The Effect of Corporate Governance on Insurance Company Performance and Value in Saudi Arabia

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Abstract:

This study aims to The Effect of Corporate Governance on Insurance Company Performance and Value in Saudi Arabia by understanding the role of transparency and integrity in improving the company's reputation and increasing the confidence of beneficiaries, and measuring the clarity of the balance between authority and responsibility and its impact on the effectiveness of employee performance, as well as identifying the role of employee satisfaction in improving the work environment and enhancing transparency, and the relationship between employee satisfaction and the overall level of performance in the company, and knowing how governance applications can contribute to increasing the company's profits. - Evaluating the impact of governance applications on the company's value in the market and improving its investment image, and understanding how the vision and plans of senior management contribute to enhancing the company's commitment to governance and achieving strategic goals. The Quantitative method was used in this study by using questionnaire consist of 22 statements applying to 34 as sample of workers in the financial and insurance sector, including insurance companies, insurance agencies, insurance brokerage, and banks in the third quarter of 2018 in the cities of Jeddah and Riyadh in Saudi Arabia. The study reached a set of useful and important results and provided recommendations for the field of research and decision makers.

Keywords: Corporate Governance, Insurance Company, Performance, Value, Saudi Arabia

1. Introduction

Over the past years in Saudi Arabia the importance of corporate governance increased after the effective actions and progress of the Council of Economic and Development Affairs plans to achieve the Saudi vision 2030 program. As a result, the Saudi economic is more stabling, stronger and more attractive. The companies' number is growing and the emergence of large-scale investment projects appear positively. Moreover, corporate governance became a powerful tool to attract direct investments from both local and international firms. As well as the application of corporate governance, rules of disclosure and transparency as an early warning mechanism to protect corporates against any expected financial risks involved in investment.

This growing economic in Saudi Arabia is demanding more researches and professionals in corporate governance and that's why we choose to focus and write this report on The Effect of Corporate Governance on Insurance Company Performance and Value In Saudi Arabia.

1.1. Background

Corporate governance can be simply defined as the system by which a particular corporate is directed and controlled, this system consists of a collection of processes, rules, and practices that play a substantial role in achieving balance among any corporate's interests. Recently, corporate governance has become of ultimate necessity to all economic systems all over the world, this ultimate necessity stems from the occurrence of many economic crises and scandals that resulted in tremendous damages to all economic systems all over the world. Consequently, a new law has been to be adopted in order to stand against these crises. Corporate governance is that law which is expected to raise the performance and the value of any corporation. Many previous researches assumed that effective corporate governance will undoubtedly result in significant increase in returns; on the other hand, non-effective corporate governance may lead to undesired consequences to the corporate.

Internationally, the word can be categorized into two principal sections: developed countries such as United States and Germany and developing countries such as Russia and India. Adopting corporate governance is essential for any corporate in the world to achieve its goals. However, the implications resulted from adopting corporate governance were mixed rather than being absolute. On one hand, some results indicted positive correlation between corporate governance and firm value and performance. On the other hand, other results indicated that corporate governance did not result in significant changes within corporations all over the world.

As the world can be categorized into two principal sections according to development, corporate governance methodology can be identified into two highlighted models: Anglo-American model and German-Japan model. Anglo-American model is the system in which the owners' wealth and fortune is desired to be maximized; whereas, German-Japan model is the system in which the interests of wide range of stakeholders are targeted. Based on these two categories, we can deduce that Anglo-American model is more adopted and valid for developed countries such as United States; whereas, German-Japan model is much valid for the developing countries such as Turkey and Russia.

In terms of Saudi Arabia, Corporate governance started in Saudi Arabia in 1965 when The Companies Law was established. Unfortunately, during the last decade, the Saudi stock Exchange (Tadawul) has witnessed a significant drop and tremendous losses by losing 980 points in one day and another one after 2 months with 968 points lost in one day and losing collectively 48% of its total markets value. As a result of these events a lot of investors lost confidence, additional corporate reforms were demanded (Ramady, 2006; Editor, 2007). In response, the capital market authority (CMA), adopted the Code of Corporate Governance (CCG), adherence to certain provisions of which are now required by all Saudi-listed companies and one of the listed companies is the insurance firm Al Rajhi Takaful company. As one of the most essential stock markets, requiring the development of a new effective system to tackle and stand against these losses. Thereby, the Code of Corporate Governance (CCG) has been developed. The significance of CCG stems from the fact that the Code of Corporate Governance (CCG) includes transparency, disclosure, rights of shareholders, and preliminary provisions; these constituents are highly essential to secure the effectiveness of any economic system.

As is mentioned above, the world is categorized into two principal sections: developed countries and developing countries. Saudi Arabia can be considered both developing and developed country. On one hand, Saudi Arabia is regarded as a developing country since it lacks some essential requirements such as professional analysts, effective investment, and direct foreign investment. On the other hand, Saudi Arabia can be regarded as a developed country since it includes some essential ingredients of developed countries such as quick adjustment of information and high liquidity which enables Saudi Arabia to effectively react to frequent changes within its stock market. Another feature which may cause Saudi Arabia to be a more developed country that Saudi Arabia relies more on internal sources of financing rather than depending on equity markets and debts to finance its long-term projects.

Therefore, we can obviously see that the Saudi Arabian corporations tend more towards the Anglo-American model, which highly considers the maximum benefit of the corporation's shareholders. There is a significant relationship between corporate governance and firm performance and value; however, based on many previous researches, the consequences of this relationship are such mixed ones that we cannot follow an absolute description of this relationship. These mixed results may stem from the fact that corporate governance rules are interrelated that some rules may substitutes others and others may complement some and do on. In terms of Saudi Arabia, throughout our report, we intend to assess the relationship between corporate governance and firm value and performance. As is known, there is 145 corporations in Saudi Arabia that are listed on the Saudi exchange stock market; however, throughout our research we will shed the light on one of the most highlighted insurance corporations in Saudi Arabia to assess the relationship between its governance and its value and performance, our introduced corporation will be Al Rajhi Takaful.

1.2. Study problem:

Saudi Arabia is regarded is one of the most highlighted stock markets in the world. The sublimity of the Saudi Markets does not only stem from the fact that it is one of the largest oil-producing countries in the world but also this sublimity is attributable to the presence of many distinctive corporations in the kingdom. There are many distinctive corporations in Saudi Arabia, insurance corporations occupy noticeable position in Saudi Arabia. One of the most highlighted insurance corporations is Al Rajhi Takaful Company and this corporation was established in 2009, the corporation provides many services and business products to the individuals in the Kingdom of Saudi Arabia. The company operates in four segments: General, Motor, Health, and Protection and Savings. It offers health, motor, travel, personal accident, liability, contractors' risk, marine cargo, plant machinery, machinery breakdown, and erection all risk insurance products, as well as protection and savings insurance products, such as education, marriage, retirement, investment, level term, remittance protection, and group and credit term Takaful insurance. Due to the economic crises and risks, the governance of Al Rajhi Takaful is essential to achieve the targets of the corporation and meet the needs the needs of individuals of Saudi Arabia. However, there are some limitations that may stand against the effectiveness of the corporation governance in terms of performance and value. These limitations may be summarized into the financial state of the country and the Islamic Shariah that may impose some limitations against the positive relationship between the governance of the corporation and its performance and value results. Therefore, we will shed the light throughout the report on how Al Rajhi Takaful governance is related to the firm performance and value among other insurance corporations in Saudi Arabia.

1.3. Study Objectives:

The main aim of this study:

- Study the effect of corporate governance on insurance company performance and market value in Saudi Arabia.

The following objectives branch out from the main objective:

- Understand the role of transparency and integrity in improving the company's reputation and increasing the confidence of beneficiaries.
- Measure the clarity of the balance between authority and responsibility and its impact on the effectiveness of employee performance.
- Identify the role of employee satisfaction in improving the work environment and enhancing transparency.
- Understand the relationship between employee satisfaction and the overall level of performance in the company.
- Know how governance applications can contribute to increasing the company's profits.
- Evaluate the impact of governance applications on the company's value in the market and improve its investment image.
- Explore the effectiveness of reporting mechanisms in building a safe and integrity-supportive work environment.
- Understand how the vision and plans of senior management contribute to enhancing the company's commitment to governance and achieving strategic objectives.

1.4. Study significance:

This study is of great importance in enhancing the understanding of the relationship between governance applications and a company's financial performance and reputation in the market. It highlights the role of transparency and integrity as essential elements that contribute to improving the trust of beneficiaries of the company's services and increasing employee satisfaction, which is positively reflected in institutional performance. The study also reveals the importance of achieving an effective balance between authority and responsibility within the organizational structure, which enhances decision-making efficiency and business continuity.

The study also highlights the role of employee satisfaction as a key factor not only in improving performance, but also in enhancing ethical commitment and reporting violations. Thus, the study provides insights that help companies apply governance in a way that enhances their market value and establishes their reputation as responsible and innovative institutions in the contemporary business environment.

2. Literature Review

The relationship between corporation governance and firm performance has become a controversial issue in which this relationship can be positive (**Morck et al., 2000**) or negative (**Leihmann et al., 2004**) or none (**Bolton & Von Thadden, 1998**). Accordingly, in this section we aim at introducing different literature highlighting the impact of corporate governance on firm's performance and value.

Corporate Governance (CG) has captured the attention of both international and local investment institutions due its significant role in investment policies. **Gompers et al. (2001)** uphold the fact that corporate governance plays a noticeable role in promoting the profitability of a corporation as well as its long-term sustainability. Accordingly, corporate governance principally contributes in enhancing then image of a corporation among other corporations in the market.

Awan & Jamali (2016) attributed the significant role of corporate governance in investment institutions to two principal reasons: the first one is that governance firms bring low risks and the second one is that governance firms are achieving better rate of return for the owner.

Corporate governance is also believed to play an important role during financial crisis. For instance, the financial crisis 1997-which tremendously affected the growing economics all over the world- had caused marginal impacts on firms featured by strong corporate governance structures (**Joh, 2003**).

Awan & Jamali (2016) conducted a study to explore the impact of corporate governance on financial performance of insurance companies in Pakistan. The results of the study indicated that effective corporate governance practices positively affect the financial performance of insurance companies in Pakistan, boosting the positive relationship between corporate governance and financial performance.

Okwee (2011) conducted a study on SACCO corporations in Uganda to explore the impact of corporate governance on financial performance of these corporations. The results of this study revealed a strongly positive correlation between corporate governance and financial performance of SACCOs. Furthermore, a negative correlation was found between risk and corporation governance practices. Moreover, this study introduced some corporate governance practices that are to improve financial performance (e.g., size of board, skills of members, and dualism of CEO).

Oskar (2012) conducted a study on insurance corporations in Poland during the financial crisis in Poland to explore the relationship between corporate governance and financial performance in these corporations. The results of this study implied that corporate has a positive impact on financial performance in these corporation. Moreover, effective corporate governance practices result in increasing the dividends and rate on assets.

The Australian Treasury (2012) conducted a study on 300 top financial corporations in Australia to explore the relationship between corporate governance and financial performance in the light of Australian context. The results of this study indicated that corporations that were adhere to corporate governance practices and guidelines achieved much better performance than corporations which were not adhere to the same practices, indicating that there is a positive relationship between corporate governance practices and financial performance and value of corporations.

Maher & Anderson (1999) conducted a study to explore the relationship between corporate governance and firm performance and growth in overall economy. The results of the study indicated that corporate governance has a significant impression upon equity markets, entrepreneurship, and economic growth. Results implied that weak corporate governance practices may result in eroding the value of financial performance of corporation over time. This study also highlighted corporate governance policies that should be adopted by policy makers to secure benefits while ensuring that not negative impacts will impinge upon development of equity markets.

Otieno (2011) conducted a study on 44 commercial banks in Kenya to explore the impact of corporate governance on the financial performance in these banks. The results of this study revealed that corporate governance practices play such a noticeably significant role in enhancing the stability and liquidity of financial banks. Moreover, this study upholds that the four principal factors of corporate governance (CGPO, DPP, CGPR, and SRR) represent about 22.4% of the financial performance in these banks.

Ndung (2013) conducted a study on 36 insurance companies in Kenya to explore the impact of corporate governance practices on financial performance of these insurance firms.

The results of this study implied the following: the number of board sub-committees has a significantly positive influence on financial performance in these firms, high ratio of dependent directors/independent directors in composed board has a positively significant impact on the financial performance in these firms, creating a combination between the board and board sub-committees contributes to a significant extent in enhancing financial performance of these insurance firms, the number of board meetings negatively affect the financial performance in these insurance firms, and the age and experience of insurance corporation positively influences its financial performance.

Wanyama & Olweny (2013) conducted a study to explore the impact of corporate governance and financial performance of insurance corporations in Kenya. The results revealed a strong correlation between corporate governance variable (board composition, leverage, board size, and CEO duality) and financial performs in these firms. In this regard, board size was found to negatively affect financial performance of firms while board composition was found to bring positive influence upon financial performance of these firms.

Wang et al. (2017) conducted a study on 35 insurance firms in Taiwan in order to explore the impact of corporate governance variables on financial performance and value in these firms. The results of this study indicate that board structure (smaller ones) plays a crucial role in improving financial performance in insurance corporations. In addition, CEO duality negatively affects allocative efficiency.

Loderer & Waelchli (2009) confirmed that corporate governance variables play a significant role in the financial performance and value of investment institutions, especially the age of firm. They asserted that age of firm is positively correlated to its financial performance.

Shen & Lin (2010) conducted a study on 183 financial firms in Taiwan in order to explore the relationship between corporate governance and firms' profitability and stock of returns. The results of this study confirmed that strong-governance firms achieve greater stock results and profitability in comparison to weak-governance ones.

Reddy et al. (2010) conducted a study on 340 financial corporations – which apply good governance policies – in New Zealand in order to explore the role of effective governance policies in supporting financial performance and value of corporations. The results of the study implied that these effective-governance practices in these firms have a significant impact on its financial performance in the market.

Subramaniam et al. (2009) conducted a study top Australian exchange financial corporations to find out the impact of corporate governance on risk management and profitability in turn. The results indicated that board leadership and board size both play a substantial role in managing risks and achieving returns and profitability for these corporations, asserting that corporate governance is strongly correlated to financial performance and value of corporations.

Sreih (2009) conducted a study on 116 family firms in Lebanon in order to explore the influence of governance configurations on the value and performance of corporation. The results of the study indicated that corporate governance -representing in family relationship and leadership- has a positive impact on the value and performance of financial firms.

Brown & Caylor (2004) aspired to explore the relationship between corporate governance and financial performance in USA. Intended to explore this relationship, they examined the most highlighted corporate governance factors which are strictly coherent to financial performance of USA corporations. The results of this study revealed that effective-governance firms achieve better profitability and stability and pay out more cash to its stakeholders while normal firms which lack effective governance practices may suffer some limitations and challenges regarding its profitability and value over time.

Sakai & Asaoka (2004) conducted a study to explore the relationship between corporate governance and firms' performance in Japanese sector. The results of the study confirmed that corporate governance plays a significant role in improving the productivity and value of firms. Furthermore, results indicated that governance configuration - either marker-based governance or debt-based governance – tremendously improves financial performance of corporations.

Megginson (2000) argued the significant role of corporate governance in improving the financial performance and value of corporations. He admitted that in case the components of corporate governance are designed effectively with each other, these components would undoubtedly contribute in not only maximizing the value of a corporation but also protecting the legitimacy of its stakeholders. He further recommended that corporations have to take into consideration the necessity of reforming its internal laws to comprehensively serve performance and value of corporation.

Dwiri (2015) conducted a study to explore the contribution of corporate governance in promoting the value and performance of Amman financial companies. He upholds that the application of corporate governance applications plays a significant role in maximizing the value of corporation through market. He highlighted ownership structure as the most effective component of corporate governance in promoting the value of corporation in market.

Toumar (2008) conducted a study to investigate the relationship between corporate governance and bank performance. In his study, Toumar highlighted three principal components of corporate governance: ownership structure, board composition, and board size. Regarding ownership structure, the results indicated that institutional majority ownership results in best bank performance. Regarding broad composition, the results confirmed that a combination in shares between managers and members brings out efficiently significant outcomes pertaining productivity and performance. Regarding board size, the results asserted that the number of members in a board does not have an impact on the performance of bank.

Mansur & Tangl (2018) conducted a study of stock exchange companies in Jordan in order to investigate the relationship between corporate governance and financial performance in these companies. The results of this study revealed a strong positive relationship corporate governance and financial performance and value of companies in which ownership structure has the most significant influence on firms' performance.

Fekadu (2015) conducted a longitudinal study on Ethiopian insurance corporations to investigate the relationship between corporate governance and financial performance in these corporation in reference to measuring the rate on assets in these corporations. However, and surprisingly, the results revealed a non-significant relationship between corporate governance and financial performance.

Badriyah et al. (2015) conducted a study on non-financial corporations in Indonesia to investigate the impact of corporate governance on performance and value of these corporations. The results revealed that corporate governance plays a substantial role in developing the performance and value of corporation through its contribution in forming Risk Management Committee (RMC) where RMC is directly related to boosting the performance and value of corporations.

Mwangi (2013) conducted a study to investigate the relationship between corporate governance practices and firm performance where firm performance was measured in the light of ROA and REO. The implications of the study asserted a strong relationship between corporate governance and firm performance. In this regard, board composition – as one of the most essential components of corporate governance – positively influences the performance of firms.

Moreover, distinguishing between the role of CEO and Chair also affects firms' performance positively.

Coleman (2007) stipulated that firms' value is enhancing by increasing the board size in alignment with providing this large board with autonomy and independence. Moreover, it was found that CEO' serving as a Chair negatively affects the profitability and financial performance of corporations. It is recommended for firms' boards to be diversified in which women play a role in cooperation with men since this diversity is believed to play a significant role in boosting firms' value and financial performance (**Coleman, 2007**).

Baliga et al. (1996) asserted the strong relationship between corporate governance and firm performance. This study indicated that it is very significant for any corporation to improve its governance due to the potential role of governance in enhancing the value and performance of corporation, especially due to complexity within corporation.

Cui & Mark (2002) uphold the strong impact of effective ownership concentration on the value and performance of corporation.

Vo & Nguyen (2014) conducted a longitudinal study on 177 financial companies Vietnam to investigate the relationship between corporate governance (namely: CEO duality, board size, board independence, and ownership concentration) and firms' performance and value. The results imply some essential implications as follows: CEO duality is positively correlated to the performance of firm, the relationship between managerial ownership and firm performance undergoes noticeable changes of structural nature, board independence is negatively correlated to firm performance, and finally board size is found to positively influence firm performance.

Vu & Nguyen (2017) conducted a study on 137 Singaporean companies to investigate the relationship between corporate governance including board size, CEO duality, and board dependence from one side and firm performance from the other side. The results of this study revealed that board size is negatively associated with firm performance while both CEO duality and board dependence are not of significant impact on firm performance.

Datta (2018) conducted a study on 10 insurance companies in Bangladesh. The objective of this study was to investigate the impact of corporate governance (namely: board size, board composition, board meetings, and board audit committee on the performance of insurance companies in Bangladesh by using ROE as a measurement of firm performance. The results of this study are as follows: board size is positively related to ROE, board meetings are positively related to ROE, board composition are negatively related to ROE, and finally no significant association was found between board audit committee and ROE.

Mohan & Chandramohan (2018) conducted a study on 30 firms in India to investigate the impact of corporate governance on firm performance. The results of the study indicated that: the duality of CEO and board size have significant negative impacts on the performance of firms; whereas, board composition revealed no significant influence on firm performance. Moreover, this study recommended the necessity of separating the post of Chair and CEO in order to enhance and improve performance and value of corporation.

Anderson & Reeb (2004) argued the impact of board composition on the performance of a firm, suggesting that board composition brings out mixed results. On one hand, few studies indicated the positive impact of board composition on firm performance. These studies attribute the negative impact of board composition on firm performance to the possibility that higher number of outside directors will bring about low financial leverage. One the other hand, other studies asserted positive impact of board composition on firm performance. These studies attribute the positive impact of board composition on firm performance to the possibility that outside directors will enhance the effectiveness of the firms to protect itself from environmental threats due to their high skills, knowledge, and experience.

Buallay, Hamdan & Zureigat (2017) conducted a study on 171 listed financial companies in Saudi Arabia to investigate the impact of corporate governance on firms' performance. Data were collected from the Saudi Stock Exchange (TADAUWL). Firm performance was measured through three principal measurements: ROA, ROE, and Tobin's Q. The results of this study revealed that firms that adopt governance policies represent 61.4% of the Saudi Stock Exchange; however, no significant impact was found on both operational and financial performance within these corporations which adopt governance policies. On the other side, ownership and size of directors' board were found to significantly influence the performance of these firms.

Al-Ghamdi & Rhodes (2015) used 792 observations from the period 2006 to 2013 in order to investigate the impact of corporate governance (namely: ownership) on firms' performance in Saudi Arabia by using ROA as a measuring tool of firm performance. However, the results revealed no significant impact of ownership on firms' performance.

Faltah & Dickens (2012) used 292 observations from the Saudi Exchange Market during the period 2006 to 2009 to explore the impact of corporate governance on firms' performance by using ROA (Rate on Assets) as a measurement tool. The results of this study uphold the fact that there is no relationship between corporate governance and firm performance.

AlNemer (2016) conducted a study to explore how corporate governance policies are adopted in insurance corporations in Saudi Arabia by investigating various approaches of corporate governance in nine Takaful Operators (TOs) in Saudi Arabia. The results of this study indicated poor governance policies through these nine TOs. Accordingly, researcher recommended the necessity of launching the conceptual framework of corporate governance in insurance firms in Saudi Arabia to boost its value and performance among other insurance firms worldwide.

Darweesh (2015) conducted a study on 116 firms in Saudi Arabia to find out the effect of corporation governance on both corporate financial performance and market value. The results of the study –using regression analysis- confirmed a statistically significant positive between corporate governance and both corporations' financial performance and market value, contributing in building confidence in the Saudi capital market and improving the lives of stakeholders and community in general.

3. Methodology

The Quantitative method was used in this study, in order to determine causal relationships and expectations, and to utilize measurement and numerical data to obtain evidence from theoretical bases, to find out at the end the conclusion by conducting a questionnaire to collect responses by interviewing insurance professionals working in firms adopted the same model of corporate governance. This study was conducted in the third quarter of 2018 in the cities of Jeddah and Riyadh in Saudi Arabia.

3.1. Study Sample and community:

The study population was represented by workers in the financial and insurance sector, including insurance companies, insurance agencies, insurance brokerage, and banks, with experience, men and women in Jeddah and Riyadh in Saudia Arabia. The sample consisted of 34 respondents.

3.2. Study tool:

An electronic questionnaire was used, the questionnaire consisted of twenty-two questions. The first part contained 7 questions on the characteristics of the study sample, and the second part contained 15 statements to study the study sample's response to the effect of corporate governance on insurance company performance and market value in Saudi Arabia.

3.3. Statistical Analysis

A five-point Likert scale was used in this study, this scale helps improve the reliability of the results as participants can answer consistently when the experiment is repeated, which increases the stability and reliability of the results obtained.

SPSS program was used to analyze the results and the percentage of response of the study sample.

4. Results and Discussions:

In first part of this section, we will analyze the characteristics of the study sample for demographic data, which includes six questions as follows: gender, place of work, place of residence, level of current position, main responsibility of current position, making business decisions is part of your current duty, number of years of experience.

In the second part, the respondents' response to the questionnaire questions related to the study topic will be discussed.

4.1. Demographic data of respondents

The first part consists of 7 questions to find out the characteristics of the respondents and the results are as shown in Table No. 1.

Table No. 1. Characteristics of the respondents

#	Questions	Answer	Response	percentage 100%
1	The gender	Male	29	85.29%
		Female	5	14.71%
2	Years of experience in insurance	1 to 5 years	9	26.47%
		6 to 10 years	15	44.12%
		11 to 15 years	7	20.59%
		16 to 20 years	0	0.00%
		Above 20 years	3	8.82%
3	The level of current position	Higher management	7	20.59%
		Head of department	5	14.71%
		Unit manager	9	26.47%
		Supervisor	8	23.53%
		other	5	14.71%

4	Currently working for	Insurance company	12	35.29%
		Insurance Agency	6	17.65%
		Insurance broker	4	11.76%
		Banks	2	5.88%
		Other.	10	29.41%
5	Place of residence	Saudi Arabia	34	100%
		Other.	0	0%
6	The main responsibility for current position	Strategic planning	2	5.88%
		Operation management	13	38.24%
		Sales management	17	50.00%
		Claims management	0	0.00%
		Other	2	5.88%
7	Is taking business decision part of your current duty	Yes	24	%70.59
		No	10	%29.41

It appears from Table No. 1 that the number of males was 85.29%, and females 14.71%, which gives the impression that most of the respondents were males, and the highest years of experience among the respondents were 6 to 10 years at a rate of 44.12%, and for the current position, Unit manager came in first place at a rate of 26.47%, and Head of department at a rate of 14.71%, and the representation of senior management in the respondents' responses was 7 individuals at a rate of 20.59%, which gives strength to the results as senior management represents more familiarity with The Effect of Corporate Governance on Insurance Company Performance and Value in Saudi Arabia. The current workplace was Insurance company at 35.29%, Insurance Agency at 17.65%, and other places at 29.41%. The respondents' response to the main responsibility for current position came in first place is the Sales management at 50.00%, followed by Operation management at 38.24%.

In the last question of the participants' data related to "Is taking business decision part of your current duty?" It indicates that the majority of survey respondents, 70.59%, have responsibilities related to making business decisions within their current roles. This reflects that these respondents hold leadership positions or include strategic responsibilities, where they have a direct impact on the company's performance and strategic direction.

They are often part of executive processes and influential decisions in the context of governance, which enhances their understanding and engagement with governance principles and their impact on the company's performance and value, and those who answered "no" were 29.41%.

4.2. Analysis of study data according to respondents' responses

In the second part, the respondents' response to the study data was analyzed. The respondents' response was taken according to the five-point Likert scale, as it provides a flexible and easy way to measure the respondents' attitudes and responses towards the study topic. The results of fifteen questions were as in Table No. 2.

Table No. 2. Percentages, sample number and order of the statements of the second axis

#	Statement	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree	Response rate %
1	There is always commitment with the professional ethics when providing any service	19	10	2	2	1	100%
		55.88%	29.41%	5.88%	5.88%	2.94%	
2	There is no difference in benefits between higher management and rest of staff.	2	5	5	17	5	100%
		5.88%	14.71%	14.71%	50.00%	14.71%	
3	Management financial decisions were transparent and clear to all.	3	10	9	9	3	100%
		8.82%	29.41%	26.47%	26.47%	8.82%	
4	The company aims to gain profit but customer's satisfaction is the priority.	9	14	6	3	2	100%
		26.47%	41.18%	17.65%	8.82%	5.88%	
5	Corporate social responsibility is part of the company objectives and vision.	6	10	6	6	6	100%
		17.65%	29.41%	17.65%	17.65%	17.65%	

6	Higher management has clear strategic vision and future plans for corporate governance applications.	8	17	6	3	0	100%
		23.53%	50.00%	17.65%	8.82%	0.00%	
7	The company gains a good reputation in the market because of the level of transparency and integrity with all service beneficiaries.	12	9	6	6	1	100%
		35.29%	26.47%	17.65%	17.65%	2.94%	
8	Higher management work to achieve balance in interest of all beneficiaries.	8	18	5	1	2	100%
		23.53%	52.94%	14.71%	2.94%	5.88%	
9	The company has advanced administrative systems to achieve better execution for decision-making and work continuity.	7	12	9	5	1	100%
		20.59%	35.29%	26.47%	14.71%	2.94%	
10	There is a clear mechanism to report any misconduct or corruption suspicion in the company.	7	19	6	2	0	100%
		20.59%	55.88%	17.65%	5.88%	0.00%	
11	There is a balance between authority and responsibility on every level of the company structure.	3	15	10	5	1	100%
		8.82%	44.12%	29.41%	14.71%	2.94%	
12	The current level of staff satisfaction helps to detect any misconduct or corruption.	5	18	5	5	1	100%
		14.71%	52.94%	14.71%	14.71%	2.94%	

13	The company believes that staff satisfaction is the key for better performance.	10	13	3	6	2	100%
		29.41%	38.24%	8.82%	17.65%	5.88%	
14	Current applications of corporate governance helped to increase the company profit.	4	20	6	2	2	100%
		11.76%	58.82%	17.65%	5.88%	5.88%	
15	Current applications of corporate governance helped to increase the market value of the company.	4	12	5	10	3	100%
		11.76%	35.29%	14.71%	29.41%	8.82%	

It appears from Table No. 2 the Participants agreed with a majority of 55.88% strongly agree and 29.41% strongly agree with the statement "There is always commitment with the professional ethics when providing any service." This indicates that there is a strong sense and conviction among the majority of the importance of adhering to professional ethics, which may reflect an ethical culture rooted in the work environment or organization to which they belong.

Participants disagreed with a majority of 50.00% disagreed and 14.71% strongly disagreed to the statement "There is no difference in benefits between higher management and rest of staff." This means that 64.71% of the participants believe that there is a difference in benefits between senior management and the rest of the employees. This indicates a common belief that senior management receives benefits and advantages that exceed what other employees receive.

Participants' responses were similar, with 35.25% disagreeing and 38.23% agreeing, with varying degrees, to the statement "Management financial decisions were transparent and clear to all." This finding may reflect challenges management faces in communicating financial information clearly to all employees. There may be a lack of mechanisms for conveying information or a reliance on indirect channels, which makes some feel transparent and others feel the opposite.

The majority of participants agreed with the statement “The company aims to gain profit but customer’s satisfaction is the priority” with 67.65% agreement. This result reflects a strong belief among participants that the company focuses on customer satisfaction as a primary goal, and this indicates an organizational culture that may be rooted in the company where great importance is given to customer experience and satisfaction.

The majority of participants agreed, with 47% agreeing, to the statement, “Corporate social responsibility is part of the company objectives and vision.” This finding reflects that there is variation in the extent to which a company is committed to social responsibility, or in the visibility of these initiatives to everyone. Some employees may feel that social responsibility is not always at the forefront of the company’s priorities, and that other goals, such as making a profit or expanding the business, take precedence.

The majority of participants agreed with the statement "Higher management has clear strategic vision and future plans for corporate governance applications," with a rate of 73.53%. The high approval rate for this outcome indicates that employees have great confidence in senior management and its ability to clearly direct the company. This reflects the participants’ feeling that leadership has a clear vision for implementing governance and that it effectively communicates this vision with employees.

35.29% of participants strongly agreed with the statement "The company gains a good reputation in the market because of the level of transparency and integrity with all service beneficiaries." This finding indicates that transparency and integrity are key factors that contribute to building a company's reputation.

Participants' response was somewhat in agreement with 52.94% of the statement "Higher management work to achieve balance in interest of all beneficiaries." This finding suggests that senior management may already be partially committed to balancing the interests of all stakeholders, but there is a feeling among participants that this commitment is not complete or needs improvement.

Participants strongly agreed (20.59%), somewhat agreed (35.29%), and were unsure (26.47%) to the statement "The company has advanced administrative systems to achieve better execution for decision-making and work continuity." This result reflects the participants’ awareness of some improvements or advanced practices that enhance decision-making efficiency and business continuity.

The majority of participants agreed with the statement, "There is a clear mechanism to report any misconduct or corruption suspicion in the company," with 76.47% agreeing. This result reflects employees’ feeling that the company is serious about combating corruption, and supports a culture of transparency and integrity. And that the company has clear and effective procedures that can be used to report violations.

Participants responded with 44.12% agreement and 29.41% uncertainty to the statement "There is a balance between authority and responsibility on every level of the company structure." This finding indicates that there is a perception that there is some balance between authority and responsibility, but it is not comprehensive or clear to all employees. The company needs to enhance transparency in the distribution of powers and responsibilities and clarify the organizational structure so that all employees feel adequately supported to perform their tasks effectively.

The majority of participants agreed with 67.65% of the statement: “The current level of staff satisfaction helps to detect any misconduct or corruption.” This finding indicates that employee satisfaction plays a vital role in fostering a transparent and supportive work environment, which helps in uncovering any inappropriate behavior or corruption.

The majority of participants agreed with the statement, "The company believes that employee satisfaction is the key to better performance," with 67.65% of the respondents agreeing. This result confirms that job satisfaction is a strategy for achieving sustainable success.

The majority of participants agreed with the statement, "Current applications of corporate governance helped to increase the company profit," with 70.58% agreeing. This result confirms that the governance applications in the company are effective and contribute directly to achieving profits.

The participants' answers were close, with 47% agreeing and 38.23% disagreeing with the statement "Current applications of corporate governance helped to increase the market value of the company. This finding confirms that governance applications still need to be developed or implemented more effectively, especially if they aim to directly increase market value.

4.3. Summary of results:

Based on the analysis and interpretation of the results, the results of the study can be summarized as follows:

- The percentage of participants in the study was male in majority, and the number of years of experience was 6 to 10 years in majority, followed by 1 to 5 years. The position came in order: Unit manager, Supervisor, Higher management, Head of department.

- Most of the participants work in an insurance company, followed by an Insurance Agency, then Insurance broker, and all participants are in the Kingdom of Saudi Arabia.

- The main responsibility for current position in order Sales management, Operation management, Strategic planning. and is taking business decision part of your current duty; Yes (70.59%), No (29.41%).

- The majority of participants believe that the company has a good reputation due to its commitment to transparency and integrity with beneficiaries.

- Participants see a relative balance between authority and responsibility, but some feel a lack of clarity about this balance.

- Participants believe that current employee satisfaction contributes to revealing inappropriate behavior, which enhances transparency.

- There is general agreement that the company believes that employee satisfaction is a key factor in achieving better performance.

- The majority of participants believe that governance has contributed to increasing the company's profits and improving its efficiency.

- Some see that there is a limited impact of the impact of governance on market value, while others see a need for development.

- Most participants agree that there is a clear mechanism for reporting violations, which enhances trust among employees.

- The majority of participants believe that senior management has a clear vision and future plans for implementing governance, which enhances their confidence in the company's leadership.

5. Conclusion

Corporate governance is very essential for any economic system all over the world since it plays substantial role in achieving balance within a corporation's resources and standing against radical changes within it. Internationally, corporate governance has grabbed the attention of many international corporations all over the world. As one of the biggest oil-producing countries in the all over the world, Saudi Arabia is regarded as one of the most highlighted stock markets globally. Saudi Arabia is regarded as a developed country rather than being a developing one due to many reasons such as high liquidity of the Saudi Market; therefore, the Anglo-American govern ate model is principally adopted by all firms and corporations in Saudi Arabia since the Anglo-American aspires to maximize the benefits of owners and shareholders.

One of the most pioneering corporations in Saudi Arabia is Al Rajhi Takaful Insurance Corporation which provides a wide collection of services to individuals in Saudi Arabia. Although corporate governance is expected to be of all-time positive effects on the performance and value of any corporation, the results of many corporations in the world were mixed due to many reasons such as the nature of market, factors determining the financial funds of the economic system, and many other marginal reasons. In terms of Al Rajhi Takaful Insurance Corporation in Saudi Arabia, the relationship between the corporate governance on one hand and the corporation's value and performance from the other hand is assessed using a previously-used and international corporate governance index which consists of many highlighted characteristics such as board size and frequent meetings of the board. These characteristics are accurately analyzed in order to identify the effect of corporate governance on performance and value of the firm. Results showed two principal points: the first is that there is no significant relationship between the governance of Al Rajhi Takaful and the performance of the corporation due to the obstructions imposed by Islamic Shariah that call for achieving balance between owners' benefits and Shariah, and the second point is that there is a strong positive effect of the governance of Al Rajhi Takaful on the value of the firm which is clearly explained by the effect of CG characteristics on the value of the firm.

6. Recommendations

In order to raise the performance and value of Al Rajhi Takaful corporations in terms of the corporate governance model, some recommendations can be adopted as follows:

1. Enhancing the legitimacy of corporate governance policy within the corporation in order to overcome various obstructions that may stand against the effectiveness of corporate governance for the corporation.
2. Assessing the market response to the change in corporate governance, trying to get an in-depth sight towards the real role played by corporate governance.
3. Enhancing transparency and disclosure in the corporation by considering board meeting and transparent policies and guidelines.
4. Investigating the effect of firm structure on the effectiveness of corporate governance adopted by the corporation.
5. Taking advantage of corporate governance's policies adopted by other developed countries such as United States.

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