

The Role of Organizational Dimension of Governance in Enhancing Responsibility, Transparency and Fairness of Financial Reports and Enhancing Sustainable Development of Small Enterprises in the Kingdom of Saudi Arabia

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Abstract

The study investigated the role of organizational dimension of governance in enhancing responsibility, transparency and fairness of financial reports and enhancing sustainable development of small enterprises in the Kingdom of Saudi Arabia. The study problem was represented in that small enterprises suffer from weakness in using governance mechanisms that enhance responsibility, transparency, fairness and disclosure of financial reports. The study significance rises from the importance of sustainable development which is considered one of the most important management issues that should be enhanced. The social performance and environmental performance are considered main factors of institutions success. The study aimed to identify the relationship between the organizational dimension of governance and the enhancement of responsibility and transparency of financial reports and between the organizational dimension of governance and the achievement of sustainable development in small enterprises in the Kingdom of Saudi Arabia. The researcher adopted the regression analysis to investigate the relationship between the study variables and verified the hypotheses. The researcher concluded the following: There is a direct relationship between the organizational dimension of governance and the enhancement of responsibility and transparency of reports and between the organizational dimension of governance and the achievement of sustainable development in small enterprises in the Kingdom of Saudi Arabia. The researcher recommends the following: Attention should be given to transparency and disclosure in financial reports and statements in order to achieve quality of sustainable performance and economic development in Saudi small enterprises. Attention should also be given to applying governance mechanisms and to quality of accounting information and managing risks faced by enterprises in order to achieve sustainable performance and economic development.

Keywords: Organizational dimension, enhancement of responsibility and transparency of reports, sustainable development.

1. Introduction

Sustainable development is considered one of the most important administrative issues that must be enhanced, in terms of social and environmental performance, which are considered two major factors for the success of institutions, as the focus is no longer on profitability to measure the success of institutions, but rather other non-financial indicators must be taken into account for disclosure and transparency in the financial statements.

Emphasizing information transparency, inf

and the extent of institutions' ability to achieve sustainable development can be performed by focusing on the economic, environmental, and social aspects, all of this is achieved by using governance mechanisms that work to achieve responsibility, transparency, justice, and the disclosure of comprehensive, transparent, high-quality financial reports that can be built upon in making sound strategic decisions and creating precautions. necessary against corruption and mismanagement, while encouraging transparency in economic life and combating institutional resistance to reform.

Study Problem:

Small enterprises suffer from a weakness in the use of governance mechanisms that work to enhance responsibility, transparency and justice, and the disclosure of high-quality and transparent financial reports, and attention to governance mechanisms in private companies is of great importance for achieving growth, especially with the widening separation of ownership from management and for obtaining less expensive sources of financing. From banking sources, which weakened the mechanisms for monitoring the work of managers, and the poor quality of information leads to the prevention of supervision and oversight and works to spread corruption and lack of trust.

Study objectives:

The study aimed to determine the relationship between the organizational dimension of governance and enhancing responsibility and transparency of financial reports and between the organizational dimension of governance and achieving sustainable development in small enterprises in the Kingdom of Saudi Arabia.

Study importance:

The focus is no longer on profitability to measure the success of institutions, but rather other non-financial indicators must be taken into account in order to disclose and be transparent about them in the financial statements and to emphasize transparency and information and the extent of the institutions' ability to achieve sustainable development by focusing on the economic, environmental and social aspects. All of this is achieved using governance mechanisms that work to Achieving responsibility, transparency and justice.

Study hypotheses:

There is a statistically significant relationship between the organizational dimension of governance and enhancing responsibility and transparency of financial reports for small

enterprises in the Kingdom of Saudi Arabia There is a statistically significant relationship between the organizational dimension of governance and achieving sustainable development in small enterprises in the Kingdom of Saudi Arabia.

Study limits:

Spatial limits: Small enterprises in the Kingdom of Saudi Arabia.

Time limits: February 2024.

2. Literature review:

2.1 Previous studies:

1. Study (2008):

(The Role of Corporate Governance in Economic Development, the First Scientific Conference on Corporate Governance and its Role in Economic Convention during the period October 15-16, 2008). The study problem investigated the issue of reducing capital flight and combating corruption. It is found that the commitment to applying the intellectual aspects of governance reflects well on the performance of the financial and monetary economic units. Also, one of the advantages of governance contributes to improving the quality of companies. The study adopted the descriptive analytical and quantitative approaches.

The study concluded that applying governance is considered the guarantee for the rights of stakeholders within companies, especially investor. Also governance principles have an impact on maintaining the benefits of individuals, institutions and communities in the economic, legal and social aspects, because good governance represents in the disclosure of financial information reduces institutions capital cost and attracts investments.

2. Study (2019):

(The importance of corporate governance in confronting financial and accounting corruption. His analysis of the legal and supervisory framework that regulates the work of joint-stock companies in Iraq, University of Baghdad, 2019). The study aimed to investigate the importance of the legal and supervisory framework of corporate governance in fighting financial and accounting corruption.

The results of the study analysis revealed that there are problems in many fields, including the rights of shareholders in companies, regarding the level of their attendance at the annual meetings of the General Assembly and providing them with the necessary information, financial report summaries, the auditor's report, company management, and any information that has an important impact on the decisions they make regarding the future of their investments. Also, the legal and supervisory framework fails to establish basics for balanced treatment of shareholders, especially the minority. In addition, there are also shortcomings associated with the requirements of disclosure and transparency and following appropriate accounting and auditing standards to meet changes in the surrounding environment and need to define the concept, requirements and

conditions of independence for all members of the Board of Directors and the prohibition of performing non-audit work and services.

The study recommended forming an independent committee from experts, specialists and professionals to work on corporate governance with the aim of increasing understanding of corporate governance issues and achieving the required changes in various accounting, auditing, legal and regulatory fields.

3. Masoud study: (2020):

(Sustainability of Small and Medium Enterprises Vision 2030 through Governance). The study aimed to investigate corporate sustainability through the concept of governance. The researcher adopted the descriptive analytical approach. The study tool was a questionnaire, it was distributed to the study sample. The study clarified that entrepreneurs and small and medium enterprises need to simplify and understand the concept of governance. They should not see it as a burden and cost, but rather it is the real engine for achieving sustainable growth, as it reduces the risk ratio when there are more revenues, expenses, assets, liabilities, and profits that are exposed to risks, because the absence of risk makes the business more likely to end up in failure.

The ownership structure in the context of small enterprises still needs transparency and an appropriate mechanism for holding the entrepreneur accountable, exiting investments, and settling any disputes that may occur between investors and the company manager. In the advanced stages, when the company has several owners, it needs more non-executive board members, and it is important to obtain the right level of controls over the business and internal procedures to oversee audits and manage risks.

2.2 Theoretical framework:

Corporate governance in small enterprises plays an essential role for small companies, as it defines the role of shareholders as owners of capital on the one hand and as managers on the other hand, defining rules and procedures aimed at how to manage the company so that internal conflicts diminish, which helps with growth and ability. The economic dimension of governance is the system that removes the challenges facing small enterprises, supports their continuity, and maximizes their value, attracting investment and promoting Vision 2030 towards small enterprises in the Kingdom (Naif, Small and Medium Enterprises Governance, naif@hawkama

The principles of corporate governance are an essential tool for improving the performance of companies and driving development. The concept of corporate governance for small enterprises is defined as the rules, regulations and decisions that aim to achieve quality and excellence in performance by choosing appropriate and effective methods to achieve the company's plans and objectives (Kashat Anis, 2020, p. 147).

Corporate governance in small enterprises is also known as the systems that govern the relationships between the main parties that affect performance. It also includes the elements of strengthening the company in the long term and determining who is responsible and responsible. The rules and controls of governance aim to achieve transparency and justice and grant the right to hold company management accountable and achieve shareholder protection, taking into account the interests of the business and workers. Limiting the abuse of power in the public

interest, which leads to developing investment, encouraging its flow, maximizing profitability, and providing new job opportunities. (Nazih, 2020).

We find that enterprises that apply the basic principles of good corporate governance, such as integrity, accountability, accounting, and transparency, usually outperform other companies, and will be able to attract investors, who can help the company support financing to achieve further growth and improve competitive advantage and the quality of sustainable performance in establishments. Small enterprises require the provision of corporate governance principles that enhance security and protection from risks, stimulate investment, limit financial and administrative failure, prioritize the interests of the small enterprise community over the interests of the board of directors, and protect against insider trafficking (Atwan, 2020, p. 50).

1. Definition of sustainable development:

There are many definitions of sustainable development. The report of the World Commission on Sustainable Development included four groups: First: Environmental definitions: They focus on the optimal use of agricultural lands and natural resources, which leads to doubling green spaces. Second: Social and humanitarian definitions, this means striving to stabilize population growth and stop the people flow into cities through developing services. Third: Economic definitions of sustainable development look at the trends of the industrialized countries' vision, which means making a deep and continuous reduction in these countries' consumption of energy and natural resources, creating radical transformations in lifestyles, and refraining from exporting their industrial development model globally.

For poor countries, sustainable development means employing resources to raise the standard of living of the poorest people Fourth: Technical definitions consider that sustainable development is the development that moves society into the era of clean industries and technologies that use the least amount of energy and resources and produce the minimum amount of gases and pollutants that lead to raising the Earth's temperature

2. Economic dimension of governance and sustainable development Objectives

The economic dimension of governance aims to achieve sustainable development objectives through the following: The economic dimension of governance aims to achieve a better quality of life for the population: it focuses on the relationships between the population's activities and the environment and preserves the system and content of nature. The economic dimension of governance aims to enhance the population's awareness of environmental problems by developing their sense of responsibility towards the environment and finding appropriate solutions and sustainable development programs and projects.

The economic dimension of governance aims to respect the natural environment: it focuses on the relationships between population and environmental activities and deals with the system of nature and its content on the basis of human life (Mohamed Abdel Badie 2001, p. 316) The economic dimension of governance aims to achieve rational exploitation and use of resources, and development deals with resources as limited resources. Therefore, it prevents their depletion or destruction and works to use and employ them rationally.

The economic dimension of governance aims to bring about an appropriate change in the needs and priorities of society by balancing between activating economic development and controlling all environmental problems. The economic dimension of governance aims to achieve technical economic growth that includes natural resources and the environment, the development of institutions and infrastructure, and appropriate management of risks and fluctuations (Almuntada, Public Urban Academy of Research and Studies).

3. Study methodology

The study adopted the descriptive analytical approach and the Statistical Package for Social Science SPSS using analysis of regression to identify the relationship between the study variables which are represented in (organizational dimension) as an independent variable and sustainable development, responsibility and transparency as a dependent variable.

The study used a questionnaire as data collection tool.

3.1 Study population

The study population consisted of number of employees working in small enterprises in the Kingdom of Saudi Arabia, The study used the sampling method as it is difficult to study all of the population.

4. Study results

4.1 Data analysis

Table (1): Five-point likert scale

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

Source: Prepared by the researcher based on the field study data using SPSS-2023

The table (1) above shows that the hypothesized mean is $\frac{1+2+3+4+5}{5} = 3$

Descriptive analysis of the questionnaire statements: Independent variable

It includes:

Table (2): (Organizational dimension)

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean
Governance is an earnings achieving mechanism.	84 36.5%	89 38.7%	51 22.2%	6 2.6%	0 0%	4
Governance increases production efficiency.	53 23.0%	67 29.1%	101 43.9%	9 3.9%	7 3.0%	3.71
Governance achieves administrative control and fights corruption.	83 36.1%	87 37.8%	53 23.0%			4.07
Governance contributes to achieving control and activating internal control procedures.	62 27.0%	89 38.7%	67 29.1%	12 5.2%		3.87
Total	24.52%	28.87%	23.65%	2.35%	20.61%	3.93

Source: Prepared by the researcher based on the field study data using SPSS-2023

The table (2) above shows that the study sample individuals' responses to the questionnaire statements for (organizational dimension) were as follow: 24.52% of the respondents strongly agreed with the statements, 28.87% of them agreed, while 23.65% were neutral and 23% disagreed with the statements. Therefore, most of the study sample individuals agree with the questionnaire statements. The table also shows that the mean for all the statements was (3.93) higher than the hypothesized mean which was (3) according to the study; this confirms that the respondents agree with the questionnaire statements.

Table (3): Enhancing responsibility and transparency of reports

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean
Adequate and fair disclosure of financial statements is made in a fair, impartial and honest manner.	132 57.4%	97 42.2%	1 .4%			4.57
Expected risks are disclosed.	128 55.7%	95 41.3%	7 3%			3.43
Future plans are disclosed.	59 25%	85 37.0%	86 37.4%			3.85
Executive management takes full responsibility for any material and moral damage to community (social responsibility).	136 59.1%	41 17.8%	42 18.3%	11 4.8%		4.29
Total	49.46%	34.57%	14.78%	1.2%	0.0%	4.03

Source: Prepared by the researcher based on the field study data using SPSS-2023

The table (3) above shows that the study sample individuals' responses to the questionnaire statements for (enhancing responsibility and transparency of reports) were as follow: 49.46% of the respondents strongly agreed with the statements, 34.57% of them agreed, while 14.78% were neutral and 1.2% disagreed with the statements. Therefore, most of the study sample individuals agree with the questionnaire statements. The table also shows that the mean for all the statements was (4.03) higher than the hypothesized mean which was (3) according to the study; this confirms that the respondents agree with the questionnaire statements.

4.2 Verification of the study hypotheses

Table: (4): There is a statistically significant relationship between the organizational dimension of governance and enhancing responsibility and transparency of financial reports in small enterprises in the Kingdom of Saudi Arabia

	Regression coefficients	(t) test	P.Value	Interpretation
B_0	1.441	8.112	.000	Significant
B_1	.012	.449	.654	Insigificant
Organizational dimension of governance				
(R)				
Correlation Coefficient	0.772			
(R ²)				
Coefficient of determination	0.596			
(f) test	162.734	The model is significant 0.000		

Source: Prepared by the researcher based on the field study data using SPSS-2023

The table (4) above shows the following:

1.The analysis results show that there was a direct correlation between the organizational dimension of governance as an independent variable and enhancing responsibility and

transparency of reports as a dependent variable; the value of simple correlation coefficient was (0.722).

2. The value of coefficient of determination was 0.596; this value indicates that the organizational dimension of governance contributes 59.6% to enhancing responsibility and transparency of reports as a dependent variable.

3. The mean value of enhancing responsibility and transparency was 1.441 when there was no organizational dimension of governance.

4. When the organizational dimension of governance increases by one unit, it enhances responsibility and transparency of reports by 0.012.

Accordingly, we concluded that the main hypothesis: (The organizational dimension affects the enhancement of responsibility and transparency of reports) is verified.

Table: (5): There is a statistically significant relationship between the organizational dimension of governance and achieving sustainable development in small enterprises in the Kingdom of

Saudi Arabia

	Regression coefficients	(t) test	P.Value	Interpretation
B_0	1.247	8.254	.000	Significant
B_1	.342	9.563	.000	Significant
Organizational dimension of governance				
(R)	0.845			
Correlation Coefficient				
(R ²)	0.714			
Coefficient of determination				
(f) test	183.375	The model is significant 0.000		

Source: Prepared by the researcher based on the field study data using SPSS-2023

The table (5) above shows the following:

1.The analysis results show that there was a direct correlation between the organizational dimension of governance as an independent variable and the sustainable development as a dependent variable; the value of simple correlation coefficient was (0.845).

2. The value of coefficient of determination was 0.714; this value indicates that the organizational dimension of governance contributes 71.4% to the sustainable development as a dependent variable.

3. The mean of the sustainable development was 1.274 when there was no organizational dimension of governance.

4. When the organizational dimension of governance increases by one unit, the sustainable development increases by -.085.

Accordingly, we concluded that the hypothesis: (The organizational dimension affects the sustainable development) is verified.

4.3 Findings and recommendations

Findings

1. There is a direct correlation between the organizational dimension and the enhancement of responsibility and transparency of financial reports; the value of simple correlation coefficient was (0.722).
2. There is a statistically significant relationship between the organizational dimension of governance and achievement of sustainable development in small enterprises in the Kingdom of Saudi Arabia; the value of correlation was (0.845).

Recommendations

1. Attention should be given to transparency and disclosure in the financial reports and statements in order to achieve sustainable performance and economic development in small enterprises in the Kingdom of Saudi Arabia.
2. Attention also should be given to applying governance mechanisms, to the quality of accounting information and managing risk faced by small enterprises in the Kingdom of Saudi Arabia in order to achieve sustainable performance and economic development.

This research was supported by big research groups at the Deanship of Scientific Research - King Khalid University - Saudi Arabia (RGP.2/359/45)

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.2/359/45)1445-1446

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