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How Corporate Governance Drives Financial Performance: Evidence from the Gulf Banking Sector

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ABSTRACT

In recent years, corporate governance has attracted increasing attention, especially in the banking sector, due to its crucial role in improving financial performance, stock market value, and information transparency. This study aims to conceptualize the importance of corporate governance in relation to the financial performance and stock market value of banking institutions in the Gulf region. By analyzing the financial statements of these institutions for the period 2010-2020, the study employed econometric models to assess the relationships between corporate governance, financial performance, and stock market value. The results show a significant positive correlation between the quality of governance and financial performance, which indirectly influences the stock market value of firms. The analysis used linear regression tests and statistical significance tests to establish the coefficients and measure the robustness of the observed relationships. The findings suggest that improving corporate governance could be a key lever to improve bank performance, with implications for banking regulation. Key recommendations include strengthening bank governance regulations, suspending companies that fail to comply with governance standards and providing ongoing training for employees on governance practices and securities regulations

Keywords: Corporate Governance, Banking Governance, Financial Performance, Company Performance, Market Value of Shares.
Classification JEL: A19, B55, O40, C33.

INTRODUCTION

Corporate stock plays a fundamental role in economic institutions, as it represents property rights that allow investors to participate in the profits and growth of a company. This ownership structure not only influences individual wealth, but also serves as a key indicator of a company's financial health and future potential. As researchers such as Shleifer and Vishny (1997) have pointed out, the stock market value of companies is often perceived as a direct reflection of their economic performance and their ability to create value for shareholders. Among the many factors influencing this value, corporate governance occupies a central place.

In regions such as the Middle East, and particularly in the Gulf countries (Saudi Arabia, United Arab Emirates, Qatar, etc.), where financial markets are undergoing rapid evolution and diversification of economies, corporate governance has become a strategic factor. The UAE stock market, for example, has experienced significant growth over the past decades, with the Dubai stock index expected to increase by 5.5% in 2023 (Dubai Financial Market, 2023). This performance demonstrates the importance of a strong governance framework, which could further strengthen the confidence of domestic and international investors.

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The work of researchers such as Claessens and Yurtoglu (2013) highlights that effective governance mechanisms help companies achieve their objectives by protecting shareholder interests, reducing the risks of fraud and mismanagement, and encouraging long-term strategic decision-making. In this context, corporate governance is seen as a lever to improve the efficiency of financial markets, which benefits not only the company but also the overall economy. Previous studies by Malik (2012) and Gompers, Ishii, and Metrick (2003) support this view by showing that good governance enhances investor confidence, reduces market volatility, and promotes responsible corporate governance, thereby contributing to higher firm valuations.

However, while the relationship between corporate governance and stock market performance is widely studied, the question of its specific impact in the context of the Gulf countries remains underexplored. The lack of research targeting regional specificities, including state- or family-dominated ownership structures, as well as diverse regulatory models, leaves a gap in understanding how governance directly affects stock market value in these emerging economies.

The objective of this study is therefore to examine the relationship between corporate governance and stock market value of banking firms in the Gulf countries, by analyzing the key governance mechanisms that influence financial performance. Specifically, the study will seek to identify how effective governance practices contribute to the financial performance and market valuation of banks in this region.

Moreover, the importance of this study lies in the fact that the Gulf countries, although having relatively young financial markets, are key players in the global economy, with rapidly expanding banking sectors. These countries are characterized by particularities such as corporate governance regimes influenced by family and public structures, as well as by regulations that may differ widely from those in developed markets. Existing literature (e.g., Al-Muharrami and Matthews, 2014) suggests that corporate governance in these contexts may have distinct effects compared to Western markets. There is therefore a significant research gap on how these specific governance practices influence the market valuation of banking firms in the region. However, the main beneficiaries of this study include financial regulators, institutional investors, and corporate governance officials in the Gulf countries. By providing insights into the governance mechanisms that foster the growth and stability of financial markets, this research can influence regulatory and strategic decisions in these countries.

This work will be organized into five main sections: (1) a comprehensive literature review that synthesizes existing research on corporate governance and its influence on stock market value; (2) the methodology adopted, which will detail the research design, data sources, and analytical tools used to test the hypotheses; (3) descriptive analyses, where the data will be examined to provide insights into the governance practices of the selected sample; (4) the results section, which will present the findings and discuss their implications; and finally, (5) the conclusion, summarizing key insights, contributions to the field, and potential avenues for future research.

LITERATURE REVIEW

The corporate Governance and Financial Performance.

The relationship between corporate governance and financial performance has been widely explored in academic research, with several studies examining how governance mechanisms influence the financial outcomes of organizations. Bauer et al. (2008), for example, investigated the impact of corporate governance on the financial performance of 18 Japanese banks. They analyzed six key governance dimensions: board accountability, financial disclosure, internal audit mechanisms, shareholders' rights, executive rewards, and corporate behavior toward stakeholders, including employees. Their findings showed that banks with stronger governance practices had 15% higher financial performance annually compared to those with weaker governance, highlighting the importance of transparency, accountability, and stakeholder engagement for improving financial outcomes. Similarly, Al-Manaseer et al. (2012) studied Jordanian banks and found that governance mechanisms such as board size, the role of external board members, and foreign ownership had a positive impact on performance. However, they also observed that larger board sizes and a separation between the executive director and board chairperson could negatively affect decision-making and accountability.

Aggarwal (2013) extended this research to non-financial companies in India, finding that factors such as board composition, ethical leadership, and transparency were positively correlated with profitability, return on working capital, and profit before tax. Muller (2014) conducted a study that further explored the role of board composition, finding that a larger, more independent board and higher foreign ownership were linked to better performance, particularly when measured by return on assets (ROA). Other studies, such as those by El-Chaarani (2014) on Lebanese banks and Saha and Kabra (2019) on Indian companies, consistently found that board independence and internal ownership concentration were positively correlated with financial performance, whereas role duality (i.e., the CEO also serving as the board chairperson) had a negative effect.

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The overall findings of these studies suggest a strong, consistent relationship between good governance and improved financial performance, with governance structures that prioritize board independence, transparency, and stakeholder interests generally leading to better financial outcomes. However, the effects of specific governance mechanisms, such as board size and role duality, were found to vary across sectors and regions, highlighting the complexity of corporate governance in different corporate environments.

The Independence of Corporate Management and Market Value

The corporate governance is essential for aligning the interests of management with those of shareholders and ensuring that firms are managed effectively and efficiently. Shleifer and Vishny (1997) emphasized that effective governance mechanisms help mitigate agency problems, situations where managers' interests diverge from those of shareholders. Similarly, Jensen and Meckling (1976) proposed that minimizing agency costs through strong governance can improve company performance, thereby enhancing shareholder value.

A series of studies have demonstrated the positive relationship between corporate governance and firm performance, which is reflected in stock market valuations. For example, Gompers, Ishii, and Metrick (2003) showed that firms with strong governance structures—such as independent boards and well-defined shareholder rights—experience better financial outcomes, which are often mirrored in their stock prices. This finding is consistent with the work of Claessens and Yurtoglu (2013), who argued that transparent and accountable governance practices help attract investors by reducing the risk of mismanagement and corruption.

The structure of the board of directors plays a pivotal role in enhancing market value. According to Adams, Hermalin, and Weisbach (2010), a well-structured, independent board improves decision-making and provides effective oversight, positively impacting financial performance and stock market value. Studies by Bhagat and Bolton (2008) have also underscored the importance of board independence, suggesting that independent directors help increase firm value and improve stock prices by ensuring that executive actions align with shareholder interests.

Furthermore, the protection of shareholder rights is critical for market confidence. La Porta et al. (1998) and Bebchuk and Weisbach (2010) highlighted that robust legal protections for shareholders and the equitable treatment of minority shareholders lead to a reduction in managerial expropriation, which in turn boosts market value. The collective evidence suggests that firms with strong governance mechanisms—especially those that prioritize board independence, protect shareholder rights, and ensure equitable treatment—tend to have higher stock market valuations, reflecting their superior financial performance.

The importance of implementing banking governance

The role of the banking system in economic development is paramount. Banks are integral to providing capital and liquidity, which are necessary for economic growth. As such, ensuring effective governance within the banking sector is critical to maintaining stability and preventing financial crises. Banks face unique challenges compared to other companies due to the systemic risks they pose to the broader economy. A failure within a major bank can have far-reaching consequences, potentially leading to economic collapse. This special responsibility places added importance on the governance structures within banks.

Effective banking governance can lead to several positive outcomes, including reducing the risk of corruption and mismanagement, enhancing performance, and promoting transparency in financial statements. According to Ayari et al. (2012), key benefits of implementing strong governance in banks include attracting foreign investments, increasing local capital inflows, protecting investors, and improving market competitiveness. In addition, good governance practices help banks avoid financial and accounting issues, which are crucial for maintaining stability in the sector.

However, while these points are critical for banking institutions, they deviate somewhat from the primary focus of this study, which aims to explore the broader relationship between corporate governance and financial performance across various sectors. While banking governance is undeniably important, its inclusion in this section risks diverting the focus from the general analysis of governance mechanisms and their impact on financial outcomes across industries.

DATA AND METHODOLOGY

Data Analysis Technique and Tests Adopted in This Study

In this study, we aim to investigate the impact of corporate governance mechanisms on the financial performance of banks listed on the Gulf Countries Stock Exchange (GCSE). The methodology employed

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combines both quantitative analysis and content analysis to assess the relationship between governance structures and financial performance indicators. The data analysis will be conducted in a systematic manner to rigorously test the hypotheses and explore the interactions between governance and financial performance. Below is a detailed explanation of the data analysis techniques and statistical tests adopted in this work.

The study community consists of all banks listed on the Banking Institutions in Gulf Countries Stock Exchange, which number (41) banks. A sample of commercial banks listed on the market was selected, as shown in Appendix (2), consisting of (12) banks, i.e. (30%) of the total banks listed on the Banking Institutions in Gulf Countries Stock Exchange, for a period of ten years extending from (2010 to 2020). The banking sector was chosen for its active role in the Gulf Countries economy.

Descriptive Statistics

Before performing more advanced statistical analysis, descriptive statistics will be employed to summarize and describe the key features of the dataset. This includes measures such as:

- *Mean and Standard Deviation*: These will provide an understanding of the average and variation in key financial performance indicators (e.g., ROA, ROE, EPS) and governance indicators (e.g., board independence, executive compensation).
- *Minimum and Maximum Values:* These will show the range of values for each indicator.
- *Skewness and Kurtosis:* These measures will help assess the distribution of the data to determine if the variables are normally distributed, which is an assumption for certain statistical tests.

- **Correlation Analysis**

To investigate the relationships between different governance mechanisms and financial performance, Pearson's correlation coefficient will be used to measure the strength and direction of the linear relationship between pairs of variables. This step is crucial for:

- Examining the relationship between corporate governance indicators (e.g., board composition, independence, executive compensation) and financial performance indicators (e.g., ROA, ROE, EPS).
- Understanding whether stronger governance practices are associated with improved financial performance or stock market value.

Pearson's correlation will also be complemented by Spearman's rank correlation if any of the data violate the assumption of normality, ensuring robustness in the analysis.

- **Regression Analysis**

The regression analysis will be used to examine the relationship between corporate governance mechanisms and the financial performance of the banks. This method helps identify the extent to which different governance factors contribute to financial outcomes. Several models will be employed:

- *Multiple Linear Regression:* This technique will be used to analyze the impact of several independent variables on the dependent variables (financial performance indicators such as ROA, ROE, EPS).

The general model would be:

- $\mathbf{Y}_{it}=\theta_{i,t}+\sum_{i=1}^{3}\beta_{i,t}X_{i,t}+\alpha_{i,t}\mathbf{Z}_{it}+\rho_{i,t}\mathbf{V}_{it}+\partial_{i,t}\mathbf{K}_{it}+\varepsilon_{i,t}$
- $\mathbf{MKV}_{it}=\theta_{i,t}+\sum_{i=1}^{3}\beta_{i,t}X_{i,t}+\alpha_{i,t}\mathbf{PRF}_{it}+\rho_{i,t}\mathbf{ADT}_{it}+\partial_{i,t}\mathbf{GOV}_{it}+\varepsilon_{i,t}$
- $\textbf{Market Value}_{it}=\theta_{i,t}+\beta_{1,t}\text{Board of Directors Mechanism}_{it}+\beta_{2,t}\text{Board of Directors Independence Mechanism}_{it}+\beta_{3,t}\text{CEO Compensation Mechanism}_{it}+\alpha_{i,t}\text{Financial Performance}_{it}+\rho_{i,t}\text{Audit}_{it}+\partial_{i,t}\text{Governance}_{it}+\varepsilon_{i,t}$

Where,

- $\textbf{Financial Performance}_{it}$ $(\mathbf{Z}_{it})$: represents the financial performance of bank **i** in year **t**
- $\textbf{Governance}_{it}$ $(\mathbf{K}_{it})$; $\textbf{Audit}_{it}$ $(\mathbf{V}_{it})$ and $\textbf{ESG}_{it}$ $(X_{i,t})$; represent governance, audit, and ($\text{Board of Directors Mechanism}_{it}$, $\text{Board of Directors Independence Mechanism}_{it}$ and $\text{CEO Compensation Mechanism}_{it}$) indicators, respectively.
- $\textbf{ESG}_{it}$: $\text{Board of Directors Mechanism}_{it}$, $\text{Board of Directors Independence Mechanism}_{it}$ et $\text{CEO Compensation Mechanism}_{it}$.
- $\theta_{i,t}$ is the intercept, $\beta_{1,t}$, $\beta_{2,t}$, $\beta_{3,t}$, $\alpha_{i,t}$, $\rho_{i,t}$ and $\partial_{i,t}$ are the regression coefficients, and $\varepsilon_{i,t}$ is the error term.

- *Financial Performance Indicators (PRF)*

- *Return on Equity (ROE) and Return on Assets (ROA):* Measures of profitability and efficiency, indicating how well the company uses its equity and assets.

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- *Debt-to-Equity Ratio:* Assesses the company's financial leverage, showing the balance between equity and debt financing.
- *Cash Flow Metrics:* Positive cash flow indicates operational health and the company's ability to generate profits sustainably.

❖ *Corporate Governance and Ethical Indicators (GOV)*

- *Board Composition and Independence:* A diverse and independent board is considered a strong governance practice, as it reduces conflicts of interest and encourages objective decision-making.
- *Frequency and Quality of Board Meetings:* Regular, well-structured meetings indicate active governance and effective oversight.
- *Executive Compensation Structure:* Linking executive pay to performance ensures alignment between management incentives and shareholder interests.

❖ *Audit Planning and Risk Assessment (ADT)*

- Risk Assessment: Internal auditors conduct regular risk assessments to identify areas with higher risks, such as financial irregularities, operational inefficiencies.
- Audit: Based on risk levels, resources are allocated to high-priority areas that could significantly impact the organization if not managed properly.

❖ *Governance (ESG) Indicators*

- *Social Responsibility:* Employee diversity, workplace safety, and community engagement indicate the company's commitment to social issues.
- *Governance Score:* Often developed by external agencies, a governance score can provide an objective view of the company's adherence to best practices in governance.

❖ *Risk Management and Transparency*

- *Risk Management Effectiveness:* The ability to identify, assess, and mitigate risks effectively is crucial for long-term stability.
- *Transparency and Reporting Quality:* High transparency in reporting (financial disclosures, governance practices) reflects accountability and trustworthiness

Table N° 1: List of variables

Variables	Noted	Description
Market Value :(Y)	**MKV**	Dependent variable
Financial Performance : (Z)	**PRF**	Mediating variable
Board of Directors Mechanism (X_1)	**BDM**	Independent variable
Board of Directors Independence Mechanism (X_2)	**BDIM**	Independent variable
CEO Compensation Mechanism (X_3)	**CEM**	Independent variable
Internal Audit Mechanism (V)	**ADT**	Independent variable
Governance (K)	**GOV**	Independent variable

Source: *Author's own*

The regression model, designed to analyze the relationship between several independent variables (Governance, Audit, ESG) and the dependent variable (Financial Performance) across time and individual entities. (Table N° 1)

Model Diagnostics and Robustness Checks

To ensure the robustness and validity of the regression models, the following diagnostic checks will be conducted:

❖ *Multicollinearity Test (Variance Inflation Factor – VIF)*: High multicollinearity among independent variables can distort the regression results. The VIF will be calculated for each independent variable, and values exceeding 10 will indicate a problematic level of multicollinearity, requiring model adjustments.

❖ *Outlier Detection:* Extreme outliers will be identified using Cook's distance or Leverage plots to ensure that they do not disproportionately affect the regression results.

- **Software and Tools**

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The analysis will be performed using widely used statistical software such as SPSS, Eviews, Stata or R which provide comprehensive tools for running regression models, hypothesis tests, and diagnostic checks.

RESULTS AND DISCUSSION

Descriptive Analytics

- **Descriptive Measures**

First, our analysis will focus on descriptive measures, in this case the characteristics of position (*Mean*), dispersion (*Standard Deviation*) and coefficients of variation of the explanatory variables. (Table N°. 2)

Table N°. 2: Descriptive Statistics.

Variables	Obs.	Missing Value	Mean	Std. Dev.	Min.	Max.
MRV	132	0	7.993	50.174	0.00005	674.119
PRF	132	0	0.378	1.931	0.00004	32.115
BDM	132	0	6.978	4.099	3.283	48.666
BDIM	132	0	25.432	188.208	0.0000	2790.97
CEO	132	0	0.492	0.501	0.0000	1.000
ADT	132	0	0.628	0.484	0.0000	1.000
GOV	132	0	7.989	50.174	0.00002	370.119

Source: *SPSS output (Author's own)*

- ***Correlation Matrix***

Table N°.3: Correlation matrix between variables

	MRV	PRF	BDM	BDIM	CEO	ADT	GOV
MRV	1.000						
PRF	0.011	1.000					
BDM	0.148	0.102	1.000				
BDIM	0.032	0.019	0.037	1.000			
CEO	0.082	-0.077	0.138	-0.167	1.000		
ADT	-0.032	-0.056	0.143	0.035	0.195	1.000	
GOV	-0.016	-0.056	0.533	0.331	0.292	0.013	1.000

Source: *SPSS output (Author's own)*

To determine which model to use, a Hausman test will be conducted. This test compares the fixed and random effects models and helps decide the most appropriate model based on the correlation between the individual effects and the independent variables.

- **Heteroscedasticity and Autocorrelation Testing**
  - Breusch-Pagan / White Test: This test will be used to detect heteroscedasticity (i.e., if the variance of errors is not constant across observations).
  - Durbin-Watson Test: This will test for autocorrelation in the residuals. A Durbin-Watson statistic close to 2 suggests no autocorrelation.

If heteroscedasticity or autocorrelation is detected, robust standard errors will be used to adjust the regression estimates and improve the reliability of the results (Table N°.3)

- ***Stationary Analyze***

Plotting the variable over time is one of the primary methods to detect the stability or instability of the variable. There is also a test called the unit root test, which includes many statistical indicators, the most important of which is (PP) Phillips-Perron, where the stability of the variables will be detected before and after taking the first difference, and the statistical hypothesis used is as follows:

H0: The series is not stationary

H1: The series is stationary

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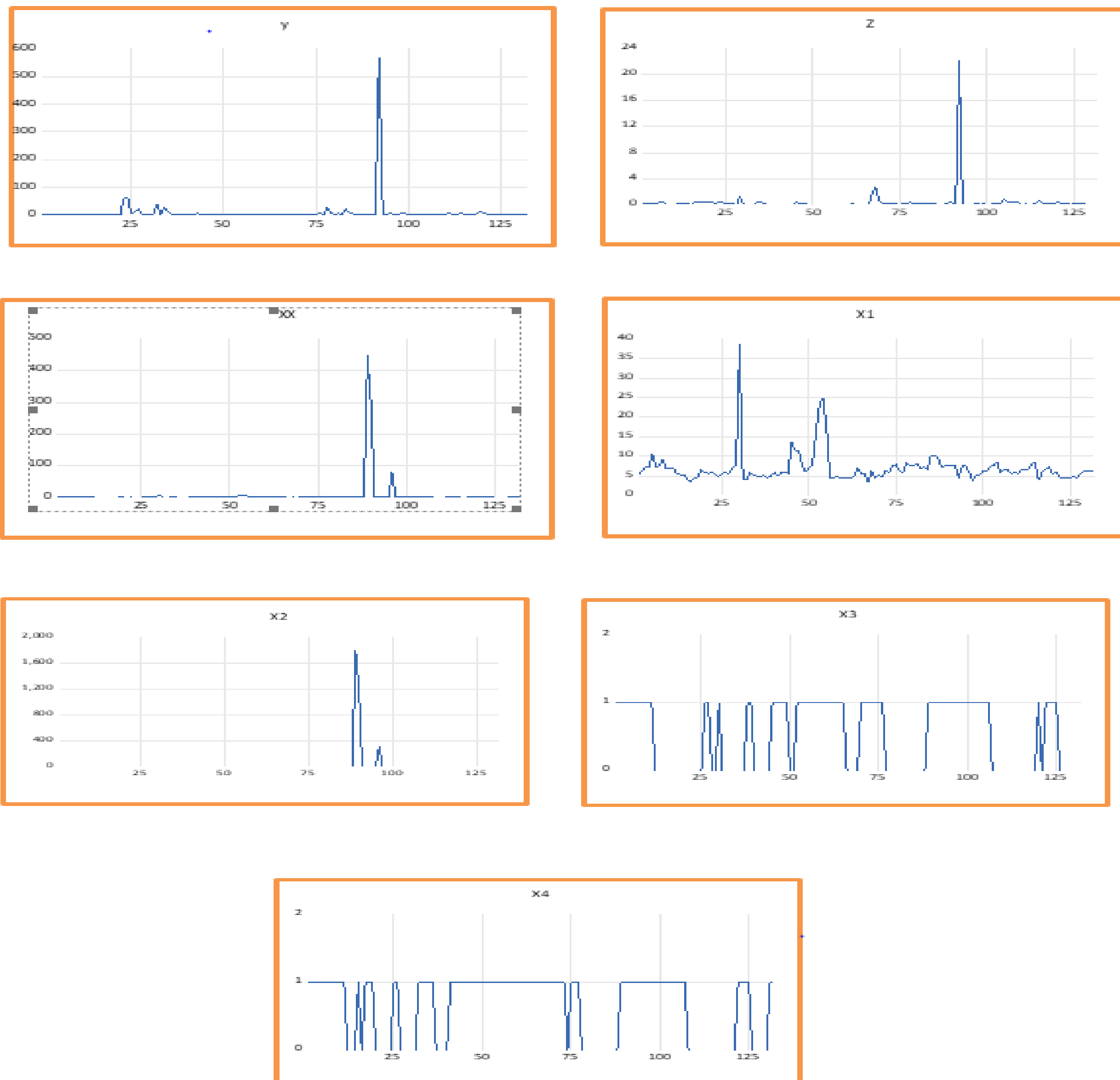
Figure N° 1: *Plotting the variable over time*



Source: *Eviews output (Author's own)*

If you're interested in quantifying how the independent variables (e.g., Governance, Audit, ESG) impact financial performance, you can run a regression model and then plot the predicted values over time (Figure 1).
This basic approach should help you plot your financial performance variable over time for each bank. If you need further customization or if you want to visualize relationships with other variables.

Analysis of Results

- **Tests of Normality**

Testing whether the studied variables follow the normal distribution (Tests of Normality). In order to test whether the probability distribution of the studied variables is consistent with the normal distribution, the statistical test (Kolmogorov-Smirnov) was used, where the hypothesis for this test is as follows:

H0: The data is normally distributed
H1: The data is not normally distributed

The test results were as shown in the table below:

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Table N°. 4: Tests of Normality

Variables	Tests of Normality		
	Kolmogorov-Smirnov		
	Statistics	df	p-Value
MRV	0.437	132	0.001
PRF	0.426	132	0.003
BDM	0.280	132	0.001
BDIM	0.518	132	0.000
CEO	0.344	132	0.004
ADT	0.407	132	0.002
GOV	0.479	132	0.002

Source: *Eviews outputs (Author's own)*

The results presented in the table indicate that all studied variables fail to adhere to a normal distribution, as evidenced by the Kolmogorov-Smirnov test, where the P-value is below the 0.05 threshold. This outcome leads us to reject the null hypothesis, which posits that the variables follow a normal distribution. Instead, we accept the alternative hypothesis, affirming that the variables exhibit a non-normal distribution pattern (Table N°. 4).

This deviation from normality has significant implications for our analysis, particularly concerning the choice of statistical methods. Using parametric tests, which assume normality, could yield misleading results and undermine the validity of our conclusions. Therefore, it is crucial to adopt non-parametric estimation methods or other robust statistical techniques that are more suited to the characteristics of our data. Such approaches will enhance the reliability of our findings and ensure that we draw accurate inferences regarding the relationships between the variables.

Table N°5: Values of governance impact analysis on market value by mediating financial performance

<table>
<tr><th rowspan="2">Type of mediation</th><th rowspan="2">Sig.</th><th colspan="2">Confidence Interval 95%</th><th rowspan="2">S.E.</th><th rowspan="2">Estimate</th><th rowspan="2">Type of influence</th><th rowspan="2">Dependent variable</th><th rowspan="2">Path of influence</th><th rowspan="2">Mediating variable</th><th rowspan="2">Path of influence</th><th rowspan="2">Independent variable</th></tr>
<tr><th>Upper Bound</th><th>Lower Bound</th></tr>
<tr><td rowspan="2">Partial mediation</td><td>Sig</td><td>0.0417</td><td>0.0157</td><td>0.007</td><td>0.028</td><td>Indirect influence</td><td rowspan="2">Market value</td><td>←</td><td>Performance</td><td>←</td><td>Governance</td></tr>
<tr><td>Sig</td><td>1.055</td><td>1.011</td><td>0.013</td><td>1.033</td><td>Direct influence</td><td colspan="3">←</td><td>Governance</td></tr>
</table>

Source: *The outputs of the statistical program R (Author's own)*

Through Table N°5 above, which shows the values of the standard regression coefficients for the direct and indirect effect, and the confidence limits and significance of the test for each effect. The table above shows the value of the direct effect between the governance variable and the market value variable, which amounted to (1.033) with a positive sign, indicating that the direct effect is a direct effect between the governance variable and the market value variable, noting that the real value of this effect ranges between the lower and upper values (1.011) and (1.055) respectively, with a standard error (S.E.) of (0.0133), and the direct effect appeared to have a significant effect Sig.

That is, there is a direct effect with significant significance between the governance variable and the market value variable. The table above shows the value of the indirect effect coefficient between the governance variable and the market value variable, mediated by the financial performance variable, which reached a value of 0.028.

The real value of this effect ranges between the lowest and highest values (0.0157) and (0.0417) respectively, with a standard error (S.E.) of (0.007). The indirect effect also appeared to have a significant effect Sig. That is, there is a significant indirect effect between the governance variable and the market value variable, mediated by the financial performance variable. Through the significance of the direct and indirect effect, a partial mediation is formed between the governance variable and the market value variable, mediated by the financial performance variable.

The results show that there is a positive link between the financial performance of companies and their market value, emphasizing that better financial performance generally contributes to an increased valuation of

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shares. Furthermore, various studies confirm a correlation between corporate governance and market value, where governance mechanisms directly and indirectly influence the valuation of companies. Corporate governance, as a rapidly expanding discipline, plays a vital role in streamlining decision-making processes, a crucial aspect for economic units, especially in the context of financial crises, as it contributes to reducing risks while maximizing profits. The main governance mechanisms, including the role of the Board of Directors, the independence of the Board, the remuneration policy of executives and internal audit, are decisive in protecting the rights of all stakeholders. These arrangements, as internal structures, are structured around the company's activities through its board of directors and its affiliated committees (such as the audit committee and the remuneration committee). They are thus essential to enable companies to prosper and maintain their competitiveness in the market, as they strengthen their overall performance and contribute to their resilience and longevity in a competitive environment.

Corporate governance is an expanding field of research, with numerous recent studies highlighting its effects on various dependent variables. For instance, the research by Dai et al. (2019) emphasizes how effective governance practices can enhance companies' financial performance, while studies by Brown and Caylor (2016) show that the quality of governance mechanisms positively impacts stock valuation. These studies illustrate the crucial importance of solid governance in the contemporary context.

The present study distinguishes itself by focusing on Iraqi banks and exploring the mediating role of financial performance in the relationship between governance mechanisms and the market value of stocks. This theme remains underexplored in the existing literature, which has generally targeted samples from various sectors, such as industry or services. For example, the work of Gompers, Ishii, and Metrick (2003), while significant, has been conducted in contexts that do not specifically address the nuances of the banking sector.

Moreover, research on corporate governance in golf country is relatively scarce. Studies like that of Al-Malkawi (2013) have addressed governance issues in this context, but they have not thoroughly examined the link between governance mechanisms and stock market value, with financial performance as a mediating variable. This lack of targeted analysis highlights the importance and originality of the approach taken in the current study, which aims to fill this gap by specifically focusing on listed golf county banks.

Thus, while the existing literature provides a useful framework for understanding the impacts of governance mechanisms on business performance, the current study makes a significant contribution by emphasizing the banking sector in Golf country and exploring the fundamental role of financial performance in this relationship.

CONCLUSION

The study puts forward both practical and theoretical recommendations to strengthen corporate governance in the Golf country banking sector and beyond. First, it highlights the need for bank management to promote a culture of governance among their employees by adopting structured administrative frameworks, thus ensuring collective awareness of good management practices. Second, it calls on the Securities Commission to impose strict compliance with governance standards for all Iraqi companies listed on the stock exchange, including sanctions such as suspension of listing for non-compliant companies, in order to preserve the rights and interests of shareholders. The importance of continuous training is also highlighted, as it aims to improve understanding of governance principles, transparency standards and international practices, particularly to address specific obstacles in the banking sector. In terms of transparency, listed companies should publish interim reports (half-yearly or quarterly) in addition to annual reports, to provide more accurate and up-to-date data, allowing investors to monitor and assess their performance more regularly. Furthermore, the study recommends further exploring the link between governance mechanisms and firm performance, which could enrich the understanding of their impact on market value. Finally, although the study focuses on certain governance mechanisms, it invites to consider other potential factors, such as CEO duality, ownership structure, and external audit, whose positive effects on market value have been demonstrated elsewhere. It also recommends extending this research to other sectors of the gulf country Stock Exchange to assess how governance practices affect firm value in different contexts.

In conclusion, this study highlights the significant relationship between corporate governance and financial performance within economic banking institutions in Gulf countries. Our findings indicate that robust governance mechanisms lead to improved financial outcomes, which in turn enhance the market value of these institutions. Effective governance practices, such as transparency, accountability, and stakeholder engagement, are essential in fostering trust and stability, ultimately contributing to stronger financial performance.

The implications of these findings are far-reaching for policymakers and banking leaders in the Gulf region. By

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prioritizing corporate governance reforms, institutions can not only bolster their financial metrics but also enhance their competitive positioning in the market. Future research should explore the specific governance practices that are most effective in different banking contexts, as well as the long-term impacts of governance on performance and market valuation.

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