



Arab American University
Faculty of Graduate Studies

**Corporate Governance and the Impact on the
Performance of Palestinian Banks.**

By

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Supervisor

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**This thesis is submitted in partial fulfillment of the
requirements for the Master's degree in
Strategic Planning and Fundraising**

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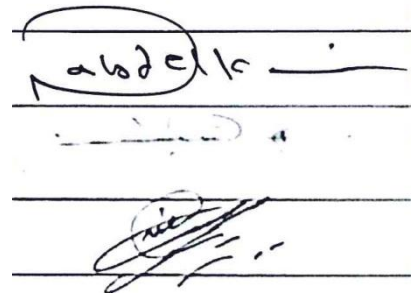
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Declaration

The work provided in this thesis, unless otherwise referenced, is the researcher's own work, and has not been submitted elsewhere for any other degree or qualification.

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Dedication

الاهداء

الى من احمل اسمك بكل فخر..الى روحك الطاهرة..يا من اودعتني لله اهديك هذا الانجاز "ابي"

الى اعظم كلمة تختصر معاني العطاء اللامحدود "امي"

الى من اخذ بيدي دائماً ورسم الامل في كل خطوة..الى من كان وسيدوم رفيق دربي..الى نبض القلب زوجي العزيز الذي لم يتوانى لحظة دعم واسناد لتخطي مرحلة ما والانتقال لما بعدها بكل فخر وحب

الى من تربعن على اولويات الاهداف والانجازات..المشاعر والعطاء..الى اميرات

المملكة..الامل والمستقبل "بناتي: دلح-فرح-راما"

الى من هم وطن..بدونهم تصبح الحياة مجرد غربة..الى فاكهة الحياة والسند "اخواتي واخواني"

واخيرا اهدي هذا الانجاز الى نفسي والى كل ام عاملة مجتهدة يرافقها الاصرار والتحدي والكفاح مهما كسرت الايام عزميتها، تقاوم لاجل المستقبل والامنيات

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انقدم باسمى ايات الشكر والتقدير للجامعة العربية الامريكية متمثلة برئيسها وادارتها وجميع العاملين فيها واطص بالذكر دكتورى الفاضل "نصر عبدالكرىم" لتفضله مشكورا بالاشراف على هذه الرسالة ولما قدمه من خبرته العلمىة الواسعة ما كان له بالغ الاثر فى اخراج هذه الرسالة بشكلها النهائى، فله منى كل محبة وتقدير وجزاه الله خير جزاء.

شكرا لمن تعلمت منه أن للنجاح أسرار، وأن المستحيل يتحقق بعملنا، وأن الأفكار الملهمه تحتاج إلى من يغرسها فى عقولنا، أشكرك كثيرا على ما قدمته لى من جهود قيمة ودعم ، مديرى فى العمل "سعادة السيد اكرم عبد اللطيف جراب" رئيس مجلس الادارة فى بنك القدس .

شكرا لكل شخص كان داعما لى ...شكرا جزىلا لكم جميعا

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Abstract

The study aimed to identify the reality of implementing corporate governance principles by Palestinian banks, identify the obstacles to implementing corporate governance by banks, and reveal the level of impact of corporate governance implementation on performance in banks.

In this study, the researcher used the descriptive analytical method, and relied on the quantitative method, due to its relevance to the nature of the study, as the descriptive method is often associated with studies of the social and human sciences, and the descriptive method depends on describing the phenomenon as it is, and collecting data and information about it. The study population includes all 14 Banks operating in Palestine, as for the study sample, it consisted of 7 commercial and Islamic banks operating in Palestine. And it consisted of an intentional sample that included Board of Directors, General Managers, Financial Managers, Branch Managers, Compliance, Anti Money Laundering (AML) and Risk Managers, Financial Analysis Managers, Department Heads and Executive Managers in (Quds Bank, Bank of Palestine, Palestine Islamic Bank, Arab Islamic Bank, Safa Bank, National Bank, Palestine Investment Bank), and the sample consisted of (57) directors and department heads.

The results of the study indicated that the reality of implementing the principles of corporate governance in local banks came to a very high degree, with an arithmetic average of (4,324195), and a standard deviation of (0.627104), While the highest averages were in the degree of banks' commitment to disclosure, integrity and transparency with an arithmetic average (4.432025) and a standard deviation (0.561369), followed by the degree of banks' commitment to the equal rights of shareholders and investors with average (4.288673) and a standard deviation

(0.641013), followed by the degree of banks' commitment to the responsibilities of their boards of directors to practice governance rules with an arithmetic average (4.251886) and a standard deviation (0.678929). The results also indicated that **the obstacles of implementing governance in banks** were high, with an arithmetic average of (3.526317), and a standard deviation of (1.09658).

On the other hand, the results indicated that there is a statistically significant relationship at the significance level $0.05 \leq \alpha$ between the implementation of corporate governance principles in banks and the quality of performance and that there is a good relationship through the results of Pearson correlation coefficient, also the value of beta was (36.8%).

The study recommended the following:

1. The necessity for banks to educate their employees about the importance of governance and its positive role in achieving competitive advantage, through awareness campaigns on the concepts of governance and its effective impact, and through holding a training programs on how to take advantage of the dimensions of implementing governance that enable employees to enhance and develop their capabilities to achieve efficiency and reach the stage of distinguished performance.
2. Enhancing knowledge and expertise of the board members by organizing workshops and courses with experts specialized in the science of good governance.
3. Inviting universities to offer a course on governance in the Faculty of Commerce and Law, this would support the Palestinian student before entering the labor market with a high level of culture on the subject and contribute in raising its level within the institutions.

4. The necessity of benefiting from the successful international experiences, both Arab and foreign, in setting appropriate plans to implement the rules of governance, such as establishing a specified institution in Governance, e.g. JIOD (Jordan Institute of Directors).
5. Work on developing risk, compliance and audit functions beyond their routine work, as the implementation of governance instructions in a correct manner constitutes a source of strength for the control departments in order to enhance the role of risk management, and consider it a basic source for measuring the extent of the bank's commitment.
6. Working on developing a rating system for companies and institutions, depending on their extent of implement Governance principles and the relevant Basel Committee Principles.
7. Enhancing the role of other regulatory bodies to ensure bilateral control on the implementation of governance.
8. Reviewing the level of clarity of regulations, and update laws and legislation that stipulates corporate governance by Palestinian Monetary Authority (PMA) to enhance the effectiveness of the regulatory and supervisory systems.
9. The necessity of urging banks to provide special periodical brochure highlighting the level of their commitment to governance principles in order to increase investors' confidence.

Chapter I

Introduction

The need for governance has emerged in many advanced and emerging economies during the past few decades, especially in the wake of the economic collapses and financial crises that occurred in several East Asian countries, Latin America and Russia in the nineties of the twentieth century. The expansion of big projects led to the separation of ownership from management, thus projects began to search for sources of financing that are less expensive than banking sources, so they turned to the financial markets

Given the rapid progress in the World and its openness, and the fact that the implementation of governance standards is the right way to preserve the institution and prevent conflict of interest, and since the banking system of any country is the pillar of the financial system and the basis for economic development. (Al-Najjar, 2016), good governance has become essential for the banking system.

Palestine was not far from the global trend, as all sectors demanded the implementation of governance rules represented in transparency, disclosure and accountability, protection of the rights of shareholders and small shareholders, and the disclosure of all incentives, remunerations and salaries to the board of director's members, executive directors and higher ranks as mentioned by Abdelkareem & Abusharbeh (2016), such as the steps taken by the (PMA) to issue the Governance Code for the banking system. The (PMA) on more than one level, made an effort to spread governance in the Palestinian banking system. Moreover, Corporate governance is one of the effective tools that encourage investment in stock markets. (PMA, Annual report, 2013).

On the level of its organizational structure, (PMA) within the framework of implementing the strategic transformation plan, began to reorganize its organizational structure, as the responsibilities of the Board of Directors and the Governor were clearly separated. In his capacity as CEO, the proposed structure of the Governor's office also indicates the adoption and strengthening of an administrative system that takes into account the principles of transparency, effectiveness, and accountability, in addition to establishing a group of committees to monitor internal auditing tasks, assist in formulating financial stability, furthermore to extending the membership term of board members to enhance the principle of independence and continuity. The (PMA) through the issue of the Governance Code, defined the standards upon which the membership, structure and tasks by Boards of directors of banks operating in Palestine which based in accordance with international best practices in this field (Kabaja, 2008), but after a series of different financial crises that occurred in many companies in East Asia, Latin America and Russia in the nineties of the last century and the financial crisis in 2008, which were triggered by financial corruption, mismanagement and their lack of control as well as lack of]experience and skills, in addition to the lack of transparency, The huge financial losses incurred by many shareholders (Joseph, 2019), showed the importance of governance and the importance of standing up to the level of its implementation in banks and financial institutions operating in Palestine has increased, with the aim of studying the state of governance in Palestinian banks. Adhering a good governance enables to attract local and foreign investments in Palestine, which plays a role in promoting development and economic growth in Palestine. Absence of good governance resulted into weak banks through implementing governance principles in

incomplete manner, paying attention to one principle and neglecting another principle, which leads to a failure in protecting banks from collapses (Al-Najjar, 2016).

It also leads to the hiding of a lot of financial and non-financial information and then to weak administrative discipline, lack of transparency, and stakeholders conflict of interest, and it may be exposed to financial shocks that directly and indirectly affect the status of banks and its solvency, loss of shareholders and depositor's rights, and the collapse of the economic and financial system in the Palestinian society (Palestinian Monetary Authority, 2019).

Therefore, capital markets need a lot of elements to enhance their efficiency, through the availability of information to investors that represents the minimum requirements for disclosure and the quality of financial reports. It has recently become an important topic in academic practices and ethics, in order to ensure a competitive position, the rise of capital, sustainable development, and the fight against corruption (Abdelkareem & Abusharbeh, 2016).

Accordingly, the importance of the study is determined in highlighting the important role of Palestinian banks in activating and implementing governance principles which leads to reducing the risks that banks may be exposed to, due to the importance of sound governance and best practices for banks in helping to maintain banking stability, especially with openness and competitiveness.

1.1 Research Problem

The problem of the study is represented by the following main question: **What is the Reality of Implementing Corporate Governance Principles and its Impact on the Performance of Palestinian Banks Operating in Palestine?**

1.2 Research Questions and Hypothesis

1.2.1 Study Questions

- What is the degree of Palestinian banks commitment to Governance principles represented in (equal shareholder rights, responsibility of the board of directors, disclosure, transparency and integrity)?
- What are the obstacles facing the implementing of governance principles in Palestinian banks?
- What is the level of performance by Palestinian banks operating in Palestine?
- Is there a statistically significant relationship between the implementation of governance principles by Palestinian banks operating in Palestine and the level of performance?

1.2.2 Study Hypotheses

The Main Hypothesis: is There A Statistically Significant Relationship at the Level of Significance $\alpha \leq 0.05$ Between the Implementation of Governance Rules by Banks Operating in Palestine and the Level of Performance?

The Sub-hypotheses are:

1. There is no statistically significant relationship at the significance level $\alpha \leq 0.05$ between the degree of Palestinian bank's commitment to equivalent rights of shareholders and investors and the level of performance.
2. There is no statistically significant relationship at the significance level $\alpha \leq 0.05$ between the degree of Palestinian banks commitment to the responsibilities of their boards of directors to practice governance principles and the level of performance.

3. There is no statistically significant relationship at the significance level $\alpha \leq 0.05$ between the degree of Palestinian banks commitment to disclosure, integrity and transparency and the level of performance.

1.3 Research Significance and Motivations

The importance of the study comes in terms of dealing with a recent topic, as bank governance contributes to many economic aspects represented in reviving the market economy because of its significant impact on reducing the risk to which these banks are exposed, due to the rapid progress in the World and its openness and the fact that the implementation of governance principles is the right way to preserve the institution and prevent conflicts of interest since the banking system of any country is the backbone of the financial system and the basis for economic development. Accordingly, the importance of the study is determined as follows:

- Highlighting the important role of the Palestinian banks in implementing the principles of governance, which leads to reduce the risks that banks may be exposed to, and to raise the level of performance.
- The importance of the existence of sound governance and best practices for banks in helping to maintain banking stability, especially with openness and competitiveness.
- Given the importance of the banking system in Palestine by bringing a real and sustainable development and considering it as the mainstay of the financial system in Palestine, especially with the absence of the Palestinian Pound and the monetary policy in Palestine.
- The importance of boards of director's role in implementing banking governance.

1.4 Research Objectives

The investment decision is the starting point in the financial and business World, and the cornerstone of building a healthy national economy because the banking sector can only grow and prosper by developing investor confidence by what the bank offers. This of course will only be achieved by ensuring an appropriate level of bank disclosure, which would create an atmosphere of trust between the management and the stakeholders, which prompted the researcher to define the study objectives.

The Key Objective of The Study is to Identify the Reality of Implementing Governance Principles and its Impact on the Performance of Local Banks Operating in Palestine.

The sub-objectives are:

- Identifying the degree of Palestinian banks commitment to Governance principles represented in (equal shareholder rights, responsibility of the board of directors, disclosure, transparency and integrity).
- Obstacles in Implementing Governance principles by the Palestinian Banks.
- Identifying the level of performance by Palestinian banks operating in Palestine.
- Detecting the possibility of a statistically significant relationship between the implementation of governance principles by Palestinian banks and the level of performance.

1.6 Study Organization

Remaining of this study is organized as follows:

Chapter Two: Theoretical framework and previous studies: Introduction, the concept of governance, governance in the banking system, the objectives of governance, the

determinants of governance, the importance of governance, the principles of governance in banks, competitiveness of banks and their importance, financial position indicators, the concept of performance, the elements of performance, and the methods of developing performance.

Chapter Three: Study methodology and procedures: study methodology, study population, study sample, study tool, instrument validation, and study tool reliability, study procedures, and statistical treatments.

Chapter Four: The results of the study data analysis, the results of hypothesis tests, and their discussion.

Chapter five: Study conclusions and recommendations. The chapter follows a list of references, appendices, tables, and indexes.

Chapter II

Theoretical Framework

This chapter addresses the theoretical framework and prior studies that relevant to this study.

2.1 Governance Concept

What happened to the major economies in the World, especially in the nineties of the last century has contributed to search for new mechanisms that contribute to limiting the effectiveness and effects of these crises on banks and investors.

The concept of government emerged as a requirement of good governance, so that it has become one of the most important mechanisms of administrative reform processes by strengthening the principles of justice, transparency, clarity, disclosure, monitoring, accountability, defining responsibilities, and defining the relationships between all parties in a clear and unambiguous manner. In a manner that provides the appropriate atmosphere to achieve the vision and goals of the institution, to reach its desired mission, and to ensure the efficient use of its resources. Accordingly, the importance of bank governance stems from the fact that it provides a basis and rules for future institutional development and performance with the aim of supporting and strengthening confidence in banks, as investment receptacles for shareholders' funds on one hand, and enabling them to contribute efficiently and successfully to develop their business, which in turn is considered a fundamental pillar of economic and social development on the other hand. (Kabaja, 2008)

The concept of governance is expressed as “a system for direction, control over banks activity, based on organizing the decision-making process in these banks, and the distribution of powers and responsibilities among the main parties in the bank, in order

to serve the interests of shareholders.” Some researchers and scholars have also tended to define the concept of governance as being "A set of contractual relationships that link the bank's management with its shareholders and stakeholders, by creating procedures and structures that are used to manage the bank's affairs, and directing its work in order to ensure enhanced performance, disclosure, transparency and accountability in the bank and maximize the long-term benefit of shareholders, taking into account the interests of the various parties In general. " (Hussein, 2012).

Dahdouh (2007) indicated that the concept of governance expresses a set of basic principles, which are represented in the following:

- Laws, rules, regulations, standards and procedures aimed at regulating the nature of the relationship between bank management and owners in order to achieve quality and excellence in performance.
- A set of incentives followed by the bank's management to increase the size of profits for the benefit of shareholders.
- An integrated system for financial and non-financial control.
- Shareholders are allowed to appoint a board of directors for the company to manage it.
- Rules, instructions, incentives and monitoring aimed at serving shareholders (Dahdouh, 2007)

The PMA also defined governance as a set of relationships, rules, procedures and principles that ensure that the bank is managed in a vigilant manner that achieves the interests of the parties concerned, in a manner consistent with laws, instructions and best practices in the field of banking, and in a manner that achieves the preservation and development of the bank. (Report of the Palestinian Monetary Authority, 2009)

The definition of governance is of great importance regarding to the content and scope of governance rules, although basic issues such as transparency, accountability, fairness and responsibility remain basic headings, regardless of the definition. Thus, the first lines are to adopt the definition on which the rules will be prepared based on. (Al-Najjar, 2016)

The definition prepared by the Organization for Economic Cooperation and Development (OECD) is the most widely and internationally accepted definition, as the organization defined governance as:

“The set of relationships between the bank’s management, its board of directors, shareholders and other stakeholders, which provides frameworks and mechanisms to define the bank’s objectives, methods of implementation, and mechanisms for monitoring performance. There is also no unified model for sound governance, as it differs in different countries due to the differences in the economic, legal and even social environment. Also, the models of governance may differ within the state itself in different economic sectors, according to the legal form of institutions, but it is proven that there are common elements that define what the methods are in the form of general principles that accommodate the different models of sound governance.

These principles, as defined by the Organization for Economic Cooperation and Development (OECD), cover five basic aspects:

1. Shareholders' rights.
2. Equal treatment of shareholders.
3. The role of stakeholders.
4. Disclosure and transparency.
5. Responsibilities of the Board of Directors (Sharia Review House, 2007)

The need for governance has emerged in many advanced and emerging economies during the past few decades, especially in the wake of the economic collapses and financial crises that occurred in several East Asian countries, Latin America and Russia in the nineties of the twentieth century, and the expansion of these projects led to the separation of ownership from management. And these projects began to search for sources of financing that are less expensive than banking sources, so they turned to the financial markets, this was helped by what the World has witnessed in terms of liberalization of financial markets, as the transmission of capital increased across borders in an unprecedented manner, and the expansion of the size of banks and the separation of ownership from management weakened the control mechanisms over the actions of managers. Accordingly, the rules and regulations of governance aim to achieve transparency and fairness, and to achieve accountability of the bank's management, and thus to achieve protection for shareholders, taking into account the interests of staff, and to limit the exploitation of power in the non-public interest, which leads to the investment development and encouragement of its flow, promote savings, maximize profitability, and the creation of new job opportunities. These rules also emphasize the importance of adherence to the provisions of the law, and work to ensure the review of financial performance, and the existence of administrative structures that enable management to be accountable to shareholders, with the establishment of a review committee away from members of the executive board of directors that have many tasks, functions and powers to achieve independent monitoring of implementation. (Joseph, 2007)

Governance is derived from the English word "Govern," meaning to rule, and from it came Government, Governor, and Governance, which means government, ruler, and

governance, respectively. Thus, the opinion of economists, analysts and experts settled on the term Corporate Governance. As for the scientific translation of this term, which was agreed upon, it is: “The method of exercising the powers of good governance”.

Corporate governance is represented in the set of relationships that bring together the company's executive management and its board of directors on the one hand, and its shareholders and other stakeholders on the other hand. (Abdel-Al, 2014)

It is clear from the above review that governance is the set of laws and decisions aimed at achieving quality and excellence in performance by choosing appropriate and effective methods to achieve goals, in other words, governance means the existence of systems that govern the interrelationships related to performance, in order to preserve the rights of shareholders and achieve fair treatment for them. Strengthening the role of stakeholders and ensuring disclosure and transparency, as well as confirming the responsibility of the board of directors.

Moreover, corporate management should continue to provide the necessary information and reports to investors about the area's most important to them, and focus on the main areas to maintain effective corporate governance, and companies should take into account some of the issues related to disclosure and transparency of corporate governance in light of the Covid-19 pandemic (IFC,2020).

Generally speaking, the scientific community unanimously agreed that the concept of governance has come to mean good governance that is implemented in accordance with instructions, laws and rules for the conduct of banks and enhances legal transparency, in a manner that ensures achieving economic efficiency and solving the problems resulting from errors of management and auditors.

2.2 Governance in the Banking System

Governance in the banking system is concerned with monitoring the performance by the board of directors and the higher management of the bank and protecting the rights of shareholders and depositors. In addition to taking care of their relationship with external stakeholders which are determined by the regulatory framework and the powers of the supervisory authority. Governance in the banking system applies to public banks and private and joint banks(Amer,2020).

The basic elements of the governance process are represented in two groups, the first group represents the internal stakeholders, which are the shareholders, the board of directors, the executive management, the internal auditors, and the second group represents the external stakeholders, which are the depositors, the deposit insurance fund, the media, rating and credit rating companies, in addition to the Regulatory framework and supervisory authority. As for the basic pillars that must be met in order for the provisions of effective control over the performance of banks to be complete, they are summarized in transparency, availability of information, application of the International Financial Reporting Standards (IFRs), and the advancement of the level of human competencies through training (wahib, 2012).

The success of governance in the banking system is not related only to the establishment of supervisory rules, but the need to properly implement them, and this depends on the PMA and its supervision on the one hand and on the concerned bank and its management on the other side. As the bank's management must be convinced of the importance of such rules and controls, that will facilitate implementation. This reveals the role of each of the board of directors in the executive and non-executive roles and the follow-up committees that provide the board with the necessary data on the

performance of the bank and the audit departments within the banking system that present their reports to the board of directors and the shareholders who must play their role in monitoring the performance of the bank, in addition to contributing of providing capital, if needed by the bank (PMA,2017).

The good practice of governance generally leads to the support and safety of the banking system through the relevant standards set by the Basel Committee for Banking Supervision (BCBS) and the supervisory of authority of the banking industry, the most important of which are: -

1. Announcing the strategic objectives of the banking system, and the bank determining the responsibilities of the management.
2. Ensuring the efficiency of the members of the board of directors and their full awareness of the concept of governance, and to ensure that there are no intentional mistakes by the higher management.
3. Ensure the effectiveness of the role of regulators and their awareness of the importance of their monitoring role.
4. The need for transparency and disclosure in all the bank and management business and activities (Catherine, 2002).

2.3 Banking Governance Objectives

Governance is considered a good tool that enables society to ensure the proper performance of banks in a scientific and practical manner, leading to provide a general framework that protects shareholder funds, and to achieve a fair and transparent data and information system that achieves equal flow of this data and information. by applying corporate governance standards, the following advantages are achieved:

1. Improving the performance of banks, their ability to compete and their ability to obtain additional capital.
2. Improve the quality of information related to governance and available to stock markets.
3. Building the confidence of investors, stakeholders and society as a whole.
4. Upgrading standards and advancing the reform of banking governance systems (<http://www.pcma.ps>)

2.4 Governance Determinants

There are factors that banks cannot control as they are imposed on these banks and affect them from abroad, so they are called external determinants. There are factors that exist within banks that have a significant impact on performance and success, and thus achieving competitiveness.

2.4.1 External Factors or Determinants

The extent of the State's openness to public investment affects the bank, whether this investment is local or from outside the country, including the laws that regulate economic activity - banking laws and related matters such as bankruptcy, profit transfers and the prohibition of monopolistic practices. In addition to the efficiency of banks and financial institutions and their ability to finance projects, and the efficiency of banking supervision bodies such as the financial markets authorities and central banks. There are some institutions that contribute to ensuring the efficient functioning of the financial market, such as accountants, lawyers, and others (Al-Najjar, 2007).

2.4.2 Internal Factors or Determinants

They are the organizational rules, systems and principles within the bank, as they determine the distribution of powers and the party responsible for taking decisions in the bank, especially between the general assembly, the board of directors and the executive management. This regulation leads to the minimal conflict between these responsible groups.

In addition, governance is not confined to the public sector only, but to the private sector as well, as governance helps the growth of this sector and support its competitive potential projects access to financing, where the success of projects leads to profitability and creates job opportunities, which helps reduce unemployment. (Hazimi, 2011)

2.5 The Importance of Corporate Governance

Institutional governance has gained great importance since 1997, which emerged after the explosion of the Asian financial crisis and the economic collapses and financial crises that the World witnessed in recent times, which impacted many international banks with heavy losses, especially what happened in the markets of a number of Southeast Asian and Latin American countries as a result of cases of administrative failure and manipulation in the financial statements and maximizing the profits of these banks in exaggerated manner, as well as seeking to achieve quick profits and not adhering to the determinants of professional and ethical behavior as prevailing norms. This led to many cases of bankruptcy and financial hardship for giant companies, in which many investors and owners of capital were affected. (Judeh, 2008)

All this drew attention to the issue of corporate governance and emphasized its importance and clear effects have been demonstrated by its realization of the following benefits (Al-Najjar, 2016):

1. Isolating Banks from administrative failure, exposure to bankruptcy and financial collapse, as well as their role in maximizing the bank's market value and ensuring its survival, growth and continuity in the business at the international, regional or local level, or while working in a highly competitive environment.
2. Determining the fate of banks as well as the fate of countries' economies in the current era that called the era of globalization. Because the rules of government and adherence to them have become a powerful tool to create a market characterized by transparency and disclosure of accounting information through effective control tools imposed on bank boards of directors and their commitment to restructuring these boards and activating the role that Non-executive members play within the boards of directors.
3. The importance of governance in reducing risks, improving performance and opportunities for market development, increasing the competitiveness of services, developing management, and increasing transparency. It also contributes to increase the number of shareholders in the capital markets and enhance their efficiency and effectiveness.
4. The importance of governance is highlighted through the separation between the bank's ownership and management, and then between the shareholders and the bank's management, as well as the separation between the responsibilities of the board of directors and the responsibilities of the executive managers.

5. This interest stems from the conflict of interests between owners and executives because of what this separation creates in terms of effectiveness related to defining the strategic vision and the extent of compatibility of the needs and requirements of the interests of investors in joint stock banks.
6. Governance has an important role in attracting investments and strengthens public confidence in the health of the economy and encourages them to save and invest in the financial markets, which in turn leads to more job opportunities and economic development.
7. From another point of view, the importance of corporate governance is to directly influence the public contribution in the banking system due to its confidence in the financial information that is published by those banks.

2.6 Principles of Corporate Governance in Banks

BCBS issued a report on strengthening governance in banks in 1999, then issued an amended version of it in 2005, and in February 2006 it issued an updated version entitled "Enhancing Corporate Governance for Banking Organization" and the subsequent updated governance code (2015) that includes Governance principles in banks, represented in (Monetary Authority, 2008) and the subsequent upgraded code issued in December 2017, regulation no. 10/2017 to follow suit with (BCBS) upgraded sound governance principles:

2.6.1 First Principle / Board duties.

The Board of Directors bears the overall responsibility for the management of the bank, including setting the policies, objectives, strategies, risk strategy, governance standards and corporate values of the bank. The Board shall be responsible for implementing these

goals, standards and strategies and supervising their proper application, in addition to supervising the executive management during their implementation of these strategies and objectives.

2.6.2 The Second principle/ Structure and Qualifications of Board Members.

The members of the board of directors shall continue to qualify through obtaining training, and they shall have a clear understanding of their role in relation to governance, and shall have the ability to sound judgment and objectivity in the management of the bank.

2.6.3 Principle Three / Board Practices and Conflicts of Interest.

The board must identify appropriate governance applications for the conduct of its business and develop the necessary means to ensure their continuous improvement, adherence to, and periodic review. The existence of appropriate standards and incentives for the professional behavior of the board contributes to the effective completion of its tasks and enhances the principles of governance, and the board should embody through the special practices that help the bank to carry out its effective and efficient tasks in order to achieve its goals.

2.6.4 Principle Four / Board Committees.

The board of directors must form committees emanating from it in order to enhance its supervisory effectiveness over the bank's business. At a minimum, the following committees: The Nomination Committee, The Risk Management Committee, The Audit Committee, The Rewards and Incentives Granting Committee, and The Governance Committee.

2.6.5 Principle Five / Senior Executive Management.

The senior executive management, under the supervision of the Board of Directors, is required to carry out the activities of the bank in a manner consistent with the business strategy, risk appetite, and the policies approved by the Board of Directors. The senior executive management consists of a group of persons appointed by the board of directors to carry out their responsibilities in managing the operations of the bank, and these persons must possess the scientific qualification, the necessary experience, competence and integrity to manage the bank's business that falls within their areas of supervision. In addition, the general manager must not be related up to the second degree to the chairman of the board of directors or any controlling shareholder in the bank. Each of the general manager of the local bank or his representative and the regional manager of the foreign bank or his representative or those responsible for managing the bank Or the branches and conduct its daily business responsible for the policies and decisions of the Board or the decisions of the general administration of the branches of the foreign bank and in a manner that does not conflict with the provisions of the law, regulations, instructions and decisions issued by the Palestinian Monetary Authority.

2.6.6 Principle Six / Group Structure Governance.

The board of directors of the parent company within one group bears overall responsibility for the group and ensures the establishment and implementation of a clear and appropriate governance framework for the group, in addition to the business model and risks of the group and its companies. The board of directors and senior management must also know and understand the organizational structure of the group and the risks it represents.

Large, active and global banks consist of the parent company and multiple subsidiaries, so it is necessary to define governance principles for the board of directors of the parent company and for each subsidiary company, and the board of directors of the parent company must ensure the existence of a governance framework at the level of the parent bank and its subsidiaries, and the board and management must be The senior level has knowledge and familiarity with the organizational structure of the group and the risks associated with the parent bank and its subsidiaries.

2.6.7 Principle Seven / Risk Management Methodologies.

The bank must have an effective independent risk department and a manager responsible for that function, and it must have sufficient powers and resources, as the effective function of risk management is considered one of the main elements to ensure the bank's governance, (second line of defense). However, this requires some prerequisites, such as the availability of sufficient authority within the structure of the bank for the job and to be independent from other jobs, especially those that generate revenues. (However, this does not prevent direct communication with business departments), in addition to direct communication with the Board of Directors to be able to submit the necessary reports and write reports to senior management, the Board of Directors or the Risk Committee. Moreover, the risk staff must be qualified with sufficient experience in different business lines to cover all operations with risks.

2.6.8 Principle Eight/ Identification, Monitoring and Control of Risks.

Risks must be identified, monitored and controlled across the bank as a whole (the banking group) and at the level of individual entities in particular. Moreover, the structure and complexity of risk management and the internal control infrastructure

should be modified to keep side by side of changes at the level of the bank's risks, the surrounding risks and the practices of the banking sector.

2.6.9 Principle Nine/ Communication Risk.

Effective risk management requires that there be a direct and strong line of communication between the risk department and other departments in the bank, and between the risk department and the board of directors or its committee in particular. The senior management must communicate with the supervisory departments in the bank and consult them about the management's future plans and activities so that these departments can carry out their responsibilities effectively.

The reports submitted to the board of directors should include matters related to the bank's exposure to various risks, the results of stress tests and information about the surrounding external environment, in addition to providing such reports with information about deficiencies and the determinants (challenges) of the bank's assessment of risks and information on the assumptions used, and that these reports are discussed between the parties involved.

2.6.10 Principle Ten/ Compliance Monitor Function.

The Board of Directors is responsible for supervising the management of compliance risks in the Bank. The Board should also establish a function of monitoring reporting and compliance, and adopting policies and procedures for identifying, evaluating and evaluating compliance risks.

The compliance function can also be affiliated with the risk committee or the audit committee emanating from the board, and the compliance function is defined as an independent function that identifies, evaluates, provides advice and guidance, monitors and reports on risks related to risks which includes the risks arising from non-

compliance with the laws, regulations and instructions, and the resulting financial losses, or the reputational risks that the bank may suffer from as a result of its failure to abide by the laws, regulations, good practices, rules of conduct and standards.

2.6.11 Principle Eleven/ Internal and External Audit.

The internal audit function must give independent assurances to the board of directors and support the board and senior management in promoting effective governance and the lasting safety of the bank. The board and the senior executive management should also make effective use of the work of the internal auditor and the external auditors and the reports issued by them regarding internal control.

2.6.12 Twelfth Principle /Rewards and Incentives Policy.

Remuneration and incentive systems constitute a component of good performance, operating within an acceptable risk range, and support a culture of risk and values.

1. The Board of Directors bears full responsibility for promoting effective governance principles and sound practices for awarding financial rewards, even in the presence of the Remuneration and Incentive Committee or the Governance Committee.
2. The Board of Directors shall approve and follow up on the proper implementation of the remuneration granting policy recommended by the Remuneration and Incentive Committee, and the recommendations proposed by it regarding the amendment or updating of this policy, and the recommendations issued by it regarding the remuneration of key officials.
3. The bank's board of directors is responsible for preparing the policy for granting remunerations and incentives through the "Remuneration and Incentive Committee". It is not permissible to assign this responsibility to the executive management.

4. Every bank must have a policy for granting remunerations and financial incentives approved by the Board of Directors and approved by the Palestinian Monetary Authority.

2.6.13 Principle Thirteen: Disclosure of the Bank's Governance.

The bank should disclose its governance transparently to the shareholders, depositors and other related parties and market participants. Where the bank should prepare a policy of disclosure and transparency to achieve the objectives of the bank and its stakeholders and related parties in order to raise the level of governance applications, as long as this policy includes all information that must be disclosed in a timely manner.

2.6.14 Principle Fourteen: Requirements for Islamic Bank Governance.

Banks that follow the principles of Islamic law have additional responsibilities towards their shareholders to provide a guarantee to shareholders that they comply with the principles of Islamic law. In addition, Islamic banks must appoint a Shari'a supervisory board, provided that the number of its members is not less than three persons specialized in the jurisprudence of transactions and with experience in the work of Islamic financial institutions.

It may seek the assistance of specialists in any field of Islamic banking work, and its decisions are binding in all of the Bank's business. The Shari'a Supervisory Board is responsible for ensuring that all the bank's business and activities are in accordance with the provisions and principles of Islamic Shari'a before the bank undertakes these activities, during their implementation and upon completion.

2.7 Commercial Banks

Commercial banks play a pioneering and strategic role in economic growth and development, and thus they contribute greatly to raise the pace of economic prospects, and this matter requires them to supporting the role of commercial banks through providing a suitable economic environment, for performing their various activities by drawing economic policies in a clear and consistent manner to maintain the stability of its indicators and to ensure that they overcome exceptional or emergency circumstances (Geldah, 2009). On the other hand, the effectiveness of the banking system and its ability to accumulate savings and provide financial resources for various economic sectors is the basis for the success of the economic system at the present time, especially with the lack of funding sources and the weak or completely absent performance of financial markets, and this is what made it a primary focus for financing the development movement (Sumaya , 2006).

The nature of what the credit policy reflects of great importance on the economy in any country in the World is that there is no doubt about the role of banks in this policy in a way to contributes in increasing the positive impact of the credit policy (Shaheen, 2009). Accordingly, the credit policy represents a set of decisions issued by the bank's top management, in which the criteria and conditions for granting bank credit are specified, its scope and powers. It is based on the credit strategy and risk appetite derived from the national strategy at the macro level, as it represents short and long-term goals and takes into account the direction and framework of the national credit strategy, which requires the banking system to develop corresponding plans and policies that take upon itself to develop and manage its activities within this framework by laying out detailed and interim steps and analytical methods to implement the policy,

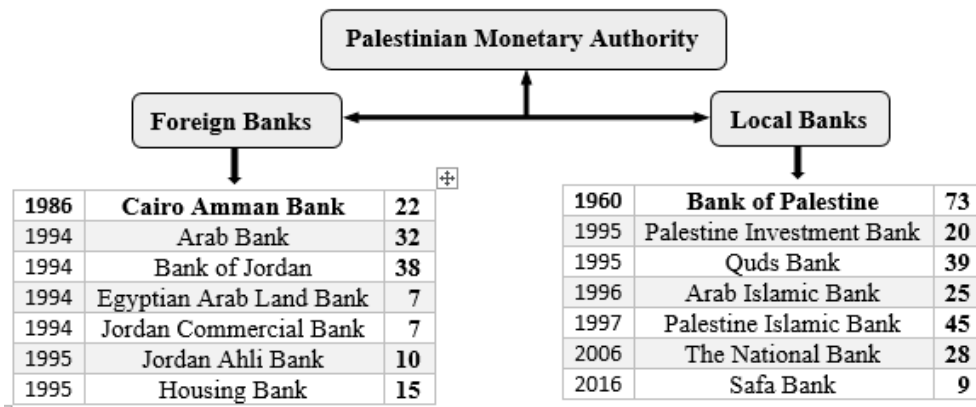
The credit policy would raise the level of banking service, improve it and diversify it without prejudice to the banking rules, norms and generally accepted principles in this regard (Al khalil, 2004). On the other hand, banks and financial institutions constitute the main pillar for building the various sectors of any economy in any country. In addition, the banking sector plays a major role in the process of economic and social development, as it is the tool through which the government applies the financial monetary system, the importance of banks is evident through many and diverse electronic banking services they provide, as these services help in stimulating and moving the economic, financial and commercial operations.

The banking sector is considered one of the most important economic sectors. Banks play the role of financial intermediary between investors and savers, as well as provide many other financial and banking services that help facilitate commercial operations in the country. Whereas the banking system in Palestine consists of the PMA and a number of commercial and Islamic banks. This system is considered as a result of a historical development characterized in the beginning by weakness and deformation in its structure and activity as a result of the political conditions in Palestine, which has become an urgent necessity for the presence of a strong banking system capable of performing its role in activating the requirements of financial and banking work, which will positively affect the Palestinian economy. In the last period, a radical development took place in the Palestinian banking system. The year 1994 is considered a real starting point. By 2011 the number of banks operating in Palestine was (18) of which (8 national banks), (9 Arab banks) Jordanian and Egyptian banks, and (1 foreign bank). In addition, the PMA was established and started to exercising its responsibilities in December 1995 was a matter imposed by circumstances to rebuild the banking system according to the

latest standards, in a manner that guarantees the strength and integrity of this system. In addition, the Palestinian National Authority (PNA) represented by the PMA rebuilt the banking system. (Palestine Monetary Authority 2011).

It's worth mentioning that the banking system currently includes 14 banks, including 7 local banks and 7 foreign banks. The banking system in Palestine is of particular importance in providing financial resources for various economic activities, given that the financial sector is still incomplete and does not have institutions and markets that provide long-term borrowing opportunities for business other than banks.

Figure 1: The Palestinian banking system at the end of 2019



Source: Palestinian Monetary Authority, Annual Report, 2019.

Table 1 below shows the most important developments that occurred in the activity of banks operating in Palestine during 2019-2020. It is clear from the data in this table that the performance of the banking sector, which has witnessed continuous development during the past ten years, in terms of asset, deposits and credit portfolio and ratio of credit portfolio to deposits. This indicates that this sector is characterized by an appropriate level of solvency and the stable growth of the system and increased financial inclusion indicators, in line with international standards. This is mainly due to the continuation of this sector in achieving reasonable Return on Equity (ROE) that

enabled banks to distribute cash dividends and increase capital as per the PMA requirements. That has strengthened the capital base and kept the capital adequacy above Basel norms. Thus, it can be concluded that the role of the Palestinian banking sector in the economy is expanding, and it has become an influential factor in the growth path.

Development of the banking sector performance during the years 2019- 2020

Financial Position Indicators/ Comparative indicator								
	Palestinian Banks				Banking Sector			
	31-12-2020	31-12-2019	Growth in \$	Growth in %	31-12-2020	31-12-2019	Growth in \$	Growth in %
Direct Facilities	6161851094	5425209020	736642074	0.135781326	10075069422	9035224548	1039844874	0.115087884
Costumers Deposits	8766254364	7486782246	1279472118	0.170897466	15137396076	13384707621	1752688455	0.130947086
Total Assets	10699660345	9517412895	1182247450	0.124219414	19934535487	17921554140	2012981347	0.112321807
Loans to Deposits	0.702905807	0.724638281	-0.021732475	-0.02999079	0.665574804	0.67504086	-0.009466057	-0.014022939

Source: The researcher's calculation based on the Monetary Authority database.

2.8 Governance in Palestine:

Palestine was not far from the global trend, as all sectors demanded the implementation of the governance rules i.e. transparency, disclosure and accountability, protection of the rights of shareholders and small shareholders, and the disclosure of all incentives and remunerations to members of boards of directors, as well as salaries and benefits of the top management. Such as the steps taken by the PMA to implement the principles of good governance. (Palestine Monetary Authority, Annual Report, 2003-2007).

The (PMA), on more than one level, made efforts to develop good governance culture in the Palestinian banking system. On the level of its organizational structure the (PMA), within the framework of implementing the Strategic Transformation Plan (STP), began to reorganize its organizational structure, as the responsibilities of the Board of Directors and the Governor were clearly separated. In his capacity as CEO, the proposed structure of the Governor's office also indicated the adoption and strengthening of an administrative system that takes into account the principles of

transparency, effectiveness, and accountability, in addition to establishing a group of board committees to handle internal auditing tasks & risk management tasks, investment and financial stability policy, in addition to extending the membership term of board members to enhance the principle of independence and continuity. The (PMA) through issuing the first its Governance code for the banking system in 2008, defined the foundations upon which the membership, structure and tasks of Boards of directors of banks operating in Palestine accordance with international best practices in this field (Kabaja, 2008).

The (PMA) has also defined, through its Governance Code, the foundations on which the membership, structure and tasks of the members of the boards of directors of the banks operating in Palestine are based, in line with relevant international best practices.

In terms of internal auditing, external auditing, audit committees, and compliance departments, the (PMA) has developed and strengthened the relationship with external auditors by engaging them in consultative meetings to discuss the draft instructions before issuing to the banking system and inviting them to join meetings with set to discuss draft inspection reports.

In line with the principle of transparency, accountability and safety in all actions and decisions of the (PMA), online with international sound principles in the field of internal audit, an independent audit office was created on the organizational chart. This office report directly to the board audit committee.

As for the field of oversight and completing the control needs, protecting the rights of depositors, investors and other dealers, in order to preserve the rights of shareholders, and enhancing confidence in the Palestinian banking system (PMA) called on banks to establish a job as a compliance function, as a contribution from the (PMA) to reduce the

risks faced by banks and raising the level of transparency, and developing meaningful and productive working relationships between the bank and its clients.

The compliance function is an independent function that provides advice and guidance, monitors and reports on the risks of non-compliance in the bank, which include the risks arising from non-compliance with laws, regulations and instructions, resulting financial losses, or the reputational risks that the bank may suffer as a result of its failure to comply with laws, regulations and rules behavior and standards of sound practices. Thus each bank adopts manuals and guides for the Compliance Department that clearly defines the department's priorities and responsibilities, and the guide must define work methods, reporting mechanisms and presenting the results of the department's work, in addition to this manual containing the mechanism for taking corrective measures in case of any irregularities discovered or complaints received.

The (PMA) has also set controls to form the necessary reserves for banks to maintain them as precautions to protect the stability of banks and protect the interests of depositors from potential losses for all types of credit, and to prevent the erosion of the capital base. On the other hand, the (PMA) obligated the banks to reorganize the mandatory reserve requirements and to disclose all the facilities granted with the aim of providing a comprehensive database that contributes to avoiding concentration risks and helps in enhancing credit disclosure, in order to maintain the integrity and continuity of banking activity (Al-Tamimi, 2008).

The (PMA) continued its efforts to complete the procedures and mechanisms of the credit information bureau system, which is considered a comprehensive database that provides credit information on individuals, companies, borrowing institutions and their guarantors in accordance with international best practices in the field of credit services.

The (PMA) Credit Bureau is considered as the nucleus of a comprehensive credit rating system in the World that aims to provide accurate and comprehensive information that will help expand the bank lending base, confirming the role of the banking system in achieving economic development, as this office helps banks and lending institutions effectively in the credit evaluation process and credit decision making. Correct and reduce credit risk, and this project reflects the PMA's desire to develop the services provided by it towards banks, to ensure the lowest credit risk for banks, and to facilitate the credit decision-making process (Abu Hamam, 2009).

In order to strengthen the procedures of corporate governance by banks, the (PMA) has issued a Governance Code to include new, more accurate requirements for the roles and responsibilities of the Board of Directors and the Executive Management, improving internal control by banks, especially in the field of compliance monitoring, and issuing new requirements for disclosure and transparency that are in line with the standards of preparing international financial reports. (Basel II) and IFRS Standards (Al-Najjar, 2016).

2.9 Code of Banking Governance Rules in Palestine

The National Committee for Corporate Governance has worked hard to develop the Code of Corporate Governance Rules; it has seen the light despite many obstacles and challenges that the committee faced from the beginning of its established, with the support of the International Finance Corporation in (2006) until the Palestinian Capital Market Authority (PCMA) adopted and issued the Code by virtue of the (PCMA) law. The Corporate Governance Code, the National Committee for drafting the Code, which includes representatives from the public sector, the (PNA), the (PMA), and independent

expert; The Code of Corporate Governance was issued in October 2009, and the code consisted of three basic chapters. The first chapter dealt with the definition of corporate governance and the goal of implementing the Code of Corporate Governance. It also reviewed the scope of application of the Code of Corporate Governance, and provided an explanation of the nature of the code. In chapter two, the code presented the components of the six corporate governance code, which are: the general assembly meeting, equal shareholder rights, company management, auditing, disclosure and transparency, and other stakeholders in the company.

As for the third chapter, it talked about the enforcement and amendment of the Corporate Governance Code (PCMA, 2009).

The purpose of Corporate Governance Code is to raise the performance of companies by improving the quality of board practices in those companies, in addition to raising the competitiveness and value of the companies. As this results enhancing the confidence of investors and other stakeholders. This, in turn, leads to an improvement in the general investment climate in the country, and an increase in the effectiveness of the financial market. As a result, the economy as a whole increases competitiveness, achieving a competitive advantage for the economy in the country as a whole makes it an attractive source for domestic and foreign investments, direct and indirect. This constitutes a source for pumping money into the country; To achieve economic growth; This leads to an increase in the employment rate, increased income, and economic and social well-being.

The scope of implementing the Code is limited to public shareholding companies listed on the Palestine Stock Exchange (PSE), the (PSE), mortgage companies, financial leasing, and securities. In addition, the clauses of the code are derived from Palestinian

laws, and Governance principles in force regionally and internationally. Clauses based on a law carry the meaning of binding, and the code uses these words to describe them: must, not permissible, the right, adhere, and prohibit.

The code also contains clauses that are not based on the text of a law, so the application of these clauses comes voluntarily from companies. The code mentioned them as advice for companies, and words were used at the outset to indicate this, such as: favorable, advised, and permissible.

Third type of rules seemed to be in line with international principles, but - at the same time - inconsistent with the text of an applicable law, and the Code explicitly referred to such cases.

2.10 Previous Studies

2.10.1 Arab Studies

Jouda study (2018), entitled: The implementation extends of Institutional Governance Principles in Palestinian Banks: The study aimed to identify the concepts and principles on which the governance system is based and to explore the extent of Bank of Palestine's commitment to the generally accepted principles and to develop a proposed system for the governance system to be applied in the Bank of Palestine, consisting of (36) items, whose names range from a board member, an executive director, Internal auditor, and external auditor. The results of the study showed a statistically significant relationship between the bank's performance indicators and its implementation of governance principles. The results of the study showed that Bank of Palestine adheres to the principles of corporate governance to a high degree. And that implementation of the principles of corporate governance positively affects the

bank's performance indicators. The study came out with a set of recommendations, the most important of which was the recommendation to develop the instructions of the Palestinian Monetary Authority in the field of institutional governance by adopting the proposed corporate governance model as a binding framework for Palestinian banks, after taking into account the environmental and subjective factors characteristic of Palestinian national banks. The study also recommended that the bank's board of directors create a committee specialized in risk management, whose task is to identify and classify operational and market risks and to formulate strategies for dealing with each type of these risks.

Abu Hamam Study, (2009), The Effect of Implementing Governance Rules on Accounting Disclosure and Quality of Financial Reports: The study aimed to analyze and discuss the impact of implementing governance rules on accounting disclosure and the quality of financial reports, a field study on companies listed in the Palestine Exchange. Where the concept of governance was addressed, its importance, objectives and rules, and the extent impact of both the disclosure and the quality of financial reports on these rules, and then clarified aspects of the interrelation between them, the researcher used the descriptive and analytical approach in conducting the study by collecting data from its primary and secondary sources where data were collected Through a specially prepared questionnaire for this purpose, and it was distributed to the study population of 150 from the board of directors and executives in the joint-stock companies listed on the Palestine Stock Exchange operating in Palestine, The statistical analysis program SPSS was used to analyze the data and test hypotheses. The study reached a set of results, the most important of which were: The implementation of governance rules has contributed in enhancing the role of accounting

disclosure and the quality of financial reports. The development of the culture of governance was mainly reflected in the improvement of companies' position and continuity towards achieving their goals. The study clarified the need to provide the necessary elements to ensure the implementation of governance through the establishment of an integrated administrative and professional organization, based on the foundations of the credibility of the board of directors and executive managers. The most important recommendations of the study were: the necessity of deepening the concepts and commitment to the rules imposed by OECD through holding the necessary qualification training courses and working to follow up the updating and development of the rules of governance, and the need for a specialized committee formed for this purpose to follow up the implementation of the principles and rules of governance and related controls, and to work on spreading the concept and culture of governance more widely among all relevant parties, issuing bulletins and instructions that reflect this, and adhering to its rules and principles in the financial community.

Al-Azaizah Study (2009), Entitled: “The Extent to Which Palestinian National Banks Apply the Rules and Best Practices of Bank Governance in Palestine.” The study aimed to identify the extent to which Palestinian national banks apply the governance standards issued by the Palestinian Monetary Authority, which came in line with what was issued by the Basel Committee on Bank governance, the descriptive analytical method was adopted, and a questionnaire was designed that includes several axes under which governance standards and guidelines fall in order to measure the extent to which Palestinian national banks apply these standards. A total of (192) random samples were distributed to the study community. The study concluded that the Palestinian banks adhere to The standards and governance guidelines issued by the

Monetary Authority, even if they differ in the priority of adherence to the items listed within each of the standards axes, the study also concluded that there is interest in the application of governance standards by those in charge of managing those banks as a result of their awareness of the advantages that are achieved if they are applied. The researcher presented a set of recommendations, the most important of which are: expediting the issuance of the corporate governance guide by the National Governance Committee, spreading and strengthening the culture of governance, and obligating banks to include in their annual report a separate appendix that reviews the status of corporate governance in the bank, and to make ethical and behavioral standards in a higher rank of attention as they are the basis for advancement with the human element and the institution.

Abdul Qader Study (2010), Entitled: The Relationship Between Corporate Governance and the Quality of Profits its Impact on the Quality of Financial Reports: The study aimed to study the impact of some corporate governance mechanisms on management performance by developing a model for choosing the relationship between the quality of profits and some aspects of corporate governance and their impact on the quality of financial reports. Study hypotheses: Increasing the board members' ownership of the company's shares leads to them having an incentive to issue financial reports that fit their personal interests, and therefore it is expected that there will be a relationship between the board members' ownership and the quality of profits. The data contained in the annual financial reports of the study sample companies, which are in the joint stock companies on the Egyptian Stock Exchange website, was used to measure the study variables. The study concluded that there is a

direct relationship between the quality of profits and the independence of the audit committee.

Diab's Study (2014), Entitled :The Reality of Implementation of Institutional Governance Standards in Islamic Banks in Palestine (An Applied Study on Islamic Banks Operating in the Gaza Strip), The study aimed to know the reality of implementing corporate governance standards in the Palestinian Islamic Bank and the Arab Islamic Bank in the Gaza Strip, and the extent of the clarity of The organizational structure of the bankers and the role of the Board of Directors in implementing the principles of governance, to achieve the objectives of the study, as the descriptive analytical approach was used, and a comprehensive inventory method was used due to the small size of the study population and the ease of access to the target group. As the questionnaire was distributed to all members of the study community, which amounted to 80 employees, the study reached a set of results, the most important of which is the banks' keenness to provide a written guide that contains a set of instructions and values that help in introducing workers in Islamic banks to the ethics and behavior of the profession, and all employees are committed to it. The bank management was keen to provide fairness in dealing with all shareholders, which would gain the confidence of shareholders and attract them to open new investments. The study presented a set of recommendations, the most important of which is the need for banks to review and develop the organizational structure of all departments and sections, clarify relationships, define responsibilities and authorities, and ensure that all efforts in banks are intensified in order to increase investment awareness among individuals and develop appropriate plans.

The Study of Bin Thabet and Abdi (2011), Entitled: "Governance in Islamic Banks"

The study aimed to identify the concept of governance at a time when criticism abounded about Islamic banks as simulating traditional banks, using tricks and justifications to put them under the apparent Islamic framework, and accordingly many experts and researchers began to criticize them. Where the two researchers relied on the descriptive analytical method, as a questionnaire was distributed to the study sample members. The study reached the following results: Banks are in dire need to implement the principles of governance, which are rooted in Islamic law, and the need for their description to match their work. The study recommended a number of recommendations, including: the unification of the legal bodies of Islamic banks and financial institutions to be under one body and subject to the supervision of an Islamic central bank, that each bank and Islamic financial institution establish a special section for internal Islamic law supervisors, to ensure that the bank's work is in line with Islamic law, establishing an audit committee within Islamic banks consist of non-executive members who have experience in the field of accounting and auditing.

Al-Najjar Study (2016), Entitled: Measuring the Impact of Compliance with the Application of Corporate Governance Rules on Financial Performance “An applied study on public shareholding companies listed on the Palestine Exchange. The study aimed to measure the impact of compliance with corporate governance rules in Palestine on the financial performance of public shareholding companies listed on the Palestine Exchange.”, to show the impact of this on the financial performance measures represented by the return on assets, sales growth rate, the book value of the share, the market value of the company, and to know which is more, the study was applied to a

sample of (62) companies after fulfilling the conditions of the rules of corporate governance issued by the Code Corporate governance in Palestine during the study period (2015-2016). Moreover, Regression models (simple linear regression, multiple linear regression and one-way analysis of variance model) were used to analyze the data and test the study hypothesis. The study found a positive impact of corporate governance rules on accounting standards: return on assets, book value of shares, and market value of companies, and there is no impact of corporate governance rules on sales growth rate. Therefore, the study recommended that the managements of public shareholding companies increase their commitment to the requirements of corporate governance in order to reach the best optimum ratio for the application of corporate governance rules in order to ensure the positive impact of corporate governance rules on financial performance.

Al-Ghazali Study (2015), The Role Of Applying Corporate Governance Rules In Preventing Financial Default In Companies Listed On The Palestine Stock Exchange.

This study aimed to identify the role of applying the rules of governance in companies listed on the Palestine Stock Exchange in preventing the occurrence of financial failure, by measuring the degree of application of the rules of governance by companies listed on the Palestine Stock Exchange through six indicators (audit systems used by companies, powers of the board of directors , internal regulations and laws, remuneration for members of the board of directors and executives, distribution of share ownership, future policies), and measuring the possibility of companies being exposed to financial failure using models. Through the results that have been reached, the relationship between the degree of application of corporate governance rules by listed

companies on the Palestine Exchange, and the extent to which these companies are exposed to financial failure, has been studied. The researcher relied on collecting the necessary data through financial and administrative reports based on corporate regulations and corporate governance rules issued by the Palestine Stock Exchange for the year 2014. Companies for the year 2014. The study reached several results, including: The percentage of companies' commitment to applying corporate governance standards was an acceptable percentage for applying corporate governance, and the most applied indicator is the indicator for the company's internal regulations and laws.

A Study (Al-Qur'an, 2004) Entitled: the Role of Adopting Corporate Governance in Raising the Efficiency and Effectiveness by Accounting Units of A Service Nature.

This study aimed to identify the role of adopting corporate governance in raising the efficiency and effectiveness by accounting units of a service nature. The study touched on adopting the concept of accounting disclosure as an essential part of corporate governance requirements. Since transparency is a basic requirement in accounting, it is not only limited to accounting information only, but also goes beyond it to information related to the financial situation. Hypotheses related to the subject of the study were developed and tested until it was concluded that there is an effective and vital role for institutional governance on the service unit sector, and institutional governance is an effective tool for accounting disclosure and transparency. And that there is a general application of corporate governance systems to all local accounting units. Local legislation is also in line with developments in corporate governance. This study recommended a set of recommendations, the most important of which was the necessity

of applying the corporate governance system to all economic sectors, in order to ensure and protect the internal and other relevant parties.

2.10.2 Foreign Studies

(Marco Becht, Patrick Bolton, 2002) Study, Entitled: Corporate Governance and

Control: This study aimed to review theoretical and experimental research on the main mechanisms for controlling the work of companies, discuss the main legal and regulatory institutions in various countries, and study the comparative literature that deals with the impact of corporate governance. The main problem for implementing and adopting corporate governance is the nature of the organization that allows large shareholder intervention, which in turn provides better protection for small shareholders, but these rules can increase administrative freedom and scope for abuse.

(Shawwa, Mahmoud, (2007) Study, Entitled: Corporate Governance and Firm's

Performance in Jordan: This study aimed to review the reality of the emergence and spread of corporate governance, as well as the importance of corporate governance, and then look at the basic components that contribute to effective management by looking at the model developed by the Organization for Economic Cooperation and Development (OECD), the work of the Consultative Group on the corporate governance sector or known the name of the Milstein Report is more common. As it showed that the term corporate governance was promoted in the wake of the Asian economic crisis in July 1997, and since it has spread to a large extent in the economic press. The study discusses the importance of efforts to raise awareness of corporate governance around the World to preserve consideration and differences in national cultures, as well as different social priorities. And economic between sovereign states. The study concludes

by saying that at the appropriate time, a unified and convergent model will be developed between all companies, ensuring that they are followed in a manner that leads to an increase in the convergence of practice between countries.

Study (Tore, 2015): The study aimed to assess whether the implementation of Turkish commercial law reforms with regard to corporate governance has an impact on Turkey's attempt to attract more foreign stock investors in the Turkish capital market. Where the absence of information on the percentage of controlling shares in families, the lack of information availability and the low transparency in the Turkish market is a source of primary concern for foreign investors, as one of the main problems with regard to investment. The study recommended to the Turkish market to focus on transparency and accountability to reduce investment risks and not to focus on profitability only, and to focus on applying governance that can reduce the risks resulting from lack of confidence in the investment environment. The results showed the effect of corporate governance legislation in attracting foreign investments in the Turkish market and enhancing their confidence and perspective on the Turkish market.

Study (Azzoz, khamees 2016): The study aimed mainly to examine the characteristics of corporate governance that affect the quality of profits and also affect the profit management of Jordanian companies, such as the size of the board of directors, the double positions of the CEO, the structure of the board, and the audit committee. A sample of the study consisted of all financial companies listed on Amman Stock Exchange, and a total of (73) companies were listed on the Amman Stock Exchange from 2007 to 2012. The size, activity and composition of the audit committee were used to measure the characteristics of corporate governance, for an estimated absolute value that It is calculated through the Jones average model, which is used to estimate the

quality of earnings and earnings management. The study revealed that the size and activities of the audit committee are related to both earnings quality and earnings management.

A Study (Frank Yu, 2006) Entitled: Mechanisms of the Impact of Corporate Governance on Earnings Management. "Corporate Governance and Earnings Management"

The study aimed to clarify the "mechanisms of the impact of corporate governance on earnings management", where the relationship between corporate governance and earnings management was tested. The study concluded that companies that have strong internal governance manage earnings more, while in the case of strong external governance, the company manages earnings less, and the study indicated that profit management is not the main driver between the two sides of ownership and governance.

Hepworth Study (2013), Entitled: Good Governance in Public Sector Institutions.

This study aimed at examining the relationship between corporate governance and the performance of public sector institutions, and for this purpose set standards represented in: transparency, accountability, integrity, efficiency and effectiveness, trust and predictability. The study relied on the analytical approach, where a set of interviews and questionnaires were prepared and distributed to public sector institutions, where the sample size of the study amounted to (247) questionnaires, and this study concluded that there is a relationship between corporate governance standards and public sector institutions in terms of increasing Efficiency and effectiveness in completing work, improving the quality of internal and external financial reports, improving levels of internal control, and improving employee performance and behavior.

Wickstein (2010) Study: Governance and Performance in Small Financial Institutions

The study aimed to identify the relationship between company performance and governance in small financial institutions through a set of self-prepared global information, where cross-sectional data was used. The effects of board members, the type of company ownership, the company's customer relationship, competition and regulation of small financial enterprises were also studied. The results indicated that the financial performance improves through more protected laws than the International Committee on Internal Auditing. The study found that there is no difference between non-profit institutions and corporate shareholders in the financial performance, as well as there is no impact on the bank's organization process. The results confirmed that there is a need by any industry for a style of governance that enhances the positives and minimizes the negatives.

Winchai Study (2014), Entitled: the Relationship Between Corporate Governance, Sustainable Development Reports and Corporate Performance: A Conceptual Study of Publicly Listed Companies in Thailand

The study aimed to know the relationship between corporate governance, sustainable development reports, and institutional performance of companies listed on the Thailand Stock Exchange. The study relied on the descriptive approach. The study population consisted of companies listed on the Thailand Stock Exchange. Where the size of the study sample amounted to 134 companies, and the results of the study concluded that in light of the internal and external factors of the various business sectors, the sustainable development of companies is reported, and that there is a strong relationship between

corporate governance, sustainable development reports to evaluate performance and the confidence of all stakeholders in companies listed on the Thailand Stock Exchange .

Michaela (2014), Entitled: Sustainability and its Incorporation into Corporate Governance / Focus on Corporate Performance Management and Reporting

The study aimed to integrate sustainability with corporate governance by focusing on corporate management performance and reporting. The study relied on the descriptive analytical approach, where the study sample included (314) managers and employees, the study concluded that corporate governance has a major role in changing society's attitudes towards the concept of sustainability, and that companies realize the importance of the concept of sustainability to achieve the long-term administrative performance of companies. However, sustainability is not integrated (particularly by small and medium-sized enterprises) and the extent to which companies can positively impact the environment through attention to social and economic development and their management practices, it also recommended that companies should make sustainability an integral part of their strategic management and corporate planning.

Martin Kyere, Marcel Ausloos Study (2020), Entitled: Corporate Governance and Firms Financial Performance in the United Kingdom: The objective of this study is to examine empirically the impact of good corporate governance on financial performance of United Kingdom non-financial listed firms. Agency theory and stewardship theory serve as the bases of a conceptual model. Five corporate governance mechanisms are examined on two financial performance indicators, return on assets and Tobin's Q, employing cross-sectional regression methodology. The conclusion drawn from empirical test so performed on 252 firms listed on London Stock Exchange for the year 2014 indicates a positive or a negative relationship, but also sometimes no effect,

of corporate governance mechanisms impact on financial performance. The implications are discussed. Thereby, so distinguishing effects due to causes, we present a proof that, when the right corporate governance mechanisms are chosen, the finances of a firm can be improved. The results of this research should have some implication on academia and policy makers' thoughts.

2.10.3 Commenting on Previous Studies.

By reviewing previous studies, we note that all previous studies have been unanimous in their studies on the impact of adopting a governance and its reflection on companies, organizations, financial and industrial institutions. The similarities and differences between our current study and previous studies are evident as follows:

- Previous studies confirm that there is a strong correlation between the implementation of corporate governance and the production of accounting information and the effect on the stock market movement.
- Most of the studies that dealt with governance and its impact on operating companies focused only on the fairness of disclosure and transparency, and the need to adhere the implementation of accounting standards related to this, as well as the appropriate timing in presenting information, and attention to descriptive disclosure, in addition to digital financial disclosure.
- The studies that dealt with the role of the audit process in the governance process, whether it is an internal audit, an external audit, or audit committees, it tends directly to confirm confidence in the accounting information disclosed, therefore it seeks to achieve the quality of this information indirectly.

- Most of the previous studies confirm that companies characterized by relatively better governance are more profitable and more valuable than those that do not apply the governance guidelines.
- Some studies emphasized the need for a Palestinian bank's commitment to the governance standards and guidelines issued by the Palestinian Monetary Authority. And the interest of those in charge of managing these banks in implementing Governance standards as a result of their awareness of the advantages that will be achieved if applied.

The Most Important Features that Distinguish this Study from Previous Studies are the Following:

Most of the previous studies focused on some principles of governance and left the rest, while the current study tries to shed light on the extent of banks operating in Palestine to apply the governance standards issued by the Palestinian Monetary Authority as a full package, which came based on the standards of corporate governance of banking institutions issued by the Basel Committee and the principles Core to good governance established by the Organization for Economic Cooperation and Development.

Also, the current study was distinguished by that it dealt with the reality of implementing governance in enhancing the effective and integrated performance in banks operating in Palestine by studying its dimensions of observing the rights of shareholders and stakeholders, the responsibilities of the board of directors, disclosure and transparency, adherence to the principles of the Basel Committee, and an effective basis.

Chapter III

Research Methodology

This chapter includes a description of the method and procedures followed by the researcher in determining the study population and its sample, the use of the study tool, and the steps to verify the validity and reliability of the tool, in addition to a description of the study variables and the statistical methods used in data analysis.

In this study, the researcher used the descriptive analytical method, and relied on the quantitative method, due to its relevance to the nature of the study, as the descriptive method is often associated with studies of the social and human sciences, and the descriptive method depends on describing the phenomenon as it is, and collecting data and information about it.

3.1 Study Population

The study population includes all 14 Banks operating in Palestine.

Table No. (1) Shows Banks Operating in Palestine

#	Bank Name	#	Bank Name
1	Bank of Palestine	8	Arab Bank
2	The National Bank	9	Cairo Amman Bank
3	Quds Bank	10	Housing Bank
4	Palestine Investment Bank	11	Bank of Jordan
5	SAFA Bank	12	Jordan Ahli Bank
6	Palestine Islamic Bank	13	Jordan Commercial Bank
7	Arab Islamic Bank	14	Egyptian Arab Land Bank

3.2 Study Sample

An intentional sample was taken from 7 local commercial and Islamic banks operating in Palestine.

The study sample consisted of an intentional sample that included Board of Directors, General Managers, Financial Managers, Branch Managers, Compliance, AML and Risk Managers, Financial Analysis Managers, Department Heads and Executive Managers in (Quds Bank, Bank of Palestine, Palestinian Islamic Bank, Arab Islamic Bank, Safa Bank, The National Bank , Palestine Investment Bank), and the sample consisted of (57) directors and department heads, that all of which were valid for analysis, and formed the final sample for the study.

Table (2) shows the distribution of the study sample according to the independent variables:

Table No. (2) The Distribution of the Sample Members According to Study Variables

Variable	Category	Repetition	Percentage
Gender	QUDS Bank	21	36.8
	SAFA Bank	1	1.8
	Bank Of Palestine	6	10.5
	Palestinian Islamic Bank	7	12.3
	The National Bank	12	21.1
	Palestine Investment Bank	3	5.3
	Arab Islamic Bank	7	12.3
Establishment year	1960	5	8.8
	1994	3	5.3
	1995	29	50.9
	1998	7	12.3
	2012	12	21.1
	2016	1	1.8

Variable	Category	Repetition	Percentage
Number of Branches	9 Branches	1	1.8
	20 Branches	3	5.3
	22 Branches	3	5.3
	28 Branches	18	31.5
	40 Branches	2	3.5
	45 Branches	11	19.3
Job Title	Board of Director	5	8.8
	General Manager	7	12.5
	Branch Manager	13	22.3
	Department Manager	19	33.3
	Executive Manager	5	8.8
	Deputy Manger	3	5.3
	Supervisor	4	7.2
	Financial Auditor	1	1.8
Years of Experience	1-5 years	17	29.8
	6-10 years	26	45.6
	11-15 years	6	10.5
	16 years and over	8	14.0
Total		57	100%

Table No. (2) Refers to Banks that were included in the distribution of the questionnaire, which consisted of 7 banks. It was found that Quds Bank represented 36.8%, followed by the National Bank with a percentage of 21%, followed by the Palestinian Islamic Bank and the Arab Islamic Bank with a percentage of 12.3 %, followed by Bank of Palestine with a Percentage of 10.5%.

Table No. (2) indicates that the year of establishment of banks ranged between 1994 and 2016. They are local banks that were established with the beginning of the entry of the (PNA) into the Palestinian territories. However, Bank of Palestine is considered one of the oldest banks, which dates back to the year 1960 AD.

The results of Table No. (2) indicate that the number of bank branches ranged from 9 to 72 branches, where the highest was Bank of Palestine, which had 72 branches, with a

percentage of 7%, and the least of which was AL Safa Bank, which reached 9 branches, due to its Establishment and providing banking services recently in 2016.

The results of Table No. (2) indicate that the highest job titles were represented by department managers, with a percentage of 33.3%, followed by a branch manager, with a percentage of 22.3%, and the lowest being auditors, with a percentage of 1.8%.

The results of Table No. (2) indicate that the highest categories in years of experience were represented in 6-10 years, with a percentage of 45.6%, followed by 1-5 years, with a percentage of 28.8%, followed by 16 years and over, with a percentage of 14%, and finally 11-15 years, with a percentage of 10.5%.

3.3 Study Tool

The researcher used the questionnaire as a tool to study it, as the questionnaire included two parts, so that the first part measures the initial information about the manager who answered the questionnaire, while the second part includes a set of paragraphs that measures the implementation of governance principles and their impact on performance in local banks operating in Palestine, these paragraphs are responded to through a five-point Likert scale, starting with “strongly agree” and given (5) degrees, then “agree” and given (4) degrees, then “neutral” and given (3), then “not agree” and is given two marks, ends with “strongly disagree” and is given only one mark.

3.4 Validity of the Tool

The study tool was presented to the faculty member at the Arab American University, and he referred to some paragraphs of the study tool in terms of the paragraphs formulation, and their suitability for the field in which they were placed, and

recommended modifying their wording or deleting them due to their lack of importance, and thus the validity of the content of the questionnaire was achieved, and it became a tool for the study in its final form (**Appendix 1**).

On the other hand, the validity of the tool was also verified by calculating the Pearson correlation coefficient for the questionnaire paragraphs with the total score of the tool, and it became clear that there was statistical significance in all the paragraphs of the questionnaire and indicated that there was internal consistency between the paragraphs.

The following table shows that:

**Results of Pearson Correlation Coefficient for the Paragraphs Correlation
Matrix of Implementing Governance Principles and its Impact on the Performance
of Local Banks Operating in Palestine.**

#	R Value	Statistical function	#	R Value	Statistical function	#	R Value	Statistical function
1	.332**	.000	24	.295**	.001	47	.583**	.000
2	.420**	.000	25	.303**	.001	48	.510**	.000
3	.290**	.001	26	.432**	.000	49	.443**	.001
4	.273**	.003	27	.182*	.003	50	.668**	.000
5	.322**	.000	28	.271**	.003	51	.570**	.000
6	.267**	.003	29	.382**	.000	52	.517**	.000
7	.383**	.000	30	.343**	.000			
8	.198*	.030	31	.322**	.000			
9	.334**	.000	32	.417**	.000			
10	.396**	.000	33	.277*	.037			
11	.298**	.001	34	.434**	.001			
12	.454**	.000	35	.285*	.032			
13	.341**	.000	36	.467**	.000			
14	.381**	.000	37	.454**	.000			
15	.346**	.000	38	.481**	.000			
16	.328**	.000	39	.339**	.010			
17	.645**	.000	40	.418**	.001			
18	.278**	.002	41	.558**	.000			
19	.519**	.000	42	.384**	.003			
20	.495**	.000	43	.552**	.000			

21	.439**	.000	44	.540**	.000
22	.405**	.000	45	.657**	.000
23	.299**	.001	46	.516**	.000

3.5 Tool Stability

The stability coefficient of the tool has been extracted, using Cronbach's Alpha equation, and Table (2) shows the reliability coefficients of the study tool:

Table No. (3) Stability Coefficient of the Study Tool

The dimension	Number of Paragraphs	Stability coefficient by Cronbach's alpha method
The degree of bank's commitment to equivalent rights of shareholders and investors	11	75%
The degree of banks commitment to the responsibilities of their boards of directors to practice governance rules	14	84%
The degree of banks commitment to disclosure, integrity and transparency	8	86%
Obstacles to Implementing Corporate Governance in Banks	6	94%
The impact of Corporate Governance on performance and quality in the Bank	13	89%
TOTAL DEGREE	52	88%

It is clear from Table No. (3) that the reliability coefficients amounted to the total score (0.88), which indicates the suitability of the study tool for the purposes of scientific research.

3.6 Study Procedures

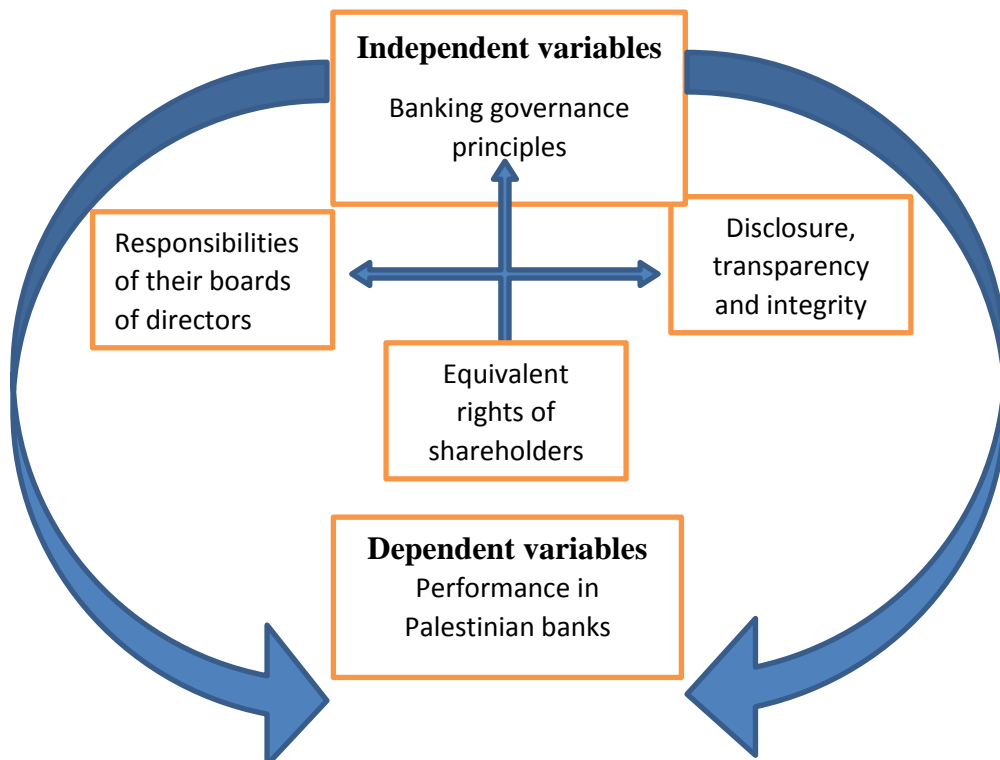
This study was conducted according to the following steps:

- Preparing the study tool in its final form.

- Determining the members of the study sample.
- The researcher distributed the tool to the study sample and retrieved it, as (57) questionnaires were distributed, and (57) of them were retrieved, which formed the study sample.
- Entering data into the computer and processing it statistically using the Statistical Package for Social Sciences (SPSS).
- Extracting, analyzing and discussing the results, comparing them with previous studies, and proposing appropriate recommendations.

3.7 Study Model

Figure (2)



3.8 Statistical Processors

After unpacking the answers of the sample members, they were encoded and data entered using the computer, then the data was processed statistically using the Statistical Package for Social Sciences (SPSS) program.

Among the statistical treatments used are:

1. Frequencies and Percentages of the sample distribution according to the study variables.
2. Arithmetic averages, and percentages, to estimate the relative weight of the questionnaire paragraphs.
3. Regression analysis.

The Researcher Relied on the Scale Developed by Mary and Allen 1990 to Explain the Results:

Arithmetic average category	Options of Agree	Degree of Agree
1-1.8	Strongly Disagree	Very Low
1.81- 2.60	Not Agree	Low
2.61 – 3.40	Neutral	Medium
3.41 – 4.20	Agree	High
4.21 – 5	Strongly Agree	Very high

Chapter IV

Results of the study

This chapter presents the results of the study according to the order of its questions and hypotheses.

4.1 Results Related to the Study Questions

It is clear from Table No. (4) below that the reality of implementing the principles of corporate governance in local banks came to a very high degree, with an arithmetic average of (4,324195), and a standard deviation of (0.627104), While the highest averages were in the degree of banks' commitment to disclosure, integrity and transparency with an arithmetic average (4.432025) and a standard deviation (0.561369), followed by the degree of banks' commitment to the equal rights of shareholders and investors with average (4.288673) and a standard deviation (0.641013), followed by the degree of banks' commitment to the responsibilities of their boards of directors to practice governance rules with an arithmetic average (4.251886) and a standard deviation (0.678929).

Table (4) Arithmetic Averages and Percentages of the Paragraphs of Dimension Related to the Reality of Implementing Corporate Governance Principles in Local Banks.

Number	Dimension	Arithmetic average	Standard deviation	Impact estimation
1	The degree of bank's commitment to equal rights of shareholders and investors	4.288673	0.641013	Too high
2	The degree of banks commitment to the responsibilities of their boards of directors to practice governance rules	4.251886	0.678929	Too high
3	The degree of banks commitment to disclosure, integrity and transparency.	4.432025	0.561369	Too high
TOTAL DEGREE		4.324195	0.627104	Too high

It is clear from Table (5) below that the degree of banks' commitment to the equal rights of shareholders and investors was very high, with an arithmetic average of (4,288673), and a standard deviation of (0.641013).

where it was found that the highest arithmetic average were represented in the paragraph that states (The Board of Directors reviewed the systems And bank's internal procedures to verify their suitability and efficiency increases investors' confidence in bank's financial reports) as its arithmetic average reached (4.5614), while the lowest arithmetic average was represented in the paragraph that states (Not to exceed the duration of the contract per member of the Board of Executive Directors for three years, contributes to increase the confidence of investors and financial reports of Bank.) as its arithmetic average was (3.8421).

Table (5) Arithmetic Averages and Percentages of First Axis Paragraph) the Degree of Bank's Commitment to Equivalent Rights of Shareholders and Investors).

#	Paragraph	Arithmetic average	Standard deviation	Importance degree
1	Investors' confidence in Bank increases if the board of directors structure represents the capital structure distribution ratios	4.0702	.92311	High
2	The presence of more than half of non-executive board members in bank increases investor confidence in banks financial reports.	4.2982	.62578	Very high
3	The separation of chairman and managing director positions in Bank supports investors' confidence in bank's financial reports.	4.4386	.53511	Very high

#	Paragraph	Arithmetic average	Standard deviation	Importance degree
4	The Board of Directors' review of Bank's internal systems and procedures to verify their suitability and efficiency increases investors' confidence in Bank's financial reports.	4.5614	.50063	Very high
5	Not to exceed the duration of the contract per member of the Board of Executive Directors for three years, contributes to increase the confidence of investors and financial reports of Bank.	3.8421	.86167	High
6	The presence of non-executive board of directors members in board of directors committees (audit, risk and compliance, governance, nomination and rewards, investment) increases investor confidence in the financial reports of Bank.	4.3509	.66792	Very high
7	The availability of the necessary skills for Board of Directors members to understand and manage the financial reports of Bank increases the confidence of investors in the financial reports of Bank.	4.4386	.59814	Very high
8	Bank's reliance on written rules for board members role and levels increases investor confidence in Banks financial reports	4.3684	.58650	Very high
9	Providing the opportunity to exchange consultations between shareholders and institutional investors with their ownership rights that stipulated in the principles, increases the confidence of investors and shareholders in Bank's financial policy and its reports.	4.1228	.59971	High

10	The General Assembly and the topics on which the time, place, date and agenda of the meeting will be taken, providing sufficient information to investors and shareholders about the decisions in the meeting, increases confidence in Bank's financial policy and its reports.	4.2807	.55916	Very high
11	Providing the opportunity for investors and shareholders to ask questions to the board of directors, add new items on the agenda, and propose appropriate solutions in General Assembly meeting , increases confidence in the bank's financial policy and its reports.	4.4035	.59341	Very high
Total Degree Axis		4.288673	0.641013	Very high

It is obvious from Table (6) below that **the degree of banks' commitment for their board of director's responsibilities to practice the rules of governance** was high, as its arithmetic average was (4.251886), and a standard deviation (0.678929), where it was found that the highest arithmetic average were represented in the paragraph that states (The Board of Directors structure includes independent and non-independent members.) with an arithmetic average of (4.4561), while the lowest arithmetic averages was the paragraph that states (The responsibility of each Board of Directors members is specific and clear in front of the shareholders) where the arithmetic average was (3.9474).

Table (6) Arithmetic Averages and Percentages of Second Axis Paragraphs (The Degree of Banks' Commitment for Their Board of Director's Responsibilities to Practice the Rules of Governance).

#	Paragraph	Arithmetic average	Standard deviation	Importance degree
1	The Board of Directors structure includes independent and non-independent members.	4.4561	.56915	Very High
2	The Board of Directors structure includes independent members with specialized scientific and practical experiences.	4.3860	.75010	Very high
3	The relationship between the ownership structure and the board of directors is based on equality among all shareholders.	3.9825	.76745	High
4	The Board of directors members are fully aware of the principles and rules of financial activities and the legislation that bank must follow.	4.3158	.80529	Very high
5	The Board of Directors bears all responsibilities related to Bank's operations and its financial position safety in front of shareholders.	4.3684	.58650	Very High
6	The Board of Directors bears all the responsibilities related to banking governance by defining and supervising the general objectives of the executive management.	4.2632	.69504	Very high
7	Board members are fully responsible for formulating bank's risk strategy and business policy.	4.0877	.78560	High
8	Board of Directors are responsible for avoiding conflicts of interest that make them unable to perform their duties with a fully extent to Bank.	4.2807	.55916	Very high
9	Board of Directors monitors the strategic objectives of bank, ethical values and work standards, taking into account the interests of shareholders and depositors, and that these values are valid and real in the bank.	4.3158	.63127	Very High

10	The responsibility of each Board of Directors members is specific and clear in front of the shareholders	3.9474	.83283	High
11	The communication process between Board of directors members and the executive management is easy and available at any time.	4.2807	.67492	Very high
12	Each Board of Directors member is responsible in front of Bank and the shareholders.	4.2456	.63473	Very high
13	Each Board of Directors member is fully responsible for expressing an opinion.	4.2456	.66227	Very High
14	Board of Directors members are responsible for selecting, monitoring and nominating executive managers to ensure the availability of competencies that capable of managing the bank.	4.3509	.55069	Very High
Total Degree Axis		4.251886	0.678929	Very High

It is clear from Table (7) below that **the degree of banks' commitment to disclosure, integrity and transparency** was very high, with an arithmetic average of (4.432025) and a standard deviation of (0.561369), where it was found that the highest arithmetic averages were represented in the paragraph that states (Transparency is essential to effective and sound corporate governance in banks) where its arithmetic average reached (4.6491), while the lowest arithmetic averages was the paragraph that states (The disclosure is commensurate with the size and complexity of the ownership structure and the extent of banks' exposure to risks) where its arithmetic average was (4.1930).

Table No. (7) Arithmetic Averages and Percentages of Third Axis Paragraphs (the Degree of Banks Commitment to Disclosure, Integrity and Transparency).

#	Paragraph	Arithmetic average	Standard deviation	Importance degree
1	Transparency is essential to effective and sound corporate governance in banks.	4.6491	.51725	Very High
2	It is difficult for shareholders, stakeholders and other market participants to properly and effectively monitor the performance of the bank's management with absence of transparency.	4.4211	.49812	Very High
3	Annual public disclosure is necessary for banks to achieve transparency and discipline.	4.4561	.50250	Very High
4	Timely and accurate disclosure through the bank's website and in periodic and annual reports is essential for effective and sound corporate governance in banks.	4.5263	.50375	Very High
5	The disclosure is commensurate with the size and complexity of the ownership structure and the extent of banks' exposure to risks.	4.1930	.61058	High
6	Banks disclosure of financial and non-financial information to all users at the	4.4035	.70355	Very High

	same time supports the confidence of investors in the bank's financial reports.			
7	Bank adopting all procedures that do not enable to leak information before publication to all users, supports investors' confidence in the financial reports.	4.3860	.55916	Very High
8	Bank's commitment to publish its financial reports on the specified dates by the regulatory bodies increases investors' confidence in the bank's financial reports.	4.4211	.59604	Very High
Total Degree of Axis		4.432025	0.561369	Very High

It is clear from Table (8) below that **the obstacles of implementing governance in banks** were high, with an arithmetic average of (3.526317), and a standard deviation of (1.09658), as it was found that the highest arithmetic averages were represented in the paragraph that states (weak awareness of officials about the most appropriate mechanisms To comply with the standards of governance in banks), where its arithmetic average reached (3,6842), and the lowest arithmetic averages was the paragraph that states (Lack of clarity on regulations, laws and legislation that govern the implementation of corporate governance in banks), where its arithmetic average was (3,4211).

Table No. (8) Arithmetic Averages and Percentages of The Paragraphs that Discuss the Obstacles of Implementing Governance in Banks.

#	Paragraph	Arithmetic average	Standard deviation	Importance degree
1	Lack of clarity on regulations, laws and legislation that govern the implementation of corporate governance in banks.	3.4211	1.06817	High
2	Weak regulatory and supervisory systems by the Palestinian Monetary Authority in implementing corporate governance rules.	3.4737	1.16658	High
3	Absence of a legal deterrent for non-compliance with the implementation of corporate governance rules and principles in banks.	3.5088	1.10393	High
4	Weak investor confidence in banks' commitment of implementing corporate governance rules and principles.	3.5789	1.01678	High
5	Weak plans that sets by the board of directors in implementing governance rules	3.4912	1.08764	High
6	Weak awareness of officials about the	3.6842	1.13638	High

	most appropriate mechanisms to comply with the standards of governance in banks.			
Total Degree of Axis		3.526317	1.09658	High

It is clear from Table (9) below that **the level of corporate governance impact on performance and quality in banks** was high, with an arithmetic average of (4.102569) and a standard deviation of (0.656698), as it was found that the highest paragraphs were represented in the paragraph that states (The adoption of corporate governance contributed to enhancing the financial performance of the Bank), with an arithmetic average of (4,2982), while the lowest arithmetic averages was the paragraph that states (The corporate governance system contributed to increasing the bank's profits), with an arithmetic average of (3.7719).

Table No. (9) Arithmetic Averages and Percentages for Paragraphs of the Dimension Related to the Level of Corporate Governance Impact on Performance and Quality in Banks.

#	Paragraph	Arithmetic average	Standard deviation	Importance degree
1	The adoption of corporate governance contributed to enhancing the financial performance of the Bank.	4.2982	.65370	Very High
2	The adoption of corporate governance has increased investor confidence in bank's financial reports.	4.1579	.59129	High
3	The corporate governance system contributed to increasing the bank's profits.	3.7719	.84552	High
#	Paragraph	Arithmetic average	Standard deviation	Importance degree

4	The adoption of corporate governance system contributed to increasing the satisfaction of other stakeholders.	4.1053	.79472	High
5	The adoption of corporate governance has enhanced integrity and transparency in financial performance.	4.2456	.63473	Very High
6	The adoption of corporate governance system has enhanced the growth in bank's financial performance.	4.0351	.70622	High
7	The adoption of corporate governance system has increased the credibility of the bank's financial performance	3.9825	.74381	High
8	The adoption of corporate governance system contributed to reducing financial errors.	3.9123	.68870	High
9	The corporate governance system contributed to reducing the cases of financial corruption in Bank	4.1930	.58060	High
10	The corporate governance system has enhanced Bank's financial stability.	4.1754	.57080	High
11	Commitment to implementing corporate governance leads to complete competition in the financial market by providing a large number of investors	4.1579	.56028	High
12	Providing equal voting rights to shareholders within each class and their approval of any changes in voting rights increases the degree of confidence	4.1053	.61772	High
13	Commitment to implementing governance leads to a degree of reassurance for investors and shareholders that they will achieve an appropriate return on their investments.	4.1930	.54898	High
Total Degree of Axis		4.102569	0.656698	High

4.2 Hypotheses Testing

Main Hypothesis: There is no statistically significant relationship at the level of significance ($0.05 \geq \alpha$) between the implementation of corporate governance principles in banks and the quality of performance.

It is clear in table (10) below through the significance level that the value of the significance level was less than (0.05) and thus statistical significance, so we reject the hypothesis which states that there is no statistically significant relationship at the significance level $0.05 \leq \alpha$ between the implementation of corporate governance principles in banks and the quality of performance, in addition that there is a good relationship through the results of Pearson correlation coefficient, also the value of beta was (36.8%).

Moreover, it turns out that the relationship is direct, the higher degree of implementing corporate governance principles, the higher level of performance quality. Also, the coefficient of determination (R^2) came to indicate a coefficient of (0.135).

This means that 13.5% of the variance is explained by the implementation of corporate governance principles, while the rest of this percentage is a variance explained by other random factors that did not enter the regression model.

Table No. (10) The Outcomes of Regression Test to Measure the Relationship Between the Implementation of Corporate Governance Principles by Banks and the Quality of Performance.

Hypothesis	R coefficient of correlation	F Value	R2 Value	Beta Value	Significance level
The relationship between implementation of corporate governance principles in banks and the quality of performance.	.368 ^a	8.610	.135	.368	.005 ^b

Results related to First Hypothesis: There is no statistically significant relationship at the significance level ($0.05 \geq a$) in the response of the study sample between the degree of banks' commitment to equal rights of shareholders and investors and the level of performance quality.

Table No. (11) The Outcomes of Regression Test to Measure the Relationship Between the Degree of Bank Commitment to the Equal Rights of Shareholders and Investors and the Level of Performance Quality.

Hypothesis	R coefficient of correlation	F Value	R2 Value	Beta Value	Significance level
The relationship between the degree of Bank commitment to the equal rights of shareholders and investors and the level of performance quality.	.285 ^a	4.878	.081	.285	.031 ^b

It is clear through the significance level that the value of the significance level was less than (0.05) and thus statistical significance, so we reject the hypothesis which states that

there is no statistically significant relationship at the significance level $0.05 \leq \alpha$ between the degree of bank commitment to the equal rights of shareholders and investors and the level of performance quality. in addition, that there is a good relationship through the results of Pearson correlation coefficient, also the value of beta was (28.5%).

Moreover, it turns out that the relationship is direct, the higher degree of Bank commitment to the equal rights of shareholders and investors, the higher level of performance quality. Also, the coefficient of determination (R^2) came to indicate a coefficient of (0.081). This means that 8.1% of the variance is explained by the degree of Bank commitment to the equal rights of shareholders and investors, while the rest of this percentage is a variance explained by other random factors that did not enter the regression model.

Results related to Second Hypothesis: There is no statistically significant relationship at the significance level ($0.05 \geq \alpha$) in the response of the study sample between the degree of Banks' commitment for their board of director's responsibilities to practice the rules of governance and the level of performance quality.

Table No. (12) The Outcomes of Regression Test to Measure the Relationship Between the Degree of Banks' Commitment for their Board of Director's Responsibilities to Practice the Rules of Governance and The Level of Performance Quality.

Hypothesis	R coefficient of correlation	F Value	R2 Value	Beta Value	Significance level
The relationship between the degree of Banks' commitment for their board of director's responsibilities to practice the rules of governance and the level of performance quality.	.252 ^a	3.740	.064	.252	.058 ^b

It is clear through the significance level that the value of the significance level was less than (0.05) and thus statistical significance, so we reject the hypothesis which states that there is no statistically significant relationship at the significance level $0.05 \leq \alpha$ between the degree of banks' commitment for their board of director's responsibilities to practice the rules of governance and the level of performance quality. in addition, that there is a good relationship through the results of Pearson correlation coefficient, also the value of beta was (25.2%).

Moreover, it turns out that the relationship is direct, the higher degree of Banks' commitment for their board of director's responsibilities to practice the rules of governance, the higher level of performance quality. Also, the coefficient of determination (R2) came to indicate a coefficient of (0.064). This means that 6.4% of the variance is explained by the degree of Banks' commitment for their board of director's responsibilities to practice the rules of governance, while the rest of this

percentage is a variance explained by other random factors that did not enter the regression model.

Results related to Third Hypothesis: There is no statistically significant relationship at the significance level ($0.05 \geq \alpha$) in the response of the study sample between the degree of banks commitment to disclosure, integrity and transparency and the level of performance quality.

Table No. (13) The Outcomes of Regression Test to Measure the Relationship Between the Degree of Banks Commitment to Disclosure, Integrity and Transparency and the Level of Performance Quality.

Hypothesis	R coefficient of correlation	F Value	R2 Value	Beta Value	Significance level
The relationship between the degree of Banks commitment to disclosure, integrity and transparency and the level of performance quality.	.395 ^a	10.141	.156	.395	.002 ^b

It is clear through the significance level that the value of the significance level was less than (0.05) and thus statistical significance, so we reject the hypothesis which states that there is no statistically significant relationship at the significance level $0.05 \leq \alpha$ between the degree of banks commitment to disclosure, integrity and transparency and the level of performance quality. in addition, that there is a good relationship through the results of Pearson correlation coefficient, also the value of beta was (39.5%).

Moreover, it turns out that the relationship is direct, the higher degree of banks commitment to disclosure, integrity and transparency, the higher level of performance quality. Also, the coefficient of determination (R2) came to indicate a coefficient of

(0.156). This means that 15.6% of the variance is explained by the degree of Banks commitment to disclosure, integrity and transparency, while the rest of this percentage is a variance explained by other random factors that did not enter the regression model.

Chapter V

Conclusions and Recommendations

5.1 Key Findings

5.1.1 The Degree of Implementing the Principles of Corporate Governance in Local Banks

The reality of implementing the principles of corporate governance in banks came to a very high degree in total, with an arithmetic average of (4,324195), and a standard deviation of (0.627104). The highest averages were in the degree of banks' commitment to disclosure, integrity and transparency with an arithmetic average of (4.432025) and a standard deviation (0.561369), followed by the degree of banks' commitment to the equal rights of shareholders and investors with an arithmetic average (4.288673) and a standard deviation (0.641013), followed by the degree of banks' commitment to the responsibilities of their boards of directors to practice governance rules with an arithmetic average (4.251886) and a standard deviation (0.678929).

This result can be explained by the reality of activating the governance framework of the procedures adopted by the bank, which aims through it to strengthen and activate the governance framework in the banking system, in spite of this, there is a general weakness in the directions of banks to raise the awareness of employees about governance principles and work to apply them, which is explained by the weak interest of banks in raising the awareness of employees. Therefore, it can be said that the availability and activation of these principles enhances the chances of improving the implementation of governance in banks, which in turn achieves the continuity of success banks and contributes to enhancing the competitive advantage in banks, as the sound practice of governance generally leads to support and safe the banking system,

through the standards set by the (BCBS) and for the regulation and control of the banking industry, the most important of which is the announcement of the strategic objectives of bank, defining management responsibilities and ensuring the efficiency of the board of directors members and their full awareness of the concept of governance. And the absence of intentional mistakes by the senior management, thus ensuring the effectiveness of the role of the auditors and their awareness of the importance of their supervisory role, in addition to the availability of transparency and disclosure in all work and activities of the bank and the management, which leads to improving the efficiency of the bank by increasing financing opportunities and lowering the cost of investment, and the ability to attract deposits, It also leads to combating corruption and reducing financial insolvency.

5.1.2 The Degree of Banks Commitment to Equal Rights of Shareholders and Investors.

The results indicated that the degree of banks commitment to equal rights of shareholders and investors was very high, with an arithmetic average of (4.288673), and a standard deviation of (0.641013), where it was found that the highest arithmetic averages were represented in the paragraph that states **(The Board of Directors reviewed the systems and bank's internal procedures to verify their suitability and efficiency increases investors' confidence in bank's financial reports)** as its arithmetic average reached (4.5614), while the lowest paragraph was represented in the paragraph that states **(Not to exceed the duration of the contract per member of the Board of Executive Directors for three years, contributes to increase the confidence of investors and financial reports of the bank)** as its arithmetic average was (3.8421). This high result can be explained to take into account the rights of

shareholders due to the nature of the instructions, regulations and laws issued by the Monetary Authority that define and regulate the work of banks and regulate their relationship with shareholders and stakeholders through the adoption of an effective control systems that follow up on administrative and financial operations in the banking sector.

5.1.3 The Degree of Banks' Commitment for their Board of Director's Responsibilities to Practice the Rules of Governance.

The results indicated that the degree of banks' commitment for their board of director's responsibilities to practice the rules of governance was high, as its arithmetic average was (4.251886), and a standard deviation (0.678929), where it was found that the highest arithmetic average were represented in the paragraph that states (The Board of Directors structure includes independent and non-independent members.) with an arithmetic average of (4.4561), while the lowest arithmetic averages was the paragraph that states (The responsibility of each Board of Directors members is specific and clear in front of the shareholders) where the arithmetic average was (3.9474).

These high results can be explained about board of directors' commitment to its responsibilities, as the board of directors must set clear limits for the responsibilities and powers of the bank for themselves, the senior management, managers and employees, and put in place an administrative structure that encourages accountability and defines responsibilities, and this reflects the reality of the important and effective role played by the (PMA) through the instructions it issued in supervising the administrative operations of the Board of Directors and organizing them in a manner consistent with the work environment in banks in Palestine.

Moreover, the publications and instructions of the (PMA) are an important indicator of the Board of Directors' commitment to its responsibilities.

5.1.4 The Degree of Banks' Commitment to Disclosure, Integrity and Transparency.

The results indicated that the degree of banks' commitment to disclosure, integrity and transparency was very high, with an arithmetic average of (4.432025) and a standard deviation of (0.561369), where it was found that the highest arithmetic averages were represented in the paragraph that states (Transparency is essential to effective and sound corporate governance in banks) where its arithmetic average reached (4.6491), while the lowest arithmetic averages was the paragraph that states (The disclosure is commensurate with the size and complexity of the ownership structure and the extent of banks' exposure to risks (where its arithmetic average was (4.1930). This high result of the availability of disclosure and transparency in the banking system can be explained by the nature of what transparency represents as an important and necessary tool for effective and sound governance. On the other hand, for the necessary adhering to the regulatory authorities' instructions, and to avoid obtaining financial fines.

5.1.5 The Obstacles to Implementing Corporate Governance By Palestinian Banks.

The results indicated that the obstacles of implementing governance in banks were high, with an arithmetic average of (3.526317), and a standard deviation of (1.09658), as it was found that the highest arithmetic averages were represented in the paragraph that states (weak awareness of officials about the most appropriate mechanisms To comply with the standards of governance in banks), where its arithmetic average reached (3,6842), and the lowest arithmetic averages was the paragraph that states (Lack of

clarity on regulations, laws and legislation that govern the implementation of corporate governance in banks), where its arithmetic average was (3,4211).

This high result can be explained about the obstacles to implementing corporate governance in banks operating in Palestine, as it is clearly noted that despite the great expansion in searching for an effective and constructive mechanisms for the process of implementing governance principles in banks operating in Palestine, there is a lack of awareness among many banking departments about the most appropriate ways that can be followed in enhancing the degree of implementation governance rules in Banks operating in Palestine. In addition, it is noted that there is a weakness in the mutual trust between investors and bank administrations in the degree of commitment to standards and principles of governance.

5.1.6 The Level of Corporate Governance Impact on Performance and Quality in Banks

The results indicated that the level of corporate governance impact on performance and quality in banks was high, with an arithmetic average of (4.102569) and a standard deviation of (0.656698), as it was found that the highest paragraphs were represented in the paragraph that states (The adoption of corporate governance contributed to enhancing the financial performance of the Bank), with an arithmetic average of (4,2982), while the lowest arithmetic averages was the paragraph that states (The corporate governance system contributed to increasing the bank's profits), with an arithmetic average of (3.7719). This is clearly reflected in the commitment to governance standards and procedures in banks operating in Palestine, as ensuring the effectiveness of supervisors roles and their awareness of their supervisory role importance, in addition to the availability of transparency and disclosure in all the work

and activities of the bank and management, which leads to improving the bank's efficiency by increasing funding opportunities and decreasing The cost of investment, and the ability to attract deposits, as well as lead to combating corruption and reducing financial insolvency.

5.1.7 Findings Related to the Main Hypothesis: is There A Statistically Significant Relationship at the Significance Level ($0.05 \geq \alpha$) Between the Implementation of Corporate Governance Principlesi Banks and the Quality of Performance.

The results indicated that there is a statistically significant relationship at the significance level $0.05 \leq \alpha$ between the implementation of corporate governance principles in banks and the quality of performance and that there is a good relationship through the results of Pearson correlation coefficient, also the value of beta was (36.8%).

Moreover, it turns out that the relationship is direct, the higher degree of implementing Corporate Governance Principles, the higher level of performance quality. Also, the coefficient of determination (R^2) came to indicate a coefficient of (0.135).

This means that 13.5% of the variance is explained by the implementation of corporate governance principles, while the rest of this percentage is a variance explained by other random factors that did not enter the regression model.

5.2 Conclusions.

- 1.** The Implementation of corporate governance in banks leads to direct and indirect positive effects on improving the business environment. Its direct effects are to increase the efficiency of banks in providing the necessary financing for projects, which is one of the most important components of a successful business environment, in addition to attracting correspondent banks. On the other hand, its indirect effects, as banks play an effective role in pressuring companies to implement the principles of corporate governance, and thus provide protection for investors from misuse of their money.
- 2.** The implementation of corporate governance in banks leads to protect the banking system from crises, which leads to maintaining economic stability, which is a basic requirement of a suitable business environment for investment.
- 3.** Banks take into account and preserve the rights of other stakeholders who have relations with banks, as well as preserve the rights of shareholders guaranteed by law, which reflects a good impact on the performance and reputation of the bank and enhances the competitive advantage.
- 4.** Banks are highly concerned with the principles of disclosure and transparency about financial performance because of their impact on attracting (local and foreign) investors and influencing their financial decisions.
- 5.** The attention of implementing disclosure and transparency in banks has a significant impact on the performance of banks and reduce the process of manipulation and fraud in financial reports, which is one of the principles of bank governance.
- 6.** Adopting standards and principles of corporate governance in banks operating in Palestine has a positive and effective impact on increasing the competitiveness of

banks in particular, especially with an increased confidence in the banking system in Palestine by local and foreign investors.

5.3 Recommendations.

Through the results obtained, the researcher recommends the following:

1. The necessity for banks to educate their employees about the importance of governance and its positive role in achieving competitive advantage, through awareness campaigns on the concepts of governance and its effective impact, and through holding a training programs on how to take advantage of the dimensions of implementing governance that enable employees to enhance and develop their capabilities to achieve efficiency and reach the stage of distinguished performance.
2. Qualifying board members by organizing workshops and courses with experts specialized in the science of good governance.
3. Inviting universities to offer a course dealing with the issue of governance in the Faculty of Commerce and Law, to support the Palestinian student before entering the labor market with a high level of culture in the subject of governance, to contribute in raising its level within the institutions.
4. The necessity of benefiting from the successful international experiences, both arab and foreign, in setting appropriate plans to implement the rules of governance, such as establishing a specified institution in Governance, e.g. JIOD (Jordan Institute of Directors).
5. Work on developing risk, compliance and audit functions beyond their routine work, as the implementation of governance instructions in a correct manner constitutes a source of strength for the control departments in order to enhance the role of risk

management, and consider it a basic source for measuring the extent of the bank's commitment.

6. Working on developing a classification system for companies and institutions, depending on their extent of implement governance principles and the decisions of the Basel Committee.
7. Activating the role of other regulatory bodies to ensure bilateral control on the implementation of governance.
8. Reviewing the level of clarity of regulations, and update laws and legislation that regulate the application of corporate governance by banks and the (PMA) to increase the effectiveness of the regulatory and supervisory systems.
9. The necessity of urging banks to provide special periodical brochure explaining the level of their commitment to governance and its principles in order to enhance confidence between investors and banks.

Further Research:

1. The researcher suggests completing this study about implementing governance principles and its impact on the performance of Palestinian banks operating in Palestine, with working to expand the study community by include a sample of another stakeholder such as shareholders, which leads to a result from different points of view and thus will be more accurate in shedding light if there is a real gap of implementing corporate governance principles by banks, and investigate the relations and interactions among various key players within bank sector.
2. A study of an automation system of the principles of governance and its impact on the commitment to apply the principles of governance in Palestinian banks and its

role in reducing the risks of non-compliance and reducing human errors, which raises the level of performance, in addition to facilitating internal operations and ensuring the commitment of the executive management and the board of directors, strengthening the management of internal data in the bank and ensuring that all interactions between systems are strictly measured, and monitor access to data in real time, which means that if there is unauthorized access to the data, the authorized person will be notified in time.

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الجامعة العربية الأمريكية

موقع رام الله

Annex one: Questionnaire

تخصص تخطيط استراتيجي وتجنيد أموال

إستبانة رسالة ماجستير

السادة الموظفين المحترمين

تحية طيبة وبعد

تقوم الباحثة باعداد دراسة بعنوان : " تطبيق مبادئ الحوكمة واثرها على الاداء في البنوك التجارية العاملة في فلسطين"، وذلك إستكمالاً لمتطلبات مشروع التخرج للحصول على درجة الماجستير في تخصص تخطيط استراتيجي وتجنيد اموال ، لذا تأمل الباحثة منكم الإجابة عن فقرات الاستبانة، علماً بأن هذه المعلومات ستعامل بسرية تامة ولن تستخدم الا لأغراض البحث العلمي.

الباحثة : فاتن دعمة

إشراف: د.نصر عبد الكريم

القسم الاول: المعلومات الديمغرافية

اسم البنك :

سنة التأسيس:

عدد فروع البنك:

الموقع الذي تشغله في البنك :

عدد سنوات العمل في هذا الموقع:

القسم الثاني : الرجاء وضع اشارة (x) داخل مربع الاجابة المناسبة.

الرقم	الفقرة	موافق بشدة	موافق	محايد	غير موافق	غير موافق بشدة
المحور الاول: واقع تطبيق الحوكمة في البنوك						
اولا : درجة التزام البنوك بحقوق المساهمين والمستثمرين المتكافئة						
1	تزداد ثقة المستثمرين في المصرف إذا كان تكوين مجلس الادارة يمثل نسب توزيع هيكل رأس المال .					
2	وجود أكثر من نصف أعضاء مجلس الادارة من غير التنفيذيين بالمصرف يزيد من ثقة المستثمرين في التقارير المالية للمصرف .					
3	قيام المصرف بالفصل بين وظيفتي رئيس مجلس الادارة والعضو المنتدب يدعم الثقة لدى المستثمرين في التقارير المالية للمصرف .					
4	قيام مجلس الادارة بمراجعة نظم وإجراءات المصرف الداخلية للتحقق من ملاءمتها ومن كفاءتها يزيد من ثقة المستثمرين في التقارير المالية للمصرف					
5	عدم تجاوز مدة التعاقد للعضو الواحد من مجلس الادارة التنفيذي ثلاث سنوات تساهم في زيادة ثقة المستثمرين بالتقارير المالية للمصرف					
6	وجود أعضاء من مجلس الادارة غير التنفيذيين في اللجان التابعة لمجلس الادارة (المراجعة، المخاطر والامتثال، الحوكمة، التعيينات و المكافآت، الاستثمار) يزيد من ثقة المستثمرين في التقارير المالية للمصرف					

الرقم	الفقرة	موافق بشدة	موافق	محايد	غير موافق	غير موافق بشدة
7	توافر المهارات اللازمة لدى أعضاء مجلس الإدارة لتفهم التقارير المالية وإدارتها للمصرف يزيد من ثقة المستثمرين في التقارير المالية للمصرف .					
8	استناد المصرف إلى قواعد مكتوبة خاصة بدور ومستويات أعضاء مجلس الإدارة يزيد من ثقة المستثمرين في التقارير المالية للمصرف					
9	أن توفير الفرصة لتبادل الاستشارات بين المساهمين والمستثمرين المؤسسيين بحقوق ملكيتهم والمنصوص عليها بالمبادئ تزيد من ثقة المستثمرين والمساهمين بسياسة المصرف المالية وبتقاريره					
10	الجمعية العامة والموضوعات التي سيتخذ بشأنها وقت ومكان وتاريخ وجدول أعمال اجتماعات، وتوفير معلومات كافية للمستثمرين والمساهمين عن القرارات في الاجتماعات تزيد من ثقة سياسة المصرف المالية وبتقاريره					
11	إتاحة الفرصة للمستثمرين والمساهمين لتوجيه الأسئلة لمجلس الإدارة وإدراج بنود جديدة في جدول الاعمال واقتراح الحلول المناسبة تزيد من الثقة بسياسة المصرف المالية وبتقاريره					
ثانياً: درجة التزام البنوك بمسؤوليات مجالس إدارتها لممارسة قواعد الحوكمة .						
1	تحتوى تشكيلة مجلس الإدارة على أعضاء مستقلين وغير مستقلين					
2	تحتوى تشكيلة مجلس الإدارة على أعضاء مستقلين ذو خبرات علمية وعملية متخصصة ؟					
3	العلاقة القائمة بين هيكل الملكية ومجلس الإدارة قائمة على المساواة بين جميع المساهمين.					
4	أعضاء مجلس الإدارة على علم ودراية كافية بمبادئ وأسس الأنشطة التي يجب إتباعها والتشريعات المالية للمصرف.					
5	يتحمل مجلس الإدارة كل المسؤوليات المتعلقة بعمليات المصرف وسلامة مركزه المالي امام المساهمين.					
6	يتحمل مجلس الإدارة كل المسؤوليات المتعلقة بالحوكمة المصرفية من خلال تحديد الاهداف العامة للادارة التنفيذية والإشراف عليها .					
7	أعضاء مجلس الإدارة مسئولين بشكل تام عن صياغة إستراتيجية . المخاطر وسياسة العمل بالمصرف .					

الرقم	الفقرة	موافق بشدة	موافق	محايد	غير موافق	غير موافق بشدة
8	أعضاء مجلس الإدارة مسؤولين عن تجنب تضارب المصالح التي تجعلهم غير قادرين على أداء واجبهم على أكمل وجه تجاه المصرف .					
9	يراقب مجلس الإدارة الاهداف الاستراتيجية للمصرف والقيم الاخلاقية ومعايير العمل أخذاً في الاعتبار مصالح حملة الاسهم والمودعين وان تكون هذه القيم سارية وحقيقية في المصرف.					
10	مسؤولية كل عضو من أعضاء مجلس الإدارة محدودة وواضحة أمام المساهمين.					
11	عملية الاتصال بين أعضاء مجلس الإدارة والادارة التنفيذية سهلة في اي وقت ومتاحة.					
12	يتحمل كل عضو من أعضاء مجلس الإدارة المسؤولية أمام المصرف والمساهمين.					
13	يتمتع كل عضو من أعضاء مجلس الإدارة بالمسؤولية التامة في إبداء الرأي.					
14	أعضاء مجلس الإدارة مسؤولين عن اختيار ومراقبة وتعيين المديرين التنفيذيين بما يضمن توافر الكفاءات القادرة على إدارة المصرف.					
ثالثاً: درجة التزام البنوك بالإفصاح والنزاهة والشفافية.						
1	تعد الشفافية ضرورية للحكومة الفعالة والسليمة في المصارف .					
2	من الصعب للمساهمين وأصحاب المصالح في السوق أن يراقبوا بشكل صحيح وفعال أداء إدارة المصرف في ظل نقص الشفافية					
3	يعد الإفصاح العام الملائم ضرورياً للمصارف لتحقيق الانضباط والشفافية.					
4	الإفصاح في الوقت المناسب والدقيق من خلال موقع المصرف على الانترنت وفي التقارير الدورية والسنوية يعد ضرورية للحكومة الفعالة والسليمة في المصارف .					
5	يكون الإفصاح متلائماً مع حجم وتعقيد هيكل الملكية وحجم تعرض المصرف للمخاطر.					
6	قيام المصرف بالإفصاح عن المعلومات المالية وغير المالية في وقت واحد لكافة المستخدمين يدعم الثقة لدى المستثمرين في التقارير المالية للمصرف.					
7	قيام المصرف باتخاذ كافة الإجراءات التي تمكنها من عدم تسريب المعلومات قبل النشر لجميع المستخدمين والمطلعين يدعم ثقة المستثمرين في التقارير المالية.					

الرقم	الفقرة	موافق بشدة	موافق	محايد	غير موافق	غير موافق بشدة
8	إلتزام المصرف بنشر تقاريره المالية في المواعيد المحددة من قبل الجهات الرقابية يزيد من ثقة المستثمرين في التقارير المالية للمصرف.					
المحور الثاني: معوقات تطبيق الحوكمة في البنوك						
1	عدم وضوح اللوائح والقوانين والتشريعات المنظمة لتطبيق الحوكمة في البنوك.					
2	ضعف الانظمة الرقابية والاشرفية من قبل سلطة النقد على تطبيق قواعد الحوكمة.					
3	غياب الرادع القانوني لعدم الالتزام بتطبيق قواعد ومبادئ الحوكمة في البنوك.					
4	ضعف ثقة المستثمرين في التزام البنوك بتطبيق قواعد ومبادئ الحوكمة.					
5	ضعف الخطط الموضوعية من قبل مجلس الادارة في تطبيق قواعد الحوكمة.					
6	ضعف الوعي لدى المسؤولين حول انسب الاليات للالتزام بمعايير الحوكمة في البنوك.					
المحور الثالث: تاثير الحوكمة على جودة الاداء في البنك.						
1	أسهم تبني الحوكمة في تعزيز الأداء المالي للبنك.					
2	زاد تبني الحوكمة من ثقة المستثمرين في التقارير المالية للشركة.					
3	أسهم نظام الحوكمة في زيادة أرباح البنك .					
4	أسهم تبني نظام الحوكمة في زيادة رضا أصحاب المصالح الأخرى.					
5	عزز تبني الحوكمة من النزاهة والشفافية في الأداء المالي .					
6	عزز تبني نظام الحوكمة من سرعة النمو في الأداء المالي للبنك.					
7	زاد تبني نظام الحوكمة من مصداقية الإنجاز المالي لدى للبنك					
8	أسهم تبني نظام الحوكمة من تقليل الأخطاء المالية .					

الرقم	الفقرة	موافق بشدة	موافق	محايد	غير موافق	غير موافق بشدة
9	ساهم نظام الحوكمة في تقليل حالات الفساد المالي لدى للبنك					
10	عزز نظام الحوكمة من الاستقرار المالي لدى للبنك .					
11	يؤدي الالتزام بتطبيق الحوكمة إلى وجود المنافسة الكاملة في السوق المالي وذلك بتوفير عدد كبير من المستثمرين.					
12	توفير حقوق التصويت المتساوية لحملة الاسهم داخل كل فئة وموافقتهم على أي تغييرات في حقوق التصويت يزيد درجة الثقة.					
13	يؤدي الالتزام بتطبيق الحوكمة إلى ضمان قدر ملائم من الطمأنينة للمستثمرين وحملة الاسهم على تحقيق عائد مناسب لاستثماراتهم.					

شاكرين حسن تعاونكم

الملخص

هدفت الدراسة الى التعرف على واقع تطبيق مبادئ الحوكمة في البنوك العاملة في فلسطين، والتعرف على معوقات تطبيق الحوكمة في البنوك، والكشف عن مستوى تأثير تطبيق الحوكمة على الاداء والجودة في البنوك، واعتمدت الباحثة في هذه الدراسة المنهج الوصفي التحليلي، حيث تم الاعتماد على المنهج الكمي، وذلك لمناسبته لطبيعة الدراسة، وشمل مجتمع الدراسة على جميع البنوك العاملة في الضفة الغربية والبالغ عددهم 14 بنك، اما عينة الدراس فقد تكونت من 7 بنوك من البنوك التجارية والاسلامية العاملة في فلسطين، وقد شملت عينة الدراسة على عينة قصدية شملت على المدراء الماليين ومدراء الفروع ومدراء الامتثال ومدراء التحليل المالي ورؤساء الاقسام والمدراء التنفيذيين في كلا من (بنك القدس، بنك فلسطين، البنك الاسلامي الفلسطيني، البنك الاسلامي العربي، بنك الصفا، البنك الوطني، بنك الاستثمار الفلسطيني)، وتكونت العينة من (57) عضو ادارة ومدير ورئيس قسم

اشارت نتائج الدراسة الى ان واقع تطبيق مبادئ الحوكمة في البنوك جاء على الدرجة الكلية بدرجة مرتفعة جداً، بمتوسط حسابي بلغ (4.324195) وانحراف معياري، (0.627104)، وجاء اعلى المتوسطات في درجة التزام البنوك بالإفصاح والنزاهة والشفافية بمتوسط حسابي (4.432025) وانحراف معياري (0.561369)، وتلاها درجة التزام البنوك بحقوق المساهمين والمستثمرين المتكافئة بمتوسط حسابي (4.288673) وانحراف معياري (0.641013)، وتلاها درجة التزام البنوك بمسؤوليات مجالس إدارتها لممارسة قواعد الحوكمة بمتوسط حسابي (4.251886) وانحراف معياري (0.678929)، كما اشارت النتائج الى أن معوقات تطبيق الحوكمة في البنوك، كانت بدرجة مرتفعة حيث بلغ متوسطها الحسابي (3.526317)، وانحراف معياري (1.09658)، واشارت النتائج الى انه يوجد علاقة ذات دلالة إحصائية على مستوى الدلالة $\alpha \leq 0.05$ بين تطبيق مبادئ الحوكمة في البنوك وجودة الاداء، وان هناك

علاقة جيدة من خلال نتائج معامل ارتباط بيرسون كما أن قيمة بيتا بلغت (36.8%) وتبين أن العلاقة طردية فكلما زادت درجة تطبيق مبادئ الحوكمة، زاد مستوى جودة الاداء. واوصت الدراسة بما يلي:

1. ضرورة توعية البنوك لموظفيها بأهمية الحوكمة ودورها الإيجابي في تحقيق الميزة التنافسية ، من خلال حملات توعية حول مفاهيم الحوكمة وأثرها الفعال ، وعقد برامج تدريبية حول كيفية الاستفادة من أبعاد تطبيق الحوكمة التي تمكن الموظفين من تعزيز وتطوير قدراتهم لتحقيق الكفاءة والوصول إلى مرحلة الأداء المتميز.
2. تأهيل أعضاء مجلس الإدارة من خلال تنظيم ورش عمل ودورات مع خبراء متخصصين في علم الحكم الرشيد.
3. دعوة الجامعات لتقديم دورة تعنى بموضوع الحوكمة في كلية التجارة والقانون ، لدعم الطالب الفلسطيني قبل دخوله سوق العمل بمستوى عالٍ من الثقافة في موضوع الحوكمة ، للمساهمة في رفع مستواه داخل المؤسسات.
4. ضرورة الاستفادة من التجارب الدولية الناجحة ، العربية والأجنبية ، في وضع الخطط المناسبة لتطبيق قواعد الحوكمة ، مثل إنشاء مؤسسة متخصصة في الحوكمة ، على سبيل المثال: بيت الحوكمة الاردني/ معهد المديرين الأردني (JIOD).
5. العمل على تطوير وظائف المخاطر والامتثال والتدقيق خارج نطاق عملها الروتيني ، حيث يشكل تنفيذ تعليمات الحوكمة بطريقة صحيحة مصدر قوة لأقسام الرقابة من أجل تعزيز دور إدارة المخاطر ، واعتبارها أساسية ومصدر لقياس مدى التزام البنك.
6. العمل على تطوير نظام تصنيف للشركات والمؤسسات حسب مدى تطبيقها لمبادئ الحوكمة وقرارات لجنة بازل.
7. تفعيل دور الجهات الرقابية الأخرى لضمان الرقابة الثنائية على تنفيذ الحوكمة.

8 .مراجعة مستوى وضوح الأنظمة وتحديث القوانين والتشريعات التي تنظم تطبيق حوكمة

الشركات من قبل البنوك وسلطة النقد لزيادة فاعلية الأنظمة الرقابية .

9 .ضرورة حث البنوك على توفير نشرات دورية خاصة توضح مستوى التزامها بالحوكمة

ومبادئها بما يزيد الثقة بين المستثمرين والبنوك بتطبيق قواعد ومبادئ الحوكمة.