

Corporate Governance and Business Ethics in Saudi Arabia Listed Banks: An Accountability Perspective

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Abstract

Objective – This research explores the relationship between corporate governance and business ethics in Saudi-listed banks using an accountability framework by examining the perceptions of key stakeholder groups.

Design/Methodology – Using primary data from a distributed questionnaire survey to the various stakeholders within the banking sector of the Saudi Stock Exchange, 323 questionnaires were distributed with a final sample of 135 participants. The data were analyzed using non-parametric tests.

Results – This study revealed that there all Saudi-listed banks have their own codes of business ethics. The findings show that there is a strong perceived relationship between corporate governance and business ethics, which has a positive impact on the banks' practices. Despite the practical weakness in Saudi banks' internal context systems in that the lack of an official code, any meaningful developments in ethical standards will require mandating of the key principles in order to foster an effective corporate governance system and encourage Islamically-ethical business practices.

Novelty/Originality – This paper contributes to corporate governance and business ethics literature by providing a unique view from an accountability perspective.

Keywords: Corporate Governance; Business Ethics; Saudi Arabia; Accountability

1. Introduction

The mechanisms and key notions underpinning 'good' corporate governance are now widely recognized as having global relevance. In recent years, there has been a remarkable worldwide increase in awareness of corporate governance principles and the number of published codes that aim to improve corporations' practices and protect stakeholders from possible crises that might be caused by 'poor' systems (Dawood et al., 2023). Following the economic collapse and financial crises at organizations such as WorldCom and Enron, corporate governance mechanisms have been considered as key for restructuring corporations at all levels (Istemi S. Demirag & Jill F. Solomon, 2003). The reason for these collapses was not just the rapid loss of investors' confidence, but also the lack of corporate transparency, reliable disclosures and structured corporate governance in general (Ho & Shun Wong, 2001). In the Saudi Arabian context, as a result of the Saudi exchange collapse at the beginning of 2006, regulators took steps to protect the market and investors from future crises and so, in November 2006, the Capital Market Authority (CMA) issued the first corporate governance code for Saudi corporations (Falgi, 2009). Whilst such codes are now commonplace, in terms of reforming and enhancing corporate governance practices, A focus on business ethics is a key element in this context and Bonn and Fisher (2005) have suggested that an organization's approach to ethics must be addressed within the framework of corporate governance although they also contend that this is just the first step if an organization is to develop more effective corporate governance practices. Measures must be adopted to ensure that the behavior at all levels of the organization is consistent with the ethical

values adopted in the codes of conduct (Bonn & Fisher, 2005). As a result of this concern, stock exchanges around the globe (and transnational institutions such as the OECD) have developed principles of corporate governance that include explicit references to business ethics (Sullivan, 2009)

The subject matter of this paper explores the relationship between corporate governance and business ethics in Saudi-listed banks using an accountability framework. This encompasses a wide range of areas in social science, including ethics, religion, corporate governance and accountability. Elements of these vast literatures in so far as they relate most directly to the research objectives directly relevant, for example, studies examining corporate governance, business ethics, Islamic teachings will be explored in the literature of this paper.

The importance global bodies attribute to the inclusion of ethical matters in corporate governance pronouncements is important to recognize that the provision of corporate governance and its practices is not only significant for internal corporations, but is also necessary for attracting foreign investment in order to promote economic welfare (Alkahtani, 2013). To date, with some notable exceptions, there are a dearth of studies that attempt to explore the corporate governance system in a Saudi context. In addition, no study has been published in the Saudi Arabian financial sector that investigates the relationship between corporate governance and business ethics now seen as important. These factors have motivated the researcher to carry out the current study that has the objective of exploring the relationship between corporate governance and business ethics in an Islamic setting in order to take a first step towards reforming and enhancing the practice of corporate governance in the Saudi financial sector in Saudi. To achieve this objective, the following questions have been addressed: 1. What is the relationship between business ethics and corporate governance in the Saudi Arabian banking sector? 2. What role does accountability, including Islamic accountability, play in this relationship?

2. Literature Review

Most debates regarding the link between ethics and corporate governance now point to the issue of Corporate Social Responsibility (CSR) as a key area for discussion (Solomon, 2020). CSR is commonly identified as the economic, ethical and legal activities of a business as adapted to society's values and expectations (Joyner & Payne, 2002a). One key concept in CSR theory is the ethical responsibility of the organization, which is influenced by society's values (Carroll, 1979); however, ethical or unethical organizational activities can in turn influence societal evaluations. Today, the demand for ethical behavior and social responsibility by corporations and their management is stronger than ever (Drennan, 2004; Joyner & Payne, 2002a; Solomon J, 2020).

The CSR concept is an example of where the wide variety of social affairs now widely recognized as being impacted by corporations (Drennan, 2004) The modern debate on business ethics has highlighted the moral tensions inside corporations that are likely to exist between an employee and an employer; the relationship between the corporate employer and the individual employee implies the obligation of the employee to obey his/her employer's instructions (Knight, 2005; Ng & Rezaee, 2020)) Solomon (1992) emphasizes this issue regarding the conflict between the roles of individual (or family) and employee or business, arguing that ethics in business should ultimately pay more attention to individual responsibility (Solomon, 1992). Others have suggested that if corporations treat their employees well, this will contribute towards breaking down the barrier between one's employment life and one's personal life (DesJardins, 2014). Holme (2008) shows how managers can guarantee that their staff have all of the information they require in order to do their work, and how conflicts of interest are resolved. Conroy & Emerson (2004) note that in survey after survey corporate leaders have recognized that students should be encouraged to develop ethical standards,

prompting bodies such as the Association to Advance Collegiate Schools of Business (AACSB) to include ethical considerations within its body of required knowledge.

The impact of the spirituality and religion power and authority mechanisms underpinning business ethics have been studied by Jackson (1999) and Ali et al. (2000). While Jackson (1999) points out that spirituality can play a key role in establishing a foundation for moral imagination in business ethics; it also provides a deeper foundation for business ethics principles than does any legalistic framework. However, in practice Jackson contends that the business ethics notion is in danger of becoming a commodity without a spiritual infusion. According to both Jackson (1999) and Ali et al. (2000), the global economy's ultimate end is to serve humankind. Ethical behavior is required to encourage an acceptance of the need for firms and the people who work in them to display integrity in a world that is full of "illusion and deception" (Jackson, 1999 p.64). It can only do this by modelling a strong integrity of its own, one which is not afraid to embrace a set of defining truths.

Rizk (2008) explores an Islamic perspective on business ethics by comparing a range of relevant published works with Islamic teachings. Rizk (2008) also argues that the Sharia perspective provides the basis for a reliable Islamic approach to business ethics. Rizk (2008) clarified that the teachings of ethics should lead individuals to obtain the capacity to formulate a process that assists them in arriving at their own decisions. With the divine aspect as a guideline, individuals will be assisted to take consecutive steps toward higher moral reasoning. It is widely argued that ethics based on the principles of Islam will determine the choices of individuals, focusing not only upon profit maximization, but also upon social welfare maximization (Huq Pramaaik, 1994; Rizk, 2008).

2.1 Corporate Governance and Business Ethics in the Islamic Context

Little has been written on governance structures and processes from an Islamic perspective. Abdullah Saif Alnasser & Muhammed (2012) argue that the financial conditions in Islamic banks and windows require additional items to be included in the financial reports, such as Zakah. More generally, the need for investment and financing undertaking by Islamic banks and windows to be in line with Sharia and the expectations of the Muslim community is often portrayed as an ethical issue (Hassan, 2009) In this regard, the banks involved have an obligation towards all their stakeholders and related parties, which may extend beyond the financial interest to embrace ethical, religious and other values when good corporate governance is required (Hassan, 2009). In addition, the staff should act in accordance with Islamic principles and adhere to the teachings of Islam. According to Chapra & Ahmed (2002) the objective of corporate governance in the Islamic context is to ensure ethical behavior towards all stakeholders, thus ensuring fairness, and greater transparency and increased accountability. Also, by incorporating higher standards of minorities' protection against expropriation, the increased transparency, disclosure, and effective accountability within Sharia-based corporate governance bodies will promote compliance with Sharia injunctions and business ethics (Ibrahim, 2006; Khalifa, 2003). More specifically, Ibrahim (2006) argues that, corporate governance in an Islamic context requires, the absence of: market manipulation; transactional opaqueness; short selling; and excessive financial exposure is essential, because such practices have been considered by Islamic scholars to be immoral and unethical. Two specific notions shape the nature of corporate governance from an Islamic perspective. The first one is Sharia. As noted earlier, every action of Muslim life must conform to Sharia and observed ethical standards must be derived from Islamic principles. These principles - as explained earlier - define what is true, fair and just, the priorities of society, the nature of corporate responsibility and certain specific governance standards. Second, certain Islamic financial principles and business ethics have a direct impact upon corporate policies and practices (Lewis, 2005). Significantly, Naşr (2002) points out that there no governance system can influence organizational behavior unless it is embedded in an

appropriate ethical or moral climate. This concern about the integration of business ethics into the corporate governance debate in the Islamic context is clearly stated in the guiding principles on corporate governance for institutions offering only Islamic financial services, published in 2006 by the Islamic Financial Services Board (IFSB). In this document, the IFSB (2006) state that good ethics, strong morals, unshakable integrity and honesty of the highest order have been strongly promoted by Islam. the corporate governance model from a Sharia viewpoint considers Islam to be the supreme stakeholder. The concept of Islam as the main stakeholder affects the corporate governance structure where it identifies Sharia and its ethical purposes as the governing law of all corporate affairs, requiring the establishment of the Sharia Supervisory Board as part of any firm's corporate governance system (Hasan, 2008).

3. Research Method

An online self-completion questionnaire survey method was employed for the study. A five-point Likert scale was used and the respondents were asked to indicate the extent of their agreement by choosing the appropriate box, from 1 (= not at all) to 5 (= to a great extent). the questionnaire responses that were 135 respondents from the study sample comprised ordinal rather than interval (i.e. non-parametric) data,

In order to analyze the data obtained from the questionnaire surveys, the responses from each individual were entered into a table using Microsoft Excel; the data were then transferred to the Statistical Package for the Social Sciences (SPSS). Since most of the questions were based on a linear five-point Likert scale, the descriptive statistical mean and standard deviation are employed to assess the general pattern in responses, but with non-parametric significance testing. Kruskal-Wallis (K-W) and Mann-Whitney (M-W) tests were employed to examine whether a difference existed between particular pairs (Anderson et al., 2009). The K-W test was used to determine whether a difference existed between the averages. Reliability and validity tests are essential prerequisites for high quality analysis of survey instrument results (Oppenheim, 2000). The most popular approach to testing the reliability of a questionnaire is Cronbach's Alpha; in terms of consistency and reliability, a score of 0.7 or above for this measure is acceptable in general (Field, 2009). Table 2 shows the results of the Cronbach's Alpha test for Academics, Clients, Employees and Regulators, indicating that in all four cases an acceptable level of internal consistency is present as they are all over 0.8.

Table 1.
Questionnaire
Response Rate by
Category of
Respondents

Respondent groups	Distributed Questionnaires	Returned Questionnaires	Response Rate
Academics	94	37	39%
Clients	140	47	34%
Employees	56	30	54%
Regulators	33	21	64%
Total	323	135	42%

Table 2.
Reliability test

Group	N	Cronbach's Alpha
Academics	37	0.836
Clients	47	0.888
Employees	30	0.827
Regulators	21	0.83

4. Results and Discussion

4.1. The Importance and Awareness of the Corporate Governance Code

The results in Table 3 show that all the groups strongly believed that corporate governance is important for Saudi banks, with an overall mean of 4.07. The M-W results for this statement reports one significant difference, with regulators generating a significantly higher level of agreement than clients, which might reflect that the importance of corporate governance is particularly well understood by regulators. In contrast, the participants were dissatisfied with corporate governance practices, with an overall mean of 2.84 suggesting that Saudi banks may not be doing enough to adopt good practices regarding the code. The group means show that academics, clients and employees were the least satisfied with corporate governance practices, while the regulators the most satisfied. There was only one significant difference between the M-W results, for academics and regulators groups, reflecting academics' greater concern over this issue. There is limited awareness of corporate governance in the Saudi banking sector according to the responses, with an overall mean of 2.57. The M-W test for this question revealed two significant differences between the groups, both of which were driven by the highest mean (3) for regulators than other groups, with academics only generating 2.35. suggesting serious academic concern with governance arrangements in Saudi banks that authorities might wish to explore. Given this evidence, it is not surprising that the means shown in Table 3 indicate each group's disagreement with the statement that the Saudi corporate governance code is adequate and effective, with means ranging between 2.47 and 2.95. There is only one significant difference between the groups regarding this statement, with regulators generating a higher mean than employees. However, this perceived lack of an adequate, and effective corporate governance code across all stakeholders implies poor corporate governance practices and weak accountability in the Saudi banking sector. This impression is strengthened by the overall mean of just 2.78. Again, but worryingly perhaps, the regulators were more in agreement (in this case with the degree of compliance with the corporate governance code) than the other groups.

Questions	No	Mean	StDv	Group Means				K-W P-value	M-W P-value					
				A	C	E	R		A-C	A-E	A-R	C-E	C-R	E-R
Q3.(a)Familiarity with Saudi Arabian Corporate Governance	135	3.111	1.130	2.94	3.08	2.87	3.81	0.020*	0.678	0.730	0.019*	0.340	0.012*	0.002*
Q3. (b) Corporate governance is important for Saudi banks	135	4.07	0.982	4.11	3.74	4.30	4.43	0.056	0.157	0.672	0.203	0.054	0.015*	0.297
Q3(c)The corporate governance practices in Saudi banks are satisfactory	135	2.84	0.888	2.70	2.74	2.97	3.14	0.144	0.604	0.204	0.022*	0.329	0.073	0.559
Q3.(d) There is an adequate awareness of corporate governance in the Saudi banking sector	135	2.57	0.885	2.35	2.62	2.47	3.00	0.606	0.278	0.968	0.007*	0.364	0.074	0.041*
Q3 (e) the Saudi corporate governance code is adequate and effective	135	2.72	0.843	2.73	2.77	2.47	2.95	0.164	0.977	0.133	0.356	0.136	0.369	0.031*
Q3 (f)Saudi banks comply with the majority of the corporate governance code rules	135	2.78	0.887	2.65	2.66	2.80	3.24	0.078	0.941	0.799	0.010*	0.783	0.017*	0.084
Q3 (g) The Saudi Arabian Corporate Governance Code should be compulsory for all listed banks	135	4.05	1.032	4.13	3.83	4.10	4.33	0.413	0.209	0.881	0.777	0.302	0.138	0.688
Q3 (h) There should be penalties for non-compliance by banks with the Saudi Arabian Corporate Governance Code	135	4.27	0.934	4.43	3.98	4.43	4.43	0.150	0.062	0.920	0.643	0.067	0.196	0.552
Q3(i). It is important for students who might work in the banking sector in the future to be educated about the importance of corporate	37	NA	NA	4.24	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Q3 (j) Corporate governance is a key part of our	37	NA	NA	2.78	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Q3 (k) Corporate governance practices influence my decision regarding which banks to	47	NA	NA	3.53	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Q3 (l)Bank employees are aware of their firm's corporate governance policies and procedures	30	NA	NA	NA	2.67	NA	NA	NA	NA	NA	NA	NA	NA	NA
Q3 (m)Ensuring high corporate governance standards should be a priority for the regulators of the Saudi Arabian banking secto	21	NA	NA	NA	NA	3.86	NA	NA	NA	NA	NA	NA	NA	NA

Table 3. Importance and awareness of the corporate governance code

4.2. Importance and Practice of Business Ethics

The results of the statements in table 4 relating to the importance and practice of business ethics in Saudi Arabian banks reveal a high level of agreement among all four groups of stakeholders that business ethics concerns are important for Saudi banks. Employees provided the strongest support for the statement (mean = 4.77). Although there were no significant inter-group differences. The importance of business ethics reported here is that if Saudi banks want to survive, they must operate ethically towards others in order to protect and improve their reputation. This finding is also

consistent with the views of Joyner and Payne (2002) who argue that a business cannot survive without society and that society cannot progress without business, thus business must acknowledge the existence of society and implement more ethical responsible practices. There was a strong agreement among the participants that “there should be a compulsory ethical code for Saudi banks issued by a regulatory body” with a mean level of 4.27. Inspection of the group means for this question reveals that academics and employees generated the highest mean values (4.43 in each case), while regulators and clients expressed slightly less agreement (with mean values of 4.14 and 4.11 respectively). However, the K-W and M-W test results suggest that there were no significant differences between groups’ responses. Likewise, the statement “if there is an official code of business ethics, there should be penalties for non-compliance with it” also attracted a high level of agreement among the respondents with a mean value of 4.24. The group means lay within a narrow range (from 4.27 to 4.21), indicating that all four groups shared similar views in this regard.

Table 4.
The Importance
and Practice of
Business Ethics

Questions	No	Mean	StDv	Group Means				K-W P-value	M-W P-value					
				A	C	E	R		A-C	A-E	A-R	C-E	C-R	E-R
Q4(a). Business ethics are important for Saudi banks	135	4.55	0.770	4.51	4.38	4.77	4.67	0.184	0.565	0.172	0.301	0.057	0.141	0.897
Q4(b). The practice of business ethics in Saudi banks is satisfactory	135	2.85	0.989	2.78	2.77	3.00	2.95	0.635	0.989	0.351	0.450	0.286	0.393	0.850
Q4(c). There is an adequate awareness of the principles of business ethics in the Saudi banking sector	135	2.80	1.057	2.92	2.68	2.77	2.90	0.832	0.395	0.640	0.926	0.724	0.535	0.741
Q4(d). There should be a compulsory ethical code for Saudi banks issued by the regulatory body	135	4.27	0.859	4.43	4.11	4.43	4.14	0.320	0.199	0.921	0.129	0.258	0.754	0.175
Q4(e). If there is an official code of business ethics, there should be penalties for non-compliance with it	135	4.24	0.885	4.27	4.21	4.27	4.23	0.968	0.761	0.847	0.859	0.900	0.644	0.721

4.3. Corporate Governance and Business Ethics

As shown in Table 5, the participants broadly agreed regarding the existence of a relationship between corporate governance and business ethics, with a recorded overall mean of 3.84. The highest group mean was 4.03, generated by employees, which suggests that daily practices provide the opportunity for this type of relationship to manifest itself. The second highest group mean (3.86) was produced by the regulators group, with means of 3.84 and 3.70 recorded for academics and client’s groups respectively. The results reveal no significant differences between all four groups. In relation to the corporate governance code in Saudi Arabia and the question of whether it is sufficient to ensure that banks behave ethically, the overall mean of 2.86 suggests ambivalence at best among the participants in this regard. The group means ranged between 3.05 for regulators and 2.67 for academics; accordingly, there were no significant differences between the four groups’ responses. The final statement put to respondents in this section of the survey was that “a strong code of business ethics would enhance corporate governance practices in Saudi banks.” The participants broadly agreed with this statement, generating an overall mean of 3.56, indicating that the relationship between corporate governance and business ethics was seen as important in terms of a bank’s success, but is not overwhelmingly critical. Inspection of the group means reveals that the highest value was generated by academics (3.70) and the lowest by clients (3.42), with the employees and regulators groups attaining mean values of 3.60 and 3.57 respectively. Reflecting this small range of group means values, the K-W and M-W test results affirm that there were no significant differences between the four groups. Taken together, the evidence from the significance tests reported, suggesting consistency across stakeholder groups regarding the link between the notions of corporate governance and business ethics in Saudi Arabia

Table 5.
Corporate
Governance
and
Business
Ethics

Questions	No	Mean	Stdv	Group Means				K-W P-value	M-W P-value					
				A	C	E	R		A-C	A-E	A-R	C-E	C-R	E-R
Q5 (a). There is a relationship between corporate governance and business ethics	135	3.84	0.812	3.84	3.70	4.03	3.86	0.404	0.611	0.241	0.833	0.098	0.525	0.350
Q5 (b). The existing Saudi Arabian Corporate Governance Code is sufficient to ensure that the banks behave ethically	135	2.86	0.865	2.67	2.89	2.90	3.05	0.332	0.165	0.241	0.090	0.996	0.528	0.574
Q5 (c). A strong code of business ethics would enhance corporate governance practices in Saudi banks	135	3.56	0.951	3.70	3.42	3.60	3.57	0.693	0.255	0.910	0.822	0.406	0.522	0.887

4.4. Accountability in Saudi Arabian Banks

The overall mean values presented in table 6 indicate that accountability to the regulators attracted the strongest support (mean = 3.58), suggesting that Saudi banks are seen as having a meaningful degree of accountability to those responsible with overseeing the conduct of the organizations concerned. In contrast, the notion that Saudi banks should be accountable to academics attracted the lowest overall mean (2.71), indicating that some debate exists among the respondents regarding the accountability of Saudi banks to educators. The results also suggested some ambivalence among the participants regarding the view that Saudi banks should be accountable to their clients and employees, with overall means of 3.21 and 3.25 respectively. Surprisingly, the group means show that academics attached a mean of only 2.81 to the statement that banks should be accountable to academics, suggesting a lack of understanding of the notion of accountability and its specific relevance to Saudi banks and/or a degree of cynicism regarding the practical likelihood of substantive change. Similarly, both clients (mean = 3.17) and employees (mean = 2.93, the lowest of any group) were equivocal about their own accountability. In contrast, regulators generated the highest mean (4.05). Taken together, it appears that there is a substantial mis-match between Saudi regulators and other stakeholders regarding banks' accountability, but in practice it is the former group that have the means to address this, ideally whilst educating others about the issues involved. The p-value for the K-W test is significant regarding Saudi banks' accountability to the regulators, while the additional analysis of the differences between the pairs (the M-W test) reveals that regulators generated a significantly higher average than both academics and employees. The participants' perspectives on specific accountability issues in Saudi banks were then addressed.

Similarly, the participants also tended to disagree with the statement that "Saudi banks provide equal access to relevant information to all stakeholders", with an overall mean value of 2.73, and all group means below the midpoint. These results once again point to significant widespread concern about accountability practices in Saudi banks. Given the close link between the accountability concept and the governance notion, it is not surprising that similar concerns appear to exist regarding them. In response to the statement that "bank employees at all levels are accountable for their acts" the respondents generated a mean of 3.25 suggesting some limited support. Although clients, employees and regulators produced means between 3.27 and 3.67, the academics' mean was just 2.97. The M-W test shown in the table indicates that the latter was significantly lower than the regulators equivalent of 3.67. In contrast, the participants strongly agreed with the notion "to facilitate a high level of accountability, banks need to adopt a strong corporate governance system", with an overall mean of 4.04. All four groups generated means close to 4. Regulators produced the highest mean (4.33), and the M-W test reported a significant difference between this group and the clients. Finally, the participants seemed to agree (with a mean of 3.84) with the statement that dealing ethically with all stakeholders is part of a bank's accountability. The spread of means was narrow, from 4 (regulators) to 3.77 (employees) and none of the differences proved significant. Taking the evidence as a whole, it is noticeable that in these cases regulators generated the highest means in four of five statements

suggesting a strong degree of engagement with the notion of accountability on their part; this might be advantageous for the KSA in attempts to improve corporate behavior in this area going forward.

Table 6.
Accountability
in Saudi
Arabian Banks

Questions	No	Mean	StDv	Group Means				K-W P- values	M-W P-values					
				A	C	E	R		A-C	A-E	A-R	C-E	C-R	E-R
Q6a. Banks should be accountable to Academics	135	2.71	1.043	2.81	2.74	2.73	2.43	0.670	0.903	0.958	0.282	0.922	0.255	0.315
Q6b. Banks should be accountable to their Clients	135	3.21	1.095	3.35	3.17	3.07	3.28	0.687	0.589	0.234	0.926	0.530	0.728	0.371
Q6c. Banks should be accountable to their Employees	135	3.25	1.020	3.32	3.32	2.93	3.43	0.398	0.996	0.188	0.777	0.151	0.770	0.149
Q6d. Banks should be accountable to the Regulators	135	3.58	0.917	3.43	3.59	3.43	4.05	0.042*	0.394	0.962	0.022*	0.293	0.060	0.003**
Q6e. Accountability to all stakeholders is understood and fulfilled	135	2.71	1.043	2.73	2.62	2.67	2.95	0.546	0.720	0.843	0.257	0.896	0.169	0.244
Q6f. Saudi banks provide equal access to relevant information to all stakeholders	135	2.73	1.073	2.94	2.51	2.77	2.81	0.356	0.094	0.596	0.774	0.276	0.264	0.897
Q6g. Bank employees at all levels are accountable for their acts	135	3.25	1.104	2.97	3.28	3.27	3.67	0.193	0.208	0.282	0.033*	0.996	0.238	0.274
Q6h. To facilitate a high level of accountability, banks need to adopt a strong corporate governance system	135	4.04	0.876	4.05	3.85	4.10	4.33	0.131	0.234	0.929	0.220	0.233	0.026*	0.156
Q6i. Dealing ethically with all stakeholders is part of bank's accountability	135	3.84	0.905	3.89	3.79	3.77	4.00	0.799	0.837	0.484	0.569	0.760	0.532	0.317

4.5. Accountability from an Islamic Perspective

The responses to the first question in Table 7, indicate some disagreement among the respondents regarding the statement that “Islamic banks and Islamic windows apply Sharia principles in all transactions”; the group means ranged from 2.97 (for employees) to 2.71 (for regulators) with the overall average of 2.81. The K-W and M-W test results confirm similarities in group averages as no significant differences appear between all four or any pair. This result suggests some widespread dissatisfaction among the participants regarding the religious basis of Islamic banking and Islamic window transactions. In accountability terms, Muslims believe that they will account in the hereafter for whatever they do during their life (Lewis, 2006). Relating to this point, the next question sorted whether employees apply the Islamic concept of accountability when dealing with their shareholders, but the mean of just 2.57 suggests concerns in this regard. the Question 7 (c) also attracted some disagreement (mean of 2.64) regarding whether employees apply the Islamic concept of accountability when dealing with all stakeholders. For these two questions, the lowest group means were generated by the academic group (2.32 for Q7 (b) and 2.54 for Q7 (c)), although there were no significant differences between the groups regarding these two questions. However, the results report that the participants tended to agree that corporate governance practices are influenced by the Islamic conception of accountability (with a mean of 3.27 for Q7 (d)). The group means show that academics again produced the lowest mean value of 2.92, while those of clients, employees and regulators were above the midpoint (3.25, 3.3 and 3.52 respectively). The K-W and M-W tests for Q7 (d), indicate some significant differences among the 210 groups, with the academics’ mean significantly lower than the figures generated by employees and regulators. This suggests that the academic conceptualisation of accountability in an Islamic context has not spread widely in Saudi Arabia.

In Islam, the concepts of Shura, Hisba and Sharia Supervisory Board (SSB) are core elements of corporate governance and accountability from an Islamic perspective (Jamila Hussain, 1994). As a result, the participants were questioned about each of these three elements. In relation to the statement in Q7 (e) that “Islamic banks offer all stakeholders the opportunity to participate in the decision making process according to the concept of Shura”, the participants produced a mean of just 2.87, suggesting that some dissatisfaction exists in this regard. The group means indicate that only regulators (3.09) generated a mean higher than the mid-point, while academics - as with the three previous statements - produced the lowest (2.78). Although the differences were not

significant, the low means generated in all cases by the academics clearly point to a miss-match between the views of educators and practitioners that Saudi authorities should be aware of. The overall means for Q7 (f) show that there was also disagreement with the statement that “Islamic banks follow the concept of Hisba in their relationships with their employees” with an overall mean of 2.90. Group means ranged from 3.37 (employees) to 2.52 (regulators). The K-W test emphasized this variety by indicating significant differences across the groups. The M-W test results reveal two significant pairwise differences, between academics and employees and between employees and regulators, with, in this case, the relatively high figure for regulators driving the significant differences. Table 7 also shows that respondents believe the concepts of *Shura* and *Hisba* affect Saudi banks’ attitudes to ethics. The overall mean for Q7 (g) is 3.18, above the mid-point, suggesting some agreement among the participants in regard to this statement, with no significant differences between the groups. Finally, the participants were asked whether the Sharia Supervisory Board (SSB), affects or is affected by banks’ attitude to ethics. The overall mean value (3.40) for this statement suggests that the respondents agreed to some extent with this statement, with all four groups generating results above the mid-point on the Likert scale. The similarity in group attitudes is affirmed by the K-W and M-W tests, since there were no significant differences between the groups. To conclude, the respondents agreed that *Shura*, *Hisba* and SSB, the three aspects of the Islamic concept of accountability, are relevant in an ethical context, but none of the overall or sub-group means exceeded 3.5, suggesting some equivocality on the issue.

Questions	No	Mean	StDv	Group Means				K-W P-values			M-W P-values			
				A	C	E	R	A-C	A-E	A-R	C-E	C-R	E-R	
Q7a. Islamic banks and Islamic windows employ Sharia principles in all transactions	135	2.81	0.956	2.78	2.79	2.97	2.71	0.746	0.992	0.465	0.681	0.428	0.673	0.284
Q7b. Islamic banks ensure that their employees at all levels apply the Islamic concept of accountability in their dealings with their shareholders	135	2.57	0.824	2.32	2.62	2.80	2.57	0.193	0.135	0.045*	0.195	0.399	0.874	0.515
Q7c. Islamic banks ensure that their employees at all levels apply the Islamic concept of accountability in their dealings with all stakeholders	135	2.64	0.910	2.54	2.70	2.63	2.71	0.797	0.455	0.730	0.335	0.749	0.702	0.629
Q7d. Islamic banks ensure that corporate governance practices are influenced by the Islamic concept of accountability	135	3.27	1.052	2.92	3.25	3.53	3.52	0.049*	0.210	0.022*	0.009*	0.264	0.214	0.781
Q7e. Islamic banks offer all stakeholders the opportunity to participate in the decision-making process according to the concept of Shura	135	2.87	1.111	2.76	2.83	2.90	3.09	0.668	0.700	0.749	0.200	0.940	0.296	0.507
Q7f. Islamic banks follow the concept of Hisba in their relationships with their employees	135	2.90	1.081	2.70	2.91	3.37	2.52	0.031*	0.363	0.011*	0.655	0.071	0.238	0.012*

Table 7. Accountability from an Islamic Perspective

5. Conclusion

The main objective of the current study was to begin to fill the gap in the literature regarding reforming and enhancing corporate governance in the Saudi Arabian financial sector by exploring the relationship between corporate governance and business ethics in Saudi-listed banks. Using accountability as a theoretical lens, the findings indicate a strong relationship between corporate governance and business ethics which is seen as having a positive impact on the banks’ practices consistent with previous research (Joyner and Payne, 2002). However, there is no ethical code included in the Saudi corporate governance code, and the latter alone was viewed as insufficient to ensure that the banks behave ethically. Enhancing corporate governance practices by applying a business ethics code was seen as practically important in terms of a bank’s success. The findings suggest that the participating stakeholders had strong beliefs about the importance of corporate governance but were dissatisfied with both how it is being practiced by Saudi banks and the levels of awareness of corporate governance existing in the Kingdom’s banking sector. Whilst the results reveal a high level of agreement among the participants regarding the importance of business ethics in Saudi

banks there was clear dissatisfaction among stakeholders regarding the practice (and broader awareness) of ethics in the sector. Consequently, they also had strong views with the idea of a mandatory ethical code for Saudi banks. More generally, stakeholders acknowledged the relationship between corporate governance and business ethics, emphasizing its importance regarding Saudi banks' success. There was agreement that the notion of accountability to all stakeholders is understood and taken seriously by banks. In general, it appears to be the view of Saudi banks' stakeholders that high levels of accountability require a strong corporate governance system. The need to deal ethically when interacting with all stakeholders was also seen as part of banks' accountability. Finally in terms of accountability from an Islamic perspective, one of the most significant findings in terms of problems with current practice is the disagreement among the respondents relating to employing Sharia principles in all Islamic banks or in Islamic window transactions, which might indicate the existence of some dissatisfaction and misunderstandings of a key religious principle which concur with the findings of (Drennan, 2004).

The current study is the first attempt to explore links between corporate governance and accountability from an Islamic perspective. However, the evidence presented suggests that in the Saudi financial sector, links are also perceived between these notions and the concept of business ethics, suggesting a moral dimension that prior theoretical analyses have ignored. The present study has developed our understanding of how corporate governance practices are perceived in the Saudi financial sector, including how the banks deal with the official code. Given how important this sector is to emerging nations generally, and the Middle East in particular (Kribat et al., 2013), such insights are likely to be highly-relevant to market regulators in the nations concerned. A specific major contribution of the study is the exploration of the impact of the business ethics concept in Saudi-listed banks from the point of view of several stakeholder groups. Limitations to this study such as number of questionnaire surveys and stakeholder participated in this study represent some but not all stakeholders need to be acknowledged thus generalization of the results might be affected.

Further research might usefully investigate this relationship in other sectors of the Saudi market, comparison between the financial sectors in Saudi Arabia and other countries in the GCC could be made. In terms of business ethics, examining the effectiveness of bank codes in further detail or a comparison between conventional and Islamic banks in relation to the business ethics codes in operation. Finally, future research might consider developing business ethics principles that can be included in corporate governance codes.

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