
| RESEARCH ARTICLE

Awareness of Employees in Financial Departments of Governance Principles in Saudi Government Institutions

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| ABSTRACT

This study aimed to assess the level of awareness among financial department employees in Saudi government institutions regarding the principles of governance, and to examine how such awareness—alongside departmental interest in implementation—impacts institutional financial performance. Employing a descriptive-analytical methodology, the researchers distributed an electronic questionnaire to 67 employees and conducted statistical analysis using T-tests and linear regression via SPSS. Findings revealed varying levels of governance awareness, coupled with clear institutional interest in applying governance, particularly in internal control and transparency practices, which contributed to enhanced financial performance. Regression results showed that 77.8% of the variance in governance implementation could be attributed to employee awareness and departmental commitment, with the latter having a stronger effect. The study recommended fostering a unified understanding of governance principles, organizing specialized training programs, reinforcing internal control systematically, and conducting organizational restructuring to reduce task overlap. Limitations included the study's confinement to government institutions in 2024 and reliance on electronic data collection. Future research was encouraged to explore additional variables such as organizational culture and leadership style, and to expand sample size for broader generalizability.

| KEYWORDS

Financial Departments; Governance Principles; Saudi Government Institutions

| ARTICLE INFORMATION

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1. Introduction

The widespread emergence of corruption and fraudulent financial practices in major corporations—often culminating in significant economic collapses—has accelerated the global recognition and institutionalization of corporate governance as a critical mechanism for safeguarding financial, administrative, and ethical integrity within economic entities. Governance encompasses a framework of laws, procedures, systems, and decisions that collectively aim to instill discipline, transparency, and fairness in organizational conduct, thereby elevating performance standards and mitigating risk (Levy, 2015). It delineates the relational boundaries between management and various stakeholders—ranging from shareholders and bondholders to employees and citizens—establishing checks and balances that constrain unilateral authority and foster ethical oversight (AlShaer & Zaman, 2016). At its core, governance operates through formalized structures designed to monitor managerial decisions, protect stakeholder rights, and ensure a culture of compliance and accountability (Elshandidy & Neri, 2015). These principles support the attraction of human and financial capital, promote operational efficiency, and sustain long-term economic value by encouraging ethical leadership and policy coherence. In the public sector, governance is implemented via structured policies—including governance and compliance frameworks—that oversee digital services, procurement, licensing, and performance evaluation, all contributing to stronger financial outcomes and institutional maturity (Abdulmalik & Ahmad, 2016;

Panditharathna & Kawshala, 2017). Ultimately, the strategic application of governance translates into enhanced national competitiveness, improved organizational resilience, and sustainable socio-economic development.

1.2 Research Problem

Governance serves as a foundational mechanism for establishing effective oversight, enhancing economic efficiency, and promoting organizational competitiveness through a structured system that defines goals, monitors performance, and revises regulatory frameworks to prevent financial and administrative irregularities. The implementation of governance principles not only fortifies financial stability but also bolsters the credibility of institutional data and reporting, as it embodies a framework of rules and decisions that foster transparency, accountability, and integrity across organizational relationships. In this context, financial governance ensures clarity and openness in financial operations, yielding positive implications for institutional performance. Despite its strategic importance, the application of governance principles within government institutions remains underexplored in the academic literature, particularly in the Saudi Arabian context. Therefore, this study seeks to address this gap by examining three key questions: the extent of employee awareness regarding governance principles, the contribution of these principles to improving financial performance, and the presence of a statistically significant relationship between governance implementation and financial performance in government institutions.

1.3 Research Significance:

The significance of this research lies in both its scientific and practical contributions. Scientifically, it addresses a notable gap in Saudi academic literature by examining the impact of applying governance principles on the financial performance of government institutions, thereby enriching library resources with empirical insights on a topic that remains underexplored. Practically, the study offers tangible results that can guide policymakers and institutional leaders in making informed decisions and formulating sound governance strategies. In pursuit of these contributions, the research aims to explore the concept, nature, and types of governance; define financial performance and its assessment methods; investigate how governance principles enhance financial outcomes in government entities; and identify key challenges that hinder implementation while proposing solutions to improve institutional efficiency.

2. Theoretical Framework

2.1 The Literature Review and Hypotheses Development:

As we have mentioned in the introduction of this research, the term (corporate governance) is very popular in the current time due to the critical business events that occurred in many parts of the globe and threatening the affairs of individuals, corporations communities, and even whole countries. Thus, let us present the different aspects of the term (corporate governance).

2.1.1 The Concept of Corporate Governance:

Historically, Tosuni (2013) indicated that the attention to corporate governance has been realized in the work of Berle and Means in 1932 which emphasized the separation of ownership and management, and therefore, engendered the agency relationship between the owner as the principal and the managers as the agent.

Recently, corporate governance has become one of most vital issues in both local and international contexts and has become a significant tool to improve organizational performance and reform of procedures to deal in the open atmosphere that emerged because of globalization and recent giant economic corporation among countries (Al-Ramahi et al., 2014). However, Tosuni (2013) indicated that the concept of corporate governance has been used differently by many people and corporation, and yet there is no generally accepted definition of corporate governance. The publication of Riyadh Chamber (2016), emphasized the same opinion of Tosuni (2013) by stating that there is no agreed-upon definition of the concept of corporate governance among different professionals due to the interactions of organizational, economical, financial, and social aspects in the organizations.

Many scholars and corporations (domestically and internationally) define corporate government from different viewpoints. Accordingly we can tackle these definitions of corporate governance as follows:

Bui & Krajcsak (2023) stated that "corporate governance refers to the rules, practices and processes by which a company is executed and managed". In the same sense, Do et al. (2021) affirmed that corporate governance can be viewed as the internal procedures to operate and monitor the firm and coordinate the relationships between the board of directors, shareholders, and stakeholders by forming a structure for setting goals and determining tools by which those goals can be achieved, as well as for controlling the firm performance.

Also, Wanyama & Olweny (2013) defined corporate governance as an internal system including policies, processes and people, which serve the needs of owners and other stakeholders, by guiding and monitoring management activities to assure

competency, fairness, responsibility and honesty. Whereas, Tosuni (2013) described corporate governance as the formation of institutions that persuade or force management to pay due attention to the interest of stakeholders.

Alharbi & Alharbi (2021) corporate governance as an internal arrangement that comprises processes, policies and people that serve the desires of shareholders as well as other stakeholders by monitoring and directing different tasks by the firm's management with moral fairness and truthfulness"

Alwawi (2021) indicated that corporate governance can be defined as the company's relationship with investors or, in the wider perspective, as the company's relationship with society as a whole. Moreover, Rossi et al. (2015) and Sabrina & Rulindo (2023) stated that corporate governance signifies the mechanism by which organizations are managed and controlled. Moreover, is it the sharing of benefits and duties between the different members in the organization, such as the board, managers, shareholders and stakeholders, and determines the rules and procedures for decision-making. Furthermore, Nugraha & Suryanawa (2021) asserted that corporate governance is a concept that clarifies the link between interested parties and the company in an effort to improve company performance.

It's obvious that understanding the definitions and implications of governance principles is an important aspects that has to be spread between the employees of government institutions. Accordingly, this study assumes that:

H1: There is an awareness among employees in government institutions of the concept of governance and its principles.

2.1.2 Objectives of Corporate Governance

Corporate governance plays a pivotal role in shaping the performance and integrity of organizations through a structured framework that ensures accountability, transparency, and strategic alignment. As Alwakeel (2021) outlines, corporate governance is fundamentally aimed at enforcing effective control over organizational performance, enhancing economic efficiency, bolstering competitiveness, and establishing a robust mechanism for defining and pursuing institutional objectives. Complementing this view, Bu Lumiz (2018) expands on the operational implications of governance by highlighting its contribution to ensuring managerial efficiency, legal compliance in financial performance and fund allocation, and full disclosure of risks and related-party transactions. Moreover, governance safeguards include establishing mechanisms for managerial accountability to shareholders, guaranteeing equitable treatment among shareholders—especially in cases involving controlling interests—and instituting independent oversight over financial reporting in accordance with high-quality standards. Further, governance frameworks empower shareholders to intervene when issues emerge, support long-term strategic efforts, and invoke legislative remedies in instances where transactional justice is compromised. Together, these perspectives underscore governance not merely as a regulatory necessity but as an enabler of sustainable, transparent, and ethically grounded organizational performance.

2.1.3 Importance of Corporate Governance:

The implementation of corporate governance is widely recognized as a strategic mechanism for enhancing financial performance and mitigating agency problems within institutions (Cahyono et al., 2021). Sari and Putra (2021) further affirm that governance constitutes a foundational element in determining the systemic health of organizations and their capacity to navigate economic challenges. Building on this, Saleh et al. (2021) underscore the role of corporate governance across institutional types in promoting legitimacy, supporting sustainable growth, and reinforcing accountability and organizational effectiveness. Conversely, Ur Rahman et al. (2020) caution that deficient governance fosters opportunities for falsification and deception, ultimately leading to institutional failure and compromising stakeholder interests. In light of these findings, it becomes imperative for financial departments within government institutions to actively engage with governance principles to realize improvements in financial performance. Consequently, this study posits the following hypothesis: H2: Financial departments are concerned with applying governance principles and the extent of their contribution to the financial performance of government institutions.

2.1.4 Principles of Corporate Governance:

Corporate governance frameworks are essential for promoting institutional effectiveness, legitimacy, and long-term sustainability. The Organization for Economic Cooperation and Development (OECD) emphasizes that its Principles of Corporate Governance aim to guide policymakers in refining legal, regulatory, and institutional structures to enhance economic efficiency, financial stability, and sustainable growth (G20/OECD, 2023). Within this framework, Nugraha and Suryanawa (2021) and Sari and Putra (2021) identify five key governance principles—transparency, accountability, responsibility, independence, and fairness—as foundational to corporate efficacy. These principles encompass the disclosure of decision-making processes and relevant corporate information (transparency); clarification of managerial roles and responsibilities for effective execution (accountability); alignment of practices with laws and sound corporate conduct (responsibility); impartial management free from undue influence

(independence); and equitable treatment of stakeholders based on legal and contractual rights (fairness). Similarly, Asel (2020) highlights six governance pillars within the Australian Public Service context, including integrity, stewardship, and leadership, underscoring the ethical and strategic dimensions of public governance. Among these varied frameworks, accountability emerges as a central theme, described by Abdullah et al. (2022) as a relational dynamic between ownership and executive authority, and further linked to openness in government institutions as a driver of better governance outcomes. Schobel and Drogosiewicz (2018) reinforce this notion, arguing that stakeholder accountability, decision-making transparency, and performance-based reporting are increasingly prioritized in the governance of public entities.

2.1.5 Characteristics of Corporate Governance:

The concept of "characteristics," as defined by the Cambridge Dictionary, refers to a typical or distinguishing quality that differentiates one entity from another. In academic discourse, particularly within corporate governance literature, the terms "characteristics" and "principles" are occasionally used interchangeably, despite their nuanced distinctions. Saleh et al. (2021) identify eight core characteristics of effective corporate governance—participation, consensus orientation, accountability, transparency, responsiveness, effectiveness and efficiency, equitability and inclusiveness, and adherence to the rule of law—which collectively reflect the operational and ethical underpinnings of sound governance systems. Complementing this view, Alwakeel (2021) emphasizes the importance of these characteristics in revising legal frameworks, clarifying managerial roles, enhancing senior management evaluation, and improving organizational stability through financial integrity and credible reporting. These multifaceted benefits—ranging from accountability to information transparency—support the proposition that effective application of governance principles contributes meaningfully to institutional credibility and financial performance. Accordingly, this study hypothesizes that: H3: There is a statistically significant effect of applying governance principles on the financial performance in government institutions.

2.1.6 Theories of Corporate Governance:

The practices of corporate governance are based on the conceptual ideas that have been formulated in the following incrementally developed theories:

2.1.6.1 Stakeholder Theory

There are other types of people rather than shareholders and managers in and around any organization. Thus, organizations ought to be aware of the fact that there are legal, contractual, social, and market-driven obligations to non-shareholder, including employees, investors, creditors, suppliers, local communities, customers, and policymakers (Al-Asmari, 2020).

Thus, Al Kahtani (2013) stated that the stakeholder theory has recently been communicated largely to mention that the stakeholders of the company or the organization have to be given due consideration and not concentrating on the interests of shareholders only.

Moreover, according to Asel (2020), stakeholder theory presents the concept which shows that there is a larger institutional and outsider members and parts have many interests to be considered in regard to the commitments and performance of any organization. Each member or part has a "stake" in the organizations. Therefore, stakeholder theory can be understood as more collaborative attitude to business between the firm and employees, government, suppliers and the community.

2.1.7 Corporate Governance Regulations in Saudi Arabia:

Saudi Arabian government institutions have increasingly demonstrated a strong commitment to embedding corporate governance principles within their operational frameworks, driven in part by a national ambition to project modernity and institutional sophistication capable of enhancing economic performance (Al-Faryan, 2020). A salient example of this institutional engagement is the Saudi Central Bank's 2021 issuance of the Key Principles of Governance in Financial Institutions, which outlines a comprehensive governance framework applicable to entities under its regulatory oversight—excluding insurance and reinsurance companies. These principles articulate essential standards such as board member qualifications, mandating impartiality, objectivity, and a clear understanding of roles; board formation and appointment criteria aligned with institutional size and function; and clearly delineated board responsibilities that may not be delegated indefinitely. Executive management is charged with overseeing daily operations in alignment with strategic and risk-related directives sanctioned by the board. Additionally, board committees are positioned as critical to bolstering decision-making efficiency and institutional performance, though their formation does not absolve the board of its ultimate responsibilities. The sixth principle centers on shareholder rights, emphasizing equitable treatment, participatory engagement in governance processes, and robust communication mechanisms to support transparency and inclusivity. Collectively, these regulatory developments reflect Saudi Arabia's broader orientation toward governance modernization and underscore its institutional readiness to implement globally attuned standards within its financial sector.

2.1.8 The Saudi Investment Bank :

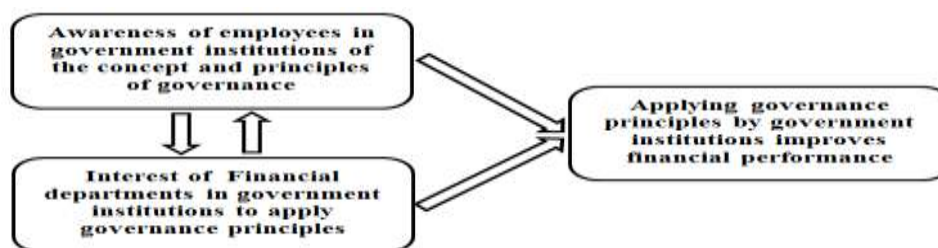
In continuation of Saudi Arabia's growing commitment to reinforcing corporate governance frameworks, both public and private sector institutions have issued detailed regulatory principles aimed at enhancing accountability, transparency, and stakeholder protection. In 2021, the Saudi Investment Bank articulated eight core governance considerations, beginning with a robust control environment that centers on board-led oversight supported by clear, accessible policies and procedures. Risk management is framed as an independent function designed to anticipate and mitigate material threats, while transparency and disclosure ensure timely and accurate information sharing with stakeholders such as regulators, employees, and investors. Further, the Bank emphasizes continuous commitment and evaluative follow-up to strengthen governance culture, alongside the implementation of ethical standards embedded in its Code of Conduct and Ethics Policy. The framework also protects stakeholder rights, enforces internal safeguards against conflicts of interest, and promotes social responsibility through targeted programs (Saudi Investment Bank, 2021). Similarly, Riyadh Cables Group Company issued a Governance Regulation in 2022 that delineates strict rules for corporate management, including immutable principles unless altered by regulatory or board-level decisions. These principles span shareholder rights, board composition and duties, establishment of company committees, internal control systems, external audit procedures, stakeholder engagement, professional ethics, and disclosure mechanisms, all anchored in ensuring the effective application of governance practices (Riyadh Cables Group Company, 2022). Collectively, these frameworks reflect an evolving institutional landscape in Saudi Arabia that aligns corporate governance with global best practices while adapting to contextual regulatory requirements. Saudi Arabian Monetary Agency ("SAMA") The Saudi Central Bank (SAMA) and the Capital Market Authority (CMA) have both played pivotal roles in advancing corporate governance standards within the Kingdom's financial and insurance sectors, reflecting Saudi Arabia's broader commitment to regulatory modernization and institutional integrity. In 2021, SAMA issued the Insurance Corporate Governance Regulation, which set forth comprehensive requirements for insurance and reinsurance companies, aiming to align governance practices with international standards. The regulation mandates the establishment of internal controls and procedures, contract compliance, and meticulous recordkeeping—covering everything from governance codes and ethics policies to meeting minutes and organizational charts—to ensure demonstrable adherence to legal and regulatory frameworks. Notably, companies must adopt board-approved codes of ethics addressing conflict of interest, integrity, compliance, confidentiality, fair dealing, asset protection, and whistleblowing mechanisms (SAMA, 2021). Complementing this initiative, the CMA published a detailed Corporate Governance Manual to guide listed companies in structuring rights and responsibilities among managers, boards, shareholders, and stakeholders. Central principles include robust shareholder rights—ranging from dividends and voting to accountability claims—as well as transparency and disclosure obligations to support informed stakeholder engagement. The manual further outlines strategic responsibilities of the board, including monitoring implementation of company objectives, internal controls, governance frameworks, and stakeholder relationships, while also emphasizing the role and independence of board committees such as audit and nomination committees (CMA, 2021). Together, these regulatory instruments reflect an integrated governance ecosystem, reinforcing ethical conduct, institutional accountability, and sustainable economic performance across sectors.

2.1.9 Theoretical Framework of the Research:

Beyond conventional corporate governance theories, several ethical frameworks—such as business ethics, discourse ethics, and postmodern ethics—offer valuable perspectives that complement governance discourse. As Abdullah and Valentine (2009, p. 93) argue, no single theory sufficiently captures the moral and operational dimensions of governance; instead, a composite theoretical approach is more effective in addressing institutional relationships, legislative compliance, and the rigorous implementation of ethical practices beyond procedural norms. Expanding this discussion, Brink (2022, p. 11) presents two normative interpretations of governance: first, as the aggregation of a firm's resources and moral capabilities to act responsibly toward stakeholders; and second, as the systems of leadership, management, and control governed by formal and informal rules. Drawing on these definitions, normative theory provides a foundation for evaluating questions of organizational ethics, managerial decision-making, stakeholder prioritization, and protection within prevailing governance models (Smith, 2009, p. 2). Within this ethical framework, the principles of transparency, accountability, responsibility, independence, and fairness—as identified by Nugraha and Suryanawa (2021) and Sari and Putra (2021)—are central to effective governance. Furthermore, normative theory facilitates both the articulation of ethical standards and the continuous refinement of governance analysis (Jiwa, 2022, p. 33). As Edelenbos and Meerkerk (2016, p. 2) note, fostering interactive governance among organizational actors—particularly employees and managers—has evolved into a normative objective that requires sustained effort to ensure effective public sector governance. Accordingly, this study's theoretical framework is grounded in two interrelated hypotheses: first, that employees in government institutions possess awareness of governance principles; and second, that financial departments are actively engaged in applying these principles to enhance financial performance, reflecting the normative ethical dimensions of governance as posited in the third hypothesis.

Thus, the theoretical framework of this study can be illustrated as follows:

Figure (1): Theoretical Framework of the Research



Prepared by the researcher, 2024

2.2 Previous Studies

According to the paper and electronic survey that has been conducted during the preparation and editing of this research which is addressing the extend of awareness of governance principles in Saudi government institutions, some studies were found similar to the same topic, and among the most important studies related to this research topic are the following:

2.2.1 Previous Studies from different countries:

Recent empirical research has consistently underscored the vital role of corporate governance (CG) in enhancing organizational performance across diverse sectors and national contexts. For example, Hajjat et al. (2023) demonstrated a statistically significant relationship between CG principles and market performance within Jordan's industrial sector, a finding echoed by Chrisman (2019). In Vietnam, Bui and Krajcsak (2023) revealed that transparency and disclosure positively influence financial outcomes, reinforcing the correlation between CG practices and firm-level financial performance. Chalabi (2023) similarly emphasized governance's capacity to reinforce performance monitoring and safeguard shareholder interests, aligning with earlier findings by Al-Qahtani et al. (2016) and Al-Shaer and Zaman (2016). Eton et al. (2021), examining private enterprises in Uganda, found CG to significantly affect financial outcomes in hospitality and manufacturing sectors, paralleling insights from Shivani et al. (2017). In the Indonesian context, Cahyono et al. (2021) applied CG proxies such as board accountability and transparency to demonstrate improved corporate market value. Saleh et al. (2021) further extended this inquiry to the public sector, showing that governance—moderated by local cultural values like Lempu (honesty)—supports sound financial direction and control. Studies by Alasmari (2020), Saseela (2018), and Rashid (2020) highlighted CG's impact on the credibility of financial reports, suggesting its broader ethical significance. Ajwang (2017) found that governance practices substantially improve financial management in Kenyan public schools, confirming conclusions drawn by Al-Sartawi (2015), Khan and Subhan (2019), Al-Shabib (2009), and Rashid (2020). Lastly, Al-Ramahi et al. (2014), supported by Madison (2014) and Elshandidy and Neri (2015), revealed strong CG implementation among firms listed on the Amman Stock Exchange, positively influencing public company performance. Collectively, these studies affirm CG's multifaceted contribution to financial robustness, ethical accountability, and institutional integrity.

2.2.2 Previous Studies on Saudi Arabia context:

A series of studies addressing corporate governance (CG) within the Saudi Arabian context have explored its application across various sectors and strategic objectives, revealing both thematic consistency and methodological diversity. Asel (2020) investigated the role of CG in Saudi higher education under the framework of Vision 2030, employing a survey-based descriptive approach among University of Jeddah employees to assess their understanding of governance principles—transparency, accountability, and participation—concluding that institutional management systems significantly influence governance awareness and effectiveness. Rababah (2019) similarly emphasized the integrative value of CG within governmental universities, arguing that governance frameworks promote institutional independence, balance, and responsiveness to economic and social challenges. Naif and Ali (2019), adopting a content analysis approach, focused on Saudi Arabia's regulatory reforms, highlighting the 2017 amendments to corporate governance regulations while identifying persisting gaps compared to global best practices. In a broader economic context, Meteb (2015) underscored the importance of CG for small and medium enterprises in Saudi Arabia, noting structural constraints related to family ownership and audit independence that hinder governance implementation, despite the ethical imperatives it promotes. Compared to the present study—which centers on employees' awareness of CG within government financial departments—these prior works examined governance from sectoral lenses including higher education (Asel, 2020; Rababah, 2019), regulatory reform (Naif & Ali, 2019), and macroeconomic integration (Meteb, 2015). Methodologically, most studies employed descriptive designs tailored to their specific objectives: Asel (2020)

used survey methods, Rababah (2019) applied a descriptive-inductive strategy, Meteb (2015) relied on theoretical literature review, while Naif and Ali (2019) opted for content analysis. This comparison reveals the multifaceted nature of CG inquiry in Saudi Arabia and the evolving emphasis on governance awareness, system development, and institutional alignment with national transformation goals.

Table (1): Comparison of Objectives and Methodology
of this study with some previous studies on Saudi Arabia context

The study	Objectives of the study	Methodology of the study
Alqahtani, 2024	To study the extend of awareness of employees in financial departments of governance principles in Saudi government institutions	The Analytical Descriptive Approach
Asel, 2020	To clarify the impact of corporate governance in Saudi higher education according to 2030 Saudi Vision	The Survey Descriptive Approach
Naif & Ali, 2019	To enlighten Saudi Arabia regulations on corporate governance	The Content Analysis Approach
Rababah, 2019	To identify the concept of governance and its applications in governmental universities in Kingdom of Saudi Arabia	The Descriptive Inductive Approach
Meteb, 2015	To illustrate the importance of corporate governance in Saudi Arabia Economy	The Descriptive Method

Prepared by the researcher, 2024

Building on comparative insights, this study shares methodological similarities with that of Asel (2020), as both employed electronically distributed questionnaires to gather primary data directly from their targeted research populations. In contrast, the studies conducted by Naif and Ali (2019), Rababah (2019), and Meteb (2015) relied primarily on literature reviews and secondary sources to derive their analyses. These methodological divergences mirror distinct research aims, resulting in varied findings across the Saudi Arabian governance landscape. The current study revealed that employees in government institutions exhibit substantial awareness of governance principles, with financial departments demonstrating an active interest in applying such principles to enhance institutional financial performance. Similarly, Asel (2020) found that employee understanding of higher education governance varied by university management system, emphasizing the need for stronger institutional frameworks to fulfill Vision 2030 aspirations. Meanwhile, Naif and Ali (2019) acknowledged regulatory advancements since the 2017 amendment to corporate governance guidelines but also identified lingering gaps preventing full alignment with international standards. Rababah (2019) contributed a conceptual model outlining governance principles, standards, and performance indicators tailored to higher education institutions, while Meteb (2015) highlighted structural barriers to governance in Saudi SMEs, especially those that are family-owned, and underscored the importance of ethical codes and auditor independence. Collectively, these studies offer complementary perspectives, reinforcing the necessity for context-sensitive governance reforms across sectors. Therefore, the comparison between previous studies on Saudi Arabia context according to the tool of data collection and the main findings of the study can be shown in the following table:

Table (2): Comparison of Tool of Data Collection and Main Findings of this study with some previous studies on Saudi Arabia context

The study	Tool of Data Collection	Main Findings of the study
Alqahtani, 2024	Through an electronic questionnaire from 67 respondents working in government institutes in Saudi Arabia	Employees of government institution are aware of governance principles. Financial departments in the government institution are interested in applying governance principles. Applying governance principles has a positive impact on the improvement of financial performance in government
Asel, 2020	An electronic questionnaire completed by N = 97 faculty member and administrative enrolled at University of Jeddah during the autumn semester (2018)	Employees' knowledge of the principles of higher education governance varies depending on the university's management system, which indicates that Saudi universities in general need to develop strong governance systems in order to achieve the goals of the Saudi 2030 transformational vision.
Naif & Ali, 2019	Related literature was discussed and analyzed, particularly the local laws and other relevant documents.	Despite the Saudi Regulation on corporate governance was amended in 2017 in order to cure the defect of the earlier Regulations; still, there are other pending issues that are not in conformity with the international best practices.
Rababah, 2019	Collecting information from paper and electronic sources related to university governance.	Providing a conceptual model for the principles of governance and its standards, and the indicators of measurement of the institutions of higher education/universities
Meteb, 2015	The data has been collected from theoretical library researches and the literature review in the field of corporate governance.	Governance requires a code of ethics, a matter which is not much practically useful unless there are effective controlling authorities. The existence of a large number of corporations classified under the small and medium enterprises and most of them are family-owned corporations and thus, it is hardly to implement governance in an appropriate way. The auditing companies are not actually dependent from their customers so that governance can be activated.

Prepared by the researcher, 2024

The comparative review of existing literature on governance principles within the Saudi Arabian governmental sector reveals notable gaps that merit scholarly attention. First, there is a striking paucity of empirical studies addressing this critical issue, which limits the depth and scope of current understanding. Second, previous investigations tend to overlook key dimensions of governance across the diverse landscape of Saudi public institutions. Third, the reliance on secondary data in most studies—such as those by Naif and Ali (2019), Rababah (2019), and Meteb (2015)—further restricts insights into practitioners' lived experiences and institutional realities. An exception is the study by Asel (2020), which utilized an electronic questionnaire to collect primary data, albeit from a single site (University of Jeddah), potentially constraining the generalizability of findings. This narrow focus underscores the need for broader empirical engagement across multiple government entities to capture more representative perspectives. Accordingly, the present study seeks to address these gaps by generating primary data from personnel operating within various Saudi governmental institutions. In doing so, it aims to enrich the discourse on governance by clarifying levels of awareness, institutional commitment, and practical implementation of governance principles in alignment with the nation's reform agenda

3. Research Methodology

This study examines the link between governance principles and financial performance in Saudi Arabian public institutions using a descriptive analytical design and a sequential quantitative approach (Shahwan, 2014). To gather primary data, a structured electronic questionnaire was distributed among personnel in various government entities, following empirical best practices in

public sector research (Sekaran & Bougie, 2010). Public financial management is increasingly shaped by rising citizen expectations and global benchmarks (Turley et al., 2015), underscoring the need for efficient, transparent, and economically sound practices (Abdullah et al., 2022). Traditional financial indicators are insufficient to capture institutional performance, especially when public outputs are intangible or complex (Assagaf & Ali, 2017; Schobel & Drogosiewicz, 2018), prompting reliance on integrated financial systems and enhanced budgetary transparency to foster decentralization and accountability (Diane et al., 2017). The mono-quantitative design adopted herein aligns with Dissanayake's (2023) classification, employing Likert-scale items to quantify employee awareness and departmental engagement in governance implementation (Sekaran & Bougie, 2010). The sample consisted of 67 responses from Riyadh-based government bodies, selected through convenience sampling (Bhome et al., 2013), achieving a 90.5% response rate deemed adequate for regression analysis per Green's rule (Memon et al., 2020). A cross-sectional time horizon was employed to capture institutional patterns at a single point (Saunders & Tosey, 2013). Statistical analysis via SPSS—including descriptive measures, T-tests, and linear regressions—was used to test hypotheses concerning ethical governance and its impact on financial efficiency and accountability (Kothari, 2004; Singh, 2006)

4. Empirical Findings of Data Analysis

4.1 Personal Data of Respondents:

The primary data has been collected by distributing an electronic questionnaire to possible respondents. According to the table (1), the number of returned questionnaire was 67 analyzable questionnaire. The respondents' profile are as follows:

4.1.1 Academic Qualification:

The academic qualification of respondents is illustrated in the following table:

Table (4): Academic Qualification of Respondents

Degree	Frequency	Percentage
Doctorate	7	10.4%
Master	9	13.4%
Bachelor	50	74.6%
Diploma	1	1.5%
Total	67	100.0%

Prepared by the researcher based on the analysis of questionnaire data, 2024.

Table (4) shows that 74.6% of the respondents have bachelor degree, 13.4% of respondents have master degree, 10.4% of respondents have doctorate degree, and only 1.5% of respondents have diploma. This demonstrates that the respondents are having scientific qualifications that enable them to understand and comprehend the questionnaire and, therefore, providing sound scientific opinions.

4.1.2 Specializations of Respondents:

The specializations of the 67 respondents varies between four specializations; Business Administration, Accounting, Economics, and other specializations as shown in table (5), as follows:

Table (5): Specializations of Respondents

Specialization	Frequency	Percentage
Business Administration	9	13.4%
Accounting	24	35.8%
Economics	6	9.0%
Other	28	41.8%
Total	67	100.0%

Prepared by the researcher based on the analysis of questionnaire data, 2024.

The above table clarifies that 35.8% of respondents are of accounting specialization, 13.4% of respondents from business administration specialization, 9.0% of respondents are having economics specialization, whereas 28 individuals representing 41.8% of respondents are belonging to other specializations. That is, 58.2% of the respondents are belonging to administrative, accounting, and economic fields, and therefore, are highly aware of the purpose for which the study aims and have sufficient understanding of the questionnaire questions. Accordingly, this maximizes the value of the answers obtained from respondents.

The four different types of specializations of the respondents are displayed in the following figure:

4.1.3 Work Experience of Respondents:

The 67 respondents have four categories of work experience; less than 5 year, between 5 and 10 year, between 10 and 15 year, and more than 15 year. Accordingly, the work experience of respondents can be represented in the following table:

Table (6): Work Experience of Respondents

Specialization	Frequency	Percentage
Less than 5 year	19	28.4%
Between 5 and 10 year	17	25.4%
Between 10 and 15 year	19	28.4%
More than 15 year	12	17.9%
Total	67	100.0%

Prepared by the researcher based on the analysis of questionnaire data, 2024.

Table (6) indicates that 28.4% of respondents have work experience less than 5 year and also the same amount of respondents (28.4%) have work experience between 10 and 15 year. While, 25.4% of respondents have work experience between 5 and 10 year and only 17.9% of respondents have work experience more than 15 year. This confirms that the research sample members have sufficient experience that enable them to provide objective answers based on accumulated experience combined with their practical qualifications.

Hence, the work experience of respondents is shown in the following diagram:

4.2 The Outcomes of Data Analysis Techniques:

After data has been gathered from respondents and has been made ready for analysis, there are many tasks that have to be conducted in order to obtain results of data analysis techniques. This phase comprises dispersion measures of the data, checking goodness of data by implementing reliability and validity tests, determining the correlation between the variables of the research, and, eventually, deploying T-test and multiple regression analysis so to test the hypotheses of the research.

4.2.1 Central Tendency and Dispersion Measures of the data:

This part of the data analysis involves central tendency and the dispersion, i.e. the mean, standard deviation and the range of each statement in the three variables of the research.

To specify the minimum and the maximum length of the 5-point Likert type scale used in the questionnaire of this research, the range is calculated by $(5 - 1 = 4)$ then divided by five as it is the greatest value of the scale $(4 \div 5 = 0.80)$. Then, number one which is the least value in the scale is added in order to identify the maximum of the first grade. Therefore, the length of each grade is determined below:

- From 1 to 1.80 represents (strongly disagree).
- From 1.81 until 2.60 represents (disagree).
- From 2.61 until 3.40 represents (neutral).
- From 3.41 until 4.20 represents (agree).
- From 4.21 until 5.00 represents (strongly agree).

After determining the grade of each statement, the researcher rank them by considering the value of the Mean. If two statements have the same Mean, then the statement of the smaller standard deviation will be ranked higher than the other.

Therefore, central tendency, dispersion measures and rank of the statements of the 3 variables of the researches are displayed as in the following tables:

Table (7): Central Tendency, Dispersion Measures and rank of the statements of employees awareness variable

No.	Statement	Mean	Std. Dev.	Degree	Rank
1	There is a clear vision among employees of government institutions regarding the concept of governance principles.	3.13	1.028	Neutral	9
2	The concept of governance requires attention to those working in financial departments in government institutions.	3.93	.841	Agree	4
3	Governance is one of the priorities of financial departments in government institutions.	3.96	.878	Agree	3
4	Awareness of the concept of governance is one of the goals of government institutions.	4.07	.910	Agree	2
5	Government institutions are concerned with achieving governance objectives along with financial and economic objectives.	3.90	.873	Agree	5
6	Governance is a control method for serving government institutions.	4.07	.876	Agree	1
7	Financial departments in government institutions work to reduce the gap among employees in understanding the principles of governance.	3.39	1.044	Neutral	7
8	Employees in financial departments have the academic and practical qualifications to implement governance.	3.15	1.145	Neutral	8
9	Government institutions are keen to employ competencies to implement governance principles.	3.55	.875	Agree	6
The overall assessment		3.68	0.61	Agree	

Prepared by the researcher based on the analysis of questionnaire data, 2024.

Table (8): Central Tendency, Dispersion Measures and rank of the statements of Interest of Financial Departments variable

No.	Statement	Mean	Std. Dev.	Degree	Rank
1	The internal audit process contributes to identifying and correcting weaknesses in the financial performance of government institutions.	4.31	0.633	Strongly agree	3
2	Financial departments in government institutions provide appropriate working conditions to apply governance principles.	3.76	0.889	Agree	6
3	Financial departments in government institutions contribute to consolidating the concept of governance principles among employees.	3.55	0.958	Agree	8
4	The financial departments in government institutions contribute to implementing programs to clarify governance principles for employees.	3.51	0.943	Agree	9
5	The financial departments in government institutions provides all mechanisms that help apply governance principles in evaluating financial performance.	3.63	0.902	Agree	7
6	Adopting the principle of disclosure and transparency raises the quality of financial performance in government institutions	4.06	0.833	Agree	5
7	Financial departments' lack of awareness of the concept of governance principles leads to poor financial performance.	4.31	0.783	Strongly agree	4
8	Applying governance principles in financial departments leads to a sufficient degree of disclosure and transparency.	4.36	0.690	Strongly agree	2
9	Applying governance principles in financial departments increases the effectiveness and efficiency of financial control.	4.46	0.636	Strongly agree	1
The overall assessment		3.99	0.50	Agree	

Prepared by the researcher based on the analysis of questionnaire data, 2024.

Table (9): Central Tendency, Dispersion Measures and rank of the statements of Applying Governance Principles variable

No.	Statement	Mean	Std. Dev.	Degree	Rank
1	Financial departments in government institutions monitor and control the implementation of financial plans and strategies.	3.85	0.744	Agree	4
2	Financial departments in government institutions contribute to achieving the institution's strategic objectives.	4.04	.727	Agree	2
3	Each financial departments in government institutions performs specific work and duties without overlapping with other departments.	3.42	0.987	Agree	7
4	The financial departments in government institutions prepare and implement training programs and courses for employees to prepare them to apply governance principles	3.48	1.064	Agree	6
5	The financial departments of government institutions prepare reports that are important and useful to interested parties (stakeholders) in the institution's work.	3.76	0.836	Agree	5
6	There is a belief among the financial departments in government institutions of the importance of governance principles in improving financial performance.	3.96	0.843	Agree	3
7	The specific definition of responsibilities by the Board of Directors leads to activating the financial performance of government institutions.	4.15	0.783	Agree	1
The overall assessment		3.81	0.57	Agree	

Prepared by the researcher based on the analysis of questionnaire data, 2024.

4.2.2. The Reliability Analysis:

The reliability of a measure can be analyzed by testing for both consistency and stability. Consistency indicates how well the items measuring a concept hang together as a set. Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another (Sekaran & Bougie, 2010). The generally agreed upon limit for Cronbach's alpha is 0.70, although, it may decrease to 0.60 (Hair et al., 2014).

Cronbach's alpha of the all variables in this research is 0.914, which is very high and assures the consistency of the measures used to explain the variables of this research. Furthermore, the high value of Cronbach's alpha of the variables of this research is not mainly attributed to a single variable rather the others because the value of Cronbach's alpha is still high even if any of the 3 variables of this research has been deleted.

Table (10) shows the values of Cronbach's alpha when any of the 3 variables is deleted:

Table (10): Cronbach's Alpha values
if any of the research variables is deleted

The variable	Cronbach's Alpha if Item Deleted
Employees awareness	0.911
Interest of Financial Departments	0.883
Applying governance principles	0.834

Prepared by the researcher based on the analysis of questionnaire data, 2024.

On the other hand, the other perspective of reliability (which is stability) is also considered. Hair et al. (2014), state that stability is primarily dependent on the sample size and the number of cases per variable. The sample size of this research is 67 individuals and the number of variables is three. Thus, the ratio of variables to cases is 1:23, which is higher than the recommended ratio of 1:20. ratio.

4.2.3. The Validity Analysis:

Hair et al. (2014), specify that the content validity, which is also known as face validity, subjectively measures the correspondence between the individual items and the concept. In other words, Sekaran and Bougie (2010), clarified that content validity ensures that the measure includes an adequate and representative set of items that tap the concept. Whereas, Kumar (2011) argued that content validity can be considered if the items are evaluated by a group of expert judges. He adds that the judgment is a tool to measure what it is supposed to be mainly based upon the logical link between the questions and the objectives of the research.

Accordingly, the researcher has received the approval from the Institutional Review Board, Princess Nourah bint Abdulrahman University [See appendix (2)] after reviewing the research proposal which includes the questionnaire statements that are expressing the variables of this research.

4.2.4 Applying t-test technique:

In order to test the hypotheses, this study applied t-test technique. The results of the t-test are illustrated in the following table:

Table (11): Results of t-test

Variables	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Employees awareness	48.984	66	0.00	3.63325	3.4852	3.7813
Interest of Financial departments	64.191	66	0.00	3.94502	3.8223	4.0677
Applying governance principles	54.009	66	0.00	3.75810	3.6192	3.8970

Prepared by the researcher based on the analysis of questionnaire data, 2024.

4.2.5 Analysis of Variance (ANOVA):

Analysis of Variance (ANOVA) presented in table (12) provides information about levels of variability within the multiple regression model and forms a basis for tests of significance.

Table (12): ANOVA Table

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	16.660	2	8.330	112.223	.000
Residual	4.750	64	.074		
Total	21.410	66			

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In the df (degrees of freedom) column, the first number represents the number of independent variables (which is two), the second number (64) is the amount of the sample size (N) minus the number of independent variables (K) minus one, i.e. $(N - K - 1)$. Therefore, $(N - K - 1) = (67 - 2 - 1) = 64$.

The F-value (which is the result of the mean square of the regression model divided by the mean square of the residual) is 112.223. The p-value of the regression model is 0.00. The fit of the regression model can be checked by either the F-value or p-value. The calculated F-value = 51.807 is higher than the tabulated value, which is 3.07. In the same time, the p-value (0.00) is less than or equal the significance level of 0.00 is significant at the 0.05 level. Therefore, both results confirm the fitness of the regression model (Sureiman & Mangera, 2020).

4.2.6 Linear Regression Analysis:

Having the result that F-test confirms the fitness of the regression method, this study implemented linear regressing technique to investigate the proposed relationships between (employees awareness) and (interest of financial departments) variables on one side and the applying of governance principles variable on the other side.

4.2.6.1 Summary of the Linear Regression Model:

The summary of the regression model indicates that the correlation of the employees awareness and interest financial departments variables with the applying of governance principles variable (R) equals 0.882, as shown in table: (14), as follows:

Table (13): Linear Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.882	0.778	0.771	0.27245

Prepared by the researcher based on the analysis of questionnaire data, 2024.

4.2.6.2 Coefficients of the Linear Regression:

The results of the linear regression analysis are displayed in the following table:

Table (14): Coefficients of the Linear Regression

Variables	B	Std. Error	Beta	t	Sig.
Employees awareness	0.357	0.081	0.380	4.427	0.00
Interest of Financial departments	0.640	0.097	0.566	6.580	0.00
Applying governance principles is the dependent variable influenced by Employees awareness and Interest of Financial departments .					

Prepared by the researcher based on the analysis of questionnaire data, 2024.

Table (14) of the linear regression coefficients has twofold indications. First, it shows the significance of the relationship between each of the employees awareness and Interest of Financial Departments variables and the applying of governance principles. Second, it outlines which of the employees awareness and interest of financial departments variables influences most the applying of governance principles variable (Sekaran and Bougie, 2010).

5. Discussion of the Results

The results of the study affirm the acceptance of its core hypotheses, drawing on statistical techniques including measures of central tendency, T-tests, and linear regression to examine awareness, departmental engagement, and practical application of governance principles within Saudi Arabian public institutions. Regarding the first hypothesis—that employees possess a basic understanding of governance principles—the overall mean score of 3.68 reflects general agreement, although four of the nine assessed statements were rated neutrally. This suggests a partial gap in conceptual clarity, indicating that employee awareness may act as a barrier to the full implementation of governance practices. This finding aligns with prior work by Nargunde (2013), Fernando et al. (2021), and Oberoi (2021), who emphasize the importance of cultivating governance literacy to advance institutional reform.

The second hypothesis—concerning the active role of financial departments in fostering governance and supporting financial performance—is strongly supported, with an overall mean score of 3.99 and several statements achieving “strong agreement” levels. High agreement was noted especially for the role of governance in enhancing transparency and internal financial control. This resonates with the conclusions of Handa (2018) and Scrimgeour & Duppati (2014), who argue that institutional governance drives financial discipline and performance outcomes in public entities.

The third hypothesis—testing the direct statistical impact of governance application on financial performance—was also validated through strong agreement on all seven indicators, particularly the role of clearly defined responsibilities by Boards of Directors. Results are congruent with the findings of Al-Ramahi et al. (2014), Cahyono et al. (2021), and Affes & Jarboui (2023), who demonstrate the financial benefits associated with structured governance in various institutional settings.

The regression analysis offers further insight into the structural dynamics of governance implementation. A robust R-squared value of 0.778 indicates that 77.8% of the variation in governance application is explained by the combined influence of employee awareness and departmental interest. Both predictors yielded statistically significant effects, with p-values below 0.05 and t-values exceeding 1.96, validating their importance. Notably, the financial departments' interest showed a greater effect ($\beta = 0.566$) than employee awareness ($\beta = 0.380$), underscoring the critical role of institutional leadership in operationalizing governance reform. These findings affirm Sekaran & Bougie's (2010) emphasis on organizational readiness and internal drivers of governance adoption.

Table (15): Summary of decisions regarding the influence of both employees awareness and interest of financial departments on the applying of governance principles

No.	The hypothesis	The decision
1	Employees Awareness has a positive and statistically significant influence on the applying of governance principles.	Support
2	Interest of Financial Departments has a positive and statistically significant influence on the applying of governance principles.	Support
3	Applying governance principles is the dependent variable influenced by Employees awareness and Interest of Financial departments .	Support

Prepared by the researcher based on the analysis of questionnaire data, 2024.

In addition to the decision about the result of the hypotheses test, table (14) also provides a crucial insight about which of the Employees awareness and Interest of Financial Departments variables influences most the applying of governance principles variable. The Beta value of Interest of Financial Departments variable is 0.566, which higher than the Beta value of Employees awareness which is 0.380. Thus, the influence of Interest of Financial Departments on the applying of governance principles is more than the influence of Employees Awareness.

Thus, awareness of employees of governance principles is not in same level of the interest of financial departments in government institutions. This issue may represent an obstacle towards applying governance principles.

6. Conclusion

This study examines employee awareness of governance principles within financial departments of Saudi government institutions, addressing a notable gap in regional governance literature. Grounded in three core research questions—regarding conceptual awareness, impact on financial performance, and the statistical significance of governance application—the study operationalizes employee awareness, departmental interest, and governance implementation as key variables (Fernando et al., 2021; Handa, 2018). Using a quantitative methodology, data were collected via electronic questionnaires, yielding 67 valid responses, with reliability and validity confirmed through standard tests (Sekaran & Bougie, 2010). Analytical procedures—including central tendency, T-tests, and regression analysis—validated all research hypotheses, indicating that both employee awareness and departmental interest positively influence governance application, with the latter exerting a stronger effect (Scrimgeour & Duppatti, 2014; Memon et al., 2020). These findings underscore the critical role of financial departments in operationalizing governance, highlighting their managerial readiness and strategic alignment with reform imperatives (Al-Ramahi et al., 2014). Ultimately, the study affirms that governance adoption not only enhances financial performance but also strengthens public service delivery and safeguards national resources (Affes & Jarboui, 2023).

6.1 Recommendations:

Based on the empirical findings of this study, several strategic recommendations are proposed to enhance the effectiveness and efficiency of governance implementation within Saudi government institutions. First, it is essential to cultivate a unified and clear understanding of governance principles among employees, ensuring conceptual clarity across organizational levels. Applying governance should become a top priority for financial departments, supported by targeted efforts to bridge awareness gaps and strengthen shared comprehension of governance frameworks. To achieve this, government institutions should invest in structured training programs that develop employee competencies and align skillsets with governance requirements. Additionally, internal audit mechanisms should be adopted to systematically identify and resolve financial performance weaknesses, thereby reinforcing accountability and continuous improvement. Creating enabling work environments, including adequate resources and operational tools, will further facilitate the practical application of governance. Finally, institutional structures should be optimized to delineate departmental responsibilities clearly, minimizing overlap and promoting functional

coherence in the execution of governance-related tasks. These measures collectively contribute to a more resilient and transparent public sector governance model.

6.2 Limitations of the Research:

The limitations of this study are shaped by both thematic and methodological boundaries. First, the research scope is confined to examining the influence of corporate governance principles—specifically their application—on the financial performance of government institutions, without extending to other potential organizational outcomes or sectors. Second, the temporal frame of the investigation is restricted to data collected during the year 2024, which may limit longitudinal insights or the ability to observe evolving governance dynamics. Third, in order to bridge the theoretical and empirical components, the study employs a practical approach centered solely on primary data obtained via a structured questionnaire distributed to financial departments within government institutions. As such, the findings are constrained to perceptions and practices within these departments, excluding broader institutional perspectives or triangulation with external stakeholders. These delimitations, while intentional to ensure focus and coherence, signal opportunities for future research to expand the analytical scope, diversify sampling strategies, and adopt mixed-method designs to generate more comprehensive insights

6.3 The Future Research Areas.

The data analysis reveals an R-squared value of 0.778 based on responses from 67 individuals employed in government institutions across Saudi Arabia, indicating that approximately 77.8% of the variance in the application of governance principles is attributable to employees' awareness and interest within financial departments (Sekaran and Bougie, 2010). This substantial explanatory power highlights the pivotal role of internal understanding and engagement in fostering effective governance practices. Building on these findings, future research could investigate additional variables that may influence the adoption of governance principles, extending beyond awareness to include structural, cultural, or policy-related factors. Moreover, a closer examination of the specific components shaping governance awareness—such as institutional training programs, targeted awareness sessions, and formalized policies—would provide deeper insight into their individual and collective impact. To enhance the external validity and generalizability of outcomes, future studies may also consider expanding the sample size and diversifying the respondent base to capture a broader range of perspectives relevant to contexts comparable to the Saudi governance landscape

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