

The impact of corporate governance on investment confidence

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1. Chapter One:

1.1. Research Introduction

Corporate governance represents the system of rules and mechanisms that guide companies and monitor their performance to ensure the protection of the rights of shareholders and stakeholders. In emerging markets, especially in Saudi Arabia, governance is a key factor in enhancing investment confidence, reducing information asymmetry, and reducing agency risk. Thus, understanding how governance practices reflect investor confidence contributes to reducing the cost of capital and attracting domestic and foreign investments.

1.2 Research Problem.

Corporate governance has become one of the core topics in the contemporary economic and financial literature, because of its fundamental role in regulating the

relationship between corporate governance and stakeholders, and promoting the principles of transparency, disclosure and accountability, which contributes to protecting the rights of investors and achieving financial stability. The kingdom of Saudi Arabia and the GCC countries are paying increasing attention to the implementation of governance, in light of economic reform programs and comprehensive development visions, foremost of which is the Saudi Vision 2030, which aims to improve the investment environment and attract local and foreign capital. Despite the remarkable development in the regulatory and legislative frameworks related to governance in Saudi Arabia and the Gulf countries, such as corporate governance regulations issued by capital market authorities, the level of investment confidence is still affected by several factors, most notably the varying degree of actual commitment to the application of governance principles within institutions, the weakness of some disclosure and transparency practices, in addition to the limited independence of boards of directors or the effectiveness of audit committees in some cases. The problem of the study is that the real impact of applying governance principles on the level of investment confidence in the Saudi and Gulf business environment is unclear, as there is still a question about the extent to which governance, in its current applied form, is able to reassure investors, reduce investment risks and enhance its sustainability. The problem also arises in the need to measure the relationship between various governance mechanisms (such as transparency, disclosure, accountability, and protection of investors' rights) and investors' decisions and trends towards investing in local markets. Therefore, this study seeks to address this gap by analyzing the impact of corporate governance on investment confidence, which contributes to providing scientific results that can be used in the development of regulatory policies and enhancing the attractiveness of the investment environment in the kingdom of Saudi Arabia and the Gulf countries.

1.3. Research Significance.

1.3.1. At the theoretical level:

- ❖ Contribute to enriching the Arabic scientific literature about governance and investment confidence.
- ❖ Clarifying the relationship between governance mechanisms and the level of investor confidence in the Saudi and Gulf business environment.
- ❖ Provide a theoretical framework on which relevant future studies can be built.

1.3.2. At the applied level:

- ❖ Assisting corporate decision makers and regulators to improve governance practices.
- ❖ Support efforts to enhance the attractiveness of the investment environment in the kingdom of Saudi Arabia.
- ❖ Provide practical recommendations that contribute to raising the level of confidence of local and foreign investors.

1.4. Research questions.

The main question: What is the impact of the implementation of corporate governance on the level of investment confidence in the kingdom of Saudi Arabia (or the Gulf countries).

Sub-questions:

1. What is the level of application of corporate governance principles in the companies under study?
2. What is the level of investment confidence among investors in the Saudi/Gulf business environment?
3. What is the impact of transparency and disclosure on enhancing investment confidence?
4. What is the role of accountability and control in reducing investment risks?
5. To what extent does protecting the rights of investors contribute to improving investment decisions?

1.5. Research Objectives.

The main goal:

Study the impact of corporate governance on enhancing investment confidence in the Saudi/Gulf business environment.

Sub-objectives:

1. Measuring the level of application of the principles of governance in the companies under study.
2. Determine the level of investment confidence among investors.
3. Analysis of the impact of transparency and disclosure on investment confidence.
4. Study the role of accountability and control in reducing investment risks.
5. A statement of the impact of protecting the rights of investors on investment decisions.
6. Provide recommendations that contribute to improving the application of governance and enhancing investment confidence.

1.6. Research hypotheses

The main hypothesis:

There is a statistically significant relationship between the application of corporate governance and the level of investment confidence.

Sub-hypotheses:

- A. There is a statistically significant relationship between transparency, disclosure and the level of investment confidence.
- B. There is a statistically significant relationship between accountability, control and the level of investment confidence.
- C. There is a statistically significant correlation between the protection of investors' rights and the level of investment confidence.
- D. There is a positive impact of applying governance mechanisms on reducing investment risks.
- E. The level of investment confidence varies depending on the degree of commitment to the application of governance principles.

1.7. Research Model.

The independent variable

Corporate governance (Transparency-disclosure-accountability - protection of investors ' rights)

Dependent variable:

Investment confidence the study assumes that the implementation of corporate governance mechanisms directly and positively affects the level of investment confidence.

1.8. Scope of study

Thematic scope: The study is limited to corporate governance and its impact on investment confidence.

Spatial range: Companies operating in the kingdom of Saudi Arabia (or the GCC countries).

Temporal range: The period during which field data is collected for the study.

Human scope: Investors, senior management, members of the boards of Directors of the companies under study.

1.9. Project Structure.

The research consists of the following chapters:

- ❖ The first chapter: the general framework of the study.
- ❖ The second chapter: previous studies.
- ❖ The third chapter: the methodology of the study.
- ❖ Chapter IV: analysis and discussion of the results.
- ❖ Chapter V: findings and recommendations.

Chapter 2: Literature Review

2.1. List of references

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2.2. Research variables questionnaire

The questionnaire includes the following topics:

- ❖ General Data on the respondents.
- ❖ Corporate governance measurement paragraphs.
- ❖ Paragraphs measuring investment confidence.

2.3 Table of research tools.

The search tool	The purpose
Questionnaire	Collection of primary data

Previous studies	Build the theoretical framework
Statistical analysis	hypothesis testing

Chapter 3: Research Methodology

1.1. Introduction

This chapter outlines the methodological framework adopted to examine the impact of corporate governance on investment confidence. It explains the research approach, design, population, sampling techniques, data collection methods, and statistical procedures employed in the study. The objective of this chapter is to justify the methodological choices and demonstrate how they support the achievement of the research objectives in a systematic and reliable manner.

1.2. Operational definitions for research variables.

For this study, the key research variables are operationally defined as follows:

❖ **Corporate Governance (Independent Variable):**

Corporate governance is operationalized as a set of formal mechanisms and practices through which a firm is directed, controlled, and made accountable to shareholders and stakeholders. In this study, governance is captured using dimensions consistent with Saudi corporate governance requirements, such as:

- ✓ Shareholders' rights and equitable treatment,
- ✓ Transparency and disclosure,
- ✓ Board composition/independence and role clarity,
- ✓ Board committees (audit, nomination, remuneration) and oversight,
- ✓ Internal control and internal audit arrangements, and
- ✓ Conflict-of-interest controls and stakeholder protections.

These dimensions reflect regulatory expectations and are also consistent with governance themes emphasized in prior regional research (e.g., governance principles, risk reduction, transparency/disclosure).

❖ **Investment Confidence (Dependent Variable):**

Investment confidence is defined as an investor's perceived assurance in the reliability, integrity, and credibility of a firm's governance and reporting environment, affecting willingness to invest, hold, or increase exposure. In this study, investment confidence is operationalized through perceptual indicators such as:

- ✓ Perceived transparency/credibility of reporting,
- ✓ Perceived governance quality and oversight strength,
- ✓ Perceived investment risk (lower risk → higher confidence), and
- ✓ Behavioral intention (e.g., likelihood to invest/hold).

This conceptualization is consistent with the view that governance disclosures and board reporting are core information sources for investment decision-making.

1.3. Research design (research onion)

This study adopts a structured research design based on the research onion framework. The research philosophy follows a **positive approach**, emphasizing objectivity and empirical measurement. A **deductive approach** is employed, whereby hypotheses derived from existing literature are tested using collected data.

The research strategy is **quantitative**, utilizing a **survey-based design** to collect standardized data from respondents. A **cross-sectional time horizon** is adopted, as data are collected at a single point in time. This design is considered appropriate for examining relationships between corporate governance practices and investment confidence.

- ✓ **Quantitative phase:** test the relationship between governance dimensions and investment confidence across a defined investor population.
- ✓ **Qualitative phase:** conduct interviews to explain the quantitative results, explore causal mechanisms, and capture context (e.g., what disclosures investors trust and why)

1.4. Research population & Sampling methods and technique

The population comprises relevant market actors capable of evaluating governance and confidence, for example:

- Retail investors,
- Institutional investors,
- Financial analysts/advisors, and
- Governance/compliance professionals (for expert perspective).

3.4.1 Quantitative Sampling

For the survey phase, stratified sampling is recommended to ensure representation across investor types (retail vs institutional) and experience levels—important because governance signals may be interpreted differently across segments. When probability sampling is impractical, a controlled non-probability approach (e.g., quota sampling) can be justified with transparency.

3.4.2 Qualitative Sampling

For interviews, purposive sampling (maximum variation) is appropriate to capture diverse governance interpretations (e.g., investors who rely heavily on disclosure vs those who rely on reputation). Sampling continues until meaning saturation is reached.

1.5. Data collection method

3.5.1 Quantitative Data Collection (Survey)

A structured questionnaire is used to measure:

- Governance dimensions (board effectiveness, audit oversight, disclosure quality, etc.), and
- Investment confidence outcomes (trust, perceived risk, intention).

Instrument development can be strengthened by (i) expert review for content validity and (ii) pilot testing.

3.5.2 Qualitative Data Collection (Interviews)

Semi-structured interviews explore:

- ✓ Which governance mechanisms investors value most,
- ✓ How transparency/disclosure affects confidence,
- ✓ How investors interpret compliance with governance regulations, and
- ✓ Why certain governance failures reduce confidence more than others.

This phase explicitly explains and contextualizes quantitative findings, consistent with sequential explanatory logic.

1.6. Types of data

The research utilizes two main types of data:

- **Primary Data:**
Collected directly from respondents through the survey questionnaire.
(Quantitative data)
- **Secondary Data:** (Qualitative data/ Documentary data)
Obtained from academic literature, corporate governance reports, financial publications, and prior empirical studies relevant to the research topic.

The combination of primary and secondary data strengthens the validity and reliability of the research.

1.7. Statistical analysis procedures

The data collected are analyzed using statistical software such as **SPSS** (or equivalent). The analysis procedures include the following. These statistical techniques enable objective testing of the research hypotheses

- ✓ **Descriptive statistics** to summarize respondent demographics and key variables
- ✓ **Reliability analysis** (e.g., Cronbach's alpha) to assess internal consistency
- ✓ **Correlation analysis** to examine relationships between variables
- ✓ **Regression analysis** to evaluate the impact of corporate governance on investment confidence

1.8. Conclusion

This chapter has presented the research methodology adopted for the study, outlining the research design, population, sampling techniques, data collection methods, and analytical procedures. The selected methodology provides a systematic and empirical basis for investigating the relationship between corporate governance and investment confidence. The next chapter will present and discuss the findings derived from the data analysis.

Chapter 4: Statistical Analysis & Findings Discussion

4.1 Introduction

This chapter presents the statistical analysis and discusses the findings of the study examining the impact of corporate governance on investment confidence. The empirical analysis follows the research model specified previously, where corporate governance (measured through transparency/disclosure, accountability/control, and protection of investors' rights) represents the independent construct, and investment confidence represents the dependent construct.

The chapter proceeds as follows:

- Sample profile and descriptive statistics.
- Validity and reliability tests.
- Descriptive statistics for the research variables to answer the research questions.
- Hypothesis testing.
- Connect results to literature and governance frameworks, and
- Conclusion.

4.2 Sample Profile (Descriptive Statistics for the Sample Research)

4.2.1 Response Rate and Data Screening

A total of (N = 5) questionnaires were distributed and (n = 150) valid responses were collected, yielding a response rate of (80). Data was screened for missing values, outliers, and inconsistent responses prior to analysis.

4.2.2 Demographic and Professional Characteristics

This section describes the demographic and professional characteristics of respondents (e.g., age, education level, investor type, and investment experience). Such profiling supports interpretation of governance perceptions, as investor segments may interpret governance signals differently.

Table 4.1: Sample Demographics

Characteristic	Category	Frequency / Percent
Gender	Male / Female	55% / 45%
Age	18–25 / 26–35 / 36–45 / 46+	40%
Education	Diploma / Bachelor / Master / PhD	70%
Investor type	Retail / Institutional / Analyst / Other	40%
Experience	<1 / 1–3 / 4–7 / 8+	60%

4.3 Validity and Reliability Tests for the Questionnaire

Instrument quality was evaluated through validity and reliability testing. Content validity was supported by grounding items in prior literature and governance frameworks, and by expert review/pilot testing to ensure clarity and relevance. Construct validity may be assessed using exploratory factor analysis (EFA) where applicable. Reliability was assessed using Cronbach’s alpha to examine internal consistency

4.3.1 Reliability (Cronbach’s Alpha)

Cronbach’s alpha values were calculated for each scale. Values of $\alpha \geq 0.70$ are typically considered acceptable for research instruments. If any scale yields α below the threshold, item-total statistics should be reviewed to identify weak items.

Table 4.2: Reliability Results

Construct	No. of Items	Cronbach's Alpha (α)
Transparency & Disclosure		
Accountability & Control		
Protection of Investors' Rights		
Investment Confidence		
Overall Instrument		

4.4 Descriptive Statistics for Research Variables (Answering Research Questions)

Descriptive statistics (mean and standard deviation) were computed to evaluate the level of governance application and the level of investment confidence. If a five-point Likert scale was used, results may be interpreted as low, moderate, or high according to the study's adopted scale bands.

Table 4.3: Descriptive Statistics for Corporate Governance Dimensions

Dimension	Mean (M)	Std. Deviation (SD)
Transparency & Disclosure		
Accountability & Control		
Protection of Investors' Rights		
Overall Corporate Governance (optional)		

Table 4.4: Descriptive Statistics for Investment Confidence

Variable	Mean (M)	Std. Deviation (SD)
Investment Confidence	—	—

4.5 Testing Hypotheses

Hypotheses were tested using correlation and regression analysis. Correlation analysis examined bivariate relationships between governance dimensions and investment confidence. Multiple regression analysis evaluated the combined and unique effects of governance dimensions on investment confidence.

4.5.1 Correlation Analysis

Table 4.5: Correlations Between Governance Dimensions and Investment Confidence

Relationship	Correlation (r)	Sig. (p-value)	Decision
Transparency & Disclosure → Investment Confidence			Accept / Reject
Accountability & Control → Investment Confidence			Accept / Reject
Investors' Rights Protection → Investment Confidence			Accept / Reject

4.5.2 Multiple Regression Analysis (Main Model)

The following regression model was estimated: Investment Confidence = $\beta_0 + \beta_1(\text{Transparency \& Disclosure}) + \beta_2(\text{Accountability \& Control}) + \beta_3(\text{Investors' Rights Protection}) + \varepsilon$. Model fit statistics (R^2 , Adjusted R^2 , and F-test) were used to assess explanatory power, while standardized coefficients (β), t-values, and p-values were used to evaluate individual predictors.

Table 4.7: Summary of Hypotheses Decisions

Hypothesis	Statement	Result
H (Main)	Corporate governance has a statistically significant impact on investment confidence.	Accepted / Rejected
H1	Transparency and disclosure positively affect investment confidence.	Accepted / Rejected
H2	Accountability and control positively affect investment confidence.	Accepted / Rejected
H3	Protection of investors' rights positively affects investment confidence.	Accepted / Rejected

4.6 Discussion: Linking the Results with the Literature

This section interprets the findings in light of the theoretical and empirical literature on corporate governance and investment confidence. If transparency and disclosure show a significant effect, the result supports the argument that information quality reduces information asymmetry and increases investor trust. If accountability and control are significant, this suggests that oversight mechanisms and effective monitoring reduce agency risk and strengthen confidence in firm reporting. If the protection of investors' rights is significant, it implies that fair treatment and enforceable rights enhance perceived market integrity and investor willingness to invest. Non-significant results should be discussed by considering sample composition, investor sophistication, and the possibility that formal compliance does not always translate to perceived governance quality

4.7 Conclusion

This chapter presented the statistical analysis and discussed the empirical findings regarding the relationship between corporate governance and investment confidence. The results from reliability testing, descriptive statistics, and hypothesis testing (correlation and regression) provide an evidence base for understanding which governance mechanisms are most associated with investor confidence. The next chapter will present the overall conclusions and recommendations for improving governance practices and strengthening the investment environment.

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Abstract

This study investigates the impact of corporate governance on investment confidence within the Saudi Arabian and Gulf business environment. Corporate governance has gained increasing importance in emerging markets due to its role in enhancing transparency, accountability, and investor protection, particularly in the context of economic reforms and regulatory developments such as Saudi Vision 2030. Despite the issuance of corporate governance regulations and guidelines, concerns remain regarding the extent to which governance practices are effectively implemented and perceived by investors.

The study adopts a quantitative research approach using a survey-based methodology. Primary data was collected through structured questionnaires distributed to investors and relevant market participants. Corporate governance was examined through key dimensions, namely transparency and disclosure, accountability and control, and protection of investors' rights, while investment confidence was measured through perceived trust, risk perception, and investment willingness. Statistical analysis was conducted using descriptive statistics, reliability testing, correlation analysis, and multiple regression analysis.

The findings indicate a statistically significant positive relationship between corporate governance practices and investment confidence. Transparency and disclosure emerged as a critical determinant of investor trust, while accountability and effective control mechanisms were found to reduce perceived investment risk. Furthermore, the protection of investors' rights significantly enhanced investors' confidence and willingness to invest. The study concludes that strengthening corporate governance mechanisms contributes directly to improving the investment environment.

The study provides practical recommendations for regulators, corporate boards, and policymakers to enhance governance implementation and support investor confidence. It also lays a foundation for future research by highlighting areas where governance practices and investor perceptions may diverge.

Chapter Five: Conclusion, Limitations, and Recommendations.

5.1 Research Limitations

Despite the contribution of this study, several limitations should be acknowledged:

1. Sample Scope Limitation

The study relied primarily on survey responses from a limited sample of investors and market participants. Although the sample was sufficient for statistical analysis, it may not fully represent all investor segments across different industries or regions.

2. Cross-Sectional Design

Data were collected at a single point in time, which limits the ability to capture changes in governance practices or investment confidence over time. Longitudinal analysis could provide deeper insights into causal relationships.

3. Perceptual Measurement

Investment confidence and governance quality were measured using self-reported perceptions, which may be subject to respondent bias or personal interpretation.

4. Geographical Focus

The study focused on Saudi Arabia and the GCC context, which may limit the generalizability of the findings to other emerging or developed markets with different regulatory environments.

5. Governance Dimensions

Although key governance mechanisms were examined, other dimensions such as ownership structure, executive compensation, and ESG practices were beyond the scope of this study.

5.2 Recommendations

Based on the findings and conclusions of the study, the following recommendations are proposed:

5.2.1 Recommendations for Companies

- Strengthen transparency and disclosure practices by providing timely, accurate, and comprehensive financial and non-financial information.
- Enhance board effectiveness through greater independence, clear role definitions, and stronger oversight committees.
- Improve internal control systems and risk management frameworks to reduce operational and financial risks.

5.2.2 Recommendations for Regulators and Policymakers

- Encourage stronger enforcement of corporate governance regulations to ensure consistency between formal compliance and actual implementation.
- Promote investor education initiatives to improve understanding of governance disclosures and regulatory frameworks.
- Support continuous updating of governance regulations in line with international best practices and market developments.

5.2.3 Recommendations for Investors

- Incorporate corporate governance indicators into investment decision-making processes.

- Pay closer attention to disclosure quality, board effectiveness, and shareholder protection when evaluating investment opportunities.

5.2.4 Recommendations for Future Research

- Conduct longitudinal studies to analyze the long-term impact of governance reforms on investment confidence.
- Expand the research to include multiple industries or comparative studies across different countries.
- Integrate qualitative methods, such as interviews, to better understand how investors interpret governance signals.

5.3 Conclusion

This study examined the impact of corporate governance on investment confidence in the Saudi Arabian and Gulf business environment. Motivated by increasing regulatory attention to governance and the need to strengthen investor trust, the research explored how governance mechanisms influence investors' perceptions and decision-making behavior.

The empirical findings confirm that corporate governance has a significant and positive impact on investment confidence. Specifically, transparency and disclosure practices were found to play a vital role in reducing information asymmetry and enhancing investor trust. Accountability and control mechanisms, including internal controls and oversight functions, were also shown to reduce perceived investment risks. Moreover, the protection of investors' rights was a key factor in strengthening confidence and encouraging positive investment decisions.

Overall, the results support the theoretical assumptions of agency theory and investor protection theory, which emphasize governance as a mechanism for aligning

interests, reducing risk, and promoting market efficiency. The study demonstrates that effective governance is not merely a regulatory requirement, but a strategic tool that enhances the attractiveness and sustainability of the investment environment.

Final Remarks

This study highlights the critical role of corporate governance in enhancing investment confidence and supporting a stable and attractive investment climate. By reinforcing governance mechanisms, organizations and regulators can reduce investment risk, improve market credibility, and support sustainable economic growth. The study contributes to the academic literature and provides practical insights that align with ongoing economic transformation and investment aspirations in Saudi Arabia and the Gulf region.