

## The Impact of Corporate Governance on Emerging Financial Markets: Insights from the Egyptian Stock Exchange

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### Abstract:

This study aims to highlight the need to implement corporate governance mechanisms in emerging financial markets and the extent to which they contribute to the activation of these markets by studying the relationship between corporate governance and the performance of the stock market and the Egyptian stock exchange by applying to 10 Egyptian companies. The study found that the good application of corporate governance principles contributes to the activation of financial markets because of the importance of governance in enhancing confidence among dealers in the market and increasing the credibility and transparency of information, which is the basis for raising their efficiency. Therefore, the application of corporate governance in emerging economies is a necessary requirement for the advancement of their financial markets, which attracts investors to the market, especially foreign investors, who are the most important elements of the market. However, this is not possible if the appropriate opportunities and the high returns on investment are.

**Keywords:** Corporate Governance, Financial Markets, Transparency, Egyptian Market, IOSCO.

### Introduction:

The progress that the world has witnessed over the past few years is progress that has not been seen for years. Every time the human mind reaches a stunning advance, it leads the human mind to something that is no longer impossible, given the multiple developments in modern technologies through governance and digitization (Hanisch, Goldsby, Fabian, & Oehmichen, 2023), etc. Corporate governance is concerned with how and why things are organized in the company, where the authority, accountability and decision-making bodies are identified in the age of digital transformation (Cordery, Goncharenko, Polzer, McConville, & Belal, 2023). In essence, the Council is a group of tools that helps to manage business more successfully and manage business problems more than ever. The Corporate Management is in the Department Business The (Costabile, 2023).

Corporate governance is described by the author, GabriELLE O'Donovan, as "internal policies that include system, processes, and people, that serve the needs of shareholders and other stakeholders, by guiding

and monitoring good business management activities with objectivity and integrity excellent corporate governance as well as a healthy culture that includes

safeguards for policies and operations, as well as The cost of raising capital as well as the price of the stock can be impacted by how well corporate governance is perceived. Financial markets, laws, and other external market forces, along with the way policies and procedures are carried out and the way individuals are led, all influence quality. In large part, external forces are, outside the control of any environmental management. It is an internal matter, and is an entirely different matter for companies to resolve it through a wide debate on the management, and even the cultural competition. In order to prevent fraudulent activities, it focuses on legislative policy as well as a transparency policy that misleads executives into treating symptoms rather than causes.

#### **Research Problem:**

The research is problematic in highlighting the importance of applying governance principles and measuring their impact on the confidence of customers and investors to help shareholders and stakeholders effectively monitor management by looking at how to diagnose the legal basis and the legal mechanisms of relying on corporate governance for AI systems.

#### **Research goals:**

- Learn about corporate governance and its relationship to capital.
- Highlight the principles of governance in the revitalization of the stock market.
- Statement of the impact of the quality of accounting information on the activation of the stock market.

#### **Research hypotheses:**

- Application of corporate governance principles can be one of the main reasons for the quality of accounting information.
- The application of governance principles is a key element in attracting investors in securities.
- Many countries have been able to revitalize their economies and financial markets by implementing governance.

#### **Methodology:**

The study relied on a descriptive and analytical approach, by extrapolating and analyzing the study, research, books and periodicals that are related to the topic of research, namely, the governance of the companies and their impact on the revitalization of the stock market, in order to identify the theoretical basis for the

application of governance, as well as the mechanisms and concepts of corporate governance that can be utilized in the development of modern institutions. The study included the following studies: Corporate Governance and its impact on the revitalization of the stock market.

**Research questions:**

- What is corporate governance?
- What is the stock market, and the terms of its establishment?
- What is the market value of Egyptian companies and their share in the stock market?

**Literature Review:**

Result	Goal	Study	Researcher
The study confirmed the increase in investor confidence in securities as a result of corporate governance, which enhanced the circulation of market securities and increased the value of companies	The study highlighted investor morale, corporate social responsibility and financial performance applying to Japanese companies	“Investor sentiment, corporate social responsibility, and financial performance: Evidence from Japanese companies. <i>Borsa Istanbul Review</i> , 22(5), 911-924”.	Vuong, N. B. (2022).
The results of the study confirmed that 99% of the total sample confirmed their confidence in securities whenever the company relies on financial governance	The study aimed to learn the impact of corporate governance and profit management for listed companies in Vietnam through the application of 800 manually compiled identifications	“Corporate governance and earnings management: Evidence from Vietnamese listed firms. <i>International Review of Economics &amp; Finance</i> , 89, 775-801”.	Nguyen, Q., Kim, M. H., & Ali, S. (2024).
The study’s findings suggest that foreign IPOs are choosing a host market where	The study aimed to measure the impact of good corporate	“The Effect of Good Corporate Governance on Investment	Wahyudi, S. M., & Chairunesia, W. (2019).

Result	Goal	Study	Researcher
corporate governance is concerned	governance on investment and profitability decisions and their impact on corporate value	Decisions and Profitability and Its Impact on Corporate Value. <i>International Journal of Academic Research in Accounting, Finance and Management Sciences</i> , 9(3), 140-149.”	
Sound corporate governance is important because it provides a framework for companies to follow, which can help improve transparency, accountability and foreign investor confidence.	Examining the impact of corporate governance on investor confidence	“Study of the influence of corporate governance level on investors’ confidence. <i>Canadian Social Science</i> , 12(5), 8-16”.	Li, X. L., Lai, J. J., & Tang, J. (2016).

### Study terminology:

**Market value:** is generally used interchangeably with open market value (Petry, Koddenbrock, & Nölk, 2023), fair value, and fair market value, though these terms have different meanings depending on the context and may vary in some cases. Market value is the price at which an asset is traded in a competitive auction.

**Securities:** The term securities refers to any tradable financial instrument, including some common examples such as stocks and bonds (Yu, 2013), securities can also be defined in another way as financial contracts that give the owner a stake in a particular asset and which can be bought and sold (Securities, 2014).

**The stock market** is the place where securities such as stocks and bonds are issued and exchanged, and through which sales and purchases take place in the physical place known as the stock exchange, or in our time, through the Internet (Colors, Baabdullah, Dwivedi, Rana, Lal, & Raman, 2021). The exchange is a place for the issuance and exchange of securities, such as stocks and bonds through which sales and purchases take place either in the physical place known as the stock exchange, or in our time.

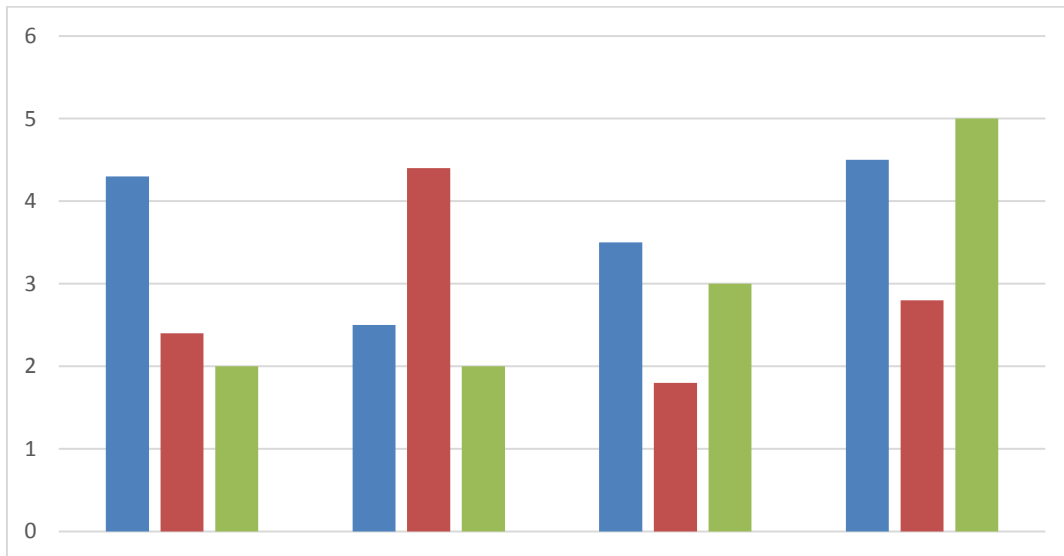
**Financial accounting:** An accounting branch that is competent to record, classify, summarize, interpret and display historical accounting information on financial position (financial position list), financial performance (income list) and cash flows in accordance with a set of accounting (Sloan, 2001) standards, which belong to public shareholders and is available to all decision makers, whether inside or outside the enterprise.

**International Organization of Commissions on Securities (IOSCO):** is a global association of securities regulators that works to promote equitable, effective, and transparent markets. The Organization for Economic Cooperation and Development (OECD) is a key player in determining the regulatory framework globally, as its recommendations frequently serve as benchmarks for laws in various jurisdictions. It is imperative that businesses that operate in international capital markets comprehend the recommendations of the OECD

The Egyptian (Dahawy & Conover, 2007) Stock Exchange recorded record gains of more than 181 billion pounds from the beginning of January trading until the end of last week in terms of both market capital and index increases, especially its main index. The market value of the 10 largest companies recorded about 392.5 billion pounds, with the International Commercial Bank of Egypt topping the list with a market value of about 125.3 billion pounds. Table 1 shows stock trading companies in the Egyptian market. While figure 1 illustrates the impact of corporate governance on investors.

**Table (1) Stock trading companies in the Egyptian market**

Market value	Company Name	Tianjin Normal Order
125.3 billion pounds.	International Commercial Bank CIB	11
47.1 billion pounds.	Abukir Fertilizers and Chemical Industries Company	2
44.5 billion pounds	Egyptian Telecommunications Company Wi-WE	3
36.5 billion pounds	National Qatar National Bank	4
34.2 billion pounds.	E. Finance and Digital Investments	Five
32.4 billion pounds.	Misr Company for Fertilizer Production Mobaku	6
32.3 billion pounds.	Eastern Tobacco Company	7
27.6 billion pounds	Alexandria Container and Cargo Trading Company	8
24.5 billion pounds	Swedish Electric Company	9
20.4 billion pounds	EFG Hermes Holding	10



**Figure 1: Impact of corporate governance on investors**

Governance operates according to many laws and rules that are applied in the world of business, often under a particular system, empowering individuals to accomplish their tasks as well as enabling the implementation of plans actually made on the ground (Elgarhy, Abou-Shouk, & Fayed, 2019). Through governance, many decisions are made about investment operations and investors, which in turn develop and increase the percentage of profits achieved, enabling investors to choose companies and good alternatives to invest in.

Through the financial lists issued at the end of the fiscal year, investors receive a lot of information on the basis of which they make their investment decisions, such as the Iraqi Stock (Majeed, 2022) Market. Thus, governance helps investors make the right decisions and enables them to choose successful companies with the regulations and laws that deter them and achieve the largest possible profit. Any administrative regulatory work that coordinates tasks and functions among working individuals is a positive thing that will achieve positive results that enable the sharing of big (Graef & Prüfer, 2021) data.

**The role of corporate governance by supporting the private sector**

The private sector contributes to public sector and community support in various respects, and private-public partnership is essential; To ensure the coordination of actions and the matching and distribution of tasks between the two sectors, the private sector has become an important part of societies and it has become necessary to preserve and develop it to take advantage of the many advantages it offers communities.

Through governance, systems of governance and their various laws that apply to companies in the private (Macaulay, 2020) sector, companies can develop their capabilities and accomplish many of the goals and plans that were formulated at

the beginning of the stages of business. Ultimately, governance harmonizes societies in all areas. Through governance, all the like-for-like laws are imposed that will regulate work in the private and public sectors, and equalize individuals working in the sectors, as confirmed by the Study of Local Government Quality in Mozambican (Berkel, Estmann, & Rand, 2022) Companies.

### Results and Conclusion:

- The International Commercial Bank topped the list with a market value of about 125.3 billion pounds, while the Hermes Financial Group Holdings came in last place with a value of 20.4 billion pounds, a difference of about 105 billion pounds.
- Applying corporate governance principles is of great importance in rationalizing corporate governance and protecting the interests of shareholders and all parties associated with a company.
- The approval of an organization's strategy, the creation of a two-way policy, the appointment, supervision, and compensation of senior executives, and the maintenance of organizational accountability to owners and authorities are just a few of the duties that the Governing Council is often tasked with performing.
- Governance has a special role in achieving the quality of accounting information, all reflected in creating a positive impression among investors of companies listed on the stock market.
- Strong relationships with stakeholders, reputation maintenance, and long-term sustainable growth are all likely outcomes of companies that place a high priority on corporate governance

### Recommendations:

1. Transparency, accountability, and clear lines of responsibility must all be outlined in a strong corporate governance system, along with performance monitoring and evaluation tools.
2. A company's size, complexity, and ownership structure are just a few of the variables that must be considered when customizing a corporate governance framework.
3. Research indicates that a company's financial performance can be greatly influenced by its corporate governance, as higher performing companies typically have better corporate governance than their counterparts.

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