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The Role of Governance Principles on Reducing Small Enterprises Risk in Saudi Arabia

By

Dr. Nahla Al-Nour Muhammad Al-Makki
Principal investigator, Assistant Professor of Accounting Sciences in King Khalid University
Email: nmaky@kku.edu.sa

Dr. Mahassin Abd alla Ali Shomo
Assistant researcher, Assistant Professor of Accounting Sciences in King Khalid University
Email mshomo@kku.edu.sa

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Abstract

The study investigated the role of governance principles in reducing risks of small enterprises in Saudi Arabia. The problem of the study problem was represented in that many small enterprises faced by risks related to the payment of obligations, low profitability in the short term and low financial solvency in the long term. Therefore, this study investigates the effect of applying the principles of governance in small enterprises on reducing risks. The study aims to find out to what extent there are principles of governance in small enterprises in Saudi Arabia and to identify to what extent the principles of governance are applied in small enterprises in Saudi Arabia. The importance of governance lies in reducing risks in small enterprises. The descriptive analytical approach was used to measure the relationship between the role of governance principles, reducing risk and enhancing sustainable performance in small enterprises after the Corona pandemic in Saudi Arabia. The hypotheses of the study were: There is a statistically significant relationship between applying the principles of governance in small companies and reducing risks after the Corona pandemic. There is a statistically significant relationship between control, disclosure requirements and using governance of financial reports in small companies. The study concluded the following findings: There is a statistically significant relationship between applying the principles of governance in small companies and reducing risks after the Corona pandemic. It is also must be considered that the members of the Board of Directors should be of good conduct and reputation. The objectives, tasks and powers of the Board of Directors should be defined clearly and in detail and to what extent they are directed towards maximizing the value of shareholders. The study recommends the following: The objectives, tasks and powers of the Board of Directors should be defined in a clear and detailed manner and to what extent they are directed towards maximizing the value of shareholders.

Keywords: Principles of Governance, Risk, Sustainable Performance

Introduction

Corporate governance means the rules through which the company is led and directed. It includes mechanisms to regulating the various relationships between the board of directors, executives, shareholders and stakeholders, by developing special procedures to facilitate the decision-making process giving it transparency and credibility in order to protect the rights of shareholders and other users. This study aimed to clarify the importance of the principles governing the disclosure of financial data and information of small companies in Saudi Arabia, and to find out to what extent do the disclosure and the adoption of the procedures and principles of governance reduce the impact of the Corona pandemic on investors and stakeholders related to these enterprises.

Study Problem

Many small enterprises faced risks that relate to payment obligations, low profitability in short-term and low financial solvency in long-term. Therefore, this study investigates the impact of applying the principles of governance in small enterprises on reducing risks.

First: Questions of the study problem are

1. To what extent do the principles of governance exist in small enterprises in Saudi Arabia?
2. To what extent these principles are applied in small enterprises in Saudi Arabia?
3. To what extent do the control, the requirements for disclosure and using governance in financial reports exist in small enterprises in Saudi Arabia?

Second: Study Objectives

The study aims to:

1. Identify to what extent the principles of governance exist in small enterprises in Saudi Arabia.
2. To clarify to what extent these principles are applied in small enterprises in Saudi Arabia.

Third: Study Significance

The significance of the study rises from the importance of the adoption of the governance principles in business organizations in general and small enterprises in particular.

Fourth: Study Hypotheses

The study verifies the hypotheses:

1. There is no statistically significant relationship between applying the principles of governance in small enterprises and reducing risk after Corona pandemic.
2. There is no statistically significant relationship between the control, the requirements for disclosure and the use of governance in financial reports in small enterprises.

Fifth: Study Methodology

1. Method and Tools of the Study

The descriptive analytical approach was adopted to measure the relationship between the role of governance principles and reducing risks and enhancing sustainable performance in small enterprises after Corona pandemic in Saudi Arabia through collecting primary and secondary data from the previous research. A questionnaire was designed as tool of the study on a website then distributed to a random sample of small enterprises in Saudi Arabia. The website was distributed to a pilot sample of the small enterprises. The questionnaire was also given to specialists to benefit from their opinions and suggestions. The validity and reliability of the questionnaire were tested using Cronbach Scale.

Study Population

The population of the study consisted of ( ) small enterprises including commercial, service and industrial in the city of Khamis Mushait.

Study Sample

The sample of the study consisted of ( ) small enterprises. The questionnaire was distributed to the sample which randomly selected and ( ) of them that equal ( ) of the population were answered.

Sources of Information

Primary sources: Include the field study – a questionnaire.

Secondary sources: Include previous studies – books – journals – blogs – the Internet.

Study Limits

Spatial limits: the city of Khamis Mushait.

Time limits: 2020-2023.

Previous Studies

Hawari (2021) conducted a study entitled: Activating Corporate Governance Role in Controlling Profits at Algerian Commercial Banks.

The study aimed to identify governance in banking sector as mechanism of achieving profits and increasing efficiency and productivity, to identify to what extent governance is effective in controlling and reducing managerial and financial corruption. The study adopted the descriptive analytical approach. The study concluded the findings: Legislative environment in Algeria does not include the concept of corporate governance in the laws and organizational decisions and Algerian banks that apply the principles of governance are characterized by a competitive advantage of attracting capital compared with banks that do not apply them. The study recommended: A guide for governance in banking should be prepared with the purpose of enhancing its role, control mechanisms, means of disclosure and risk management. standards that should be available in the members of board of directors and executive management should be explained. The responsibilities and jobs of the board of directors and executive management should be clarified.

Dheifallah (2021) conducted a study entitled: Commercial Corporate Governance under Corona Pandemic Challenges in Saudi Arabia. The study aimed to identify to what extent governance is effective in dealing with Corona pandemic in small enterprises and to highlight the law mechanisms of corporate governance in Saudi Arabia. The study concluded the findings: Professional and ethical standards are important to improve commercial enterprises performance and reduce corruption. The commercial enterprises that apply the principles of governance are capable of dealing with pandemics and crises and overcoming them. The study recommended the following: The provisions of the system should be obligating for all commercial enterprises in Saudi Arabia.

Radhwan (2020) conducted a study entitled: The Importance of Corporate Governance in Dealing with

Definition of Governance

The origin of governance refers to the Greek verb (Kuberman), which means directing; it was transmitted to the Latin, French and Russian languages. The need to use the word appeared in the nineties after the economic crises happened in East Asia and Latin America, when giant companies were exposed to financial problems that prompted them to use the rules of governance.

Governance is a set of rules, laws, and foundations that control companies operation, achieve effective control over their board of directors, and regulate the relationship between them and stakeholders, in order to achieve transparency, justice, and combat corruption (Buroqayia, 2009).

The International Finance Corporation (IFC) defines governance as a system through which companies are managed and controlled. The Organization for Economic Co-operation and Development (OECD) considers governance as a set of relationships that link managers of the company, the board of directors, shareholders and other stakeholders. (Buraqabah, 2008:2)

Mikhael (2005) defined governance as a state, process, and direction. He also described governance as a system of immunity and protection that is necessary to control the movement, direction, and safety of all actions and the integrity of behavior within companies. It is also an administrative process practiced by the authority of supervisory management, both inside and outside companies through several stages; this process depends on ethics and conscience. The definition includes the following aspects of the concept 'Governance':

Wisdom: It includes directing and guiding.

Judgment: It includes the control by setting regulations and restrictions that control behavior.

Invocation: It includes referring to ethical and cultural references and expertise from previous experience.

Arbitration: It includes seeking justice preventing the authority from deviating and manipulating interests of shareholders.

Reality of Governance and Small Projects in Saudi Arabia

According to Bin Adnan, the World Bank defined small and medium enterprises using the criterion of the number of workers, considering that the small enterprise employs less than (50) workers; as most developing countries use this criterion, while the European Group uses less than (100) workers. Gulf Cooperation Council Countries including Saudi Arabia use the criterion of invested capital to differentiate between small and medium enterprises; enterprises are classified small when their capital of 800,000 Bahraini dinars, as most of the registered organizations of 98% are considered small and medium enterprises. This requires making effort and paying more attention to develop the sector and achieve the aims of the Vision 2030. In order to develop small enterprises sustainably there is need to intensify the governance to raise operational efficiency and preserve the rights of stakeholders and establish values of justice and transparency. Small enterprises are characterized by the following characteristics that distinguish them from other projects:

1- Ability to attract savings and operate the largest production capacity, because its establishment does not require large capital and facilitates collecting savings and directing investment.
2- Easy establishment and operation due to low expenses of establishing and investment costs.
3- Central management, because mostly the manager is the primary source for setting objectives and making decisions.

Corporate Governance Ability to Deal with Corona Pandemic

According to Al-Mahrouq and Muqabla (2012), the Board of the Saudi Capital Market Authority issued a decision exempting listed companies from paying the financial fees for a period of one year starting from June 2020 to reduce the economic impacts of Corona pandemic and in an effort to enhance the organizational environment and the safety and stability of the financial sector. The corporate governance system supported companies' ability to:

1- Enhance and develop the role and tools of disclosure and transparency to instill trust among investors and stakeholders.
2- Review business, emergency and disaster management strategies and plans.
3- Reduce costs, face multiple risks such as liquidity risk, search for alternative financing solutions, and reconsider salary and bonus policies in light of pandemic.
4- Strengthen the administrative structures of companies to achieve the required diversity to keep pace with the new needs resulting from the crisis and to meet the challenges of the work environment and the costs of infrastructure. (Daif Allah, 2021:132).

Second: Reasons for the Emergence of Corporate Governance

Al-Aziza, (2009: 19) listed the following as reasons for corporate governance:

1- Institutional failure cases that happened in America, Russia and Asian countries.
2- The gap between management rewards and corporate performance.
3- Ineffective internal control procedures that cannot detect and prevent problems.
4- Weakness of the Board of Directors, which may affect the executive and senior management and may suffer from deficiencies in their ability to carry out successful management practices.
5- Lack of accuracy and transparency in preparing the final accounts.
6- Inability of investors to analyze and compare investment opportunities.
7- Weakness of external parties to control the organization, such as those who set laws and auditors.
8- Unethical practices by the Board of Directors, executive management and employees.

Governance helps small enterprises to protect interests of all parties, especially the conflicting interests, preserve shareholders' rights, maximize the company's profits and market value, and to manage expected risks. Governance has international and external components; the external components include investment, legislative and organizational environment and consist of all laws regulating companies operation and protection in addition to the banking and controlling environment. The internal components include foundations that determine the decision-making mechanism and the distribution of powers and responsibilities within the company between the board of directors and the executive director.

Risk Management Process Steps

The risk management process consists of the following steps:

Step one: setting objectives

The first step in the risk management process is represented in determining the objective of the enterprise's risk management program. In order to obtain the maximum benefit from the expenses related to risk management, it is necessary to develop a plan, otherwise the risk management process would be viewed as a series of isolated individual problems. The management and managers determine the objectives of the unit and the strategies necessary to achieve the objectives, develop the business model necessary to implement the strategies and facilitate the implementation with external parties. They also design a measurement system to measure and present the basic success factors necessary to achieve the desired objectives and the risks that can hinder this success. These measurements facilitate planning between daily activities and the post-performance evaluation.

The management decides on the risks that the management is willing to take in order to achieve the objectives. In some units, the management may be willing to take risks because of the expected high return of the unit. In other units, the management may not be willing to take risks despite the high return. This different position towards risk determines the unit's willingness to take risks, helping in turn to identify the essential risks, assess the response, control and follow-up of these risks. The risks associated with strategies and business plans is the overall framework through which the other steps of the risk management process operate.

Step two: identifying the risk

It means identifying all the internal and external events that can happen and affect the achievement of the unit's objectives. It is necessary to differentiate between opportunities and possibilities. This requires linking between the various information the management receive and the conditions related to the current and future surrounding environment. Because the lack of determining events and linking between various information may result they should not be considered when planning the response to these events or making decision to reduce their risks. This leads to the possibility of exposure to the risks of events without preplanning. The tools used to identify risks include internal organization records, checklists, insurance policies, risk analysis surveys, process flow maps and financial statement analysis.

Step Three: Risk Assessment

After identifying the potential risks, these risks are evaluated in terms of financial losses of the occurrence of the event and the probability of happening. as there are some events with a high impact in terms of loss value, but the probability of their occurrence is low, while there are some other events that have low loss, but the probability of their occurrence is high. Therefore, identifying the cause or source for each of these risks is necessary to obtain the best information. In terms of loss, it is difficult to assume that loss will occur with a certain financial value, but in the best case the loss may be expressed through a continuous variable. Risk assessment requires a combination of quantitative and descriptive methods of measurement; the quantitative methods can be used when there is sufficient data available, while descriptive methods are possible with quantitative estimates or when there is a need for experience in estimating. From the risk assessment, it is clear to the researcher that identifying the source of the risk helps to determine the probability and the impact of its occurrence.

Step Four: Responding to Risks (Comparing between Return and Risk)

A comparison is made between the risk and the return associated with each material event that has been identified and estimated. Based on the comparison, the management decides either to accept these risks if the possibility of their occurrence is reasonable, or to eliminate them and avoid exposure to them if the possibility of their occurrence and their impact is unacceptable and the unit cannot deal with them economically, taking some measures if the relationship between risk and return is acceptable, as some of these risks can be transferred to others through insurance and joint ventures, the formation of business alliances or through pricing (loading customers with the risks that face the unit).

The researcher believes that the risks or their sharing can not be eliminated completely, but their impact can be reduced through the change of the form).

Step Five: Control Activities

These are the policies and procedures that the management designs in order to provide reasonable assurance that the procedures selected to respond to risks and reduce their impact have already been implemented. Control activities are applied on the organization as a whole, including authorization, omission confirmation, examining operational performance, insurance and differentiating tasks. Many internal control procedures or activities related to the control over operations and protection of assets are examples of activities of control business risk; some of these activities may be complex so that they require technical expertise with risks and their management.

Sixth Step: Information and Communication

The parties within the organization need reliable and appropriate information regarding risk assessment and management processes. Management needs to tell others honestly that it is carrying out its legal responsibilities entrusted. It also wants workers to be adequately aware of the risks they face. Management also needs to be aware of the exceptions that have been made. observed from daily activities).

In order for the information to achieve the desired objective, this risk-related information must be communicated in a form and time frame that allows workers and management to respond and carry out their various responsibilities in a timely manner. Because of the complex and changing nature of risk information, there is more than one way of presentation and communication. The appropriate time for exceptions so as to facilitate daily and long-term decisions, and the Coso Committee clarifies that these reports include past or future indicators, performance matrices, and financial and operational results. The risk management structure works to collect and integrate many data and information flows in order to provide a comprehensive view of risk levels Effective communication of risk information involves top-down flows (communication of management plans and identified risks to employees) and parallel flows (communication of employees to risks related to production and distribution between departments) and bottom-up expenditures (workers informing senior management of surprises talk during playback), and for communication to be effective All employees must be aware of the risks, which is an important and necessary matter, and that the management expects the employees to communicate any information that they may have about the material risks to the higher administrative levels in a timely manner, but there are obstacles facing the communication of risks and their assessments.

The following are the standards of risk assessment:

1. An appropriate standard for measuring the quality of risk assessment and operations.
2. An appropriate standard for differentiating between bad risk assessment processes and bad decisions and results.
3. Appropriate methods for reviewing risks and operations.
4. The reporting system involves different uses and users, and at the same time, it protects the interests of management, the unit as a whole, and the internal auditor.

Step Seven: Follow the danger

The unit management follows up the risk management structure and its components through daily follow-up activities and different performance techniques. Daily or continuous follow-up is carried out within the natural course of the occurrence of the event and operations. This process involves the usual management and supervision activities during operations. As for the separate techniques of the risk management structure, it depends on planning To conduct periodic tests or follow up on exceptions that arise as a result of daily follow-up operations.

Third: The Role of Applying Corporate Governance in Reducing Risks in Small Enterprises

Good corporate governance achieves many objectives, including: (Zargon and Al-Omari, 2013:87)

1- Achieves transparency, justice and protects shareholders' rights in the enterprise, by creating rules, regulations and controls that aim at achieving transparency and justice.
2- Provides administrative regulations, rules and structures that give the right to hold the company's management accountable before the general assembly and guarantee shareholders' rights in the enterprise.
3- Develops investments and their flow by deepening investors' trust in financial markets.
4- Increases savings, maximizes profitability and creates new job opportunities.
5- Improves financial performance by holding management accountable to shareholders.
6- Imposes good and effective control over the performance of economic units to develop and improve the competitiveness.
7- Combats unacceptable behavior, whether in the material, administrative or ethical aspect.
8- Provides new job opportunities.
9- Attracts foreign or local investments and reduces the flight of national capital abroad.
10- Applies transparency in the procedures of financial accounting and auditing to reduce and control corruption in the enterprise.
10- Assists decision makers such as managers and boards of directors to build a strategy.
11- Increases information, experience and skills as a result of applying governance.
12- Works to hold accountable and combat administrative and financial corruption in the enterprise and to adopt all available means to attract local and foreign investments through legislation, laws and privileges granted to investors.
13- Applies the principle of good morals, humane and economic dealings between the dealers as the ethical aspects in corporate business are the most appropriate things to support good governance.

Data Analysis

Study Population

The population of the study consists of: Saudi business sector.

Sample of the Study

The sample of the study consisted of employees in small enterprises. A sample consisting of (180) employees was selected which called the intentional sample; it is one of the probability samples that the researchers select from the study population in a way that allows equal selection opportunities for all population individuals. (180) questionnaires were distributed, and (157) of them were retrieved of (87.2%). The response rate is considered high, as it exceeds the accepted limits (75%). The relative high responses can be attributed to the continuous follow-up by the researcher.

The value degree was determined according to the following measurement:

$$\text{Category range} = \frac{Maximuim\ limit - alternative\ Minuimum\ limit}{number\ of\ levels}$$

$$\text{Therefore, category range} = \frac{1-5}{5} = \frac{4}{5} = 0.8$$

Accordingly, respondents' opinions toward the statements are as in the following table (1):

Table (1) *Division of Categories According to Five-Point Scale*

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Weight	5-4.2	4.2-3.4	3.4-2.6	2.6-1.8	1.8-1

Source: *Prepared by the researcher using SPSS2020*

Table (2) *Five-Point Likert Scale*

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Weight	5	4	3	2	1

Source: *Prepared by the researcher using SPSS2020*

The table (1) above shows that the hypothetical mean equals:

$$= 3\frac{1+2+3+4+5}{5}$$

Validity of the Study Tool

The questionnaire was given to some arbitrators, from the teaching staff members specialized in the field, in order to benefit from their expertise; this made the scale more accurate and objective. The arbitrators' remarks were considered then the some modifications included into the questionnaire statements.

Validity and Reliability of the Study Tool

Reliability coefficient: It means that the scale is stable and does not contradict itself, that it gives the same results if it is re-applied on the same sample. In order to test the reliability the researcher used Cronbach's alpha coefficient and every statement that did not meet the required range. The reliability coefficient for each aspect of the questionnaire in the range (0.781 - 0.883), which is less than the value of Cronbach's alpha coefficient for all study aspects (0.929); this indicates the reliability of the questionnaire is good was reflected on the validity coefficient which reached (0.96).

Table (3)*Validity and Reliability Coefficients of the Questionnaire Aspects*

Aspects	**Statements Num**	Cronbach's **Alpha**	**Validity**
Hypothesis one	*9*	*0.781*	*0.88*
Hypothesis two	*8*	*0.883*	*0.94*
Total	*17*	*0.929*	*0.96*

Source*:* *Prepared by the researcher using SPSS2020*

Table (3) above shows the results of the reliability coefficients of the sub-dimensions and the total degree of the aspects for the scale in its final form when applied on the population of the current study:

The researcher, according to the table above, observes the that most of the reliability coefficients for the degrees of all dimensions and the total degree for the scale of the questionnaire aspects are greater than (0.60); this confirms that this scale is appropriate to measure the aspects of the questionnaire on the population of the current study.

Data Analysis and Hypotheses Verification

Introduction

Below, the analysis of the study variables and the questionnaire statements:

First: Descriptive Analysis of the Demographic Information

1. Study sample distribution according to age

Table (4): *Age distribution of the study sample*

	Frequency	Percent
20 to less than 30 years	14	9.0%
30 to less than 40 years	64	41.0%
40 to less than 50 years	50	32.1%
50 to less than 60 years	24	15.4%
60 years and more	4	2.6%
Total	156	100%

Source: *Prepared by the researcher using SPSS2020*

The table (4) above shows the age distribution of the study sample; there were (41%) of the study sample individuals their age (30 to 40) years old, (32.1%) of them their age (40 to 50) years, (15.4%) of them their age (50 to 60) years, 2.6% their age more than 60 years old; therefore most of the study sample individuals their age (30 and less than 40 years).

2. Study sample distribution according to scientific qualification

Table (5): *Scientific qualification distribution of the study sample*

	Frequency	Percent
Diploma	6	3.8%
Bachelor	66	42.3%
Higher Diploma	20	12.8%
Master	48	30.8%
Doctorate	16	10.3%
Total	156	100%

Source: *Prepared by the researcher using SPSS2020*

The table (5) above shows the scientific qualification distribution of the study sample; 3.8% of the study sample their qualification diploma, 42.3% of them their qualification bachelor, 12.8% of them their qualification higher diploma, 30% of them their qualification master and 10.3% of them their qualification doctorate; therefore most of the study sample individuals are bachelor holders.

The table (6) above shows the scientific specialization distribution of the study sample; 50% of the study sample their specialization accounting, 17.9% of them their specialization business administration, 29.5% of them their specialization economics and 2.6% of them have other specializations; therefore most of the study sample individuals are accountants.

3. Study sample distribution according to scientific specialization

Table (6): *Scientific specialization of the study sample*

	Frequency	Percent
Accounting	78	50.0%
Business Administration	28	17.9%
Economics	46	29.5%
Other	4	2.6%
Total	156	100%

Source: *Prepared by the researcher using SPSS2020*

4. Study sample distribution according to years of experience

Table (7): *Years of experience distribution of the study sample*

	Frequency	Percent
5 and less than 6 years	14	9.0%
6 and less than 10 years	54	34.6%
10 and less than 15 years	88	56.4%
Total	156	100%

Source: *Prepared by the researcher using SPSS2020*

The table (7) above shows the distribution of the study sample according to the years of experience; 9% of them their experience 5 and less than 6 years , 34.6% of them their experience 6 and less than 10 years and 56.4% of them their experience 10 and less than 15 years; therefore most of the study sample individuals their experience 10 and less than 15 years.

Second: Main Data Analysis

Hypothesis one: (There is a statistically significant relationship between applying governance principles in small enterprises and reducing risk after Coronal pandemic).

Table (8): *Frequency and percentage of the statements for the hypothesis one*

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1. Members of the Board of Directors must be of good conduct and reputation.	94 60%	63 39.7%			
2. The majority of the members of the Board of Directors are from the non-executive management of the enterprise.	44 28.2%	94 60.3%	18 11.5%		
3. Objectives, tasks and powers of the Board of Directors and to what extent they are directed towards maximizing the value of shareholders are defined clearly and in detail.	48 30.8%	104 66.7%	2 1.3%	2 1.3%	

4. There is commitment to responsibilities towards employees and shareholders and determining appropriate returns for them.	54	78	12	10	2
	34.6%	50%	7.7%	6.4%	1.3%
5. There are mechanisms that emphasize the rights of small investors and their right to choose members of the Board of Directors.	52	60	36	8	
	33.3%	38.5%	23.1%	5.1%	
6. Accurate disclosure is achieved in the appropriate time.	28	78	20	26	4
	17.9%	50%	12.8%	16.7%	2.6%
7. Documents are kept according to an internal system.	38	76	12	22	8
	24.4%	48.7	7.7%	14.1%	5.1%
8. The enterprise applies relevant laws and systems when practices its business.	38	72	24	18	4
	24.4%	46.2%	15.4%	11.5%	2.6%
9. Decisions affecting the interests of shareholders are made after consulting them by the enterprise's management.	32	74	20	22	8
	20.5%	47.4%	12.8%	14.1%	5.1%

Source: *Prepared by the researcher based on the field study data 2022.*

The table (8) above shows the following:

60.3% of the study sample individuals strongly agree and 39.7% of them agree with the statement (Members of the Board of Directors must be of good conduct and reputation); this means that all of the study samples individuals agree with the statement.

88.5% of the study sample individuals agree and 11.5% of them are neutral with the statement (The majority of the members of the Board of Directors are from the non-executive management of the enterprise), this means that most of the study sample individuals agree with the statement.

97.5% of the study sample individuals agree, 1.3% of them are neutral, and 1.3% of them disagree with the statement (Objectives, tasks and powers of the Board of Directors and to what extent they are directed towards maximizing the value of shareholders are defined clearly and in detail). This means that the majority of the study sample individuals agree with the statement.

71.8% of the study sample individuals agree, 23.1% of them are neutral, and 5.1% of them disagree with the statement (There is commitment to responsibilities towards employees and shareholders and determining appropriate returns for them). This means that most of the study sample individuals agree with the statement.

67.9% of the study sample individuals agree, 12.8% of them are neutral and 19.3% of them disagree with the statement (There are mechanisms that emphasize the rights of small investors and their right to choose members of the Board of Directors). This means that most of the study sample individuals agree with the statement.

73.1% of the study sample individuals agree, 7.7% of them are neutral, 19.2% of them disagree and 14.1% strongly disagree with the statement (Accurate disclosure is achieved in the appropriate time). This means that most of the study sample individuals agree with the statement.

67.9% of the study sample individuals agree, 12.8% of them are neutral and 19.2% of them disagree with the statement (Documents are kept according to an internal system). This means that most of the study sample individuals agree with the statement.

87.1% of the study sample individuals agree, 12.8% of them are neutral and 1.3% of them disagree with the statement (The enterprise applies relevant laws and systems when practices its business). This means that most of the study sample individuals agree with the statement.

70.5% of the study sample individuals agree, 17.9% are neutral, and 3.5% disagree with the statement (Decisions affecting the interests of shareholders are made after consulting them by the enterprise's management). This means that most of the study sample individuals agree with the statement.

Table (9) *Mean, standard deviation and t-test for the hypothesis one*

No	Statement	Mean	SD	T-Test	P-Value
1	Members of the Board of Directors must be of good conduct and reputation.	4.40	.491	111.87	.000
2	The majority of the members of the Board of Directors are from the non-executive management of the enterprise.	4.17	.610	85.321	.000
3	Objectives, tasks and powers of the Board of Directors and to what extent they are directed towards maximizing the value of shareholders are defined clearly and in detail.	4.27	.549	97.153	.000
4	There is commitment to responsibilities towards employees and shareholders and determining appropriate returns for them.	4.10	.888	57.672	.000

5	There are mechanisms that emphasize the rights of small investors and their right to choose members of the Board of Directors.	4.00	.880	56.780	.000
6	Accurate disclosure is achieved in the appropriate time.	3.64	1.041	43.695	.000
7	Documents are kept according to an internal system.	3.73	1.132	41.156	.000
8	The enterprise applies relevant laws and systems when practices its business.	3.78	1.024	46.122	.000
9	Decisions affecting the interests of shareholders are made after consulting them by the enterprise's management.	3.64	1.113	40.871	.000

Source: *Prepared by the researcher using SPSS 19*

The table (9) above shows the mean, standard deviation, t-test and P-Value for the statements of the hypothesis one. The mean for all the statements is greater than (3). This means that most of the answers were in the positive direction; the respondents' answers agreed with the statements of the hypothesis aspect as the difference between the highest and lowest standard deviation (.490-1.113) was less than one which confirms that the data is consistent. The P-Value was less than 0.05 this means that the statements of the hypothesis were accepted.

Hypothesis two: (There is a statistically significant relationship between control and disclosure requirements and using financial reports governance in small enterprises).

Table (10): *Frequency and percentage of the statements for the hypothesis two*

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1. Adequate and fair disclosure of financial statements is conducted fairly and honestly.	32 20.5%	86 55.1%	2 1.3%	32 20.5%	4 2.6%
2. The expected risks are disclosed	30 19.2%	80 51.3%	12 7.7%	30 19.2%	4 2.6%
3. Future plans are disclosed.	50 32.1%	90 57.7%	8 5.1%	8 5.1%	
4. Stakeholders' rights that arise under the law are respected.	46 29.5%	62 39.7%	34 21.8%	14 9%	
5. The executive management bears full responsibility for any material and moral damage to community (social responsibility).	34 21.8%	82 52.6%	26 16.7%	12 7.7%	2 1.3%

6. Employees communicate their views to senior management according to clear mechanisms.	28	76	18	32	2
	17.9%	48.7%	11.5%	20.5%	1.3%
7. There is a written procedures guide that contributes to activating the principles of governance	30	78	20	26	2
	19.2%	50%	12.8%	16.7%	1.3%
8. Managers and employees have sufficient knowledge of the principles of governance.	30	72	16	36	2
	19.2%	46.2%	10.3%	23.1%	1.3%

Source: *Prepared by the researcher based on the field study data 2022.*

The table (10) above shows the following:

20.5% of the study sample individuals strongly agree and 55.1% of them agree, 1.3% are neutral and 23.1% disagree with the statement Adequate and fair disclosure of financial statements is conducted fairly and honestly); this means that all of the study samples individuals agree with the statement.

70.5% of the study sample individuals agree, 7.7% are neutral and 21.8% of them disagree with the statement (The expected risks are disclosed), this means that most of the study sample individuals agree with the statement.

89.8% of the study sample individuals agree, 5.1% of them are neutral, and 5.1% of them disagree with the statement (Future plans are disclosed). This means that the majority of the study sample individuals agree with the statement.

74.4% of the study sample individuals agree, 16% of them are neutral, and 9% of them disagree with the statement (Stakeholders' rights that arise under the law are respected). This means that most of the study sample individuals agree with the statement.

66.6% of the study sample individuals agree, 11.5% of them are neutral and 21.8% of them disagree with the statement (The executive management bears full responsibility for any material and moral damage to community (social responsibility). This means that most of the study sample individuals agree with the statement.

69.2% of the study sample individuals agree, 12.8% of them are neutral and 18% of them disagree with the statement (Employees communicate their views to senior management according to clear mechanisms). This means that most of the study sample individuals agree with the statement.

65.6% of the study sample individuals agree, 30% of them are neutral and 24.4% of them disagree with the statement (There is a written procedures guide that contributes to activating the principles of governance). This means that most of the study sample individuals agree with the statement.

71.8% of the study sample individuals agree, 9% of them are neutral and 19.2% of them disagree with the statement (Managers and employees have sufficient knowledge of the principles of governance). This means that most of the study sample individuals agree with the statement.

Table (11) *Mean, standard deviation and t-test for the hypothesis two*

No	Statement	Mean	SD	T-Test	P-Value
1	Adequate and fair disclosure of financial statements is conducted fairly and honestly.	3.77	.963	48.895	.000
2	The expected risks are disclosed.	3.71	1.091	42.424	.000
3	Future plans are disclosed.	3.65	1.076	42.431	.000
4	Stakeholders' rights that arise under the law are respected.	4.17	.743	70.002	.000
5	The executive management bears full responsibility for any material and moral damage to community (social responsibility).	3.90	.931	52.285	.000
6	Employees communicate their views to senior management according to clear mechanisms.	3.86	.890	54.129	.000
7	There is a written procedures guide that contributes to activating the principles of governance.	3.62	1.044	43.255	.000
8	Managers and employees have sufficient knowledge of the principles of governance.	3.69	1.007	45.789	.000

Source: *Prepared by the researcher using SPSS 19*

Table (11) above shows the mean, standard deviation, t-test and p-value for the statements of the hypothesis two: (There is a statistically significant relationship between control and disclosure requirements and using financial reports governance in small enterprises).

The mean for all the statements is greater than (3). This means that most of the answers were in the positive direction; the respondents' answers agreed with the statements of the hypothesis aspect as the difference between the highest and lowest standard deviation (.491-1.113) was less than one which confirms the consistence of the data. The P-Value was less than 0.05 this means that the statements of the hypothesis were accepted.

Findings

The researchers concluded the following findings:

1. There is a statistically significant relationship between the applying governance principles in small companies and reducing risk after the Corona pandemic.
2. It is taken into account that the members of the Board of Directors should be of good conduct and reputation; the objectives, tasks and powers of the Board of Directors and to what extent they are directed towards maximizing the value of shareholders are clearly and detailed defined.
3. There is a statistically significant relationship between control, disclosure requirements and the using governance of financial reports in small companies.

Recommendations

The researchers recommend the following:

1. The principles of governance should be applied in small enterprises because this reduces risk after the Corona pandemic.
2. The members of the Board of Directors should be of good conduct and reputation.
3. The objectives, tasks and powers of the Board of Directors and to what extent they are directed towards maximizing the value of shareholders should be determined clearly and in detail.

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