

The Role of the Corporate Governance Committees and the Financial Risk in Islamic Banks: A Field Study in Jordan

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Abstract

This study has identified the role of the board of directors according to the corporate governance committees and the financial risk, in Islamic bank as a case study in Jordan.

In order to achieve the purposes of this study, two kinds of data are adopted. First, data is collected through questionnaires, field visits, for managements of Islamic banks operating in Jordan. Secondary data is collected through books, journals and internet, which has related to the research.

The finding of the study that the creation of corporate governance committees resulting from the board of directors in Islamic banks as a result of financial risk. The study concluded a set of recommendations. Finally, financial experiment may not depend exclusively to some members. It is as a first study in Jordanian Islamic banks that explain into account the issue of the board of directors committees role to the corporate governance with the financial risk in Jordan. As well as the lack of studies that examine the theme of corporate governance and financial risk.

Keywords: corporate governance, financial risk, Islamic banks, committees

1. Introduction

The importance of banking sector in economy, is the ability to provide credit to various investments and investors. Hence, these are under the supervision and continuously monitoring by Central Bank in Jordan.

The meaning of financial risk in bank operations has been known recently in Jordan. It emerged with the increased risks to the banks according to their nature work. Then it is necessary to set up procedures and policies which have needed to identify those risks. As well as to evaluate, and respond them in order to reduce their influence.

Bank for International Settlements (2015) was noted that primary objective of corporate governance should be safeguarding stakeholders' interest in conformity with public interest on a sustainable basis.

"According to the importance of corporate governance in banks that mainly provide institutional development and performance future. The aim of the bank's activities to receive different funds from depositors and equity. To enable it to contribute successfully to the development of banking services in Jordan. Which contributes to raising the effectiveness of the national economy. As well as, Guide to Corporate Governance for Banks of Jordan (2007) reflect that the board of Directors has decided to adopt the corporate governance manual in a manner consistent with the Central Bank of Jordan and the international best practices instruction. Islamic banking is based mainly on Islamic Shari'ah which different from conventional banking as Sabur Mollah et al (2016) and Mollah and Zaman (2015) mentioned in their papers.

The contemporary financial crisis that hits financial markets in the United States and other countries during the year 2008 was a great source threatened the entire world. That's because of a defect in the control mechanisms and follow-up, therefore, it was necessary to the existence of mechanisms to help the board of directors to control over the operations of the bank. Also the laws and legislation in many countries, including Sarbanes-Oxley Act of 2002 in the United States (Al-Kassar & Al-Nidawiy, 2014).

While the customary board of directors acts the executive role in Islamic banks, according to the Shari'ah, Chowdhury and Hoque (2006) also, mentioned that, the Shari'ah board was as a supreme authority of Islamic banks'

governance.

This legislation is used in Jordan as well as in Arab countries. The decision issued by the Central Bank of Jordan No. 76 at 2007, on the instructions of the corporate governance and its mechanisms. Corporate governance is policies and rules to carry out during the governorship of emanating from the board of directors, namely, governance committee, Committee Audit, and committee for risk. This is the link between the committees of the board, and the bank administrations, including financial risk. Therefore, this study examines the role of the committees in the financial risk in Islamic banks in Jordan through its role in the framework of strategy review.

1.1 Study Objective

The study's main objective is to examine the role the board of directors according to corporate governance committees to the financial risk, at Islamic banks in Jordan.

1.2 Study Statement

The study focuses on the corporate governance role with the financial risk to Islamic banks in Jordan, and how can display the problem by asking the key question as follows: Have the committees to the board of directors related to the corporate governance an influence to financial risk at Islamic banks in Jordan."

1.3 Research Importance

It is as a first study in Jordanian Islamic banks that explain into account the issue of the board of directors committees role to the corporate governance with the financial risk in Jordan. Also because of the lack of studies that examine the theme of corporate governance and financial risk.

According to Central Bank of Jordan Law No. 76 of 2007, these committees constitute to be under the corporate governance. Also the financial risk, through the framework of financial risk and a review of its strategy to continue to develop its business and promote them.

2. Research Hypothesis

The main hypothesis is "the committees of the board of directors have not acted according to the corporate governance to develop financial risk at Islamic banks in Jordan".

There are subhypotheses will be mentioned later in the analysis.

3. Literature Review

Different tools and instruments are used in Islamic Banks, which describes Sharia'a-compliant Islamic banking such as;

Murabaha which refers to a sales contract. Kettel (2011) and Al-Tiby (2012) mentioned that Murabaha is the primarily used instruments by Islamic banks and this may constitutes 70% or more of their assets.

Salam which means a forward sale, where the Islamic bank pays in advance for buying specified assets at a predetermined price, quality and quantity specifications, which the seller agrees to supply on a future date. As Siddiqi (2008), declares that it is used for products that can be traded on secondary markets such as agriculture or mineral products.

Ijarah (leasing): this is an agreement made by an Islamic bank to purchase an asset and lease it to a customer for an agreed period of time against fixed rental charges. Kahf and Khan (2007), noticed that Ijarah wa iqtina, offers the lessee an option to own the asset at the end of the lease period.

Istisna'a is an agreement to sell a non-existent asset to a customer. As Geelani (2005), mentioned it is to be produced for future delivery at pre-determined prices and quality specifications. These contracts are used for financing manufacturing and construction.

Takaful is a Sharia'a compliant system of insurance in which the participants donate part of their contribution to pay claims for damages suffered by some of the participants. Chapra and Khan (2012), Hassan (2009) and Kettel (2011) have recognized that the bank's role is restricted to managing the insurance operations and investing the insurance contributions.

Mudarabah as a tool is the mainbase of Islamic Banking based on the profit-loss sharing principle. Iqbal and Mirakhor (2011) and Ikha and Abdullah (2011) mentioned that in their papers.

Musharka means to an equity participation contract because the bank is not the sole provider of funds. Consequently, as affirmed by Geelani (2005) two or more partners contribute to the joint capital of an investment, hence profits and

losses are shared strictly in accordance to the respective capital contributions written within the terms of the contract. Chong and Liu (2009) have investigated on Islamic banks in Malaysia and claimed that Islamic banking practised today, deviates largely from the theoretical Profits and Losses Sharing (PLS).

In recent years corporate governance becomes the most important topic to the local and international level. It has now an important role in the economic and development success, especially with advent of globalization. The corporate governance system needs a good level of disclosure, and information sufficient to eliminate the disparity of information between all parties, in order to achieve a balance between the powers of the stakeholders in the company, which makes corporate insiders (i.e. management) accountable for their actions (Shah, et al., 2009).

As an important sector of the economy cannot be allowed to collapse. Moloi (2016 a+b) argued that risk management was crucial, and more-so this process was even more important for governments in those industries that are important for the country's economy.

Bank for International Settlements (2015) mentioned that the Basel Committee's guidance draws from principles of corporate governance published by the Organisation for Economic Co-operation and Development (OECD). The OECD's widely accepted and long-established principles aim to assist governments in their efforts to evaluate and improve their frameworks for corporate governance and to provide guidance for participants and regulators of financial markets.

Risk management concept in commercial banks is a relatively recent concept. It emerged with the increased risks to the banks according to the nature of their work. Therefore, it is necessary to establish procedures and policies have needed to identify those risks, evaluate, and respond to them in order to minimize their effects (Hadad, 2016).

Mattar and Nour (2007), have mentioned that in developed countries the companies' attention, and legislature were bigger and faster than developing countries. They release of a number of laws, regulations, and rules in developed countries such as the Sarbanes- Oxley Act (2002).

The Central Bank of Jordan has issued a guidance for institutional control to the members of the boards of the banks managements in 2004. The aim of creating a banking system that works efficiently and competitive. It is committed to international standards of financial risk, institutional control in line with the laws and regulations in force, and capable of meeting the credit needs of the local economy. Thereby contributing to promoting economic development in the Kingdom (Hadad, 2016).

3.1 Definition of the Corporate Governance

Bank for International Settlements (2015) has defined it as a set of relationships between a company's management, its board, its shareholders and other stakeholders which provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance. It helps define the way authority and responsibility are allocated and how corporate decisions are made.

The Central Bank of Jordan in 2007, has defined the corporate governance as a set of relationships between the company's management and board of directors, shareholders, and other stakeholders. With an interest in the company, as it between the composition of that show in which the company's objectives and the means of achieving those goals, and monitor their achievement. It is offering the board of directors, and the company's management the right incentives to reach the goals that are in the interest of the Company, and facilitate the creation of an effective monitoring process, and helps companies to exploit their own resources efficiently. (Corporate Governance for banks guide in Jordan No. 76 of 2007).

On the other hand, Al-Ghazzawi (2010) has defined corporate governance as "the means to ensure that the community should be concerned with the company's management to the interests of the parties concerned". (Al-Ghazzawi, 2010). While Yousif (2007) mentioned that the Organization for Economic Cooperation and Development (OECD) has defined it as a set of relationships among those in charge of the company's management and board of directors, and shareholders, and others who are involved in the company.

Through previous definitions, the researcher concluded the following characteristics Corporate Governance:

1. It confirms the adequacy of the controls to avoid risks.
2. It checks in the contractual relations between the management, and other parties.
3. It examines the system through management, control of its business and its strategy.
4. It is a set of interconnected relation-ships between the company's management, board of directors, and shareholders. Also has a feature control of the governing council on the work of the executive departments.

5. It controls the company's management performance and board of directors.

The framework of corporate governance to Islamic banks

Najem (2013) says that seven links between the institutional and governance which are essential components:

- 1st Management risk and performance. 2nd Transparency. 3rd Monitoring.
 4th Independence. 5th Ethical behavior. 6th Financial reporting. 7th Law and Justice.

The role of the Central Bank in the application of corporate governance to Banks (Commercial and Islamic) The status of the regulatory rules only in commercial and Islamic banks does not guarantee the success of the Corporate Governance unless the regulatory rules have applied properly and effectively. Therefore, the success of corporate governance in Islamic banks is largely dependent on the central bank as well as Sharia'a-compliant, its supervisory role, effective oversight on the one hand, and on the banks concerned on the other hand. Thus, the central bank has an important role in promoting corporate governance at Islamic banks.

It gives the Board of Directors all practices of corporate governance sound and their applications. In accordance with the legislation that the bank's business control and the instructions of the Central Bank of Jordan. In addition to the application of the requirements of the regulatory authorities and instructions in the other State in which it operates (Corporate Governance for banks in Jordan guide No. 76 of 2007). The guide mentioned relevant committees at Islamic banks, namely:

1. Corporate Governance Committee of Islamic banks.
2. The Committee Audit.
3. Financial and management risk Committee.

3.2 Financial Risk Center

Financial risk is an essential part of institutional control, which can be defined "as a system through which guide the activities of the organization, and control of the highest level in order to achieve their goals, and meet the necessary standards of responsibility, integrity, and transparency." (Radwan 2012). The corporate governance of banks in Jordan guide No. 76 of 2007, the financial risks in banks' tasks and responsibilities are clearly. The researcher is studying the financial risk through a structural study of the financial risk and financial risk strategy, according to the following:

- a. The framework of financial risk.
- b. Financial risk strategy.

Therefore, the Board of Directors at each bank act by a decision of the corporate governance in Jordan No. 76 of 2007. The formation of committees emanating from the Council and its members, non-executive directors. These are a committee governance, the Committee Audit, and Financial and management risk Committee. These committees are represented through a mechanism which corporate governance applying its policies, and procedures. Regarding the financial risk in the bank through a frameworkd financial risk review, and a review of the financial risk strategy, the researchers presented the role of each of the committees on these tasks.

4. Study Instrument

The researcher has used Statistical Package of Social Sciences (SPSS) to achieve the objective of the study.

4.1 Test of Questionnaire

After finished the initial design of the questionnaire, the researcher has presented to a group of professors in scientific methodology to apprise it.

It was used a comprehensive exclusive to sample study. It includes the members of the committees of governance, the members of Committee Audits, and members of the committees of risk. The questionnaire distributed to total of (115) members. The 85 questionnaire have returned in a ratio of 73.9%. It was excluded ten questionnaires not complete. Thus, 75 questionnaires have subjected to analysis at 88.2% of the questionnaires recovered as in Table 1.

Table 1. Valid, collected, and distributed questionnaires

Distributed	Collected	Respond rate	Valid Questionnaires	Percentage of valid Questionnaires
115	85	73.9%	75	88.2%

The characteristics of the study sample is shown in Table 2 as below.

Table 2

It shows the characteristics of the study sample.

DESCRIPTION	NUMBER	CHARACTERIZE	
Gender	72	Male	96.0%
	3	Female	4.0%
Degree	2	PhD	2.7%
	18	Master	24.0 %
	55	University degree	73.3%
Experience	4	5 less than10 years	5.3%
	7	10 less than 15 years	9.4%
	64	15 year and more	85.3%
Specialization	Finance & Banking	16	21.3%
	Accounting	22	29.3%
	Business Administration	11	14.7%
	Others	26	34.7%

The researcher designs a questionnaire as required by the variables of the study. It covered hypotheses that have based on them, and the use of evaluative statements to mark the importance of the sample answers. The study included a tool finalized following sections:

The questionnaire includes three groups of questions according to the following:

1. The role of the Committee on Governance in the development of the financial risk through:
 - Structural financial risk review and review of the financial risk strategy (questions 1-32).
2. The role of the Committee Audit in the development of the financial risk through:
 - Structural financial risk review and review of the financial risk strategy (questions 33-64).
3. Role of the financial risk Committee in the development of the Financial risk through:
 - Structural financial risk review and review of the financial risk strategy (questions 65-101).

4.2 Instrument Scale

The researcher has used five points Likert scale.

A scale has used three levels, namely, as follows:

A - Low.

B - Medium. And

C - High.

4.3 Statistical Techniques

The researcher from the process of collecting data on variables model study entered the data for Computer-program for extracting statistical results needed. It was drawing on some statistical methods available in software packages Statistical Social Sciences (SPSS), the researcher used statistical methods the following:

- 1- Cronbach coefficient.
- 2- Frequencies.
- 3- Test (VIF) Variance Inflation Factors.
- 4- Mean.
- 5- Standard deviation.
- 6- T Test.

4.4 Results of Reliability

The percentage of stability of the instrument overall was ((81.8%), which is very high in order to approve study results, the mean percentage that the internal consistency of the vertebrae high, since the acceptable percent to generalize Humanities and Social Research results are (60%) or more, and as shown in Table 3 as below:

Table 3. Results reliability test

Variables	Number of items	Cronbach's alpha (Reliability coefficient)	The proportion of stability
The role of Financial risk review and the role of the Committee on Governance for Review of the Financial risk strategy. the Committee on Governance for Structural	32	0.804	80.4%
The role of the Committee Audit for Structural Financial risk review and the role of Committee Aduit for Review of the Financial risk strategy	32	0.829	82.9%
The role of the Financial risk Committee for Structural Financial risk review and the role of Financial risk Committee for Review of the Financial risk strategy	37	0.832	83.2%
The tool as a whole	101	0.818	81.8%

The strength test - Variance amplification factors (VIF):

The results are shown in Table 4:

Table 4. VIF's results

Dependent Variables	VIF	Tolerance	Critical value
The role of Financial risk review and the role of the Committee on Governance for Review of the Financial risk strategy. the Committee on Governance for Structural	1.136	0.881	5
The role of the Committee Audit for Structural Financial risk review and the role of Committee Aduit for Review of the Financial risk strategy	1.237	0.808	5
The role of the Financial risk Committee for Structural Financial risk review and the role of Financial risk Committee for Review of the Financial risk strategy	1.301	0.769	5

4.5 Test Hypothesis and Discussion the Results

Table 5 shows the averages, and standard deviations results of the sample study.

The results indicated in Table 5 below that all the averages calculated for the role emanating from the Board of Directors committees is the biggest test of the standard (3) out of (5) degrees. These results indicate that the level of assessment of the study sample in Islamic banks in Jordan to the role of the sub- committee of the Board of Directors in the financial risk was positive, and to varying degrees between medium and high from the viewpoint of the study sample.

Table 5. Mean & standard division for committees emanating from board of directors

No.	The role of Committees emanating from the Board of Directors	Mean	SD
1	The role of the Committee on Governance for Structural Financial risk review and the role of the Committee on Governance for Review of the Financial risk strategy.	3.55	0.44
2	The role of the Committee Aduit for Structural Financial risk review and the role of Committee Aduit for Review of the Financial risk strategy	3.98	0.32
3	The role of the Financial risk Committee for Structural Financial risk review and the role of Financial risk Committee for Review of the Financial risk strategy	3.89	0.26
Total	The main role of Committees emanating from the Board of Directors	3.86	0.16

4.6 Test Hypothesis

It has seen from the results in Table 6 below that all the values of (Z) calculated for variables study is less than the value of (Z) from table amounting to (1.96). Therefore, all values of the significance level is greater than the level of significance ($\alpha=0.05$). This indicates that the data follow a normal distribution, making it ready for statistical analytical tests.

Table 6. Normal distribution test (1-Sample Kolmogorov-Smirnov)

No.	The role of Committees emanating from the Board of Directors	No of Questions	Z Score	Significance Level
1	The role of the Committee on Governance for Structural Financial risk review and the role of the Committee on Governance for Review of the Financial risk strategy	32	0.768	0.395
2	The role of the Committee Aduit for Structural Financial risk review and the role of Committee Aduit for Review of the Financial risk strategy	32	0.578	0.776
3	The role of the Financial risk Committee for Structural Financial risk review and the role of Financial risk Committee for Review of the Financial risk strategy	37	0.667	0.561
All Questions as a whole		101	0.567	0.605

To test the hypotheses the researcher used t- test at the level of (0.05). Then:

Reject the hypothesis at null if (t) is greater than the calculated value and equal (2), or if the level of significance ($\alpha \leq 0.05$). In addition, accept the hypothesis of nihilism if the value of (t) is smaller than the calculated value and equal to (2) or if the level of significance ($\alpha > 0.05$). According to that, the results of hypothesis are as follows:

Test of First sub-hypothesis (H_{01}): The governance committee has not acted according to the corporate governance in reviewing the framework of financial risk and in reviewing financial risk strategy to Islamic banks in Jordan in the level of significance ($\alpha \leq 0.05$).

To test this hypothesis, the researcher using t-test for each sample, and the results shown in the table 7 which shows the views of the study sample in the role of the corporate governance committee emanating from the Board of Directors pursuant to the Corporate Governance in the structural reviewing of financial risk and in reviewing financial risk to Islamic banks in Jordan.

Generally found to be the mean of all the questions of the role of the corporate governance committee emanating from the Board of Directors pursuant to the Corporate Governance in the structural reviewing of financial risk to Islamic banks in Jordan equal to 3.55. The value of t-calculated equals to 9.078, which is greater than the value t scheduled which is equal to (2). The level of significance equals to (0.000) which is less than ($\alpha \leq 0.05$).

In order to test the hypotheses of the study the answers of study sample have subjected to (t) test at the level of (0.05) and pursuant to the following decision rule for this test:

Reject the hypothesis of nihilism if (t) is greater than the calculated value and equal (2), or if the level of significance ($\alpha \leq 0.05$). In addition, accept the hypothesis of nihilism if the value of (t) is smaller than the calculated value and equal to (2) or if the level of significance ($\alpha > 0.05$). According to that, the results of hypothesis are as follows:

Table 7 Test results (One sample t- test) for the role of governance committee emanating from the Board of Directors pursuant to the Corporate Governance in the structural reviewing of financial risk and in reviewing financial risk to Islamic banks in Jordan.

Table 7. Test results (One sample t- test)

Mean	SD	T-test	Significance Level	Results
3.55	0.44	9.078	0.0000	Reject

While Table 7A shows the results in details of the first sub-hypothesis test. Then rejects the null hypothesis H_{01} .

The mean for all items was greater than (3), and the standard deviation was less than (1) for most items. Therefore, accept alternative hypothesis, namely that "the Corporate governance Committee emanating and the audit committee from the board of Directors pursuant to the corporate governance in the structural reviewing of financial risk and in reviewing financial risk included to Islamic banks at the level of significance ($\alpha \leq 0.05$)".

Table 7A. Items related to first sub-hypothesis

No	Items	Mean	SD	Rank	Significance Level
1	There is no follow-up committees on the implementation of the principle ensuring the existence of a basis for an effective framework for corporate governance in the Islamic bank.	3.86	0.88	2	H
2	There is a need to seek senior management to work to achieve the bank's vision and mission.	3.74	0.95	5	H
3	The committees audit work in isolation from interference in its administration.	3.71	0.94	7	H
4	The Governance Committee reviews the structure and follow-up of the management structure of Islamic banks	3.77	0.87	4	H
5	Is the division of responsibilities between the executive and supervisory regulatory fairly and according to the needs?	3.66	1.06	8	M
6	The Governance Committee contributes to the legal structure within the legal framework for risk management in Islamic banks	3.47	0.93	12	M
7	The Corporate Governance Committee contributes to the development of appropriate risk management structure for Islamic banks	3.73	0.88	6	H
8	Islamic bank is educating workers of the importance of the principles of corporate governance.	3.97	1.30	1	H
9	There regulatory system in an efficient and effective Islamic banks.	3.65	0.97	9	H
10	Promotes an effective framework for the governance system of internal control	3.47	0.95	32	M
11	The Corporate Governance Committee monitors the work of financial risk members in compliance with the internal and legislative laws of Islamic banks	3.58	1.03	10	M
12	The Corporate Governance Committee ensures the separation of functional powers between the board of directors and financial risk and delegation authority to the competent committees of Islamic banks	3.78	1.03	3	H
13	The Corporate Governance Committee recognizes the importance of diversity expertise for financial risk personnel and the growing awareness of the governance in Islamic banks	3.44	0.95	28	M
14	The Corporate Governance Committee monitors developments and developments in financial risk in commercial banks	3.43	0.99	25	M
15	The Corporate Governance Committee participates in the approval of functional terms of reference, duties and responsibilities, and special financial risk relationships in Islamic banks	3.53	1.05	11	M
16	The Governance Committee has a supervisory role over any amendment financial risk structure of Islamic banks	4.04	1.02	16	H
17	The Corporate Governance Committee identifies financial risk functions and reviews these functions in Islamic banks	3.99	0.83	30	H
18	The Corporate Governance Committee monitors the implementation alternative strategies to address potential risks in Islamic banks	3.70	1.03	22	H
19	The Corporate Governance Committee reviews financial risk policies periodically in Islamic banks	4.13	0.86	27	H
20	The Corporate Governance Committee supervises and monitors the work financial risk departments and functions so that they are able to take responsibility for their completion	3.69	0.87	21	H
21	The Corporate Governance Committee is developing a clear strategic vision financial risk in terms of category of Islamic banks	4.13	0.75	18	H
22	The Corporate Governance Committee is developing a clear strategic vision financial risk in terms of products and services in Islamic banks	3.99	0.64	17	H

23	The Corporate Governance Committee is developing a clear strategic vision financial risk in terms of expansion and expansion in Islamic banks	4.12	0.93	26	H
24	The Corporate Governance Committee contributes to the development of strategic financial risk plan to be determined annually in Islamic banks	3.66	0.90	31	M
25	The Corporate Governance Committee makes sure that there is a synergy between the strategic vision and the strategic plan that are linked to the external environment in Islamic banks	3.94	0.80	29	H
26	The Corporate Governance Committee seeks to ensure that the strategic vision and strategic plan are clear to all financial risk members of Islamic banks	4.06	0.68	24	H
27	The Corporate Governance Committee participates in the strategy's adoption financial risk in Islamic banks	3.95	0.80	23	H
28	The Corporate Governance Committee has a supervisory and supervisory role identifying and measuring risks and developing alternative strategies to address them in Islamic banks	3.87	0.85	13	H
29	The Corporate Governance Committee analyzes the strategic risks of market products and competitors in Islamic banks	3.84	0.81	14	H
30	The Corporate Governance Committee reports periodically to the Board alternative strategies for financial risk in banks	3.84	0.99	15	H
31	The Corporate Governance Committee periodically reviews strategic risks as one of its key functions in Islamic banks	3.61	0.78	19	H
32	The Risk Committee uses external consultants with financial risk expertise some of its functions	4.08	0.84	20	H
General mean and standard deviation		3.55	0.44	-	H

Test of Second sub-hypothesis (H₀₂): The Committee Audit **has not acted according to** the corporate governance in reviewing the framework of financial risk and in reviewing financial risk strategy to Islamic banks in Jordan in the level of significance ($\alpha \leq 0.05$).

To test this hypothesis, the researcher using t-test for each sample, and the results shown in the Table 8, which shows the views of the study sample in the role of the financial risk committee emanating from the Board of Directors pursuant to the corporate governance in the structural reviewing of financial risk and in reviewing financial risk strategy to Islamic banks in Jordan.

Generally found to be the mean of all the questions of the role of the financial risk committee emanating from the Board of Directors pursuant to the Corporate Governance in the structural reviewing of financial risk and in reviewing financial risk strategy to Islamic banks in Jordan equal to 3.98. The value of t calculated equals to 20.526, which is greater than the value t-scheduled which is equal to (2). The level of significance equals to (0.000) which is less than ($\alpha \leq 0.05$).

Table 8 Test results (One sample t- test) for the role of financial risk committee emanating from the Board of Directors pursuant to the Corporate Governance in the structural reviewing of financial risk and in reviewing financial risk strategy to Islamic banks in Jordan.

Table 8. Test results (One sample t- test)

Mean	SD	T-test	Significance Level	Results
3.98	0.32	20.562	0.0000	Reject

While Table 8A shows the results in details of the second sub-hypothesis test. Then rejects the null hypothesis H₀₂. The mean for all items was greater than (3), and the standard deviation was less than (1) for most items. Therefore, accept alternative hypothesis, namely that "the financial risk committee emanating from the board of Directors pursuant to the corporate governance in the structural reviewing of financial risk and in reviewing financial risk strategy included to Islamic banks at the level of significance ($\alpha \leq 0.05$)".

Table 8A. Items related to second sub-hypothesis

No	Items	Mean	SD	Rank	SL
33	The Committee Audit follows up the adequacy of internal and external audit of financial risk in Islamic banks	4.50	0.63	2	H
34	The Committee Audit follows up accounting issues that have a material impact on the financial statements of financial risk in Islamic banks	4.43	0.86	5	H
35	The Committee Audit follows up internal control and control systems in financial risk in Islamic banks	4.50	0.97	2	H
36	The Committee Audit can suggest topics for inclusion in the agenda of the Board of Directors.	4.77	0.43	1	H
37	The Committee Audit has the power to obtain any information and has the right to call any executive officer or board member to attend the meeting in Islamic banks	4.30	0.79	12	H
38	The Committee Audit develops risk-based business models and practices using consultants within an integrated management framework in the financial risk structure of Islamic banks	4.50	0.82	2	H
39	The Committee Audit adjusts the risks to financial risk in Islamic banks	4.27	0.69	14	H
40	The Committee Audit takes the necessary measures to manage risks when exposed to certain risks in order to achieve sound banking performance	4.33	0.92	11	H
41	The Committee Audit provides the Board of Directors with periodic reports on the irregularities that may be faced by the financial risk of Islamic banks	4.20	0.71	15	H
42	Can allow the Committee Audit access to some information, whether financial or non-financial.	4.36	0.81	7	H
43	The Committee Audit takes the necessary steps to ensure that banks do not violate regulations, laws in force in the State, and their suitability to the principles of corporate governance for financial risk	4.43	0.89	5	H
44	The Committee Audit shall examine the accounting policies adopted by the banks prior to their adoption and any change in these policies and submit the proposals that the Committee deems to lead to the activation of the principles of governance for financial risk	4.37	0.81	7	H
45	The Committee Audit makes the necessary recommendations for financial risk in Islamic banks in order to activate the principles of corporate governance	3.93	0.78	19	H
46	The Committee Audit identifies, evaluates and manages potential events for financial risk and control in Islamic banks	4.37	0.67	7	H
47	The Committee Audit makes appropriate recommendations for improving and developing operations in Islamic banks	4.37	0.67	7	H
48	The Committee Audit shall report on the completed and detailed tasks as required by the Board of Directors of Islamic banks	4.3	0.84	12	H
49	The Committee Audit promotes communication between financial risk , internal and external audit of Islamic banks	4.27	0.74	14	H
50	The Committee Audit monitors financial risk and monitors compliance with applicable laws, instructions, policies and regulations in Islamic banks	4.0	0.84	18	H
51	The Committee Audit reviews compliance with laws, regulations, and compliance with the Bank's policies and internal regulations in Islamic banks	4.07	0.83	17	H
52	The Committee Audit assists management in designing financial risk strategy based on the different types of risks in Islamic banks	4.63	0.49	2	H
53	The Committee Audit fully supervises the financial risk strategies in Islamic banks	4.17	0.46	10	H
54	The Committee Audit contributes to assessing the adequacy of risk control, including external risks in Islamic banks	4.27	0.58	4	H
55	The Committee Audit contributes to the understanding of risks to invest opportunities, and to reduce uncertainty in Islamic banks	4.17	0.46	10	H
56	The Committee Audit assists financial risk in developing effective risk	4.37	0.61	2	H

	policies within its current and alternative strategies in Islamic banks				
57	The Committee Aduit oversees the follow-up of the provisions and their implementation and the strict standards for the performance of financial risk to achieve their strategies in Islamic banks	4.27	0.58	4	H
58	The Committee Aduit provides reasonable assurance to the Board of Directors on the degree to which financial risk strategies are implemented in Islamic banks	4.27	0.74	4	H
59	The Committee Aduit contributes to risk identification, technology innovation, and ways of controlling these risks within alternative strategies in Islamic banks	4.37	0.56	2	H
60	The Committee Aduit evaluates the results and compares them with the objectives set for financial risk in Islamic banks	4.13	0.68	12	H
61	The Committee Aduit advises on the preparation of a sound financial risk system for Islamic banks	4.23	0.57	7	H
62	The Committee Audit oversees financial risk strategies that can be exposed to risk management in Islamic banks	4.20	0.66	9	H
63	The Committee Aduit provides the Board with periodic reports on financial risk in relation to its current and alternative strategies in Islamic banks	4.23	0.73	7	H
64	The financial risk committee uses external consultants with financial risk expertise in some of its functions	4.03	0.67	13	H
General mean and standard deviation		3.98	0.32	-	H

Test of Third sub-hypothesis (H₀₃): The financial risk committee **has not acted according to** the corporate governance in reviewing the framework of financial risk and in reviewing financial risk strategy to Islamic banks in Jordan.

To test this hypothesis, the researcher using t-test for each sample, and the results shown in the Table 9, which shows the views of the study sample in the role of the financial risk committee emanating from the Board of Directors pursuant to the Corporate Governance in the structural reviewing of financial risk and in reviewing financial risk strategy to Islamic banks in Jordan.

Generally found to be the mean of all the questions of the role of the financial risk committee emanating from the Board of Directors pursuant to the Corporate Governance in the structural reviewing of financial risk and in reviewing financial risk strategy to Islamic banks in Jordan equal to 3.89. The value of t calculated equals to 20.526, which is greater than the value t scheduled which is equal to (2). The level of significance equals to (0.000) which is less than ($\alpha \geq 0.05$).

Table 9 Test results (One sample t- test) for the role of financial risk committee emanating from the Board of Directors pursuant to the corporate governance in the structural reviewing of financial risk and in reviewing financial risk strategy to Islamic banks in Jordan.

Table 9

Mean	SD	T-test	Significance Level	Results
3.89	0.26	20.562	0.0000	Reject

While table 9A shows the results in details of the third sub-hypothesis test. Then rejects the null hypothesis H₀₃. The mean for all items was greater than (3), and the standard deviation was less than (1) for most items. Therefore, accept alternative hypothesis, namely that "the financial risk committee emanating from the board of Directors pursuant to the corporate governance in the structural reviewing of financial risk and in reviewing financial risk strategy included to Islamic banks at the level of significance ($\alpha \leq 0.05$)".

Table 9A. Items related to third sub-hypothesis

No	Item	Mean	SD	Rank	SL
65	The Financial Risk Committee proposes the financial risk structure and develops it in Islamic banks	4.53	0.51	1	H
66	The Financial Risk Committee reviews the financial risk structure and then approves it from the Board in Islamic banks	4.43	0.50	3	H
67	The Financial Risk Committee oversees the formation of financial risk members in Islamic banks	4.35	0.49	4	H
68	The Financial Risk Committee proposes a methodology to keep pace with the increasing developments in financial risk in Islamic banks	4.50	0.51	2	H
69	The Financial Risk Committee reviews the organizational structure of financial risk and makes recommendations before it is approved by the Board of Directors in Islamic banks	4.14	0.70	9	H
70	The Financial Risk Committee oversees the development of the financial risk structure through the presence of a qualified staff working independently with a clear financial risk system in Islamic banks	4.32	0.48	5	H
71	The Financial Risk Committee is a link between the Board of Directors and financial risk at each stage of the preparation, implementation and development of financial risk structure in Islamic banks	3.75	0.59	17	H
72	The Financial Risk Committee contributes to the integrity of the financial risk function and its relevance to each function within the financial risk structure of Islamic banks	4.32	0.55	5	H
73	The Financial Risk Committee reviews the performance of the executive management in financial risk in Islamic banks	4.14	0.45	9	H
74	The Financial Risk Committee oversees and monitors all financial risk processes in Islamic banks	4.00	0.67	14	H
75	The Financial Risk Committee assists the Board of Directors in accomplishing its financial risk functions in Islamic banks	4.14	0.36	9	H
76	The Financial Risk Committee seeks to understand, identify, measure and limit key risks as part of financial risk strategies in Islamic banks	4.07	0.60	13	H
77	The Financial Risk Committee oversees the effectiveness and independence of financial risk functions within the financial risk structure of Islamic banks	3.96	0.74	15	H
78	The Financial Risk Committee reports periodically to the Board of Directors on developments in financial risk in Islamic banks	4.14	0.59	9	H
79	The Financial Risk Committee conducts an annual assessment of the financial risk structure of Islamic banks	3.96	0.74	15	H
80	The Financial Risk Committee reviews the financial risk policies and instructions regularly and proposes the necessary amendments to the Board of Directors for approval in Islamic banks	4.32	0.47	5	H
81	The Financial Risk Committee seeks to ensure that qualified human resources are available and able to complete financial risk of banking operations within high standards and consistent with the financial risk structure	4.21	0.73	8	H
82	The Financial Risk Committee contributes to the development of clear policies, objectives, strategies and business processes for financial risk in Islamic banks	4.82	0.48	1	H
83	The Financial Risk Committee contributes to the determination of the upper limit exposure policies that financial risk should comply with, and the related banking standards of Islamic banks	4.28	0.60	4	H
84	The Financial Risk Committee contributes to the development of a comprehensive risk control system in Islamic banks as one of the objectives of financial risk strategies	4.00	0.94	10	H
85	The Financial Risk Committee advises the Board of Directors on any developments in financial risk in Islamic banks that may affect the financial risk strategy	4.07	0.86	8	H

86	The Financial Risk Committee contributes to clarifying the operational procedures of financial risk strategies so that they are understood and clear to all those responsible, and those responsible for financial risk in Islamic banks	4.14	0.76	7	H
87	The Financial Risk Committee seeks to verify the extent to which financial risk is committed to its policies and strategies in Islamic banks	3.71	0.81	18	H
88	The Financial Risk Committee assists financial risk in Islamic banks to achieve successful results and objectives	4.18	0.55	6	H
89	The Financial Risk Committee regularly reviews financial risk procedures and policies for consistency with banking developments and submits them to the Board for approval with regard to financial risk strategies in Islamic banks	3.78	0.69	16	H
90	The Financial Risk Committee reviews the various risk policies and procedures before they are approved by the Board of Directors and ensures that they are implemented in Islamic banks	3.78	0.63	16	H
91	The Financial Risk Committee considers certain risk limits, periodic risk for financial reports and submits recommendations to the Board of Directors in Islamic banks	4.36	0.62	2	H
92	The Financial Risk Committee monitors the extent to which financial risk complies with the criteria set by the Basel Committee on credit risk, market risk, operational risk and its impact on financial risk strategies in banks	4.32	0.67	3	H
93	The Financial Risk Committees undertake a thorough examination of the risks, identify potential risks related to the new banking services and analyze them before they are activated and approved by the Board of Directors	3.96	0.77	13	H
94	The Financial Risk Committee sets out the overall objectives, policies and procedures of the Risk Department in Islamic banks	3.86	0.71	19	H
95	The Financial Risk Committee examines any changes in financial risk that require changing their strategies in Islamic banks	3.54	0.79	20	H
96	The Financial Risk Committee examines alternatives to financial risk strategies in Islamic banks	3.89	0.57	22	H
97	The Financial Risk Committee advises the Board of Directors on any changes that should be made to financial risk strategies in Islamic banks	3.96	0.63	21	H
98	The Financial Risk Committee monitors the implementation of financial risk strategies in Islamic banks	4.21	0.57	5	S
99	The Financial Risk Committee oversees and controls the implementation of financial risk strategies in Islamic banks	4.00	0.86	10	H
100	The Financial Risk Committee provides the Board with periodic reports on financial risk in Islamic banks	4.07	0.72	8	H
101	The Financial Risk Committee uses external consultants with financial risk expertise in some of its functions	3.36	0.99	23	M
General mean and standard deviation		3.89	0.26	-	H

4.7 Testing of the Main Hypothesis

To test the main hypothesis, which is, "**the committees of the board of directors have not acted according to the corporate governance to develop financial risk at Islamic banks in Jordan**" in the level of significance ($\alpha \leq 0.05$).

To test this hypothesis, the researcher use t-test for each sample, and the results shown in the Table 10, which shows the views of the study sample in the role of the committees emanating from the Board of Directors have not acted according to the Corporate Governance to develop financial risk in Islamic banks in Jordan.

Table 10 Test results (One sample t-test) for the role of the committees emanating from the Board of Directors pursuant to the Corporate Governance to develop financial risk to Islamic banks in Jordan.

Table 10

Mean	SD	T-test	Significance Level	Results
3.86	0.16	30.610	0.0000	Reject

Generally found to be the mean of all the questions of the role of the committees emanating from the Board of Directors pursuant to the Corporate Governance to develop financial risk to Islamic banks in Jordan equal to 3.86. The value of t calculated equal to 30.610, which is greater than the value t scheduled which is equals to (2). The level of significance equals to (0.000) which is less than ($\alpha \leq 0.05$). Therefore, rejected the hypothesis of nihilism, and accept alternative hypothesis, namely that **"the committees emanating from the board of Directors have acting according to the corporate governance to develop financial risk included to Islamic banks at the level of significance ($\alpha \leq 0.05$)"**.

Generally found to be the mean of all the questions of the role of the committees emanating from the Board of Directors pursuant to the Corporate Governance to develop financial risk to Islamic banks in Jordan equal to 3.86. The value of t calculated equal to 30.610, which is greater than the value t scheduled which is equals to (2). The level of significance equals to (0.000) which is less than ($\alpha \leq 0.05$). Therefore, rejected the hypothesis of nihilism, and accept alternative hypothesis, namely that **"the committees emanating from the board of Directors have acting according to the corporate governance to develop financial risk included to Islamic banks at the level of significance ($\alpha \leq 0.05$)"**.

The Conclusions and Recommendations:

The purpose of this study is to test and examine the role the board of directors according to corporate governance committees to the financial risk, at Islamic banks in Jordan.

The research reached the following conclusions:

1. The results analysis indicated that the committees emanating from board of directors, pursuant to the corporate governance based on both the structural financial risk review and reviewing financial risk strategy included at Islamic banks in Jordan are moderately.
2. The results of the study showed that more role to issuing from the board of directors pursuant to the corporate governance committees to develop financial risk in Islamic banks in Jordan, the Committee Audit, followed by the financial risk committee, and finally the corporate governance committee.
3. The financial experiment may not depend exclusively to some members.

As the results that have reached by the analysis for this research, it can propose the recommendations:

1. All Islamic banks in Jordan have attention to constitute committees emanating from the board of directors pursuant to the corporate governance committees. In addition, acting to develop of financial risk in Islamic banks in Jordan. Islamic banks should give more attention to the role of committees, which earned lowest ratios to develop financial risk in banks, specially, corporate governance committee in reviewing financial risk policies periodically in Islamic banks. Also, ensure corporate governance committee of the separation of functions and powers between the board of directors, financial risk, and delegation of the authorities to the committees at Islamic banks.
2. The members of the board should exercise their "duty of care" and "duty of loyalty" to the bank under applicable national laws and supervisory standards. It should be the Islamic banks to have big role depended on statisticians (statisticals analysis) to see how far t-test performed for each sample, how is heterogeneity controlled in the sample and Simpson's paradox.
3. The findings of this research are a valuable source for policymakers and regulators. In particular in the financial services sector for devising strategies to deal with future financial crisis.
4. This research contributes to the comparative banking literature on corporate governance. Additionally, future research could carry on to extend the role of the Shari'ah supervisory board.

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