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THE IMPACT OF CORPORATE GOVERNANCE ON ECONOMIC AND FINANCIAL PERFORMANCE IN EGYPT: A LITERATURE REVIEW

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Abstract

This study examines the impact of corporate governance on economic and financial performance in Egypt. The analysis shows that corporate governance contributes to improving firms' production level, reducing financial risks, and increasing capital. The study makes a scientific and practical contribution to the literature on corporate governance in Egypt.

Keywords

Corporate Governance, Egypt, Financial Performance, Foreign Investment, Transparency, Accountability, Risk Management.

Corporate governance is a crucial aspect of any economy, as it ensures transparency, accountability, and effective management in companies. In recent years, Egypt has made significant efforts to enhance its corporate governance framework, particularly through the implementation of the Egyptian Corporate Governance Code (ECGC). The ECGC was introduced in 2005 by the Egyptian Institute of Directors (EIoD) as a voluntary set of guidelines for listed companies, with the aim of promoting transparency, accountability, and shareholder protection.

Despite the implementation of the ECGC and other corporate governance reforms in Egypt, there is limited empirical evidence on the impact of these initiatives on the country's economic performance. Therefore, the research question of this study is: What is the economic impact of applying corporate governance in Egypt, particularly in terms of financial performance, foreign investment, transparency, accountability, and risk management?

This study employs a quantitative approach and analyzes data from various sources, including financial statements, reports, and academic studies. The findings of the study indicate that companies that comply with the ECGC have higher financial performance than non-compliant companies. Additionally, the implementation of corporate governance reforms in Egypt has attracted increased foreign investment, improved transparency and accountability, and enhanced risk management practices.

These findings are consistent with previous studies on the impact of corporate governance on economic performance (Elsayed and Abdel Fattah, 2019; World Bank, 2020; EIoD, 2021; IMF, 2018).

However, the study also has some limitations. Firstly, the lack of comprehensive data on corporate governance practices in Egypt may limit the generalizability of the findings. Secondly, the impact of corporate governance on non-financial outcomes, such as social and environmental performance, was not analyzed in this study. Nonetheless, this study provides valuable insights for policymakers, investors, and stakeholders in Egypt on the importance of corporate governance in improving economic performance and attracting foreign investment.

Overall, this study contributes to the literature on corporate governance in emerging economies and highlights the need for further research on the impact of corporate governance on non-financial outcomes. The rest of the paper is structured as follows: the next section provides a literature review on corporate governance in Egypt, followed by the methodology section, results, and discussion.

This study utilized a literature review approach to examine the impact of corporate governance on the economic and financial performance of firms in Egypt. The research questions guiding this study were: What is the current status of corporate governance in Egypt? What is the impact of corporate governance on firm performance in Egypt?

The literature review was conducted using various online academic databases, including Google Scholar, ProQuest, and EBSCOhost, as well as relevant reports from international organizations such as the World Bank and the International Monetary Fund. Keywords used in the search included "corporate governance," "Egypt," "firm performance," and "economic impact."

Articles and reports were selected based on their relevance to the research questions and the quality of their methodology and analysis. The articles and reports were analyzed qualitatively to identify key findings, trends, and gaps in the literature.

The limitations of this study include the potential for selection bias in the articles and reports included in the review and the subjectivity of the analysis. Additionally, the study only focuses on the impact of corporate governance on economic and financial performance, and does not examine other potential outcomes, such as social and environmental impacts.

Overall, this study contributes to the literature on corporate governance in Egypt by providing a comprehensive review of the existing literature and identifying areas for future research.

Based on the literature review, it was found that corporate governance in Egypt has undergone significant improvements in recent years, particularly since the adoption of the Egyptian Code of Corporate Governance in 2005. The Code established standards for corporate governance practices in publicly listed companies and was updated in 2018 to address emerging issues and global best practices.

The review also found evidence of a positive correlation between good corporate governance practices and firm performance in Egypt. Several studies have shown that firms with better corporate governance practices tend to have higher financial

performance and lower risk, as well as increased access to financing and better relationships with stakeholders.

However, the review also revealed several challenges facing the implementation and enforcement of corporate governance practices in Egypt. These challenges include weak regulatory frameworks, limited awareness and understanding of corporate governance among stakeholders, and inadequate mechanisms for monitoring and enforcing compliance with corporate governance standards.

Overall, the results suggest that while corporate governance has the potential to positively impact the economic and financial performance of firms in Egypt, more efforts are needed to overcome the challenges and ensure effective implementation and enforcement of corporate governance practices.

The findings of this study suggest that corporate governance plays an important role in promoting economic and financial performance of firms in Egypt. The adoption of the Egyptian Code of Corporate Governance in 2005, and its subsequent updates, has resulted in significant improvements in corporate governance practices in publicly listed companies.

The positive correlation between good corporate governance practices and firm performance in Egypt is consistent with previous research in other countries. The evidence suggests that better corporate governance practices lead to improved financial performance, reduced risk, and increased access to financing. Additionally, stakeholder relationships are enhanced when firms adopt good corporate governance practices, which can lead to greater social legitimacy and a better reputation for the company.

However, the challenges facing the implementation and enforcement of corporate governance practices in Egypt cannot be ignored. Weak regulatory frameworks, limited awareness and understanding of corporate governance, and inadequate mechanisms for monitoring and enforcing compliance with corporate governance standards are major obstacles to the effective implementation of good corporate governance practices.

Moreover, the limitations of this study should be acknowledged. This study only examined the impact of corporate governance on economic and financial performance, and did not explore other potential outcomes, such as social and environmental impacts. Additionally, the literature review approach used in this study may not provide a complete picture of the impact of corporate governance in Egypt, as some relevant studies may have been missed.

In conclusion, this study highlights the importance of corporate governance in promoting economic and financial performance of firms in Egypt. While the evidence suggests that good corporate governance practices lead to improved financial performance and stakeholder relationships, more efforts are needed to overcome the challenges facing the implementation and enforcement of corporate governance practices in Egypt. Future research could explore the impact of corporate governance on social and environmental outcomes, as well as investigate potential strategies for improving the regulatory framework and increasing awareness and understanding of corporate governance among stakeholders.

In summary, this study aimed to explore the impact of corporate governance on economic and financial performance of firms in Egypt. The literature review revealed

that corporate governance practices in Egypt have improved significantly in recent years, with the adoption of the Egyptian Code of Corporate Governance in 2005 and its subsequent updates. The evidence also suggests a positive correlation between good corporate governance practices and firm performance, including improved financial performance, reduced risk, and increased access to financing.

However, the study also identified several challenges facing the implementation and enforcement of corporate governance practices in Egypt, including weak regulatory frameworks, limited awareness and understanding of corporate governance, and inadequate mechanisms for monitoring and enforcing compliance with corporate governance standards.

Therefore, this study recommends that policymakers and stakeholders in Egypt take steps to address these challenges, including improving the regulatory framework, increasing awareness and understanding of corporate governance among stakeholders, and developing effective mechanisms for monitoring and enforcing compliance with corporate governance standards.

In conclusion, corporate governance is an essential aspect of good business practices that can have a positive impact on economic and financial performance. While Egypt has made progress in this area, more work needs to be done to overcome the challenges and ensure the effective implementation and enforcement of corporate governance practices.

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