RIPHAH CENTRE OF ISLAMIC BUSINESS

Journal of Islamic Business and Management
2021, 11(02), 286-313
https://doi.org/10.26501/jibm/2021.1102-004

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PRIMARY RESEARCH

Can Conventional Governance Mechanisms Be a Matter for Financial Performance in Islamic Countries?

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Keywords
Board Governance
Audit Committee Features
Financial Performance
GCC Stock Markets

Received: 09 November 2021
Accepted: 10 December 2021

Abstract
Purpose: The study investigates the effect of eight conventional governance mechanisms, namely (board size, CEO duality, audit committee (AUDC) size, AUDC independence, board structure, AUDC number of meetings, board gender, and external audit quality), on financial performance for a sample of 246 non-financial listed firms in GCC countries from 2015-2019.
Design/Methodology/Approach: Several models have been run using "Hierarchical Multiple Regression" for six GCC countries.
Findings: The study has revealed different results for example, board size, AUDC size and AUDC number of meetings have insignificant effect on firm performance in most GCC countries. In contrast, board gender and board structure are the most determining factors of financial performance in GCC countries.
Research Limitations/Implications: The results of the study call for legislative amendments that would urge companies to increase the number of non-executive members and empower females to effectively participate in corporate boards through the quota system.
Originality/Significance: The current study is one of the few studies on governance in emerging Islamic markets, and therefore it contributes to the accounting literature by identifying the characteristics of governance in these countries.
Practical and Social implications: Regulators should visit Islamic corporate governance rules and practices in financial institutions to improve conventional corporate governance in non-financial firms.
KAUJIE Classification: G1
JEL Classification: M38, M48, G34

INTRODUCTION

The interest in "Corporate Governance" (CG) has emerged as a response to the international community's appeal to regulators in various countries to protect financial markets and the global economy after a series of critical events that the world has witnessed. For instance,

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the crisis of the Four Asian Tigers in the summer of 1997, then a set of financial scandals for several international companies, such as Enron Company 2001. Finally, the global financial crisis appeared in the USA at the end of 2007. The literature presents different definitions of CG. For example, "CG is a set of relationships between a company's board, its shareholders and other stakeholders. It also provides the structure through which the objectives of the company are set, and the means of attaining those objectives, and monitoring performance, are determined" (OECD, 2004, p. 11). CG reflects "the structure and functioning of the corporate policy" (Eells, 1960, p. 108). Furthermore, CG "is ways of ensuring that corporate actions, agents and assets are directed at achieving the corporate objective established by the corporation's shareholders", (Sternberg, 2004, p. 28). Despite the differences in CG systems among countries, there is an agreement about the need for CG to achieve more transparency about several issues such as how the company is managed by its board of directors, board remuneration, financial reports' preparation, conflict of interests, and corporate disclosure for all important information that enables shareholders and others to make reliable decisions (Al-Malkawi & Pillai, 2012).

On the other hand, Islamic governance is receiving increasing attention after the global financial crisis in 2008, as the Islamic economy has presented a model that is economically successful and stable in this crisis. The Qur'ān gave governance principles long before the governance theory evolved in modern age (Narastri, 2019). The Islamic corporate governance pillar according to Narastri (2019) are religion, *tawḥīd*, *taqwâ*, *khilāfah*, *shūrâ*, and pleasure, *tawāzun*, prosperity, accountability, reliability, transparency, Trustworthiness, responsibility, independence, and justice. The Islamic model depends on the application of Islamic values and rules derived from the Holy Qur'ān and Islamic Sharī'ah (Qur'ān, 2: 283, 9:18; 34:15). These may include:

- Accountability in the hereafter - everyone accountable for his / her activities,
- Responsibilities of the BODs, Executive Management, Line Managers, employees.
- Human beings have the central role-their rights and liabilities vis − â − vis other factor and particularly the financial capital that must be entitled to the residual earnings as in the case of entrepreneurs; and
- Stakeholders approach instead of 'Shareholders approach - Importance of family, society economy and the environment.

Islamic banks succeeded in crossing the financial crisis of 2008, while many of the conventional banks in America experienced decline in growth. The Islamic economy is based on ownership, participation, justice, honesty, business ethics and societal balance. Islam is not only a spiritual religion, but it includes all aspects of life, whether social, commercial, or economic. Islam calls upon Muslims when doing business to adhere to justice, honesty, and truthfulness in their dealings with others, that their dealings be in accordance with Islamic Sharī'ah, and that they avoid non-*ḥalāl* transactions. This is mentioned and established in several chapters in the Holy Qur'ān.

Islamic governance is much broader than traditional governance, as it is based on Islamic Sharī'ah, which covers all aspects of the life and daily activities of a Muslim. Islamic governance has a set of basic beliefs for any Muslim, which are the oneness of God, accountability with God, the absolute authority of God alone, and He is the owner of everything (Abu-Tapanjeh, 2009; Aslam & Haron, 2020; Choudhury & Hoque, 2006). Further, the ethics and values system of Islam articulate how business is to be conducted in terms of manners that benefits of economic activities of a company are reaped by all based on the exchange and non-exchange laws.

Conventional CG derives its principles from the six main principles of corporate governance (OCED)-2004, which are based on the four pillars "business ethics, decision making, adequate disclosure and transparency, and lastly the mechanism of bookkeeping and final account" (Abu-Tapanjeh, 2009, p. 9). These principles have been embedded in the Islamic economy since the early stage of Islamic civilization. Moreover, in the Islamic banking industry, "Islamic governance requires banks to establish Sharī'ah Supervisory Board (SSB) and the internal control which supports it. The bank has a two-tier Sharī'ah governance infrastructure consisting of two vital components, a centralized Sharī'ah advisory body at the bank and the internal Sharī'ah committees formed at the respective Islamic financial institution" (Alnasser & Muhammed, 2012, p. 223). Furthermore, conventional governance seeks to maximize returns and benefits for corporate owners, while Islamic governance seeks to maximize returns for the whole community (Alnasser & Muhammed, 2012). Abu-Tapanjeh (2009) argues that conventional governance differs from Islamic governance in the level of generalization of rules. Whereas, in Islamic governance, businesses obey the rules of Sharī'ah and the Holy Qur'ān. The Islamic community expects businesses to engage in *ḥalāl* activities only. Hasan (2009) points out that the good performance of Islamic governance plays a dangerous role in the growth of the Islamic economy and hence the prosperity of Islamic banks.

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), as an independent body with 200 members of Islamic Financial Institutions, is making many efforts to set standards for accounting, auditing, and governance from an Islamic perspective to be applied in financial institutions. However, non-financial companies and institutions did not receive the same attention. However, our study has focused on a sample of industrial and non-industrial firms from Islamic countries, GCC countries.

Therefore, the present study is in line with a stream of distinctive research that investigates the association between various conventional CG mechanisms and the company's financial performance. Such stream offers conflicting results; therefore, these results provide an incentive for future research to discover new angles about this association. For example, Al-Malkawi and Pillai (2018) investigate the effect of CG mechanisms (such as government ownership, insider shareholding, corporate social responsibility (CSR), Big-4, institutional shareholdings, board size, duality) on financial performance by a sample of 349 listed firms in the Gulf Cooperation Council (GCC) stock exchanges covering from 2005-2012 using Generalized Least Squares method. The main results of their study show that government ownership, Big-4, board size and CSR have a significant impact on firm performance in

GCC countries. In United Arab Emirates (UAE), Al Kuwaiti (2019) explores the impact of a group of CG features such as female board, CEO duality, board structure, ownership concentration, board size and family ownership on firm performance. He finds that all these variables have a significant positive impact on firm performance, except for board size that has an insignificant relationship. While, in Saudi Arabia (KSA), Almoneef and Samontaray (2019) investigate the effect of CG attributes namely, board governance and audit committee (AUDC) features on the Saudi bank performance as measured by return on assets (ROA), return on equity (ROE) and Tobin's Q while controlling size and age of the bank. Regarding the main results of ROA, board size has a positive association while board meetings have a negative association. In addition, board size and AUDC number of meetings have a positive impact on ROE. Concerning the main results of Tobin's Q, board (size and independence) have a positive impact while board committees' number has a negative effect. Finally, with the three measures, AUDC (size and independence) have no impact on the Saudi bank performance. In South Africa, Ntim (2009) uses a sample of 500 firm-year observations covering the period (2002-2006) to test the relationship between internal CG structures and financial performance as measured by ROA & Tobin's Q. Using both measures, Ntim (2009) reports that board diversity, number of board meetings, and board committees have a significant impact on financial performance. While he has different results by using the two measures, for example, board size and CEO duality have a significant positive relationship with ROA, in contrast, the same variables have insignificant negative relationship with Tobin's Q. In Egypt, Abobakr (2017) tests the association between some CG mechanisms (such as board size, board structure, role duality, board gender, board qualifications, and blockholders), and bank performance by a sample of 25 Egyptian banks from 2006 to 2014. His main findings show that board size and CEO duality have a positive effect on bank performance; in contrast, the percentage of independent and female directors' representation on board of directors, as well as board qualifications and blockholder ownership have an insignificant effect on bank performance. Finally, in Jordan, Marashdeh (2014) investigates the impact of corporate ownership structure and board features on financial performance for a sample of 115 listed firms. The results of his study regarding board features are consistent with stewardship theory and contradict with agency theory. The author indicates that role duality has a positive impact on firm performance, while the percentage of external directors has the opposite impact.

Many studies have provided evidence about how CG in Islamic banks plays a vital role in increasing disclosure, transparency, and financial performance (Zahid & Khan, 2019). For example, Aslam and Haron (2020) document a positive effect of AUDC and Sharī'ah board on the financial performance of 129 Islamic banks through 29 Islamic countries from 2008 to 2017. Similar results are shown by Grassa and Matoussi (2014) who conducted a comparative study between GCC and the South Asian countries using a sample of Islamic banks. In this line, Kusuma and Ayumardani (2016), in Indonesia, report that the CG is a critical component that enhances Islamic banks' performance. The current study contributes to prior research on the association between CG mechanisms and the company's financial performance, using a sample of listed firms in the GCC countries as an example for emerging markets. Therefore, it has four contributions. Firstly, it has addressed CG mechanisms as a

pivotal concern for many stakeholders because of their decisive impact on the economy and financial markets in various countries. Therefore further research on this topic is required to discover new angles. Secondly, our results indicate that gender diversity in corporate boards has a vital and positive effect on the financial performance of GCC companies, but female participation's percentage in boards of directors is very weak. Therefore, regulators may make some amendments in legislation, such as the adoption of the quota system to enable females to contribute effectively and increase the number of non-executive directors in boards of directors to achieve higher independence for corporate boards.

Consequently, our results are a call for regulators to revisit governance rules and practices. Thirdly, it is based on a sample of GCC countries as a model for developing countries and emerging markets, and then its results may be useful for other countries with similar characteristics of our sample. Moreover, the current study adds value to literature in the field of governance in developing countries that suffer from a severe shortage of research on this topic. Fourth, although our study is an extension of the previous studies in GCC countries such as Al-Malkawi and Pillai (2018) and Naushad and Malik (2015), it is distinguished from them in that it covers a recent period of governance practices from (2008-2019), especially most GCC countries such as Bahrain, Oman and UAE have recently issued new governance codes. Moreover, it has addressed some different variables, such as gender diversity of corporate boards, which has not been covered much in prior studies.

The study proceeds as follows. Section 2 provides an overview of CG in the GCC countries. Section 3 presents theoretical views, prior literature, and hypotheses development. Sample, data collection and measurement of variables are provided in Section 4. Section 5 discusses the results of the study. Section 6 presents the conclusion and implications of the study.

BACKGROUND ON GULF COOPERATION COUNCIL (GCC)

GCC countries consist of six countries, namely "Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and, the United Arab Emirates". Such cooperation was established in 1981 to achieve economic, cultural, and political integration among these countries (Nasira et al., 2019). The accumulated benefits of governance, such as economic growth, political stability, financial markets' growth, and attracting more foreign investments. Investors are more motivated to invest in well-governed financial markets. Consequently, governments in GCC have established their CG codes to gain such benefits. A summary of CG in GCC countries is provided in Table 1. Moreover, Hawakamah[1] CG institute was established in 2005 to support transparency, disclosure and protect shareholder rights by supporting good CG practices in the MENA region.

[1]For further information on Hawakamah please visit: http://www.hawkamah.org/

TABLE 1
An Overview on the Financial Markets of GCC Countries

Country	The Establishment of the Stock Exchange	Corporate Governance Code
Bahrain	-In 1987, under the Amiri Decree No. 4. Bahrain stock exchange started operating in 1989. -In 2010, the Bahrain stock exchange was re-structured based on law no. 57 to be Bahrain Bourse. -Bahrain Bourse is controlled by the Central Bank of Bahrain.	-First code was established in 2010 with 9 principles. -New code was established in 2018 with 11 principles.
Emirates	-In 2000, Dubai Financial Market was established then, Abu Dhabi Security Exchange. - "Dubai Financial Market and Abu Dhabi Security Exchange" are controlled by the Securities and Commodities Authority.	-First code was established in 2007 with 9 principles. -New code was established in 2009 with 11 principles through 16 articles.
Qatar	-In 1997, Doha Stock Exchange, started operating officially. - Doha Stock Exchange (DSM) is controlled by "Qatar Financial Markets Authority".	-First code was established in 2009 with 9 principles. -New code was established in 2017 with 11 principles.
Saudi Arabia (KSA)	-In 1930, Saudi Stock Exchange was incorporated. - In 1984, Saudi Stock Exchange had a formal and regulated stock exchange. -In 2007, Saudi Stock Exchange was replaced by Tadawul. - Saudi Stock Exchange is controlled by the capital market authority.	-First code was established in 2006 with 19 articles that divided into 5 parts. -New code was established in 2017 with 12 principles.
Oman	-In 1988, under the royal decree No, 53/88. -A Royal Decree No. 80/98 was issued in 1998 to restructure Muscat Securities Market. -Muscat Securities Market (MSM) is controlled by the Capital Market Authority.	-First code was established in 2002 and then amended in 2003 with 11 principles. -New code was established in 2016 with 14 principles.

TABLE 1 continue

Country	The Establishment of the Stock Exchange	Corporate Governance Code
Kuwait	-In 1944, Kuwait Stock Exchange established while it started trading in 1950. -In 1983 Kuwait stock exchange was reorganized by the Amiri Decree was issued. -In 2014, Kuwait Boursa was replaced by Kuwait stock exchange. -Kuwait Boursa is controlled by the capital market authority.	-CG code was established in 2010 with 7 principles.

Shehata (2015) conducts a detailed study on CG codes in GCC countries. He argues that there are many common features between the six codes in the GCC countries since all of them depend on the principles of CG that have been issued by Economic Co-operation and Development (OECD) in 2004. For example, the six codes require board independence, the nomination committee to select board members, an audit committee to be structured with variety in other committees, and risk management to be addressed (Shehata, 2015). However, there are some differences among CG codes in GCC countries, such as board meetings, number of board members and detailed nomination procedures. On the other hand, Al-Malkawi et al. (2014) develop an index with 30 internal CG attributes to test CG practice through a sample of non-financial firms from GCC countries. This index is divided into three levels to reflect the best CG practices in GCC countries. Their findings present that GCC listed firms have 69% of the CG features addressed in the CG index; in addition, UAE firms have exhibited the best CG practice in the study.

THEORIES, PRIOR LITERATURE, AND HYPOTHESES DEVELOPMENT

Theoretical Perspectives on Governance Mechanisms and Financial Performance

There are many theories in the accounting literature that offer different interpretations on the effect of CG mechanisms on financial performance, such as stewardship theory, legitimacy theory, agency theory, stakeholder theory, signalling theory, and others. Nevertheless, agency theory dominates most accounting research. Since prior studies on this relationship have reported mixed results, the current study has adopted two different theories, namely agency and stewardship as a complementary approach to explain its results as follows.

Agency Theory

An agency association can be defined as "one in which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent" (Jensen & Meckling, 1976, p. 308).

The agency relationship arises in modern business due to the separation of ownership from management. Because there is no assurance that managers will behave rationally and seek

to maximize the wealth of principals, especially, there is an asymmetry of information between managers and principals, which encourages managers to carry out some opportunistic activities that make them achieve personal benefits against the interests of the principals. Agency theory depends on a conflict of interests between corporate managers and the principals that exists as a basic assumption (Fama, 1980 & 1983; Jensen & Meckling, 1976). Consequently, corporate managers employ opportunistic behaviour that creates agency costs (such as monitoring, bonding, and residual loss) and thus affects the company's financial performance or value. Literature has suggested CG mechanisms such as governance board, AUDC features, external audit, and CEO compensations as tools to decrease agency costs and align the interests of both corporate managers and owners (Fama, 1983).

Stewardship Theory

"Stewardship theory posits that executive managers are intrinsically trustworthy individuals" (Nicholson & Kiel, 2003, p. 588). This theory assumes that top managers are sufficiently competent in managing the company's resources; therefore, they should have full authority in making decisions through the company (Letza et al., 2004). This hypothesis is because top management dedicates its time in serving the company and spends more time than non-executive managers. In addition, top managers possess full knowledge about the conditions of the company more than non-executive managers. Consequently, they are expected to be the best in managing the company's resources and taking advantage of market opportunities (Donaldson & Davis, 1991). In the same avenue, Fama and Jensen (1983) argue that inside corporate managers are in a better position than outsiders due to their familiarity with all corporate activities, and therefore they can run the company better than the outsiders. Consequently, stewardship theory confirms the importance of executive managers' control over corporate boards. It prefers to reduce the proportion of non-executive directors on the board of directors. Moreover, it supports a dual role for the CEO of the company, meaning that CEO should also hold the leadership of the board of directors (Donaldson & Davis, 1991; Muth & Donaldson, 1998). Stewardship theory argues that to obtain a good corporate financial performance, attention must be paid to internal CG mechanisms that give top management full power to decision-making, such as combining the position of the chairman of corporate board and CEO. Davis et al. (1997) point out that the stewardship theory adopts an administrative style that depends on providing the maximum degree of independence based on full trust to the stewards. Then, different agency costs can be reduced, such as monitoring costs. Contrary to the agency view, stewardship perspective believes that the separation of ownership from management provides a good opportunity for the company to appoint talented, efficient, and skilled managers to manage the company's resources and then financial performance of the company can be improved. Stewardship theory relies on the premise that stewards will behave rationally to maximize the wealth of owners to maintain their professional reputation as well as achieve more opportunities for promotion at work, which increases their authority in managing the company and reduces agency costs (Donaldson & Davis, 1994).

HYPOTHESES DEVELOPMENT

Board Size and Financial Performance

The effect of board size on financial performance receives interest in the accounting literature. However, the related results of such a relationship are mixed. For instance, the agency view suggests a negative association between both variables. This view claims that the more members in the board of directors, the less efficient the board is in taking decisions due to the difficulties of communication and coordination. In line with this view, prior studies report a negative association between the two variables, such as Naushad and Malik (2015) who use a sample of 24 GCC banks covering from 2012-2013. A similar result is reported in Ethiopia by Ashenafi et al. (2013) and in Nigeria by Hassan and Farouk (2014) through a sample of commercial banks from 2005-2011. On the other hand, other scholars argue that a large board has multiple expertise and competence, and then the quality of decision-making of the board increases, which can improve corporate financial performance. Consequently, they expect board size is positively associated with financial performance. Such a relationship is reported in India by Akshita (2016) who measured firm performance by ROA, ROE and Tobin's Q. The same result is shown by Mohsin et al. (2016) through a sample of Iraqi banks and in the U.S by Adams and Mehran (2012) using 32 banks. On the other hand, Bin and Yi's (2015) find there is insignificant association between the two variables using a sample of Malaysian listed companies. Moreover, Mangena and Chamisa (2008) show an insignificant association between board size and corporate performance by a sample of South African listed companies; in the same line Ho and Williams (2003) conducted another study in the same country and report the same result. According to the above arguments, the following hypothesis is formed:

H1: There is a significant association between board size and financial performance.

Board Structure and Financial Performance

The corporate board consists of internal (executive) and external (non-executive) members. The debate continues in the literature about which is better to increase or decrease the number of non-executive members of corporate boards. From an agency view, Fama and Jensen (1983) point out the higher the percentage of non-executive directors, the higher the board independence, therefore the efficiency of the board's performance is improving. This theory suggests a positive association between the two variables. Mangena and Tauringana (2008) report a positive relationship between the percentage of external directors and firm performance by 72 Zimbabwean listed firms. Such a finding is shown by Liang et al. (2013) through 50 large Chinese banks Hassan and Farouk (2014), Ho and Williams (2003) and Mohsin et al. (2016). In contrast, stewardship theory posits a negative association between the percentage of external directors and firm performance. It argues that the efficiency of the corporate board increases as the percentage of external directors decreases. The explanation of this relationship lies in the fact that the executives are more familiar with details of the daily work of the company more than the non-executive directors. For instance, Sanda et al. (2005) use a sample of 93 Nigerian listed firms (1996 to 1999) and find a negative relationship between the two variables. Aktan et al. (2018) find the same relationship using 30 listed

firms in Bahrain Bourse; similar results are presented by Adams and Mehran (2012) and Mangena and Chamisa (2008). However, other studies report there is no association between the percentage of non-executive directors and financial performance. In Egypt, Abobakr (2017) shows the insignificant relationship between the two variables. According to the above debate, the following hypothesis is suggested:
H2: There is a significant association between the percentage of non-executive directors in the corporate board and financial performance.

CEO Duality and Financial Performance

Supporters of agency theory advocate that the position of chairman of the corporate board should be separated from CEO, meaning that there are two different people, one for each position. This action can support board independence and increase its efficiency. Therefore, this theory suggests a negative association between CEO duality and financial performance. Such result is found by Haniffa and Hudaib (2006), using 347 Malaysian listed, in addition, Mollah and Zaman (2015) who conducted an international study using a sample of Islamic and conventional banks through 25 countries. In contrast, stewardship theory suggests a positive association between role duality and firm performance. In this avenue, Al Kuwaiti (2019), in UAE, uses 92 listed companies from (2008-2017) and reports the same relationship between the two variables, such as Abobakr (2017) in Egypt. Finally, another group of studies report the insignificant relationship between role duality and financial performance such as Arouri et al. (2011), in GCC countries by 27 banks, Al-Amarneh (2014) in Jordan using 13 listed banks, Aktan et al. (2018) in Bahrain, and Mangena and Chamisa (2008) in South Africa by 81 listed firms. Based on the above literature, the following hypothesis can be suggested:
H3: There is a significant association between CEO duality and financial performance.

Board Gender and Financial Performance

Agency theory claims that females' participation in the formation of boards of directors supports board independence and thus improves the decision-making process. Therefore, it expects a positive association between board diversity and financial performance (Al Kuwaiti, 2019; Francoeur et al., 2008). For instance, in the US, Adler (2001) shows a positive association between the two variables. In this line, Carter et al. (2003) conducted a study in the same country; furthermore, Francoeur et al. (2008) use 230 Canadian listed firms and Al Kuwaiti (2019) in UAE who reports the same finding. However, the literature provides conflicting results. For instance, Rose (2007) finds an insignificant association between females' participation in corporate boards and financial performance by a sample of Danish listed firms, such as Abobakr (2017). While Ofoeda (2017) reports a significant negative association by a sample of banks from Ghana similar to Mohsin et al. (2016) in Iraq.
H4: There is a significant association between board gender and financial performance.

Audit committee features and financial Performance

AUDC plays an effective and vital role to protect several stakeholders' interests. It is a

tool of CG that achieves control over financial reports' quality and adds credibility of these reports (Lin, 2018). AUDC must consist of independent members from outside the firm to be able to monitor financial reports efficiently. The more AUDC independence, the higher the financial reporting quality such as less manipulation of earnings and financial disasters (DeFond & Francis, 2005; Luqmane et al., 2018). From the agency perspective, the existence of AUDC reduces agency costs and information asymmetry between corporate managers and stakeholders (Aldamen et al., 2012; Fama & Jensen, 1983). Prior studies investigate the association between AUDC characteristics, such as (size, independence, financial expertise, and meetings), and financial performance. However, mixed results are shown through the literature. For example, in Nigeria, Aanu et al. (2014) find AUDC size and number of meetings have an insignificant effect on financial performance while AUDC independence and financial expertise have a significant positive effect. In Oman, using a sample of 162 non-financial firms, Al-Matari et al. (2014) investigate the association between AUDC features, such as independence and size. The authors show the insignificant association between AUDC (independence and size) with Tobin's Q as a measure of financial performance similar to Al-Matari et al. (2012). Using a sample of 119 listed companies in KSA and UAE, Alzeban (2020) explores the effect of AUDC attributes on both internal audit and firm performance. The main findings of his study indicate that AUDC (independence and financial expertise) has a significant effect on financial performance while AUDC number of meetings has no effect. In Bangladesh, Rahman et al. (2019) find AUDC size is significantly positively associated with financial performance while AUDC number of meetings has a significant negative association.

In Jordan, Alqatamin (2018) tests the effect of AUDC (size, independence, experience, and meetings) and board gender on financial performance for 165 of Jordanian non-financial companies through three years (2014-2016). The main results of his study reveal that AUDC (size, independence) and board diversity have a significant positive association with financial performance. In contrast, AUDC (experience and meetings) have an insignificant association with different effects (negatively and positively in respectively) on financial performance. Another study has been conducted in the same country by Zraiq and Fadzil (2018), who find AUDC size is positively associated with financial performance through a sample of 228 of Jordanian non-financial companies. In Greece, Zhou et al. (2018) report an insignificant association between AUDC (size and independence) and financial performance using a sample of listed firms in the Athens Stock Exchange covering from 2008-2012. In Jordan, Zraiq and Fadzil (2018) report different results for the effect of AUDC (size and number of meetings) with financial performance using two measures ROA and EPS. They find AUDC size has a significant positive association with EPS while it has an insignificant association with ROA. Regarding AUDC number of meetings, it has a significant positive association with ROA while it is insignificant with EPS. The current study has selected three AUDC features, namely size, independence, and the number of meetings, to investigate their effect on financial performance. According to previous conflicting results in the literature regarding the effect of various features of AUDC on financial performance, the following hypotheses are proposed:

H5: There is a significant association between audit committee size and financial performance.
H6: There is a significant association between audit committee independence and financial performance.
H7: There is a significant association between number of meetings conducted by the audit committee and financial performance.

External Audit Quality and Financial Performance

One of the most essential roles of an external audit in CG is to protect shareholder interests by increasing the financial reports' transparency and accountability. External audit quality reflects both size and reputation of the audit firm (Rahman et al., 2019). Literature classifies audit firms into Big 4 and non-Big 4. It is generally argued that Big 4 firms offer more audit quality than non-big 4. Large audit firms can add value to shareholders by increasing the quality of financial reports. For example, in Malaysia, Wahab et al. (2007) argue that large audit firms present audit services with high quality by reducing accounting errors or manipulating profits to keep their competitive image in the market. Earlier studies report mixed findings on the association between external audit and financial performance. For example, Rahman et al. (2019) find large audit firms have a significant positive effect on financial performance. In this line, Aktan et al. (2018) report auditors' quality has a significant positive association with the same variable using a sample of 30 firms listed on Bahrain Bourse (2011-2016). Mohammed (2015) in Oman reports the same relationship between external audit quality and financial performance. Furthermore, in the US, Zagorchev and Gao (2015) report the same result between the two variables, as Afza and Nazir (2014), in Pakistan, and Wahab et al. (2007) who show the same result by a sample of 440 Malaysian listed firms. However, in Bangladesh, Kabir et al. (2010) find an insignificant association between earnings quality and external audit by Big 4 firms. In the same line, in Korea, Jeong and Rho (2004) find no effect on corporate earnings quality as measured by discretionary accruals if the company is audited by big 6 auditors or non-big 6 audit firms. Considering the above arguments, the following hypothesis is provided:
H8: There is a significant association between external audit quality and financial performance.

RESEARCH METHOD

The current study conducts descriptive statistics to describe the nature of the study's variables in the six GCC countries in Table 3. In addition, "Pearson correlation" and "Collinearity Statistics" are employed to check the possibility of multicollinearity among variables of the study. The results of "Variance Inflation Factors" (VIF) in Tables (6, 7, 8, 9, 10 & 11) show that the values of VIF are less than 10; therefore, multicollinearity is not a problem in our study (O'Brien, 2007; Mason et al., 1989). Finally, "Hierarchical Multiple Regression" (HMR) is conducted to examine the hypotheses of the study. One of the advantages of HMR regression is that it helps to measure the effect of control variables separately by providing a regression model for these variables only.

Sample and Data Collection

An empirical investigation of the current study is employed by a sample of listed firms in GCC stock markets (Bahrain, UAE, KSA, Qatar, Oman, and Kuwait). A sample of 1230 firm-year observations is tested covering the period from 2015-2019. Firms are classified into industrial and non-industrial. Selecting the company in our sample is subject to specific criteria, including that the company must be listed in the stock exchange for the last five continuous years, in addition to the availability of its annual reports for the last five years. Banks and all other financial institutions are excluded. The distribution of the sample in our study is presented in Table 2.

TABLE 2
Distribution of the Sample

Country	Industrial Firms	Non-Industrial Firms	Number of Firms per year	Total Firms (%)
Bahrain	3	14	17	85 6.9
UAE	13	29	42	210 17.1
Qatar	8	18	26	430 35
KSA	41	45	86	130 10.6
Oman	15	15	30	150 12.2
Kuwait	25	20	45	225 18.3
Total	105	141	246	1230 100

(*) UEA: United Arab Emirates. KSA: Saudi Arabia.

Regarding data collection, all CG variables were collected through the annual reports of sample study, while other financial variables were compiled from the database of Thompson Reuters.

Measurement of Study's Variables

Dependent, independent and control variables

Following a group of previous research (Al-Malkawi & Pillai, 2018; Almoneef & Samontaray, 2019; Ntim, 2009; Zraiq & Fadzil, 2018), the current study has selected ROA as a measure for corporate financial performance. Moreover, eight independent variables (board size, board structure, board gender, CEO duality, AUDC independence, AUDC size, AUDC number of meetings, external audit quality), in addition, three control variables (firm size, financial leverage, industry type). Measurement of these variables is shown in Table 3.

It should be noted that our variables in this study are classified as conventional governance mechanisms because our study has focused on a sample of industrial and non-industrial firms from GCC countries. These firms lack of SSB that is required in Islamic governance with a specific internal control that supports it.

Model Specification

Using HMR regression analysis, there are two regression equations. The first equation is used for
Models (1,3,5,7,9 & 11) that have three control variables only as follows:

$$ROA = B_0 + B_1 LOGSIZE + B_2 FLEVR + B_3 INDTYP + \mu$$

In contrast, the second equation is employed for other Models (2,4,6,8,10 & 12) that have eight independent variables plus three control variables as follows:

$$ROA = B_0 + B_1 BOSIZ + B_2 BDPND + B_3 FBORD + B_4 RDULT + B_5 ACSIZE + B_6 ACMEET + B_7 ACDPND + B_8 AQUAL + B_9 LOGSIZE + B_1 0 FLEVR + B_1 1 INDTYP + \mu$$

TABLE 3
Selected Indicators of OIC Region (2014-2018)

Variables	Symbol	Definition
Dependent variables		
Firm performance	ROA	Net income/total assets
Independent variables		
Board size	BOSIZ	Number of the board of directors in the firm
Board independence	BDPND	Percentage of independent directors in corporate board/total board members
Female directors	FBORD	Percentage of female directors in corporate board/total board members
CEO duality	RDULT	Equal to 1 if CEO is the chair of corporate board and 0 otherwise
AUDC independence	ACDPND	The percentage of outside members in AUDC to total members
AUDC size	ACSIZE	Total number of AUDC members
AUDC number of meetings	ACMEET	Number of meetings heled by AUDC
External audit quality	AQUAL	Equal to 1 if the auditor is a Big 4 audit firm and 0 otherwise
Control variables		
Firm size	FISIZE	Natural log of corporate total assets
Financial leverage		The firm's total debts/total assets
Industry type	INDTYP	Equal to 1 if firm is industrial firm and 0 otherwise

RESULTS AND DISCUSSION

Descriptive Statistics

Table 4 provides the results of descriptive analysis for dependent, independent and control

variables of GCC countries. It shows the mean and standard deviation (STD) of the study's variables. The mean value of ROA, dependent variable, has the largest value (0.0840) with Oman while the lowest value is (0.0354) with UAE. Regarding independent variables, the mean value of BOSIZ is nearly similar among GCC countries (8.6706, 7.8714, 8.2698, 8.5231, 7.9800 and 6.4622). The mean value of BDPND in GCC is similar except for KSA is (0.5982). UAE has the largest score of mean for BDPND (0.8998) while KSA has the lowest score (0.5982).

It is worth noting that the percentage of females' presentation in boards of directors in GCC countries is very weak, as it is noticed that the mean score of this variable is (5%, 1%, 1%, 3% & 4%) in Bahrain, UAE, Qatar, Oman, and Kuwait respectively, however, the mean score of FBORD in KSA is (0.0010) which reflects that the presence of females as board members in KSA is quite rare. Regarding the ACSIZE variable, the mean score of this variable in all GCC countries is more than 3. KSA has the highest score of ACMEET (5.4488) while Kuwait has the lowest score (3.5956), in addition, other GCC countries have a score more than 4. The mean score of ACDPND is (0.5858) in KSA while it is (0.9883) in Oman. The ratio of the absence. The ratio of absence of CEO duality in the boards of directors is high in GCC countries. For example, the lowest ratio is 85.4% and the highest is 99%. Regarding the AQUAL variable, the percentage of firms that have been audited by Big4 is (96.5%; 55.2%; 54.2%; 51.5%; 77.3% and 67.1% respectively in Bahrain, AUE, KSA, Qatar, Oman, and Kuwait). Finally, INDTYP, in our sample, is classified into industrial and non-industrial firms.

TABLE 4
Descriptive Statistics of GCC Countries

	Bahrain		UAE		KSA		Qatar		Oman		Kuwait	
Variables	Mean	STD	Mean	STD	Mean	STD	Mean	STD	Mean	STD	Mean	STD
ROA	0.0587	0.05451	0.0354	0.0941	0.0687	0.0945	0.0712	0.059	0.084	0.06888	0.046	0.07412
BOSIZ	8.6706	1.39205	7.8714	1.94608	8.2698	1.41973	8.5231	1.67154	7.98	1.56501	6.4622	1.50287
BDPND	0.8406	0.15247	0.8998	0.14172	0.5982	0.12961	0.8139	0.18491	0.8522	0.17235	0.7413	0.14674
FBORD	0.0543	0.07426	0.0173	0.04439	0.001	0.01068	0.0158	0.044	0.0363	0.05739	0.0423	0.06968
ACSIZE	3.4588	0.78	3.319	0.52508	3.5163	0.75322	3.2538	0.61394	3.4533	0.61945	3.4533	0.49893
ACMEET	4.2706	0.67943	4.6857	1.33996	5.4488	1.74637	4.5077	1.46402	5.1667	1.54753	3.5956	0.75058
ACDPND	0.8714	0.15131	0.9352	0.13056	0.5858	0.19263	0.8306	0.24285	0.9883	0.06032	0.7541	0.18251
LOGSIZE	17.936	1.33222	21.4382	1.67141	21.6547	1.69715	22.3897	1.58364	18.0286	1.4544	18.469	1.42624
FLEVR	0.4065	0.21674	0.4297	0.22218	0.623	4.08398	0.4058	0.22078	0.4405	0.22424	0.4231	0.21973
Dummy variables	0	1	0	1	0	1	0	1	0	1	0	1
RDULT	83	2	208	2	428	2	111	19	146	4	222	3
	-97.60%	-2.40%	-99%	-1%	-99%	-0.50%	-85.40%	-14.60%	-97.30%	-2.70%	-98.70%	-1.30%
AQUAL	3	82	94	116	197	233	67	63	34	116	74	151
	-3.50%	-96.50%	-44.80%	-55.20%	-45.80%	-54.20%	-51.50%	-48.50%	-22.70%	-77.30%	-32.90%	-67.10%
Industry type	70	15	145	65	52.3	205	90	40	75	75	102	123
	-82.40%	-17.60%	-69%	-31%	-52.30%	-47.70%	-69.20%	-30.80%	-50%	-50%	-45.30%	-54.70%
Total Number of firms		85		210		430		130		150		225

(*) STD: Standard deviation. UEA: United Arab Emirates. KSA: Saudi Arabia.

Regression Analysis, Collinearity Statistics, & Endogeneity Test

Collinearity statistics

Before conducting regression analyses in our study, collinearity statistics are measured to test multicollinearity problem among the study's variables. The results of collinearity statistics are shown in Tables 6, 7, 8, 9, 10 and 11. They refer that the values of VIF are less than

10, which provide evidence that there is no multicollinearity problem among the study's variables.

Endogenity Test

To test the possibility of endogeneity among the study's variables, we followed prior studies (Rashid, 2008; Al-Malkawi and Pillai, 2018) through running 2SLS (two-stage least squares regression). Table 5 shows the results of 2SLS. It can be noted that p-values with ROA for all six countries are statistically insignificant; therefore, the concern of endogeneity is not considered a problem in this research.

TABLE 5
The Results Of Endogenity Test

Country	ROA (p-value)
Bahrain	1.1
UAE	0.869
Qatar	0.888
KSA	0.923
Oman	0.91
Kuwait	0.975

(*) UEA: United Arab Emirates. KSA: Saudi Arabia.

Regression Analysis

Table 6 presents the results of HMR for Bahrain. In Model1, we run control variables, while in Model 2, the possible impact of control variables (LOGSIZE, FLEVR and INDTYP) has been eliminated. Both Model 1 & 2 are statistically significant at the level of 0.05 and 0.01, respectively. Model 1 has a low adjusted R2 (9.9%), while Model 2 has adjusted R2 is (25.6%).

BDPND has a significant positive effect on ROA. Therefore, H2 is supported. Such results comply with Hassan and Farouk (2014), Ho and Williams (2003), Liang et al. (2013), Mangena and Tauringana (2008) and Mohsin et al. (2016), who report the same association between the two variables. This finding is consistent with agency view while it is contrasting with stewardship theory that claims the increase in the number of executive members in board of directors impacts positively on financial performance of the company. FBORD has a significant positive relationship with ROA. Such finding leads to accepting H4, which is agreed with agency view and in line with prior research (Adler, 2001; Al Kuwaiti, 2019; Carter et al., 2003; Francoeur et al., 2008). ACDPND has a significant negative association at 5% with ROA; therefore, H6 is accepted. Our finding is conflicting with previous research such as Aanu et al. (2014) and Al-Matari et al. (2014), who report an insignificant association between the two variables. RDULT has a significant negative effect on ROA, which agrees with the agency view. Thus, H3 is supported. Such finding is consistent with prior studies (Mollah & Zaman, 2015; Naushad & Malik, 2015). On the other hand, H1, H5, H7, and H8 are rejected because they have an insignificant relationship with ROA.

TABLE 6
Regression Analysis of Bahrain (Model 1& 2)

Model		Standardized Coefficients			Collinearity Statistics	
Model		Beta	t	Sig.	Tolerance	VIF
1	(Constant)		-1.558	0.023		
	LOGSIZE	0.255	2.413	0.018	0.995	1.005
	FLEVR	-0.013	-0.124	0.902	0.995	1.005
	INDTYP	-0.201	-1.893	0.062	0.99	1.01
2	(Constant)		-1.122	0.265		
	LOGSIZE	0.239	1.653	0.103	0.488	2.048
	FLEVR	0.011	0.098	0.922	0.869	1.151
	INDTYP	-0.095	-0.674	0.503	0.511	1.958
	BOSIZ	0.01	0.084	0.933	0.728	1.374
	BDPND	0.493	3.75	.000***	0.59	1.695
	FBORD	0.099	0.807	.022**	0.673	1.485
	RDULT	-0.043	-0.004	0.616	0.928	1.078
	ACSIZE	-0.263	-1.194	0.236	0.21	4.752
	ACMEET	-0.09	-0.769	0.445	0.748	1.338
	ACDPND	-0.302	-1.895	.042**	0.401	2.496
	AQUAL	0.042	0.49	0.626	0.916	1.092
	Model 1				Model 2	
	F	2.951			F	4.516
	Sig.	0.03			Sig.	0.002
	R	0.314			R	0.506
	R2	0.099			R2	0.256

Table 7 shows regression analysis of UAE. Four variables only have a significant positive effect at 5% with ROA, namely, BDPND, FBORD, ACDPND and AQUAL. This positive effect is complying with agency view and the findings of prior studies (such as Alqatamin, 2018; Carter et al., 2003; Francoeur et al., 2008; Liang et al., 2013; Mangena & Tauringana, 2008; Rahman et al., 2019); consequently, H2, H4, H6 and H8 are accepted.

RDULT has a significant positive effect on ROA, which agrees with stewardship theory while it is conflicting with the agency view. Thus, H3 is supported. Such finding is consistent with prior studies (Abobakr, 2017; Al Kuwaiti, 2019). In contrast, other hypotheses (H1, H5 and H7) are rejected. It can be noted that the most influencing factors on the financial performance of UAE companies are the increase in the percentage of females and non-executive members of the board of directors in addition to AUDC independence and AQUAL. While other factors (BOSIZ, RDULT, ACSIZE, ACMEET) do not affect ROA.

Table 8 reports regression analysis of KSA. Model 6 is statistically significant at the 0.01 level with F value (3.262) and R2 (0.231), while Model 5 is insignificant. BOSIZ has a significant positive association with ROA; therefore, H1 is accepted. This result is consistent with Akshita (2016) and Mohsin et al. (2016), while it does not agree with the agency view.

FBORD has a significant negative association with ROA; consequently, H4 is accepted. This result complies with the results of Mohsin et al. (2016) and Ofoeda (2017); however, it is inconsistent with Carter et al. (2003) and Francoeur et al. (2008), who find a positive association with the two variables. This result indicates that increasing the percentage of females on the boards of directors in Saudi companies has a negative impact on financial performance.

TABLE 7
Regression Analysis of United Arab Emirates (Model 3&4)

		Standardized Coefficients			Collinearity Statistics	
Model		Beta	t	Sig.	Tolerance	VIF
1	(Constant)		0.187	0.852		
	LOGSIZE	0.02	0.283	0.777	0.992	1.008
	FLEVR	-0.005	-0.07	0.944	0.999	1.001
	INDTYP	-0.059	-0.84	0.402	0.992	1.008
1	(Constant)		-1.501	0.135		
	LOGSIZE	0.103	1.197	0.233	0.643	1.555
	FLEVR	0.017	0.245	0.807	0.954	1.048
	INDTYP	-0.096	-1.273	0.205	0.832	1.202
	BOSIZ	-0.074	-0.839	0.402	0.609	1.642
	BDPND	0.067	0.899	.037**	0.864	1.158
	FBORD	0.059	0.818	.041**	0.916	1.092
	RDULT	0.039	0.04	.030**	0.942	1.061
	ACSIZE	-0.056	-0.686	0.493	0.716	1.396
	ACMEET	0.041	0.536	0.593	0.829	1.207
	ACDPND	0.129	1.787	.046**	0.91	1.099
	AQUAL	0.109	1.51	.033**	0.908	1.102
	Model 3					Model 4
	F 2.281				F 3.063	
	Sig. 0.839				Sig. 0.039	
	R 0.164				R 0.336	
	R2 0.094				R2 0.156	

Note: *** significant at the level of 0.01, ** significant at the level of 0.05.

Such finding does not agree with agency theory which suggests a positive association between the two variables. ACDPND is associated negatively with ROA and significant at the level of 1%; therefore, H6 is accepted. Our results are contrasting with the results of Aanu et al. (2014), who find a positive association and Al-Matari et al. (2014), who report an insignificant association with the two variables. AQUAL has a significant positive association with ROA; therefore, H8 is supported. This finding is in line with the results of previous studies such as Aktan et al. (2018) and Rahman et al. (2019). RDULT has a similar result

such as UAE Model; therefore, H3 is accepted. Variables such as BDPND, ACSIZE and ACMEET have insignificant association with ROA; thus, H2, H5 and H7 are not supported.

TABLE 8
Regression Analysis of Saudi Arabia (Model 5& 6)

		Standardized Coefficients			Collinearity Statistics	
Model		Beta	t	Sig.	Tolerance	VIF
1	(Constant)		0.504	0.615		
	LOGSIZE	0.028	0.566	0.572	0.964	1.037
	FLEVR	-0.037	-0.763	0.446	0.996	1.004
	INDTYP	0.068	1.381	0.168	0.962	1.039
2	(Constant)		2.045	0.041		
	LOGSIZE	-0.071	-1.161	0.246	0.597	1.674
	FLEVR	-0.038	-0.803	0.422	0.982	1.018
	INDTYP	0.089	1.715	0.087	0.82	1.219
	BOSIZ	0.15	2.802	.005***	0.768	1.302
	BDPND	-0.035	-0.708	0.479	0.919	1.088
	FBORD	-0.037	-0.768	.043**	0.93	1.076
	RDULT	0.055	1.154	.029**	0.964	1.037
	ACSIZE	-0.029	-0.501	0.617	0.64	1.563
	ACMEET	-0.041	-0.814	0.416	0.864	1.158
	ACDPND	-0.175	-3.321	.001***	0.799	1.251
	AQUAL	0.093	1.945	.042**	0.966	1.035
Model 5					Model 6	
F 1.508					F 3.262	
Sig. 0.376					Sig. 0.001	
R 0.095					R 0.276	
R2 0.027					R2 0.176	

Note: *** significant at the level of 0.01, ** significant at the level of 0.05.

Regression analysis of Qatar is provided in Table 9 below. Model 8 is statistically significant at 0.01 with R-value of (0.553) and R^2 (0.231). Three variables are statistically significant at 5%. BDPND and AQUAL have a positive effect on ROA which is in line with Aktan et al. (2018), Hassan and Farouk (2014) and Liang et al. (2013), Rahman et al. (2019), Wahab et al. (2007) and Zagorchev and Gao (2015). While FBORD has a negative effect similar to the results of prior studies such as Mohsin et al. (2016) and Ofoeda (2017). RDULT has a significant negative association with ROA, such as Bahrain Model. H2, H3, H4 and H8 are accepted, while other hypotheses (H1, H5, H6 and H7) are rejected.

The results of Model 10 are provided in Table 10 to show regression analysis of Omani companies. Model 10 is statistically significant at 0.01 with R (0.481) and R2 (0.305). RDULT, FBORD, ACDPND and ACSIZE are statistically significant; therefore, H2, H3, H4 and H5 are accepted while H1, H6, H7 and H8 are rejected. FBORD has a negative effect on

TABLE 9
Regression Analysis of Qatar (Model 7& 8)

		Standardized Coefficients			Collinearity Statistics	
Model		Beta	t	Sig.	Tolerance	VIF
1	(Constant)		1.591	0.114		
	LOGSIZE	-0.064	-0.773	0.441	0.977	1.024
	FLEVR	-0.007	-0.086	0.931	0.955	1.047
	INDTYP	0.392	4.626	0	0.94	1.064
2	(Constant)		0.635	0.527		
	LOGSIZE	-0.11	-1.259	0.21	0.853	1.172
	FLEVR	-0.004	-0.045	0.964	0.899	1.113
	INDTYP	0.399	3.631	.000***	0.541	1.85
	BOSIZ	0.048	0.459	0.647	0.585	1.709
	BDPND	0.169	1.874	.033**	0.797	1.254
	FBORD	-0.131	-1.281	.020**	0.627	1.595
	RDULT	-0.019	-0.212	.033**	0.775	1.291
	ACSIZE	0.005	0.048	0.962	0.708	1.412
	ACMEET	0.155	1.696	0.093	0.781	1.28
	ACDPND	-0.011	-0.108	0.914	0.685	1.459
	AQUAL	0.066	0.749	.045**	0.841	1.189
Model 7					Model 8	
F 7.376					F 3.222	
Sig. 0.110					Sig. 0.001	
R 0.386					R 0.553	
R2 0.149					R2 0.231	

Note: *** significant at the level of 0.01, ** significant at the level of 0.05.

ROA similar to the results of regression analyses for Saudi companies in Model 6 and Qatari companies in Model 8. ACDPND has a negative effect on ROA similar to the results of Bahraini companies in Model 2, Saudi companies in Model 6 and Qatari companies in Model 8. Such result is inconsistent with the results which they are reported by UAE companies in Model 4. The results of both variables (FBORD and ACDPND) are conflicting with the agency view, while the result of RDULT is consistent with it.

Table 11 shows the results of regression analysis of Kuwaiti companies in Model 12. BDPND, RDULT and ACMEET are statistically significant at 0.01 while FBORD and AQUAL are significant at 5%; therefore, H2, H3, H4, H7 and H8 are accepted while H1, H5 and H6 are rejected. BDPND, FBORD and ACMEET have a negative effect on ROA, which is in contrast with agency view, while AQUAL has a positive effect on ROA.

CONCLUSION AND IMPLICATIONS

The current study is one of the studies that contribute to the accounting literature in one of the most important areas, which is governance and its impact on financial performance for

TABLE 10
Regression Analysis of Oman (Model 9& 10)

		Standardized Coefficients			Collinearity Statistics	
Model		Beta	t	Sig.	Tolerance	VIF
1	(Constant)		3.208	0.002		
	LOGSIZE	-0.202	-2.3	0.023	0.854	1.171
	FLEVR	0.034	0.413	0.68	0.994	1.006
	INDTYP	-0.01	-0.115	0.909	0.85	1.177
2	(Constant)		4.36	0		
	LOGSIZE	-0.45	-4.575	0	0.521	1.918
	FLEVR	0.056	0.781	0.436	0.973	1.028
	INDTYP	-0.183	-2.034	.044**	0.625	1.601
	BOSIZ	0.081	0.931	0.354	0.666	1.501
	BDPND	0.03	0.405	0.686	0.944	1.059
	FBORD	-0.504	-6.582	.000***	0.86	1.163
	RDULT	-0.06	-0.42	.022**	0.961	1.04
	ACSIZE	0.249	2.866	.005***	0.666	1.501
	ACMEET	0.063	0.833	0.406	0.876	1.141
	ACDPND	-0.148	-1.955	.043**	0.883	1.133
	AQUAL	-0.049	-0.683	0.496	0.97	1.031
	Model 9				Model 10	
	F 2.045				F 5.512	
	Sig. 0.000				Sig. 0.000	
	R 0.201				R 0.481	
	R2 0.040				R2 0.305	

Note: *** significant at the level of 0.01, ** significant at the level of 0.05.

a sample of GCC listed firms as a model for developing countries and emerging markets. Regarding the hypotheses of the current study, H1 is rejected in all models except for KSA. Board size is not a determining factor for the financial performance of GCC companies, except for Saudi Arabia. H2 is accepted in all GCC countries except for KSA Model. Board structure has a significant effect on financial performance in all GCC countries, while it has an insignificant effect in KSA. The Board structure variable has a positive effect in Bahrain, UAE, Qatar, Oman Models which is consistent with the agency view. While it has a negative effect in KSA and Kuwait Models which is complying with stewardship theory. H3 is accepted in all models. However, CEO duality variable has a negative effect in all models which is consistent with the agency view. However, it has a positive effect in both UAE and KSA Models, which agrees with stewardship theory. H4 is accepted in all GCC countries. However, the influence of board gender on financial performance is positive. In all models of the study except for the Saudi Model, it has a negative impact. H5 is rejected in all models except for Oman Model, which reflects AUDC size is not a vital factor for financial performance in all GCC countries except for Oman. H6 is accepted in three models

TABLE 11
Regression Analysis of Kuwait (Model 11& 12)

		Standardized Coefficients			Collinearity Statistics	
Model		Beta	t	Sig.	Tolerance	VIF
1	(Constant)		1.072	0.285		
	LOGSIZE	-0.03	-0.454	0.65	0.993	1.007
	FLEVR	0.098	1.476	0.141	0.994	1.006
	INDTYP	-0.12	-1.809	0.072	0.999	1.001
2	(Constant)		2.189	0.03		
	LOGSIZE	-0.045	-0.627	0.532	0.836	1.197
	FLEVR	0.1	1.495	0.136	0.955	1.047
	INDTYP	-0.115	-1.579	0.116	0.801	1.248
	BOSIZ	0.022	0.308	0.758	0.835	1.198
	BDPND	-0.113	-1.647	.001***	0.899	1.112
	FBORD	-0.078	-1.167	.024**	0.947	1.056
	RDULT	-0.081	-0.02	.004***	0.937	1.068
	ACSIZE	-0.061	-0.768	0.443	0.682	1.466
	ACMEET	-0.214	-3.094	.002***	0.888	1.126
	ACDPND	0.086	1.173	0.242	0.792	1.263
	AQUAL	0.022	0.33	.042**	0.957	1.045
	Model 11				Model 12	
	F 1.912				F 2.962	
	Sig. 0.128				Sig. 0.034	
	R 0.159				R 0.303	
	R2 0.025				R2 change	0.167
	R2 change 0.025					

Note: *** significant at the level of 0.01, ** significant at the level of 0.05.

(Bahrain, UAE and KSA), while it is rejected in other models. AUDC independence is a factor affecting financial performance in only three Gulf countries (Bahrain, UAE and KSA). H7 is rejected in all models except for Kuwait Model it is accepted. Consequently, AUDC number of meetings' variable is not the primary driver of financial performance in Gulf countries. Finally, H8 is rejected in both Bahrain and Oman models while it is accepted in other models. External audit quality can be one of the drivers for financial performance in Gulf countries.

Future studies are necessary to fill the limitations of the current study. For example, the effect of other factors on financial performance, such as corporate ownership structure and economic, political, and social factors can be new directions for future research.

The current study has several implications. For instance, it has revealed different results that can help regulators and decision-makers to revisit governance rules and practices. The most important results of the study, which are considered beneficial to regulators in the field of governance, are gender diversity of corporate boards and board structure, which

are the most critical drivers of the financial performance of GCC companies. Therefore, there is a crucial need to issue new legislation in the Gulf countries to force companies to increase the percentage of non-executive members in corporate boards and to empower female participation in these boards, and thus financial performance will be positively affected. The importance of the new legislation stems from the fact that the percentage of female participation in boards of directors is very weak in GCC countries, and therefore if the legislation includes a specific quota for females such as some advanced countries (UK and Norway), this will help to increase the effectiveness of female participation in corporate boards of directors.

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