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THE EFFECT OF CORPORATE GOVERNANCE ON BANKS  
PERFORMANCE: AN EMPIRICAL STUDY ON JORDANIAN ISLAMIC  
BANKS

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**ABSTRACT**

Current study illustrates the role of corporate governance on the selected Jordanian Islamic banks performance. Secondary data was used and collected from 2 questioners distributed to 220 respondents. Four Islamic banks of Jordan included in current study. SPSS Amos 21 utilized to gauge the effect of corporate governance on the performance of banks under examination. Corporate governance has taken as an exogenous variable while performance is utilized as an endogenous variable and has 2 sub-latent construct (employee performance and customer satisfaction). The discoveries of the flow research featured that corporate governance score has a positive huge effect on the performance of the Islamic Banks of Jordan. Current study presented a clear view of the role of non-financial performance indicators in assessing Islamic banks performance. It also showed the importance of evaluating the performance of employees and its role in achieving customer satisfaction and thus improving the performance of Jordanian Islamic banks.

**1. Introduction**

Due to the surge of globalization and fast-paced technological advances, the new global market climate has become more complicated, hyper-competitive, and ever-changing (Alkhazali, Abu-Rumman, Khmour, & Al-Daoud, 2020). The classic management methods are no longer efficient in such a market environment to lead organizations to build and retain the required competitive

advantage for growth and survival (Tosti-kharas & King, 2015). The success of a company is one of the most critical issues in this respect.

There has been a proliferation of studies carried out by several researchers empirically supporting the influence of HRM on organizational success (Chatterjee, 2017). In the meantime, other studies claimed that not all HRM programs were successful (Alkhazali, Aldabbagh, & Abu-Rumman, 2019), while other researchers challenged the appropriateness of organizational efficiency of service quality (SQ) policy (Alberto et al., 2019). The impact of corporate governance on performance, or the position of some variables affecting performance, was argued in several of the previous studies. Corporate governance often affects the relationship as a mediator.

Banks are generally excellent and dependable supporters of the public development of a country's GDP. Banks are empowering a monetary climate for different areas of the economy to add to GDP, as well and, accordingly, expanding the efficiency of the genuine economy (Al-Azzam, 2015). It is significant likewise to specify that banks are giving work to youthful alumni, which, helps in diminishing the degree of joblessness, destitution, and violations in the general public (Alalwan, Dwivedi & Rana, 2017). Thus, given this role, banks are an influential player in society regardless of their performance (good or bad).

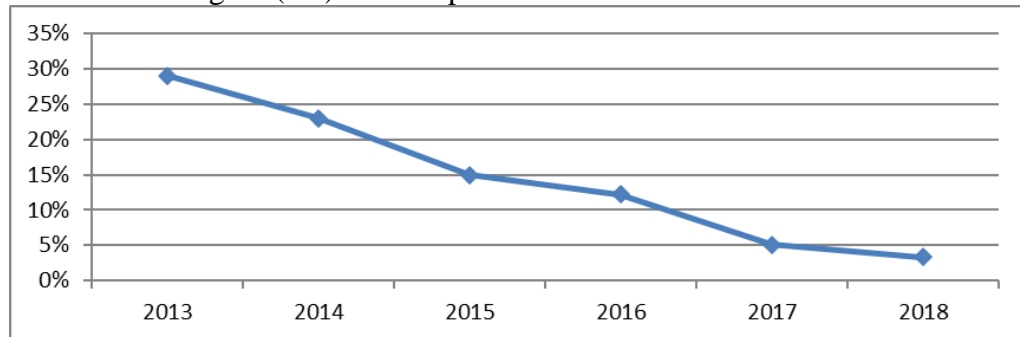
Banks have mission and objectives of worry to speculators, contributors, and government notwithstanding researchers and scientists the same. The serious issue in Jordan's financial area began during the 90s when a few banks fizzled and numerous others were troubled. 7 banks collapsed between 1980 and 2006, and the banks that collapsed were among the commercial banks (Alkhazali, Aldabbagh, & Abu-Rumman, 2019). It is fascinating to take note of that a large number of the banks that fizzled were experiencing a presentation issue, as well as had a lack of capital and were ineffective as some of the banks that did not fail. Whereas, it was using the financial measure to express its performance, and thus ignored the role of non-financial scale and intangible assets.

## **2. Problem statement**

In Jordan, it is obvious that the banks did not have a system to balance its financial and non-financial performance, which is the main objective of banking businesses to analyse and envision any potential dangers that could impact the presentation and speculation of any banking sector in Jordanian banks. This resulted in the Jordanian banks not having the option of keeping away from danger and protecting customers, the speculations of clients, in addition to the degree of fulfilment of their employees (Grassa, 2012). The common sense of the lacklustre problem seen in Jordanian banks is clearly found in the Housing System, to outline it. The bank is the nation's largest bank that suffered heavy misfortunes exceeding 70 million dinars in 2012 when auxiliaries in neighbouring nations, such as Imploding Syria (Syafii, Sanrego, and Taufiq, 2012). Banking sources reported that the misfortunes were triggered by the bank's board's incorrect conclusion on the effect of the Syrian emergency on sections of the Housing Bank set up in a few urban communities

and areas in Syria (Aldalayeen, 2017). Figure 1.1 shows that the decreasing of performance level in Jordanian banks had a negative impact on all Jordanian sectors, and has led to poor reliability among banks and customers.

Figure (1.1) level of performance in Jordanian banks

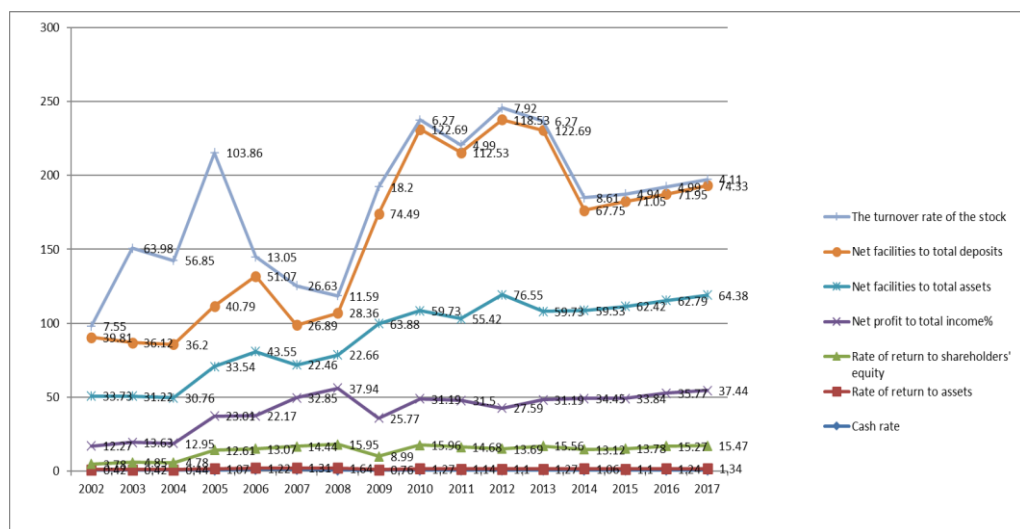


Source: Central Bank of Jordan, 2019

Based on Figure 1.1 which showed the Illustrates the poor performance of banks in Jordan over the years, and this weakness has affected over all Jordan in terms of, resources whether material or moral resources for their employees, companies, and individuals (Alkhazali et al., 2020).

According to Muhammad Khair Ibrahim Shakhtrah, & Ibrahim Abdel Halim Worship. (2020), there is a dropped in Islamic performance banks in Jordan, as shown in figure 1.2 The decline in the profitability index of Islamic banks for some ratios such as: Rate of return divided by total property, net profit to total income, net facilities to total deposits, net facilities to total assets.

Figure (1.2) level of performance in Islamic Jordanian banks



Some scholars and researchers have indicated that the link between HRM and the success of the company is not clear, but depends on some contingencies. They argued that there is an effect of HRM and performance relies on firms and external environmental factors (moderators and mediators) such as quality of service, dynamism and animosity in the community, support for top management, organizational culture, incentive systems and organizational resources and skills (Mansour, 2017; Shields & Jennings, 2013; Tosti-kharas & King, 2015). And some of the previous studies tested the effect on performance, consumer satisfaction, employee satisfaction, wealth, and so on of corporate governance. But research in this field of study in Jordan, especially in the banking sector, is being shortened.

In addition, the current study fills the theoretical and practical gap posed in the previous studies by investigating the role and effect on bank performance of the play corporate governance in Islamic Jordanian banking sector. It has been emphasized that most studies conducted in corporate governance were in developed countries and there have been scanty studies conducted in the developing countries, including the Arab region (Bawaneh, 2011). In addition, Saleh & Zeitun (2007) in their review of the literature revealed that only 1.7 % of the studies reviewed were conducted in the including Saudi Arabia, UAE, and Qatar. Thus, this study will provide basic data for future research on corporate governance and Islamic banks' performance organizational performance in the developing countries 'setting.

### **3. Significance of the Study**

In order to ensure the development of the work of institutions by commitment to all facets of the organisation, the need for a holistic structure has increased, such as human resources with distinct capabilities and high skills that not all rivals can emulate. Therefore, in order to ensure the compliance of government laws and regulations (governance), the policies of Jordanian Islamic banks need to be updated to ensure the introduction of highly efficient employment requirements, the compliance of learning and development based on performance (Nath, Eweje, & Bathurst, 2019). Human resource quality must be enhanced as an important factor in the fulfilment corporate governance and business performance at the individual, bank or economic level (Bustinza, Bigdeli, Baines, & Elliot, 2015). Effectiveness assumes a basic job for the capital of banks and as one of the company's fundamental assets-both of which have forced banks to follow government policies that regulate the function of the banking sector and ensure the creation of a competitive environment and the growth of services and products (Chatterjee, 2017). Ultimately, this increases the ability of banks to efficiently and effectively accomplish their goals, allowing them to meet external and internal changes and challenges and enhance their performance.

Corporate governance is a framework structured for the productive investment, growth and performance enhancement of banks. The need for effective standards, policies and human resources has therefore been increased to ensure the bank's positive adaptation to the external environment and to encourage employees, as well as to increase the trust between management and bank employees, in addition to enabling them to engage in the decision-making process (Topleva & Prokopov, 2019). This study has tried to establish the foundation by introducing corporate governance as the mechanism to enhance overall Islamic bank's performance. Moreover, this study attempts to inspect the corporate governance and Islamic banks' performance connections with regards to non-financial performance indicators.

This study, additionally critical to the specialists as it accentuates the part of corporate governance towards higher Islamic bank's performance. By exploring the significant role of looking to the non-financial performance indicators. In addition, is of huge incentive to the arrangement creators since they can help banks to accomplish an elevated level of performance by offering the necessary counsel and preparing. Therefore, policy-makers should consider nonfinancial indicators to be incorporated into the curriculum of tertiary education. This is very important so as to provide the market with knowledgeable graduates that understand the quality principles and have the capabilities to create innovative ideas to achieve high-performance levels.

Also, as indicated by the scientist's information, not much research conducted in the field of Jordanian Islamic banks, and the research conducted in this sector in Jordan is very old and its results cannot be relied upon in current and future perceptions due to the rapid fluctuations in the business market broadly and the banking sector in particular.

#### **4. Definition of the terms:**

**1. Corporate government:** Corporate governance is the method whereby a firm is guided and based on rules, process, and practices. Corporate governance basically has company department needs, shareholders, top executives, consumer, employees, investors, the government, and society. Since corporate governance additionally gives the premise to accomplishing the objectives of the association, it covers practically each overseeing area, from plan to usage to performance evaluation and corporate revelation (Mergaliyev, Asutay, Avdukic, & Karbhari, 2019).

**2. Performance:** Often that is an activity of performing or even the condition of operation, any event or manner of executing a task or job during a gathering, as well as how something or someone performs (Adler, 2020).

**3. Employee performance:** It is a process of assessing the tasks relevant to the worker's expected job and the efficiency of the execution of these activities,

followed by managers. In order to help them define suggested areas for change, many company personnel administrators conduct reviews on an annual or quarterly basis (Feng, Iii, & Wu, 2020).

**4. Customer satisfaction:** It is a term utilized generally in sales. It is a pointer of how an organization's merchandise or administrations fulfil or surpass shopper desires. Consumer loyalty is characterized as "the quantity of clients or level of absolute clients whose involvement in a business, its items or its administrations (evaluations) has been recorded to surpass expressed fulfilment objectives. In maintaining a good or service meaningful, customers play an important role and therefore are key, since it is in the best interest of the company to gain satisfied consumer and create them loyal (Mhasnah, Salleh, Al-Zyout, & Ghnaneem, 2020).

## 5. Literature review

### 5.1 Bank performance

Performance assessment is part of the framework of management control, which involves activities that include planning decisions, worker execution review and tasks. Performance assessment is the administration technique to choose how far the organization's objective has been cultivated, investigate the organization's business execution, director, division and people inside the organization, and furthermore conjecture potential organization desires (Syafa & Haron, 2019). Preferable performance has been well described by efficient and productive work (Bhavik, 2012). One of the main variables for the success of the company is a successful performance assessment method (Bhagat & Bolton, 2019). Information used to assess or evaluate success is divided into two groups (Al-Deehani, El-Sadi, & Al-Deehani, 2015):

#### 1. Financial Performance

Based on the gauge that was made, the evaluation of the financial overview was resolved. The appraisal is achieved by breaking down the difference between the real progress and the financial plan. The focus of the fluctuation investigation was mainly on 2 (two variations, which are: (1) the pay variation and (2) the usage variation covering common and financing/capital use. The financial field usually uses CAMELS (Capital, Asset, Management, Earning, Liquidity, and Sensitivity of Market Risk) models to break down the state or execution of a bank, as per Lay Hong, Boon Cheong and Syaiful Rizal (2016).

Evaluation tools called Economic Value Added (EVA) appear alongside the advancement of assessment devices to gauge the performance of companies, including the banking sector. For a given year, EVA is the added value offered to shareholders by the administration (Alkhazali et al., 2019). Simply put, the amount of EVAs derived from working profits drop the cost of capital invested (de Groot, Alkemade, Braat, Hein, & Willemen, 2010).

## 2. Non-Financial Information

Non-money related subtleties may be a further benchmark. During the time spent on quality control, non-monetary subtleties could add certainty to the executives. Four angles are protected by the Balance Scorecard: the financial point of view, customer loyalty, the adequacy of hierarchical cycles and learning and development. The Balance Scorecard is an accurate exhibition appraisal method established by different associations.

In all actuality, the hierarchical presentation evaluation measure commonly utilizes monetary proportions. Nonetheless, there are a few constraints in the utilization of money related benchmarks as the sole marker of organization proficiency. Second, the use of execution linked to money as the sole determinant of organizational execution might make administrators make a momentary move and neglect the technique drawn out. third, disregarding parts of non-monetary calculation and elusive capital, both internal and external, would give the leaders of the company a substantially more erroneous view later in the present and fourth, money-related execution relies on past execution less prepared to push the organization to corporate goals (Journal et al., 2019).

A study of customer and employee satisfaction was used as an indicator of bank performance, according to Areiqat, Mahrakani, Zamil, & Abu-Rumman (2019). Mhasnah, Salleh, & Yazid (2020) demonstrated that corporate governance directly influences the level of customer and employee satisfaction Ahmed (2017) that the existing laws and regulations governing the work of Islamic banks, as well as regulating the mechanism of dealing with customers by employees and the legal commitment to financial transactions within banks directly affect the level of satisfaction of employees and their professionalism that affects the satisfaction of customers.

## 5.2 Research Theory

Performance of Banks can be examined by different financial ratios, such as financial indicators and financial leverage, among others, according to financial management theory. In order to evaluate or analyze bank performance, Sabi (1996) and Samad (1999), among others, have used such financial rates. The Maqasid Index definition was utilized in this examination to exhibit the impact of corporate governance on the Jordanian Islamic banks.

The performance of Islamic banks was dissected by a few past scientists utilizing the Maqasid Index dependent on the Maqasid al-Shari'ah set up by Abu Zahra in 1958 (Syafa and Haron, 2019). To accomplish most extreme advantage, Islamic banks are established on the budgetary measurements, yet additionally on the strict measurements to create the moral financial framework (Asutay, 2012). The Islamic Moral Economy (IME) is upheld by the moral money related framework as an outflow of the philosophy of Islam got from the Quran and Sunnah (prophet ratification). IME maintains values zeroed in on monetary and practical development, social equity, and social venture (Asutay, 2012). The IME's importance is inserted in the Maqasid al Shari'ah. The Maqasid al-Shari'ah was isolated into three gatherings by Syafa and Haron (2019), for example tahzib al-fard (individual purification), iqamah al-adl (equity) and maslahahah (advantage/government assistance).

### 5.3 Corporate governance

While, upgrade open doors for authentic increase subject to the eventual benefits of contributors and investors, an efficient structure of corporate governance in banks would enforce acceptable standards of conduct on managers and bank management and monitoring procedures. Strong corporate governance controls the interactions between the stakeholders of banks, their boards and their leadership (Bhagat & Bolton, 2019). It maintains a strategic distance from the abuse by bank chiefs of control and self-serving conduct, just as unwise and high-hazard conduct, and addresses irreconcilable situations among chiefs and individuals from the board on the one side and investors and contributors on the other (Farooq & Satt, 2014). Undoubtedly, somewhat, the current situation with the worldwide economy is because of the way that sheets (and their danger the executives boards) have not sufficiently released their duties to administer administrators occupied with high-hazard tasks. Subsequently, the budgetary area's corporate administration has huge ramifications for the whole economy's solidness (Anginer, Demirguc-Kunt, Huizinga, & Ma, 2018).

Corporate governance likewise includes, from the financial business' perspective, the way where the Board of Directors regulates the business and issues of individual organizations and their practical relationship with senior administration. Why banks are decided by this (Aguilera, Judge, & Terjesen, 2018):

1. Set corporate targets (including the development of economic benefits for shareholders);
2. Managed the company's day-to-day tasks and;
3. The needs of recognized stakeholders are taken into account, i.e., workers, clients, vendors, administrators, governments and the society, and
4. Spot corporate practices and activities in accordance with the assumption that banks will act in a good way and in consistence with significant laws and guidelines; and, obviously, secure the preeminent interests of contributors.

Islamic banks in Jordan apply the governance structure provided by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) Board of Governance and Ethics, as these standards are intended to provide a guide for defining and managing the role of Sharia enforcement in Islamic financial institutions and to standardize global practices in this regard (Aldalayeen, 2017). In addition to relevant controls and processes, the standard also discusses the primary roles and considerations related to this role. The standard reviews the structure, statement of work, basic roles, and hierarchy of the Sharia Enforcement Department (Dung Paul, Catherine Ebelechukwu, & Yakubu, 2015). In relation to this position, the norm also offers the basis for fulfilling staffing requirements.

The good corporate governance model doesn't exist, according to the OECD (2004), given that CG rehearses shift generally from country and company to



company. The disparities emerge from predominantly different social beliefs, various systems of ownership, and an institutional and declamatory environment. Several reports from various interests of shareholders. Governance (2003-2006), the Green bury Report (1995) and the Higgs (2003) Report (Ahmed, 2017) are examples.

The King Report 2002 was first distributed in 1994 and elevates a coordinated way to deal with great administration in light of a legitimate concern for various partners on the board. This examination adopts an alternate all-encompassing strategy, which spreads out essential ideas of good budgetary, social, moral and ecological practice (Mallin, 2007). The King report re-accentuates the country that delivering pay for investors isn't the main worry of a business goal while focusing on triple primary concern. (du plessis. Et al., 2005). It features seven key corporate administration ideas, to be specific:

### **1. Fairness**

All interested parties should be handled equally and equitably by the board of directors.

### **2. Independence**

Each administrator ought to be self-ruling. No irreconcilable circumstance ought to emerge. For example, in the event that he/she was likewise an overseer of that different business, it would not be useful for a chief to engage in the selling of a resource for another business.

### **3. Honesty**

Chiefs must secure the interests of the investors in the organization, and should give investors believe that their advantages are being ensured.

### **4. Transparency**

In a timely and correct manner, the directors should report material details.

### **5. Accountability**

the individuals who run the organization (for example chiefs) must be mindful to the individuals who as of now have the organization (i.e. shareholders)

### **6. Integrity**

When forming decisions in relation to the company, moral and ethical questions should be considered.

### **7. Responsibility**

The chief board will guarantee that the organization agrees to the material enactment where it works.

## **5.4 Islamic bank in Jordan**

Traditionally, the Central Bank and the Amman Stock Market have dominated the banking system in Jordan. Established in 1964, the Central Bank assumed a significant part in the issue of notes, the administration of trade holds and the control of credit. The bank filled in as the public authority's monetary specialist, ruled the business banking industry, and upheld the improvement of new budgetary organizations (Farag, Mallin, and Ow-Yong, 2018). The financial area dramatically increased its advances and stores during the 1970s

and mid-1980s. The quantity of monetary foundations significantly increased over a similar period, as the public authority urged banking administrations to develop as a vital driver of its financial development strategy (de Groot et al., 2010). Jordan was an uncommon case among the Arab World during the 1980s when the estimation of its bank resources surpassed its GDP. Absolute stores rose to JD 1.7 billion from around JD800 million. From 1980 to 1987, tight Central Bank buyer credit limitations and government execution in encouraging reserve funds prompted yearly development of 7% (Aldalayeen, 2017). The public authority got stressed during the 1980s that the nation's financial area was growing too quickly (Syafii et al., 2012). In this way, the Central Bank of Jordan has put a ban on the setting up of new plug banks.

The 1980s likewise observed a more noteworthy control of bank activity by the public authority to offset fluctuating stock costs and fast financial extension (Aldalayeen, 2017). The guidelines incorporated that banks were required to put 8% of their stores in government bills and securities and contribute in any event 15% of their capital in corporate value in the general population and blended area (Alkhazali et al., 2019). The edge for least capital was raised to JD5 million. Restricting financing cost roofs were determined to the two advances and stores, and the Central Bank fixed dinar trade rates (Areiqat et al., 2019).

There were 24 major banks in the country during the late 2019 period, including 13 conventional domestic commercial banks, 8 international commercial banks, 3 local Islamic banks, and a foreign Islamic bank (Aldalayeen, 2017). The Central Bank of Jordan (CBJ) undertook a series of changes in 2020 to make the banking system safer and more efficient, including (Jordan, J. L., & Luther, W. J., 2020):

1. Empowering banks to rebuild individual and corporate credits, particularly medium and little advances, which were influenced by the impacts of this infection
2. Pumping 550 million dinars worth of conductive into the national economy by reducing the required cash reserve by 7 percent.
3. Lessening the expense of financing and expanding cutoff times for existing and future offices for monetary areas, including medium and little undertakings, through the financing and backing system of the Central Bank for monetary areas.
4. Supporting the Jordanian Loan Guarantee Corporation's procedures by reducing the commission for the programs of the company and increasing the percentage of local sales guarantee policy insurance coverage.

In view of the rapid growth of Islamic banking, Jordan seeks to improve its position in the Islamic banking industry market to be a leading regional model for Islamic finance, and this trend is supported by the presence of four banks operating in the Jordanian banking system. It is reported that its assets are \$6 billion (Al-Beshtawi, Zraqat, & Al-Hiyasat, 2014). Islamic finance enjoys a broad demand among investors, as Jordan's Islamic banking sector has the potential to absorb further demand for Islamic financial products and the ability

to open up to global financial markets through the network of financial and banking relationships enjoyed by the Jordanian banking market. Such as, Al Baraka Group, which is characterized by a wide geographical spread, is a broad banking sector in which the Jordanian Islamic Bank stands, as it is present in fifteen countries and has more than 700 branches spread worldwide, while the total of these assets exceeded \$24 billion (Areiqat et al., 2019).

It should be noted that the Central Bank of Jordan contributed to the preparation of a suitable ground for our Islamic banks to take their place in the local banking market, as it issued special legislation on Islamic banks under the Banking Law in 2000, which included a special chapter on Islamic banks, before allowing the Jordanian Islamic Bank to be established in 1978 (Syafii et al., 2012). The founding of this bank provided a promising model for the growth of Islamic banking in Jordan. In order to establish legislation regulating the work of these banks and their openness to the outside world within the controls and laws issued by the Central Bank, which guarantee the rights of Islamic banks and depositors at the same time, more effort and hard work is required.

### 5.5 Theoretical framework

A theoretical framework will be proposed in this section, along with a collection of hypotheses. The hypothetical structure for this investigation is to clarify the connection between the factors. (Aguilera et al., 2018; Lay Hong et al., 2016). A structure has been created to look at the connection between study factors dependent on the hypothetical establishments inspected in the writing: corporate governance and performance with regards to the Islamic Jordanian financial area. Figure 5.1 shows these relationships.

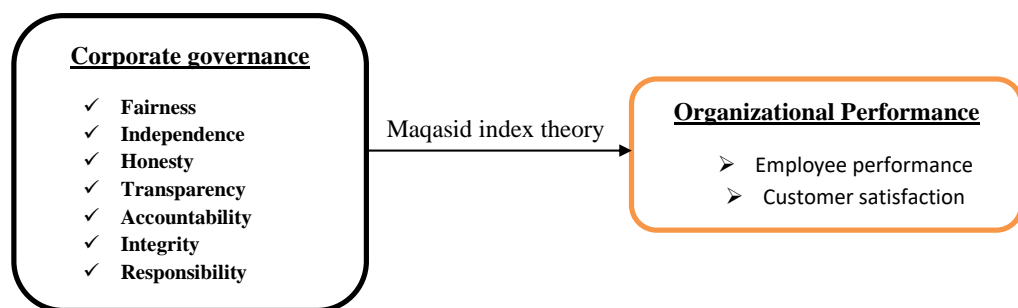


Figure 5.1 theoretical framework

### 5.6 Hypothesis developed

This study illustrates the impact of applying corporate governance on overall performance, particularly Islamic bank, employee performance, customer satisfaction, in the Jordan banking sector. "There is a positive and direct effect of applying corporate governance on Jordanian Islamic banks performance" is the hypothesis that the current study would test. It gives rise to two sub-hypotheses:

**H1:** *corporate governance has a significant positive effect on Islamic Jordanian banks performance.*

And the sub hypotheses are:

**H1a:** *corporate governance has a significant positive effect on employee performance in Islamic Jordanian banks.*

**H1b:** *corporate governance has a significant positive effect on customer satisfaction in Islamic Jordanian banks.*

## **6. Methodology and Result:**

In Jordan, four (4) Islamic banks participated in this study. For many purposes, the level of the HR and sales department would be considered to be the unit of analysis for employee performance, and visitors to determine customer satisfaction. First, in many ways, department-level surveys are more accurate than corporate-level surveys because executives are likely to know the HR procedures and marketing strategies introduced in their department due to a smaller size (Awang, 2014). Second, because most of the operations of a bank occur at the level of the department, the skill of managers and employees at the level of the department will definitely influence the performance of the bank. Customers have specific expectations in retail banking, and the relationship with these customers and bank staff takes place at the level of the department. Therefore, in developing a high-performance work environment that ultimately leads to performance, the role of the manager may be more influential and it is recommended that it be examined at department level (Frag, Mallin, & Ow-Yong, 2018). Thirdly, as subunits, the bank divisions follow bank policy and, as a result of the corporate governance program, may have several HRM processes in general.

### **6.1 Population and sample**

The target population of this research consists of all the HR and sales department employees and customers visit banks in this period in all 4 Islamic banks in Jordan. As listed by the Ministry of Finance in Jordan, a total of 517 workers within the banks. The required sample size for this study is 220 employees, according to Cavana, R., Delahaye, B., & Sekeran, U. (2001), which is calculated on the basis of the guidelines provided for sample size decisions by (Krejcie & Morgan, 1970) and Morgan (1970). From previous research, Questioner was agreed to assess the effect on organizational performance of corporate governance to assess the customer satisfaction.

Because of its equivalent possibility of picking the components in the populace as the example subject, the likelihood testing approach was utilized in this investigation (Sekaran & Bougie, 2010). In addition, the probability sampling approach provides a more representative sample that is capable of endorsing the study findings' broader generalizability (Sekaran & Bougie, 2010). A

stratified random type of probability sampling considered in this study is sufficient to ensure equivalent and independent research data representation (Cavana et al. , 2001, Zainuddin (2014)

## **6.2 Research instrument:**

Two fundamental ideas structure the builds of this investigation: corporate governance, and banking performance. The factors are multidimensional containing different things of estimation for every one of the factors. Two questioners were developed. 1st questionnaire to test customer satisfaction divided into 3 sections; the first section is about demographic information about the respondent. The second section contains questions relevant to the degree of corporate governance core elements practices in the Islamic Banks. Section three about the degree of bank performance.

Employee performance was assessed by the employee performance assessment form submitted to the line manager for each respondent; this form provides a series of questions about the performance of the respondents to the line managers. (Amin, Aldakhil, Wu, Rezaei, & Cobanoglu, 2017; El-Tohamy & Raoush, 2015; Samat, Ramayah, & Mat Saad, 2006). Where it included:

1. Punctuality: Employee performance was measured for each respondent by the employee performance appraisal form sent to the line manager; this form offers a set of questions to the line managers about the performance of the respondents.
2. Quality of work: An essential standard for evaluating worker achievement is the ideal culmination of ventures to the ideal level.
3. Notice individual propensities: Perpetual negative behaviour patterns can occupy from the exhibition of representatives. For individual purposes, (for example, web-based media, web based shopping), this may remember reveling for work environment tattle, taking unapproved breaks, dangerous activities and the utilization of PCs.
4. Check their attitude: In insubordinate behaviour, a poor attitude can always manifest itself. This is reflective of a person who is unlikely to achieve their success goals.
5. Survey individual introduction: Most organizations have an expert clothing standard appropriate to the way of life of the work and business. The image is ineffectively reflected by labourers who overlook your desires and show a tousled or reckless appearance. Almost certainly, their presentation would likewise neglect to satisfy your guidelines.

## **6.3 Data Analysis**

In order to analyse the data, SPSS 21.00 and the Structural Equation Modelling (SEM) were employed, with the use of the “Analysis of moment structure” 21 software (AMOS) which was used to test the hypothesis. The correlation of observed variables and reliability scores (Cronbach’s alpha) and descriptive analysis were calculated using SPSS. This study will determine the cause-effect relationships among the variables hypothesized in the model.

Questioner adopted from the previous studies argued the corporate governance and Islamic bank's performance. According to the research conceptual framework, there are two main hypotheses developed to test the causal relationship:

**H1: corporate governance has a significant positive effect on Islamic Jordanian banks performance.**

And the sub hypotheses are:

**H1a: corporate governance has a significant positive effect on employee performance in Islamic Jordanian banks.**

**H1b: corporate governance has a significant positive effect on customer satisfaction in Islamic Jordanian banks.**

#### 6.4 Respondent profile

The majority of respondents were females with the per cent value of 64.9%. The greater part of the respondents was with the age of 31-35 years of age. Also, 92.1 per cent of respondents have a bachelor degree or more, which indicates the respondents are well qualified. The majority of employee respondents' experiences were 7 years or more with per cent value of 81.6, which means that the study population has good awareness about their work.

#### 6.5 Structural Equation Modeling

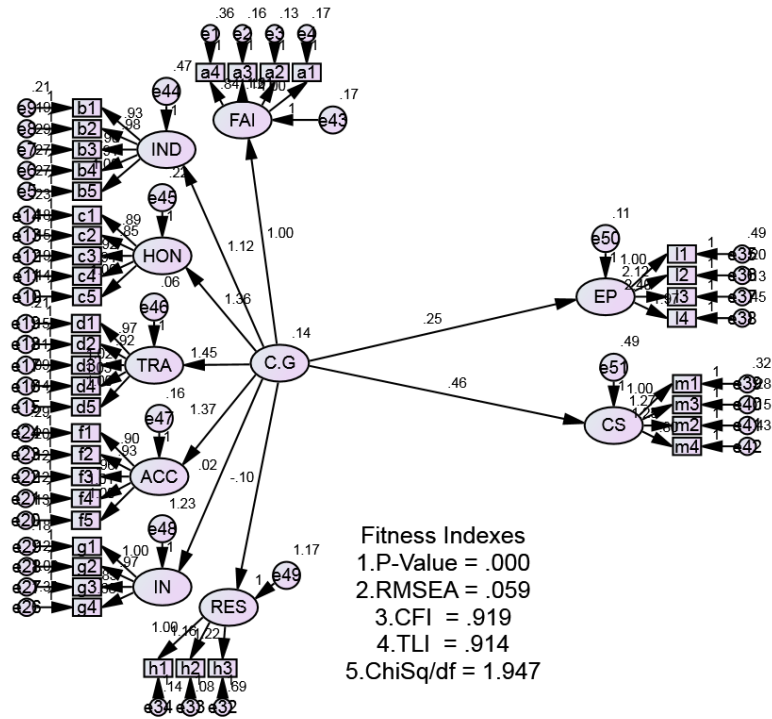
According to Awang, 2015 all items have factor loading less than 0.60 should be deleted to get a fit model to test research hypothesis. Figure 3 present factors loading for the questioner items after confirmatory factor analysis. All the items shown have factor loading higher than 0.60 and achieve the required level. Table 6.1 All Composite Reliability for model constructs achieve the required level (0.60), and all AVE higher than 0.50 (achieve required level).

Table 6.1 CR and AVE for construct

Construct	Composite Reliability	AVE
Corporate governance	0.843	0.643
Employee performance	0.859	0.671
Customer satisfaction	0.874	0.547

After factor loading value achieved the model fit checked by structural model and the model was fit to proceed for test research hypothesis. And the fitness indexes value presented in figure 6.1 P-value 0.000, REMSEA 0.059 < 0.080, CFI 0.919 > 0.90. TLI 0.914 > 0.90, and ChiSq/df 1.947 < 3.

Figure 6.1 structural model



As mentioned by (Zainuddin, 2014c, 2014a) the discriminant validity achieved when the value higher than the values in the same Row and column. Table 6.2 shows that all values in bold (discriminant validity) achieve the required level.

Table 6.2 discriminant validity

	Corporate governance	Employee performance	Customer satisfaction
Corporate governance	<b>0.874</b>		
Employee performance	0.706	<b>0.740</b>	
Customer satisfaction	0.624	0.596	<b>0.806</b>

### 6.6 Hypothesis testing

According to table 6.3 and figure 6.1 all hypothesis is significant and supported, indicates that is a direct casual effect of corporate governance on employee performance in Jordanian Islamic banks and the effect of corporate governance on Jordanian Islamic banks customer satisfaction, where the P-vale for H1, H2 < 0.05.

Table 6.3 Direct Hypotheses Testing Results for Generating Models

Hypothesis	Regression weights from	To	Estimate	SE	CR	P	Result

<b>H1a</b>	Corporate governance	Employee performance	0.198	0.074	1.746	0.031	<i>Significant</i>
<b>H1b</b>	Corporate governance	Customer satisfaction	1.030	0.090	3.008	***	<i>Significant</i>

According to table 6.4 and figure 6.2 the main hypothesis is significant and supported, indicates that is a direct casual effect of corporate governance on Jordanian Islamic banks performance, where the P- vale for H1, H2 < 0.05.

Figure 6.2 structural model for main hypothesis

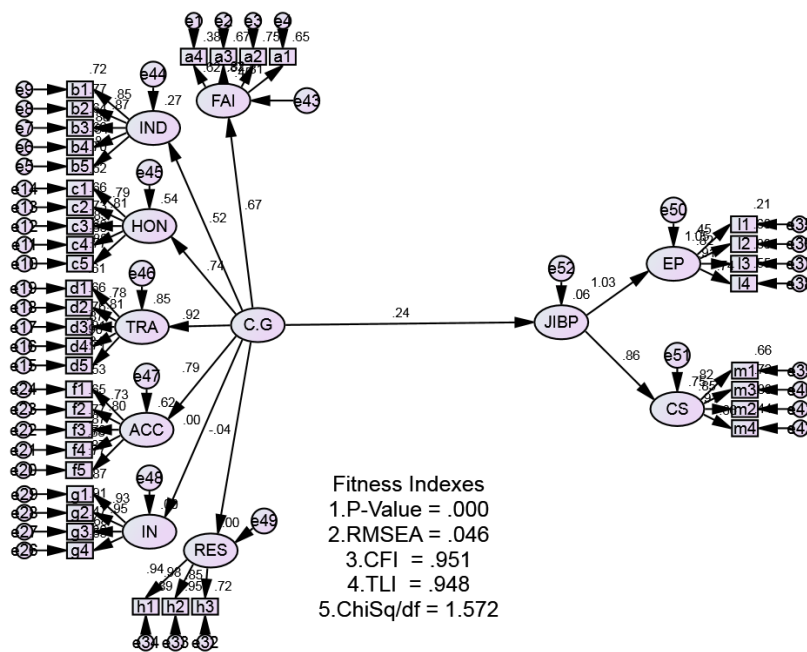


Table 6.4 Direct Hypotheses Testing Results for Generating Models

Hypothesis	Regression weights from	To	Estimate	SE	CR	P	Result
<b>H1</b>	Corporate governance	Jordanian Islamic banks performance	0.234	0.072	3.244	0.001	<i>Significant</i>

As shown in Figures 6.1 and 6.2, there is an effect of corporate governance on Islamic banks performance. These results are consistent with Farooq & Satt, (2014); Mergaliyev et al., (2019) studies, which stated exist an relationship



between corporate governance and customer satisfaction, as well as (Hamali, Prihandoko, Kurniawan, & Ramdhani, 2020; Mhasnah, Salleh, Al-Zyout, et al., 2020; Mhasnah, Salleh, & Yazid, 2020) study, which indicates that corporate governance directly affects employee performance. Chahal & Bakshi (2015); Sahoo & Ghosh (2016) mentioned in his study of Islamic banks in India, that customer satisfaction is directly affected by employee performance, which is directly affected by corporate governance. Ahmed also indicated in his study that was conducted in Indonesia on a sample of Islamic banks that the employees' commitment to the laws and legislation issued by the bank's management represented in the corporate governance laws greatly affects the survival of customers and increases their numbers resulting from their satisfaction with the services provided.

## 7. Conclusion

This study tended with the impacts of corporate governance on the performance of foundations in Jordan's Islamic financial area. Where the researcher relied on the study model prepared on what was provided by previous studies on bank performance such as employee performance, and customer satisfaction. Corporate governance was the exogenous construct, with its sub dimensions (Fairness, Independence, Honesty, Transparency, Accountability, Integrity, and Responsibility). The research was applied to 4 Islamic banks in the State of Jordan, and the results of the survey of opinions of the employees who were the sample of the study found that the application of corporate governance impacted on the execution of workers on one hand also, then again impacted on customer satisfaction and loyalty. Where banks, by obtaining customer satisfaction and loyalty, are able to stabilize and stay in the market and ultimately contribute directly to the state's general revenues. The current study recommended activating the role of non-financial indicators to consider and evaluate the performance of Islamic banks, as many non-financial indicators include an added value to customers. The study also recommends conducting future investigations by researchers on the mediation role of service quality between customer satisfaction and corporate governance. Also, revealing the mediation role of employee satisfaction in the relationship between corporate governance and service quality as an independent variable and customer satisfaction as a dependent variable.

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