www.ijramr.com

ISSN : 2350-0743

International Journal of Recent Advances in Multidisciplinary Research

Vol. 07, Issue 07, pp. 6095-6097, July, 2020

RESEARCH ARTICLE

CORPORATE GOVERNANCE PRINCIPLES TO RAISE THE FINANCIAL PERFORMANCE EFFICIENCY OF INSURANCE COMPANIES IN SUDAN (CASE STUDY: ISLAMIC INSURANCE COMPANY)

[1]Dr. Labidi Hocine Ahmed Mehaouat, [2]Dr. Mohamed Elnair Mohamedain Khogly and [3]Dr. Abubkr Ahmed Elhadi Abdelraheem

[1]University of Eloued- Algeria
[2]Sudan University of Science and Technology-Sudan
[3]Prince Sattam Bin Abdulaziz University –Sudia Arabia

ARTICLE INFO

Article History:
Received 21st April, 2020
Received in revised form
30th May, 2020
Accepted 07th June, 2020
Published online 26th July, 2020

Keywords:

Corporate Governance Principles, Financial Performance Efficiency.

ABSTRACT

The study examined the role of corporate governance principles in raising the financial performance efficiency for insurance companies in Sudan. The study has the following questions: Does the applying of corporate governance principles affect the profitability of insurance companies? What is the relationship between applying the principles of governance and liquidity? The study reached the following results: The rights of the equity principle help increase the net profit of insurance companies. The principle of equal treatment affects the rate of return on the gross profit of insurance companies. The principle of equity contributed to reducing the liquidity ratio of insurance companies.The study recommended: applying the principle of disclosure and transparency to reduce the risk of interest rates, and that the governing council bear the responsibility in insurance companies to reduce the risk of fraud, and increase net profits through applying the principle of financial value.

INTRODUCTION

Corporate governance is one of the most important and most important topics in regional and international institutions and organizations, and interest in this topic has increased in the aftermath of the financial crises, as these crises led to huge material losses, which prompted investors to search for companies that apply the concept of corporate governance. Failure to apply corporate governance principles affects raising the efficiency of the financial performance of insurance companies in Sudan, so this study came to answer the following questions: Does the application of corporate governance principles affect profitability in insurance companies? What is the relationship between applying the principles of governance and liquidity? Does corporate governance affect investment risks? The study aimed to determine the relationship between the applying of corporate governance and the mechanisms of its impact on the profitability of insurance companies, to know the extent of impact of corporate governance on liquidity in insurance companies, to study the impact of the application of corporate governance principles on investment risks.

LITERATURE REVIEW

Concept of corporate governance: It is a set of laws, rules and standards that define the relationship between the company's management and stakeholders (Suleiman (2008). It is the implementation of systems to avoid fraud, conflicts of interest and unacceptable behavior (Ahmed, 2010). A set of rules that include the distribution of rights and duties between the company's management (Al-Ashmawi, 2007). It is an integrated system of financial and non-financial control, which is on the way management institutions and control (Suleiman, 2009).

Importance of corporate governance: Corporate governance is one of the most important processes needed to improve corporate business (Michael, 2005).

Corporate governance goals: Good corporate governance achieves a lot "of the most important goals (Ali, 2009)

- Achieving transparency and protecting the rights of shareholders in the company.
- Create controls, rules and administrative structures.
- Development of investments and their flow through deepening investor confidence in the financial markets.
- Working to develop savings, maximizes profitability, and finds new job opportunities.
- Working on good financial performance by holding management accountable to shareholders.
- Imposing good and effective control over the performance of the economic units.

***Corresponding author:* Dr. Labidi Hocine Ahmed Mehaouat,**
University of Eloued- Algeria.

- To fight unacceptable behavior, whether it is in the financial, administrative or moral aspect.
- Providing new job opportunities.
- Attracting foreign and domestic investments
- Reducing the flight of national capital abroad
- There are five basic principles of corporate governance that relate to shareholder rights, equal shareholder meeting, the role of stakeholders, disclosure and transparency, and board responsibilities. (Lotfy, 2010).

Concept of financial performance efficient

Concept of efficiency: Efficiency is the high ability to perform a particular function scientifically by knowledge and practice (Al-Aqil, 2004). Efficiency means achieving the largest possible number of outputs with the lowest possible inputs within the framework of the optimum relationship between cost and benefit (El-Sahn, 2003). It is the relationship between production inputs and outputs (Tawil, 1997). It was also known as not wasting resources and using them properly (Maher, 2004).

Performance concept: Performance is that continuous holistic activity that reflects the organization's success, continuity, and its ability to adapt to the environment, its failure and contraction, according to specific foundations and criteria established by the organization in accordance with the requirements of its activity and in light of long-term goals (Talib, 2001). Performance consists of three main components: efficiency, effectiveness and productivity (Al-Wahid, 2003)

Concept of financial performance efficient: Financial performance Efficiency was defined as the use of the production materials available to the company (Abu Qahf, 1993). Financial performance Efficiency is the independence of human energy and financial resources, and alignment of the goals and resources of the company (Al-Shamaa, 1987). Efficient financial performance means optimal use of the factors of production or available financial resources (Ismail, 2006)

Financial performance efficiency components: The concept of efficient financial performance depends on several interrelated components, which are summarized as follows (Al-Najjar, 1979):

- Determine the qualitative and quantitative indicators used in the measurement process.
- Comparing the achieved performance with the targeted performance, identifying deviations and their causes, analyzing them, and taking the necessary corrective measures to remedy them.
- The process of assessing performance is carried out continuously and this leads to help in setting new goals and amending existing plans to improve the performance during the next period of time.

Measuring the efficiency of financial performance: There are several entry points to measure to measure financial efficiency, including (El-Beltagy, 1997):

Planning budgets: Planning budgets are considered a tool used in the quantitative or financial expression of the goal or objectives that project management seeks to achieve, and the planning budget is related to the scientific concept of management because it is considered one of the most important means that help management in the planning and control functions.

Financial statement analysis: This approach is based on the statement of financial position, the income statement, the retained earnings statement, and the cash flow statement, where this analysis depends on the use of a number of indicators and ratios that relate to the main financial variables.

Society and sample study: The study community, which is the society to which the field study working for Islamic insurance companies will apply, whereas the study sample is represented by the employees of the Islamic Insurance Company - Sudan.

Hypotheses phrases: First hypothesis: There is a statistical relationship between the applying of corporate governance and profitability of insurance companies. From the table 1, we note that the mean is between (3.7-4.1) and the probability values are less than the level of significance (0.05), which indicates the presence of statistically significant differences in the distribution of responses of the sample members to the different response options (strongly agree, agree, neutral, no Agree, Strongly Disagree from table1: The first hypothesis is accepted.

Table 1. Mean& Chi-Sguare Test

Phrases	N	Mean	Ch-square sig
The principle of shareholders' equity reduces the liquidity rate in insurance companies	40	4.1000	.000
The principle of equal treatment ensures the continuity of the self-growth period in insurance companies	40	3.9250	.000
The principle of disclosure and transparency is an important element in increasing the working capital of insurance companies	40	3.7750	.000
The role of stakeholders contributes to increasing the cash percentage for insurance companies	40	4.1000	.000
The responsibilities of the Board of Directors have a positive impact on improving the percentage of operating cash flows for insurance companies	40	3.8750	.000

Second hypothesis: applying the corporate governance impact on liquidity of insurance companies. From the table 2, we note that the mean is between (3.5-4.0) and the probability values are less than the level of significance (0.05), which indicates the presence of statistically significant differences in the distribution of responses of the sample members to the different response options (strongly agree, agree, neutral, no Agree, Strongly Disagree), from table2: The second hypothesis is accepted.

Third hypothesis: applying the corporate governance impact on investment risks of insurance companies. From the table 3, we note that the mean is between (3.5-3.9) and the probability values are less than the level of significance (0.05), which indicates the presence of statistically significant differences in the distribution of responses of the sample members to the different response options (strongly agree, agree, neutral, no Agree, Strongly Disagree), from table3: The third hypothesis is accepted.

Table 2. Mean& Chi-Sguare Test

Phrases	N	Mean	Ch-square sig
The principle of shareholders' equity reduces the liquidity rate in insurance companies	40	3.5750	.001
The principle of equal treatment ensures the continuity of the self-financing period in the insurance companies	40	3.7500	.000
The principle of disclosure and transparency is an important element in increasing the working capital of insurance companies	40	4.0750	.000
Stakeholders contribute to increasing the cash percentage for insurance companies	40	3.8500	.001
The responsibilities of the Governing Council have a positive impact on improving the percentage of operating cash flows for insurance companies	40	3.8000	.004

Table 3. Mean& Chi-Sguare Test

Phrases	N	Mean	Ch-square sig
The principle of shareholders' equity reduces the risk of inflation for insurance companies.	40	3.9750	.000
The principle of equal treatment reduces the risk of reinvestment in insurance companies	40	3.5500	.000
The principle of disclosure reduces the interest rate risk for insurance companies	40	3.9000	.005
The role of stakeholders helps reduce financial risks for insurance companies	40	3.6500	.000
The responsibilities of the Governing Council contribute to reducing operational errors in insurance companies	40	3.9000	.017

Conclusion

Corporate governance works to achieve efficient financial performance by disclosing the fairness of financial statements, maintaining the alignment between cash inflows and outflows, and balancing between liquidity and profitability, through the shareholders 'equity principle, the comprehensive disclosure principle, and principle of equal treatment.

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