

Received: December 2023 Accepted: January 2024

DOI: <https://doi.org/10.58262/ks.v12i2.221>

## The Importance of Environmental Governance in Enhancing Goals of Small Enterprises in the Kingdom of Saudi Arabia a Field Study on Small Enterprises Sample in Khamis Mushait Province

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### **Abstract**

*The study investigated the importance of environmental governance in enhancing the goals of small enterprises in the Kingdom of Saudi Arabia. The study aimed to identify to what extent environmental governance affects achieving the goals effectively of small enterprises in the kingdom of Saudi Arabia. The researcher adopted the analytical descriptive in order to verify the hypothesis: there is no statistically significant relationship between environmental governance and enhancing the goals of small enterprises in the Kingdom of Saudi Arabia. The study concluded that there is a statistically significant relationship between environmental governance and achieving the goals effectively of small enterprises in the Kingdom of Saudi Arabia.*

**Keywords:** *governance, environment, enhancing*

### **1. Introduction**

Small enterprises, in order to be able to build a successful profitable business, they should ensure that the environment in which the company operates valid, suitable and appropriate to practice the company's activity and include components that facilitate success such as legislations and laws, control, purchasing power and other economic, social and political factors. Small enterprises also have internal environment factors the most important include the right people with the willingness and commitment to achieve the company's strategy and vision. The internal environment also should provide financial resources, regulations, policies and organizational structure that are sufficient to achieve the vision.

### **Study Problem**

The Corona pandemic (Covid-19) crisis prevented small enterprises' objectives in the Kingdom of Saudi Arabia from being achieved as required. Those challenges cannot be overcome unless there is a model that helps enhance and improve the economic and financial performance of the small enterprises and gives high confidence to investors, shareholders and community that appropriate growth rates will be achieved and also facilitates their obtaining financing from financial institutions.

### **Study Objectives**

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The study aims to:

1. Identify to what extent environmental governance affects enhancing goals of small enterprises in the Kingdom of Saudi Arabia.
2. Encourage researchers and students to conduct further studies and research on this field to enrich knowledge and address what was not addressed in this study.

### **Study Hypotheses**

The study verifies the following hypotheses:

1. There is no a statistically significant relationship between environmental governance and enhancing goals of small enterprises in the Kingdom of Saudi Arabia.
2. There is no a statistically significant relationship between the environmental governance and demographic variables.

### **Study Significance**

Small and medium enterprises are considered significant economic tributaries for the following reasons:

1. They contribute to the national product of states and recruit a large number of technical workers.
2. They contribute to moving the economic wheel and cover a large part of community needs.

## **2. Literature Review**

### **2.1 Previous Studies**

Abdelgalil et al (2022) study investigated the environmental governance and its relationship with the sustainable development: a conceptual and theoretical study. The study aimed to discuss the environmental governance and its relationship with the sustainable development conceptually and theoretically. The study adopted an environmental entrance in analyzing issues. The study concluded the following: the environmental governance plays a role in improving sustainable development indicators and achieving an environmental security for government. The environmental governance is one of the most important effective work mechanisms.

Masoud (2020) study investigated the role of governance in corporate sustainability and achieving Saudi Vision 2030: a comparative study between Saudi corporate system and Islamic Sharia. The study aimed to identify the role of governance in corporate sustainability and achieving Saudi Vision 2030 comparing between Saudi corporate system and Islamic Sharia. The study concluded that applying governance in Saudi corporate system leads to effectiveness, responsibility, enforcement of contracts, and the growth of Saudi companies to become giants, and this creates wealth and fights poverty. Governance plays a role in attracting foreign investment, improving competitiveness, achieving Saudi Vision 2030 and sustainable development in accordance with the Islamic Sharia approach.

Arab international economic newspaper (2023) study investigated the funds of environmental and social governance. The study aimed to shed light on the funds of environmental and social governance and their investments in Saudi listed companies. The study concluded that Saudi companies that commit to the disclosure standards of environmental and social practices and

corporate governance can attract foreign cash flows from specialized funds. The platform "Morning Star Direct" published that the number of funds specialized in environmental governance investment that Saudi Stock Market attracted have increased more than doubled in less than 18 months. The standards of governance compatible with global trends and the principles of Saudi Vision 2030 related to environment and social disclosure principles for listed companies with the aim of urging companies to adopt clean technologies and reduce emissions, toxic waste and negative climate impacts. In social aspects, there are measurement of companies commitment to social responsibility, human capital growth and fairness in employment and treatment.

## **2.2 Corporate Governance Concept**

There are many definitions of the term corporate governance; there is no unified and agreed-upon definition, the most important in terms of the meaning of the study's problem:

The Organization for Economic Co-operation and Development defines governance as "the distribution of rights and responsibilities among the various participants in the company, such as the board of directors, managers, shareholders, and other stakeholders." It also sets out the rules and procedures for making decisions regarding the company's affairs. It provides the structure through which the company's objectives and the means of achieving them can be set and controlled.

Sir Adrian Cadbury defines corporate governance as "it is based on a balance between economic and social objectives and the objectives of individuals and community". The objective is to bring the economic and social objectives and the objectives of individuals and community closer together. The objective is to bring the interests of individuals, companies, and community as a whole closer together.

According to Mousawy (undated), corporate governance is defined as "the system through which the organization's work is directed and controlled at the highest level in order to achieve its objectives and meet the necessary standards of responsibility, integrity and transparency." The Saudi Vision 2030 states that government allocates services and improves business environment, which would contribute to attracting the best global competencies and qualitative investments to achieve effectiveness and responsibility.

Ahmed (2012) pointed out the impact of applying governance principles in small enterprises. The study showed that good governance frees shareholders from administrative or executive tasks, which reduces conflicts between shareholders who hold management positions and other shareholders, especially when the number of shareholders is limited.

The Anti-Corruption Commission was established by Royal Order No. (A|65) dated 4/13/14432 AH to protect integrity and combat corruption.

## **2.3 Governance Principles**

It is a set of rules, systems and procedures that achieve the best protection and balance between the interests of the company's managers shareholders and other stakeholders. They provide it with transparency and accountability that beneficial to small and medium enterprises sector which represent a tool for attracting investment. It is the sustainable solution to reduce poverty and achieve economic development and social well-being.

The most important principles of governance that cause quality sustainable performance are:

First principle: to ensure that there is a basis for an effective corporate governance framework.

Second principle: to protect shareholders and facilitate the exercise of their rights.

Third principle: to provide equal treatment of shareholders.

Fourth principle: to provide disclosure and transparency.

## **2.4 Corporate Governance Characteristics**

Corporate governance is characterized by several characteristics, including:

- Discipline: to follow an appropriate and correct ethical behavior in performing work.
- Transparency: to provide a true image of everything that is happening, which focuses on credibility, clarity, disclosure, and participation.
- Independence: to achieve it through the presence of a chairman of the board of directors who is independent from the senior management, the presence of a supervisory board of directors independent from the executive board of directors, and the presence of an audit committee headed by an independent board member.
- Accountability: to allow an employee to be held accountable for specific actions and responsible for performing the work and assuming the position. The availability to evaluate and estimate the performance of the board of directors and the executive management, so that the governance system allows the company to be held accountable to all shareholders and provide guidance to the company's board of directors on how to develop the company's strategy and control management.
- Responsibility: To be responsible to all interested parties in the company.
- Fairness: To respect the rights of the various stakeholder groups in the company, and the company pledges to protect the interests of shareholders and treat them equally, including small shareholders.
- Social responsibility: To be responsible towards stakeholders.

## **3. Study Methodology**

### **3.1 Study Method and Tools**

The analytical and descriptive approach was used to measure the impact of environmental governance on achieving the goals effectively, through collecting primary and secondary data from previous literature (previous research and studies) in addition to preparing a questionnaire as study tool which was designed to an electronic link and directed to a random sample of the small enterprises employees and to a number of specialized experts to benefit from their opinions and suggestions, in order to verify the validity and reliability of the questionnaire. The validity and reliability of the tool was confirmed using the Cronbach Scale.

### **3.2 Study Population**

The population of the study consisted small enterprises located in Khamis Mushait province southwest the Kingdom of Saudi Arabia in Asser region. It was established in 1419 AH during the visit of the Custodian of the Two Holy Mosques King Abdalla bin Saud when he was the Crown Prince on 1/9/1419 AH as he issued a decision to merge the two branches of Imam Mohammed bin Saud Islamic University and King Saud University in Aseer under King Khalid University.

### **3.3 Study Sample**

The study sample consisted of (70) individuals. The questionnaires which was distributed to a random sample of small enterprises employees were answered by (85.7 %) of the study population which consisted of (60) individuals.

### 3.4 Study Limits

Spatial limits: Khamis Mushait.

Time limits: 2023.

## 4. Study Results

### 4.1 Study Population and Sample Analysis

A convenience sample was selected randomly from small enterprises in Khamis Mushait. (70) questionnaires were distributed, (60) (85.7%) of them were retrieved valid which then used in the analysis. In order the study obtains accurate results the researchers ensure the diversity of the sample.

### 4.2 Statistical Tools used in the Analysis

The researchers adopted the questionnaire as tool for data collection from the study sample.

The respondents' opinions were coded so that they can be incorporated into computer in order to be analyzed as follow:

The responses to the questionnaire according to the Five-point Likert scale were as follow:

**Table (1):** Five-Point Likert Scale.

Classification	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Degree	5	4	3	2	1

**Source:** Prepared by the Researcher Based on the Questionnaire 2022.

### 4.3 Data Analysis

Hypothesis one: there is a statistically significant relationship effect of environmental governance on the enhancing goals

**Table (2):** Frequency and Percentage Distribution of the Respondents' Answers for the Hypothesis Statements.

No	Statements	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1	Environment standards combat corruption and mismanagement and enhancing goals.	28 46.7%	23 38.3%	2 3.3%	6 10%	1 1.7%
2	Encourage the application of the principles of transparency, integrity disclosure and goals effectiveness	7 11.7%	16 26.7%	15 25%	19 31.7%	3 5%
3	Contribute to increasing productivity and enhancing goals.	13 21.7%	23 38.3%	21 35%	3 5%	0 0%
4	Facilitate the stability of financial market, goals and doubling stock price.	6 10%	19 31.7%	21 35%	14 23.3%	0 0%
5	Establish ethical standards for business and achieving goals effectively.	5 8.3%	21 35%	6 10%	27 45%	1 1.7%
6	Ensure the principles of commitment to the social responsibility and goals enhancement.	25 41.7%	16 26.7%	9 15%	7 11.7%	3 5%
7	Environment standards encourage caring for the environment, confronting disasters and effective goals.	12 20%	22 36.7%	19 31.7%	7 11.7%	0 0%
8	Environment governance defines objectives and establishes operations and evaluates enhancing goals.	12 20%	24 40%	19 31.7%	4 6.7%	1 1.7%

**Source:** Prepared by the Researcher Based on the Questionnaire 2022.

The table (2) above shows the following:

1. The majority of the study sample respondents (85%) agree with the statement (Environment standards combat corruption and mismanagement and enhance goals), while only (11.7%) disagree and (3.3%) neutral; this indicates that the study sample responses go to the positive direction of the study.
2. Many of the study sample respondents (38.4%) agree with the statement (Encourage the application of the principles of transparency, integrity disclosure and goals effectiveness), while (36.7%) disagree and (25%) neutral; this indicates that the study sample responses go to the positive direction of the study.
3. Most of the study sample respondents (60%) agree with the statement (Contribute to increasing productivity and enhancing goals), while (35%) disagree and (5%) neutral; this indicates that the study sample responses go to the positive direction of the study.
4. Most of the study sample respondents (41.7%) agree with the statement (Facilitate the stability of financial market, goals and doubling stock price), while (23.3%) disagree and (35%) neutral; this indicates that the study sample responses go to the positive direction of the study.
5. Most of the study sample respondents (46.7%) disagree with the statement (Establish ethical standards for business and achieving goals effectively), while (43.3%) disagree and (10%) neutral; this indicates that the study sample responses do not go to the positive direction of the study.
6. Most of the study sample respondents (68.4%) agree with the statement (Ensure the principles of commitment to the social responsibility and goals enhancement), while (15%) disagree and (16.7%) neutral; this indicates that the study sample responses go to the positive direction of the study.
7. Most of the study sample respondents (56.7%) agree with the statement (Environment standards encourage caring for the environment, confronting disasters and effective goals), while only (11.7%) disagree and (31.7%) neutral; this indicates that the study sample responses go to the positive direction of the study.
8. Most of the study sample respondents (60%) agree with the statement (Environment governance define objectives and establish operations and evaluate enhancing goals), while only (8.4%) disagree and (31.7%) neutral; this indicates that the study sample responses go to the positive direction of the study.

#### 4.4 Hypotheses Discussion

There is a statistically significant relationship effect of the environmental governance on the enhance goals

Dependent variable Independent variables	Enhance goals			
	B	T	F	R
Environmental governance	1.764	13.971	195.154	0.933

**Source:** Prepared by the Researcher Based on the Questionnaire 2022.

The estimation of the environmental governance regression on the enhance goals shows that there is significant effect on the enhance goals; this was indicated by the regression coefficient value 1.764; this means if the environmental governance increases by one unit the enhance goals increases by -.632- which is a significant effect. t value = 13.971 because it is more than its tabular value (1.02) at the significant level (0.05); the result is significant. The environmental governance effect on the enhance goals by the coefficient of determination ( $R^2=0.871$ ) means

that the environmental governance interprets the value 87.1% of the change in the enhance goals; the rest part refers to random variables which cannot be controlled or are not included into the regression model. This means that the hypothesis is achieved.

## **Results**

The environmental governance does not establish ethical standards for business and enhance goals effectively.

There is a statistically significant relationship effect of the environmental governance on the enhance goals as it reached 0.871.

This research was supported by big research groups at the Deanship of Scientific Research - King Khalid University - Saudi Arabia

(RGP.2/333/44)

## **Acknowledgement**

The authors extend their appreciation to the Deanship of Scientific Research at King Khalid University for funding this work through Large Groups Project under grant number (RGP.2/333/44)1444-1445

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