

The impact of corporate governance on investment confidence

Student name

Fahad Mahdi A AlSudani

Final Project - 2

Faculty of Management - Midocean University

Supervisor

Dr. Abdul Rahim Nader

Faculty member- Faculty of management- Midocean University

05/03/2026 – First Semester

Table of Contents

1.1. Research Problem.....	2
1.3. Research Significance.	3
2. Chapter 2: Literature Review.....	7
The search tool	8
The purpose	8
Questionnaire	8
Collection of primary data	8
Previous studies.....	8
Build the theoretical framework.....	8
Statistical analysis	8
hypothesis testing	8
3. Chapter 3: Research Methodology.....	8
3.1. Introduction	9
3.3. Research design (research onion).....	10
3.4. Research population & Sampling methods and technique	10
3.5. Data collection method	11
3.6. Types of data	12
3.7. Statistical analysis procedures.....	12
3.8. Conclusion	13

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.

1.1. 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.

2.Chapter 2: Literature Review

2.1. List of references

- Abu qahf, Abdus Salam. (2016). Corporate governance and its impact on attracting investment. Alexandria: University thought House.
- Hamdani, Falah Hassan, and Al-Shamri, Ali Jassim. (2019). The impact of applying the principles of corporate governance in enhancing investor confidence. Journal of Economic and Administrative Sciences, 25 (112), 45-68.
- Al-Dulaimi, Mahmoud Abdel Karim. (2020). The role of corporate governance in improving the investment environment in the Arab financial markets. Journal of Financial Research, 12 (2), 101-125.
- The Samurai, Ahmed Abdullah. (2018). Transparency and disclosure and their role in supporting investment decisions. Journal of modern management, 10 (1), 77-98.

- Zubaidi, Hussein Ali. (2021). The impact of governance mechanisms on reducing investment risks. *Journal of Accounting and Financial Studies*, 13 (3), 55-79.
- Capital Market Authority. (2017). *Corporate Governance Regulation*. Riyadh: Capital Market Authority-Kingdom of Saudi Arabia.
- Capital Market Authority. (2023). *Corporate governance guide for companies listed on the Saudi Stock Exchange*. Riyadh.

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

3. Chapter 3: Research Methodology

3.1. 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.

3.2. 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.

3.3. 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)

3.4. 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.

3.5. 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.

3.6. 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.

3.7. 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

3.8. 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.