Research in Economics and Management
ISSN 2470-4407 (Print) ISSN 2470-4393 (Online)
Vol. 4, No. 4, 2019
www.scholink.org/ojs/index.php/rem

Extent of Commitment of Lebanese Banks to Principles of Governance

(An Empirical Study)

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Received: October 23, 2019 Accepted: October 29, 2019 Online Published: November 11, 2019

doi:10.22158/rem.v4n4p215 URL: http://dx.doi.org/10.22158/rem.v4n4p215

Abstract

The novel inclination towards applying principles of governance in banks constitutes a great challenge to banks around the world, especially in developing countries. It is especially challenging for Lebanese banks to apply principles of governance because its economy is passing through a very delicate period. This paper aims at studying the extent of commitment of Lebanese banks to principles of governance according to Basel Committee. It is of great importance that Lebanese banks should be committed to these principles to be able to face present and future challenges since applying principles of governance enhances trust of investors, shareholders and other related parties in addition to related international organizations which are closely watching the Lebanese economy. The researchers utilized a five-point Likert Style questionnaire which includes 56 items and asked employees of 10 banks operating in Lebanon to respond to them. Among those employees were board members, executives, internal auditors and heads of departments. The research reached some important findings, most importantly that Lebanese banks are totally committed to principles of governance. This enables Lebanese banks to have a positive impact on investors, shareholders and other parties, which might enhance the bank's competitive position and attract a greater number of investors, depositors and stockholders.

Keywords

corporate governance, economic crises, disclosure, transparency, shareholders

1. Introduction

During the past few decades, interest in corporate governance has increased greatly among parties involved in the financial sector after the financial crisis in East Asia, Latin America and Russia in the nineties of the previous century, which was followed by financial and banking collapse of some international American companies in 2002, 2007 and 2008. It became a major issue in economies since the financial crisis exposed the deficiency which a lot of companies suffer from, especially in the banking sector, where the crisis began with many banks falling to reach other financial institutions around the world. This showed the size of the gap between practices of these banks' managements and principles set in legislations, especially with the increase in levels of risk that come with the diversity of activities. This urged the Center for International Private Enterprise (CIPE) to come forth with a report about corporate governance in which CIPE specified rules and principles to practice rational management in economic institutions, including banks and other financial institutions, where implementing corporate governance is of utmost importance and complexity as these institutions have some interrelated factors that no other industry has.

The term "Corporate Governance" became popular in the nineties of the previous century, especially close to end of the decade, when it was used on a wide scale by experts in the field, mainly those who work in local, regional and international organizations after the consecutive crises which many economies around the world have witnessed in their organizations. Corporate governance gains its importance for discovering crimes which led to the above mentioned economic crises in some parts of the world since it is considered the most recent trend in monitoring managements of corporate organizations to prevent them from misusing authority and to urge them to protect the rights of investors and others of interest, improve their performance and accounting practices, and present transparent financial and non-financial reports. Banks are different from other corporations since their fall impacts a wider range of individuals and leads to weakening the whole financial system, which will have negative impacts on the economy of the state as a whole.

According to the Organization for Economic Cooperation and Development (OECD, 2015), there are six main principles for corporate governance as follows:

I. Ensuring the basis for an effective corporate governance structure.

II. The rights and just treatment of stockholders and key ownership function.

III. Institutional investors, stock markets, and other intermediaries.

IV. The responsibility of stakeholders.

V. Disclosure and transparency.

VI. The responsibilities of the board.

On the other hand, the Basel Committee on Banking Supervision issued a report on enhancing corporate governance in banks which include standards that banks should implement as follows (Bank for International Settlements, 2015):

- Members of the board should be fully qualified for their positions since they should agree upon the strategic goals of the bank and monitor the management's implementation and progress on them, taking into consideration the welfare of the stakeholders and depositors. They should also oversee the bank's compliance risk management.
- The existence of an efficient and independent system for risk management to identify, monitor and control risk; and have communication within the bank about the risk. The risk management reports to the board and senior management.
- Independence of the internal auditing and controls as it is essential in effective banking governance process and in the soundness of the bank in the long-term.
- The existence of a sound rewards and bonuses system which supports good corporate governance and risk management.
- The bank should have disclosure and transparency to its stockholders, clients and other relevant parties.
- There is a consensus about the framework of the bank's operations and the legislative environment it is committed to.

This study aims to show whether or not Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision (BCBS). It also discusses whether or not applying principles of governance would impact the performance and efficiency of the Lebanese banks.

2. Literature Review

The International Finance Corporation (IFC) defines governance as the system through which corporations are managed, and their activities are controlled (Meteb, 2016). The Organization for Economic Cooperation and Development (OECD) defines governance as interconnected relations among policymakers of a corporation, its board, stockholders and other investors. Corporate Governance helps in building trust and transparency, which are necessary for long-term investment and business reliability which in turn support strong growth (OECD, 2015).

Banks have an essential financial intermediation task in a country's economy; therefore, the community and the market are greatly perceptive to any difficulties that might possibly arise because of flaws in corporate governance of Banks. After the world financial crisis in mid-2007, the Basel Committee on Banking Supervision (BCBS) reconsidered its guiding principles on governance of banks and specified that there are many lessons to be learned from the financial crisis (Bank for International Settlements, 2010).

Marcinkowsa (2012) designates that the weak and insufficient corporate governance methods of the banks were among the most important reasons behind the financial crisis around the world. Kocourek *et al*. (2003) affirm that governance begins among directors of a corporation, in the boardroom. It is rooted in how, when, and why they meet, cooperate, and work with each other and with the management. However, benchmark reforms in the behavior and objectives of the directors and CEO are pointless except when they are subject to the mechanisms of performance standards, procedures, and measurement. This amalgamation of solutions can turn corporate governance from an indistinguishable concept into a method to deliver organizational flexibility, vigor and constantly progressing performance. Kutubi (2011) studied the impact of the size of the board and independence of its members on corporate performance by considering private banks in Bangladesh. The study revealed that there is a positive statistically significant relationship between the percentage of independent directors on the boards and the performance of the banks.

In their study, Mansur and Tangl (2018) conclude that ownership of an organization has the utmost effect on the financial performance of companies. In addition, they found that institutional ownership has a better impact on the financial performance of an organization than family ownership. They concluded that the financial performance of organizations of different sectors is improving after the implementation of corporate governance. Likewise, the results of a study by Tomar and Bino (2012) show that the structure of ownership and composition of the board have a great effect on the performance of a bank. The results of their study specify that banks with a majority of institutional possession have top performance and that whenever ownership percentages of managers and board members increase, the efficiency of the bank becomes greater. Surprisingly, the size of the board has no impact on the performance of banks.

Shungu et al. (2014) find that there exists a positive relationship between the composition and diversity of the board with the performance of the bank. However, the study specified a negative relationship between the performance of the bank and the size and committees of the board. Thus, the study recommends good practices of governance to be applied so that performance improves in commercial banks. These include a better structure of the board, specific duties of directors and transparent disclosure. Fanta et al. (2013) find that there are some major factors to impact bank performance. These mainly include an absence of implementation of corporate governance standards, as well as accounting and auditing standards, high, repeated government intervention and weak legal framework to protect minority shareholder rights.

Nevertheless, Begum and Mohammad (2012) emphasize many problems concerned with the practice of corporate governance in the banking industry. These include the creation of the board, task of stockholders, general assembly of the board, job of the superior administration, the task of auditors, and position of the capital market. In theory, having a big board of directors at an organization helps gather a larger number of human resources, have more knowledge and experience and present better monitoring and advising for the management (Stepanova & Ivantsova, 2012). However, having too many board members may create other types of troubles such as collaboration and communication between members of the board.

Xavier et al. (2015) find that variables of corporate governance are not major interpreters which clarify the rise in profitability that is signified by return on assets and on equity. They have reached the conclusion that corporate governance using the size of the board, its composition, the duality of CEO as well as possession of the institution are not predictors of good financial performance. They recommended that the body of commercial banks should provide guidance on the use of practices of corporate governance which may positively affect the financial performance of the commercial banks.

In their staff report no. 539, Merhan and Mollineaux (2012) specify that legislators have many approaches to use in order to amplify the production of information. One approach is that they can authorize production of information outside of markets through increased disclosure. Another approach is that they can encourage prospective information producers directly through altering their motives. Conventional approaches to bank governance may hinder the information content. Therefore, ambiguity in the banking sector may be a symptom, but not the primary cause of bad governance. The study recommends that restructuring, which encourages the quality of security prices through the production of information, can improve the governance of banks and other financial institutions.

There are very few researches that examine the relationship between corporate governance of an organization and the extent of information which is asymmetric. Studies that examine the relationships between corporate governance for banks or other organizations and asymmetric information deal with limited feature or features, or individual instruments, of corporate governance. Holm and Scholer (2010), Kanagaretnam et al. (2007) and Hillier and McColgan (2006) find that independence of the board reduces asymmetric information. On the other hand, Peasnell et al. (2005) suggest that independence of the board helps the reliability of financial statements.

The study done by Caleb et al. (2015) specify that there is no difference of statistical significance between practices of corporate governance among the Deposit Money Banks (DMB) based on the shareholders' opinion. It also concludes that there is a relationship of statistical significance between the performance of the DMBs' and variables of corporate governance and that the corporate governance variables have impacted DMBs' performance positively and negatively at the same time. The researchers recommend workshops to increase the level of awareness among shareholders and to enhance their experience in promoting efficient practices of governance in banks where they own shares.

The results of the study done by Belhaj and Cesario (2016) show that the size of the board and has a positive and significant impact on the performance of a bank. Large boards of directors that have more women led to better performance of the bank. While the composition of the board and the duality of the CEO have no significant effect on the performance of the bank for the European countries. Their findings show, during the last financial crisis, that the board size and its composition are significantly and negatively related to the performance of the bank. Smaller boards of directors which are less in number and who are independent (non-executive) have performed much better than the ones with larger boards and more independent directors during the crisis.

The results of Al-Baidhani's study show that there is an important connection between corporate governance and bank performance. Bank age and board meetings have significant, positive effects on

Return On Equity (ROE). While the independence of the board and size of the bank have significant and negative effects on Return On Assets (ROA). Furthermore, the age of a bank and its board committees have positive effects on Profit Margin. Meanwhile, ownership concentration has a negative impact on the measure of this profitability.

3. Method

3.1 Research Problem and Hypotheses

The banking sector is distinct from other types of institutions for its unique nature that comprises a lot of risks, which is the essence of its work and the source of its revenues. It is also unique with the diversity of the parties of interest which react to it according to its goals and inclinations. This requires effective managerial practices on the bank’s side to tackle diverse levels of risks to secure the rights and interests of these parties, consequently securing the safety of the bank, which is reflected in the stability of the economic position. This is the main goal that bank governance seeks to attain within the framework of international rules and principles through the impact on diverse parties of interest. The problem of this study may be summed in the following question:

1) Are Lebanese banks committed to applying principles of governance according to Basel Committee on Banking Supervision (BCBS)?

The following sub-questions arise from the above question:

1.1) Are Lebanese banks committed to applying principles of governance according to Basel Committee on Banking Supervision regarding members of the board having qualifications and integrity?

1.2) Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding the role of members of the board of directors.

1.3) Are Lebanese banks committed to applying principles of governance according to Basel Committee on Banking Supervision regarding independent and efficient audit systems which achieve the principle of compliance?

1.4) Are Lebanese banks committed to applying principles of governance according to Basel Committee on Banking Supervision regarding disclosure and transparency of financial statements?

1.5) Are Lebanese banks committed to applying principles of governance according to Basel Committee on Banking Supervision regarding the presence of an efficient system for risk management?

1.6) Are Lebanese banks committed to applying principles of governance according to Basel Committee on Banking Supervision regarding the presence of a just and transparent system of benefits and rewards?

1.7) Are Lebanese banks committed to applying principles of governance according to Basel Committee on Banking Supervision regarding supplying all requirements to protect the stockholders’ rights?

1.8) Are Lebanese banks committed to applying principles of governance according to Basel Committee on Banking Supervision regarding maintaining the rights of all other parties related to their work?

1.9) Are Lebanese banks committed to applying principles of governance according to Basel Committee on Banking Supervision regarding adopting all moral and ethical standards?

Based on the above question, the researchers have the following hypothesis:

H_1 Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision (BCBS).

Based on the above hypothesis, the following sub-hypotheses arise:

$H_{1.1}$ Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding members of the board having qualifications and integrity.

$H_{1.2}$ Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding the role of members of the board of directors.

$H_{1.3}$ Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding auditors being independent and efficient.

$H_{1.4}$ Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding disclosure and transparency.

$H_{1.5}$ Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding the presence of an efficient system for risk management.

$H_{1.6}$ Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding the presence of a just and transparent system of benefits and rewards.

$H_{1.7}$ Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding supplying all requirements to protect the stockholders' rights.

$H_{1.8}$ Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding maintaining the rights of all other parties related to their work.

$H_{1.9}$ Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding adopting all moral and ethical standards.

3.2 Population and Sample Selection

The society of the study was parties related to banks operating in Lebanon, of which ten banks were chosen. The researchers varied the banks and their regions of operation and varied employees as to their different positions and tasks required from them in addition to their authorities and responsibilities. The researchers distributed (111) questionnaires among the employees; (110) were valid for testing their opinions about the topic of the research, as shown in Table 1 below.

Table 1. Characteristics of the Sample According to Demographic Information

Variable	Category	Frequency	Percent
Education	Bachelor	58	52.7
	Masters	44	40.0
	Ph.D.	8	7.3
Years of experience	0-5 years	11	10.0
	5-10 years	32	29.1
	More than 10 years	67	60.9
Job Position	Board Member	24	21.8
	Executive	30	27.3
	Internal Auditor	23	20.9
	Head of department	33	30.0
Total		110	100.0%

3.3 Instrumentation

Based on the literature review, the researchers constructed a five-point Likert Style scale questionnaire, which is formed of two sections: the first section represents demographic information of the sample and is specified by (Education, Years of experience, and Job Position). The second section of the questionnaire measures the Extent of Lebanese Banks' Commitment to Principles of Governance and consists of nine main domains. The scale ranges as follows (Table 2):

Table 2. Scale Ranges

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

Findings of the current study show reliability in the data collected through the study tool (questionnaire) having Cronbach's Alpha which reached 0.702 as shown in the Table 3 below:

Table 3. The Value of Cronbach's Alpha

No. of Items	Cronbach's Alpha
51	0.702

4. Data Analysis and Discussion

Based on the calculation of the answers average to each domain is determined by the level of the answer, the following Table 4 shows the scale used according to the mean and Relative Weight.

Table 4. The Scale Used in the Study to the Mean and Relative Weight

Mean	Relative Weight	Approval level
1 to less than 1.80	20% to less than 36%	Strongly Disagree
1.80 to less than 2.60	36% to less than 52%	Disagree
2.60 to less than 3.40	52% to less than 68%	Neutral
3.40 to less than 4.20	68% to less than 84%	Agree
More than 4.20	More than 84%	Strongly Agree

4.1 Testing and Discussing the Hypothesis

4.1.1 The First Sub-Hypothesis

To test the hypothesis, the researchers calculated the mean, standard deviation, relative weight and the rank for each paragraph of the first domain "**Qualifications and integrity of members of the board**", as follows:

Table 5. Results Analysis of the First Domain "Qualifications and Integrity of Members of the Board"

	Items	Mean	Std. Dev.	Rel. weight	T-test	Sig.	Approval level	Rank
1	Choosing and appointing members of the board is based on experience and qualifications.	4.93	0.26	98.5%	77.48	0.00	Strongly agree	1
2	Members of the board have various, distinct scientific qualifications and have financial, technical or marketing skills.	4.64	0.48	92.7%	35.51	0.00	Strongly agree	2
3	Members of the board have good reputation and none of them has ever been convicted of a crime related to honor or integrity.	4.45	0.55	88.9%	27.48	0.00	Strongly agree	4

4	None of the members of the board have caused the fall or brought losses to an organization in which they were members of the board administrative officials.	4.42	0.50	88.4%	30.02	0.00	Strongly agree	5
5	None of the members of the board have ever announced bankruptcy or stopped paying debts.	4.41	0.49	88.2%	31.52	0.00	Strongly agree	6
6	None of the members of the board have executive authority.	4.52	0.50	90.4%	31.72	0.00	Strongly agree	3
	All items	4.56	0.17	91.2%	75.65	0.00	Strongly agree	

It is evident from Table 5 above that all responses of the study sample on items of the first domain: "**Qualifications and integrity of members of the board**" were "Strongly Agree", and the mean of the responses came between 4.41 and 4.93 (4.56 average).

To test the first sub-hypothesis, which is "**Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding members of the board having qualifications and integrity**", the researchers used the One Sample T-Test to test the null hypothesis (H_0) which hypothesizes that Lebanese banks are not committed to applying principles of governance according to Basel Committee on Banking Supervision regarding members of the board having qualifications and integrity, when the mean is less or equal to the neutral degree expressed with the value (3), as opposed to the substitute hypothesis H_a which hypothesizes that Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding members of the board having qualifications and integrity. The results (Table 6) showed that the average mean of the sample's responses on all items of the domain "**Qualifications and integrity of members of the board**" is 4.56, which is greater than the neutral degree (3). Also, the value of calculated T is equal to 75.65, which is greater than the value of tabulated T at the significance level $\alpha \leq 0.05$, which means accepting the substitute hypothesis which hypothesizes that there is a significance in the substantial increase in the average responses of the sample over the neutral degree (3) at the significance level $\alpha \leq 0.05$. In addition, the relative weight for all items of the domain is 91.2%, which indicates a high level of agreement from the sample on this domain.

Accordingly, the first sub-hypothesis which states that **Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding members of the board having qualifications and integrity** is accepted.

4.1.2 The Second Sub-Hypothesis

To answer this question, the researchers calculated the mean, standard deviation, relative weight and the rank for each paragraph of the second domain "The role of the board of directors", as follows in Table 6:

Table 6. Results Analysis of the Second Domain "The Role of the Board of Directors"

	Items	Mean	Std. Dev.	Rel. weight	T-test	Sig.	Approval level	Rank
1	The board of directors sets an administrative framework which defines responsibilities.	4.91	0.29	98.2%	69.33	0.00	Strongly agree	1
2	The board of directors supervises the strategic goals of the bank.	4.64	0.48	92.7%	35.51	0.00	Strongly agree	2
3	The board of directors appoints committees (such as audit committee, risk management committee, etc.) which help in managing the bank properly and efficiently.	4.64	0.48	92.7%	35.51	0.00	Strongly agree	2
4	The board of directors appoints the general manager, senior officials, assistants, experts and consultants.	4.41	0.49	88.2%	29.92	0.00	Strongly agree	9
5	The board of directors ensures proper safety for employees who prepare reports related to illegal practices at the bank.	4.43	0.50	88.5%	30.12	0.00	Strongly agree	8
6	The board of directors	4.58	0.50	91.6%	33.48	0.00	Strongly	4

	makes sure all bank operations are done according to rules and regulations which govern banking.						agree	
7	The board of directors adopts rational policies for human resources (employment, performance, training, discharging and reframing) to ensure an efficient and qualified management staff.	4.58	0.50	91.6%	33.48	0.00	Strongly agree	4
8	The board of directors follows up with the accuracy of the financial statements and makes sure they clearly reflect the bank's financial position.	4.52	0.50	90.4%	31.72	0.00	Strongly agree	7
9	The board of directors regularly supervises the liquidity and financial status of the bank to safeguard depositors' money.	4.55	0.50	90.9%	32.40	0.00	Strongly agree	6
	All items	4.58	0.22	91.7%	74.67	0.00	Strongly agree	

It is evident from the above Table 6 that all responses for the items of the second domain "**The role of the board of directors**" are "Strongly agree". The mean for the responses ranged between 4.41 and 4.91 (average 4.58).

To test the second sub-hypothesis, which is "**Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding the role of members of the board of directors**", the researchers used the One Sample T-Test to test the null hypothesis (H_0) which hypothesizes that Lebanese banks are not committed to applying principles of governance according to Basel Committee on Banking Supervision regarding the role of members of the board of directors, when the mean is less or equal to the neutral degree expressed with the value (3), as opposed to the substitute hypothesis H_a which hypothesizes that Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding the role of members of the board of directors. The results (Table 7) showed that the average mean of the sample's responses on all items of the domain "**The role of the board of directors**" is 4.58, which is greater than the neutral degree (3). Also, the value of calculated T is equal to 74.67, which is greater than the value of tabulated T at the significance level $\alpha \leq 0.05$. In addition, the relative weight for all items of the domain is 91.7%, which indicates a high level of agreement from the sample on this domain.

Accordingly, the second sub-hypothesis which states that **Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding the role of members of the board of directors** is accepted.

4.1.3 The Third Sub-Hypothesis

To answer this question, the researchers calculated the mean, standard deviation, relative weight and the rank for each paragraph of the third domain "Independence and efficiency of the audit and compliance department at the bank", as follows in Table 7:

Table 7. Results Analysis of the Third Domain "Independence and Efficiency of the Audit and Compliance Department at the Bank"

	Items	Mean	Std. Dev.	Rel. weight	T-test	Sig.	Approval level	Rank
1	Members of the audit and compliance department do not have executive tasks at the bank.	4.95	0.23	98.9%	89.44	0.00	Strongly agree	1
2	The bank assigns an external auditor chosen by the general meeting on an annual basis.	4.40	0.49	88.0%	29.84	0.00	Strongly agree	4
3	The audit and compliance department have access to all information and direct contact with internal and external auditors and any other employee at the bank and other authorities which	4.53	0.50	90.5%	31.94	0.00	Strongly agree	2

	enable it to perform its tasks efficiently.							
4	Auditors have the experience and qualifications necessary for them to perform their tasks.	4.28	0.45	85.6%	29.75	0.00	Strongly agree	5
5	The external auditor practices his tasks independently without any interference or pressure from the management or the top executives.	4.47	0.50	89.5%	30.80	0.00	Strongly agree	3
	All items	4.53	0.17	90.5%	94.74	0.00	Strongly agree	

It is evident from the above Table 7 that all responses for the items of the third domain "**Independence and efficiency of the audit and compliance department at the bank**" are "Strongly agree". The mean for the responses ranged between 4.28 and 4.95 (average 4.53).

To test the third sub-hypothesis, which is "**Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding auditors being independent and efficient**", the researchers used the One Sample T-Test to test the null hypothesis (H_0) which hypothesizes that Lebanese banks are not committed to applying principles of governance according to Basel Committee on Banking Supervision regarding auditors being independent and efficient, when the mean is less or equal to the neutral degree expressed with the value (3), as opposed to the substitute hypothesis H_a which hypothesizes that Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding auditors being independent and efficient. The results (Table 8) showed that the average mean of the sample's responses on all items of the domain "**Independence and efficiency of the audit and compliance department at the bank**" is 4.53, which is greater than the neutral degree (3). Also, the value of calculated T is equal to 94.74, which is greater than the value of tabulated T at the significance level $\alpha \leq 0.05$, which means accepting the substitute hypothesis which hypothesizes that there is a significance in the substantial increase in the average responses of the sample over the neutral degree (3) at the significance level $\alpha \leq 0.05$. In addition, the relative weight for all items of the domain is 90.5%, which indicates a high level of agreement from the sample on this domain.

Accordingly, the third sub-hypothesis which states that **Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding auditors being independent and efficient** is accepted.

4.1.4 The Fourth Sub-Hypothesis

To test this sub-hypothesis, the researchers calculated the mean, standard deviation, relative weight and the rank for each paragraph of the fourth domain "Commitment to disclosure and transparency", as follows in Table 8:

Table 8. Results Analysis of the Fourth Domain "Commitment to Disclosure and Transparency"

	Items	Mean	Std. Dev.	Rel. weight	T-test	Sig.	Approval level	Rank
1	The bank discloses all important information about all operations and activities that it performs through its website and its periodical and annual reports.	4.80	0.40	96.0%	46.98	0.00	Strongly agree	1
2	Disclosure includes important information about elements of potential crucial risk.	4.57	0.50	91.5%	33.19	0.00	Strongly agree	2
3	The bank is committed to performing an annual audit by an external auditor to be sure of the veracity of financial statements.	4.45	0.55	89.1%	27.61	0.00	Strongly agree	3
4	The bank is committed to disclosing its financial statements and the external auditor's report on the results of his work.	4.35	0.48	86.9%	29.54	0.00	Strongly agree	6
5	The bank's management is committed to disclosing accounting policies about risks to the bank.	4.36	0.54	87.3%	26.62	0.00	Strongly agree	5
6	The bank is committed to disclosing information relative to framework of its capital, assets and of selling	4.37	0.49	87.5%	29.64	0.00	Strongly agree	4

any part of stocks of the board.						
All items	4.48	0.19	89.7%	83.32	0.00	Strongly agree

It is evident from the above Table 8 that all responses for the items of the fourth domain "**Commitment to disclosure and transparency**" are "Strongly agree". The mean for the responses ranged between 4.35 and 4.80 (average 4.48).

To test the fourth sub-hypothesis, which is "**Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding disclosure and transparency**", the researchers used the One Sample T-Test to test the null hypothesis (H_0) which hypothesizes that Lebanese banks are not committed to applying principles of governance according to Basel Committee on Banking Supervision regarding disclosure and transparency, when the mean is less or equal to the neutral degree expressed with the value (3), as opposed to the substitute hypothesis H_a which hypothesizes that Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding disclosure and transparency. The results (Table 9) showed that the average mean of the sample's responses on all items of the domain "**Commitment to disclosure and transparency**" is 4.48, which is greater than the neutral degree (3). Also, the value of calculated T is equal to 83.32, which is greater than the value of tabulated T at the significance level $\alpha \leq 0.05$, which means accepting the substitute hypothesis which hypothesizes that there is a significance in the substantial increase in the average responses of the sample over the neutral degree (3) at the significance level $\alpha \leq 0.05$. In addition, the relative weight for all items of the domain is 89.7%, which indicates a high level of agreement from the sample on this domain.

Accordingly, the fourth sub-hypothesis which states that **Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding disclosure and transparency** is accepted.

4.1.5 The Fifth Sub-Hypothesis

To test this sub-hypothesis, the researchers calculated the mean, standard deviation, relative weight and the rank for each paragraph of the fifth domain "Commitment to the availability of an efficient system of risk management", as follows in Table 9:

Table 9. Results Analysis of the Fifth Domain "Commitment to the Availability of an Efficient System of Risk Management"

	Items	Mean	Std. Dev.	Rel. weight	T-test	Sig.	Approval level	Rank
1	The board of managers tackles strategic risks that threatens the bank as one of its most important priorities and reviews them periodically.	4.85	0.36	97.0%	53.42	0.00	Strongly agree	2
2	The bank adopts a specific model for risk management.	4.96	0.30	99.3%	68.49	0.00	Strongly agree	1
3	The role of risk management committee is to identify and categorize operational and market risks, set forth appropriate solutions in case they happen and recognize their impacts.	4.45	0.55	89.0%	27.39	0.00	Strongly agree	3
4	The bank periodically monitors the efficiency of its capital.	4.44	0.50	88.8%	30.15	0.00	Strongly agree	4
5	The bank honors adopted decisions of the central bank relative to risk management.	4.20	0.47	84.0%	26.86	0.00	Agree	5
	All items	4.58	0.24	91.6%	67.93	0.00	Strongly agree	

It is evident from the above Table 9 that all responses for the items of the fifth domain "**Commitment to the availability of an efficient system of risk management**" are "Strongly agree". The mean for the responses ranged between 4.20 and 4.96 (average 4.58).

To test the fifth sub-hypothesis, which is "**Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding the presence of an efficient system for risk management**", the researchers used the One Sample T-Test to test the null hypothesis (H_0) which hypothesizes that Lebanese banks are not committed to applying principles of governance according to Basel Committee on Banking Supervision regarding the presence of an efficient system for risk management, when the mean is less or equal to the neutral degree expressed with the value (3), as opposed to the substitute hypothesis H_a which hypothesizes that Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding the presence of an efficient system for risk management. The results (Table 10) showed that the average mean of the sample's responses on all items of the domain "**Commitment to the availability of an efficient system of risk management**" is 4.58, which is greater than the neutral degree (3). Also, the value of calculated T is equal to 67.93, which is greater than the value of tabulated T at the significance level $\alpha \leq 0.05$, which means accepting the substitute hypothesis which hypothesizes that there is a significance in the substantial increase in the average responses of the sample over the neutral degree (3) at the significance level $\alpha \leq 0.05$. In addition, the relative weight for all items of the domain is 91.6%, which indicates a high level of agreement from the sample on this domain.

Accordingly, the fifth sub-hypothesis which states that **Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding the presence of an efficient system for risk management** is accepted.

4.1.6 The Sixth Sub-Hypothesis

To test this sub-hypothesis, the researchers calculated the mean, standard deviation, relative weight and the rank for each paragraph of the sixth domain "Rewards and bonuses system", as follows in Table 10:

Table 10. Results Analysis of the Sixth Domain "Rewards and bonuses system"

	Items	Mean	Std. Dev.	Rel. weight	T-test	Sig.	Approval level	Rank
1	The bank implements a just system for rewards and bonuses as compared to other banks in Lebanon.	4.77	0.48	95.5%	38.58	0.00	Strongly agree	1
2	The bank implements a system for rewards and bonuses which complies with the job level, responsibilities that that come with the job, scientific qualification, years of experience and performance.	4.40	0.55	88.0%	26.93	0.00	Strongly agree	3
3	The system for rewards and bonuses is recognized by the	4.53	0.55	90.5%	28.93	0.00	Strongly agree	2

	board of directors and is known by all employees.							
4	Rewards for members of the board are determined by the bonuses committee which stems from the board.	4.27	0.45	85.5%	29.84	0.00	Strongly agree	4
	All items	4.49	0.31	89.9%	51.24	0.00	Strongly agree	

It is evident from the above Table 10 that all responses for the items of the sixth domain "**Rewards and bonuses system**" are "Strongly agree". The mean for the responses ranged between 4.27 and 4.77 (average 4.49).

To test the sixth sub-hypothesis, which is "**Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding the presence of a just and transparent system of benefits and rewards**", the researchers used the One Sample T-Test to test the null hypothesis (H_0) which hypothesizes that Lebanese banks are not committed to applying principles of governance according to Basel Committee on Banking Supervision regarding the presence of a just and transparent system of benefits and rewards, when the mean is less or equal to the neutral degree expressed with the value (3), as opposed to the substitute hypothesis H_a which hypothesizes that Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding the presence of a just and transparent system of benefits and rewards. The results (Table 11) showed that the average mean of the sample's responses on all items of the domain "**Rewards and bonuses system**" is 4.49, which is greater than the neutral degree (3). Also, the value of calculated T is equal to 51.24, which is greater than the value of tabulated T at the significance level $\alpha \leq 0.05$, which means accepting the substitute hypothesis which hypothesizes that there is a significance in the substantial increase in the average responses of the sample over the neutral degree (3) at the significance level $\alpha \leq 0.05$. In addition, the relative weight for all items of the domain is 89.9%, which indicates a high level of agreement from the sample on this domain.

Accordingly, the sixth sub-hypothesis which states that **Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding the presence of a just and transparent system of benefits and rewards** is accepted.

4.1.7 The Seventh Sub-Hypothesis

To answer this question, the researchers calculated the mean, standard deviation, relative weight and the rank for each paragraph of the seventh domain "The role of stockholders and securing their rights", as follows in Table 11:

Table 11. Results Analysis of the Seventh Domain "The Role of Stockholders and Securing Their Rights"

	Items	Mean	Std. Dev.	Rel. weight	T-test	Sig.	Approval level	Rank
1	The general meeting has the right to appoint and discharge members of the board, increase the capital and dispose the financial assets.	4.81	0.39	96.2%	48.06	0.00	Strongly agree	1
2	The stockholders are sure to attend general meetings, practice their rights in voting and ask the external auditor about the financial affairs of the bank.	4.55	0.55	91.1%	29.55	0.00	Strongly agree	3
3	The bank is committed to just treatment for all stockholders, including not disclosing information from the bank to certain stockholders than others.	4.56	0.50	91.3%	32.92	0.00	Strongly agree	2
4	The financial statements of the bank are reviewed and approved at the general meeting.	4.38	0.54	87.6%	26.76	0.00	Strongly agree	4
5	The general meeting can make modifications in the goals of the bank and in its constitution.	4.36	0.54	87.3%	26.62	0.00	Strongly agree	5
6	Stockholders encourage activities which focus on social responsibility of the bank.	4.33	0.53	86.5%	26.44	0.00	Strongly agree	6
	All items	4.50	0.28	90.0%	55.79	0.00	Strongly agree	

It is evident from the above Table 11 that all responses for the items of the seventh domain "**The role of stockholders and securing their rights**" are "Strongly agree". The mean for the responses ranged between 4.33 and 4.81 (average 4.50).

To test the seventh sub-hypothesis, which is "**Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding supplying all requirements to protect the stockholders' rights**", the researchers used the One Sample T-Test to test the null hypothesis (H_0) which hypothesizes that Lebanese banks are not committed to applying principles of governance according to Basel Committee on Banking Supervision regarding supplying all requirements to protect the stockholders' rights, when the mean is less or equal to the neutral degree expressed with the value (3), as opposed to the substitute hypothesis H_a which hypothesizes that Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding supplying all requirements to protect the stockholders' rights. The results (Table 12) showed that the average mean of the sample's responses on all items of the domain "**The role of stockholders and securing their rights**" is 4.50, which is greater than the neutral degree (3). Also, the value of calculated T is equal to 55.79, which is greater than the value of tabulated T at the significance level $\alpha \leq 0.05$, which means accepting the substitute hypothesis which hypothesizes that there is a significance in the substantial increase in the average responses of the sample over the neutral degree (3) at the significance level $\alpha \leq 0.05$. In addition, the relative weight for all items of the domain is 90%, which indicates a high level of agreement from the sample on this domain.

Accordingly, the seventh sub-hypothesis which states that **Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding supplying all requirements to protect the stockholders' rights** is accepted.

4.1.8 The Eighth Sub-Hypothesis

To test this sub-hypothesis, the researchers calculated the mean, standard deviation, relative weight and the rank for each paragraph of the eighth domain "Role of other relevant parties and securing rights", as follows in Table 12:

Table 12. Results Analysis of the Eighth Domain "Role of Other Relevant Parties and Securing Rights"

	Items	Mean	Std. Dev.	Rel. weight	T-test	Sig.	Approval level	Rank
1	The bank is committed to having measures that ensure the rights of depositors, investors, clients and others of interest.	4.93	0.26	98.5%	77.48	0.00	Strongly agree	1
2	The bank is sure to hold periodic meetings between the employees and the management to exchange thoughts and discuss suggestions which improve performance.	4.43	0.50	88.5%	30.12	0.00	Strongly agree	3
3	The bank is sure that all parties of interest have easy access for information which is transparently disclosed.	4.35	0.48	87.1%	29.56	0.00	Strongly agree	4
4	The bank is committed to taking prompt measures that tackle any violation for the rights of the parties of interest.	4.32	0.47	86.4%	29.55	0.00	Strongly agree	5
5	The bank is sure to have a good image in the society and act responsibly toward the environment and the society in general.	4.52	0.50	90.4%	31.72	0.00	Strongly agree	2
	All items	4.51	0.20	90.2%	79.04	0.00	Strongly agree	

It is evident from the above Table 12 that all responses for the items of the eighth domain "**Role of other relevant parties and securing rights**" are "Strongly agree". The mean for the responses ranged between 4.32 and 4.93 (average 4.51).

To test the eighth sub-hypothesis, which is "**Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding maintaining the rights of all other parties related to their work**", the researchers used the One Sample T-Test to test the null hypothesis (H_0) which hypothesizes that Lebanese banks are not committed to applying principles of governance according to Basel Committee on Banking Supervision regarding maintaining the rights of all other parties related to their work, when the mean is less or equal to the neutral degree expressed with the value (3), as opposed to the substitute hypothesis H_a which hypothesizes that Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding maintaining the rights of all other parties related to their work. The results (Table 13) showed that the average mean of the sample's responses on all items of the domain "**Role of other relevant parties and securing rights**" is 4.51, which is greater than the neutral degree (3). Also, the value of calculated T is equal to 79.04, which is greater than the value of tabulated T at the significance level $\alpha \leq 0.05$, which means accepting the substitute hypothesis which hypothesizes that there is a significance in the substantial increase in the average responses of the sample over the neutral degree (3) at the significance level $\alpha \leq 0.05$. In addition, the relative weight for all items of the domain is 90.2%, which indicates a high level of agreement from the sample on this domain.

Accordingly, the eighth sub-hypothesis which states that **Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding maintaining the rights of all other parties related to their work** is accepted.

4.1.9 The Ninth Sub-Hypothesis

To test this sub-hypothesis, the researchers calculated the mean, standard deviation, relative weight and the rank for each paragraph of the ninth domain "High standards of ethics and conduct", as follows in Table 13:

Table 13. Results Analysis of the Ninth Domain "High Standards of Ethics and Conduct"

	Items	Mean	Std. Dev.	Rel. weight	T-test	Sig.	Approval level	Rank
1	The bank has a written code of ethics, which identifies morals of taking decision and of personal conduct.	4.81	0.39	96.2%	48.06	0.00	Strongly agree	1
2	The written code of ethics is distributed to all employees and are trained to practice it to ensure its full implementation.	4.50	0.55	90.0%	28.38	0.00	Strongly agree	2
3	The bank is sure to implement the code of ethics and compel all employees to abide by it.	4.46	0.55	89.3%	27.75	0.00	Strongly agree	3
4	The bank is committed to circulate the code of ethics and include measures in the annual report to ensure its implementation.	4.34	0.53	86.7%	26.47	0.00	Strongly agree	4
5	The code of ethics clarifies the consequences of whatever violation of any of its items.	4.33	0.53	86.5%	26.44	0.00	Strongly agree	5
	All items	4.49	0.31	89.7%	50.21	0.00	Strongly agree	

It is evident from the above Table 13 that all responses for the items of the ninth domain "**High standards of ethics and conduct**" are "Strongly agree". The mean for the responses ranged between 4.33 and 4.81 (average 4.49).

To test the ninth sub-hypothesis, which is "**Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding adopting all moral and ethical standards**", the researchers used the One Sample T-Test to test the null hypothesis (H_0) which hypothesizes that Lebanese banks are not committed to applying principles of governance according to Basel Committee on Banking Supervision regarding adopting all moral and ethical standards, when the mean is less or equal to the neutral degree expressed with the value (3), as opposed to the substitute hypothesis H_a which hypothesizes that Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding adopting all moral and ethical standards. The results (Table 14) showed that the average mean of the sample's responses on all items of the domain "**High standards of ethics and conduct**" is 4.49, which is greater than the neutral degree (3). Also, the value of calculated T is equal to 50.21, which is greater than the value of tabulated T at the significance level $\alpha \leq 0.05$, which means accepting the substitute hypothesis which hypothesizes that there is a significance in the substantial increase in the average responses of the sample over the neutral degree (3) at the significance level $\alpha \leq 0.05$. In addition, the relative weight for all items of the domain is 89.7%, which indicates a high level of agreement from the sample on this domain.

Accordingly, the ninth sub-hypothesis which states that **Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding adopting all moral and ethical standards** is accepted.

5. Conclusions and Recommendations

The study showed the following results:

- Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding members of the board having qualifications and integrity.
- Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding the role of members of the board of directors.
- Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding auditors being independent and efficient.
- Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding disclosure and transparency.
- Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding the presence of an efficient system for risk management.
- Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding the presence of a just and transparent system of benefits and rewards.
- Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding supplying all requirements to protect the stockholders' rights.

- Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding maintaining the rights of all other parties related to their work.
- Lebanese banks are committed to applying principles of governance according to Basel Committee on Banking Supervision regarding adopting all moral and ethical standards.

There is no doubt that applying principles of governance in the Lebanese banks enhances investors' and shareholders' trust in the work of the board members of the bank and improves the banks' competitive position. However, the Lebanese banks should couple applying principles of governance with keeping up to date with everything new issued by the Basel Committee on Banking Supervision, especially in those days since Lebanon is going through a delicate economic period. This will lead to attracting a greater number of investors, depositors and stockholders, which will be reflected positively on the Lebanese economy.

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