Faculty of Economics and Business

The Impact of Corporate Governance on Banking Financial Performance: A Comparative Analysis of the United Arab Emirates (UAE) and the Middle East and North Africa Region (MENA)

Amjed Ahmed Mohammed

Doctor of Philosophy
2024

The Impact of Corporate Governance on Banking Financial Performance: A Comparative Analysis of the United Arab Emirates (UAE) and the Middle East and North Africa Region (MENA)

Amjed Ahmed Mohammed

A thesis submitted

In fulfillment of the requirements for the degree of Doctor of Philosophy

(Finance & Accounting)

Faculty of Economics and Business
UNIVERSITI MALAYSIA SARAWAK
2024

DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Malaysia Sarawak. Except where due acknowledgements have been made, the work is that of the author alone. The thesis has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

……

Signature

Name: Amjed A. Mohammed

Matric No.: 16010100

Faculty of Economics and Business

Universiti Malaysia Sarawak

Date :

ABSTRACT

The examination of corporate governance emerges as a critical discourse in the backdrop of significant global economic crises, such as the OPEC oil price shock in 1973, the Asian crisis in 1997, and the World financial crisis in 2008. The Middle East and North Africa (MENA) region, particularly impacted by various economic challenges, including fluctuating oil prices and global financial crises, witnessed pivotal moments in 1998, 2008, and 2014, according to the World Bank and the Institute of International Finance. Despite these challenges, certain countries in the MENA region, notably the United Arab Emirates (UAE), have demonstrated resilience and sustained economic growth, attributed to effective policies in infrastructure, tourism, logistics, and trade. The UAE, in particular, stands out for its remarkable economic diversity and high growth rates, fostered by a stable political and economic environment. However, the MENA region, including the UAE, faces corporate governance disparities, as not all nations align with the four thematic areas proposed by the Organisation for Economic Cooperation and Development (OECD). While the corporate governance initiative for 2016-2020 aimed at improving transparency and disclosure, achieving gender balance in corporate leadership, and enhancing state-owned enterprises (SOEs), a critical need exists to assess its impact, especially on financial institutions in the UAE and other MENA countries. This study focuses on comparing the performance of banks in the UAE and the broader MENA region, exploring the relationship between corporate governance and bank performance. It seeks to ascertain whether UAE banks employ a more effective corporate governance mechanism than their counterparts in the MENA region and aims to comprehend corporate governance issues in the MENA region. Key areas of investigation include ownership patterns, accountability mechanisms, reporting methods, and the application of corporate governance principles. Employing various theories such as

agency theory, stewardship theory, resource dependency theory, and stakeholder theory, this study delves into corporate governance practices, emphasizing critical performance indicators like Tobin's Q (TBQ), Return on Equity (ROE), and Return on Total Assets (ROTA). This study employs a robust research methodology, including a Dynamic Panel Data Model (DPD) with Generalized Method of Moments and regression analysis, spanning both static and dynamic dimensions. The dynamic analysis reveals a significant positive impact of corporate governance on UAE banks' market capitalizations (TBQ), while static analysis in the MENA region indicates an insignificant impact on market capitalizations (TBQ) and leverage (lev). ROE in the MENA region exhibits a consistently positive and significant impact. In conclusion, this study suggests that UAE banks demonstrate a more effective corporate governance mechanism than those in the broader MENA region, contributing to the UAE's attractiveness for investments due to strong government laws and policies promoting economic growth and stability. UAE's openness to foreign investments and initiatives to attract skilled expertise further solidify its position as an investment hub in the MENA region.

Keywords: Corporate governance, bank performance, corporate governance mechanisms, Tobin’s Q, MENA and UAE banks

Kesan Tatakelola Korporat ke atas Prestasi Kewangan Perbankan: Analisis Perbandingan antara Emiriah Arab Bersatu (UAE) dan Kawasan Timur Tengah dan Afrika Utara (MENA)

ABSTRAK

Pemeriksaan tadbir urus korporat muncul sebagai perbincangan penting dalam konteks krisis ekonomi global yang signifikan, seperti kejutan harga minyak OPEC pada tahun 1973, krisis Asia pada tahun 1997, dan krisis kewangan dunia pada tahun 2008. Kawasan Timur Tengah dan Afrika Utara (MENA), terutamanya terjejas oleh pelbagai cabaran ekonomi, termasuk fluktuasi harga minyak dan krisis kewangan global, menyaksikan momen penting pada tahun 1998, 2008, dan 2014, menurut Bank Dunia dan Institut Kewangan Antarabangsa. Walaupun menghadapi cabaran ini, beberapa negara di rantau MENA, khususnya Emiriah Arab Bersatu (UAE), telah menunjukkan ketahanan dan pertumbuhan ekonomi berterusan, yang dikaitkan dengan dasar-dasar yang berkesan dalam infrastruktur, pelancongan, logistik, dan perdagangan. UAE, khususnya, menonjol dengan kepelbagaian ekonomi yang luar biasa dan kadar pertumbuhan tinggi, yang dipupuk oleh persekitaran politik dan ekonomi yang stabil. Namun, rantau MENA, termasuk UAE, menghadapi perbezaan tadbir urus korporat, kerana tidak semua negara sejajar dengan empat bidang tematik yang dicadangkan oleh Pertubuhan Kerjasama dan Pembangunan Ekonomi (OECD). Manakala inisiatif tadbir urus korporat untuk tahun 2016-2020 bertujuan untuk meningkatkan ketelusan dan pendedahan, mencapai imbangan gender dalam kepimpinan korporat, dan meningkatkan syarikat milik kerajaan (SOE), keperluan kritis wujud untuk menilai kesannya, terutama terhadap institusi kewangan di UAE dan negara MENA lain. Kajian ini memberi tumpuan kepada perbandingan prestasi bank di UAE dan rantau MENA secara keseluruhannya, mengeksplorasi hubungan antara tadbir urus korporat dan prestasi bank. Ia bertujuan untuk menentukan sama ada bank-bank UAE menggunakan mekanisme

tadbir urus korporat yang lebih berkesan daripada rakan-rakan sejawat mereka di rantau MENA dan bertujuan memahami isu tadbir urus korporat di rantau MENA. Bidang kajian utama termasuk corak kepemilikan, mekanisme tanggungjawab, kaedah pelaporan, dan aplikasi prinsip tadbir urus korporat. Dengan menggunakan pelbagai teori seperti teori agensi, teori penjagaan, teori ketergantungan sumber, dan teori pihak berkepentingan, kajian ini menyelidiki amalan tadbir urus korporat, menekankan penunjuk prestasi penting seperti Tobin's Q (TBQ), Pulangan Ekuiti (ROE), dan Pulangan Jumlah Aset (ROTA). Kajian ini menggunakan metodologi penyelidikan yang kukuh, termasuk Model Data Panel Dinamik (DPD) dengan Kaedah Amalan Umum dan analisis regresi, merangkumi dimensi statik dan dinamik. Analisis dinamik menunjukkan impak positif yang signifikan tadbir urus korporat ke atas kapitalisasi pasaran bank di UAE (TBQ), sementara analisis statik di rantau MENA menunjukkan impak tidak signifikan ke atas kapitalisasi pasaran (TBQ) dan leverage (lev). ROE di rantau MENA menunjukkan impak positif dan signifikan secara konsisten. Kesimpulannya, kajian ini mencadangkan bahawa bank-bank UAE menunjukkan mekanisme tadbir urus korporat yang lebih berkesan berbanding dengan rakan sejawat mereka di rantau MENA secara keseluruhan, menyumbang kepada daya tarikan UAE sebagai destinasi pelaburan disokong oleh undang-undang kerajaan yang kukuh dan dasar-dasar yang mempromosikan pertumbuhan ekonomi dan kestabilan. Keterbukaan UAE terhadap pelaburan asing dan inisiatif untuk menarik kepakaran mahir dan pelaburan langsung asing telah memperkuat kedudukannya sebagai pusat pelaburan utama di rantau MENA.

Kata kunci: *Tadbir Urus Korporat, prestasi bank, mekanisme tadbir urus korporat, Tobin's Q, MENA dan bank UAE*

TABLE OF CONTENTS

		Page
DECLARATION		**i**
ABSTRACT		**ii**
ABSTRAK		**iv**
TABLE OF CONTENTS		**vi**
LIST OF TABLES		**xi**
LIST OF FIGURES		**xii**
CHAPTER 1	**INTRODUCTION**	**1**
1.1	Introduction	1
1.2	Background of the Study	9
1.3	Problem Statement	14
1.4	Objectives of the Study	23
1.4.1	Research Questions	24
1.4.2	Significance of the Study	24
1.5	Organization of the Study	30
CHAPTER 2	**LITERATURE REVIEW**	**32**
2.1	Introduction	32
2.2	Corporate Governance Principles	33

2.3 Theoretical Studies 38

2.3.1 Agency Theory 38

2.3.2 Stewardship Theory 40

2.3.3 Resource Dependency Theory 42

2.3.4 Transaction Cost Economics Theory 43

2.3.5 Stakeholder Theory 44

2.3.6 Managerial Hegemony Theory 45

2.3.7 Comparison between Agency Theory and Stewardship Theory 46

2.3.8 The Impact of Corporate Governance Principles 50

2.4 Corporate Governance Index and Its Challenges 51

2.5 Corporate Governance in Gulf Cooperation Council (GCC) Countries 52

2.6 Corporate Governance in the UAE 58

2.7 Impact of Corporate Governance on Financial Performance in the UAE 60

2.8 Corporate Governance in MENA 61

2.9 Corporate Governance Mechanism 62

2.9.1 Board of Directors (BOD) 62

2.9.2 Ownership Structure 63

2.9.3 Board Size 65

2.9.4 Board Independence 69

2.9.5 Board Diversify 72

2.9.6 Board Meetings 74

2.9.7 Remuneration 76

2.9.8 Leverage 77

2.9.9 Firm Size 78

2.9.10 Ownership Concentration 79

2.10 Corporate Governance and Bank's Performance 80

2.10.1 Bank Size and Bank Performance: 82

2.10.2 GDP and Bank Performance: 82

2.10.3 Capital Structure and Bank Performance: 82

2.11 A Remark 83

CHAPTER 3 METHODOLOGY 86

3.1 Introduction 86

3.2 Research Design 87

3.2.1 Data Selections 87

3.2.2 Conceptual Framework 88

3.3 Independent Variables 90

3.3.1 Corporate Governance Mechanisms 90

3.3.2 Board Structure (Board Size and Independence) 90

3.3.3 Ownership Concentration 91

3.3.4 Board Meetings 91

3.3.5 Board Diversity 92

3.3.6 Remuneration 92

3.4 Dependent Variables 92

3.4.1 Financial Performance 92

3.5 Control Variables 94

3.5.1 Capital structure/Leverage 94

3.5.2 Bank Size 94

3.5.3 Gross Domestic Product 95

3.6 Data Analysis Procedure 95

3.6.1 Bank's Performance Models 96

3.6.2 Statistical Analysis 98

CHAPTER 4 RESULTS AND DISCUSSION 103

4.1 Introduction 103

4.2 Descriptive Interpretation 103

4.2.1 UAE Banks 104

4.2.2 MENA Region Banks 106

4.3 Correlation 109

4.3.1 UAE Banks 109

4.3.2 MENA Region Banks 112

4.4 Corporate Governance and Financial Performance of UAE 114

4.4.1 Panel regression model – Proposed model selections 114

4.4.2 Dynamic Model 121

4.5 Corporate Governance and Financial Performance of MENA Region 126

4.5.1 Dynamic Model for MENA Region 135

4.6 A Remark 137

CHAPTER 5 CONCLUSION 139

5.1 Introduction 139

5.2 Summary of the Result 139

5.3 Recommendations and Limitations 144

REFERENCES 148

APPENDIX 173

LIST OF TABLES

		Page
Table 3.1:	Summary of Variables	101
Table 4.1:	Descriptive statistics of variables in the context of UAE banks	104
Table 4.2:	Descriptive statistics of variables in the context of MENA region banks	106
Table 4.3:	Pearson correlation among variables in the context of UAE banks	109
Table 4.4:	Pearson correlation among variables in the context of MENA region banks	112
Table 4.5:	Result of the panel regression model in TBQ in UAE banks	115
Table 4.6:	Result of the panel regression model in ROE in UAE banks and MENA region banks	118
Table 4.7:	Result of the panel regression model in ROTA in UAE banks	120
Table 4.8:	Dynamic Model for UAE banks	123
Table 4.9:	Result of the panel regression model in TBQ in MENA region banks	127
Table 4.10:	Result of the panel regression model in ROE in MENA region banks	129
Table 4.11:	Result of the panel regression model in ROTA in MENA region banks	131
Table 4.12:	Dynamic Model for MENA region banks	134

LIST OF FIGURES

		Page
Figure 1.1:	Developing Asia FDI inflows 2021	7
Figure 1.2:	Nominal GDP of UAE	26
Figure 1.3:	Real GDP growth of UAE	26
Figure 2.1:	Corporate governance framework	35
Figure 2.2:	Corporate Governance Principles	36
Figure 3.1:	Conceptual Framework	88

CHAPTER 1

INTRODUCTION

1.1 Introduction

In corporate governance, it is the responsibility of investors to appoint auditors and managers to ensure that the auditors and managers are performing their role in an appropriate manner. On the other side, the responsibility of the auditor is to evaluate the financial situation of the organization (Rodriguez-Fernandez, 2016).

Corporate governance refers to the practice for establishing, leading and controlling the organization (Berger et al., 2016). This system is planned to effectively lead the organization relied on the principles of good corporate governance. Principles of good corporate governance consider many factors such as independence, fairness, transparency, accountability, and responsibility. Parties, which are considered in the management system of the organization named employees, creditors, shareholders, government, and investors that effectively encourage the practice of the corporate governance. Performance of the organization would, be enhancing by the implementation of good corporate governance. Execution of good corporate governance assists to enhance the value for investors and shareholders (Hassan et al., 2015).

Directors are selected to maintain and succeed in the business of the organization. Directors are accountable to secure the benefits of investors because shareholders are the owners of the organization. The main cause of focusing on corporate governance is to resolve the agency issue. Managers, who are working in the corporate system, have more authority and information than shareholders. The main aim of the shareholders is to obtain a profit as

a bonus on their investment whereas the managers could have a slightly different aim from the shareholders such as managers want to protect their job and likes to get a promotion. Corporate governance is very imperative due to its worldwide significance for the corporate leading organization, research scholars, and medical practitioners. For example, Enron and WorldCom encouraged the interest of globe with respect to need by introducing the mechanism of governance; furthermore, Sarbanes-Oxley act as a phase with respect to making sure the transparency and reliable disclosure of financial issues of the company (Francis et al., 2015).

There are different methods for measuring the performance of finance; however, all measurements can be taken in the accumulations. Metrics such as operating income, operations, and cash flow from operations are commonly utilized, along with total unit revenues. Moreover, the investor can wish for looking deeper into the financial statements and looking for margin growth rates and reducing debt. There are a different private institutions and state companies that has corporate governance system and processes in place to make sure that governance practices are significant (Aguilera et al., 2015).

In the analysis of the performance of both private and public sector companies, it becomes evident that these organizations showcase a commendable level of accountability and transparency to various stakeholders. The companies diligently adhere to legal and regulatory requirements, ensuring that all necessary data is disclosed to the concerned parties. Furthermore, these companies exhibit a proactive approach in monitoring and mitigating risks while fostering innovation and adaptability. Their strategic focus remains grounded in legitimacy, relevance, and competitiveness, ultimately driving them towards financial stability and sustainability (Miglani et al., 2015).

The absenteeism of measuring the profit in the public sector makes an assessment and evaluates the performance of management more difficult in profit-oriented companies. Under the public sector, different elements are practiced for determining the performance. Furthermore, the economy is to be determined by the association between the quality and quantity of resources and its associated expenses. It is also determined that efficiency is to be measured by the association amid resources input and outputs. Along with this, the effectiveness could be measured by the degree that helps to attain the set outcomes and feasibility could be determined by the degree of the program. Thus, it is the preference of government and addresses the real requirements of the economy (Pletzer, et al., 2015).

Corporate governance and financial performance have certain difficulties that relate with complexity to measure and thus, there is a need for assessing the principals and problem associated with the agent. There are no simple techniques for measuring the profitability in State Corporation. The issue in the public sector is addressed while the principal unable to specify the enough transparency regarding what interest to be pursued and how the agent is supposed for attaining them. It also helps to determine the cost of poor state corporate governance. For illustration, governments and their bureaucracies generate provisional monopoly power. It generates the opportunity for corruption in state companies that have been discussed as one of the poor state governances (Iraya et al., 2015).

Corporate governance is an imperative problem for the bank's management that could be evaluated by a different dimension. Moreover, corporate function transparency is one major factor that creates a major issue for protecting the interest of investors. Apart from this, corporate governance is evaluated that a sound risk management system is another major issue for the organization. In addition, previous studies also evaluated that the

corporate governance decides the method in which the organization is controlled by the senior management team and directors. The team member could focus on getting higher competitive benefits in the least time and cost. These team members could maintain day to day activity and expectation of the business to obtain objectives and aim of the organization. Corporate governance leads the financial institution to manage compliance and with reliable regulations and laws and control the depositor's interest and will also be effective for getting a reliable outcome with respect to the current issues. In the current era, application of technology has been increased that made the financial institution freer and more open to new goods and services in the financial structure.

Beside this, previous studies prove that these changes could directly impact on the financial structure as it would create an issue for the organization to improve the operating system. In addition, Ana Paula (2017) has also examined that weak corporate governance could create a weak internal system that could be failed to manage fraudulent practices, whereas inadequate supervision and monitoring of financial organizations to confirm the compliance with the requirements of corporate governance precipitated and caused of banking crisis. Further, as per Bank for international settlements (2005) it is also analyzed that annoying feature in the controlling team of banking operation could directly influence the overall financial performance of the firm.

Goergen (2012) identified that corporate governance has several benefits for all stakeholders especially the company or business entity implementing the effective practices and theories of corporate governance. Corporate governance goes a long way to promote a good brand and corporate image for companies. Publicly declaring the corporate governance policies and how they are implemented puts confidence in all stakeholders. This also aids in

attracting prospective and profitable investors and customers who can patronize the products manufactured and services delivered by the company (Denis & McConnell, 2003). Effective practice of transparency in relation to information sharing boosts confidence of stakeholders.

Clarke and Dela Rama (2008) identified that corporate governance tends to help streamline the operations of companies and corporate bodies to ensure that they comply with rules, regulations and laws within their operational areas. In areas of decision making, rules and regulations about the industry in which they operate must be adhered to. In view of this, waste of resources on arising legal issues which occur due to the flouting of the rules and regulations can be curtailed. Crawford (2007) explained that effective corporate governance helps reduce operational cost.

According to Bowen (2004), effective implementation of corporate governance promotes growth and development through the reduction of arising conflicts between stakeholders. Corporate governance helps the formulation of policies, rules and regulations that ensures that all internal stakeholders such as shareholders, employees, management team members and board of directors abide by them to ensure smooth operations.

Clarke (2007) explained that fraudulent activities can be checked through the implementation of corporate governance practices. As identified by Sun (2009), fraud through accounting has been a common device fingered to be the cause of several corporate scandals. This tends to safeguard the financial investments of shareholders as well as protect and ensure employee job security. Ensuring transparency also enables corporate bodies to make available credible and accurate information that helps in decision making process of all stakeholders.

The banking industry is an important industry in every economy especially in the areas of providing funds and managing it as well for its risk management of assets. Khalid (2011) explained that financial and accounting fraud has been the main tool causing scandals among corporate bodies globally. In view of this, there is the need for the financial industry especially banks to ensure that corporate governance is well implemented to ensure that funds are always safe and readily available. Hassen (2008) explained that risk management is an integral part of the operations of financial companies. Risk management and diversification can be properly achieved through the implementation of effective corporate governance practices.

In the bid to manage the country's currency; formulate and implement monetary policy; and regulate the banking industry in the United Arab Emirates, the Central Bank of the country was established by Law No (10) of 1980 (Safi, 2012). The Central Bank is expected to provide licensing and regulation for commercial banks and investment banks and companies. The financial intermediaries such as the investment banks and companies are expected to manage portfolios of individuals and companies; provide professional advice to its customers on issues of equity and debt; subscription to debt and equity instruments; develop financial related research and feasibility studies for projects; manage market share and debt instruments; as well as establish and manage funds. Financial and monetary intermediaries have the responsibilities of brokering the purchase and sale of domestic and foreign instruments well as the foreign exchange dealers who purchase and sell currencies respectively (Khan & Walker, 2015). With an improvement in stability in the geo – political terrain of the United Arab Emirates, which has resulted in the unification of the seven Emirates, Foreign Direct Investments (FDIs) is an effective tool that can be considered to ensure the growth and development of the unified Emirates (Zawya, 2016). According to the

United Arab Emirates Country brief (2016), the country provides a unique environment for Foreign Direct Investments in the bid to increase its per capita. With a unique strategy of economic diversification that ensures changes and significant improvement to its economic sectors such as infrastructure; financial services; tourism; and education (Schneidhofer, 2016). The United Arab Emirates has currently joined the top 10 host economies with $11 billion in 2016 (World Investment Report, 2016) and even UAE maintains to be in the top 10 host economies with $20 billion in 2021 (World Investment Report, 2021). The below statistics shows the FDI inflows (2016 and 2021) where UAE falls in the top 10 list however none of the countries from the MENA region compete in the list.

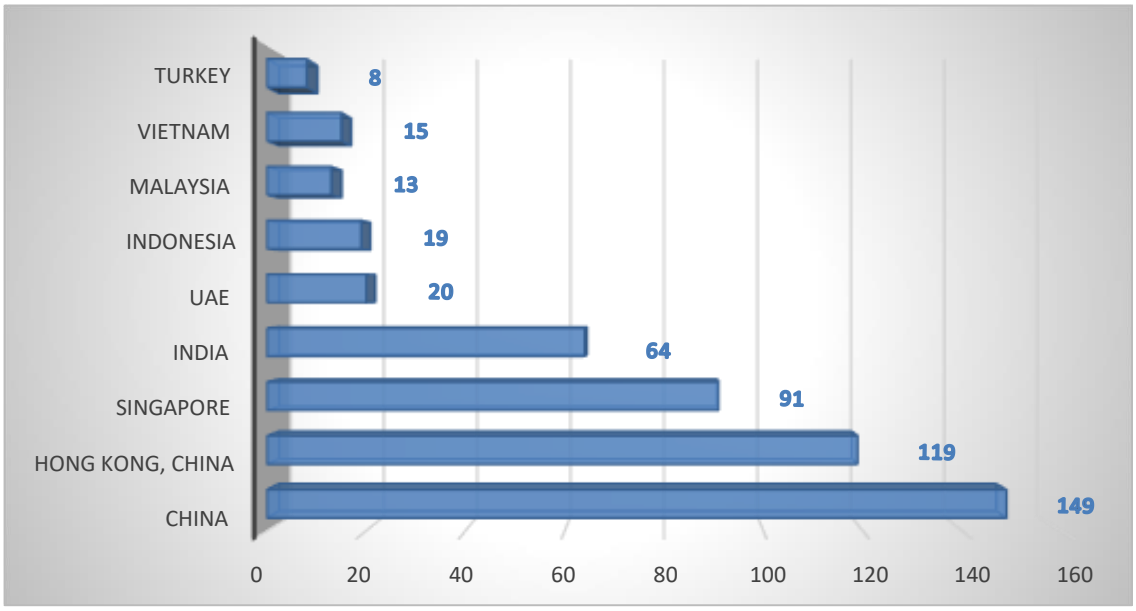

Figure 1.1: Developing Asia FDI inflows 2021

Source: World Investment Report (2021); United Nations Conference on Trade and Development (2021)

The graph represents the FDI inflows from the top 10 host economies in 2021, where UAE is in the top 10 list with 20 billion dollars of Foreign direct investments being the only country to compete from the MENA region. Reference period in this study is considered

between 2016 – 2020 therefore the above graph is also representing the time frame considered in the research. According to Asefeso (2016), the United Arab Emirates has one of the fastest growing economies with a high level of diversification. In the bid to ensure economic growth and stability, the Dubai Economy (2017) outlined that there is a high level of economic and political stability. As a pro – business government, there are several economic policies that have been liberalized to attract a large level of Foreign Direct Investments. The country's laws ensure that there is copyright protection and intellectual property laws. Also, the free economic system allows a low level of government interference as well as promotes a low level of bureaucracy. A high level of tax exemptions on personal income and corporate profits contributes to making the country a viable option for Foreign Direct Investments (Marsh, 2015).

Infrastructural development is also high in the United Arab Emirates. The modernized infrastructure that promotes quality and efficient services for the friendly business environment also tends to promote efficient delivery of services in a long – term business relationship (United Arab Emirates Country Risk Report, 2017). A high level of flexibility is promoted through the infrastructural development that ensures the timely delivery services as well as a reduction in complications associated with logistics and a subsequent reduction in the cost of operation (Said, 2016).

In the wake of the increasing calls for greener environment and technology, the United Arab Emirates has taken a step in that direction to promote and strengthen its stand on reducing global warming. The technology and infrastructure in place promotes a green environment. According to Safi (2012), a diverse business environment promoted by the

United Arab Emirates ensures that climate change is checked through the manufacture of products and delivery of services by both local and foreign companies.

1.2 Background of the Study

The term corporate governance has been initiated since last two decades and not yet become fully predicted even through a high amount of literature is available on the research concern. This is illustrated in different mode by different authors. An organization for economic operation with development is illustrated as the set of association between the management of the company, its shareholders, other stakeholders, and the board of the company. It involves the rules and process to be applied by which company's objectives can be attained (Nobanee & Ellili, 2016). It is determined by the corporate governance technique can aid to attain the profitability and attain the company's objectives. Hence, the key characteristics of good corporate governance involve simple process, corporate structure, and accountability of managers and board of director with regards to stakeholders (Abdullah et al., 2015). The significance of corporate governance has become a serious concern after the failure of Enron and WorldCom; however, it cannot be assumed that aspect of corporate governance is new (Mohamed, 2016). This significance is initiated when the separation between the possession and management of the company took place.

OECD (Organization for Economic Cooperation and Developments) has presented corporate governance system in 1999. From that time, they are paying attention to a wide range of investors such as organization, stockholders, and policymakers. These strategies offer common values of the corporate governance system. Most of the European countries follow the corporate governance system in work from the establishment and at present their goodwill is growing faster than developing countries. For the determination of the

relationship between the corporate governance system and its effect on the performance of the organization, several experimental works are completed in the developing countries (Mollah & Zaman, 2015). The efficiency of the corporate governance system has estimated by the majority of the research scholars of developing countries with the help of conventional detriments of corporate governance as these data could easily take out from the annual reports of the organization. Conventional detriments of corporate governance are the size of the board, the composition of the board, the responsibility of audit and other teams, concentration on ownership and duality of chief executive officer (CEO). Furthermore, the main objective of this study is to produce a perfect model by including conventional detriments, and other detriments of corporate governance such as it will the enhance the efficacy of corporate governance, and consequently, the performance of the organization would be increased (Zagorchev & Gao, 2015).

Corporate governance enables the organizations to promote probity, integrity, recognition, protection, and transparency of shareholders rights (De Haan & Vlahu, 2016). In addition, it is examined that good corporate governance will also concentrate on making effective as well as the efficient organization as it could contribute to the social welfare by developing wealth employment. Moreover, it is also examined that good corporate governance could be effective for making a reliable decision in the context of current research matter. Corporate governance makes an inclusive approach for an organization to effectively operate their business activity and get a reliable result (Gitman et al., 2015). This approach considers certain factors like legitimate representation, democratic ideals, and economic atmosphere as it permits the organization to flourish the firm by proceeding value of shareholder. Further, corporate governance will support to improve the activity of the human resource development team. They also lead to each activity of the shareholder to

obtain higher benefits. Moreover, the financial performance of the organization is improved by considering corporate governance and it is effective to measure the overall financial performance of the firm in the specified time period as it compares the similar firm to the obtainment of the higher benefits (Davies, 2016). The key intention of financial management in the state company is to organize the limited financial resources with the aim of making sure the economy and efficiency in the distribution of the required result and attain the targeted results will act as the requirement of community. Moreover, financial management involves the management of cash, development of long-term objectives, tactics, and policies in support of functioning and strategic plans of the state company (Jensen, 2017).

Corporate Governance also includes the control and planning related to the expenditure of capital, interaction with the treasury, management of working capital, performance and funding judgment. Corporate Governance also involves the associate financial management and accounting functions that are predominantly related with the procession, collection, and use of different financial information. Furthermore, Ducassy and Montandrau (2015) has evaluated that operation, control, and planning are related to financial performance

As early as 2001, there has been several initiatives in the Arab Word spearheaded by practitioners from the capital markets, banks, the public a private sector to embrace corporate governance. In September 2003, there was the first Middle East and North Africa (MENA) Regional Corporate Governance Forum convened in Cairo to discuss regional challenges and trends in corporate governance in MENA. There was also the plan to create more awareness and implement corporate governance in MENA (Saidi, 2004).

Nevertheless, the issue at stake was how to advance corporate governance in the Arab World due to the state of private and public sectors with emphasis on family owned enterprises, state-owned enterprises, small and medium enterprises, banks and capital markets (Saidi, 2004). Even though, there is a general recognition of the impact and value of corporate governance such as transparency, accountability and responsibility which are key to the modernisation of the countries in MENA, one of the major issues is transparency and disclosure of implementing relevant corporate governance standards.

Sound corporate governance practices will play a vital role in attracting the much-needed investments to MENA because they reduce risk and improve the management of corporate firms especially those in the financial and banking sector, there are issues about political and sovereign risk due to the fact that most countries in MENA are dependent on oil and gas resources. The protection of strategic investors who are normally minority shareholders and inclusion of independent auditors, regular reporting and transparency etc. are all issues of concern.

Based on the initial literature review, there is growing distress in MENA region about the need for reforms in relation to corporate governance structures and standards that will be compliant with international standards and inclusive of government participation because they are the ultimate policy makers and enforcers because of the role of State – Owned Enterprises (SOE).

Based on initial literature review, Middle East and North Africa (MENA) Region and The Organisation for Economic Co-operation and Development (OECD) formulated and adopted four (4) thematic areas of corporate governance in Tunis in 2016 namely Boosting

access to finance and capital markets, improving transparency and disclosure, achieving gender balance in corporate leadership and Enhancing of state – owned enterprises

However, Otman (2019) indicated that not all countries in MENA are fully meeting the four (4) thematic areas of corporate governance as adopted in Tunis 2016. Another issue worthy of discussion is the ability of countries in MENA to adopt and implement corporate governance standards that is embodied in G20/OECD Principles of Corporate Governance and the OECD Guidelines on Corporate Governance of State – Owned Enterprises. Even though, the Corporate Governance initiative and policy priorities for the period of 2016-2020 were endorsed at the 2016 MENA – OECD Ministerial Conference by the Working Group on Corporate Governance which included government ministries and agencies, investors, stock exchanges and corporate practitioners there is the need to assess the impact of Corporate Governance initiative on the State -Owned Enterprises (SOE) which includes financial institutions in the UAE and MENA (OECD, 2019).

Based on literature review, there are concerns about Corporate Governance issues such as ownership practices, accountability measures and reporting practices in MENA SOEs and private enterprises. There have been concerns about how governments in the MENA region can be more effective in enhancing Corporate Governance standards to ensure competitiveness whilst at the same time safeguarding a level playing field among corporate entities both in the public sector and private sector (Otman, 2019).

Other issues of Corporate Governance in MENA includes the effective implementation of CG principles that are in line with best international practices, widening of country participation especially in the Gulf Cooperation Council (GCC), the application of the 12 Key Standards for Sound Financial Systems, strengthening accounting and auditing

standards in MENA to conform to International Accounting and Auditing Standards as the basis for disclosure and dissemination of information, ensuring that CG is for both public and private sectors (Otman, 2019).

Last but not the least, there seems to be a contradiction on the measurement and grading of CG using CG Codes. Whilst Pillai et al., (2016) indicates that UAE tops the best practices using internal governance mechanisms followed by Oman and Saudi Arabia, Qurashi (2017) in his research indicated that Bahrain and Qatar had the maximum convergence with UN best CG practices with Oman and UAE CG codes raising a lot of concerns. There is the need for further research and investigations into CG codes and indices for comparative analysis.

1.3 Problem Statement

The MENA region's banking sector grapples with significant challenges, necessitating effective corporate governance and robust risk management policies. Existing research has contributed valuable insights and established certain corporate governance norms. Studies such as "Corporate Governance, Institutional Framework, and Firm Performance: Evidence from the UAE" and "Corporate Governance and Bank Performance: A Study of Selected Banks in GCC Region" underscore the correlation between governance practices and firm/bank performance.

Despite the extensive research on corporate governance, several critical gaps persist, as illuminated by diverse studies across various contexts. In "Corporate Governance, Institutional Framework, and Firm Performance: Evidence from the UAE," the focus is on the UAE, emphasizing the need for effective governance practices to enhance firm performance. A similar theme emerges in "Corporate Governance and Bank Performance:

A Study of Selected Banks in GCC Region," linking corporate governance to the financial performance of banks in the Gulf Cooperation Council (GCC) countries.

"Comparison of Corporate Governance Codes for GCC Countries with the UN Best Practices" accentuates the discrepancies between regional codes and global best practices, shedding light on areas requiring improvement. The emphasis on best practices is reiterated in "Best Practice in Corporate Governance: Building Reputation and Sustainable Success," underscoring their pivotal role in establishing a reputable and sustainably successful organization.

The exploration extends to the banking sector in "Corporate Governance of Banks: A Survey," providing an overview of governance practices. However, while these studies contribute valuable insights, a comprehensive understanding of how these findings translate into actionable improvements remains unclear. Additionally, "Corporate Social Performance, Ownership Structure, and Corporate Governance in France" provides insights into the interplay of factors affecting corporate behaviour in a specific context.

The problem at hand lies in the absence of a synthesized understanding of the collective findings. The existing studies offer fragmented insights into the impact of corporate governance on firm and bank performance, the disparities between regional and global governance codes, and the significance of best practices. A research study that synthesizes these findings, explores their applicability across diverse contexts, and identifies universal principles for effective corporate governance is essential. Such a study would not only bridge existing gaps in the literature but also provide actionable insights for organizations aiming to enhance their governance frameworks, fostering sustained success and resilience in an ever-evolving business landscape.

The literature review also delves into key elements identified in the banking sector's corporate governance landscape. Emphasis is placed on the pivotal role of the board of directors, the necessity for transparency and disclosure, and the imperative of effective risk management systems. However, a noteworthy discrepancy emerges – while these elements are recognized, organizations often struggle with compliance, hindering the desired results.

This study aims to address these gaps comprehensively. Focused on 11 MENA countries and comparing their banking and financial sectors with those in the UAE, the study critically analyses existing corporate governance policies. By honing in on specific banks, the research seeks to unveil challenges in policy implementation and assess their impact on financial performance. The objective is not only to identify discrepancies between established norms and actual practices but also to propose strategic solutions for improving governance frameworks in the MENA region's banking and financial sectors. Through this, the research aims to contribute nuanced insights that bridge the existing gap between corporate governance theory and its practical application in the vital domain of banking and finance.

One of the of most important aspects of corporate governance and risk management policies is to ensure organization maintains the trust of all the stakeholders. For ensuring this, prompt and accurate decisions are required to be made. These decisions should be made in such a manner, those stakeholders and investors can have more assurance in a corporation. High confidence provides higher profits and growth (Al-Musali & Ku Ismail, 2016). Moreover, stakeholders penetrate firms that are prominent for their good governance structure. Stakeholders pay maximum to companies that strictly follow the norms related to

corporate governance. Thus, the risk can be declined and ultimately cost of agency and capital can be diminished (Haideret al., 2015).

This study emphasis on the relationship between corporate governance and financial performance of the banking and financial sector in UAE when comparing it with MENA Region. This study will focus on different companies in the banking sector by comparing UAE and MENA region some of the examples would be bank of Dubai, Abu Dhabi Islamic Bank, Union National Bank, FGB, and Emirates NBD. These are public listed corporations.

Agency theory suggests the separation of ownership of the organization and the management of the organization has always been problem for the conglomerates. Many researches have determined that if there are agency problems with the organization it will have the direct impact on the performance of the organization and will impact the progress of the company. On contrary, several studies such as Detthamrong, Chancharat, and Vithessonthi's (2017), Arayssi and Jizi (2018) recommend that there is no relationship between the corporate governance and the firm performance (Larcker et al., 2007; Arouri et al., 2011; Al-Baidhani, 2018), resulted that relationship of corporate governance and performance of firms has no significant effect and fails to show any relation. Barako and Tower (2007), has also stated that there is a negative relation with firms' performance when foreign and government ownership are board. Fallatah and Dickins (2012) suggested corporate governance and firm performance has no relation, however there could be a positive relation with corporate governance and value of firm.

According to the World Bank (2016) and the Institute of International Finance (2016), the MENA region has experienced three inflection points which includes the lowest prices of crude oil in 1998, the global financial crisis in 2008, and the steep oil price decline

in 2014 (Pillai et al., 2016). Despite these obstacles, some countries in MENA region are resilient and continues to weather the storm by sustaining their economies and rising to global prominence and experienced growth in their economy due to the effective policies on infrastructure, tourism, logistics and trade (Boubaker & Nguyen, 2018). A key factor of the robustness of the MENA region was the ability of Dubai and Qatar to successfully win the bid to host the prestigious EXPO 2020 and the 2022 FIFA World Cup respectively in the wake of the external challenges. Dubai hopes to take advantage of the 2022 FIFA World Cup in nearby Qatar by creating a hub for football fans to use UAE as a hub and base to travel to the tournament and offer telecast services of the matches on big screens to those who may not travel to watch the tournament (Bell, 2022).

With UAE hosting the World EXPO 2020 (which provides a platform to the world to showcase their greatest innovations that would assist the world) in which more than three in four companies experiencing business growth and managing to build new business relations during the 6 months World EXPO there is no doubt about the ability of UAE to take advantage of their investment in such events; data from the Dubai Chamber of Commerce indicates that 98 events were organised during the World EXPO 2020 and more than 25,000 participants spanning from 130 countries attended (Oommen, 2022).

These positive externalities as a result of hosting such key important and global events calls for more strengthening of CG policies and further improvements in CG policies to ensure a sustainable boosting of competitiveness in economic activities and enhanced economic growth as a result of FDIs (Johnson, 2019). It must be emphasised that the World EXPO in Dubai and Football world cup in Qatar have boosted private sector participation and an increase in IPOs in the MENA region especially Dubai and Qatar and there is the

need for the stakeholders to sustain and enhance transparency, responsibility and accountability. Countries in the GCC such as UAE have continuously been regarded as stable locations and safe havens for investments and there is the need for more rigorous standards of disclosure as part of enhanced CG procedures (Pillai et al., 2016).

World Investment Report (2021) indicates that UAE is one of the popular destinations for foreign direct investments (FDI) where it has been listed in the list of top 10 economies with the highest FDI inflow, however back in 2013, the Financial Times (FT) reported that companies listed on exchanges in the United Arab Emirates were failing to show potential investors that their corporate governance policies were stringent enough for a new era of compliance. The report claimed that the Red Flag Group, which was a compliance consultancy surveyed publicly available information issued by listed groups in the UAE and found out that companies in the UAE have adopted compliance to some degree by appointing compliance officers there was still an issue about the clarity of their roles (Kerr, 2013).

Finance companies play a vital role in the financial system in any developed or developing country because they provide support to all forms of enterprises to promote competition within the financial services industry and provide multiple alternatives to transform economic savings into capital creation (Ramani, 2020). However, according to a report issued by the Central Bank of UAE in 2019, the number of active finance companies operating in the UAE dropped from 27 to 21 in 2018 out of which 5 of them were owned by commercial banks. The UAE finance companies declined by about 11.1 % in 2018 to Dh 40.5 billion as compared to Dh 45.6 billion in 2017. The decline was blamed on a reduction

in the number of financial companies and an overall drop in the assets of the existing companies.

The banking sector in the UAE is set to struggle due to the weakening property sector and rising costs on bad loans and the uncertainty in the oil and gas sector poses a great risk. Property accounts for approximately one – fifth of the UAE's gross loans and the true exposure is even much higher when retail mortgages and lending to companies are included (Kerr, 2019).

A significant portion of approximately $23 billion in loans to Dubai government related entities are due to mature by end of 2021 but due to the uncertainties in the current environment, they may need to be restructured. The issue at stake is whether corporate governance noncompliance is a factor or reason for the decline in the financial performance of these banking and finance companies in the UAE.

The total assets of finance companies operating accounted for only 1.4 per cent of the total UAE banking system assets, 2.7 per cent of nominal GDP, and 3.6 per cent of nominal non-oil GDP, reflected that their limited role in the overall financial system and economic development of the country. The question raised were whether these finance companies lost their role and relevance in the new age financial ecosystem? And, would this be related to lack of non-compliance to corporate governance standards and structures? (Ramani, 2020).

Qurashi (2017) aimed at comparing CG Codes for GCC countries with the UN best practices revealed that Bahrain and Qatar have the maximum convergence with CG practices as recommended by the UN whilst Oman and UAE codes raised a lot of high concern

because it tends to serve as a major demotivation to international investors from investing in these two markets.

Based on the contradictions in the research by Pillai et al. (2016) and Qurashi (2017) on the governance quality ratings of financial institutions in countries in the GCC, there is the need for further research to determine how CG are measured, evaluated and graded in GCC and MENA for an effective comparative analysis.

Based on the current economic environment prevailing in the world there is the need to ascertain the role and impact of corporate governance in the UAE and compare to other MENA regions using the CG codes and index that is internationally accepted. The key purpose of selecting the listed organization is that as we need to collect authentic information which can be extracted from financial statements. In addition, it is also examined that the data will be available for all stakeholders which could lead the researcher to gain in the quality of the organization. Listed Banks and financial institution will be collected as sample from MENA Region and compared with sample from UAE.

There is a need to fill the gap in literature on corporate governance with MENA Banks performance with UAE Banks, the gap will be mainly focusing on how UAE has increased foreign investments compare to the other countries in MENA region would there be a relation with the corporate governance and did COVID had any effect on the performance of the countries in the region. To understand corporate governance policies and procedures in the UAE and other countries in MENA Region and how it impacts the banks performance. According to the findings of Detthamrong, Chancharat, and Vithessonthi's (2017) investigation into the relationship between corporate governance and firm performance in Thailand, corporate governance is not linked to either firm performance or

financial leverage, however financial leverage does have a positive impact on firm performance.

This study emphasizes on key components of corporate governance such as Board structure, shareholders rights, remuneration, ownership, meetings and diversity with that of different performance efficiency parameters. Adding capital structure / leverage as a moderator to the equation. In the review of the relevant literature, it was discovered that there are not many studies that empirically compare the corporate governance practices of MENA corporations, and there are even fewer works that provide evidence to support a positive relation between firm performance and corporate governance. Studies often focus on the common characteristics of MENA firms, most notably their concentrated ownership, because it has been proven that company performance is susceptible to the sort of measures employed for performance evaluation (Canarella & Nourayi, 2008). Therefore, it is important to study the Comparison of corporate governance Index and its impact on financial performance in the context of the bank and financial service sector, UAE with MENA Region. Non -conventional Corporate Governance Index (CGDI) proposed by Fan and Yu (2012) to comprehend the governance quality of the GCC countries revealed that most of the firms in the GCC countries adhere to proper disclosure, board effectiveness and shareholders rights with the outcome of the unweighted CGI indicating that UAE would be the best for adopting internal governance mechanisms followed by Oman and Saudi Arabia. It was also concluded that the financial companies (FIN) displayed higher levels of CG compliance than non – financial companies (NFIN) (Pillai et al., 2016). For companies registered on the Vietnamese stock exchanges, Vu et al. (2018) conducts an empirical analysis of the relationship between board ownership structure and financial success. According to their findings, the ROA is positively influenced by the number of board

members, the board's ownership concentration, and CEO ownership, while the ROE is unaffected. The effect of corporate governance mechanisms on business performance in non-financial companies of GCC countries is investigated by Pillai and Al Malkawi (2018). Empirical studies from most GCC nations reveal a strong correlation between governance characteristics and firm performance. These variables include government shareholdings, audit style, board size, CSR, and leverage. These findings have legal and management consequences that necessitate greater efforts to proactively deploy sensible governance solutions to future-proof GCC business. Limited scholarly literature addresses the suitability of corporate governance theories for the Middle East and North Africa (MENA) and Gulf Cooperation Council (GCC) regions. Consequently, there is a pressing need to address this knowledge gap by conducting empirical research to identify theories relevant to these areas. The ownership structures of companies in the UAE and MENA raise doubts about the applicability and influence of agency theory, which has been widely endorsed in Western and European corporate governance literature.

1.4 Objectives of the Study

The general objective is to investigate the relationship between corporate governance and performance of Middle East and North Africa (MENA) region banking sector comparing with UAE banking sector. Following are the specific objectives of this study:

i. To incorporate corporate governance mechanisms and test the effect of these mechanisms on banks performance of UAE and MENA region.

ii. To investigate the impact of corporate governance on banks performance in form of Tobin’s Q (TBQ), returns on equity (ROE), and value of return on total assets of UAE banks by using panel data.

iii. To examine the impact of corporate governance on banks performance in form of Tobin's Q (TBQ), returns on equity (ROE), and value of return on total assets of MENA region banks by using panel data.

1.4.1 Research Questions

RQ1: How do corporate governance mechanisms in UAE banks compare to those in the broader MENA region, and are these mechanisms directly observed or derived from other factors?

RQ2: What is the influence of corporate governance on the financial performance of UAE banks, specifically in terms of Tobin's Q (TBQ), returns on equity (ROE), and the value of return on total assets (ROTA), as evidenced by panel data analysis?

RQ3: What is the significant impact of corporate governance on the financial performance (TBQ, ROE, and ROTA) of banks in the MENA region, and how does this impact compare to that observed in UAE banks, as revealed through panel data analysis?

1.4.2 Significance of the Study

Corporate governance is significant for the company because it plays an imperative role in protecting the welfare of all stakeholders. While implementing, it becomes a key feature in institutional infrastructure as it contains different regulations, laws and enforcement systems that are geared to motivate and makes sure the sound economic performance. In the unavailability of unambiguous rules and regulation governing the operations of the company may create the scope of unethical practices (Dalwai et al., 2015). This study is being undertaken because there is increasing debate regarding the need for enhancing the corporate governance in the bank and financial sector. It is identified that corporate governance may implement in different banks by using this study as it emphasizes

on the nodal agency for generating the high awareness and motivates the application of corporate governance principles in UAE business community (Srairi 2015).

This study aid management of state organizations state government to determine the principle governance that has supported to improve their performance. Further, the board of director will be capable of comprehending the relationship between governance structure and financial performance. In addition, it is also realized the board of director could be determined the approaches that could be effective for improving the financial condition of the organization. In addition, it is also addressed that top management would be capable of examining the efficient and effective governance structure. As well, it is also examined that the success and failure of any state organization mean management is not accomplishing needs of the public sector (Qiu, et al., 2016). Besides this, it is examined that there are certain factors that could create certain factors like poor economic growth, inefficiencies, and lack of employment. Furthermore, it is also examined that the government through parliament could be capable of making a reliable decision. Moreover, it is also observed that investing in state organizations to obtain higher competitive benefits (Larcker & Tayan, 2015).

Additionally, it is examined that there is a positive relationship between corporate governance and financial performance. If an organization uses the reliable structure of corporate governance, then they would be able to make easier business process and get a higher outcome. In addition, it is also examined that the corporate governance structure promotes the goods and services as it would be effective for improving the financial performance of the organization. In addition, it is also examined that organization use different tools and techniques for making a reliable result (Christensen et al., 2015).

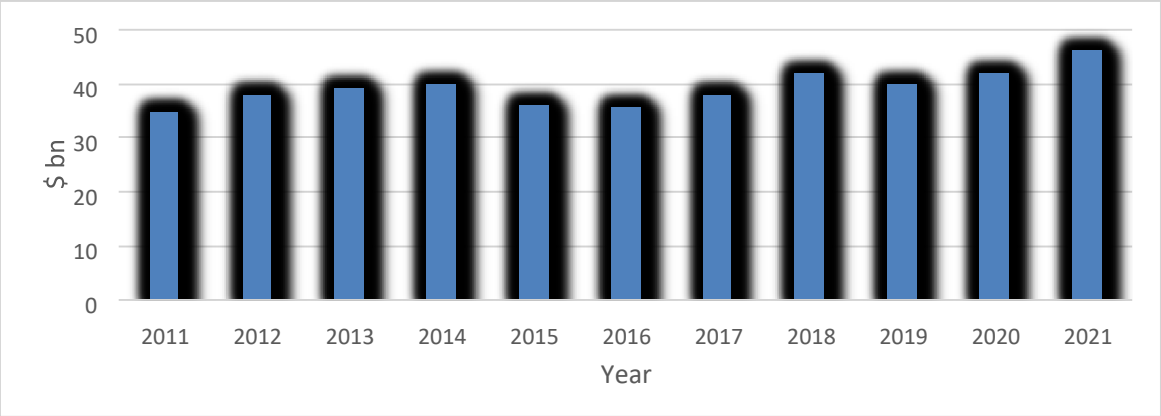

Figure 1.2: Nominal GDP of UAE

Source: Middle east business intelligence, (2020)

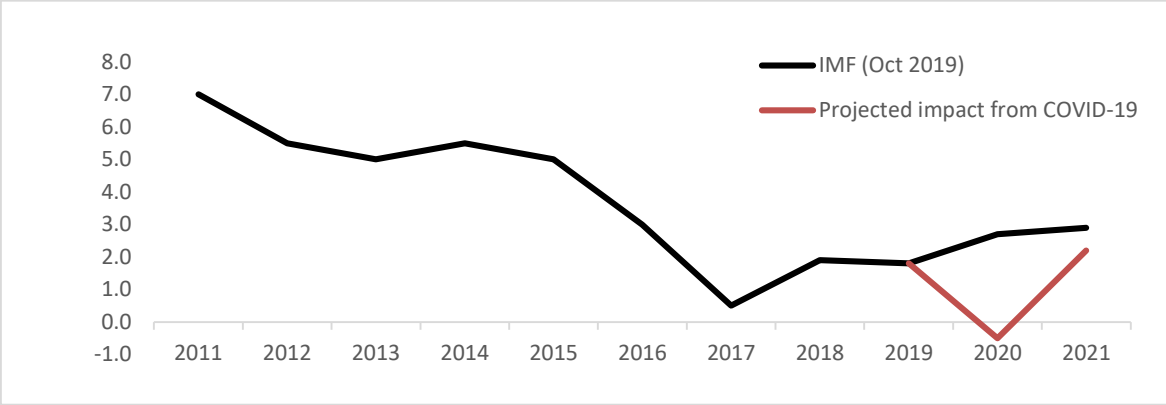

Figure 1.3: Real GDP growth of UAE

Source: Middle east business intelligence, (2020)

There are varied reasons why United Arab Emirates (UAE) was selected as the benchmark country to compare with the Middle East and North Africa (MENA) region and the countries in the Gulf Cooperation Council (GCC). First and foremost, UAE has for the sixth consecutive year (2015 to 2020) being ranked as the happiest country in the MENA region based on the findings of the 2020 World Happiness Report Index (First Group, 2022).

The report ranked 186 cities from all parts of the world in relation to their levels of happiness based on the views of their respective populations. Helsinki, the capital of Finland was the happiest city in the world and the last city was Kabul, the capital of Afghanistan (First Group, 2022). The two major cities in the UAE, Abu Dhabi the capital was ranked overall 35th in the world, followed by Dubai which was ranked 39th. The closest cities in the MENA and GCC region were Jeddah in Saudi Arabia which was ranked 59th and Riyadh ranked in the 62nd position. UAE has relaxed foreign ownership requirements allowing 100% foreign ownership and reviewing visa requirements and regulations to attract high skilled expertise and specialist labour into the country at the same time attracting higher FDI inflows as compared to other countries in the MENA and GCC region (Ortiz, 2020).

Secondly, the Global Soft Power Index (GSPI) ranked the UAE as the number one country in the MENA region and the tenth in the world in relation to global influence for 2021. The GSPI is compiled by a British Company called Brand Finance and this ranking is compiled through vigorous and detailed surveys from approximately 101 countries worldwide. Over 100,000 respondents selected the UAE as one of the most influential globally and plays a pivotal role in leading and pioneering changes that have impacted on other countries worldwide (Ortiz, 2022). In 2020, UAE was ranked 15th by GSPI for global influence due to its leadership in the MENA and GCC region and their ability to sustain and maintain progress and achievements in political, economic and social factors (Ortiz, 2022).

Moreover, UAE is ranked 22nd, whilst Qatar is ranked 32nd and Saudi Arabia ranked 35th out of the 78 best countries in the world in a 2020 survey. Nevertheless, it must be emphasized that in the MENA region Saudi Arabia has the highest GDP of $ 793 billion, followed by UAE with $ 417 billion, and Qatar with $ 176 billion (US News, 2022). The

UAE is a federation of seven emirates namely Abu Dhabi, Dubai, Sharjah, Ajman, Fujairah, Ras AlKhaimah, and Umm –Al Quwain. The country is located between Saudi Arabia and Oman (US News, 2022). In addition, the UAE is the 13th most preferred destination where expats or foreign nationals would like to work based on a survey of an estimated 209,000 respondents by Boston Consulting Group (BCG) which opined that the response of the UAE government to the COVID-19 has enhanced its attractiveness to foreign nationals (Arabian News, 2021).

Additionally, UAE is rated the most attractive destination for foreign direct investment (FDI) in the MENA region due to its investor-friendly policies, state of the art infrastructure, well-trained and educated workforce and the establishment of special economic zones to attract investors from all over the world to establish businesses in the UAE (Abbas, 2021). The UAE, based on a study by Oxford Economics, was rated as having the highest FDI attractiveness score in the MENA region (Abbas, 2021). The UAE is regarded as the commercial capital of the MENA region and aims to attract an estimated $150 billion in FDI from its key partners such as USA, India, Saudi Arabia, Switzerland, and China (Abbas, 2021). The UAE has consistently pioneered technological improvements and excellent infrastructure and this has further boosted their non-oil industries such as financial technology, renewable technology and tourism (Ortiz, 2020).The UAE country report of May, 2021 indicates that the Central Bank in March, 2020 provided additional liquidity in the UAE market in the form of zero percent (0%) interest rate collateralised loans, lower reserve ratios on demand deposits and liquidity requirements all aimed to cushion the economy in the wake of the COVID-19 pandemic (Atradius, 2021).

Furthermore, based on the latest and current World Bank report of 2020, UAE is still regarded as the best place to do business in the MENA region having introduced four new reforms in the last 12 months of 2019. The UAE was followed by Bahrain, Saudi Arabia, Oman, Jordan, Qatar and Kuwaiti respectively based on the World Bank report of 2020 (Dxboffplan, 2021). Interestingly, UAE was better placed that countries such as Japan, Ireland, Switzerland, Canada, Germany and Finland and a lot of other well-developed countries as a conducive place to do business (Dxboffplan, 2021). The UAE finance sector has a low-interest rate environment, and this makes it a conducive location for investors who may need to access further credit for their businesses (Atradius, 2021).

The UAE has made significant strides in diversifying its economy away from oil dependency. This diversification has stimulated various sectors, including finance and banking. The government's commitment to economic diversification has created a stable and conducive environment for financial institutions (World Bank, 2021). As indicated in the World Investment Report (2021), the UAE consistently attracts high levels of foreign direct investment (FDI). This influx of FDI reflects international confidence in the UAE's business-friendly environment and its banking sector's ability to facilitate foreign investment (UNCTAD, 2021). The UAE actively engages in international collaborations and partnerships, fostering connections with global financial centres. This cooperation enhances the country's financial stability, regulatory standards, and access to international markets (OECD, 2020). While past concerns regarding corporate governance were raised in 2013 (Kerr, 2013), the UAE has since made substantial improvements in this regard. The introduction of new regulations and guidelines has led to enhanced transparency and accountability within the corporate sector, including the banking industry (Clyde & Co, 2020).

Lastly, data from the Dubai Chamber of Commerce indicated that during the EXPO 2020 which was hosted from October, 2021 to March, 2022, 98 events were organised and attended by over 25,000 participants from over 130 countries and there was a facilitation of over 1,500 bilateral business meetings between UAE investors and their global partners with an additional visit by over 1,700 delegations from 60 countries including 3,350 government emissaries and corporate leaders (Oommen, 2022). Thus, the EXPO 2020 helped put the UAE as a favourable and best place to do business and also explore all other opportunities in medicine, tourism, and real estate (Dxboffplan, 2021).

In conclusion, the UAE's banking sector stands out in the MENA region due to its robust regulatory framework, economic diversification, attractiveness to FDI, strategic location, advanced infrastructure, international collaboration, and continuous efforts to improve corporate governance. These factors collectively make the UAE an exceptional destination for banking activities and contribute to its prominence as a regional and global financial hub.

1.5 Organization of the Study

This study is imperative for gaining understanding about many factors that could be imperative to conduct any research. It includes many chapters in the dissertation like an introduction, literature review, research methodology, data analysis and findings, and conclusion and recommendation. With respect to attaining this study in a reliable manner, the following research structure is followed by the research scholar:

Chapter 1 consist of the research background, research aim, and objectives, research questions, research justification in order to make the realistic base of research concern. In addition, this section also offers depth knowledge of the research limitation as for the

research comprehended in the attainment of this study. In addition, it is also examined that this section is imperative for the research scholar to identify the direction of the research study and examine the research issue systematically.

Chapter 2 presents the literature review that is used to explore research matter by implying varieties theories. This section facilitates the research scholar to collect feasible data with respect to the research matter. Through this section, the researchers are also capable of identifying the range that has been delivered till specified data. In this, books, journals, articles, and online sources could be considered by the researcher to meet the aim and objectives of the research matter. It is also imperative for the research scholar to determine the knowledge gap as well as create the base for choosing primary research methods.

Chapter 3 highlights the methods used to perform the research. This section facilitates the research scholar to decide on the Data selection, research design and research model taking into consideration the variables and expected results. Based on the literature analysis conducted in relation to corporate governance and financial performance all the independent, dependent and control variables will be identified and explained.

Chapter 4 provides the results of the impact that corporate governance (CG) has had on the performance of the banking sectors in the MENA region and the UAE. This section includes all of the statistical data that was utilized in the study, as well as an analysis of how the variables fared when subjected to a variety of methodologies and tests designed to fulfil the goals of the study.

Chapter 5 concludes the results and highlights the importance of the study. This section also provides recommendations for the future research and also the limitations of the study.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

Format of the thesis will provide information on how the thesis should be written. It consists of Language and Units, Margin, Typing, Pagination, Paper and Thesis Structure. These will be explained further in the following subsections.

A system of rules, practices and processes that guides directs and controls the operations and activities of a company or business is termed as Corporate Governance (Clarke, 2004). This is generally expected to ensure that businesses and corporate bodies operate under a high level of transparency with a sense of responsibility as well as exhibiting professionalism at all times. A further assessment of the concept of Corporate Governance by Clarke and Dela Rama (2008) explored the need for the businesses and corporate bodies to equally prioritize meeting stakeholder needs and demands through its operations. It is equally prudent that the long-term objectives of businesses and corporate bodies encourage growth and development as well as maintaining sustainability through health competition.

An evaluation by Bowen (2004) identified that stakeholders of corporate bodies and businesses can be classified as internal and external stakeholders. The individuals involved in the everyday running of the business's operations and activities are considered and termed as the internal stakeholders. On the other hand, Clarke and Dela Rama (2008) explained external stakeholders as individuals and other corporate bodies that are impacted by the decisions, actions and inactions of the corporate body as well as the products and services they are involved in manufacturing and delivering. The external stakeholders encompass the

following but not limited to all types of company shareholders; members of the company's supply chain; creditors and debtors; customers and the communities in which the company's products manufacturing and services delivery are directly or indirectly impacted. The need for effectiveness and efficiency in ensuring a high standard form of corporate can be linked to the continually increasing numbers of scandals hitting the corporate environment (Holton, 2006).

2.2 Corporate Governance Principles

Stakeholders especially shareholders, according to Crawford (2007) must enjoy some amount rights and equitable form of treatment. This is as a result of the financial investment they have made. The shareholders' rights must be respected as well as ensure that they are given paramount support and help in terms of exercising their rights in relation to the company. There is hence the need to ensure communication of important information is quickly and accurately done (Clarke, 2007).

According to Khalid (2011), the various principles guiding and underlying the concepts of corporate governance have undergone several reforms. Globally, these guiding principles have been critically asserted to ensure that all stakeholders and their roles and responsibilities as well as rights are clearly outlined to help promote a safe environment that ensures security of financial investments. Documents such as the Cadbury Report submitted and approved in 1992 in the UK and the Principles of Corporate Governance (OECD) of 1998 and 2004, all identify and outline the different general principles that are expected of companies to operate within. Another important document from the Sarbanes – Oxley Act of 2002 have also legislated principles that are recommended for operating corporate bodies

as identified by the Cadbury report of 1992 and the Corporate Governance (OECD) principles of 1998 and 2004.

Based on the above documents, Low (2008) identified that the need to uphold the interests of all shareholders must be upheld and delivered. In the areas of contracts, social, legal and marketing, corporate bodies must ensure a high level of equal responsibility in dealing with all shareholders. A sense of equal responsibility towards other stakeholders who are not shareholders must be upheld. These include all groups and individuals that are involved in the company's supply chain; employees; investors; customers; and communities that are affected by the company's product manufacturing and service delivery.

It is also imperative that the board of directors of any company must be well - equipped knowledgably and skilfully in order to ensure effective checking and assessment of the activities, operations and assigned tasks of the company's management team (Clarke, 2007). According to Khalid (2011), further asserted that the company's board of directors must be independent and uniquely sized to ensure effective support, management and evaluation of the company's management team.

The issue of sustaining a high level of ethics cannot be ruled out in the principles of corporate governance. Khalid (2011) explained that a high sense of responsibility and professionalism is required of all members of a company's board. It is expected to design and implement a code of conduct for stakeholders not limited to the members of the company's board; its employees and management team. This is a pre-requisite to ensuring ethical and responsible decision making about managing the company on a daily basis (Clarke, 2004).

Transparency and disclosure of correct information is an important principal in Corporate Governance. It is of the essence for corporate bodies to outline and publicly declare the roles and responsibilities of the management team as well as the board of directors. Subsequently, Low (2007) explained that the members of the management team as well as the board must be made accountable for their action and decisions to all other stakeholders and the entire public. An independent system is also required to ensure verification and safeguard the accuracy, credibility and reliability of the company's accounting and financial reports. To a large extent, accurate, credible and reliable financial reports can contribute to reducing fraud that result in various global and local corporate scandals (Khalid, 2011).

Figure 2.1: Corporate governance framework

Source: Dibra, (2016)

The need to ensure the timely dissemination of vital information is also key. Not only should information provided be credible and accurate but also should be at the right time. Clarke (2004) opined that all stakeholders must be able to access relevant information at the right time to help support decision making at all levels.

Corporate refers to companies and governance refers to managing therefore managing companies, and it lays down the rights and responsibilities of company stakeholders which highlights on three important groups shareholders, board of directors and managers. In a limited liability company owner and the managers of the business are different their interests are different, shareholders delegate the company to managers and expects fair practices from them and they need to follow some rules and regulation to govern the business this can be explained with a diagram:

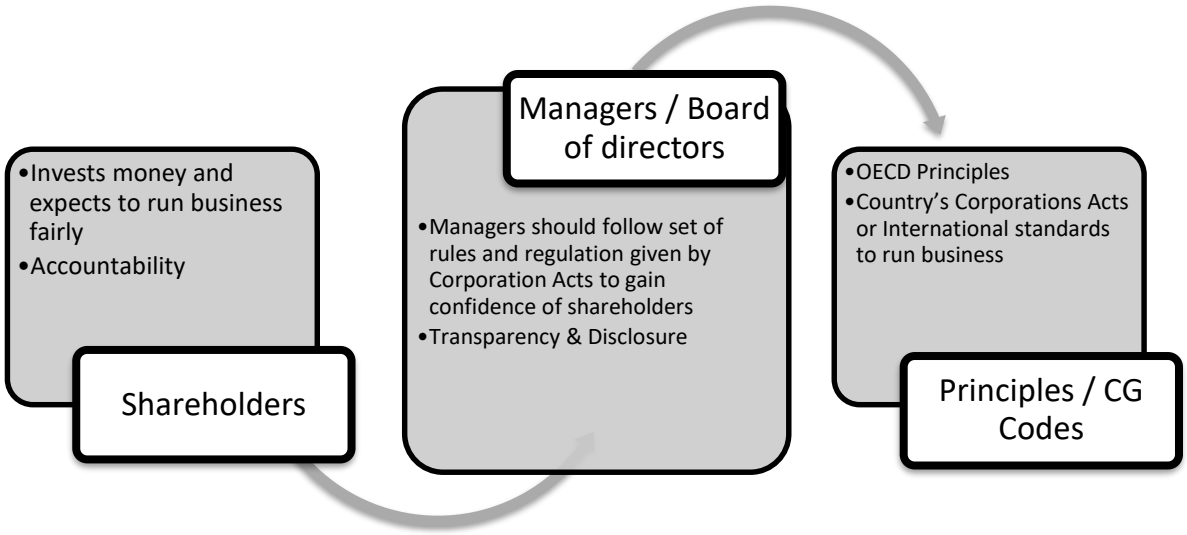

Figure 2.2: Corporate Governance Principles

Source: Organisation for Economic Co-operation and Development, (2016)

Corporate governance is commonly understood as basically the legal and factual system by which companies are directed and monitored to ensure that they are following the due practices, processes and procedures as outlined by law (Boubaker & Nguyen, 2018). Corporate governance is subject to numerous influencing factors, encompassing various aspects such as business structure, the roles played by key stakeholders, legal framework, cultural context, and insights derived from various academic disciplines. Regarding business structures, conventional business forms like sole proprietorships, partnerships, and both private and public companies significantly mould the structure and character of corporate governance (Koop & Brock, 2020). The pivotal roles enacted by key actors within a business entity, including Directors, Shareholders, and Stakeholders, exert a substantial influence on the configuration of the corporate governance framework to be adopted. Additionally, the legal framework under which a business is incorporated and registered plays a decisive role in shaping the nature of corporate governance practices to be implemented.

It is imperative to acknowledge that each business entity possesses its distinct and evolving corporate culture, which inevitably impacts the structure and essence of corporate governance (Boubaker & Nguyen, 2018). Furthermore, corporate governance is deeply intertwined with a multitude of theories originating from various academic disciplines such as finance, economics, law, accounting, management, and organizational behaviour. These disciplines contribute pertinent theories that inform the development of rules and regulations governing corporate governance within an organization (Bendickson et al., 2016).

2.3 Theoretical Studies

2.3.1 Agency Theory

To comprehend the concept of corporate governance, it is essential to grasp the principles of agency theory, which elucidates the inherent conflicts of interest between the 'agent' and the 'principal.' In this context, the 'agent' typically refers to the managers or the Board of Directors of a company, while the 'principal' encompasses shareholders or owners. Shareholders, as the proprietors of the business, anticipate equitable disclosure of information and favourable financial returns. However, this places a considerable degree of power and discretion in the hands of the agents, potentially leading to unfair practices and illicit activities (Tamoi et al., 2014).

According to Institute of Chartered Accountants in England and Wales (2005), the central premise is that principals typically abstain from direct engagement in management activities, leaving it to the agents to advocate for the shareholders' interests. This perspective is further supported by Tamoi et al. (2014). However, the Institute of Chartered Accountants in England and Wales article underscores the presence of disparate motivations among agents, primarily driven by their self-interest, thereby complicating the establishment of mechanisms aimed at aligning their incentives with those of the principals. Moreover, the article emphasizes the inherent challenge of placing unwavering trust in these agents.

The theory of agency theory, which seeks to explain and resolve conflicts between business principles (shareholders) and their appointed agents (company executives), finds its roots in the research of Jensen and Meckling (1976) and Fama and Jensen (1986). This theory provides a foundational framework for understanding and addressing conflicts

between principals and agents in a two-party structure, allowing agents to transact on behalf of principals in the daily management of business operations (Payne & Petrenko, 2019).

In practical terms, the principal or principals have engaged the agent or agents to perform services on their behalf, delegating decision-making authority to these agents. Essentially, the agent assumes the role of decision-maker while shouldering minimal or no risk, as it is the principal who ultimately bears the brunt of losses when they occur (Borad, 2019). This framework also presupposes that, in cases where benefits such as profits accrue to the business, the principals will ultimately reap the rewards in the form of an expanded market share and higher dividend payouts (Koop & Brock, 2020).

The major challenge and dispute facing the agency theory is the issue of decision to expand the business into new markets (Borad, 2019). Whilst the agents or company executives aims to use the short-term profitability of the business in expanding into new markets in expectation of higher returns in the future, the shareholders may not be in agreement with such decision because they place a high – priority on short-term capital growth to consolidate and grow their shares (earning per share-eps) and ultimately their dividends (Gartenstein, 2019).

Another challenge facing the agency theory is the level of risks allowable to be taken by the agent on behalf of the principal due to the fact that ultimately the latter is responsible for the actions of the former. Corporate governance is commonly understood as the legal and factual system by which companies are directed and monitored to ensure that they are following the due practices, processes and procedures as outlined by law. Agency, stewardship, class hegemony, transaction cost economics, stakeholder and managerial hegemony are just a few of the many theories of corporate governance.

Considering the current study, agency theory plays a vital role as it supports the objectives theoretically which highlights the relationship between Corporate governance with banks performance in MENA region and UAE. In most financial institutions worldwide, there are always disputes between the shareholders and the executives of the financial institutions (Bendickson et al., 2016). Agency theory supports this study objectives such as investigating the impact of corporate governance on banks performance in MENA and UAE, where one of the Corporate governance mechanisms considered for the first objective was Board Remuneration. One of such reasons for such disputes is that the principals may not be in agreement with due diligence protocols and procedures for loan applicants because they may pose a great risk of non-payment and ultimately the shareholders will be liable. In order to reduce the risk and agency loss, strategies have been devised to offer incentives such as stocks to corporate leaders and managers to maximize the returns (profits) of the principals (Borad, 2019). In order to control agency costs and provide useful resources in the form of capital and finance, an effective Board of Directors has to be supported by the agency theory and the resource dependency theory. Kyerebaah-Boakye et al. (2005) have demonstrated a significant Board of Directors to Financial Performance association.

2.3.2 Stewardship Theory

The theory was attributed to Donaldson and Davis (1991) and is best regarded as the alternative to agency theory (Kavi & Rachna, 2015). The theory argues that managers must be empowered to take executive decisions because they are intrinsically motivated to work and accomplish their assigned tasks and responsibilities on behalf of shareholders who have entrusted them with such roles. As stewards, the managers' mandate is to safeguard and increase shareholders' wealth via diligent and efficient performance. The stewards are

satisfied and motivated by ensuring that corporate goals especially in relation to profitability and customer satisfaction are achieved. In this regard, the managers who are employees of the shareholders take ownership of their roles and responsibilities and work diligently to realise their targets and maximize the returns for shareholders benefits (Schillemans & Bjurstrøm, 2019).

Beasley (1996) argues that the likelihood of financial statement fraud increases when non-executive directors are on the board. Yekini, Adelopo, Andrikopoulos, and Yekini (2015) found a strong correlation between board independence and information disclosure as measured by the number of non-executive directors using text analysis and a panel data set from UK FTSE350 companies. According to their research, businesses with non-executive directors are more likely than businesses without them to disclose facts that might improve corporate performance. On the other hand, the stewardship theory maintains that inside directors have extensive understanding of the organisation, which makes them aware of vital resources that improve corporate performance (Donaldson, 1990). According to some academics, inside directors are responsible stewards of a company's resources and improve corporate success because of information asymmetry (Donaldson & Davis, 1991; Nicholson & Kiel, 2007). The number of independent directors and company performance were shown to be significantly negatively correlated by Agrawal, Knoeber, and Klein in 1996 and 1998, respectively.

Therefore, as an empirical evidence to the current study of corporate governance and financial performance in MENA region and UAE, Stewardship theory also supports this research objectives such as investigating the impact of corporate governance on banks performance as both stewardship and agency theory anticipate distinct results based on the

membership of the board. One of the first objectives is to collect different mechanisms of Corporate governance and prepare an index therefore Stewardship theory supports mechanisms such as Board's

independence and diversity. According to the argument, there are incentives for outside directors to preserve their reputation, which encourages them to exercise decision-making power (Christensen et al., 2010; Fama & Jensen, 1983). According to Rosenstein and Wyatt (1990), the percentage of independent directors has a favourable impact on a company's stock price and financial success. According to Rosenstein and Wyatt (1990) and Yekini et al. (2015), nonexecutive directors may enhance corporate performance by overseeing management.

2.3.3 Resource Dependency Theory

The resource dependency theory sometimes referred to as the class hegemony theory, emphasizes the board of directors' responsibility for supplying the necessary resources for the company organization (Zhang, 2015). They play a pivotal role in ensuring that they secure all the resources that the business entity needs from the external environment to perform successfully. The directors have the elitist view of themselves and bring the resources such as suppliers and buyers to the business entity. The directors are classified into four main categories namely business experts, insiders, support specialists and influencers (Boubaker & Nguyen, 2012). It is underlined that companies' resource-focused change strategies increase their reliance on their surroundings and other organizations which makes it important to effectively manage the "relationships of dependence on power" (Delke, 2015). According to the paradigm of resource dependence theory, power is the ability of an individual to obtain control over the resources required by others (Harris & Holden 2001).

Therefore, the power and persuasion of managers on the vendors or suppliers can have an impact on the performance of the firm, this makes it clear that the disproportionate power that results from interactions based on a resource puts pressure on the organization that is dependent on it and necessitates the acceptance of demands. One of the biggest environmental challenges that organizations face in this context is the unpredictability of resources. Resources can be referred to as inventory and non-inventory assets for a business and if there is uncertainty of resource availability then it can be defined as the absence, overabundance, or availability of critical resources; which highlights the importance of maintaining good relationships or connections with other organizations. Therefore, the importance of this theory in this study emphasis on the relationship of corporate governance mechanisms and its impact on the bank's performance. As per Berger et al. (2016) The process of establishing, directing, and maintaining the authority and resources within an organization is referred to as "corporate governance."

2.3.4 Transaction Cost Economics Theory

This theory was illustrated by Williamson (1975, 1979, 1984, 1986) and is closely related to agency theory (Ketokivi & Mahoney, 2017). The theory states that a company has a number of contracts within the company itself or through the external market through which it creates value for the company. The theory asserts that the optimum organisational structure is the one that achieves economic efficiency by their ability to reduce and minimize the costs of exchange (Young, 2013). This theory is part of corporate governance and agency theory and is based on the principle that costs will arise when you hire someone to do something on your behalf and a typical example is when you employ directors to manage a business on your behalf. It is an alternative variant of the agency theory in relation to governance assumptions and the framework is pinned on the net effects of internal and

external transactions rather than any contractual arrangements or relationships outside the firm (Ketokivi & Mahoney, 2017). In a nutshell, Transaction Cost Economics is a theory is concerned with transactions that are complex due to the challenging decision environments in a business due to uncertainty and commitments that are prone to economic loss and as such a business leader will always have to make the decision to ensure efficient transactions and avoid wastage (Ketokivi & Mahoney, 2017). Current study emphasis on the financial performance of banks in MENA region and UAE which is directly related with the involvement of board and management and their efficiency and how it impacts the performance of the banks which is directly related with research objectives.

2.3.5 Stakeholder Theory

This theory was incorporated on the basis that management of any business entity are accountable to a broad range of stakeholders such as suppliers, customers, employees, investors, government, trade associations, interested groups, business partners and the community etc. (Blackburn, 2019). It is inherent on managers to ensure that the decisions they make must be acceptable and have intrinsic value for all the interests of the major stakeholders (Price, 2019). The theory focuses on the overall effect of corporate activity on all stakeholders of the business entity rather than as opposed to only the shareholders. Interestingly, this theory is favoured by women board directors representing 71% as opposed to 54% of male directors (Price, 2019). The major concern and criticism of this theory is that it may not be practical and applicable in many corporate institutions because the decisions they make may not realistically favour the interest of all the stakeholders because of the diverse nature of their interests (Blackburn, 2019). As this study focuses on the banks of MENA and UAE, stakeholder interest plays a very importance role in the performance of the banks. According to Goergen (2012), good corporate governance provides a number of

advantages for all stakeholders, particularly for the corporation or other business entity that puts such effective practices and theories into action. Good corporate governance can go a long way toward improving the reputation of a company's brand and image in the marketplace. The confidence of all stakeholders can be increased by the public declaration of the corporate governance policies and the manner in which they are carried out. This could be evidenced that financial performance of banks could be directly related with better corporate governance practices as it builds confidence among the stakeholders.

2.3.6 Managerial Hegemony Theory

This theory is in sharp contrast of the agency theory because it posits that boards are just a legal fiction dominated by management and increasingly the management are in much control of the decision-making process in the business entity with the board playing a supportive role (Zhang, 2015). The management play a pivotal role and influence decision making because they have insider information and knowledge about the operations of the business entity as compared to the board of directors (Boubaker & Nguyen, 2018). Therefore, in a nutshell, the managerial hegemony is of the view that CEOs and management dominate the boards of directors resulting in passive and unreceptive roles for non-executive directors (NEDs) (Boubaker & Nguyen, 2012). Studying this theory emphasis on similar idea as agency theory where board and managers different interest where there is a conflict of power among the board members and manager however the reality is the power lies with the board members which supports this research objectives such as investigating the impact and role of corporate governance mechanisms on banks financial performance in MENA and UAE

2.3.7 Comparison between Agency Theory and Stewardship Theory

Agency and stewardship theories are dominant when it comes to corporate governance and the debate as to which is the best or more reliable continues unabated. Agency theory describes the contractual relationship between the shareholders and the managers. The shareholders are the employers who have selected the managers as their agents or employees to perform some duties and responsibilities on their behalf. The agency theory posits that the managers and the shareholders may have divergent interests and stakes which may not augur well for the maximization of resources to achieve accrued benefits (Kavi & Rachna, 2015). Agency theory is purely based on the recognition of conflicting interests by the principal and agent due to the fact that they have conflicting interests whilst stewardship theory is based on the premise that the principal and the agent have collaborative and overlapping interests (Schillemans & Bjurstrøm, 2019). On the other hand, stewardship theory is based on the premise of a collaborative relationship between the managers and shareholders towards the realization of a common and shared goals (Borad, 2019; Bendickson et al., 2016).

According to Johnson (2019), there are substantial contrasts between these two theories, which both centre on corporate governance and company success. Stewardship theory is based on psychology and sociology, while agency theory is based on management and economic considerations. Additionally, whereas the stewardship theory is motivated by inner desire, the agency theory is affected by extrinsic incentive

These two theories of corporate governance help explain organisational dynamics though from different and varying dimensions and assumptions (Gartenstein, 2019). Whilst principals or the shareholders are interested and focused on the growth and success of the

company, agents or the company's managers may be focused on their own success and that is the reason why the relationship is contractual to ensure an oversight over the conduct of the agents so that their actions and decisions are in the best interest of the company (Borad, 2019). Stewardship theory offers a better and more positive perspective on the relationship between the principals and agents. Both stakeholders believe that their actions and inactions will ultimately impact on their own success as well as the company's success (Kavi & Rachna, 2015).

One might conclude that stewardship theory offers the best chance of success for corporate governance when adopted, but arguably is quite complicated because both agency and stewardship theory both have costs, gaps and disadvantages (Kavi & Rachna, 2015). For instance, in agency theory, there is the moral hazard whereby the agents may engage in illegal and unethical behaviour including sharing very little information with the principals (Al Mamun et al., 2013; Payne & Petrenko, 2019). The associated cost with agency theory is the fact that principals needs to spend time and money to develop a contractual agreement and arrangement with the agents to ensure that the interests of the business entity are protected (Kavi & Rachna, 2015). These contractual arrangements must include profit sharing scheme, performance appraisal procedures and equity ownership processes for the agent(s).

Stewardship theory is based and built on trust and there is an assumption by the principal that the agent will ultimately work or act in the best interest of the business entity (Schillemans & Bjurstrøm, 2019). Stewardship theory is not aimed at material rewards but rather it is centred on immaterial rewards and founded on the model of self – actualization as in Maslow Hierarchy of Needs theory (Corbetta & Salvato (2004) cited in Schillemans &

Bjurstrøm, 2019). Nevertheless, in the competitive business environment, shareholders need to hire skilled and experienced professionals to implement successful their vision of setting up the business and most skilled professionals will always want a fair share of the profits as a compensation for their efforts and input and will need a contract that protects their own interests which is in variance with the stewardship theory where clear or formal arrangements may not be in existence (Schillemans & Bjurstrøm, 2019). In comparing the agency and stewardship theories, there are indications that suggests that the latter has a lot of advantages in corporate governance as opposed to the former because the stewardship theory has been related to a large variety of positive outcomes as opposed to other competing theoretical approaches (Menyah, 2013; Johnson, 2019). Nevertheless, there is no empirical research that indicates either agency theory or stewardship theory is the best because both theories focus on the relationship between two parties – the owner (principal) and the executive (agent or steward). Though there are varying significant characteristics the ultimate aim and objective of each of these theories is to improve organisational performance (Al Mamun et al., 2013; Menyah, 2013; Johnson, 2019).

The choice of either the agency theory or stewardship theory is dependent on the shareholders who are the owners of the business. Organisations cannot survive if they are bereft of stewardship values (Schillemans & Bjurstrøm, 2019). As such, the suggestion by Kavi and Rachna (2015) and Schillemans and Bjurstrøm (2019) is the adoption of both the agency theory and stewardship theory principles for the purpose of corporate governance because there is the need for leadership, higher standards of performance, fair and acceptable human resource policies which requires a trustworthy and loyalty from the employees or agents for the ultimate realization of corporate vision. Agency values such as structures and

systems are also relevant for effective corporate governance to ensure organic growth (Kavi & Rachna, 2015).

Summing up, the two theories – both agency and stewardship are corporate governance are well accepted in the modern world of business and the key difference is that agency theory is pinned on an economic model whilst the stewardship theory is pinned on the psychological model. The decision of the shareholders to decide which theory to apply is hinged on their vision and goals for the business they own (Menyah, 2013; Johnson, 2019).

There is very little literature on the choice of corporate governance theory that is applicable to the MENA and GCC region. Therefore, there is a desperate need to fill the gap in knowledge and empirical research into the theories applicable to the region. The ownership structure of UAE and MENA companies calls into question the relevance and impact of the agency theory which has been propounded as a defining framework in the Western and European corporate governance literature (Amico, 2014). Even though UAE and countries in the MENA region follow the International Financial Reporting Standards (IFRS) for financial disclosures, there are different corporate governance reporting requirements for listed companies and as such there is lack of comparable data for listed companies even though in recent years call has been made to harmonize the standards (Amico, 2014; Al Bassam et al., 2018).

One key finding is that in UAE and MENA companies, it is observed that corporate governance practices are adopted by listed companies largely due to pressure from regulatory bodies as opposed to using it to attract more investments, improve decision making process and improve their risk management procedures (Al Bassam et al., 2018). It is therefore imperative for more research to be conducted to ascertain the type of corporate

governance theory that is applicable to the UAE and MENA region for comparative analysis and ascertain its impact on investment decisions in the region.

2.3.8 The Impact of Corporate Governance Principles

According to Dombin (2012), good corporate governance promotes an effective wheel for the growth of economies by attracting foreign investments. Foreign investment can be encouraged as investors identify a high level of transparency within the operations and the availability of information to support their decision making. Corporate Governance practices promote an environment that ensures that stakeholder security especially among investors is ensured. This ensures that shareholders have security on their capital invested as well as gain interest on their capital invested as well.

The rate of return on invested capital and the risks associated with investment are two aspects investors usually consider prior to decision making pertaining to investments. Investors are concerned with the risks associated with loss of their investments when dividend is reduced. The practice of transparency and disclosure of accurate information is another important practice (Khalid, 2011). It is of the essence for corporate bodies to outline and publicly declare the roles and responsibilities of the management team as well as the board of directors. Subsequently, Low (2007) explained that the members of the management team as well as the board must be made accountable for their action and decisions to all other stakeholders and the entire public.

A high level of ethics associated with corporate governance helps promote foreign investments since investors are sure of being part of a system that promotes corporate ethics. The issue of sustaining a high level of ethics cannot be ruled out in the principles of corporate governance. Khalid (2011) explained that a high sense of responsibility and professionalism

is required of all members of a company's board. It is expected to design and implement a code of conduct for stakeholders not limited to the members of the company's board; its employees and management team. This is a pre-requisite to ensuring ethical and responsible decision making about managing the company on a daily basis (Clarke, 2004).

2.4 Corporate Governance Index and Its Challenges

According to Black and Yurtoglu (2016), corporate governance index (CGI) is built to measure and predict the firm's value and performance. Indices are not perfect, but it has been used widely by researchers because there are no better alternatives to be used by researchers. Due to the fact that the concept of governance is very abstract and latent rather than it being concrete and observable it raises a concern the degree to which the proxy (a governance index) measures what it claims to be measuring. To solve this issue, the authors suggested that there should be a construct validity for the CGI so that there should be a fit between the observable proxy or "construct" (governance index) and the underlying concept (governance).

It must be emphasized that in designing the CGI, the elements will have different meaning meanings in different countries and as such each construct or governance index in each country will differ from one country to another (Black & Yurtoglu, 2016). Nevertheless, commonly accepted corporate governance practices are categorized into five (5) namely commitment to corporate governance, shareholders' rights, supervisory bodies, transparency and disclosure and audit (Mallin, 2016). This corporate governance aspects and practices is corroborated by Black and Yurtoglu (2016) who asserted that in constructing their CGI for specific countries they first identified a number of aspects such as board structure, disclosure, shareholders' rights, related party transactions and ownership structure.

After the identification, their next step is to identify the elements (observable variables) that are meaningful and relevant to the aspects of corporate governance to reflect the CGI to be built for the country.

Most researchers of corporate governance including Khalid (2011), Mallin (2016), Black and Yurtoglu (2016) all accept the importance of board independence as a central component of corporate governance. However, levels of board independence vary from one country to another. For instance, in Brazil and Turkey who are emerging economies, the corporate firms have no independent directors whilst in South Korea, firms are required to have a minimum of 25% independent directors. In India, corporate firms are required to have majority independent directors or at least one-third independent director with a non-executive board chair (Black and Yurtoglu, 2016). Therefore, this presupposes that to use the fraction of independent directors or shareholders as a governance index or element would be misleading because it is useful in India and South Korea but irrelevant and of no value in Brazil and Turkey.

2.5 Corporate Governance in Gulf Cooperation Council (GCC) Countries

The business community and authorities in the GCC banking and financial sector as a fundamental driver of corporate performance recognize corporate governance (CG). Based on this premise, Pillai and Al-Malkawi (2018) conducted a study to examine the impact of internal mechanisms of corporate governance on firm performance (FP) in the GCC countries using a firm level panel data set of 349 financial and non-financial institutions who were listed in the stock exchanges of GCC countries and the results indicated that corporate governance variables such as board size, audit types, leverage, corporate social responsibility and government shareholdings all significantly affect the performance in majority of the

GCC countries giving rise to certain regulatory and managerial implications. Accordingly, the authors recommended more concerted efforts in implementing judicious and practical governance solutions in order to secure and guarantee the sustainability of GCC business especially in the banking and financial sectors.

According to Arouri et al. (2011) examined the effect of ownership structure and board characteristics on bank performance of 27 banks from GCC countries excluding Kuwait in 2008 revealed that foreign participation in the ownership structure has a significant positive impact on the bank performance whilst concentrated ownership had a negative impact on the bank performance. Their findings also indicated that governance variables such as like board size, CEO duality and institutional ownership did not have any significant impact on the bank's performance. Last but not the least, the authors asserted that GCC countries that have been successful in the banking sector are those that privatized their banks and opened up their markets to foreign direct investors and participants. Group of families whose members were directly in charge of managing the banks traditionally owned most GCC banks and there was the need for more research into the impact of the ownership structure and the performance of the bank. An interesting aspect of the research undertaken by Arouri et al (2011) indicated that concentrated ownership is negatively associated with performance and it gives rise to managerial entrancement and expropriation of minority shareholders. The findings is confirmed and corroborated by Ismail (2015) who argues that due to the Sharia 'a law and custom impact, it was sometimes difficult to get foreign participation in the ownership structure because of fundamental differences in culture and religion.

As per Platonova et al. (2018) their research examined the relationship between corporate social responsibility (CSR) and the financial performance for sampled banks in the GCC region for the period of 2000 – 2014 by generating CSR-related data via disclosure analysis of their annual reports, found out that there was a significant positive relationship between CSR disclosure and the financial performance of Islamic banks in the GCC countries. The results also indicated that there was a positive relationship between CSR disclosure and the future financial performance of GCC Islamic banks and that if this was sustained it could have a long-term impact on the financial performance of the Islamic banks.

In the research conducted by Naushad and Malik (2015) their research revealed that smaller boards are more capable for monitoring the management of Gulf Cooperation Council (GCC) banking sector and dual role of CEO are likely to improve the performance of GCC banks. Overall, this study indicated that corporate governance poses a significant influence and impact on the financial performance of GCC banking sector. Therefore, the role and impact of Corporate Social Responsibility (CSR) in the banking sector in the GCC countries cannot be relegated to the background due to its numerous benefits it offers to the banking industry.

In this study conducted by Al-Baidhani (2018), it was determined that a universal, optimal corporate governance model that may be applied to all banks in the GCC countries because the banks operate under different management, board of directors, audit function, government regulations and ownership structures. The author undertook a study to examine the impact of internal corporate governance mechanism such as board structure; ownership structure and audit function including other variables such as bank size and bank age on the performance of sampled conventional and Islamic banks in GCC countries using regression

analysis (OLS). The results revealed that there was a significant relationship between internal corporate governance and bank financial performance. Further results revealed that board meetings and bank age have positive and significant impacts on Return on Equity (ROE) whilst bank board independence and bank size have negative and significant impacts on Return on Assets (ROA). Al Baidhani (2018) opined that even though the results were consistent with previous studies, the literature indicates that the correlation and impact of internal corporate governance mechanisms on bank performance in developing countries are not well established.

According to the research conducted by El-Masry et al. (2016), they adopted a comprehensive approach, utilizing a dataset containing 900 observations from banks operating within the Gulf Cooperation Council (GCC). Analytical framework encompassed nonparametric regression, quantile analysis, and panel data analysis. These methodologies were utilized to rigorously examine and test their hypotheses and the proposed model, drawing on data derived from various financial institutions, over a period from 2003 to 2012, found out that the role duality and board size are negatively associated with risk management whilst findings indicate a positive significant relationship between governmental ownership and risk management. The results indicate that Islamic banks have a positive and significant association with risk management and future research must explore the relationship between risk management and other types of ownership structure to better understand the role of CSR in risk management.

According to the empirical analysis of corporate governance within financial institutions in the UAE, Saito (2016) uncovered noteworthy findings. Specifically, Saito's research revealed that when corporate governance is controlled by a ruler's family within the

board of directors, it exerts a positive influence on the bank's profitability and that the control by a ruler's family through a bank's board of directors compensates for the inadequacy of the UAE's corporate governance system. The author estimated models where the dependent variable was ROA and ROE, independent variable were board of director variables and control variables were bank management variables.

In this study conducted by Srairi (2019), valuable insights were gained regarding the influence of corporate transparency and corporate governance on bank risk within the Gulf Cooperation Council (GCC) countries. Twenty-nine (29) Islamic banks in GCC countries were examined over the period from 2013 – 2016 using a transparency index based on several international regulatory documents by measuring the index using the content analysis on the selected banks' annual reports. The findings revealed that there was wide variation in terms of disclosure amongst the 29 Islamic banks. Only two countries – United Arab Emirates (UAE) and Bahrain showed a higher level of transparency and there was a lack of transparency related to corporate governance, Sharia governance and management risk dimensions (Srairi, 2019). The implications of the findings bring into focus the lack of openness and full disclosure in many Islamic banks within the MENA in general and GCC in particular. There is the need to find out why Islamic banks are not forthcoming with full disclosure based on international accounting and financial standards.

In exploratory study encompassing all UAE Conventional banks (CB) and Islamic banks (IB) in the year 2015, Gebba and Aboelmaged (2016) reached a significant conclusion that both Conventional and Islamic banks have similar corporate governance structures as required by law and all the banks have board of directors, an auditor and an audit committee. The major difference identified between conventional and Islamic banks was solely

existence of Sharia ‘a Supervisory Board which was exclusive to only the Islamic Banks. However, Mohammed (2016) outline that there were main differences of corporate governance practices between Islamic Banks and Conventional bank and a variety in regards to influence of corporate governance variables on corporate governance practices.

As per this study conducted by Safiullah and Shamsuddin (2018), an investigation was carried out to analyze the distinctions between Conventional Banks (CB) and Islamic Banks (IB). This examination specifically emphasized the role of the Shari'a Supervisory Board (SSB) composition in influencing the risk profiles of Islamic banks. This study employed a sample of banks drawn from 28 different countries, they discovered that IB’s have a higher liquidity risk, lower credit risk and lower insolvency risk. Nevertheless, their research found out that there are similar operational risks in comparison with conventional banks. Operational and insolvency risks tend to decline in IB’s when there was an increase in SSB size and SSB members with academic qualifications but then it increased if the number of reputed Shariah scholars on the SSB increased. From the standpoint of Abdul Basith et al. (2020), their research aimed to investigate the level and trajectory of corporate governance disclosure and adherence among listed Commercial Banks (CBs) and Islamic Banks (IBs) in Qatar, the United Arab Emirates (UAE), and the Kingdom of Saudi Arabia (KSA). Their findings revealed that, in this context, Commercial Banks (CBs) exhibited a higher degree of compliance when compared to Islamic Banks (IBs). Accordingly, the authors were of the view that their findings would help the banks to better understand their current compliance of corporate governance disclosure practices in order to identify the challenges and reduce the gap of non-compliance. Lastly, shareholders and investors would better understand the current corporate governance disclosures to better evaluate their performance and governance for investment decision purposes.

From the literature reviewed so far it is very clear and unblemished that the issue of corporate governance (CG) in the banking sector in the Gulf Cooperation Council (GCC) countries has become a topical issue because the banking sector in the GCC comprises of conventional and Islamic banks that largely has ensured the relative stability in the region. Nevertheless, according to Dalwai et al. (2015) there is the need for further research on corporate governance impact on the banking sector in the GCC due to limited studies on the relationship of GCC sector conventional banks (CB's) and Islamic banks (IB's). there is therefore the need for further research to determine why full disclosure especially by IB's is not forthcoming as compared to CB's (Srairi 2019).

2.6 Corporate Governance in the UAE

UAE is the second largest economy in terms of GDP in the Gulf Region with the availability of modern infrastructural reforms and an economy dependent on oil and natural gas production. In the UAE, corporate governance requirements for all companies listed on the NASDAQ stock exchange are similar to those applicable to the UK. It is a requirement for companies in the UAE to have a corporate governance framework which is adequate to promote and support sound management in the long-term interests of the organization and its stakeholders especially the shareholders (Nasdaq Dubai, 2020).

Corporate governance in the UAE was commenced by the Hawkamah Institute in 2006 in collaboration with international organizations including the OECD, International Finance Corporation (IFC), the World Bank as well as other regional organization's such as the Union of Arab Banks and the Dubai International Financial Centre (DIFC) Authority. In 2007, the Security and Commodities Authority (CSA) issued a code of corporate governance

which was amended by the Ministry of Economy's Decision No. 518 of 2009 (Nobanee & Ellili, 2014).

In the UAE, the companies listed on the stock exchange are obliged to comply and implement seven subsidiary governance principles and accordingly to Nasdaq Dubai (2020) these are board of directors, division of responsibilities, board composition and resources, risk management and internal control systems, shareholder's rights and effective dialogue, positions and prospects and finally remuneration. In relation to Board of Directors, every listed company must have an effective board which is accountable for ensuring sound management. In division of responsibilities, there should be a separation of functions between the setting of the strategic objectives of the company and the operational objectives of the corporate entity. The board members must have the appropriate skills, knowledge and experience about the company's line of business. The board must also put in place an effective risk management and internal control and compliance framework. The shareholder's rights and protection must be ensured especially the minority shareholders who have more risks. The Board must ensure that the financial position of the corporate entity is accurate and reflect the true state of affairs within the organization. Lastly, the remuneration package for the board must be structured and aligned with its long-term interests.

In addition, in the UAE, there are many corporate governance requirements that apply to private sector companies and are listed on the Abu Dhabi Securities Exchange (ADX) and the Dubai Financial Market (DFM). In addition, all financial institutions regulated by the Central Bank of the UAE must conform to these corporate governance requirements (TMF Group, 2019). All the listed financial institutions must comply with the

following Securities and Commodities Authority (SCA) Corporate Governance Code which was enacted in 2009. As per TMF Group, 2019 which is a global management entity who provides multinational professional service emphasis on some main points related to Corporate Governance Code such as having at least one of the directors as independent directors whereas managing director and chairman must be two different individuals. Board of directors should conduct regular meetings at least every two months and a compliance officer should also be appointed. Three essential committees should be formed such as Audit, nomination and remuneration committee. And to evaluate all implication board should also have an internal control system in place and company should also submit a yearly report to Securities and Commodities Authority UAE (SCA).

The Central Bank of the UAE in 2010 made a draft corporate governance law which never officially became a law, nevertheless the law has been complied by all banks across the UAE and serves as a minimum standard for the Central Bank inspections of the financial institutions. The elements and aspects of the corporate governance requirements are similar to the international standards in relation of the board composition and other elements such as separation of ownership and control, separation of board committees, audits and risk controls are all inclusive of the law (TMF, 2019). In addition, there are other provision of the law which includes appointing an independent chairman and CEO, setting a corporate standard manual and ensuring that senior personnel must be approved by the board.

2.7 Impact of Corporate Governance on Financial Performance in the UAE

The bank and financial sector play a pivotal role in the UAE economy by providing finance to businesses and providing other financial services to help develop the economy. Since the introduction and implementation of corporate governance principles and standards,

there has been a significant and positive relationship between corporate governance and the financial institutions in the UAE. Gebba and Aboelmaged (2016) were of the view that CG has indeed enhanced the effectiveness of financial institutions in the UAE because the role of CG is central to controlling management strategies, policies, decisions and actions aimed at protecting shareholders interest.

As per Pillai and Al-Malkawi (2016) GCC countries has an internal mechanism of Corporate Governance in their Framework and also mentions that governance concept is still under progress for all the countries which fall under GCC, Corporate Governance originated back in 2000 by GCC countries due to the many crises faced by financial markets. Later in 2008 – 2009 Dubai started focusing on debt repayments adding the distresses from the defaulter of Saudi business families made it clear that countries in GCC has weak regulatory environment.

When comparing performance of other emerging markets with GCC countries these countries are considered to be safe for investors as stakeholders have been demanded for transparency and accountability of information. As per Institutional Shareholder Services (2014) reports 85% of the UAE companies and 88% of companies from Qatar did not disclose Corporate governance reports whereas only 18% and 16% of the companies in UAE as well as in Qatar did not publish their annual reports regularly.

2.8 Corporate Governance in MENA

As per Cuomo, Mallin, and Zattoni, (2016) most of the Corporate Governance codes have been produced in industrialized nations, where CG principles are still most prevalent. Despite still trailing behind, Corporate Governance practices and recent studies in the MENA region are beginning to pick up momentum. Organization for Economic Co-

operation and Development (OECD) has come forward to support the governments and private organizations in the region to launch different campaigns with an aim of promoting governance reforms. The initiative was born out of the belief that MENA countries, while undergoing economic and political changes, have significant potential for growth (OECD, 2019). Family-owned company executives, who make up a substantial chunk of the MENA region's economy, think that CG makes it easier for one generation to succeed another (CIPE, 2011). The emergence of a few CG institutions or executives demonstrates the interest in CG and the expanding need for CG knowledge, training, and best practices in the MENA area (CIPE, 2011). It is important to note that one of the main economic sectors in the MENA area is the banking industry. Banks made up 51% of the top 100 publicly traded firms in the Middle East in 2019 (Forbes, 2019), which explains why, in contrast to research on CG in other regions, many CG articles about the MENA region focus on the banking industry.

2.9 Corporate Governance Mechanism

2.9.1 Board of Directors (BOD)

Firm’s performance can be linked to many board characteristics one of it could be Board composition as it is a significant trait of the BOD’s. According to agency theory, boards must be predominately made up of independent, external directors in order to oversee managerial choices and balance agent and principal conflict of interest. There was no discernible correlation between board composition and performance, according to Hermalin and Weisbach (1991). But according to Yermack (1996) and Klein (1998), having a lot of independent directors (outside directors) can hurt a company's performance. Additionally, Bhagat and Bolton (2008) discovered a strong and unfavorable association between board independence and operating performance prior to 2002, but a large and positive relationship following 2002. Directors' stock holding is consistently, significantly associated in a good

way. The directors' stock ownership is consistently, significantly correlated with their performance over each of the subperiods. Müller (2014) shown using return on assets that the independence of the Board of Directors and the percentage of foreign managers among all directors have a considerable favorable impact on the operational performance of the company in the present and the future (ROA). Research on corporate governance in emerging markets has yielded varied results, notwithstanding the heavy emphasis of earlier studies on businesses in industrialized nations. El Mehdi (2007) discovered that, for a sample of Tunisian listed companies, board size has a favorable impact on business valuation. Mashayekhi and Bazaz's (2008) research demonstrated a negative correlation between board size and business performance. Furthermore, they show that outside (independent) directors and company performance have a positive correlation in Iran. According to Jaafar and El-Shawa (2014), board size significantly and favourably affects business performance. Ezzine (2011) discovered an adverse association between the performance of the stock price and the size, composition, and leadership of the board. As per Mardnly et al. (2018) results show that Board characteristics positively affect firm performance.

2.9.2 Ownership Structure

According to Berle and Means (1932), ownership has an impact on a company's success, and they advise separating ownership and control when a company goes public. By separating ownership and control, managerial competence and industry-specific knowledge should increase professionalism (Fama and Jensen, 1983). However, agency theory contends that the separation of ownership and control creates conflicts of interest (Berle and Means, 1932), which in turn motivate managers to seize property (Fama, 1980; Shleifer and Vishny, 1997). The issue of management opportunism is made worse by the dispersion of corporate ownership. Dispersed owners lack the willpower and resources to punish inept managers (La

Porta et al., 1999). Conversely, focused owners have the means and the desire to intimidate managers by endangering their employment using voting rights. One of the advantages of concentrated ownership is that they can use their skills and assets to strengthen a company's resource base which will inline help businesses operating in less generous conditions or when the size of the business is not very huge (Carney & Gedajlovic, 2001). Despite the advantages already noted, concentrated ownership has certain drawbacks. For instance, controlling owners could divert funds away from minority stockholders (La Porta et al., 1999). Resources are tunneled when profits and assets are routinely transferred to the advantage of the majority stockholders. While limiting principal-agent conflict in this instance, ownership concentration produces a different kind of agency issue known as principal-principal conflict. This conflict refers to agency problem which can be an issue of corporate governance, it lacks measures for protecting and enforcing minority shareholders (Dharwadkar et al., 2000).

In New Zealand, the institutional framework for economic activity is well established. As a result, principal-principal agency conflicts are unlikely to occur from ownership concentration in the setting of this study. Managers make strategic decisions that are better for the company than for themselves as agency difficulties are reduced. Such decision-making is likely to lead to better utilization of a company's available resources and competencies, which should produce a higher return on assets. As per the findings of Gaur et al., (2015), ownership concentration will be positively associated with firm performance.

An important instrument for balancing the interests of managers and shareholders is the ownership structure. It is widely accepted that concentrated ownership, as part of the ownership structure, gives large shareholders incentives to keep an eye on management.

Managerial ownership, according to Bhagat and Carey (1999), provides a direct economic incentive for managers to engage in active monitoring but may also increase risk-taking (Demsetz, 1983). According to La Porta et al. (1997), ownership concentration and its varied array of control mechanisms are the result of insufficient investor protection. Large block holders may have more incentive to improve firm performance and oversee management as their ownership position in the company grows than scattered shareholders. Large owners have a stake in both recovering their investment and maintaining control. Ownership concentration, according to Omran et al. (2008), is an organic reaction to inadequate investor protection under the law. Nevertheless, they found no evidence of a major impact of ownership concentration on business performance in their analysis, which focused on a group of Arab nations (Egypt, Jordan, Oman, and Tunisia). On the contrary, ownership concentration has a considerable negative correlation with the value and profitability of large UK enterprises, as demonstrated by Demsetz and Lehn (1985) and Leech and Leahy (1991). Widespread ownership offers investors improved risk diversification and increased stock liquidity. Contrarily, more concentration imposes rising risk premia as the firm gets bigger due to high risk aversion. Despite the arguments above, we can contend that strong ownership in Syria can be replaced by highly concentrated ownership. Findings of Mardnly et al. (2018) states that ownership concentration positively affects firm performance.

2.9.3 Board Size

According to Pillai and Al-Malkawi (2017) many prior research such as Coleman and Biekpe (2007), Haniffa and Hudaib (2006), and Aljifri and Mustafa (2007) find a negative Board of directors to Financial Performance association in the Gulf Cooperation Council environment, although with differing degrees of significance. The presence of a smaller board with such expertise is preferred in light of the agency theory criticisms of a

large board as well as unique board features to the Gulf Cooperation Council, , wherein the participation of a minimum number of independent directors and directors acting in comparable positions on other boards is essential to give useful advice. Therefore, there is a negative relation between BOD and Financial Performance.

Organizational theory states that decision-making on boards with several members takes comparatively longer (Steiner, 1972). Board size was emphasized as a value-relevant characteristic of corporate boards by Jensen (1993). Empirical research has demonstrated that the market values businesses with small boards of directors (Lipton & Lorsch, 1992; Yermack, 1996; Sanda et al, 2005; Eisenberg et al, 1998). Furthermore, it is asserted that when the size of the board is excessive, the CEO looks to possess authority and control (Cheng, 2008; Eisenberg et al, 1998; Jensen, 1993; Singh & =Davidson, 2003; Yermack, 1996; Mohamed et al., 2017). Large boards also experience processing issues and significant coordination costs, which makes it difficult for them to make decisions. Additionally, smaller boards offer more potential for performance enhancement as they can be more active in taking decisions. Sectorial features also have an influence. For instance, Huang (2010) demonstrates that there is a positive association between the size of the board and company performance in Taiwan, contrary to Staikouras et al. (2007) 's analysis that finds a negative relationship between board size and firm’s performance in European banks. According to Mertzanis et al. (2018) there is a negative relationship between the size of the board and firm performance.

According to Al-Hares et al. (2019) there is a correlation between board size and voluntary disclosure of corporate governance information. Neo-institutional theory claims that big boards are more effective than small boards in monitoring management and

advancing shareholders' interests, because they are less susceptible to being swayed by a powerful CEO. According to the legitimization viewpoint of neo-institutional theory, larger boards are more successful at offering better and more knowledgeable counselling since some of the directors may understand the company and management experience. However, from the standpoint of efficiency, some studies have indicated that huge boards might suffer from a lack of coordination, clog channels of communication between Board members.

As per Puni and Anlesinya, (2020) board size positively influences firm performance. Board size refers to the number of independent directors (inside and outside) of a company's board of directors (Malik and Makhdoom, 2016). The agency hypothesis indicates that a board should include a significant number of members in order to improve interaction and communication within the board. The notion holds that excessively big boards have a propensity to lose coordination and experience communication difficulties, which are likely to raise agency expenses. Using data from companies listed on the New Zealand Stock Exchange between 2004 and 2007, Gaur et al. (2015) found that board size positively impacted financial performance. Recent empirical study (Switzer & Tang, 2009; Guo & Kumara, 2012) reveals, however, that a large board size may significantly impair a firm's value and performance. A large board size is thought to have sufficient human resources, which are anticipated to be used to resolve concerns of information asymmetry by conducting closer examination of revealed financial information (Barako et al., 2006) to stop fraud and breaches of financial reporting rules (Zgarni et al., 2016).

Anderson et al. (2004) and Kyere and Ausloos (2021) suggests that companies with large board size achieve superior financial performance. The economic theories demonstrate that the board of directors plays a crucial role in the corporate governance system (Fama &

Jensen, 1983). The shareholders' worry is whether the board of directors is competent to supervise and direct management to work in the owners' best interests. The prevailing belief is that organisations with a sizable board are more likely to have effective oversight that can boost company performance. Anderson, Manib, and Reeb (2004) and Williams, Fadil, and Armstong (2005) suggested that a big board is more likely to contain the specialised skills necessary for increased performance efficiency. Haniffa and Hudaib (2006) also discovered an association between board size and financial success. Researchers have provided a second theory on the effect of board size on performance, stating that restricting board size promotes communication and decision-making (Akshita & Sharma, 2015; Christensen et al., 2010; Jensen, 1993; Lipton & Lorsch, 1992; Yermack, 1996). Lipton and Lorsch (1992) stated that the maximum number of board members should be ten. Yermack (1996) found a negative correlation between board size and market valuation as assessed by Tobin's Q. In this regard, Akshita and Sharma (2015) made the intriguing discovery that a large number of board directors is viewed as a costly affair for a company, thereby harming its performance. Large board size had a negative impact on bank performance during the COVID-19 pandemic period in the MENA region. (El-Chaarani et al., 2022) If the board sizes are large it can be a source of poor performance owing to coordination and control issues or higher decision-making time requirements (Pathan & Faff 2012; Bhattrai 2017; Lamichhane 2018). Nepal is a low-income developing country comparable to the former French colonies in North Africa, hence studies of Nepalese banks may be more pertinent than those undertaken in affluent nations. Bhattrai (2017) discovered evidence of board member conflict in big boards of Nepalese banks. Similarly, Chenini and Anis (2018) discovered that the presence of a big board significantly impacted bank performance. They contended that a large board of directors weakened the effectiveness of governance procedures and, thus, led to a decline in

bank performance. An extremely big board may lose focus during a pandemic because each member has various objectives and viewpoints about the necessary remedial measures to be performed. The board needs to be focused and oriented on helping management cut costs and identify new income streams.

2.9.4 Board Independence

According to Mertzanis et al. (2018) the relative size of non-executive directors in the board has a positive relationship with firm performance. Greater number of nonexecutive directors in the board indicates more board independence in decision-making. However, the relationship between board composition and company success is unclear, both theoretically and empirically. Stewardship theory contends that executive directors (inside) are better able to monitor and control senior management since they are more acquainted with a company's operations. Furthermore, the unwillingness of CEOs to divulge facts in the presence of more impartial boards may reduce shareholder value (Adams and Ferreira, 2007). The agency theory, on the other hand, contends that nonexecutive directors may function as "professional referees" to ensure that internal competition promotes actions consistent with maximising shareholder value (Fama, 1980; Demsetz & Lehn, 1985). External directors may actively protect the interests of shareholders by performing some effective and efficient decision-making (Cotter et al. 1997; Weisbach, 1988).

Non-executive directors are apart from management and work for another company. From the perspective of efficiency, neo-institutional theory claims that boards of directors comprised of more Because they have no specific ties to the company's operations or management, non-executive directors often succeed in protecting shareholders' interests more successfully. Additionally, outside directors contribute a wealth of specialized

knowledge in the areas of technology, law, and financial markets. From a legitimating standpoint, Neoinstitutional theory asserts that independent non-executive directors promote stronger participation from external stakeholders, reducing legitimacy problems based on separation of ownership and control, and promoting more voluntary disclosure. Similarly, there are favorable findings in certain MENA nations. There is a positive association between the proportion of non-executive directors and the level of voluntary corporate governance disclosure (Al-Hares et al., 2019).

One of the corporate governance strategies to ensure an appropriate balance of power on the board is Board composition so that no one person or group of people controls the board's decision-making. McColgan (2001) contends that board effectiveness is attained when the makeup of the board separates the decision management and control duties. According to Ayuso and Argandoa (2007) and Shivdasani and Zengin (2005), boards with a majority of independent outside directors who have no familial links, financial relationship, employment, professional services, or interlaced directorship with management are independent and successful. Outside directors, also known as independent or non-executive directors, are typically seen as specialists who would contribute their expertise to the board in order to favorably impact corporate governance results (Haniffa & Cooke, 2002). Moreover, greater participation of non-executive directors helps in greater transparency.

Maseda et al. (2015) investigated 369 family-owned small and medium-sized firms (SMEs) in Spain and discovered an inverted U-shaped link between the number of outside directors and the firm's performance. They believed that a mix of insiders and outsiders on the board is necessary for improving the performance of businesses. Song et al. (2017) also determined that there is a substantial positive association between inside directors and

business performance in the Pennsylvania restaurant industry. In Romania, however, Borlea et al. (2017) discovered that a greater representation of outside directors and a balance between internal and outside directors had no effect on business performance (Tobin's Q and return on assets). Previously, Hermalin and Weisbach (1991) found no correlation between board makeup and company success. Cavaco et al. (2016), on the other hand, discovered a considerable negative effect of outside directors on the financial performance of French listed enterprises. Outside independent directors have a favourable impact on business success. 2020 (Puni & Anlesinya). Businesses with a high percentage of independent directors have successful financial outcomes (Beasley, 1996; Donaldson, 1990. According to El-Chaarani et al. (2022) the presence of independent members on the board of directors had a positive impact on bank performance during the COVID-19 pandemic period in the MENA region. Besides sitting fees, an independent director has no tangible stake in the bank. As a result, these persons cannot take top management positions, implying that they would be unbiased in evaluating the performance of management.

In light of this, the Basel Committee (2015), which defines worldwide standards for bank regulation, advised that the board of directors be competent and independent in order to manage bank risk and enhance bank performance. During a pandemic, unbiased assessments of management performance are vital, as the board must objectively evaluate the various measures used to improve liquidity and replace lost fee income. Independent board members must be able to support good new tactics while rejecting ineffective ones, regardless of management objections. Studies of bank performance during non-pandemic periods provide some empirical support for the good influence of independent directors on the board. In a study of 158 listed banks in 9 countries, Garca-Meca et al. (2015) discovered that the number of independent board members positively improved the performance of

banks as assessed by return on assets and Tobin's Q. Another research of 293 banks listed on the Indonesian stock exchange revealed that the independent board of directors had a beneficial effect on bank performance (Handriani and Robiyanto 2019). An analysis of 207 failed banks revealed that independent boards were more effective at searching for information, providing recommendations, and gaining access to necessary money (Arora 2018).

2.9.5 Board Diversify

The diversity of the board can be simply explained as the specific attributes and features of the members of the corporate board of directors that includes their age, gender, nationality, experience and education etc. The corporate board is seen as a vital internal governance mechanism which plays a critical role in enhancing corporate growth and resolving agency problems (Ciftci et al., 2019). The composition of corporate boards is from diverse backgrounds who are all poised to support the growth of the corporate organization (Borlea et al., 2017). The inclusivity and diversity of board members ensures and allows a greater and in-depth views of formulating creative solutions to challenging problems in the corporate environment (Fatemi et al., 2018 and Luo et al, 2015). The inclusion of female board members with prior experience on corporate management and leadership tends to ensure that rich diverse opinions and suggestions that are useful are contributed to improve and enhance corporate governance (Wagn, 2020). Experienced and competent females who are included on boards helps to calm difficulties associated with reaching consensus and their presence also enhances the effectiveness of decisions taken (Fakoya & Nakeng, 2019; Gupta et al., 2014; Kyaw et al., 2017).

Promoting gender diversity on the strategic levels has emerged as one of the crucial CG objectives for contemporary organizations worldwide (Carter, Simkins, & Simpson, 2003; OECD, 2019a). Because of this, initiatives are being undertaken in the MENA to promote the involvement of more women at all levels of corporate decision-making (Bokhari & Hashmi, 2016). Despite this, there are still very few women in senior management positions and on corporate boards in the MENA area, necessitating research on the obstacles to and enablers of greater female involvement in leadership and governance in MENA region.

Based on the stakeholder theory, when females who are on the board tends to deliver their role more effectively because they are focused and attentive to details and their presence ensures that the interests of stakeholders are well taken care of and this in turn leads to an enhanced and better performance of the corporate organizations they serve (Adams et al., 2011 and Carter et al., 2010). The Agency theory on the other hand contends that the existence of females on corporate boards tends to ameliorate the performance of the board and diminish the dominant role of the males in making vital decisions (Hilman, 2015; Fauzi & Locke, 2012). It must be emphasized that numerous studies have made mention of the multi-tasked role played by females on corporate boards and their ability to support and monitor their male counterparts effectively in ensuring that their assigned duties and responsibilities are achieved efficiently (Carter et al., 2010 and Adam & Ferreira, 2009). In conclusion, corporate firms that have more female directors on the board, tends to play a positive impact on the growth of the firms by helping to make vital decisions that proves to be successful (Fakoya & Nakeng, 2019, Gupta et al., 2014; Kyaw et al., 2017).

There is a major significant positive relationship between gender diversity and corporate performance (Mertzanis et al., 2018). Arguably, the presence of females on boards of corporate banks has brought about diverse and varied experiences in relation to effective decision-making. Making vital decisions in reaction to pandemic situations and once in a generation event such as COVID-19 are vital to the success of corporate institutions (Mustafa et al., 2022). The development of effective and innovative strategies to enhance and improve bank's liquidity amidst falling crude oil prices, trade disruptions due to numerous conflicts in various parts of the world, and rising cost of goods and services etc. (Fakoya & Nakeng, 2019). Women who have various experiences and coming from a range of backgrounds may prove vital to offer creative solutions in environments that restricted their opportunities (Fakoya & Nakeng, 2019). There is empirical evidence to contend that the presence of women in vital top managerial positions tend to improve decision making process (Hays – Thomas, 2004). This assertion is corroborated by the studies by both García-Meca et al. (2015) and Mertzanis et al. (2019) who asserted that in banks, female board members tend to have a positive impact on ROA. The presence of women on the board of directors of banks in the MENA region had a positive impact on bank performance during the COVID-19 pandemic period. (El-Chaarani et al., 2022).

2.9.6 Board Meetings

The time of board meeting is an important tool and resource that can help improve the relevance and effectiveness of the boards in corporate institutions (Conger et al., 1998). The greater the frequency of board meetings, there is the likelihood that it will impact positively on the corporate institution and lead to improved performance (Lipton & Lorsch, 1992). Nonattendance to board meetings may lead directors to offer ineffective advice to support management, however if there is regular attendance to board meetings by all

members of the board, it will lead to proper understanding of the situation faced by the corporate entity (Lipton & Lorsch, 1992) and board meetings positively influence firm performance (Das & Dey, 2016).

The attendance to board meetings is an integral part of the supervisory role expected from board members and this must not be abused with non-attendance (Ntim, 2009). The ability of a board member to be frequent and punctual to board meetings will demonstrate their effectiveness in terms of meeting their assigned responsibilities (Lipton & Lorsch, 1992). Decisions that are taken during board meetings are relevant in minimizing the conflict-ofinterest issues and the agency cost, the ability of board members to be frequent in board meetings will be vital in ensuring that there is the effective maximization of the principal's value (Ntim & Osei, 2013). Directors who are able to frequently participate in board meetings on a regular basis tend to have first-hand knowledge of the current events and challenges within the firm and accordingly evaluate the situation to better get sustainable and effective solutions (Vefeas, 1999). Nevertheless, Vefeas (1999) asserted that the fact that the frequency to board meetings by directors does not necessarily linked to the maximization of shareholder's value because majority of its proceedings are used in the deliberations of management report and other routine processes of the board. Outside directors who are not involved in the day-to-day running of the company are left with limited time to ask executive management vital questions thereby limiting the monitoring role, increasing the agency cost and reducing corporate performance (Lipton & Lorsch, 1992) and board meeting positively influence firm performance (Puni & Anlesinya, 2020).

2.9.7 Remuneration

In relation to remuneration, a committee for remuneration develops policies for compensation and other related issues in most corporate organisations. The remuneration committee is independent of the directors so that the compensation structure and system that will be developed and designed does not benefit only the management and the board and at the expense of shareholders and other vital stakeholders in the organisation (Agyemang & Castellini, 2013a). Makhlouf et al. (2014) contends that listed firms from Jordan with dedicated compensation committees played a vital role and impact on the financial performance of the organisation. In a similar situation, a research by Muller (2014) revealed that firms in the London Stock Exchange that have board compensation characteristics tend to have a positive impact on the firm's financial performances especially their ROA. Nevertheless, Borlea et al. (2017) contends that there was no impact on the firm's performance (Tobin's Q or ROA) when a compensation committee was established in Romania. Anderson and Bizjak (2003) and Vafeas (2003) found a negative relationship between executive remuneration and firm performance after they investigated the effect of remuneration committee on firm performance using 110 and 271 US public companies from 1985 to 1998 and 1991 to 1997, respectively and remuneration committee positively influence firm performance (Puni & Anlesinya, 2020).

Das and Dey (2016) advised that the remuneration / compensation committee takes absolute control of the remuneration procedures, practices, policies and procedures so that they can effectively manage it (Balasubramanian, 2010). The remuneration / compensation committee must protectively and defensibly guard their inherent rights over executive remuneration (Balasubramanian, 2010). Notwithstanding, the role played by the board cannot be downplayed and as such their compensation package can be a significant role in

motivating them to take vital decisions for the betterment of the corporate firm they belong to. Board compensation positively influences firm performance.

The global crisis in 2008 brought about an important debate on the need to review compensation package for executives and board members (OECD). The compensation package for CEO's came under intense scrutiny from the media, regulators and principal setters (Lagasio, 2018). Some CEO's engaged in moderate risk-taking activities to find alternative income streams / revenue during the pandemic and refrained from agency behaviour or related activities. Other CEOs also applied the managerial power theory and engaged in reckless and risky ventures that diminished the performance of their firms (Bebchuk & Weisbach, 2010). The vital question that needs to be answered is whether compensation should be used to curb risk-taking during an emergency such as a pandemic, or should it be encouraged? Should experimentation with new financial instruments relevant when traditional sources of finance fail during a pandemic? The presence of a performance-based compensation plan had a positive impact on bank performance during the COVID-19 pandemic period (El-Chaarani et al., 2022).

2.9.8 Leverage

Leverage plays an important role in the capital structure of corporate organisations because it details the extent of debt in the capital structure of corporate firms. Based on the agency theory, the inclusion of debt reduces the cost of equity externally and increases the value of the firm because managers are motivated to align their interests with that of the equity holders (shareholders) and this impacts positively by reducing agency cost. Agency costs can increase between shareholders and debt holders if the former decides to invest in riskier ventures and projects because they will receive the gains from their investment if the

returns are above the debt value (Fama & Miller, 1972). The issuing of debt through bonds has it underlying effects such as the monitoring role of the creditors to protect and reassure their investments (Myers, 1977), reduction of the conflicts between managers and shareholders due to underinvestment (Malkawi and Pillai,2013), assurance of getting their investments back and the benefits accrued to high performing companies due to their low refinancing risk (Diamond, 1991) are just a few of the challenges associated with debt financing. Studies by Al-Malkawi and Pillai (2013); AlSaidi (2010); Aljifri and Moustafa (2007); Haniffa & Hudaib (2006); Chhibber and Majumdar (1998) and McConnell & Servaes (1995) indicates a significant leverage (LEV) and Financial Performance (FP) relationship. Nevertheless, studies conducted in the GCC revealed a negative LEV-FB relationship due to the general immaturity of the financial markets and this is the basis to postulate a negative LEV and FP relationship (Pillai & Al-Malkawi, 2017).

2.9.9 Firm Size

When evaluating financial performance, size of a business becomes a crucial factor since larger companies may have more agency issues and hence need the incorporation of robust governance systems (Klapper & Love, 2004; Himmelberg et al., 1999). In previous literatures of Corporate Governance research firm size has been considered as control variables (see Al-Matari et al., 2012; Shan & McIver, 2011; Loderer & Weelchli, 2010; Jackling & Johl, 2009).

Evidence suggests that bigger companies benefit from higher economies of scale, enjoy popular support, avoid regulatory scrutiny, and get positive reviews. Although these businesses are more likely to use effective financial reporting systems, there is a higher likelihood of manipulation since advanced systems make it harder for external auditors to

spot fraud (Johnson, Khurana & Reynolds, 2002). The bulk of the enterprises in the GCC are significant in terms of market capitalization, according to the GCC setting, where access to enormous financing possibilities is made possible by the existence of ownership concentration by substantial wealthy families and the simple accessibility to loans. Many studies have suggested that there is a positive relationship between firm size and Financial Performance, in line with the theory surrounding firms' size that a larger firm benefits from economies of scale and specialization as well as the emergence of a positive relationship in prior studies (Al-Malkawi & Pillai, 2013; Fallatah & Dickins, 2012; Aljifri & Mustafa, 2007) related to the GCC business environment. The correlation between market capitalization and Financial Performance is favourable (Pillai & Al-Malkawi, 2017).

2.9.10 Ownership Concentration

The issue of ownership which is a key factor of corporate governance mechanism due to its impact on organizational performance has become a topical issue around the globe in general but in the MENA region in particular due to the fact that ownership of organizations in the countries are mainly concentrated in smaller groups of people (Al-Najjar, 2010) which is also similar to the South Korean Chaebol and the Japanese Keretsu (Orbay & Yurtoglu, 2006). Concentrated ownership has the tendency to give certain shareholders a higher discretion and powers of voting in the governance structure of these organizations and this can negatively affect their performance in countries such as Turkey (Orbay & Yurtoglu, 2006), Bahrain (Khamis et al., 2015), and Saudi Arabia (Buallay et al., 2017). Arguably, on the other hand, companies in Turkey that offer their shareholders the right to take active role in decisions which are related to capital tends to increase on their financial performance (Orbay & Yurtoglu, 2006). Research undertaken by Abu-Ghunmi, Bino, and Tayeh (2015) who analysed a sample of 116 stocks which were listed on the

Amman Stock Exchange came out with the conclusion that ownership which were concentrated in the hands of large stakeholders tends to decrease the organization's distinctive risk and weakens the quality of the reporting of its financial performance. A study by Shanikat and Abbadi (2011) revealed that minority shareholders were allowed to take part in some decision-making process but were not allowed to take part in any major decisions such as the sale of a major asset.

The concentration of ownership helps to moderate the relationship between good governance and corporate performance based on a sample study of GCC organizations undertaken by Abdallah and Ismail (2017). Their study revealed that low levels of ownership concentration approximately 5 to 10 percent ownership helped to maintain positive relationship between good governance and corporate performance, however, a higher level of ownership made this relationship very irrelevant (Abdallah & Ismail, 2017). Hague and Brown (2017) asserted that ownership concentration improves cost efficiency but not profit efficiency especially in the banking sector, nevertheless, most studies recommend more disseminated and dispersed ownership to ensure quality and improved governance and help to improve organizational performance (Abdallah & Ismail, 2017).

2.10 Corporate Governance and Bank's Performance

Ahmed and Hamdan (2015) investigated how Bahraini listed firms' financial performance was impacted by CG. The findings show a substantial correlation between corporate governance and return on equity (ROE). Evidence of the effect of corporate governance on the financial performance of the SME was offered by Afrifa and Tauringana (2015). The findings demonstrate that board size has a detrimental effect on ROE. According to Al-Haddad et al. (2011), CG greatly increased the value of the Jordanian company. Gupta

and Sharma (2014) discovered, therefore, that CG had little effect on the financial success of South Korean and Indian firms.

According to Al-Ghamdi and Rhodes (2015), there is no connection between operational effectiveness and Saudi enterprises' governance policies (ROA). Contrarily, Ahmed and Hamdan (2015) discovered a substantial correlation between Bahraini business performance and CG. In Bahraini listed firms, governance and return on assets (ROA) have been shown to be significantly correlated by Khamis et al. (2015). Fallatah and Dickins (2012) looked at the connection between CG and company performance in Saudi-listed businesses and found no connection between the two. Guo and Kga (2012) discovered that the operational performance is inversely correlated with the size of the board in Sri Lanka. However, Fooladi (2011) discovered that CG had a negative correlation with ROA in Malaysia. A different study conducted in China that Sami et al. (2011) used also discovered a favourable relationship between corporate governance and operational performance. Mohammed (2012) investigates how CG affects the efficiency of Nigerian banks. He discovered a strong correlation between CG and ROA. According to research by Fallatah and Dickins (2012), in Saudi Arabian enterprises, corporate governance is positively correlated with market performance (Tobin's Q). Furthermore, Siddiqui (2014) discovered that the significance of the firm's performance as assessed by Tobin's Q. Additionally, Al-Ghamdi and Rhodes (2015) discovered a substantial positive link between ownership structure and Tobin's Q. Corporate governance, according to Al-Matari et al. (2012), does not significantly affect market performance.

2.10.1 Bank Size and Bank Performance:

The effect of bank size on bank performance has been examined in a number of researches. According to research by Berger et al. (2009), there is a correlation between bank size and profitability, indicating that larger banks often have higher profits because of economies of scale and scope. Although there is a link, it is not a straight line, and some research have indicated that very large banks may have difficulties with regard to managerial effectiveness and risk management (Casu & Girardone, 2009). Market circumstances and regulatory frameworks are just two of the variables that have an impact on the size-performance connection (Bikker & Hu, 2002).

2.10.2 GDP and Bank Performance:

The macroeconomic climate, as shown in the growth of a nation's GDP, has a big impact on how well banks function. According to Beck, et al. (2013), banks in nations with higher GDP growth often perform better because rising economic activity typically translates into more lending and investment options. In contrast, banks may endure declining asset quality and decreased profitability during economic downturns (Demirgüç-Kunt & Huizinga, 2010). Therefore, especially in emerging nations, GDP growth has a significant impact on bank performance.

2.10.3 Capital Structure and Bank Performance:

The relationship between bank performance and the capital structure of banks, which is defined by the proportion of equity and debt funding, has received substantial research. A bank with enough capital is better able to withstand losses and preserve the health of its finances (Berger et al., 1995). Investors and regulators frequently see higher capital levels favorably since they are linked to a decreased risk of bankruptcy. However, as the cost of

equity can be rather high, overly high capital ratios may diminish profitability (DeYoung et al., 1997). As a result, the individual capital needs and market circumstances have an impact on the link between capital structure and bank performance.

2.11 A Remark

There are several interrelated elements that affect bank performance, including bank size, GDP, capital structure, and corporate governance. Although larger banks may benefit from economies of scale, risk management can be difficult. The general economic climate in which banks conduct business is impacted by GDP growth. A bank's risk profile and cost of funding are impacted by capital structure considerations. For banks to function effectively and honestly, effective corporate governance is crucial. In order to properly analyse bank performance, it is necessary to have a detailed grasp of the intricate and situation-specific interactions between these factors. The extensive body of research conducted on corporate governance has shed light on critical aspects of governance practices and their impact on various sectors, particularly in the UAE and GCC region. Through the analysis of several key studies, significant themes and findings have emerged, offering valuable insights for future research and policy development. These findings encompass a range of dimensions, including the relationship between corporate governance and firm performance, the influence of board independence, and the crucial role of effective risk management practices in mitigating potential threats.

One recurring theme in this body of literature is the positive correlation between strong corporate governance and financial performance. Studies such as "Corporate Governance, Institutional Framework, and Firm Performance: Evidence from the UAE" emphasize the vital role of effective governance practices in enhancing firm performance.

Similarly, "Corporate Governance and Bank Performance: A Study of Selected Banks in GCC Region" highlights how corporate governance significantly affects the financial performance of banks within the Gulf Cooperation Council (GCC) countries, underscoring its relevance to the banking sector.

Another critical area explored in the literature pertains to the composition and functioning of the board of directors. Research consistently underscores the importance of an independent and qualified board for sound decision-making. Transparency and disclosure also emerge as key components, emphasizing the necessity for banks to provide clear and comprehensive information about their financial performance and associated risks to all stakeholders. Effective risk management is yet another central element, with studies pointing to the need for robust risk management systems within banks to identify, assess, and address risks proactively. These systems should be regularly reviewed and updated to adapt to changing circumstances.

However, despite the wealth of research and policies aimed at enhancing corporate governance, it is evident that some organizations continue to fall short in compliance, thus failing to realize the desired outcomes. This raises important questions about the implementation and enforcement of governance policies in real-world contexts.

In conclusion, the reviewed literature underscores the critical significance of corporate governance in shaping the performance and sustainability of firms, particularly in the UAE and the GCC region. These findings provide a strong foundation for the present study, as it delves further into the corporate governance landscape in the banking sector, with a particular focus on the UAE and MENA region. The insights gathered from this comprehensive review will inform the research methodology and contribute to a deeper

understanding of the dynamics between governance practices and banking performance. Additionally, it underscores the imperative for ongoing efforts to ensure effective implementation and compliance with corporate governance policies in practice, as this remains a pivotal challenge in the region.

CHAPTER 3

METHODOLOGY

3.1 Introduction

In this chapter, method of the research is explained in detail which helps to evaluate Chapter 4 and Chapter 5. Research objectives plays an important role in this chapter as it helps in preparing Research design and Model. All the variables utilized in this study will be emphasized based on the literature review related to Corporate governance and financial performance. Aim of this study is also to explore variables of Corporate Governance in banking sector and how it impacts banks performance. This chapter elucidates the intricate analytical framework that underpins exploration of corporate governance and financial performance in the UAE and MENA region. Aim is to investigate how various dimensions of corporate governance, including board size, board independence, board diversity, board meetings, remuneration, and ownership concentration, influence two critical financial performance indicators—Tobin's Q (TBQ), Return on Equity (ROE), and Return on Total Assets (ROTA).

The foundation of this study is rooted in agency theory, which underpins the relationship between corporate governance mechanisms and firm performance. According to agency theory, good corporate governance policies and frameworks can reduce conflicts of interest among firm stakeholders, including shareholders and management. Corporate governance practices in our setting serve as instruments for coordinating the objectives of management and shareholders, which has an effect on financial performance. In the subsequent sections of this chapter, study provides a detailed account of the data collection process, variable measurement, and the statistical tools used for analysis. Aim is to offer a

comprehensive methodology that enables the study to rigorously investigate the relationship between corporate governance and financial performance in the UAE and MENA region.

3.2 Research Design

3.2.1 Data Selections

Secondary data and other accounting and financial variables are collected from Orbis database therefore total sample of 141 banks from 12 countries including United Arab Emirates, Qatar, Saudi Arabia, Oman, Jordan, Israel, Iran, Morocco, Kuwait, Egypt, Turkey and Lebanon with complete data over the period 2016 to 2020.

Sample is consisting of all commercial banks operating in the MENA region and comparing the banks performance with UAE banking sector. Sampled banks whose financial and non-financial data about corporate governance were unavailable were eliminated. Manually collected corporate governance data from the bank's annual reports. Annual reports are the primary source of data for this study, and the variables relating to corporate governance are assumed to be accurate and reliable because they are presented by management to shareholders. The annual reports were retrieved from the websites of the firms. The firm-level data acquired from the Orbis database comprises company size and capital structure. Country-level data includes GDP of each country was collected from the website of the World Bank and IMF website.

Scope of this study includes the main aspects of corporate governance mechanisms such as board structure (board size and independence), Ownership concentration (is the company owned by a reference shareholder who has the majority of the voting rights, veto power or golden share), board meetings (number of meetings of board of directors) and remuneration (executives and non – executives). capital structure, bank size and GDP are

used as control variables which assess the effect of independent variables has on dependent variable, so that results can be tested fairly as the control variable remain constant throughout the test.

3.2.2 Conceptual Framework

A conceptual framework is important to understand as its summaries many principles and concepts that support this study. The conceptual framework (Figure 3.1) is designed based on the three objectives stated earlier.

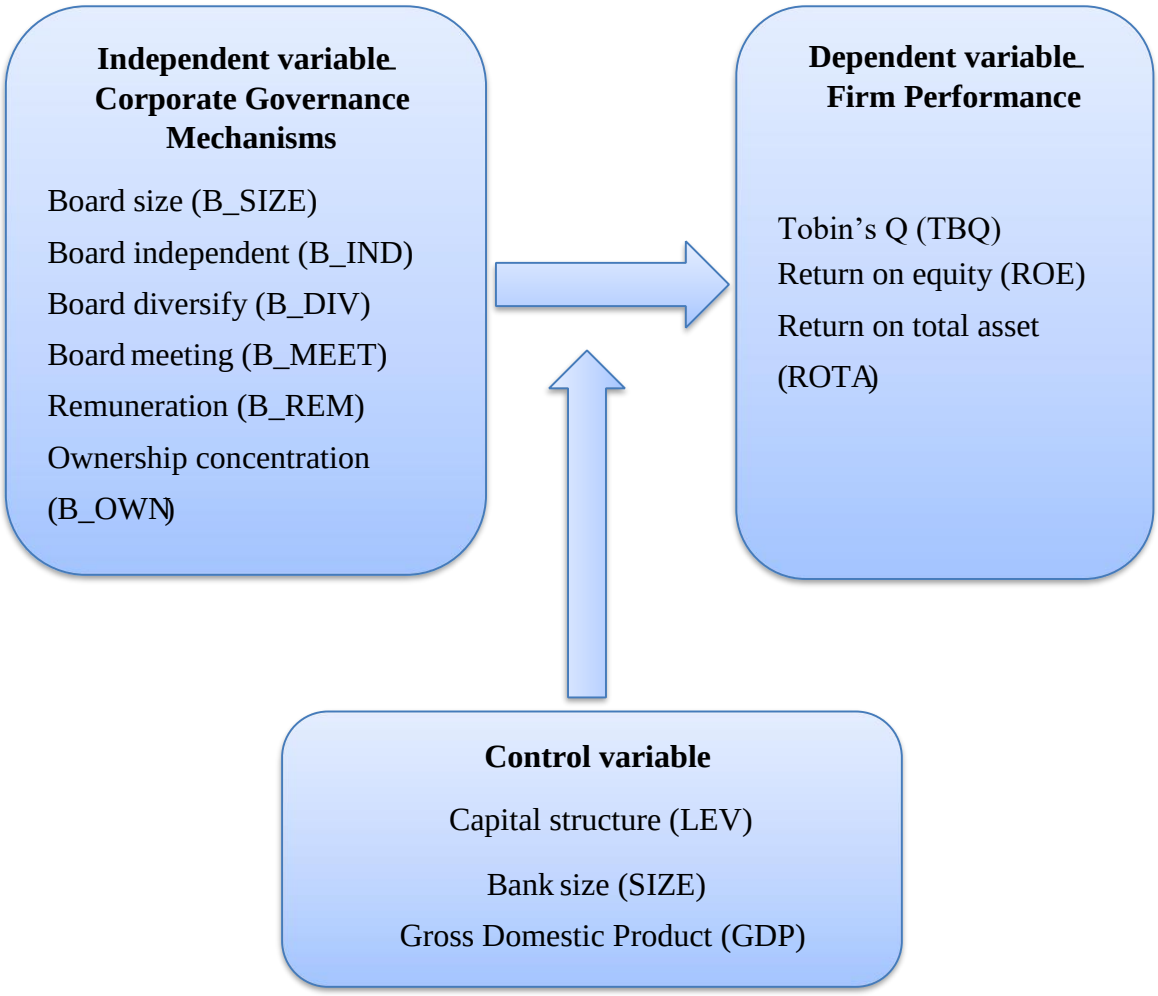

Figure 3.1: Conceptual Framework

As shown in Figure 3.1, there are 3 variables in this study Corporate governance mechanisms, Financial performance and control variables.

This study covers the time period of 5 years (2016-2020), all commercial banks will be included in the analyses by comparing 11 countries from MENA Region with UAE. The independent variable, corporate governance mechanisms, serves as the focal point of the study. It encompasses a comprehensive examination of crucial aspects within the realm of corporate governance, including board structure, board size, board independence, board diversity, ownership concentration, board meetings, and remuneration. These components collectively contribute to the evaluation of corporate governance practices within the context of this study. To ensure a thorough analysis, this study incorporates control variables that play a critical role in assessing the impact of the independent variables on the dependent variables. Capital structure (LEV), representing the financial leverage of the banks, is considered as one of these control variables. Gross Domestic Product (GDP) reflects the economic performance and health of the region, and bank size is another control variable that measures the scale and scope of the banks under investigation.

The ultimate aim of this conceptual framework is to establish a robust basis for the research methodology, enabling the exploration of the relationships and interactions between these variables. The dependent variables under scrutiny, namely Tobin's Q (TOBINS Q), Return on Equity (ROE), and Return on Total Assets (ROTA), are central to evaluating the financial performance of banks. By investigating the influence of corporate governance mechanisms and control variables on these financial performance indicators, this study seeks to provide valuable insights into the dynamics of corporate governance and its impact on the banking sector in the specific context of the research. This conceptual framework guides the

research, ensuring a structured and coherent approach to address this study's objectives and hypotheses, while shedding light on the multifaceted connections between corporate governance practices, financial performance, and control variables.

3.3 Independent Variables

3.3.1 Corporate Governance Mechanisms

Principle Components Analysis (PCA) is the process of converting many factors into a single factor, which represents the whole data. PCA weights data by combining original variables into linear combinations that explain as much variation as possible. In this way, PCA provides a relatively 'objective' approach for setting weights that is dictated by the data rather than the analyst (Jollands et al., 2004) and it is a useful tool for improving the 'efficiency' of indicators (Callens & Tyteca, 1999).

The current study also uses the multivariate statistical weighting approach, Principle Components Analysis (PCA) to generate a single comparison tool, that is corporate governance (CG) by combing variables Board size, Board independent, board diversify, Board meeting, Remuneration and Ownership concentration. Using the comparison tool as independent variable, it is easy to find the impact of Corporate governance as an independent variable on the dependent variable Tobin's Q (TBQ) Return on equity (ROE) and Return on total asset (ROTA).

3.3.2 Board Structure (Board Size and Independence)

One of the important aspects of Agency theory are agents, agents are referred to 'Board of directors' of the company and Resource dependency theory emphases on the role of the board of directors in providing all the relevant resources needed. As per Pillai et al. (2018) it is beneficial to have a bigger board size which would have a positive contribution

on management decisions and knowledge which could also limit the chance of any false decisions. Proportion of Outside directors and Board Size is a crucial factor.

3.3.3 Ownership Concentration

Ownership concentration is a governance mechanism in which large block of shareholders can control and influence the management decisions to protect their interest.

Ownership structure decides the company's system of governance hence it impacts the organization's performance. Is the Company Owned by a reference shareholder who has most of the voting rights, Veto power or golden share? Many studies have evidences that there is a positive relationship between Ownership structure and organization's performance which will help investors and stakeholders to build trust over the organization. As Stakeholder theory empathizes on the responsibility of management all the stakeholders.

3.3.4 Board Meetings

Number of Board meetings held in a financial year to discuss the prospects of the business. Improved corporate governance procedures are positively correlated with board meeting frequency. It may be argued that holding meetings more frequently enables greater supervision and aligns board choices with shareholder interests. It could suggest that boards that conduct more efficient and informed meetings are more likely to make decisions that enhance bank performance and mitigate risks. Additionally, particular performance indicators like Return on Equity (ROE), Return on Assets (ROA), or Tobin's Q (TBQ) can be used to analyze board meetings. The hypothesis might propose that a higher number of effective board meetings positively correlates with superior financial performance.

3.3.5 Board Diversity

Board Diversity refers to distribution of different attributes and characteristics among the directors of the business such as gender, race and ethnicity to ensure the variety of viewpoints that each member would bring to the table.

3.3.6 Remuneration

Remuneration of Executives and non – executives are an important factor in the firm's performance and transparency. This also supported by Agency theory and Stewardship theory where agents could misuse the discretion if they are not paid appropriately.

3.4 Dependent Variables

3.4.1 Financial Performance

Various researchers have applied various accounting – based financial performance measurement techniques to approximate and estimate the performance of corporate organizations and some of these measurement techniques include Earning Per Share (EPS),

Return on Asset (ROA), Net Profit Margin (NPM, and Debt-to-Equity Ratio (Christensen et al., 2010). Past and current financial performance of financial data are assessed and evaluated using tried and tested accounting –based financial performance measurement instruments to judge the stewardship of the management of corporate organizations (Christensen et al., 2010). Nevertheless, it must be emphasized that the financial performance measurement technique to analyze the financial data or figures might be skewed and distorted to suit the agenda of the management and might not necessarily represent the reality of the situation within the organization (Christensen et al., 2010). To

this end, Core, Guay, and Rusticus (2006) articulated that the use of ROA to measure the operating profit is more preferably and reliable as a better financial performance measurement when assessing the relationship between financial performance and corporate governance. In the opinion of Core et al. (2006), ROA is not impacted by discretionary items such as leverage and other extraordinary items. Moreover, other notable researchers such as Muth and Donaldson (1998) and Brown and Caylor (2009) all confirmed the reliability of using ROA as a measure of financial performance in relation to assessing the impact of corporate governance.

As a result of the relevance of ROA and previous researches, this study used Return on Total Assets (ROTA) and Return on Equity (ROE) were used to measure the financial performance of corporate organisations. In addition, the financial market measure Tobin's Q was applied in this study and this is very consistent and reliable with the efficient market hypothesis which was propounded by Malkiel and Fama (1970) through the use of Tobin's Q formula to capture existing assets of the company and the potential future growth of the company. The use of Tobin's Q formula is also relevant in capturing investor's expectations to future event occurrence and evaluation of the current business strategies (Rodriguez-Fernandez, 2016; Demsetz & Villalonga, 2001; Christensen et al., 2010). Tobin's Q serves as an effective tool for evaluating a firm's efficiency in utilizing its assets and investments, providing valuable insights into management efficiency and value creation. Tobin's Q's main benefit is its capacity to reflect shareholder and investor viewpoints when determining if a company's market value accurately reflects the value of its underlying assets from an investor's perspective. This measure has a robust academic and empirical foundation, ensuring consistency and comparability with existing research. In the context of this study on corporate governance and bank performance in the UAE and the MENA region, Tobin's

Q emerges as a pertinent and reliable metric. Tobin's Q's allows to explore how corporate governance practices influence a bank's market valuation concerning its asset base, thus shedding light on whether effective corporate governance enhances a bank's capacity to generate value for its shareholders and investors

3.5 Control Variables

3.5.1 Capital structure/Leverage

One of the methods a firm can finance its activities to progress in future is by combining debt and equity. A company uses difference different modes of finance to keep the company activities running and mostly these are combinations of Short- or Long-Term Debts and Stocks or equity. There are many theories such as Agency Cost theory (1976) Trade off theory (1977) which emphasizes on the close relationship between capital structure with that of company's performance

3.5.2 Bank Size

Bank Size refers to the size of the bank in regard to the total assets of the bank. When evaluating Firm's Performance, company size is a crucial factor since large companies may experience more agency difficulties and, as a result, must implement robust governance structures (Klapper & Love, 2004; Himmelberg et al., 1999). Bank size is considered a critical control variable in studies related to corporate governance and bank performance because it helps researchers account for size-related advantages, diversification, risk profiles, regulatory and market dynamics, and enhances the comparability and generalizability of findings. By controlling for bank size, researchers can better isolate the effects of corporate governance practices on bank performance, ensuring that their analyses provide more accurate and meaningful insights. Bank size is often associated with differences in risk

profiles. Smaller banks may have different risk appetites and risk management practices compared to larger banks. Past research, such as Bikker and Hu (2002), has indicated that bank size can influence risk-taking behavior. Including bank size as a control variable allows researchers to account for these variations in risk profiles when evaluating the impact of corporate governance on risk-adjusted performance metrics.

3.5.3 Gross Domestic Product

Gross Domestic Product (GDP) refers to total monetary or market value of goods and services which are produced by the country or the economy within in a specific period. Studies on corporate governance and bank performance benefit from using GDP as a control variable to account for macroeconomic factors, business cycles, market size, competition, geographical variances, regulatory changes, and to enable useful cross-country comparisons. While accounting for outside economic impacts, it enables a more precise assessment of the unique effects of corporate governance measures on banks. Banking regulations and government policies can vary based on a country's economic size and GDP. Larger economies may have more resources and robust regulatory frameworks

3.6 Data Analysis Procedure

Main concern or a challenge for every researcher is to decide on the data collection and what kind of method they will acquire to complete their research successfully, Quantitative or Qualitative? To complete this study the author needs to use quantitative data, because of the scope of study. It needs to be a deductive approach. Data which has been collected by someone else to complete their research or for other purpose is known as Secondary data. Data will be collected from Articles, Research papers, companies' websites, Internet, Journals, Annual Reports and Orbis Database. The method used in this study is

Dynamic Panel Data Model (DPD) this method is used to understand the behaviour of banks in MENA region over a period of 5 years. There are problems in estimating the panel model with the help of pooled regression, fixed effect, and random effect. As these methods exploit different heterogenous cross sectional or time specific information of model. To capture such heterogeneity dynamic panel data (DPD) approach is considered more efficient in this regard. Actually, DPD approach is developed by Arellano and Bond (1991) but this approach is popularized by the work of Holtz-Eakin. DPD approach to estimating the panel data does not exploit any heterogenous information of a model. Further, Generalized Method of Moments (GMM) instrument based DPD is also equally efficient for such proposes. Instrumental based GMM-DPD can captures the time invariant characteristics of countries. At the same time, when someone has long cross-sectional units with low limited time span in panel model, Arellano and Bond approach is well behaved in such circumstances (Roodman, 2006). GMM is further categorized in difference GMM and system GMM. System GMM is using more instruments as compared to difference GMM. System GMM is considered more efficient in case of short panel. The generalized method of moments (GMM) is a method for constructing estimators, analogous to maximum likelihood (ML). GMM uses assumptions about specific moments of the random variables instead of assumptions about the entire distribution, which makes GMM more robust than ML, at the cost of some efficiency (Zsohar, 2012).

3.6.1 Bank's Performance Models

To test the hypotheses, multivariate regression analysis has been conducted with an empirical model. Fixed effects regressions and two-stage least squares regressions were performed on these variables. The benefit of using fixed effect models is that they may

reduce the bias caused by missing and unobservable variables. The following are the equations for the fixed effects regressions:

$TBQit = \alpha 0 + \beta 1CG + \beta 2LEVit + \beta 3SIZEit + \beta 4GDPit + \varepsilon it$

Model 1 $ROEit = \alpha 0 + \beta 1CG + \beta 2LEVit + \beta 3SIZEit + \beta 4GDPit + \varepsilon it$

Model 2 $ROTAit = \alpha 0 + \beta 1CG + \beta 2LEVit + \beta 3SIZEit + \beta 4GDPit + \varepsilon it$

Model 3

In these models, "CG" represents the composite variable of corporate governance, encompassing board size, board independence, board diversity, board meetings, remuneration, and ownership concentration. "LEV" denotes leverage, "SIZE" signifies bank size, and "GDP" corresponds to the Gross Domestic Product. The error term "ε_{it}" accounts for unobserved factors and random fluctuations within the data. Additionally, we examine two alternative models: Model 2, which focuses on Return on Equity (ROE), and Model 3, which examines Return on Total Assets (ROTA). These models are structured similarly to Model 1 but employ ROE and ROTA as the dependent variables, respectively. The hypotheses are written as follows:

H1: Corporate governance factors have a significant impact on Tobin's Q (TBQ).

H2: Corporate governance factors influence Return on Equity (ROE).

H3: Corporate governance factors affect Return on Total Assets (ROTA).

To ascertain the relationships between these variables, a multivariate regression analysis has been employed, offering a robust statistical framework for assessing the significance and magnitude of the influence exerted by corporate governance mechanisms on financial performance outcomes. Furthermore, the empirical models are complemented

by diagnostic tests, including the Breusch-Pagan Lagrange Multiplier (LM), Breusch-Godfrey (BG) test, and generalized method of moments (GMM) estimation, to ensure the robustness and reliability of the findings.

3.6.2 Statistical Analysis

Data were analysed using the application of STATA software to examine the corporate governance and financial performance of UAE and MENA banking market from 2016 to 2020. Initially, descriptive statistics were done on the dependent, independent, and control variables to establish a profile of corporate governance and business performance used in this study. Mean, median, standard deviation, minimum and maximum values are calculated using descriptive statistics to quantify descriptive data as a measure of central tendency or an indication of variability. In total, the descriptive statistic describes the characteristics of the data in a clearer and more easily understood way.

The strength of the association between the dependent, independent, and control variables was then determined using Pearson correlation. Coefficient of Pearson's P-value association r. The coefficient of association is from 0 to 1. The absolute value of r 0.1 is graded as small, the absolute value of 0.3 as medium and 0.5 as great. The correlation generally indicates the degree to which two variables are altered accordingly, on average. The P value is the probability that if the correlation coefficient was negative (zero hypothesis) the present results would have been achieved. When this probability is less than the normal 5% ($P<0.05$), the coefficient of correlation is considered statistically significant. Thirdly, the Breusch-Pagan Lagrange Multiplier (LM) test is used to choose between the pooled model and random effect model. The LM test may be interpreted as a Wald test, with a minimum maximum probability estimate assessed for the distance from zero to the first

derivative vector, the unregulated logo probability function of the model. The LM tests the null hypothesis whether the total OLS estimate is sufficient to satisfy the selection of random effect model. The pooled regression model is appropriate if null hypothesis is failed to reject. However, random effect model is appropriate if null hypothesis is rejected. The hypotheses are written as follows:

H0: σt = 0 (Pooled OLS – Homogeneity)

H1: $\sigma t \neq 0$ (Random effect – Heterogeneity)

The Pooled OLS model assumes that all of the individual banks in the panel dataset belongs to the same group and share the same constant parameters for the regression equation. The null hypothesis (H0) for the Breusch-Pagan Lagrange Multiplier (LM) test is that there is homogeneity across all banks, i.e., that each bank's coefficients are the same.

Interpretation of Results: There is no unobserved bank-specific heterogeneity, according to the Pooled OLS model, if the LM test fails to reject the null hypothesis (H0: t = 0).

The Random Effect model is predicated on the assumption that bank-specific heterogeneity exists but is not detected. But it makes the supposition that the heterogeneity is random and unrelated to the explanatory factors. The LM test is applied in the context of the Random Effect model, much as the Pooled OLS model. The validity of the entity-specific effects is assessed against the null hypothesis (H0: t = 0).

Interpretation of Results: The Random Effect model is better suitable, according to the LM test, which implies that the null hypothesis is false. This suggests that the Pooled OLS model does not adequately account for unobserved entity-specific heterogeneity.

Four, the Hausman test is used to check whether random effect model or fixed effect model is better or appropriate for the study. If the null hypothesis is rejected, it means that fixed effects model is more appropriate rather than used random effect model. The hypotheses are written as follows:

H0: The preferred model is random effect.

H1: The preferred model is fixed effect.

Five, the multicollinearity test is used to test the correlation arise between explanatory variables in regression models. It is a technique in which explanatory variables are associated in a model. Less accurate statistical inferences will result from multicollinearity among independent variables. When constructing multiple regression models that use more than two variables, it is easier to use explanatory variables that are not associated or repeated. A high pair-wise correlation among independent variables determines the existence of multicollinearity. On the other hand, multicollinearity does not exist if there is no link between independent variables, meaning they are statistically independent on their own. As a consequence, the additional or transformation of any variables in the regression equation will not affect the coefficient of other variables.

Six, the autocorrelation test will be performed with the purpose check the serial correlation problem. The CLRM assumption states no autocorrelation problem, that means the values of error term are not correlated or dependent upon one another. Inversely, if they are correlated, this means that the autocorrelation appears in the model. In this study, Breusch Godfrey (BG) test are performed to detect the existence of autocorrelation. The hypotheses are written as follows:

Ho: There is no autocorrelation problem in the model.

H1: There is autocorrelation problem in the model.

Last but not least, the heteroscedasticity test is used to determine if the variance of the error terms is variable, but the mean value is stable throughout the course of a certain time. Based on assumption in CLRM, the error term must be homoscedasticity. If there is presence of heteroscedasticity, it means that the regression model is unable to predict the dependent variables across the observation period. The hypotheses are written as follows:

Ho: There is no heteroscedasticity.

H1: There is presence of heteroscedasticity.

Table 3.1: Summary of Variables

Variable	Abbreviation	Measurement	Sources
Dependent Variable			
Tobin's Q	TBQ	The market capitalization divided by the total assets	Kyere and Ausloos, 2021
Return on equity	ROE	The net income divided by shareholders' equity	Buallay, 2021
Return on total asset	ROTA	The net income divided by total assets	(Buallay, 2021) (Kyere & Ausloos, 2021)
Independent Variable			
Board size	B_SIZE	The total number of directors on the board	(Mertzanis et al., 2018) (Puni and Anlesinya, 2020) (Kyere & Ausloos, 2021) (El-Chaarani et al., 2022)

Board independent	B_IND	The percentage of independent directors on the total board size	(Mertzanis et al., 2018) (AlHares et al., 2019) (Puni & Anlesinya, 2020) (Kyere & Ausloos, 2021) (El-Chaarani et al., 2022)
Board diversify	B_DIV	The percentage of women directors on the total board size	(Mertzanis et al., 2018) (AlHares et al., 2019) (El-Chaarani et al., 2022)
Board meeting	B_MEET	The number of meetings of Board of Directors	(Puni & Anlesinya, 2020)
Remuneration	B_REM	Natural logarithm of total cash amount of directors' remuneration	(Das & Dey, 2016)
Ownership concentration	B_OWN	The percentage of ownership held by the top shareholder	(Mertzanis et al., 2018) (Puni & Anlesinya, 2020) (Kyere & Ausloos, 2021)
Control Variable			
Capital structure	LEV	The total debt divided by total assets	(Mertzanis et al., 2018) (AlHares et al., 2019)
Bank size	SIZE	The natural logarithm of total assets	(Mertzanis et al., 2018) (AlHares et al., 2019) (Kyere & Ausloos, 2021) (El-Chaarani et al., 2022)
Gross domestic production	GDP	GDP growth	(AlHares et al., 2019) (El-Chaarani et al., 2022)

CHAPTER 4

RESULTS AND DISCUSSION

4.1 Introduction

This chapter contains the results of impact of corporate governance (CG) on performance of banking sectors of UAE and MENA regions. Various econometrics techniques are employed to estimate the model for both regions. Further, data analysis is categorized into descriptive and inferential statistics. The basic theme of analysis is to combine the various dimensions of CG into a composite variable (index) then find out its impact on performance of UAE and MENA banks. The data and methodological related issues are discussed in previous chapter.

The first section is descriptive statistics which gives an overview distribution of the sample for each variable. Then, the Spearman rank correlation test is carried out to see the correlation between variables. After that, static and dynamic panel regression analysis is applied to examine the impact of CG on performance of UAE bank and same token for MENA banks.

4.2 Descriptive Interpretation

Brief descriptive coefficients called descriptive statistics are used in this study to describe a data collection. It summarizes all the dependent variables in this study such as Tobin's Q ratio, return on equity and return on total asset, and also independent variables such as board size, board independent, board diversity, board meeting, remuneration and ownership concentration and control variables such as capital structure, bank size and gross domestic product. The descriptive analysis provides basic information about variables,

including mean, standard deviation, minimum and maximum. High correlation between two variables indicates strong relationship that is a source to confirm the relationship in form of regression. Moreover, correlation is a form of descriptive statistics in case of bivariate analysis. Correlation is symmetrical relationship between any two variables while regression is asymmetric relationship which is shown in Table 4.3 and Table 4.4.

4.2.1 UAE Banks

Table 4.1: Descriptive statistics of variables in the context of UAE banks

Variable	Obs.	Mean	Std. Dev.	Min	Max
TBQ	82	0.18	0.16	0.04	0.93
ROE	99	0.01	0.31	-1.97	0.18
ROTA	99	0.01	0.03	-0.18	0.03
B_SIZE	71	8.55	1.52	6.00	11.00
B_IND	37	0.67	0.20	0.29	0.91
B_DIV	71	0.04	0.06	0.00	0.25
B_MEET	65	6.17	1.50	2.00	11.00
B_REM	96	6.19	2.05	0.00	7.74
B_OWN	94	0.41	0.12	0.20	0.63
LEV	99	0.86	0.05	0.65	0.95
SIZE	99	10.77	0.51	9.94	11.96
GDP	100	0.76	3.55	-6.13	3.41

Table 4.1 provides summaries of all variables in examining the relationship between corporate governance and performance in the context of UAE banks. Sample data of this study is mentioned the 20 banks in UAE from 2016 to 2020 with 100 observations collected after eliminating those missing and unavailable data.

Tobin's Q ratio (TBQ), return on equity (ROE), and return on total assets (ROTA) are the metrics used to quantify the dependent factors on the performance of UAE banks (ROTA). The mean of TBQ is 0.1796341, with a minimum value of 0.04 and a maximum value of 0.93, according to the aforementioned data. TBQ has a standard deviation of 0.16328, which gives an insight that the data are clustered around the mean. This indicates that the data for TBQ was stable and less fluctuated. For ROE, the mean is 0.0127255 and the standard deviation of ROE is 0.3086811. The ROE is range from -1.970255 to 0.1777263. Meanwhile, ROTA has a mean of 0.0059109, with a minimum value of -0.1765385 and a maximum value of 0.0296828.

The standard deviation of ROTA is 0.0263684, shows the data tend to be close to the mean. The descriptive analysis for the corporate governance, are board size (B_SIZE), board independence (B_IND), board diversify (B_DIV), board meeting (B_MEET), remuneration (B_REM) and ownership concentration (B_OWN) are tested the relationship with the performance of UAE banks. The result of B_SIZE shows the mean value of 8.549296 with a minimum value of 6 and a maximum value of 11. The standard deviation of B_SIZE is 1.519292. Next, B_IND resulted in fewer observations (37 out of 100 observations) which indicates that the banks didn’t mention the independent directors in their annual reports. The mean of board independence is 0.6692797 and ranges varies from 0.2857143 to 0.9090909. This indicates that the boards are dominated by independent directors in the context of UAE banks on average. Additionally, B DIV has a value of 0.036823 on average and a standard deviation of 0.0582561. B DIV ranges from zero to 0.25, indicating that on average, men outnumber women on the boards of the UAE banks. Additionally, B MEET has a mean value of 6.169231, a minimum value of 2, and a maximum value of 11. The frequency of bank board meetings is high, as seen by the standard deviation of B MEET, which is 1.495506.

Additionally, B REM average is 6.194708 and standard deviation is 2.050046. The minimum value of B_REM is zero, while the maximum value of B_REM is 7.73838. This shows a relatively high total remuneration paid to the board of directors. Ownership concentration (B_OWN) belongs to a mean of 0.4114319, with a minimum value of 0.2 and a maximum value of 0.6252. This means that the concentration ownership of UEA banks is high on average.

In addition, control variables namely capital structure (LEV), bank size (SIZE) and gross domestic product (GDP) also used in examining the relationship with the bank performance. The mean of LEV is 0.8575594, with a minimum value of 0.6532255 and a maximum value of 0.9467288. The standard deviation of LEV is 0.047225, which indicates that the data are close to the mean. Bank size (SIZE) has a mean value of 10.76771 and a standard deviation of 0.5146688. The SIZE shows the minimum value of 9.9412, while the maximum value is 11.96334. At the same time, the GDP has an average value of 0.7649322, with a minimum value of -6.134501 and a maximum value of 3.411539. GDP has a high standard deviation of 3.547659. The high standard deviation of GDP indicates significant variations in GDP for UAE from 2016 to 2020. In the year 2020, GDP in UAE shows a negative sign (-6.134501).

4.2.2 MENA Region Banks

Table 4.2: Descriptive statistics of variables in the context of MENA region banks

Variable	Obs.	Mean	Std. Dev.	Min	Max
TBQ	355	0.1368451	0.0947829	0.02	1.01
ROE	584	-0.0484241	1.625721	-24.68755	1.724371
ROTA	584	0.0095178	0.0109359	-0.0523582	0.0950021
B_SIZE	493	9.920892	1.824581	4	15

B_IND	346	0.3835287	0.1734428	0	0.875
B_DIV	488	0.079279	0.0970407	0	0.4444444
B_MEET	378	11.8254	12.223	4	89
B_REM	460	7.099486	1.226077	0	10.77753
B_OWN	422	0.3801645	0.2142556	0.0553	0.9988
LEV	584	0.8720761	0.1222915	0.0354735	1.155993
SIZE	584	11.0103	1.435616	8.58166	15.32539
GDP	605	0.6405959	4.931319	-21.46427	13.39624

Table 4.2 provides summaries of all variables to examine the relationship between corporate governance and performance in the context of MENA region banks. Sample data of this study is mentioned the 121 banks in the MENA region from 2016 to 2020 with a total of 605 observations collected after eliminating those missing and unavailable data. The main cause of the lack of bank data is that some nations in MENA region are at war with other countries and some remained unstable even after the war has ended, including Yemen, Lebanon, Tunisia, Israel, Algeria, Palestine, Somalia and Sudan. Syria, Iran and West Bank and Gaza. The descriptive statistics for the dependent variables on the performance of MENA region banks are measured by Tobin's Q ratio (TBQ), return on equity (ROE) and return on total assets (ROTA). Based on the table above, the mean of TBQ is 0.1368451 with a minimum value of 0.02 and a maximum value of 1.01. The standard deviation of TBQ is 0.0947829, which gives an insight that the data are clustered around the mean. This indicates that the data for TBQ was stable and less fluctuated. For ROE, the mean is -0.0484241 which means that the banks incur a loss on average. The standard deviation of ROE is 1.625721, with a range of -24.68755 to 1.724371 as its lowest and highest values. The considerable variances in equity relative to revenue across banks are shown by the high standard deviation of ROE. ROTA has a 0.0095178 mean and a 0.0109359 standard deviation. ROTA's lowest

and maximum values are -0.0523582 and 0.0950021, respectively. The descriptive analysis for the corporate governance, are board size (B_SIZE), board independence (B_IND), board diversify (B_DIV), board meeting (B_MEET), remuneration (B_REM) and ownership concentration (B_OWN) are tested the relationship with the performance of MENA region banks. The result of B_SIZE shows the mean value of 9.920892 with a minimum value of 4 and a maximum value of 15. The standard deviation of B_SIZE is 1.824581. Next, B_IND resulted in fewer observations (346 out of 605 observations) which indicates that the banks didn't mention the independent directors in their annual reports. The mean of board independence is 0.3835287 and ranges vary from zero to 0.875. This indicates that the boards are dominated by dependent directors in MENA region banks on average.

Besides, the mean of B_DIV is 0.079279 and the standard deviation of B_DIV is 0.097040. The minimum of B_DIV is zero and the maximum is 0.44, this indicates that in the context of banks in the MENA area, men tend to predominate on boards on average. Furthermore, B_MEET resulted in the highest standard deviation of 12.223, which indicates that the frequency of board meetings held by the banks extends over a wide range from 4 to 89. Moreover, the average of B_REM is 7.099486 and the standard deviation is 1.226077. The minimum value of B_REM is zero, while the maximum value of B_REM is 10.77753. This shows a relatively high total remuneration paid to the board of directors. Ownership concentration (B_OWN) belongs to a mean of 0.3801645, with a minimum value of 0.0553 and a maximum value of 0.9988. In addition, control variables namely capital structure (LEV), bank size (SIZE) and gross domestic product (GDP) also used in examining the relationship with the bank performance. The mean of LEV is 0.8720761, with a minimum value of 0.0354735 and a maximum value of 1.155993. This resulting the capital structure of MENA region banks being relatively high. Bank size (SIZE) has a mean value of 11.0103

and a standard deviation of 1.435616. The SIZE shows the minimum value of 8.58166, while the maximum value is 15.32539. At the same time, with lowest value of -21.46427 and a high value of 13.39624, the GDP has an average value of 0.6405959. GDP has a high standard deviation of 4.931319, which indicates that there are big differences in macroeconomic variables like GDP and considerable variation across countries.

4.3 Correlation

Tobin's Q ratio (TBQ), return on equity (ROE), and return on total assets (ROTA) are used to demonstrate the link between corporate governance and the performance of UAE banks in comparison to the MENA area banking industry using a Pearson correlation study (ROTA).

The correlation has a value between 1 and +1, with a perfect negative correlation (-1), and a perfect positive correlation (+1), respectively. In conclusion, a positive value of correlation implies that when 1 variable increases in other variables increase as well, while the negative value of correlation suggests that an increase in 1 variable will be accompanied by a decrease in another variable.

4.3.1 UAE Banks

Table 4.3: Pearson correlation among variables in the context of UAE banks

	TBQ	ROE	ROTA	B_SIZE	B_IND	B_DIV
TBQ	1.0000					
ROE	-0.0437	1.0000				
ROTA	0.0175	0.9495***	1.0000			
B_SIZE	-0.3278***	-0.1101	-0.2124*	1.0000		
B_IND	0.5787***	0.3574**	0.3236*	0.4249***	1.0000	

B_DIV	-0.2271*	-0.2750**	-0.3352***	0.1047	0.2849*	1.0000
B_MEET	-0.1014	-0.1037	-0.1854	0.1667	0.2823	0.2163*
B_REM	0.0095	0.2424**	0.3289***	0.0492	0.1981	-0.3343***
B_OWN	0.3339***	-0.1837*	-0.1932*	-0.2496**	0.2773*	0.1105
LEV	-0.1915*	-0.2840***	-0.3981***	0.4291***	0.1423	0.2124*
SIZE	-0.1190	0.3201***	0.3276***	0.1990*	0.3842**	-0.2782**
GDP	0.0639	0.0813	0.1516	-0.0320	0.0165	-0.1298
	B_MEET	B_REM	B_OWN	LEV	SIZE	GDP
B_MEET	1.0000					
B_REM	0.0311	1.0000				
B_OWN	0.1939	-0.1273	1.0000			
LEV	0.1505	-0.1560	0.0920	1.0000		
SIZE	0.0319	0.4559***	0.1228	0.1983**	1.0000	
GDP	-0.1639	0.1334	-0.0114	-0.0443	-0.0224	1.0000

Note: $p < 0.01$ = ***, $p < 0.05$ = **, $p < 0.1$ = *

Table 4.3 shows the Pearson correlation between variables used in this study in the context of MENA region banks. Based on the table above, the financial indicator of ROE is negatively correlated to TBQ, while the financial indicator of ROTA shows a positive correlation to TBQ and ROE (P<0.01). Besides, the corporate governance mechanisms of B_SIZE and B_DIV are negatively and significantly correlated to TBQ at 1% of significant level and 10% of significant level, respectively. Meanwhile, the B_IND (P<0.01), B_REM and B_OWN (P<0.01) are positive correlated to TBQ. Moreover, the corporate governance mechanisms of B_SIZE, B_DIV (P<0.05), B_MEET and B_OWN (P<0.1) are negatively correlated to ROE, while B_IND and B_REM are positive and significantly correlated to

ROE at 5% of significant level. In addition, B_SIZE (P<0.1), B_DIV (P<0.01), B_MEET and B_OWN (P<0.1) are negative correlated to ROTA, while B_IND (P<0.1) and B_REM (P<0.01) are positive correlated to ROTA. The control variable of LEV shows a negative correlation to TBQ (P<0.1), ROE (P<0.01) and ROTA (P<0.01). In addition, SIZE is negative correlated to TBQ, but positive and highly significant correlated to ROE and ROTA at 1% of significance level. GDP is positive correlated to TBQ, ROE and ROTA. Apart from that, the correlation between the corporate governance mechanisms shows that B_IND (P<0.01), B_DIV, B_MEET and B_REM are positively correlated to the B_SIZE, while B_OWN is negatively and significantly correlated to the B_SIZE at 5% of significant level. Besides, B_DIV and B_OWN positively and significantly correlated to B_IND at 10% of significant level, while B_MEET and B_REM are positively correlated to B_IND. The B_MEET positive and significant correlated to B_DIV at 10% of significant level, while B_REM is negatively and significant correlated to B_DIV at 1% of significant level. In addition, B_OWN positive correlated to B_DIV and B_MEET, but B_OWN negatively correlated to B_REM. In addition, the control variable of LEV has positive correlated to B_SIZE (P<0.01), B_IND, B_DIV (P<0.1), B_MEET and B_OWN, while LEV is negative correlated to B_REM. For the control variable of SIZE, it shows a negative and significantly correlated to B_DIV at 5% of significant level, while SIZE is positive correlated to B_SIZE (P<0.1), B_IND (P<0.05), B_MEET, B_REM (P<0.01) and B_OWN. Furthermore, the control variable of GDP shows a positive correlation to B_IND and B_REM, while GDP is negative correlated to B_SIZE, B_DIV, B_MEET and B_OWN. The correlation between GDP to other variables resulted insignificant correlation to each other. As for the correlation between the control variables, it shows that SIZE has a positive and significant correlated to LEV at 5% of significant level, while GDP is negatively correlated to LEV and SIZE.

4.3.2 MENA Region Banks

Table 4.4: Pearson correlation among variables in the context of MENA region banks

	TBQ	ROE	ROTA	B_SIZE	B_IND	B_DIV
TBQ	1.0000					
ROE	0.4209***	1.0000				
ROTA	0.4884***	0.1562***	1.0000			
B_SIZE	-0.1112**	0.0778*	-0.0134	1.0000		
B_IND	-0.1334**	-0.0967*	-0.0704	-0.1956***	1.0000	
B_DIV	-0.1926***	0.0594	-0.0825*	0.2847***	-0.0982*	1.0000
B_MEET	-0.3015***	0.0408	0.0803	-0.0648	0.0134	0.1830***
B_REM	-0.0199	0.0637	-0.0607	-0.0363	-0.0552	0.1006**
B_OWN	0.0528	0.1545***	0.0363	0.1661***	-0.4677***	0.3007***
LEV	-0.0622	-0.0809*	-0.3019***	0.0118	-0.0025	0.1165**
SIZE	0.0021	-0.1308***	-0.2398***	-0.1621***	-0.0878	-0.0003
GDP	0.0375	-0.0292	0.3484***	0.0346	-0.0826	0.1629***
	B_MEET	B_REM	B_OWN	LEV	SIZE	GDP
B_MEET	1.0000					
B_REM	-0.0412	1.0000				
B_OWN	-0.0047	0.0333	1.0000			
LEV	-0.0174	0.2093***	0.0409	1.0000		
SIZE	0.1500***	0.7291***	-0.0153	0.2581***	1.0000	
GDP	0.2083***	-0.0986**	0.1974***	-0.0231	-0.1061**	1.0000

Note: $p < 0.01$ = ***, $p < 0.05$ = **, $p < 0.1$ = *

Table 4.4 shows the Spearman's rank correlation between variables used in this study in the context of MENA region banks. Based on the table above, the financial indicators of TBQ, ROE and ROTA are positively correlated to each other at 1% of significant level. Besides, the corporate governance mechanisms of B_SIZE and B_IND are negatively and significantly correlated to TBQ at 5% of significant level, whereas B_DIV and B_MEET is negatively and highly significant correlated to TBQ at 1% of significant level. Most of the corporate governance mechanisms are negatively correlated to TBQ, except the B_OWN is positive, and insignificance correlated to TBQ. For the correlation between corporate governance mechanisms and ROE, it shows B_SIZE ($P<0.1$), B_DIV, B_MEET, B_REM and B_OWN ($P<0.01$) are positive correlated to ROE, while B_IND negatively and significantly correlated to ROE at 10% of significance level. Meanwhile, the B_SIZE, B_IND, B_DIV ($P<0.1$) and B_REM are negatively correlated to ROTA, while B_MEET and B_OWN are positively correlated to ROTA. The control variable of LEV shows a negative correlation to TBQ, ROE ($P<0.1$) and ROTA ($P<0.01$). In addition, SIZE is positive correlated to TBQ, but negative and highly significant correlated to ROE and ROTA at 1% of significance level. GDP is positive correlated to TBQ and ROTA ($P<0.01$), but negative correlated to ROE.

Apart from that, the correlation between the corporate governance mechanisms shows that B_DIV and B_OWN are positive correlated to B_SIZE at 1% of significance level, while B_IND is negative correlated to B_SIZE at 1% of significance level. Besides, B_DIV ($P<0.1$), B_REM and B_OWN ($P<0.01$) are negatively correlated to B_IND, whereas B_MEET is positive correlated to B_IND. Moreover, B_MEET, B_REM and B_OWN are positive correlated to B_DIV at 1%, 5% and 1% of significant level,

respectively. Meanwhile, B_REM and B_OWN is negatively correlated to B_MEET, while B_OWN positively correlated to B_REM.

In addition, the control variable of LEV has positive correlated to B_SIZE, B_DIV ($P<0.05$), B_REM ($P<0.01$) and B_OWN, while LEV is negative correlated to B_IND and B_MEET. For the control variable of SIZE, it shows a negative correlated to B_SIZE ($P<0.01$), B_IND, B_DIV and B_OWN, while SIZE is positive correlated to B_MEET and B_REM at 1% of significance level. Furthermore, the control variable of GDP shows a positive correlation to B_SIZE, B_DIV ($P<0.01$), B_MEET ($P<0.01$) and B_OWN ($P<0.01$), while GDP is negative correlated to B_IND and B_REM ($P<0.05$). As for the correlation between the control variables, it shows that SIZE has a positive and highly significant correlated to LEV at 1% of significant level, while GDP is negatively correlated to LEV and SIZE ($P<0.05$).

4.4 Corporate Governance and Financial Performance of UAE

4.4.1 Panel regression model – Proposed model selections

The effects of the independent variables (CG) on the dependent variables are shown using a regression analysis (bank performance). TBQ, ROE, and ROTA are the dependent variables in this study, while B_SIZE, B_IND, B_DIV, B_MEET, B_REM and B_OWN are merged as one index as corporate governance that act as independent variables and lastly LEV, SIZE and GDP as the control variable. Three categories of panel regression exist: Fixed Effect Model, Random Effect Model, and Pooled OLS Model (FEM). These three models are assessed to determine which is the best fit for this study.

Table 4.5: Result of the panel regression model in TBQ in UAE banks

	Pooled OLS				Fixed effect				Random effect			
	Coef	**Std err**	**z value**	**p value**	**Coef**	**Std err**	**z value**	**p value**	**Coef**	**Std err**	**z value**	**p value**
l(TBQ)	0.429	0.090	5.240	0.000	0.211	0.035	6.050	0.001	0.414	0.093	4.480	0.000
CG	0.005	0.003	1.610	0.108	0.011	0.007	1.700	0.133	0.005	0.003	1.490	0.136
lev	-0.534	0.281	-1.900	0.058	-0.642	0.306	-2.100	0.074	-0.541	0.318	-1.700	0.089
size	0.029	0.010	3.000	0.003	-0.088	0.024	-3.740	0.007	0.029	0.011	2.630	0.009
GDP	0.002	0.001	2.940	0.003	0.002	0.001	2.510	0.040	0.002	0.001	2.660	0.008
cons	0.207	0.177	1.170	0.242	1.613	0.348	4.630	0.002	0.211	0.199	1.060	0.290
Obs	26				26				26			
Wald	250.04			0.00				0.00				0.00
R^2					within (0.63)	between(0.28)	overall (0.24)		within (0.43)	between(0.89)	overall (0.74)	

Note: $p < 0.01$ = ***, $p < 0.05$ = **, $p < 0.1$ = *

The summary findings of the panel regression model used to investigate the association between corporate performance and TBQ in UAE banks are shown in Table 4.5. The empirical results that are reported in Table 4.5, further segregated into three estimation methods

As present study is utilizing panel data and at initial level study is opting three methods (Pooled ls, Fixed effect, and Random effect) to estimate the model for the banking sector of UAE. The first independent variable is lagged value of TBQ that is also dependent variable of present model. Surprisingly, there is positive and statistically significant role of previous value of TBQ in determining the behaviour of present value of TBQ. If we talk about only pooled lease square (Pooled ls), then there is positive role of corporate governance (CG) on TBQ of firms of our panel. The significance level of CG is about 11 percent. The results show that three methods of estimation of model are offering similar impact of CG on TBQ with little bit difference in level of significance. Further results show that there is negative impact of lev of TBQ of firms of UAE. Interestingly this variable (lev) has statistically significant impact on TBQ and probability value is less than 10 % in three methods. From above results it can be derived that corporate governance (as a composite variable) has positive impact of firm level financial performance. At the same time, as leverage of firm are increased the financial performance of firm deteriorate Similarly the size of the firm also has positive impact on TBQ in all the three models with probability value less than 10 % . The findings of present study are compatible with the other studies like Tian and Zeitun (2007), Salawu (2007), Chen (2004), Tzelepsis and Skuras (2004), Gleason et al (2000), Krishnan and Moyer (1997) and Rajan and Zingales (1995) among others. At the last result of GDP that is last independent variable of our model has not statistically significant impact of TBQ of banks of UAE. If we talk about the goodness of fit of model (R2), the value of R2 varies from 0.24 to 0.89 that indicates that on average twenty four percent to eighty nine percent variation in TBQ of UAE banks due to independent variables. R square value with the name of within is capturing the variation in TBQ within the banks of UAE. While the R square with the name of between shows the variation in TBQ

due to the between banks of UAE. Lastly, the overall value of R2, is weighted average of within and between R2. The probability value of Wald test in three methods almost equal zero that indicates there is no issue of heteroskedasticity in present model. Hence results can be used for policy purposes.

Table 4.5 indicates the summary result of the panel regression model is to examine the relationship between corporate governance and performance from ROE in UAE. Thus, statistical findings that are presented in Table 4.5, represent three estimated methods that are pooled OLS, that used for estimating the model for the banking sector of UAE. The first independent variable is lagged value of ROE that is also dependent variable of present model. Surprisingly, there is positive and statistically significant role of previous value of ROE in determining the behavior of present value of ROE. If we talk about only pooled lease square (Pooled ls), then there is insignificant role of corporate governance (CG) on ROE of firms of the panel. The significance level of CG is about 27 percent which means very meagre impact of CG on financial performance, but as the technique of estimation changed from very classical method (Pooled OLS) to robust methods the role of CG statistically improved and aligned with the literature. The results show that three methods of estimation of model are offering similar impact of CG on ROE with little bit difference in level of significance. Further results show that there is insignificant impact of lev on ROE of banking firms of UAE in all the three methods. Likewise, size of the firm shows significant positive impact on ROE in case of fixed effect while in pool and random effect its value is insignificant probability value more than 10 %. The findings of present study are compatible with the other studies like Tian and Zeitun (2007), Salawu (2007), Chen (2004), Tzelepsis and Skuras (2004), Gleason et al (2000), Krishnan and Moyer (1997) and Rajan and Zingales (1995) among others.

Table 4.6: Result of the panel regression model in ROE in UAE banks and MENA region banks

	POOLED OLS				Fixed Effect				Random Effect			
	Coef	**Std err**	**z value**	**p value**	**Coef**	**Std err**	**z value**	**p value**	**Coef**	**Std err**	**z value**	**p value**
Lagged ROE	1.37	0.45	3.07	0.00	0.015	0.024	0.620	0.554	1.292	0.547	2.360	0.018
CG	0.01	0.00	1.10	0.27	-1.321	1.168	-1.130	0.295	0.005	0.006	0.860	0.388
Lev	-0.93	0.75	-1.24	0.21	0.010	0.098	0.100	0.924	-1.030	0.860	-1.200	0.231
Size	0.00	0.02	0.04	0.97	0.008	0.003	2.570	0.037	0.004	0.020	0.210	0.832
GDP	0.01	0.00	1.75	0.08	1.117	0.883	1.260	0.246	0.006	0.004	1.710	0.087
Cons	0.73	0.64	1.15	0.25	0.015	0.024	0.620	0.554	0.787	0.752	1.050	0.295
Obs	26				26				26			
Wald	250.04			0.00								
R^2					within (0.39)	between(0.18)	overall (0.28)		within (0.44)	between(0.71)	overall (0.59)	

Note: $p < 0.01$ = ***, $p < 0.05$ = **, $p < 0.1$ = *

At the last result of GDP that is last independent variable of our model has significant impact of ROE on banks of UAE in case of pool ols and random effect while insignificant impact in case of fixed effect. If we talk about the goodness of fit of model (R2), the value of R2 varies from 0.28 to 0.71 that indicates that on average twenty eight percent to seventy one percent variation in ROE of UAE banks due to independent variables. R square value with the name of within is capturing the variation in ROE within the banks of UAE. While the R square with the name of between shows the variation in ROE due to the between banks of UAE. Lastly, the overall value of R2, is weighted average of within and between R2. The probability value of Wald test in three methods almost equal zero that indicates there is no issue of heteroskedasticity in present model. Hence results can be used for policy purposes. The summary findings of the panel regression model used to investigate the connection between corporate governance and performance from Return on total assets (ROTA) in UAE shown in Table 4.6. The statistical findings that are presented in Table 4.6, represent three estimated methods that are pooled OLS, that used for estimating the model for the banking sector of UAE. The first independent variable is lagged value of return on total assets (ROTA) that is also dependent variable of present model. Surprisingly, there is positive and statistically significant role of previous value of ROTA in determining the behavior of present value of ROTA. If we talk about only pooled lease square (Pooled ls) and random effect, then there is positive role of corporate governance (CG) on ROE of firms of our panel while the impact of CG on ROTA is non-significant fixed effect case (significance > 10). Similarly, the results of pool OLS show that there is positive and significant (< 10 %) impact of lev on ROTA of firms of UAEs, but negative and in-significant effect of lev on ROTA in terms of fixed and random effect.

Table 4.7: Result of the panel regression model in ROTA in UAE banks

	POOLED OLS				Fixed Effect				Random Effect			
	Coef	**Std err**	**z value**	**p value**	**Coef**	**Std err**	**z value**	**p value**	**Coef**	**Std err**	**z value**	**p value**
Lagged ROTA	1.749	0.062	28.440	0.000	0.370	0.621	0.600	0.570	1.108	0.317	3.500	0.000
CG	0.001	0.000	2.980	0.003	0.001	0.003	-0.110	0.917	0.001	0.001	1.790	0.073
lev	0.112	0.045	2.470	0.014	-0.177	0.123	-1.440	0.193	-0.086	0.067	-1.290	0.196
size	-0.001	0.001	-0.880	0.381	-0.028	0.029	-0.960	0.371	0.001	0.001	0.920	0.355
GDP	0.001	0.000	1.240	0.214	0.001	0.000	2.620	0.035	0.001	0.000	2.200	0.028
cons	-0.104	0.028	-3.660	0.000	0.467	0.339	1.380	0.210	0.058	0.053	1.100	0.273
Obs	26				26				26			
Wald	19377			0.00								
R2					within (0.53)	between(0.16)	overall (0.18)		within (0.46)	between(0.89)	overall (0.66)	

Note: $p < 0.01$ = ***, $p < 0.05$ = **, $p < 0.1$ = *

Likewise, the size of the firm also has no impact on ROTA in terms of Pool and fixed effect and random effect with probability value more than 10 %. The findings of present study are compatible with the other studies like Tian and Zeitun (2007), Salawu (2007). Similarly, the impact of GDP on ROTA is non-significant in case of the UAE banks but significant impact in case of random and fixed effect with probability score less than 10 percent. If we talk about the goodness of fit of model (R2), the value of R2 varies from 0.18 to 0.89 that indicates that on average eighteen percent to eighty nine percent variation in ROTA of UAE banks due to independent variables. R square value with the name of within is capturing the variation in ROE within the banks of UAE. While the R square with the name of between shows the variation in ROTA due to the between banks of UAE. Lastly, the overall value of R2, is weighted average of within and between R2. The probability value of Wald test in three methods almost equal zero that indicates there is no issue of heteroskedasticity in present model. Hence results can be used for policy purposes.

4.4.2 Dynamic Model

There are problems in estimating the panel model with the help of pooled regression, fixed effect, and random effect. As these methods exploit different heterogenous cross sectional or time specific information of model. To capture such heterogeneity dynamic panel data (DPD) approach is considered more efficient in this regard. Actually, DPD approach is developed by Arellano and Bond (1991) but this approach is popularized by the work of Holtz-Eakin. DPD approach to estimating the panel data does not exploit any heterogenous information of a model. Further, Generalized Method of Moments (GMM) instrument based DPD is also equally efficient for such proposes. Instrumental based GMM-DPD can captures the time invariant characteristics of countries. At the same time, when someone has long cross-sectional units with low limited time span in panel model, Arellano

and Bond approach is well behaved in such circumstances (Roodman, 2006). GMM is further categorized in difference GMM and system GMM. System GMM is using more instruments as compared to difference GMM. System GMM is considered more efficient in case of short panel. The generalized method of moments (GMM) is a method for constructing estimators, analogous to maximum likelihood (ML). GMM uses assumptions about specific moments of the random variables instead of assumptions about the entire distribution, which makes GMM more robust than ML, at the cost of some efficiency (Zsohar, 2012). The following table 4.8 contains the dynamic one step system GMM for three models of UAE banks as system GMM increased the efficiency of estimated parameters.

Table 4.8: Dynamic Model for UAE banks

	Dynamic (one-step system GMM) TBQ dependent variable				Dynamic (one-step system GMM) ROE dependent variable				Dynamic (one-step system GMM) ROTA dependent variable			
	Coef	**Std. Er**	**Z value**	**P value**	**Coef**	**Std. Er**	**Z value**	**P value**	**Coef**	**Std. Er**	**Z value**	**P value**
Lagged TBQ	0.525	0.123	4.260	0.002								
Lagged ROE					1.609	0.536	3.000	0.003				
Lagged ROTA									1.075	0.395	2.720	0.006
CG	0.004	0.003	1.510	0.004	0.005	0.007	0.730	0.468	0.001	0.001	0.870	0.385
GDP	0.002	0.001	2.500	0.002	0.006	0.003	2.240	0.025	0.001	0.000	2.140	0.032
Size	0.024	0.008	3.080	0.024	-0.009	0.030	-0.310	0.753	0.001	0.004	0.250	0.806
Lev	-0.460	0.233	-1.980	-0.0460	-0.852	0.711	-1.200	0.231	-0.050	0.123	-0.410	0.683
Cons	0.181	0.216	0.840	0.403	0.748	0.593	1.260	0.207	0.027	0.103	0.260	0.791
No of Obs	17				26				26			
No of Groups	07				08				08			
Sargan Test of overidentification				0.38				0.018				0.14
Wald Chi				0.00				0.00				0.00
Arellano-Bond test for AR(1)				0.036				0.12				0.101
Arellano-Bond test for AR(2)				0.69				0.62				0.22

Note: $p < 0.01$ = *** $p < 0.05$ = ** $p < 0.1$ = *

The impact of corporate governance on three performance-indictors of banks of UAE are reported in above Table 4.8. The first part of dynamic analysis is related to role of lagged value of TBQ CG, GDP, Lev, and Size on TBQ. It can be observed that the speed of adjustment is about forty seven percent (1-0.525). The positive and statistically significant value of lagged value is ensuring the dynamically stable relation among the variables of model. This speed of adjustment shows that if the financial performance of UAE banks is sub optimal in the short run, then it has high tendency to move long run stable path of performance. The first independent variable is corporate governance (CG) has positive as well as statistically significant impact on TBQ of UAE banks. There are six distinct variables that are transformed into a composite variable with the name of CG, if these six variables are improved on average, then these bring positive impact on TBQ in form of CG. In simple words, agents are protecting the interest of their principles at UAE banking sector. It is quite natural as UAE is an international city and hosting a lot of global financial activities, in such situations the banking sector of UAE have to behave wisely. On same token, GDP growth rate and bank size (Size) have also positive and significant impact on market capitalizations of UAE banks. The last independent variable is leverage (Lev) in this model. The impact of Lev is adverse on TBQ of UAE banks. As total debt to total assets ratio of UAE banks is increasing it clutches the performance in form of low TBQ. At the last the p-value of Sargan test is 0.38 which confirms that all utilized instruments are valid and exogamous (Roodman, 2009). Arellano Bond test for (AR (1) testified that there is no issue of average autocovariance in residual order one.

The impact of corporate governance on three performance-indictors of banks of UAE are reported in above Table 4.8. The first part of dynamic analysis is related to role of lagged value of ROE CG, GDP, Lev, and Size on ROE. It can be observed that the speed of

adjustment is about sixty percent (1-1.609). The positive and statistically significant value of lagged value is ensuring the dynamically stable relation among the variables of model. This speed of adjustment shows that if the financial performance of UAE banks is sub optimal in the short run, then it has high tendency to move long run stable path of performance. The first independent variable is corporate governance (CG) shows insignificant impact on ROE of UAE banks. It is quite natural that returns on capital investment is slowly transmitted into profits. As present case of UAE, study is implying only short time span that doesn't capture the outcomes of capital market returns accurately. Another reason of insignificance of corporate governance is adverse shock of pandemic COVID-19. Pandemic COVID-19 relatively disturbs organized capital markets more as compared to unorganized capital markets. UAE markets are relatively sophisticated as this country is considered as financial hub of MENA region. Likewise, only the variable GDP has positive and significant impact on market capitalizations of UAE banks whereas the variables is bank size (Size) and leverage (Lev) in this model have adverse effect on ROE of UAE banks. As total debt to total assets ratio of UAE banks is increasing it clutches the performance in form of low ROE. At the last the p-value of Sargan test is 0.018 which confirms that all utilized instruments are valid and exogamous (Roodman, 2009). Arellano Bond test for (AR (1) testified that there is no issue of average auto covariance in residual order one the impact of corporate governance on three performance-indictors of banks of UAE are reported in above Table 4.8. The first part of dynamic analysis is related to role of lagged value of ROTA CG, GDP, Lev, and Size on ROTA. It can be observed that the speed of adjustment is approximately seven percent (1-1.075). The positive and statistically significant value of lagged value is ensuring the dynamically stable relation among the variables of model. This speed of adjustment shows that if the financial performance of UAE

banks is sub optimal in the short run, then it has high tendency to move long run stable path of performance. Most of the variables such corporate governance (CG), bank size (Size) and leverage (Lev) have statistically in-significant impact on ROTA of UAE banks whereas the variable GDP growth rate has positive and significant impact on market capitalizations of UAE banks. At the last the p-value of Sargan test is 0.14 which confirms that all utilized instruments are valid and exogamous (Roodman, 2009). Arellano Bond test for (AR (1) testified that there is no issue of average auto covariance in residual order one.

4.5 Corporate Governance and Financial Performance of MENA Region

This section contains the static and dynamic behavior of corporate behavior and bank performance in form of TBQ, ROE, and ROTA for MENA region banks. Moreover, the other controlled variables are same as in case of UAE. Three static panel regressions are reported exist namely: pooled OLS (PLS) fixed effect (FE), and random effect (FE). By using the Breusch-Pagan LM test and Hausman test, these three models must be assessed to determine which is the best fit for this study. The Breusch-Pagan LM Test is used to assess whether PLS, or RE is better. While Hausman test is used to choose FE or RE to capture heterogeneity or put it into randomness.

Table 4.9: Result of the panel regression model in TBQ in MENA region banks

	POOLED OLS				Fixed Effect				Random Effect			
	Coef	**Std err**	**z value**	**p value**	**Coef**	**Std err**	**z value**	**p value**	**Coef**	**Std err**	**z value**	**p value**
Lagged TBQ	1.056	0.046	22.950	0.000	0.961	0.258	3.730	0.000	1.063	0.142	7.490	0.000
CG	0.004	0.003	1.220	0.222	0.011	0.014	0.800	0.427	0.004	0.007	0.550	0.584
lev	0.010	0.044	0.220	0.824	-0.145	0.273	-0.530	0.599	0.011	0.018	0.600	0.551
size	0.004	0.004	0.980	0.325	0.034	0.073	0.470	0.642	0.004	0.002	1.820	0.068
gdp	0.002	0.001	2.420	0.015	0.002	0.001	2.300	0.025	0.002	0.001	2.910	0.004
cons	-0.067	0.052	-1.290	0.198	-0.241	0.851	-0.280	0.778	-0.069	0.031	-2.220	0.027
Obs	217				217				217			
Wald	542.04			0.00		897.7		0.00				
R2					within (0.49)	between (0.71)	overall (0.66)		within (0.48)	between (0.87)	overall (0.76)	

Note: $p < 0.01$ = *** $p < 0.05$ = ** $p < 0.1$ = *

The summary findings of the panel regression model used to investigate the link between corporate governance and bank performance in the context of TBQ for MENA region banks. The empirical results that are reported in Table 4.9 which contains three estimation methods. As present study is utilizing panel data and at initial level study is opting three methods (Pooled ls, Fixed effect, and Random effect) to estimate the model for the banking sector of MENA countries. The first independent variable is lagged value of TBQ that is also dependent variable of present model. There is positive and significant role of previous value of TBQ in determining the behaviour of present value of TBQ. There is statistically insignificant impact of corporate governance (CG) on TBQ of banking firms in three methods that are Pls, RE, and FE Similarly, the variable leverage (lev) has insignificant impact on TBQ of firms of MENA as the probability value is more than 10 % in three methods. Similarly, the size of the firm also has no significance impact on TBQ in all the first two methods that is pool and fixed effect while significant in case of random effect. The findings of present study are compatible with the other studies like Chen (2004), Tzelepsis and Skuras (2004). Whereas GDP growth rate has significant impact of TBQ of banks of MENA region in all the three models. In the Table 4.9 the goodness of fit of model (R2), the value of R2 varies from 0.66 to 0.87 that indicates that on average sixty six percent to eighty seven percent variation in TBQ of UAE banks due to independent variables. R square value with the name of within is capturing the variation in TBQ within the banks of MENA. While the R square with the name of between shows the variation in TBQ due to the between banks of MENA. Lastly, the overall value of R2, is weighted average of within and between R2. The probability value of Wald test in three methods almost equal zero that indicates there is no issue of heteroskedasticity in present model. Hence results can be used for policy purposes.

Table 4.10: Result of the panel regression model in ROE in MENA region banks

	POOLED OLS				Fixed Effect				Random Effect			
	Coef	**Std err**	**z value**	**p value**	**Coef**	**Std err**	**z value**	**p value**	**Coef**	**Std err**	**z value**	**p value**
Lagged ROE	0.955	0.220	4.350	0.000	0.366	0.425	0.860	0.392	0.922	0.239	3.850	0.000
CG	0.005	0.002	2.110	0.035	0.006	0.021	0.290	0.776	0.005	0.002	2.180	0.029
lev	-0.032	0.022	-1.420	0.155	-1.067	0.931	-1.150	0.255	-0.033	0.025	-1.300	0.192
size	-0.004	0.006	-0.640	0.521	0.210	0.186	1.130	0.264	-0.003	0.006	-0.510	0.609
gdp	0.009	0.003	2.470	0.014	0.012	0.004	2.790	0.007	0.009	0.003	2.490	0.013
cons	0.055	0.050	1.100	0.273	-1.292	1.309	-0.990	0.327	0.052	0.052	1.000	0.318
Obs	241				241				241			
Wald	153.23			0.00		897.7		0.00				
R2					within (0.39)	between (0.04)	overall (0.05)		within (0.32)	between (0.78)	overall (0.56)	

Note: $p < 0.01$ = *** $p < 0.05$ = ** $p < 0.1$ = *

The statistical findings that are presented in Table 4.10 represent three estimated methods that are pooled OLS, that used for estimating the model for the banking sector of MENA. The first independent variable is lagged value of ROE that is also dependent variable of present model. Surprisingly, there is positive and statistically significant role of previous value of ROE in determining the behaviour of present value of ROE. If we talk about only pooled lease square (Pooled ls), then there is significance and positive impact of corporate governance (CG) on ROE of firms of our panel. The results show that three methods of estimation of model are offering similar impact of CG on ROE with little bit difference in level of significance. In case of leverage and size of firm the impact on ROE of firms of MENA region is insignificant in both methods pool OLS and random models while significant impact in fixed effect method. While the impact of GDP on ROE is positive and significant in all the three methods. The findings of present study are compatible with the other studies like Krishnan and Moyer (1997) and Rajan and Zingales (1995) among others. If we talk about the goodness of fit of model (R2), the value of R2 varies from 0.05 to 0.78 that indicates that on average twenty eight percent to seventy one percent variation in ROE of MENA banks due to independent variables. R square value with the name of within is capturing the variation in ROE within the banks of MENA. While the R square with the name of between shows the variation in ROE due to the between banks of MENA. Lastly, the overall value of R2, is weighted average of within and between R2. The probability value of Wald test in three methods almost equal zero that indicates there is no issue of heteroskedasticity in present model. Hence results can be used for policy purposes.

Table 4.11: Result of the panel regression model in ROTA in MENA region banks

	POOLED OLS				Fixed Effect				Random Effect			
	Coef	**Std err**	**z value**	**p value**	**Coef**	**Std err**	**z value**	**p value**	**Coef**	**Std err**	**z value**	**p value**
Lagged ROTA	0.711	0.088	8.070	0.000	-0.0470	0.1582	-0.3000	0.7670	0.636	0.103	6.200	0.000
CG	0.001	0.000	3.761	0.000	0.0033	0.0024	1.3800	0.1730	-0.001	0.000	-3.950	0.000
Lev	-0.004	0.002	-2.230	0.026	-0.0940	0.0602	-1.5600	0.1230	-0.005	0.002	-2.030	0.042
Size	0.000	0.000	1.110	0.268	0.0034	0.0117	0.2900	0.7700	0.001	0.000	1.440	0.151
Gdp	0.001	0.000	3.450	0.001	0.0010	0.0002	4.2500	0.0000	0.001	0.000	3.620	0.000
Cons	0.001	0.003	0.280	0.778	0.0549	0.1003	0.5500	0.5860	0.001	0.003	0.300	0.767
Obs	241				241				241			
Wald	173			0.00	43.65			0.00	130.76			0.00
R2					within (0.32)	between (0.10)	overall (0.11)		within (0.18)	between (0.71)	overall (0.57)	

Note: p < 0.01 = *** p < 0.05 = ** p < 0.1 = *

The statistical findings that are presented in Table 4.11 represent three estimated methods that are pooled OLS, that used for estimating the model for the banking sector of UAE. The first independent variable is lagged value of return on total assets (ROTA) that is also dependent variable of present model. Surprisingly, there is positive and statistically significant role of previous value of ROTA in determining the behaviour of present value of ROTA. The impact of corporate governance (CG) on ROE of firms is positive and significant in the pool and random methods while non-significant in the fixed effect model. Further results show that there is negative and significant (< 10 %) impact of lev on ROTA of firms of MENA in pool and random effect models but non-significant effect of lev on ROTA in in terms of fixed effect model. From above results it can be derived that corporate governance (as a composite variable) has positive impact of firm level financial performance. At the same time, as leverage of firm are increased the financial performance of firm deteriorate. Similarly, the size of the firm also has nonsignificant impact on ROTA in terms of Pool, fixed effect and random model case with probability value more than 10 % . The findings of present study are compatible with the other studies like Gleason et al (2000), Krishnan and Moyer (1997) and Rajan and Zingales (1995) among others. Likewise, the impact of GDP on ROTA is positive and significant of banks of MENA in all the three models. If we talk about the goodness of fit of model (R2), the value of R2 varies from 0.11 to 0.71 that indicates that on average eighteen percent to eighty nine percent variation in ROTA of MENA banks due to independent variables. R square value with the name of within is capturing the variation in ROE within the banks of MENA. While the R square with the name of between shows the variation in ROTA due to the between banks of MENA. Lastly, the overall value of R2, is weighted average of within and between R2. The probability value

of Wald test in three method almost equal zero that indicates there is no issue of heteroskedasticity in present model. Hence results can be used for policy purposes.

Table 4.12: Dynamic Model for MENA region banks

	Dynamic (one-step system GMM) TBQ dependent variable				Dynamic (one-step system GMM) ROE dependent variable				Dynamic (one-step system GMM) ROTA dependent variable			
	Coef	**Std. Er**	**Z value**	**P value**	**Coef**	**Std. Er**	**Z value**	**P value**	**Coef**	**Std. Er**	**Z value**	**P value**
Lagged TBQ	0.982	0.125	7.870	0.000								
Lagged ROE					1.222	0.206	5.930	0.000				
Lagged ROTA									1.302	0.242	5.390	0.000
CG	0.004	0.002	1.580	0.114	0.041	0.009	4.540	0.000	0.006	0.002	3.310	0.001
GDP	0.003	0.001	2.980	0.003	0.003	0.001	2.230	0.026	0.001	0.000	2.430	0.015
Size	0.005	0.003	1.650	0.099	0.002	0.005	0.390	0.700	0.000	0.001	0.490	0.624
Lev	0.003	0.030	0.110	0.916	0.006	0.040	0.140	0.888	0.005	0.007	0.750	0.453
Cons	-0.062	0.036	-1.760	0.079	-0.057	0.051	-1.120	0.263	-0.014	0.008	-1.660	0.098
No of Obs	217				217				217			
No of Groups	62				62				62			
Sargan Test of overidentification				0.00				0.00				0.00
Wald Chi				0.00				0.00				0.00
Arellano-Bond test for AR(1)				0.018				0.00				0.00
Arellano-Bond test for AR(2)				0.65				0.50				0.05

Note: $p < 0.01$ = ***, $p < 0.05$ = **, $p < 0.1$ = *

4.5.1 Dynamic Model for MENA Region

Table 4.12 contains the dynamic one step system GMM for three models of MENA banks as system GMM increased the efficiency of estimated parameters. Table 4.12 is about the Dynamic Model for MENA region banks. In this table the impact of corporate governance on three performance-indictors (TBQ, ROE and ROTA) of banks of MENA are reported. To capture the dynamic behavior we have used the lag value and the first part of dynamic analysis is related to role of lagged value of Tobin's Q ratio (TBQ), corporate governance, GDP GDP growth rate, Leverage, and bank Size on TBQ. It can be observed that the speed of adjustment is about 1.8 percent (1-0.982). The positive and statistically significant value of lagged value is ensuring the dynamically stable relation among the variables of model. This speed of adjustment shows that if the financial performance of MENA banks is sub optimal in the short run, then it has high tendency to move long run stable path of performance. In the above table the impact of the variables corporate governance (CG) and leverage (Lev) are statistically in-significant on TBQ of MENA banks whereas GDP growth rate and bank size (Size) have positive and significant impact on market capitalizations of UAE banks. At the last the p-value of Sargan test is 0.00 which confirms that all utilized instruments are valid and exogamous (Roodman, 2009). Arellano Bond test for (AR (1) testified that there is no issue of average auto covariance in residual order one.

Similarly, the second part of dynamic analysis is related to role of lagged value of ROE CG, GDP, Lev, and Size on ROE. The speed of adjustment is about twenty two percent (11.222). The positive and statistically significant value of lagged value is ensuring the dynamically stable relation among the variables of model. This speed of adjustment shows that if the financial performance of MENA banks is sub optimal in the short run, then it has

high tendency to move long run stable path of performance. The variable is corporate governance (CG) shows positive and significant impact on ROE of MENA banks. There are six distinct variables that are transformed into a composite variable with the name of CG, if these six variables are improved on average, then these bring positive impact on ROE in form of CG. In simple words, agents are protecting the interest of their principles at MENA banking sector. It is quite natural as UAE is an international city and hosting a lot of global financial activities, in such situations the banking sector of MENA have to behave wisely. Likewise, the variable GDP and have also positive and significant impact on market capitalizations of MENA banks but the variables is bank size (Size) and leverage (Lev) in this model have adverse on ROE of MENA banks. As total debt to total assets ratio of UAE banks is increasing it clutches the performance in form of low ROE. At the last the p-value of Sargan test is 0.000 which confirms that all utilized instruments are valid and exogamous (Roodman, 2009). Arellano Bond test for (AR (1) testified that there is no issue of average autocovariance in residual order one.

Likewise, in above in the Table 4.12 the last part of dynamic analysis is related to role of lagged value of ROTA CG, GDP, Lev, and Size on ROTA. It can be observed that the speed of adjustment is about three percent (1-1.302). The positive and statistically significant value of lagged value is ensuring the dynamically stable relation among the variables of model. This speed of adjustment shows that if the financial performance of MENA banks is sub optimal in the short run, then it has high tendency to move long run stable path of performance. The variables Corporate governance (CG) and variable GDP growth rate has positive and significant impact on ROTA of UAE banks whereas bank size (Size) and leverage (Lev) have statistically in-significant impact on market capitalizations of MENA region banks. At the last the p-value of Sargan test is 0.14 which confirms that all

utilized instruments are valid and exogamous (Roodman, 2009). Arellano Bond test for (AR (1) testified that there is no issue of average autocovariance in residual order one.

4.6 A Remark

The dynamic panel data analysis was conducted to examine the impact of corporate governance on the financial performance of banks in both the UAE and the MENA region. The results were presented in Table 4.12, which focused on three performance indicators: TBQ, ROE, and ROTA. For the MENA region banks, the dynamic analysis revealed that corporate governance, GDP growth rate, and bank size had a positive and significant impact on market capitalization (TBQ). The lagged value indicated a speed of adjustment, highlighting the ability of banks to stabilize their performance in the long run. The Sargan test and Arellano Bond test confirmed the validity of the instruments used in the analysis.

The dynamic analysis for ROE in the MENA region showed that corporate governance had a positive and significant impact, as did GDP growth rate. Bank size had a significant impact only in the fixed effect method. Leverage had an adverse effect on ROE, as a higher total debt to total assets ratio negatively affected performance. In the case of ROTA, corporate governance and GDP growth rate had a positive and significant impact on the MENA banks, while bank size and leverage did not significantly affect market capitalization. The validity of instruments was confirmed by the Sargan test, and the Arellano Bond test indicated no issues of average autocovariance.

For UAE banks, the dynamic analysis revealed that corporate governance had a positive and significant impact on TBQ. GDP growth rate and bank size also had a positive and significant impact on market capitalization. Leverage had an adverse impact on TBQ,

as a higher total debt to total assets ratio resulted in lower TBQ. The Sargan test confirmed the validity of instruments.

In terms of ROE for UAE banks, corporate governance did not have a significant impact, possibly due to the short time span of the study, which did not capture the effects of capital market returns accurately. GDP was the only variable with a positive and significant impact on market capitalization, while bank size and leverage had adverse effects on ROE. The Sargan test confirmed the validity of instruments.

Regarding ROTA for UAE banks, corporate governance did not significantly impact ROTA. GDP growth rate had a positive and significant impact on market capitalization, while bank size and leverage did not significantly affect ROTA. The Sargan test and Arellano Bond test confirmed the validity of instruments.

In summary, this study found that corporate governance had a positive and significant impact on TBQ for both MENA and UAE banks. However, its impact on ROE was less pronounced, possibly due to the short time span and the adverse effects of the COVID-19 pandemic. The impact on ROTA was also limited. UAE banks generally exhibited better corporate governance mechanisms than MENA banks, making the UAE an attractive destination for investments, with strong government laws and policies that promote foreign investment and economic stability. The study's findings provide insights into the relationship between corporate governance and bank performance in the UAE and MENA region, offering valuable information for investors and policymakers in these areas.

CHAPTER 5

CONCLUSION

5.1 Introduction

A country has various types of firms that are contributing to goods and services sector. Some firms are playing leading role in setting the economic directions e.g., banking sectors or agents of financial market. It is quite natural firms earn more profit in developed nations as compared to developing nations due to their abilities in corporate governance. The performance of firms is also varied from region to region and country to country. Sometimes, two nations with identical background, political setup, and social fabric with different economic indicators. Just like, in MENA regions almost majority of the nations are behaving in same way and their firms are also performing in same directions. At the same time, UAE is seeming an outlier as her firms are behaving in very mature way.

The main objectives of present study are to analyze the role corporate governance in determining performance of banking firms of MENA region and UAE. First, study develop an index of corporate governance by using various dimensions at firm level. Then performance of firms is measured with three different proxies, Tobin'q (TBQ), returns on equity (ROE) and returns on assets (ROTA). Banks performance is tested using Tobin's Q that is actually market performance, return on equity and return on total asset are considering as accounting performance.

5.2 Summary of the Result

Theoretical justifications and underpinning related to variables of model are discussed in Chapter 3. Corporate governance is constructed with the help of six indicators

of that are derived from literature. The composite variable is constructed with the help of principle component analysis (PCA) that is frequently used in literature especially in case of corporate governance. The vital organ of present study is basically resulting and discussion that are in discussed in Chapter 4. Because on the basis of results one can draw inferences and suggest policy points. The first section of Chapter 04 is containing the descriptive statistics for UAE and MENA region. Descriptive statistics gives an overview distribution of the sample for each variable of model. Then, Spearman rank correlation test is carried out to see the correlation between variables of model. After that, static and dynamic panel regression analysis is applied to examine the impact of CG on performance of UAE bank and for MENA banks.

The first segment of results is related to static analysis of UAE banks. Static analysis is further divided into three estimation methods-based sections. These three methods are Pooled least square (Pls), Fixed effect, and Random effect. Corporate governance has positive impact on TBQ, and it is significant at 11 percent in pooled least square method. The results show that three methods of estimation of model are showing similar impact of CG on TBQ with little bit difference in level of significance. Similarly, the size of the firm also has positive impact on TBQ in all the three models. GDP that is last independent variable of our model has not statistically significant impact of TBQ of banks of UAE. There is insignificant role of corporate governance on ROE of banking firms of UAE. The results show similar impact of CG on ROE with little bit difference in in three methods of estimation of model. Further results show that there is insignificant impact of lev on ROE of banking firms of UAE in all the three methods. Likewise, size of the firm shows significant positive impact on ROE in case of fixed effect while in pool and random effect its value is insignificant probability value more than 10 %. In last static model Return on total assets

(ROTA) dependent variable for UAE panel. If we talk about only pooled lease square (Pooled ls) and random effect, then there is positive role of corporate governance on ROE of banking firms of UAE.

The dynamic impact of Corporate governance on three performance-indictors of banks of UAE. The positive and statistically significant value of lagged value is ensuring the dynamically stable relation among the variables of model. This speed of adjustment shows that if the financial performance of UAE banks is sub optimal in the short run, then it has high tendency to move long run stable path of performance. The first independent variable is corporate governance (CG) has positive as well as statistically significant impact on TBQ of UAE banks. On same token, GDP growth rate and bank size (Size) have also positive and significant impact on market capitalizations of UAE banks. The second part of dynamic analysis is related to role of lagged value of ROE CG, GDP, Lev, and Size on ROE. The positive and statistically significant value of lagged value is ensuring the dynamically stable relation among the variables of model. The first independent variable is corporate governance (CG) shows insignificant impact on ROE of UAE banks. In last segment of dynamic model is to find the impact of corporate governance on Rota. The first part of dynamic analysis is related to role of lagged value of ROTA CG, GDP, Lev, and Size on ROTA. The positive and statistically significant value of lagged value is ensuring the dynamically stable relation among the variables of model. Most of the variables such corporate governance (CG), bank size (Size) and leverage (Lev) have statistically in-significant impact on ROTA of UAE banks whereas the variable GDP growth rate has positive and significant impact on market capitalizations of UAE banks.

The results of MENA region are also in same format as in case of UAE. First, static analysis followed by dynamic analysis in which the impact of CG long with other control variables on TBQ is estimated with the help of three methods that are Pls, RE, and FE. It is found that there is insignificant impact of CG on TBQ in three methods. On same token leverage (lev) has also insignificant impact on TBQ of banking firms of MENA. Similarly, the size of the firm also has non-significance impact on TBQ in all the first two methods that is pool and fixed effect while significant in case of random effect. In another model of MENA, CG has positive and significant impact on ROE. The results show that three methods of estimation of model are revealing similar impact of CG on ROE with little bit difference in level of significance. In case of leverage and size of firm the impact on ROE of firms of MENA region is insignificant in pooled ls and random effect method but significant impact in fixed effect method. While the impact of GDP on ROE is positive and significant in all the three methods. The impact of CG on ROTA (the third indicator to measure performance of banks of MENA) is positive and significant impact in case of pooled LS and random effect methods but insignificant in case fixed effect. Further results show that there is negative impact of lev on ROTA of firms of MENA in pooled LS and random effect models but insignificant impact of lev on ROTA in case of fixed effect. At the same time, as leverage of firm are increased the financial performance of firm deteriorate. Similarly, the size of the firm also has insignificant impact on ROTA in terms of Pool, fixed effect, and random model case with probability value more than 10 %.

The dynamic impact of corporate governance on three performance-indictors of banks of MENA confirms the dynamically stable relation among the variables of model. The impact of the variables corporate governance (CG) and leverage (Lev) are statistically insignificant on TBQ of MENA banks whereas GDP growth rate and bank size (Size) have

positive and significant impact on market capitalizations. The CG shows positive and significant impact on ROE of MENA banks.

CG and GDP growth rate has positive and significant impact on ROTA of MENA banks whereas bank size (Size) and leverage (Lev) have statistically insignificant impact on market capitalizations of MENA region banks. From above discussion it is observed that UAE banks has better corporate governance mechanism than the banks in MENA region.

Thus, as mentioned in the objectives and significance of this study in first chapter, UAE is one of the best places for investments when compared with countries in MENA region, as one of the reasons could be strong CG mechanism and strong government laws for shareholders. As per Ortiz, 2020 UAE has relaxed foreign ownership requirements allowing 100% foreign ownership and regulations to attract high skilled expertise and specialist labor into the country at the same time attracting higher FDI inflows as compared to other countries in the MENA and GCC region UAE ranked 1st in MENA region and 15th globally for influence in (GSPI) Global Soft Power Index (2022) due to its leadership in the MENA and GCC region and achievements in political, economic and social factors (Ortiz, 2022). As per Abbas, (2021) UAE is most attractive destination when compared with MENA region for foreign direct investment (FDI) due to its investor-friendly policies and the establishment of special economic zones to attract investors from all over the world. The UAE, based on a study by Oxford Economics, was rated as having the highest FDI attractiveness score and followed closely by Qatar, Turkey and Israel in the MENA region (Abbas, 2021). The UAE is regarded as the commercial capital of the MENA region and aims to attract an estimated $150 billion in FDI from its key partners such as USA, India, Saudi Arabia, Switzerland, and China (Abbas, 2021).

5.3 Recommendations and Limitations

While working on the topic of corporate governance and firm's performance research questions had some limitations such as the data of corporate governance is not available for some of the banks in MENA region. And another limitation was the bank's performance results and data could have an impact on financial performance of the bank as the data time frame included COVID-19 period (2006 – 2020) as banks have struggled to collect any loan and mortgages payments or any kind of receivables during this period where many banks also had to write off loans and mortgages of individuals and SME due to loss of income expecting to collect it later. However, this offers the future studies an opportunity to enhance the samples by considering more banks from MENA region and UAE and also to do pre and post effects of the COVID-19 on the MENA region referring to corporate governance. Furthermore, this study focuses on the commercial banks future studies can also extend their studies to all the companies or any other specific sector. Financial and banking industries, together with non-financial sectors, provide a substantial field for future study. Using a different methodological approach, such as a qualitative technique (questionnaires, case studies, and interviews), to gain a better understanding of the influence of corporate governance impact on the firm performance and value. This could an additional fascinating path for future researchers. There is an interesting opportunity to explore how the policymaker empowers and increases the enforcement of corporate governance practices in the MENA region in order to reduce agency costs and boost financial performance and firm value using the best corporate governance mechanisms.

As this study focuses on MENA region where many conglomerates are run and governed by royal families, or they hold major stakes in public limited companies it would be very interesting to assess the corporate governance impact on the firm's performance.

According to Al-Najjar, (2010) the impact that ownership concentration on financial performance of the companies in MENA region has motivated many researches to assess the corporate governance in MENA region. It is an ethical requirement for every business to follow ethical norms and CG standards for the betterment of the stakeholders however the subject of CG and Business ethics is getting complicated as businesses activities now a days are getting wider day to day since individuals and their approach are globally involved into various kinds of businesses. In light of the extensive findings and analyses conducted in this study, a series of policy recommendations emerge to propel the advancement of corporate governance practices within the MENA region and specifically within the banking sector of the UAE.

A paramount recommendation advocates for the continual evaluation and enhancement of corporate governance practices. It is imperative that banks subject themselves to regular assessments, identifying areas for refinement and implementing necessary enhancements. Such evaluations should involve independent audits and external reviews to uphold objectivity and thorough scrutiny.

Ensuring board independence and expertise stands as another pivotal recommendation. Banks are urged to cultivate boards of directors that are independent and diverse, comprising members endowed with relevant expertise and experience. This strategic composition fosters effective decision-making, minimizes conflicts of interest, and augments overall governance effectiveness. For banks in the UAE, particularly concerning Return on Total Assets (ROTA), the study underscores the positive role of corporate governance. Policymakers are, therefore, encouraged to explore measures that incentivize improved ROTA performance through enhanced corporate governance frameworks. The

integration of risk management practices into corporate governance frameworks emerges as a crucial recommendation. This involves the establishment of comprehensive risk assessment procedures, robust internal control mechanisms, and ongoing monitoring and reporting structures. Furthermore, active engagement with stakeholders is proposed as an essential practice. Banks are encouraged to foster open communication, feedback mechanisms, and stakeholder consultations to ensure the incorporation of diverse perspectives in decision-making processes.

The study's finding that the size of the firm significantly impacts Return on Equity (ROE) suggests a tailored approach in policymaking. Policymakers are advised to consider firm size when formulating regulations, with a focus on supporting the unique needs of smaller banking institutions. Investment in training and development programs is also emphasized. Banks should commit to enhancing the skills and knowledge of their board members, executives, and employees to keep them abreast of evolving corporate governance landscapes and best practices. By diligently implementing these recommendations, both banks in the MENA region and those in the UAE can fortify their corporate governance practices. This, in turn, will contribute to the promotion of stability, transparency, and sustained long-term growth within the banking sector. Managerial discretion and firm's performance have always been an interesting topic to discuss as nowadays people are believing in investing more than owning or running business. Specially after the COVID-19 individuals have been investing a lot in shares to earn a quick living whether it is amazon, coca cola, tesla or crypto currency, which gives rise to agency theory and stakeholder theory and also lead us to assess and research the efficiency of CG mechanism in line with firm performance further. Further, Researchers can explore the possibility of conducting follow-up studies that delve into the influence of additional variables on corporate governance in

the banking sectors of the UAE and the MENA region. This approach ensures that we build on the current research foundation while allowing for a more comprehensive examination of the topic in subsequent studies.

REFERENCES

Abbas, W. (2021). UAE Rated the Best Destination for FDI in the MENA Region. *Khaleej Times, Business edition.* Published: Sunday 21 Nov 2021. [Online]. Available at: https://www.khaleejtimes.com/business/uae-rated-the-best-destination-for-fdi-in-the-mena-region [Accessed on: 30 December 2021].

Abdul Basith, A. Q., & Abu-Shawish, Z. K., &, Ousama, A. A. (2020). Corporate governance disclosure compliance: a comparison between conventional and Islamic banks. *International Journal of Electronic Banking, 2,* 1. 10.1504/ IJEBANK.2020. 105413.

Abdullah, S. N. (2006). Directors' remuneration, firm's performance and corporate governance in Malaysia among distressed companies. *Corporate Governance: The International Journal of Business in Society, 6,* 162–174.

Abdullah, W.A.W., Percy, M., & Stewart, J., (2015). Determinants of voluntary corporate governance disclosure: Evidence from Islamic banks in the Southeast Asian and the Gulf Cooperation Council ADBI., 2018. About us. [Online]. Available at: https://www.adib.ae/en/corporate/commercial [Accessed on: 30 September 2018].

Adams R. B., & Ferreira, D. (2009). Women in the Boardroom and Their Impact on Governance and Performance. *Journal of Financial Economics, 94,* 291-309.

Aguilera, R., Desender, K., Bednar, M., & Lee, J. (2015). Connecting the dots: Bringing external corporate governance into the corporate governance puzzle. *The Academy of Management Annals, 9*(1), 483-573.

Akpan, E. O., & Amran, N. A. (2014). Board characteristics and company performance: Evidence from Nigeria. *Journal of Finance and Accounting, 2*, 81–89.

Al-Baidhani. (2016). Impact of Corporate Governance on Banks: Evidence from Yemen and GCC Countries (February 25, 2018). Available at SSRN: https://ssrn.com/abstract =3129580 or http://dx.doi.org/10.2139/ssrn.3129 580 [Accessed on: 30 December 2018]

Al-Daoud, K., Saidin, S., & Abidin, S. (2016). Board meeting and firm performance: Evidence from the Amman stock exchange. *Corporate Board: Role, Duties & Composition, 12*(2), 6-11.

AlHares, A., Dominic, G., & Abed, R. (2019). The Corporate Governance Practices: Evidence from MENA Countries. *Theoretical Economics Letters, 9*, 999-1019. doi:10.4236/tel.2019.94065.

Aljifri, K., & Moustafa, M. (2007). The Impact of Corporate Governance Mechanisms on the Performance of UAE Firms: An Empirical Analysis. *Journal of Economic & Administrative Sciences, 23(*2), 71-93.

Al-Matari, E. H., Al-Swidi, A. K., & Fadzil, F. H. (2014). The effect of board of directors' characteristics, audit committee characteristics and executive committee characteristics on firm performance in Oman: An empirical study. *Asian Social Science, 10*(11), 149171.

Al-Matari, E. H., Al-Swidi, A. K., Fadzil, F. H., & Al-Matari, Y. A. (2012). The impact of board characteristics on firm performance: Evidence from nonfinancial listed companies in Kuwaiti stock exchange. *International Journal of Accounting and Financial Reporting, 2*, 310–332.

Al-Matari, Y. A., Al-Swidi, A. K., BtFadzil, F. H., & Al-Matari, E. M. (2012). Board of directors, audit committee characteristics and performance of Saudi Arabia listed companies. *International Review of Management and Marketing, 2*(4), 241-251.

Almoneef, A., & Samontaray, D. P. (2019). Corporate governance and firm performance in the Saudi banking industry. *Banks and Bank Systems, 14*(1), 147.

Al-Musali, M. A., & Ku Ismail, K. N. I. (2016). Cross-country comparison of intellectual capital performance and its impact on the financial performance of commercial banks in GCC countries. *International Journal of Islamic and Middle Eastern Finance and Management*, *9*(4), 512-531.

Al-Najjar, B. (2014). Corporate governance, tourism growth and firm performance: Evidence from publicly listed tourism firms in five Middle Eastern countries. *Tourism Management, 42*, 342-351. ISSN 0261-5177. DOI: 10.1016/j.tourman. 2013.09.008.

Amer, M. (2016). Measuring the Effect of the Board of Directors and Audit Committee Characteristics on Firm Financial Performance in Egypt. (Doctoral dissertation, Cardiff Metropolitan University).

Amran, N. A. (2011). Corporate governance mechanisms and company performance: Evidence from Malaysia Company. *International Review of Business Research Papers, 7*(6), 101- 114.

Anderson, R. C., & Bizjak, J. M. (2003). An empirical examination of the role of the CEO and the compensation committee in structuring executive pay. *Journal of Banking and Finance, 27*, 1323-1348.

Andres, C., Betzer, A., & Weir, C. (2007). Shareholder wealth gains through better corporate governance—The case of European LBO-transactions. *Financial Markets and Portfolio Management, 21*(4), 403-424.

Ararat, M., Orbay, H., & Yurtoglu, B. (2010). The Effects of Board Independence in Controlled Firms: Evidence from Turkey.

Arayssi, M., & Jizi, M. (2018). Does corporate governance spillover firm performance? A study of valuation of MENA companies. *Social Responsibility Journal*, *15*(5), 597-620.

Arora, A., & Bodhanwala, S. (2018). Relationship between Corporate Governance Index and Firm Performance: Indian Evidence. *Global Business Review, 19*(3), 1-15. doi:10.1177/0972150917713812.

Arora, A., & Sharma, C. (2016). Corporate governance and firm performance in developing countries: Evidence from India. *Corporate Governance International Journal of Business in Society, 16*(2), 420-436.

Arouri, H., Hossain, M., & Muttakin, M. B. (2011). Ownership structure, corporate governance and bank performance: Evidence from GCC countries, *Corporate Ownership and Control*, *8*(4), 365-372.

Asefeso, A (2016). CEO Guide to Doing Business in the Middle East (2nd) 11 – 57. Middletown, DE: *AA Global Sourcing* Ltd.9.

Atradius. (2021). UAE Country Report: Ongoing Rebound, but the Credit Risk Situation of Several Industries Remains Strained. *Atradius N.V publications, Economic edition, May 2021*. Available at: https://group.atradius.com/publications/country-report/mena-uae-may-2021.html [Accessed on: 30 January 2022].

Azeez, A. A. (2015). Corporate governance and firm performance: evidence from Sri Lanka. Journal of Finance, 3(1), pp.180-189.regions. *Journal of Contemporary Accounting & Economics*, *11*(3), 262-272.

Baker and McKenzie. (2016). Doing Business in the United Arab Emirates. 1 – 14. Available at: www.bakermckenzie.com//media/files/insight/publications/2016/03/doingbusiness-in-uae/bk_uae_dbi_20160629.pdf?la=en [Accessed on 27th September, 2017].

Barako, D., & Tower, G. (2007). Corporate governance and bank performance: Does ownership matter? Evidence from the Kenyan banking sector. *Corporate Ownership and Control*, *4*(2), 133-144.

Beck, T., Demirgüç-Kunt, A., & Levine, R. Bank supervision and corruption in lending. *Journal of Monetary Economics*, *60*(6), 715-728.

Berger, A. N., Imbierowicz, B., & Rauch, C. (2016). The roles of corporate governance in bank failures during the recent financial crisis. *Journal of Money, Credit and Banking*, *48*(4), 729-770.

Berger, A. N. (1995). The relationship between capital and earnings in banking. *Journal of Money, Credit and Banking*, *27*(2), 432-456.

Bhagat, S., & Bolton, B. (2008). Corporate governance and firm performance. *Journal of Corporate Finance, 14*, 257-273.

Bijalwan, J., & Madan, P. (2013). Corporate governance practices, transparency and performance of Indian companies. *The IUP Journal of Corporate Governance, 12* (3), 45–79.

Bikker, J. A., & Hu, H. (2002). Cyclical patterns in profits, provisioning and lending of banks and procyclicality of the new Basel capital requirements. *BNL Quarterly Review*, *55*(221), 143-175.

Black, B., & Yurtoglu, B. (2016) Corporate Governance Indices and Construct Validity. Available from: https://corpgov.law.harvard.edu/2016/10/17/corporate-governance indices-and-construct-validity/ [Accessed on 21.02.2020].

Böhren, Ö., & Ström, R. Ö. (2005). Aligned, Informed, and Decisive: Characteristics of Value-Creating Boards.

Borlea, S. N., Achim, M. V., & Mare, C. (2017). Board characteristics and firm performances in emerging economies: Lessons from Romania. *Economic Research-Ekonomska Istraživanja, 30*(1), 55-75.

Bowen, W (2004). The Board Book: An Insider's Guide for Directors and Trustees, New York and London, W.W. Norton & Company, ISBN 978-0-393-06645-6.

Buallay, A. (2021). Corporate Governance, Sharia'ah Governance and Performance: A Crosscountry Comparison in The Mena Region. *AQU Journal of Islamic Economics*, *1*(1), 189-195.

Cai, C., Hillier, D., & Wang, J. (2016). The Cost of Multiple Large Shareholders. *Financial Management*, *45*(2), 401-430.

Cai, J., & Zhang, Z. (2011). Leverage change, debt overhang, and stock prices. *Journal of Corporate Finance*, *17*, 391-402.

Casu, B., & Girardone, C. (2009). Testing the relationship between competition and efficiency in banking: A panel data analysis. *Economics Letters*, *105*(1), 134-137.

Cavaco, S., Challe, E., Crifo, P., Rebérioux, A., & Roudaut, G. (2016). Board independence and operating performance: analysis on (French) company and individual data. *Applied Economics, 48*(52), 5093-5105.

Cheng, S. (2008). Board Size and the Variability of Corporate Performance. *Journal of Financial Economics, 87*, 157-176.215. doi:10.52747/aqujie.1.1.26.

Christensen, J., Kent, P., Routledge, J., & Stewart, J. (2015). Do corporate governance recommendations improve the performance and accountability of small listed companies? *Accounting & Finance, 55*(1), 133-164.

Chugh, L. C., Meador, J. W., & Kumar, A. S. (2011). Corporate governance and firm performance: evidence from India. *Journal of Finance and Accountancy, 7*(1).

Clarke, T. (2004). Theories of Corporate Governance: The Philosophical Foundations of Corporate Governance. *London and New York: Routledge*, ISBN 0415-32308-8.

Clarke, T. (2004). Critical Perspectives on Business and Management: 5 Volume Series on Corporate Governance - Genesis, Anglo-American, European, Asian and Contemporary Corporate Governance. *London and New York: Routledge*, ISBN 0-41532910-8.

Clarke, T. (2007). International Corporate Governance. *London and New York: Routledge*, ISBN 0-415-32309-6.

Clarke, T., & Dela Rama, M. (2008). Fundamentals of Corporate Governance (4 Volume Series)" *London and Thousand Oaks, CA*: SAGE, ISBN 978-1-4129-3589-0.

Connelly, J. T., Limpaphayom, P., & Nagarajan, N. J. (2012). Form versus substance: The effect of ownership structure and corporate governance on firm value in Thailand. *Journal of Banking & Finance, 36*, 1722-1743.

Crawford, C. J. (2007). Compliance & conviction: the evolution of enlightened corporate governance. XCEO, Inc.

Dahya, J., & McConnell, J. (2005). Outside directors and corporate board decision. *Journal of Corporate Finance, 11*(1-2), 37–60.

Dalton, D. R., Daily, C. M., Ellstrand, A. E., & Johnson, J. L. (1998). Meta-analytic reviews of board composition, leadership structure, and financial performance. *Strategic Management Journal, 19*(3), 269-290

Dalton, D. R., Daily, C. M., Johnson, J. L., & Ellstrand, A. E. (1999). Number of Directors and Financial Performance: A Meta-Analysis. *Academy of Management Journal, 42*(6), 674-686.

Dalwai, T. A. R., Basiruddin, R., & Abdul Rasid, S. Z. (2015). A critical review of relationship between corporate governance and firm performance: GCC banking sector perspective. *Corporate Governance, 15*(1), 18-30. https://doi.org/10.1108/CG-04-2013-0048.

Danoshana, S., & Ravivathani, T. (2013). The impact of the corporate governance on firm performance: A study on financial institutions in Sri Lanka. *Merit Research Journal of Accounting, Auditing, Economics and Finance, 1*(6), 118-121.

Davies, A. (2016). Best practice in corporate governance: Building reputation and sustainable success. UK: Routledge.

Demirgüç-Kunt, A., & Huizinga, H. (2010). Bank activity and funding strategies: The impact on risk and returns. *Journal of Financial Economics, 98*(3), 626-650.

Detthamrong, E., Chancharat, N., & Vithessonthi, C. (2017). Corporate governance, capital structure and firm performance: Evidence from Thailand. *Research in International Business and Finance*, *42*, 689-709.

De Haan, J., & Vlahu, R. (2016). Corporate governance of banks: A survey. *Journal of Economic Surveys, 30*(2), 228-277.

Denis, D. K., & McConnell, J. J. (2003), International Corporate Governance. *Journal of Financial and Quantitative Analysis, 38*(1), 1-36.

DeYoung, R., et al. (1997). The cost structure of commercial banks: An empirical investigation of the "franchise value" of deposits. *Journal of Money, Credit and Banking*, *29*(2), 181-201.

Dibra, R. (2016). The Role of Corporate Governance Failure in the Banking Sector. *European Scientific Journal, 12*(34), 68. https://doi.org/10.19044/esj.2016.v12n34 p68.

Ducasse, I., & Montandrau, S. (2015). Corporate social performance, ownership structure, and corporate governance in France. *Research in International Business and Finance*, *34*, 383-396.

Dxboffplan. (2021). UAE: The Best Middle Eastern Country to Do Business. *Article by Dxboffplan* [Online]. Available at: https://dxboffplan.com/uae-the-best-middle-eastern-country-to-do-business/ [Accessed on: 05 February 2022].

Ehikioya, B. (2009). Corporate governance structure and firm performance in developing economies: evidence from Nigeria. *Corporate Governance, 9*(3), 231-243.

El-Masry, A. A., Abdelfattah, T., Elbahar, E. (2016). Corporate governance and risk management in GCC banks. Corporate Ownership & Control, *13*(3), 8-16. http://dx.doi.org/10.22495/cocv13i3p1.

El-Chaarani, H., Abraham, R., & Skaf, Y. (2022). The Impact of Corporate Governance on the Financial Performance of the Banking Sector in the MENA (Middle Eastern and North African) Region: An Immunity Test of Banks for COVID-19. *Journal of Risk and Financial Management, 15*(82), 1-21. doi:10.3390/jrfm15020082

Emirates NBD. (2018). About us. [Online]. Available at: http://www.emiratesnbd. com/en/aboutemirates-nbd/company-details/ [Accessed on: 30 September 2018].

Essen, M., Engelen, P. J., & Carney, M. (2013). Does "Good" Corporate Governance Help in a Crisis? The Impact of Country-and Firm-Level Governance Mechanisms in the European Financial Crisis. *Corporate Governance: An International Review, 21*(3), 201-224.

FGB. (2018). About us. [Online]. Available at: http://www.fgb.ae/en/about-fgb/about-fgb.aspx (accessed: 30 September 2018).

Francis, B., Hasan, I., & Wu, Q. (2015). Professors in the boardroom and their impact on corporate governance and firm performance. *Financial Management, 44*(3), 547-581.

Fallatah, Y., & Dickins, D. (2012). Corporate governance and firm performance and value in Saudi Arabia. *African Journal of Business Management, 6*(36), 10025-10034.

Farhan, A., Obaid, S., & Annuar, H. (2017). Corporate governance effect on firms' performance, evidence from the UAE. *Journal of Economic and Administrative Sciences, 33*(1).

Gaur, S., Bathula, H., & Singh, D. (2015). Ownership concentration, board characteristics and firm performance. *Management Decision*, *53*(5), 911-931. doi:10.1108/MD-08-20140519.

Gebba, T. R., & Aboelmaged, M. G. (2016). Corporate Governance of UAE Financial Institutions: A Comparative Study between Conventional and Islamic Banks, *Journal of Applied Finance & Banking, 6(5), https://EconPapers. repec.org/RePEc:spt:apfiba:v:6:y:2016:i:5:f:6_5_7.*

Ghabayen, M. A. (2012). Board characteristics and firm performance: Case of Saudi Arabia. *International Journal of Accounting and Financial Reporting*, *2*(2), 168-200.

Gitman, L. J., Juchau, R., & Flanagan, J. (2015). Principles of managerial finance. UK: Pearson Higher Education AU.

Goergen, M. (2012). International Corporate Governance, Prentice Hall, Harlow, January, 2012, p. 6, ISBN 978-0273751250.

González, L., Santomil, P., & Alaraj, R. (2021). Corporate Governance and MENA Banks' Performance. Revista de Economía Mundial, *58*, 51-74. doi:10.33776/rem. v0i58.4693.

Haider, N., Khan, N., & Iqbal, N. (2015). Impact of corporate governance on firm financial performance in Islamic Financial Institution. *International Letters of Social and Humanistic Sciences*, *51*, 106-110.

Hasnah, K. (2009). The impact of corporate governance and board performance on the performance of public listed companies in Malaysia. Universiti Sains Malaysia Publisher.

Hassan, R., Marimuthu, M., & John, S.K. (2015). Diversity, corporate governance, and implication on firm financial performance. *Global Business and Management Research*, *7*(2), 28.

Hermalin, B. E., & Weisbach, M. S. (1991). The effect of board composition and direct incentives on firm performance. *Financial Management, 20*(4), 101-112.

ICAEW. (2005). Agency theory and role of audit. [Online] Retrieved from: https://www.icaew.com/~/media/corporate/files/technical/audit%20and%20assurance/audit%20quality/audit%20quality%20forum/agency%20theory%20and%20the%20rol e%20of%20audit.ashx [Accessed: 1st June, 2016].

Iqbal, S., Nawaz, A., & Ehsan, S. (2019). Financial performance and corporate governance in microfinance: Evidence from Asia. *Journal of Asian Economics*, *60*, 1-13.

Iraya, C., Mwangi, M., & Muchoki, G. W. (2015). The effect of corporate governance practices on earnings management of companies listed at the Nairobi securities exchange. *European Scientific Journal*, *11*(1).

Irshad, R., & Ali, M. (2015). Board effectiveness, ownership structure and corporate performance: Evidence from Pakistan. *Journal of Business Studies Quarterly, 7*(2), 46-61.

Isidro, H., & Sobral, M. (2015). The effects of women on corporate boards on firm value, financial performance, and ethical and social compliance. *Journal of Business Ethics*, *132*(1), 1-19.

Javed, A., & Iqbal, R. (2006). Corporate governance and firm performance: Evidence from Karachi Stock Exchange. *The Pakistan Development Review, 45*(4), 947–964.

Jensen, M. (1993). The modern industrial revolution, exit, and the failure of internal control systems. *The Journal of Finance, 48*, 831-880.

Jensen, M. C. (2017). Value maximization, stakeholder theory, and the corporate objective function. In Unfolding stakeholder thinking (pp. 65-84). UK: Routledge.

Johl, S. K., Kaur, S., & Cooper, B. J. (2015). Board characteristics and firm performance: evidence from Malaysian public listed firms. *Journal of Economics, Business and Management, 3*(2), 339-343.

John, B. (2020). Coronavirus crashes down on UAE economy. UAE nominal GDP and real GDP growth of UAE. Available at: https://www.meed.com/coronavirus-impact-uaeeconomy [Accessed: 1st June, 2016].

John, K., & Senbet, L. (1998). Corporate governance and board effectiveness. *Journal of Banking and Finance, 22*(4), 371-403.

Karamanou, I., & Vafeas, N. (2005). The association between corporate boards, audit committees, and management earnings forecasts: An empirical analysis. *Journal of Accounting Research, 43*(3), 453-486.

Kato,T., Kim, W., & Lee, J. H. (2007). Executive compensation, firm performance, and Chaebols in Korea: Evidence from new panel data. *Pacific-Basin Finance Journal, 15*, 36–55.

Kerr, S. (2013). UAE corporate governance falls short. Available Online: (https://www.ft.com/content/53b79214-a5ab-11e2-9b77-00144feabdc0) [Accessed on 29.04.2020].

Kerr, S. (2019). UAE Banks Prepare for Rough Ride Ahead. Available Online: (https://www.ft.com/content/3d537bae-cf30-11e9-b018-ca4456540ea6) [Accessed on 30.04.2020].

Khalid, A. M. (2011). Ethical Theories of Corporate Governance. *International Journal of Governance, 1*(2): 484-492.

Khalifa, A. M., Natoli, R., & Zuhair, S. (2020). The Impact of Board and Audit Characteristics on the Financial Performance of UAE Listed Firms. *International Journal of Accounting and Financial Reporting, 10*(2), 60-80.

Khan, A. A., & Walker, S (2015). The Banking Regulation Review. 6th Ed. *Law Business Research Ltd.*

Khan, A., & Awan, S. H. (2012). Effect of board composition on firm's performance: a case of Pakistani listed companies. *Interdisciplinary Journal of Contemporary Research in Business, 3*(10), 853-863.

Khatib, S. F. A., & Nour, A.-N. I. (2021). The Impact of Corporate Governance on Firm Performance During The COVID-19 Pandemic: Evidence from Malaysia. *Journal of Asian Finance, Economics and Business, 8*(2), 0943-0952.

Kim, I. J., Eppler-Kim, J., Kim, W. S., & Byun, S. J. (2010). Foreign investors and corporate governance in Korea. *Pacific-Basin Finance Journal, 18*(4), 390-402.

Klein, P., Shapiro, D., & Young, J. (2005). Corporate governance, family ownership and firm value: the Canadian evidence. *Corporate Governance: An International Review, 13*(6), 769-784.

Kutum, I. (2015). Board Characteristics and Firm Performance: Evidence from Palestine. European. *Journal of Accounting Auditing and Finance Research, 3*(3), 32-47.

Kyere, M., & Ausloos, M. (2021). Corporate governance and firm's financial performance in the United Kingdom. *International Journal of Finance and Economics*, *26*(1), 18711885. doi:10.1002/ijfe.1883.

Larcker, D., & Tayan, B. (2015). Corporate governance matters A closer look at organizational choices and their consequences. UK: Pearson Education. Larcker, D. F., Richardson, S. A., & Tuna, I. (2007). Corporate Governance, Accounting Outcomes, and Organizational Performance. *The Accounting Review*, *82*(4), 963-1008.

Latham and Watkins (2014). Doing Business in the United Arab Emirates. Accessed from www.lw.com/thoughtLeadership/doing-business-in-the-uae [Accessed on 27th September, 2017].

Lee, K. W., Lev, B., & Yeo, G. H. H. (2008). Executive pay dispersion, corporate governance, and firm performance. *Review of Quantitative Finance and Accounting*, *30*, 315–338.

Levi, M., Li, K., & Zhang, F. (2014). Director Gender and Mergers and Acquisitions. *Journal of Corporate Finance*, *28*, 185-200.

Lipton, M., & Lorsch, J. W. (1992). A Modest Proposal for Improved Corporate Governance. *Business Lawyer*,*1*(1), 59–77.

Low, A. (2008). Conflict and Creativity at Work: Human Roots of Corporate Life, Sussex Academic Press. ISBN 978-1-84519-272-3.

Luo, X., Wang, H., Raithel, S., & Zheng, Q. (2015). Corporate social performance, analyst stock recommendations, & firm future returns. *Strategic Management Journal*, *36*(1), 123.

Mahadeo, J. D., Soobaroyen, T., & Hanuman, V. O. (2012). Board composition and financial performance: Uncovering the effects of diversity in an emerging economy. *Journal of Business Ethics, 105*, 375–388.

Makhlouf, M. H., Binti Laili, N. H., & Ali, M. Y. (2014). Board of directors characteristics and firm performances among Jordanian firms, proposing conceptual framework. *International Journal of Technical Research and Applications, 2*, 18-23.

Mallin, C. (2016) Handbook on Corporate Governance in Financial Institutions. Cheltenham: Edward Elgar.

Mallin, C., Farag, H., & Ow-Yong, K. (2014). Corporate social responsibility and financial performance in Islamic banks. *Journal of Economic Behavior & Organization, 103*, S21-S38.

Mardnly, Z., Mouselli, S., & Abdulraouf, R. (2018). Corporate governance and firm performance: an empirical evidence from Syria. *International Journal of Islamic and Middle Eastern Finance and Management, 4*, 591-607.

Marsh, D. (2015). Doing Business in the Middle East: A cultural and practical guide for all business professionals. London: Robinson.

Mashayekhi, B., & Bazaz, M. (2008). Corporate governance and firm performance in Iran. *Journal of Contemporary Accounting & Economics, 4*(2), 156-172.

McCahery, J. A., Sautner, Z., & Starks, L. T. (2016). Behind the scenes: The corporate governance preferences of institutional investors. *The Journal of Finance, 71*(6), 29052932.

McLaurin, J. R. (2008). Commercial Agency Law in the United Arab Emirates: A review and Recommendations. Allied Academies International Conference: Proceedings of

the Academy for Studies in International Business (ASIB), *8*(2), 6-11. 27th September 2017.

Menteş, S. (2011). Gender Diversity at the Board and Financial Performance: A Study on ISE (Istanbul Stock Exchange). *Middle Eastern Finance and Economics, 14*, 6-15.

Mertzanis, C., Basuony, M., & Mohamed, E. (2018). Social Institutions, Corporate Governance and Firm Performance in the MENA Region. *Research in International Business and Finance. 48*, 75-96.

Miglani, S., Ahmed, K., & Henry, D. (2015). Voluntary corporate governance structure and financial distress: evidence from Australia. *Journal of Contemporary Accounting & Economics, 11*(1), 18-30.

Miller T., & Triana, M. C. (2009). Demographic Diversity in the Boardroom: Mediators of the Board Diversity-Firm Performance Relationship. *Journal of Management Studies, 46*, 755-777.

Mohamed, A. H. (2008). Most FDI in the UAE comes from non – Arab nations. *Emirates Business* 24/7. 23 June 2008.

Mohamed, W. M. H. (2016). Corporate Governance Practices of the Middle East Banking Sector: A Comparative Analysis between Islamic and Conventional Banks. *Journal of Finance, 4*(1), 99-111.

Mollah, S., & Zaman, M. (2015). Shari'ah supervision, corporate governance, and performance: Conventional vs. Islamic banks. *Journal of Banking & Finance, 58*, 418-435.

Mollah, S., Hassan, M. K., Al Farooque, O., & Mobarek, A. (2017). The governance, risk-taking, and performance of Islamic banks. *Journal of Financial Services Research, 51*(2), 195219.

Muir, J. D. (2015). Fundamentals of Finance. University of New York in Prague State University of New York Empire State College. Prague.

Müller, V. O. (2014). Do corporate board compensation characteristics influence the financial performance of listed companies? *Procedia-Social and Behavioral Sciences, 109*, 983-988.

Müller, V. O. (2014). The impact of board composition on the financial performance of FTSE100 constituents. *Procedia-Social and Behavioral Sciences, 109*, 969-975.

Mustafa, D. (2015). DEA - Introduction to Regional Economic Development Major Theories and Basic Analytical Tools. Cheltenham, UK: Edward Elgar publishing, pages 125-139.

Nasdaq Dubai. (2020) Issuer's Corporate Governance. Available Online at: https:// www.nasdaqdubai.com/listing/corporate-governance [Accessed on 21.02.2020].

Naushad, M., & Malik, S. A. (2015). Corporate governance and bank performance: A Study of selected banks in GCC Region. *Asian Social Science, 11*(9), 226-234.

Nguyen, P., Rahman, N., Tong, A., & Zhao, R. (2015). Board Size and Firm Value: Evidence from Australia. *Journal of Management and Governance, 20*(4), 851-873.

Nobanee, H., & Ellili, N. (2016). Corporate sustainability disclosure in annual reports: Evidence from UAE banks: Islamic versus conventional. *Renewable and Sustainable Energy Reviews, 55*, 1336-1341.

OECD. (2015). G20/OECD Principles of Corporate Governance, OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264236882-en

Omran, M. M., Bolbol, A., & Fatheldin, A. (2008). Corporate governance and firm performance in Arab equity markets: does ownership concentration matter? *International Review of Law and Economics, 28*(1), 32-45.

Otman, K. (2019). Corporate governance challenges: In the context of MENA countries. *Journal of Governance and Regulation*. *8*. 10.22495/jgrv8i4art3.

Perrini, F., & Minoja, M. (2008). Strategizing corporate social responsibility: evidence from an Italian medium-sized, family-owned company. *Business Ethics: A European Review, 17*(1), 47-63.

Pillai, R., & Al-Malkawi, H.-A. N. (2018). On the relationship between corporate governance and firm performance: Evidence from GCC countries. *Research in International Business and Finance, 44*, 394-410.

Pillai, R., & Al-Malkawi. (2016). Corporate Governance in GCC countries: Empirical assessment using conventional and non-conventional indices. Proceedings of the Australia-Middle East Conference on Business and Social Sciences 2016, *Dubai (in partnership with The Journal of Developing Areas, Tennessee State University*, USA) ISBN 978-0-9925622-3-6.

Pillai, Rekha & Al-Malkawi, & Husam-Aldin. (2016). Corporate governance in GCC countries: Empirical assessment using conventional and non-conventional indices. Available at: https://www.researchgate.net/publication/301517929_Corporate_Governance_In_The_Gcc_Countries_Empirical_Assessment_Using_Conventional_And_Non-Conventional_IndiceS/citation/download) [Accessed on 30.04.2020].

Platonova, E., Asutay, M., Dixon, R., & Mohammad, S. (2018). The Impact of Corporate Social Responsibility Disclosure on Financial Performance: Evidence from the GCC Islamic Banking Sector. *Journal of Business Ethics*, *151*, 451–471. https://doi.org/10.1007/s10551-0163229-0.

Pletzer, J. L., Nikolova, R., Kedzior, K. K., & Voelpel, S. C. (2015). Does gender matter? Female representation on corporate boards and firm financial performance-a meta-analysis. *PloS One*, *10*(6), p. e0130005.

Praptiningsih, M. (2009). Corporate Governance and Performance of Banking Firms: Evidence from Indonesia, Thailand, Philippines, and Malaysia, *Jurnal Manajemen dan Kewirausahaan*, *11*(1), 94-108.

Puni, A., & Anlesinya, A. (2020). Corporate governance mechanisms and firm performance in a developimg country. *International Journal of Law and Management*, *62*(2), 147-169.

Qiu, Y., Shaukat, A., & Tharyan, R. (2016). Environmental and social disclosures: Link with corporate financial performance. *The British Accounting Review*, *48*(1), 102-116.

Qurashi, M. (2017). Comparison of Corporate Governance Codes for GCC Countries with the UN Best Practices. Available at: https://www.researchgate.net/publication/319716462_Comparison_of_Corporate_Governance_Codes_for_GCC_Countries_with_the_UN_Best_Practices/citation/download [Accessed on 30.04.2020].

Ramani, A. (2020, March 15). UAE finance companies have issues to resolve. Gulf News Business. Retrieved from https://gulfnews.com/business/analysis/uae-finance companies-have-issues-to-resolve-1.70367346 [Accessed on 30.04.2020].

Rekha, P., & Husam-Aldin, N. A. (2018). On the relationship between corporate governance and firm performance: Evidence from GCC countries, *Research in International Business and Finance*, *44*(C), 394-410.

Rodriguez-Fernandez, M. (2016). Social responsibility and financial performance: The role of good corporate governance. *BRQ Business Research Quarterly*, *19*(2), 137-151.

Rose, C. (2007). Does female board representation influence firm performance? The Danish evidence. *Corporate Governance: An International Review, 15*(2), 404-413.

Rouf, M. (2011). The relationship between corporate governance and value of the firm in developing countries: Evidence from Bangladesh. *The International Journal of Applied Economics and Finance, 5*(3), 237-244.

Saeidi, S. P., Sofian, S., Saeidi, P., Saeidi, S. P., & Saaeidi, S. A. (2015). How does corporate social responsibility contribute to firm financial performance? The mediating role of competitive advantage, reputation, and customer satisfaction. *Journal of Business Research*, *68*(2), 341-350.

Safi, A. (2012). Foreign Direct Investment in the Arab World. An analysis of flows and an evaluation of country specific Business Environment. *SSRN Electronic Journal.*

Safiullah, Md., & Shamsuddin, A. (2018). Risk in Islamic banking and corporate governance. *Pacific-Basin Finance Journal*, *47*, 129-149. 10.1016/j.pacfin.2017. 12.008.

Said, R. R. (2016). UAE Economic Diversification Records/ Trends. Accessed from http://trendsinstitution.org/uae-economic-diversification-record/ [Accessed on 27th September 2017].

Saidi, N. (2004). Corporate Governance in MENA Countries – Improving Transparency and Disclosure" Available at: https://www.oecd.org/investment/investmentfordevelopment/33944145.pdf [Accessed on 29.04.2020]. Salahaddin Investment Company. (2019). Corporate Governance Framework. Available at: https://salahaddin.com/Home/Corporate-Governance. [Accessed on 2nd December 2019].

Sattar, A. R. (2014). The Diversification of the Emirati Economy. Available at: www.asfar.org.uk/the-diversification-of-the-emirati-economy/ [Accessed on 27th September 2017].

Schneidhofer, Z. (2016). The opportunities and challenges of foreign Direct Investments in the United Arab Emirates.

Shatnawi, S., Eldaia, M., & Adaa, A. (2021). The Relationship between Size, Independence, and Meetings in the Board of Directories on Market-based Performance (Tobin's Q) as a Measure of Performance Evidence from Amman Stock Exchange. *International Journal of Multidisciplinary Sciences and Advanced Technology, 2*(5), 41-53.

Shrader, C. B., Blackburn, V. B., & Iles, P. (1997). Women in Management and firm financial performance: an explorative study. *Journal of Managerial Issues, 9*(3), 355-372.

Smith, N., Valdevar, S., & Mette, V. (2006). Do Women in Top Management Affect Firm Performance? A Panel Study of 2500 Danish Firms. *International Journal of Productivity & Performance Management, 55*, 569.

Sonnenfeld, J. A. (2002). What makes great boards great. *Harvard Business Review, 80*(9), 106-113.

Srairi, S. (2015). Corporate governance disclosure practices and performance of Islamic banks in GCC countries. *Journal of Islamic Finance, 4*(2), 001-017.

Srairi, S. (2019). Transparency and bank risk-taking in GCC Islamic banking. *Borsa Istanbul Review. 19.* 10.1016/j.bir.2019.02.001.

Stovall, H. L (2008). Recent Revisions to commercial Agency Law in the United Arab Emirates. Arab Law Quarterly, (3). 307 Accessed from: http://eds.b.ebscohost.com.library.esc.edu/eds/detail/detail?sid=e2877853-9478-48a698f8-93905540bcdb%40sessionmgr102&vid=0&hid=126&bdata=JnNpdGU9ZWRzLWxpdmU%d#AN=edsjsr.27650625&db=edsjsr [Accessed on 27th September 2017].

Stuebs, M., & Sun, L. (2015). Corporate governance and social responsibility. *International Journal of Law and Management*, *57*(1), 38-52.

Suliman, A., & Elbannan, M. (2020). The impact of corporate governance on firm performance: Evidence from UAE listed banks. *International Journal of Finance, Economics, and Trade, 5*(4), 274-285.

Sun, W. (2009). *How to Govern Corporations So They Serve the Public Good: A Theory of Corporate Governance Emergence*, New York: Edwin Mellen, ISBN 80773438637.

Tai, L. (2015). The impact of corporate governance on the efficiency and financial performance of GCC National banks. *Middle East Journal of Business*, *55*(1593), 1-5.

Tamoi, J., Faizah, D., Mustaffa, M. Z., &, Yussri, S. (2014). Does Good Corporate Governance Lead to Better Sustainability Reporting? An Analysis Using Structural Equation Modeling. [Online] Retrieved from http://www.sciencedirect.com/science/article/pii/S1877042814038786 [Accessed: 27th May, 2015].

Tarek, R. G. & Mohamed, G. A. (2016). Corporate Governance of UAE Financial Institutions: A Comparative Study between Conventional and Islamic Banks. *Journal of Applied Finance & Banking*, *6*(5), 1-7.

TMF Group. (2019). Available Online at: https://www.tmf-group.com/en/newsinsights/articles/2018/september/corporate-governance-in-the-uae/[Accessed on 1.02.2020].

Tricker, R. B., & Tricker, R. I. (2015). *Corporate Governance: Principles, policies, and practices.* USA: Oxford University Press.

Uchida, H., Udell, G. F., & Watanabe, W. (2009). Bank size and lending relationships in Japan. *Journal of the Japanese and International Economies*, 22(2), 242-267.

UNCTAD. (2016). World Investment Report 2016. [Online]. Available at: https://unctad.org/en/PublicationsLibrary/wir2016_en.pdf [Accessed: 25 April 2019].

UNCTAD. (2021). World Investment Report 2021. [Online]. Available at: https://unctad.org/publication/world-investment-report-2021 [Accessed: 25 April 2019].

Union National Bank. (2018). About us. [Online]. Available at: https://www.unb.com/en/information/about-us/our-story [accessed: 30 September 2018].

United Arab Emirates Country Brief. (2016). Australian Government Department of Foreign Affairs and trade. Accessed from: http://dfat.gov.au/geo/united-arab-emirates/Pages/united-arab-emirates-country-brief.aspx [Accessed on 27th September 2017].

Vafeas, N. (1999). Board meeting frequency and firm performance. *Journal of Financial Economic, 53*(1), 113-142.

Vafeas, N. (2003). Further evidence on compensation committee composition as a determinant of CEO compensation. *Financial Management, 32*, 53–70.

Van Essen, M., Van Oosterhout, J. H., & Carney, M. (2012). Corporate boards and the performance of Asian firms: A meta-analysis. *Asia Pacific Journal of Management, 29*, 873–905.

Vithessonthi, C., & Tongurai, J. (2015). The effect of leverage on performance: Domestically oriented versus internationally oriented firms. *Research in International Business and Finance, 34*, 265-280.

Wagn, Y.-H. (2020). Does board gender diversity bring better financial and governance performances? An empirical investigation of cases in Taiwan. *Sustainability, 12*(8), 3205

Wan Ibrahim, W. H., & Ismail, A. G. (2015). Conventional bank and Islamic banking as institutions: similarities and differences. *Humanomics, 31*(3), 272-298.

Walsh, J. (2008). *The essential Guide to customs and culture UAE*. Culture smart (7th ed). London Kuperard.

Wang, Y., & Bob, C. (2009). Is There a "Business Case" for Board Diversity? *Pacific Accounting Review, 21*, 88.

Yasser, Q. R., Entebang, H. A., & Mansor, S. A. (2011). Corporate governance and firm performance in Pakistan: the case of Karachi Stock Exchange (KSE)-30. *Journal of Economics and International Finance, 3*(8), 482-491.

Zawya. (2016). UAE'snew foreign ownership law to draw investors. HSBC Global connections. HSBC Bank Middle East Ltd. [Accessed on 27th September 2017].

Zulkafli, A. H., & Samad A. F. (2007). Corporate Governance and Performance of Banking Firms: Evidence from Asian Emerging markets. *Advances in Financial Economics, 12*, 49–74.

APPENDIX

Summary of previous studies on corporate governance structure and firm performance

Author (Year)	Title	Sample Data	Variables	Findings
Gaur et al. (2015)	Title: Ownership concentration, board characteristics and firm performance Purpose: To advance the understanding of the relationship between firmlevel governance mechanisms and firm performance using a contingency framework. Theory: Agency theory, stewardship theory, resource dependence theory and stakeholder theory.	Year: 2004 to 2007 Country: New Zealand Sample: 169 firms - New Zealand Stock Exchange Methodology: Generalized least square random effect	Dependent: ROA, ROE and return on sales Independent: Ownership concentration, board size, board qualifications, CEO duality and insider representation Control: Firm age, long-term debt, managerial ownership and industry affiliation	The authors conclude that the inclusion of internal directors, CEO duality, board size, and professional directors' results in improved business performance. Inadequate ownership concentration causes agency difficulties that result in subpar performance. However, the favorable impact of board independence on company performance diminishes in companies with a large concentration of ownership. Moreover, a significant concentration of ownership diminishes the good impacts of board size and board competency.

Pillai and Al-Malkawi (2017)	Title: On the relationship between corporate governance and firm performance: Evidence from GCC countries Purpose: To examine the impact of internal mechanisms of corporate governance (CG) on firm performance (FP) in the GCC countries Theory: Resource dependency theory, institutional theory, stewardship theory, stakeholders' theory, social contract theory and agency theory	Year: 2005 to 2012 Country: GCC countries (Bahrain, Qatar, UAE, Saudi Arabia, Oman, Kuwait) Sample: 349 financial and non-financial companies listed in the stock exchanges of the GCC countries Methodology: Generalized Least Squares (GLS) method	Dependent: Tobin's Q and ROA Independent: Insider shareholding, Institutional shareholding, governmental shareholding, audit type, board size, duality, leverage, dividend payments, Corporate social responsibility, Internet Financial Reporting, firm size, firm age, sector dummy	In the majority of GCC nations, Corporate governance variables including as public shareholdings, audit style, board size, corporate social responsibility, and leverage have a substantial impact on the FP. These outcomes have legislative and management issues, all of which need more coordinated efforts to deploy sensible Corporate governance solutions strategically in order to future proof businesses in GCC

Arayssi and Jizi (2018)	Title: Does corporate governance spillover firm performance? A study of valuation of MENA companies	Year: 2012 to 2016 Country: MENA region Sample: 67 firms in the MENA region	Dependent: Return on assets, return on equity and Weighted average cost of capital Independent: Board	Findings indicate that board independence is inversely connected with company profitability, but ownership concentration and board gender diversity are positively correlated with firm profitability.

	Purpose: After the Arab Spring, explore the relationship between corporate governance (CG), business characteristics, and financial performance of enterprises operating in the Middle East and North Africa (MENA) area. In addition, it investigates the potential moderating impacts of environmental, social, and governance (ESG) factors, leverage, and firm size on the link between corporate governance (CG) and firm performance. Theory: Agency theory and stewardship theory	Methodology: Panel GLS regression random effects	Independence, Board Gender Diversity, Board Size, Board Specific Skill and Owner Concentration Control: ESG control variable (Governance Board committee, ESG score, Workforce Score), size and leverage	Examining businesses that voluntarily create a governance committee reveals less concentrated ownership. We discover a bigger effect of good governance on performance in these firms: board composition, in general, and worker satisfaction provide more profits, but ESG activities become less important. The influence of board size and the formation of a governance committee are examined, and suggestions are subsequently made. In the framework of agency and stewardship theories, relevant internal control of businesses' features that significantly influence firms' market values is also examined.
Arora and Bodhanwala (2018)	Title: Relationship between Corporate Governance Index and Firm Performance: Indian Evidence	Year: 2009 to 2014 Country: India	Dependent: Return on asset, earnings per share and return on net worth Independent: Board size, number of board meetings,	Corporate Governance Index has a favorable influence on all performance parameters except earnings per share, according to the data. Effective monitoring seems to have a favorable influence on the firm performance of Indian companies with a board

	Purpose: To examine the relationship between CGI and firm performance	Sample: 407 companies listed on Bombay Stock Exchange Methodology: multivariate regression analysis	independent directors, promoters' equity, institutional holding, nonpromoter shareholding and market share of the firm Control: Firm age, leverage, firm size, advertising intensity, research and development intensity and firm risk	structure that includes a sufficient number of independent directors.

Iqbal et al. (2019)	Title: Financial Performance and Corporate Governance in Microfinance: Evidence from Asia Purpose: To examine the presence of two way causality between CG and FP for MFIs in Asia. Theory: Agency theory and resource dependence theory	Year: 2007 to 2011 Country: Asian countries Sample: 173 MFIs in 18 Asian countries Methodology: panel regression model	Dependent: Return on asset, return on equity, operational self-sufficiency, portfolio yield and operating expense ratio Independent: Board size, board diversity, CEO/Chairman duality, female CEO, Ownership type, Control: Firm risk, MFI size, MFI age, MFI lending, Human development index	The findings demonstrate that corporate governance and financial success are endogenous. Good governance practices increase the profitability and sustainability of Microfinances, and conversely, more lucrative and sustainable Microfinances have stronger governance structures.

Mardnly et al. (2018)	Title: Corporate governance and firm performance: an empirical evidence from Syria Purpose: To examine the impact of aggregate and individual corporate governance provisions on firm performance on all firms listed at Damascus Securities Exchange (DSE). In addition, it disentangles ownership structure provision to ownership concentration and foreign ownership and investigates which component of ownership structure stands behind the significance of ownership structure in explaining firm performance.	Year: 2011 to 2015 Country: Syrian Arab Republic Sample: 96 firm on Damascus Securities Exchange (DSE) Methodology: Multiple linear regression model	Dependent: Earnings Per Share (EPS) and Return on Assets (ROA) Independent: Board of directors, audit, disclosure and ownership structure Control: Political Stability, size and growth	This study demonstrates that ownership structure is the sole major corporate governance provision in predicting the performance of Syrian enterprises, since it substantially and positively loads on firm performance proxies (ROA and EPS). In addition, this study of ownership structure components reveals that foreign ownership is the primary cause of this positive and substantial influence. This conclusion holds true for both measures of firm performance and the existence of an indication of political stability.

	Theory: Agency theory and stakeholder theory			

Mertzanis et al. (2018)	Title: Social Institutions, Corporate Governance and Firm-Performance in the MENA Region Purpose: To examine the impact of social institutions, firmspecific corporate governance and ownership characteristics on firm performance in the MENA countries Theory: Agency theory, institutional theory and stewardship theory	Year: 2007 to 2017 Country: MENA region (Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Saudi Arabia, Tunisia and United Arab Emirates). Sample: 225 companies listed on the stock exchanges of eleven countries in MENA region Methodology: Panel regression model	Dependent: Return on asset, return on equity and Tobin's Q Independent: Board size, the percent of independent directors in the board, CEO duality, and the percent of female directors in the board and ownership by majority shareholders, corporate insiders, institutional investors and foreign shareholders, the extent of advantage, liquidity and earnings growth Control:	Research findings indicate that the connection between corporate governance and business performance is dependent on the performance measurement used. In several methods of research, governance factors like as board size and insider and institutional ownership are strong predictors of corporate success. Investors should be aware of the influence that corporate governance and ownership characteristics have on the success of a company. Moreover, the variations in economic and non-economic social elements across nations are likely to impact the success of the company. Moreover, while adopting regulatory mechanisms, regularity authorities in MENA nations should examine the particular characteristics of religion and other aspects of societal heterogeneity.

AlHares et al. (2019)	Title: The Corporate Governance Practices: Evidence from MENA Countries Purpose: To investigate the level of compliance and disclosure of corporate governance mechanisms in Middle East and North Africa countries Theory: Neo-institutional theory	Year: 2009 to 2016 Country: Qatar, Kuwait, United Arab Emirates (UAE), Saudi Arabia, Oman, Jordan, Egypt, Bahrain, Morocco and Tunisia Sample: 250 companies from MENA countries Methodology: Ordinary least square multiple regression analysis	Dependent: MCGI (ownership structure (OS); financial transparency (FT); auditing (AD); corporate responsibility (CR); and board structure (BS).) Independent: Islamic value index (IVDI); total number of directors on the board (BRDS); board diversity (BDIV); non-executive directors (NED); government ownership (GOWN); director ownership (DOWN) and block ownership BOWN). Control: Firm size, sales growth, leverage, GDP, inflation and corruption index	Findings indicate that the amount of voluntary compliance with and disclosure of corporate governance measures across MENA nations is low and varies considerably between nations. The outcome conforms to the neoinstitutional perspective. Future study might explore other sets of internal CG mechanisms at the company level, variables at the nation level, and the usage of a weighted index. This study adds to the existing CG literature by providing fresh data on the influence of corporate governance procedures across listed corporations in 10 MENA countries from a neo-institutional viewpoint.

Puni and Anlesinya (2020)	Title: Corporate governance mechanisms and firm performance in a developing country Purpose: To examine the influence of corporate governance mechanisms recommended by the Securities and Exchange Commission (SEC) of Ghana on firm performance among listed Ghanaian companies. Theory: Agency theory and stewardship theory	Year: 2006 to 2018 Country: Ghana Sample: 38 listed firms in Ghana Methodology: Panel regression analysis	Dependent: Return on assets, return on equity, earning per share and Tobin's Q Independent: Board composition (board size, inside directors and outside directors), board committees (audit, remuneration and nomination), CEO duality/separation, board meetings and hareholder concentration. Control: -	this study found that the presence of both insiders and outsiders on the corporate board improved financial performance. Similarly, board size, frequency of board meetings and shareholder concentration/ownership structure generally had a positive impact on financial performance. However, the presence of board committees generally had a negative impact on financial performance while CEO duality had no impact on financial performance.

Buallay (2021)	Title: Corporate Governance, Sharia'ah Governance and Performance: A Cross-country Comparison in The Mena Region Purpose: To examine the relationship between corporate governance bank's operational (ROA), financial (ROE) and market performance (TQ) in both conventional and Islamic Banks on the MENA countries. Theory: Agency theory, stakeholder theory, legitimacy theory, resource dependency theory, social contract theory and stakeholder theory	Year: 2008 to 2017 Country: MENA countries Sample: 127 Islamic and conventional banks listed on the MENA countries Methodology: General Linear Model (GLM)	Dependent: Return on assets (ROA); return on equity (ROE) and Tobin's q (TQ) Independent: Ownership of largest shareholders, size of board of directors, independency of board of directors and duality of chairman and CEO Control: Country specific variables: gross domestic product (GDP) and public governance (GOV); bank specific control variables: bank age (AG) and bank size (TA).	The empirical data reveal that Sharia'ah governance has a major effect on the ROA and ROE. Nevertheless, corporate governance has a substantial impact on Tobin Q. In addition, the data reveal that Sharia'ah governance and corporate governance vary in terms of operational, financial, and market success. The research gives insights into the distinctions in the link between Sharia'ah governance, corporate governance, and the enhancement of performance, which might be leveraged by Sharia'ah governance and corporate governance banks to readopt the governance techniques for improving operational, financial, and market performance.

González et al. (2021)	Title: Corporate Governance and MENA Banks' Performance Purpose: To analyze the effect of corporate governance on banks' performance in the MENA countries covering the period before and after the financial crisis. They also assess whether banks' performance is affected by ownership and the presence of family, government and institutional investors. Theory: Agency theory and stewardship theory	Year: 2005 to 2012 Country: MENA countries Sample: 165 banks in MENA countries Methodology: Generalized method of moments (GMM)	Dependent: Return on average assets, return on average equity and net interest margin on total assets Independent: Corporate governance bank firm level, Worldwide Governance Indicators, nonduality of CEO, property right index, family ownership, government ownership and institutional ownership Control: Bank size, growth of loans, net loan, efficiency, risk taking, Islamic, GDP growth and inflation	The result shows that corporate governance is relevant explaining performance in a way consistent with the segmentation of the corporate governance at both country level and bank level. It highlights the need for internal governance mechanisms but also the importance of country governance in emerging markets. The best governance at the country level has a positive effect under favorable conditions but not in crisis situations.

Khatib and Nour (2021)	Title: The Impact of Corporate Governance on Firm Performance During The COVID-19 Pandemic: Evidence from Malaysia Purpose: To evaluate the effect of COVID19 on corporate governance attributes and firm performance association in Malaysia.	Year: 2019 to 2020 Country: Malaysia Sample: 188 non-financial firms from the Malaysian Methodology: Pooled Ordinary Least Square	Dependent: Return on asset, return on equity, earnings before interest and tax and profit margin Independent: Board size, independence, gender diversity, meetings, audit committee size, and audit committee meetings Control: Leverage, liquidity and dividend per share	The researchers observed that the COVID-19 pandemic affected all corporate variables, including firm performance, governance structure, dividend, liquidity, and debt level; nonetheless, there was no statistically significant change between the pre- and post-pandemic periods. In addition, the investigation revealed that the size of the board had a significant positive impact on corporate success. After dividing the sample by year, they found that board size has no effect on firm performance during the current crisis, whereas board diversity appeared to significantly improve firm performance during the crisis, whereas it had a negative correlation with firm performance in both indicators in the previous year. Before and after the implementation of COVID-19, board and audit committee meetings seemed to have negatively impacted corporate performance.

Kyere and Ausloos (2021)	Title: Corporate governance and firms financial performance in the United Kingdom Purpose: To examine empirically the impact of good corporate governance on financial performance of United Kingdom non-financial listed firms. Theory: Agency theory and stewardship theory	Year: 2014 (the year contains much financial information prerequisite for a robust study Country: United Kingdom Sample: 252 firms listed on London Stock Exchange Methodology: Cross-sectional regression	Dependent: Return on Asset and Tobin's Q Independent: Insider shareholding, board size, independent board, CEO duality and audit committee meetings Control: Firm size and leverage	The researchers discovered that the COVID-19 pandemic influenced all company variables, including firm performance, governance structure, dividend, liquidity, and leverage level; nevertheless, the difference between the pre- and post-pandemic periods was not statistically significant. In addition, the analysis found that board size had a substantial favorable effect on business performance. After dividing the sample by year, they discovered that board size does not impact company performance during the present crisis, whereas board diversity showed up to be significantly improve firm performance during the crisis, whereas it had a negative correlation with firm performance in both indicators during the prior year. Pre- and post-COVID-19, board and audit committee meetings seemed to have had a detrimental impact on business performance. Influence on both ROA and Tobin's Q.

El-Chaarani et al. (2022)	Title: The Impact of Corporate Governance on the Financial Performance of the Banking Sector in the MENA (Middle Eastern and North African) Region: An Immunity Test of Banks for COVID-19 Purpose: To examine the impact of internal and external corporate governance mechanisms on the financial performance of banks in the under-researched Middle Eastern and North African (MENA) region during the COVID-19 pandemic period. Theory: Property rights theory, entrenchment theory, resource	Year: 2019 to 2020 (during COVID 19 pandemic) Country: Qatar, Oman, Bahrain, Saudi Arabia, Egypt, Kuwait, Jordan, Morocco, United Arab Emirates, Tunisia, and Israel Sample: 148 banks from eleven countries Methodology: Fixed effects regressions and two-stage least squares	Dependent: Tobin's Q and credit risk ratio Independent: CEO duality, board size, board independence, the presence of women on the board, internal ownership, external ownership, anti-takeover mechanisms, performance-based compensation policies, legal protection indicator and government effectiveness indicator Control: Bank size, liquidity ratio and country's gross domestic product	Independent board members, high concentration of ownership, the lack of political pressure on board members, and strong legal protection have been proved to have a positive effect on the financial performance of banks. During the crisis, corporate governance practices such as performance-based compensation, the presence of women on boards, moderate board size, and anti-takeover clauses had no significant impact on performance of the bank

	dependency theory, stakeholder theory and stewardship theory			