

The Effect of Corporate Governance and Financial Performance on Innovation In Jordanian Public Shareholding Industrial Companies

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Abstract

This study aimed to determine the impact of corporate governance and financial performance on innovation that is represented by research and development costs, patent, trademark and copyright.

The sample of the study has been collected from 33 Jordanian public shareholding industrial companies from Amman Stock. To achieve the aims of the study, the researcher has used the applied method, and has relied on the multiple linear regression to test study hypothesis. The study covered the annual financial reports for the period 2017-2019.

The study concluded that the independence of board of directors and its size have an impact on innovation, that is represented by research and development costs, patent and trademark. It also shows that there is no impact of the size of board of directors on innovation, that is represented by trademark. In addition to that, the study results showed that busy directors have an impact innovation, that is represented by patent and trade mark, but they don't have an impact on innovation, that is represented by research and development costs. Furthermore, financial performance, measured by return on assets, return on ownership assets and Tobin's Q Ratio, also impacts innovation, that is represented by research and development costs, patent and trademark.

Based on the results, the study recommends that industrial companies encourage their employees to present innovative ideas. It also recommends supervisory authorities to monitor the compliance of industrial companies with corporate governance rules.

Keywords: Financial Performance, innovation , board size.