive officer should issue and implement decisions as a decision management function, while board of directors should supervise those decisions as a decision monitor function. However, assigning both roles to chief executive officer may inversely influence board monitor task (Ahmed Sheikh and Wang, 2012).

Ranti, (2013) points out that a positive relationship exists between dual leadership structure and company's degree of financial leverage. Whereas an inverse linkage exists between board size and financial leverage. Similarly, Vakilifard et al., (2011) examined the relationship among corporate governance mechanisms and percentage of debt to equity among listed companies in Tehran stock market from 2008 to 2010. They revealed that there is a positive relationship between joining the tasks of chief executive officers and chairman with percentage of debt to equity. However, a negative relationship exists between board size and percentage of debt to equity.

On the contrary, Kyereboah-coleman and Biekpe, (2006) conclude that there is a negative significant association between dual leadership

structure and debt to equity ratio arguing that when one person holds the roles of chief executive officer and chairman, agency conflicts will raise. So, the cost of debt will be greater for these companies which lead to lower degree of debt financing. Agyei and Owusu, (2014) show that an inverse relationship exists among dual leadership composition and company capital structure measured by debt to equity ratio.

Outcomes of this study reported that Chief executive officer duality has inverse relationship with financial leverage. This means, as the roles of chief executive officer and chairman hold by one person degree of financial leverage will decline. This result consists with (Agyei and Owusu, 2014). Daul leadership structure means that decision making and decision controlling will be in the hand of chief executive officer, this will inversely affect the monitoring role of the board because chief executive officer will take controll over the board decisions. Therefore, the agency problems will raise where chief executive officer try to maximize his own interests instead of maximizing shareholders weath. In the absence of good controll over chief executive officer, he will get higher chance to issue unrealistic information to the publice about firm financial performance. So, it will be costly for the firm to use debt financing.

4.4.9 Gender diversity on board and financial leverage

Adams and Ferreira, (2009) state that female directors in the board have higher board meetings attendance, thus female directors provide higher attention and effort in controlling management. Carter et al., (2010)

show that board of directors' diversity can improve it is monitoring efficiency and effectiveness. Furthermore, Brown et al., (2002) conclude that boards of directors which compose of 3 or more women give better governance actions comparing to boards without women. As the proportion of woman in the board raise, it is more likely to recognize criteria to evaluate strategy, monitor its implementation, enhance communication channels, and perform better control.

Gulamhussen and Santos, (2010) report that diversity on the board of directors is significant to take financial decisions such as proportion of debt to equity and for controlling. Similarly, Jaradat, (2015) investigated the effect of corporate governance mechanisms on company financial leverage among listed firms in Amman stock exchange from 2009 to 2013. Results of the study indicate that there is a positive relationship between gender diversity in the board, board size, and board independence with company financial leverage.

However, Faccio et al., (2016) revealed that firms managed by female chief executive officer have low debt financing comparing to equity, more earnings stability, and higher chance of survival than firms managed by male chief executive officer. Moreover, Huang and Kisgen, (2013) state that there is a big variation in firm action among firms with males executives and firms with females executives. Firms with females executives introduce less growth, less likely to use debt financing and less likely to perform acquisitions comparing to companies with male executives.

This study report that women on board have a direct association with financial leverage. Which demonstrates that as the proportion of women on board raise level of financial leverage will raise. This result consists with (Jaradat, 2015). The presence of women in the board of directors composition will be a helpful tool for the company to obtain loan from the bank with lower costs. Because the existence of women on board composition will secure to high extent that any risks or problems facing the company will be treated quickly, efficiently and effectively, which save time and resources for the company. Also, women are better than men in dealing and establishing good relationship with employees, stockholders, customers and stakeholders. In addition, women are more honest, ethical, precise, and they encourage employees to fulfill their duties in the best way. Moreover, women introduce a good monitoring over firm management which reduces management manipulations. These features in women will give creditors a positive sign about the company, which in turn reduce the cost of debt financing.

4.4.10 Insider ownership and financial leverage

Cheng and Tzeng, (2011) revealed that ownership structure is a fundamental part in corporate governance features, because of it is influence on management action which appear in debt to equity ratio and company performance. Fama and Jensen, (1983) show that managers whom own enough stocks to govern the board of directors could expropriate company resources. But, Jensen and Meckling, (1976) revealed

that managerial equity ownership reduces company management incentives to expropriate stockholders wealth and leads to agreements among administration interests and stockholders' interests.

Butt and Hasan, (2009) examined the relationship between corporate governance practices and company capital structure for 58 listed company in Pakistan stock market during 2002 until 2005. They revealed that managerial stock ownership and number of board members associate positively with company level of financial leverage. Whereas, the dual leadership structure and board independence have no significant impact on financial leverage. Furthermore, Short et al., (2002) studied the impact of ownership composition on the capital structure of United Kingdom firms. Results of the study revealed that management share ownership associates positively to proportion of debt to equity.

On the contrary, Berger et al., (1997) state that firm's debt to equity ratio is affected by the level of managerial entrenchment. Managers whom possess shares try to reduce the use of debt in order to shield their own interests and the company from external risk. Ahmed Sheikh and Wang, (2012) report that there is a negative relationship between management stock ownership and proportion of debt financing. Also, Agrawal and Nagarajan, (1990) emphasize that there is a negative association exist between management share ownership and percentage of debt to equity.

The researcher in this study found that inside ownership has a direct association with financial leverage. This means that as the percentage of

inside ownership increase debt financing will increase. This finding agrees with (Bokpin and Arko, 2009). Inside share ownership by firm directors and management will give positive signal for creditors that this firm is going in the right direction. Because, directors and managers share ownership will make the interests of directors and management agree with shareholders, improve innovation, improve loyalty, encourage employees to be more productive, enhance the collaboration, relationship and connection among directors, management and employees, and increase firm survival opportunity. Therefore, it will be less costly for the firm with inside share ownership to raise fund through debt financing.

4.4.11 Financial leverage and stock liquidity

Stock liquidity is a risk feature because it tells about the magnetism of the stock. In the case of illiquid stocks investors require specific amount of premium like compensation against illiquidity risk (Sidhu, 2018). Increasing the percentage of debt to equity will reduce the agency problems between stockholders and company management. But, increasing the degree of company financial leverage will increase the probability of bankruptcy.

Aprullah et al., (2013) studied the impact of company level of financial leverage on company stock liquidity. Results of the study revealed that there is a positive influence of company level of financial leverage on stock liquidity. Similarly, Andres et al., (2014) investigated the influence of firm capital structure on information asymmetry, in which information

asymmetry is measured by company stock liquidity. They found that as the degree of financial leverage raise, information asymmetry will decline which mean stock liquidity will enhance.

In contrast, Eisfeldt and Rampini, (2006) examined the relationship between firm level of financial leverage and firm stock market liquidity. Results of the study indicates that as the company level of financial leverage raise, stock market liquidity will reduce because firms with high degree of financial leverage alleviates information asymmetry and lead to greater cost of share trading. Furthermore, Norvaišienė and Stankevičienė, (2014) points out that the proportion of debt financing had a negative effect on firm stock liquidity, which mean the stock of high levered firms has lesser liquidity. Also, Andrade and Kaplan, (1998) report that high debt financing is the major reason for company financial troubles which negatively affect company stock liquidity.

Result of this study revealed that there is an inverse association between financial leverage and stock liquidity. This means as the degree of financial leverage increase stock liquidity will decline, (i.e. a negative relationship exists among level of financial leverage and stock liquidity). This result has been reached by (Eisfeldt and Rampini, 2006). When the proportion of debt financing become more than equity financing in the firm capital structure this will raise a signal that the firm can face the risk of paying back these obligations on time. Also, the increase in debt financing can give a sign that firm financial performance is unhealthy due to

management manipulations. Therefore, investors who wish to buy stocks will lock to proportion of debt financing and as the proportion of debt financing increase the demand on firm stock will decline as a result stock liquidity will decrease.

Corporate governance is a new born topic in Palestine and Jordan comparing to corporate governance in developed countries such as United States of America. Also, Palestine stock exchange and Amman stock market are emerging markets in developing countries. So, the results of this study will help regulators to improve corporate governance, loans, and stocks regulations to protect investors, creditors, firms from bankruptcy, stakeholders, and economy as a whole. Also, findings of this study are advantageous to investors to protect themselves from management manipulations and to know how board characteristics affect stock liquidity, so they can take the right investment decision. Furthermore, outcomes of this study is beneficial to creditors to assess the degree of risk for the firm before giving loan to the firm, which will help creditors to know which risk premium will demand. Moreover, conclusions of this study will enrich literature and help researcher in the field of corporate governance, financial leverage, and stock liquidity.

Chapter Five

Conclusion and Recommendations

5.1 Conclusion

This study aims to examine the influence of some corporate governance mechanisms (board size, board independence, chief executive officer duality, gender diversity in the board, and insider share ownership) on stock liquidity with mediating effect of financial leverage among 244 listed firms in Palestine stock exchange and Amman stock market during 2006 to 2017. Independent variables in the study are board size: number of members in the board of directors, board independence: proportion of independent directors in the board, chief executive officer duality: dummy variable which take 1 when the roles of chief executive officer and chairman hold by one person and otherwise 0, female on board: number of women on board to total number of board members, inside ownership: number of shares owned by board members and their relatives and firm management and their relatives. The mediator is financial leverage which measured as the proportion of debt to total assets. And the dependent variable is stock liquidity which measured by stock liquidity ratio.

This study has three groups of hypotheses. The first group is developed to explore the relationship between corporate governance characteristics and stock liquidity. Findings of the study indicate that the association among board size and stock liquidity is negative and

significant. So, as the number of board members increase stock liquidity will decrease. Also the relationship between female on board and stock liquidity is positive and insignificant. Thus, as the proportion of female on board increase stock liquidity will increase. Moreover, there is an inverse and insignifcant relationship between board independence (BI) and stock liquidity. This finding mean as the number of independent directors on the board increase stock liquidity will decrease. Furthermore, there is a positive and insignificant relationship between chief executive officer duality and stock liquidity. Additionally, there is a positive and insignificant association among inside ownership and stock liquidity. Which means as the proportion of inside ownership increase stock liquidity will enhance.

The second group is developed to assess the association among corporate governance characteristics and financial leverage. Results of the study shows that there is a positive and insignificant relationship between board size and financial leverage, a positive and insignificant association among female on board and financial leverage, a positive and significant relationship between inside ownership and financial leverage. This means, as the number of board members increase level of financial leverage will increase, also as the number of female on board increase level of financial leverage will increase, and as the proportion of inside ownership increase level of financial leverage will increase. However, there is an inverse and insignificant relationship found between board independence and financial leverage. This indicates that as the proportion of independent board

members increase level of financial leverage will decrease. Also, a negative and insignificant association reached between chief executive officer duality and level of financial leverage. Which means, when the roles of chief executive officer and chairman are holds by one person level of financial leverage will decrease**.**

The third one is developed to examine the relationship between financial leverage and stock liquidity. Outcomes of the study revealed that there is an inverse and significant association between level of financial leverage and stock liquidity. Which means that as the level of financial leverage raise stock liquidity will decrease.

5.2 Recommendations for further research

This thesis provides a valuable contribution to the previous literature in the field of corporate governance by examining the relationship between some of corporate governance mechanisms (board independence, board size, chief executive officer duality, gender diversity on board, and inside ownership) and stock liquidity with mediating effect of financial leverage in Palestine stock exchange and Amman stock market. Whereas, even though this thesis introduced a good and valuable contribution, there is a considerable area has not covered by this thesis which can be used as a start point for future studies.

For instance, this study used board independence, board size, chief executive officer duality, gender diversity on board, and inside ownership

as a corporate governance mechanisms, future research can use other governance mechanisms such as audit quality, corporate social responsibility, government shareholding, the compensation of the board, and board members qualifications. In addition, this study used listed firms at Palestine stock exchange and Amman stock market only, future research can cover broader area such as Middle East and North Africa. Also, future research can make a comparison between common law countries and civil law countries, or between developing countries and developed countries, or between economic crisis periods and normal periods.

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Appendix

Table (12): Companies listed in Palestine stock exchange 2006-2017

Company name	Symbol	Sector
PALTEL	PALTEL	Services
Al Mashreq Insurance	MIC	Insurance
The Arab Hotels	AHC	Services
AIB	AIB	Banking
AIG	AIG	Insurance
APC Paints	APC	Industry
Arab Investors	ARAB	Investments
The Arab Real Estate	ARE	Services
AZIZA	AZIZA	Industry
Bank of Palestine	BOP	Banking
BPC	BPC	Industry
Golden Wheat Mills	GMC	Industry
Jerusalem Cigarette	JCC	Industry
Jerusalem Pharmaceuticals	JPH	Industry
Jerusalem Real Estate Investment	JREI	Investments
Palestine Plastic Industries	LADAEN	Industry
The National Carton Industry	NCI	Industry
National Insurance	NIC	Insurance
PADICO Holding	PADICO	Investments
Palestine Electric	PEC	Services
Palestine Investment & Development	PID	Investments
Palestine Investment Bank	PIBC	Banking
Palestine Industrial Investment	PIIC	Investments
BRAVO	BRAVO	Services
PRICO	PRICO	Investments
Quds Bank	QUDS	Banking
UCI	UCI	Investments
VOIC	VOIC	Industry
WASSEL	WASSEL	Services
TNB	TNB	Banking
Trust International Insurance	TRUST	Insurance
Nablus Surgical Center	NSC	Services
Palestine Islamic Bank	ISBK	Banking
Global Com	GCOM	Services
Al Wataniah Towers	ABRAJ	Services
Palestine Insurance	PICO	Insurance
Ramallah Summer Resorts	RSR	Services
Ooredoo	OOREDOO	Services
Global United Insurance	GUI	Insurance

Company name	Symbol	Sector
Al Takaful Palestinian Insurance	TIC	Insurance
Al Aqariya Trading Investment	AQARIYA	Investments
Al Shark Electrode	ELECTRODE	Industry
NAPCO	NAPCO	Industry
PSE	PSE	Banking
Palaqar for Real Estate Development & Management	PALAQAR	Services
APIC	APIC	Investments
Beit Jala Pharmaceutical	BJP	Industry
Dar Al Shifa	PHARMACARE	Industry
Sanad Construction Resources Plc	SANAD	Industry

Table (13): Companies listed in Amman stock market 2006-2017

Company name	Symbol	Sector
Dar Al Dawa	DADI	Industrial
Mahfaza	MHFZ	Financial
SGBJ	SGBJ	Financial
Jordan Paper and Card Board	JOPC	Industrial
Middle East Insurance	MEIN	Financial
TAJ	TAJM	Services
Phosphate Mines	JOPH	Industrial
Safwa Islamic Bank	SIBK	Financial
Bank Al Etihad	UBSI	Financial
Jordanian Real Estate	JRCD	Financial
ABC Bank	ABCO	Financial
Integrated Investments	INTI	Industrial
Invest Bank	INVB	Financial
Arabia Insurance	AICJ	Financial
Jordan Poultry Processing and Marketing	JPPC	Industrial
Cairo Amman Bank	CABK	Financial
Papcot	APCT	Industrial
Delta Insurance	DICL	Financial
Arab Pharma Chemicals	APHC	Industrial
Jordan Dairy	JODA	Industrial
Bank of Jordan	BOJX	Financial
ICA	ICAG	Industrial
JCI	JOIC	Industrial
Jerusalem Insurance	JERY	Financial
Ahli	AHLI	Financial
Intermediate Petrochemicals	IPCH	Industrial
The United Insurance	UNIN	Financial
Akary	WOOL	Industrial
Trust Transport	TRTR	Services
GIG	AOIC	Financial
Lafarge	JOCM	Industrial
Al Nisr Al Arabi	AAIN	Financial
Al Safwa Insurance	SFIC	Financial
Jordan Insurance	JOIN	Financial
JOFICO	JOFR	Financial
General Investment	GENI	Industrial
Holy Land Insurance	HOLI	Financial
Zara Investment	ZARA	Services
Jordanian for Developing and Financial Investment	JDFI	Industrial
Jordan Loan Guarantee	JLGC	Financial

Company name	Symbol	Sector
Arab Insurance	ARIN	Financial
Al Manara Insurance	ARSI	Financial
Compland Dev & Iuv	ATTA	Financial
Philadelphia Insurance	PHIN	Financial
Cableco Jordan	WIRE	Industrial
Al Qarya	UCVO	Industrial
Arab Potash	APOT	Industrial
Al Eqbal Investment	EICO	Industrial
Enjaz	ATCO	Services
Universal Modern Industries	UMIC	Industrial
AEI	AEIN	Industrial
National Chlorine	NATC	Industrial
Al Sharq Investment	AIPC	Services
Mid Pharma	MPHA	Industrial
Investors I&P	IPRO	Financial
Arab Union	AIUI	Financial
Jordan International Insurance	JIJC	Financial
Islamic Insurance	TIIC	Financial
Jordan International Trading	JITC	Services
Jordanian Expatriates Investment	JEIH	Financial
Beitna	BAMB	Services
Istiklal Hospital	ABMS	Services
JEPCO	JOEP	Services
Arab International Hotels	AIHO	Services
Ad Dustor	JOPP	Services
Irbid Electricity	IREL	Services
Al Rai	PRES	Services
Jordan Decapolis Properties	JDPC	Financial
SPIC	SPIC	Financial
United Investors	UAIC	Financial
JETT	JETT	Services
National Poultry	NATP	Industrial
Arab East Investment	AEIV	Financial
SJIC	SIJC	Services
Comprehensive Projects	INOH	Industrial
Real Estate Development	REDV	Financial
Al Amin for Investment	AAFI	Financial
Nutri Dar	NDAR	Industrial
International Co Medical Investment	ICMI	Services
JoPetrol	JOPT	Services
General Mining	GENM	Industrial
ARAL	AALU	Industrial

Company name	Symbol	Sector
Premier	ACDT	Industrial
National Steel	NAST	Industrial
NPC	NAPT	Services
Amana	AMAN	Industrial
Ad Dulayl	IDMC	Financial
Jordan Vegetable Oil Industries	JVOI	Industrial
Jordinvest	JOIT	Financial
Zarka	ZEIC	Services
ISIC	SLCA	Industrial
Trade Facilities	JOTF	Services
Travco	TRAV	Industrial
Jordanian Pharma	JPHM	Industrial
First National Vegetable Oil	FNVO	Industrial
Afia	AICG	Industry Sector
Al Quds Readymix	AQRM	Industrial
Ahlia Enterprises	ABLA	Services
Union Investment Corp	UINV	Financial
Industrial Resources	JOIR	Industrial
MESC	JNCC	Industrial
AFIN	AFIN	Financial
El Zay Ready Wear	ELZA	Industrial
Ready Mix Concrete	RMCC	Industrial
Union Land Development	ULDC	Financial
Jordan Steel	JOST	Industrial
Union Tobacco	UTOB	Industrial
National Insurance	NAAI	Financial
Al Tajamouat for Catering and Housing	JNTH	Financial
Euro Arab Insurance	AMMI	Financial
Arab Assurers	ARAS	Financial
STE	SPTI	Services
Pearl	PERL	Industrial
National Aluminum Industrial	NATA	Industrial
ALPHA	ALFA	Services
Arab International Food	AIFF	Industrial
AJIG	ARGR	Financial
EJADA	EJAD	Financial
Arabian Steel Pipes Manufacturing	ASPMM	Industrial
United Financial Investments	UCFI	Financial
Al Ekbal	EKPC	Industrial
Arab Corp	ARED	Financial
Ittihad Schools	ITSC	Services
Jordan Hotels & Tourism	JOHT	Services

Company name	Symbol	Sector
Century Investment	CEIG	Industrial
Al Dawliyah H&M	MALL	Services
Himmeh Mineral	HIMM	Services
The Real Estate and Investment Portfolio	AQAR	Financial
JDF	JDFS	Services
JMRC	JMRC	Financial
RCDI	JOMA	Financial
Projects Development	JPTD	Services
SITTCO	SITT	Services
Arab East Real Estate	REAL	Financial
Mediterranean Tourism	MDTR	Services
International for Education	AIEI	Services
Bindar	BIND	Services
Al Isra for Education	AIFE	Services
Petra Education	PEDC	Services
Philadelphia University	PIEC	Services
IBFM	IBFM	Financial
Inma	INMA	Financial
Invest House	INVH	Financial
Offtec Holding	OFTC	Services
First Finance	FFCO	Financial
Methaq	MEET	Financial
Al Sanabel International	SANA	Financial
Capital Bank	EXFB	Financial
Al Shamikha Real Estate	VFED	Financial
Arab Bank	ARBK	Financial
Jordan Islamic Bank	JOIB	Financial
Jordan Kuwait Bank	JOKB	Financial
The Housing Bank	THBK	Financial
Jordan Commercial Bank	JCBK	Financial
AJIB	AJIB	Financial
Amad Investment	AMAD	Financial
Ihdathiat	IHCO	Financial
Optimiza	CEBC	Services
Emmar	EMAR	Financial
Phoenix Holdings	PHNX	Financial
Contempro	COHO	Financial
Zahrat Alurdon	ZAHI	Financial
Noor Capital	NCMD	Financial
High Performance	HIPR	Financial
Arab Investors Union	UNAI	Financial
Hayat	HPIC	Industrial

Company name	Symbol	Sector
mobedco	MBED	Industrial
The Consultant and Investment Group	CICO	Services
JNSL	SHIP	Services
Naqel	NAQL	Services
Masafat Transport	MSFT	Services
Orange	JTEL	Services
Awtad Investments	AWTD	Financial
Bilad Capital	BLAD	Financial
Jordanian Consulting	JOMC	Financial
Winter Valley	WIVA	Services
Al Amal Investment	AMAL	Financial
Amwal Invest	AMWL	Financial
South Electronics	SECO	Services
Nopar Trading	NOTI	Services
JPMC	JOPI	Industrial
Jordan Wood Industries	WOOD	Industrial
Middle East Complex	MECE	Industrial
Jordan Worsted	JOWM	Industrial
Future Arab	FUTR	Financial
Jordan International Investment	JIIG	Financial
Palaces Real Estate	PRED	Financial
Deera	DERA	Financial
Darkom Investment	DRKM	Financial
Tuhama	THMA	Financial
First Jordan	FRST	Financial
Al Rakaez	RICS	Services
Kafaa Investments	KAFA	Financial
Al Mehanya	PROF	Financial
Al Tahdith	THDI	Financial
Babelon	SALM	Financial
First Insurance	FINS	Financial
Al Assas	ASAS	Industrial
Dimensions Investment	JEDI	Financial
Royal Jordanian	RJAL	Services
UCIC Cables	UCIC	Industrial
Model Restaurants	FOOD	Services
Rum Tourist	RUMM	Services
Shareco	SHBC	Financial
MEDGULF	MDGF	Financial
Autobus	ABUS	Services
Darat	DARA	Financial
SABAEK	SABK	Financial

Company name	Symbol	Sector
United Holdings	UGHI	Financial
CJC	CJCC	Industrial
Jordanian Funds	FUND	Financial
Shale Energy	JOSE	Industrial
Afaq Holding	MANR	Financial
Al Jamil	JMIL	Services
Afaq for Energy	MANE	Services
Entkaeyah	ENTK	Financial
International Cards	CARD	Financial
SURA	SURA	Services
Masaken Capital	MSKN	Financial
Manaseer Steel	MANS	Industrial
United Group for Land Transpo	UGLT	Services
Comprehensive Leasing	LEAS	Services
Al Israa	ISRA	Financial
Arab Weavers	ARWU	Industrial
Ammoun	AMON	Financial
Jordan Marble	JMCO	Industrial
UBOUR	TRUK	Services
Ibn Alhaytham Hospital	IBNH	Services
Philadelphia Pharma	PHIL	Industrial
Shira	SHRA	Financial
Al Daman for Investments	DMAN	Financial
Rumm Brokerage	RUMI	Financial
Northern	NCCO	Industrial
Siniora	SNRA	Industrial
Al Rou'ya	ROYA	Financial

جامعة النجاح الوطنية
كلية الدراسات العليا

العلاقة بين حوكمة الشركات وسيولة الاسهم في سوقي فلسطين والاردن: الرفع المالي كمتغير وسيط

اعداد
أحمد تيسير عبد اللطيف عمري

اشراف
د. معاذ اسمر
د. سامح عطعوط

قدمت هذه الاطروحة استكمالا لمتطلبات الحصول على درجة الماجستير في المحاسبة بكلية الدراسات العليا في جامعة النجاح الوطنية في نابلس، فلسطين.

2019

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د. سامح عطعوط

الملخص

هدفت هذه الدراسة الى البحث في العلاقة بين بعض خصائص الحوكمة (عدد اعضاء مجلس الادارة، واستقلالية مجلس الادارة، وازدواجية مهام الرئيس التنفيذي حيث يتولى الرئيس التنفيذي منصب رئيس مجلس الادارة في نفس الوقت الذي يعمل فيه كرئيس تنفيذي في الشركة، وعدد النساء في مجلس الادارة، وعدد الاسهم المملوكة من قبل مجلس الادارة وإدارة الشركة) وسيولة السهم في ظل وجود مستوى التمويل بالدين كمتغير وسيط، حيث تكون مجتمع الدراسة من 48 شركة مدرجة في بورصة فلسطين للأوراق المالية و196 شركة مدرجة في سوق عمان للأوراق المالية اي ما مجموعه 244 شركة، وتم جمع البيانات اللازمة لإتمام هذه الدراسة من سنة 2006 وحتى سنة 2017 من خلال التقارير السنوية لهذه الشركات.

نتائج الدراسة تشير الى انه هناك علاقة ايجابية بين عدد النساء في مجلس الادارة وسيولة السهم مما يعني ان ارتفاع نسبة النساء في مجلس الادارة سوف ينعكس ايجابا على سيولة السهم، كذلك هناك علاقة ايجابية بين ازدواجية مهام الرئيس التنفيذي للشركة وسيولة السهم اي ان سيولة السهم ترتفع اذا تولى الرئيس التنفيذي رئاسة مجلس الادارة للشركة، بالإضافة الى ذلك هناك علاقة ايجابية بين عدد الاسهم المملوكة من قبل مجلس الادارة وادارة الشركة وسيولة السهم اي في حال ارتفاع نسبة الاسهم المملوكة من قبل مجلس الادارة وادارة الشركة سوف ترتفع سيولة السهم. ولكن هناك علاقة سلبية بين عدد اعضاء مجلس الادارة وسيولة السهم اي بازدياد عدد اعضاء مجلس الادارة تنخفض سيولة السهم , كذلك هناك علاقة سلبية بين استقلالية مجلس الادارة وسيولة السهم.

كذلك اظهرت الدراسة وجود علاقة ايجابية بين عدد اعضاء مجلس الادارة ومستوى التمويل بالدين اي ان نسبة التمويل بالدين تزداد بازدياد عدد اعضاء مجلس الادارة، كذلك هناك علاقة ايجابية بين عدد النساء في مجلس الادارة ومستوى التمويل بالدين مما يعني ان ارتفاع نسبة النساء في مجلس الادارة سوف يؤدي الى ارتفاع نسبة التمويل بالدين، بالإضافة الى ذلك هناك علاقة ايجابية بين عدد الاسهم المملوكة من قبل مجلس الادارة وادارة الشركة ومستوى التمويل بالدين اي في حال ارتفاع نسبة الاسهم المملوكة من قبل مجلس الادارة وادارة الشركة سوف ترتفع نسبة التمويل بالدين. ولكن هناك علاقة سلبية بين استقلالية مجلس الادارة ومستوى التمويل بالدين هذا يعني ان نسبة التمويل بالدين تنخفض كلما ازدادت استقلالية مجلس الادارة، كذلك هناك علاقة سلبية بين ازدواجية مهام الرئيس التنفيذي للشركة ومستوى التمويل بالدين اي ان نسبة التمويل بالدين تنخفض اذا تولى الرئيس التنفيذي رئاسة مجلس الادارة للشركة.

اما بالنسبة للعلاقة بين مستوى التمويل بالدين وسيولة السهم فان الدراسة اظهرت علاقة سلبية بينهما اي ان في حال ارتفاع نسبة التمويل بالدين سوف تنخفض سيولة السهم.