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Corporate Governance Overview- The Saudi Arabian Context

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Abstract

Corporate governance refers to internal arrangement that encompasses procedures, practices and individuals, which aids the needs of stockholders and other investors, by guiding and monitoring organization actions with good corporate savvy, fairness and honesty. Good Corporate governance supports impartiality, honesty, and transparency in its accountabilities to investors. Good corporate governance practices simplifies economic competence by concentrating on value-enhancing actions and aids proficient distribution of scarce resources. This is accomplished when corporations proficiently employ their resources, attract low cost capital, meet societal anticipations and improve overall performance. This paper discusses different frameworks with their critical analysis. Moreover this paper sheds the light on Saudi Arabian Corporate governance arrangements and their legal context.

Keywords*: Corporate governance, capital conveyance, stockholders.*

I. INTRODUCTION

Corporate governance is presently a point of open deliberation in every meeting room, address lobbies and online networking. The corporate catastrophe in the 17th century referred to as South Sea Bubble failure; changed the laws and hones of business in England [1].

All the associations and markets which failed had one thing in common and that was appalling corporate governance [2]. It stated that great corporate governance heightens the benefit of capital conveyance in and over the association, decreases the capital issuer expense, helps to expand access to venture, reduces calamities, supports speculation procurements and diminishes abuse. The conception of "Corporate Governance" is subjected to both narrow and broad definitions, pertaining to the two viewpoints of stakeholder and shareholder orientation. If one defines narrowly, the concept is linked with associations that exists between the board of directors, corporate managers, and shareholders of the company [3]. However, it may also be defined as the relationship between corporation to society and stakeholders. Broadly, corporate governance can include combination of laws, listing rules, regulations and voluntary practices of the private sector that leads to capital gain, profit generation, effective performance, and meeting both general and legal expectations of the society [3].

It is not possible to provide one definition for corporate governance due to varying viewpoints of those who have tried to do so. The chief cause behind this is the differences in the economic, political and other socio-technical aspects of each state. This is the way we usually come across different definitions of corporate governance according to subject matter e.g. business, investment. Moreover, it also differs according to the area where it is practiced with respect to the level of a country's progress.

II. INTERNAL AND EXTERNAL GOVERNANCE

The aim of explaining the current topic in this section is to connect different parts of corporate governance components in a logical strand. Firm's performance is