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The Role of Corporate Governance Law in Enhancing Staff Efficiency in Kuwaiti Commercial Banks

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Article history	Abstract
Received: 4.1.2022 Revised: 16.2.2022 Accepted: 17.4.2022 Online: 30.4.2022	The purpose of current study is to investigate how effectively senior managers respond to changing environmental circumstances in context of Kuwait's Corporate sector. As an interpretivist, using convenient and purposeful sampling techniques, the researcher will use Mixed Methods, collecting qualitative data through semi-structured interviews and quantitative data using an on-line Survey Monkey questionnaire. Data will be analysed through thematic analysis using NVIVO and SPSS software. The study is expected to offer significant implications not only to the research world but for senior managers in the Corporate sector as they future-proof their organisations effectively and efficiently.
Keywords	
Interpretivism, Mixed Methods, Staffing efficiencies, Corporate Law, Kuwait	

1. Introduction

For the last 30 years, the Commercial Banking industry has undergone profound changes as a result of the globalisation of financial markets, government deregulations, advances in technology and communication and an increasingly competitive environment. Karim & Gee (2007) stated that banks are attempting to remain competitive by operating more efficiently in terms of reducing costs and optimising income. There is a wealth of literature related to the performance and efficiency of banks, with the majority of studies relating to banks in the USA and Europe. However, there has been much less empirical work investigating the efficiency of banks in the Middle East.

Corporate Governance is a set of systems, organisational structures and operations that attain institutional control as per global standards and principles through determining the responsibilities and duties of the Board of Directors and Senior Management taking into account protection of shareholders and relevant stakeholders rights. Corporate governance includes:

- The relationship between the Bank and the shareholders and stakeholders.
- The distribution of responsibilities.
- The procedure for reconciling conflict between the interests of stakeholders.

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- The procedures for proper supervision, control, and information.

The key elements of effective corporate governance are:

- Transparency: Make information widely-known and/or available.
- Accountability: Expected to justify actions and/or decisions.
- Equity: The act of being fair and neutral.
- Probity: The quality of being honest and ethical.

Effective corporate governance forms the basis for both the banking industry and the general economy as banks facilitate the flow of money from savers and depositors to support enterprise and help drive economic growth. Banks' safety and soundness are key to financial stability, and the manner in which they conduct their business, therefore, is central to economic health.

Efficiencies in the banking sector and Governance in the banking sector have been extensively investigated in the literature. There have been investigations into improving efficiencies in the banking sectors of Europe and some studies in America and Asia. Efficiencies in Islamic Banking have also been investigated extensively. However, there have only been two investigations into improving efficiencies in the banking sector in Kuwait, but there is a gap in academic knowledge in relation to improving staffing efficiencies in the Kuwait Commercial banking sector. This study could also benefit Governing bodies of Commercial Banks and Government policy-makers in Kuwait in their attempt to improve the overall efficiency of the banking industry and to assess the degree to which domestic banks need reforms.

2. Literature Review

Efficiencies in the banking sector have been extensively studied (Greene, 1980; Battese & Coelli, 1995; Mester, 1996; Miller & Noulas, 1996; Allen & Rai, 1996; Berger et al, 1996; Akhavein et al, 1997; Berger & Humphrey, 1997; Berger & Mester, 1997; Berger et al, 1993; Pulley & Humphrey, 1993; Berger et al, 1996; Bonin et al, 2005; Bos & Kool, 2006; Berger & Bonaccorsi di Patti, 2006; Lensink et al, 2008). Concurrently, there have been several studies of Governance in the banking sector (Humphrey & Pulley, 1997; Grigorian & Manole, 2000; Casu & Girardone, 2004; VanHoose, 2007; Pasiouras et al, 2008; Al-Obaidan, A.M., 2008).

There have been investigations into improving efficiencies in the banking sectors of Europe (Berger & Humphrey, 1997; Dietsch & Weill, 1999; Dietsch & Lozano-Vivas, 2000; Casu & Molyneux, 2000; Altunbas et al, 2001; Christopoulos et al, 2002; Guevera & Maudos, 2002; Maudos et al, 2002; Girardone et al, 2004; Papadopoulos, 2004; Weill, 2004; Fries & Taci, 2005; Isik & Hassan, 2006; Havrylychuk, 2006; Kasman & Yildirim, 2006; Koutsomanoli-Filippaki et al, 2008; Pasiouras, 2008; Mamatzakis et al, 2008; Staikouras et al, 2008) and some studies in America (Rogers, 1998; Berger & Mester, 1999; Carvallo & Kasman, 2005) and Asia (Chu & Lim, 1998; Altunbas et al, 2000; Majid et al, 2003; Das & Ghosh, 2006; Dacanay, 2007; Karim & Gee, 2007; Perera et al, 2007; Ariff & Can, 2008).

Efficiencies in Islamic Banking has been investigated extensively (Archer et al, 1998; Zahar & Hassan, 2001; Isik & Hassan, 2002; Archer & Abdel-Karim, 2002; Yudistira, 2003; Isik & Hassan, 2003; Saaid al, 2003; Rosly & Abu Baker, 2003; Islam, 2003a; Islam, 2003b; Elton, 2003; Hasan, 2004; Kabir Hassan, 2005; Bouchaddakh & Salah, 2005; Rosly, 2005; Grigorian & Manole, 2005; Ramanathan, 2007; Ariss et al, 2007; Al-Fayoumi & Alkour, 2008; Olson & Zoubi, 2008; Kamaruddin et al, 2008; Srairi, 2009; Srairi, 2010).

Limam (2001) used stochastic cost frontier approach is used to estimate technical efficiency of Kuwaiti Banks, concluding that using earning assets as output and fixed assets, labour and financial capital as inputs, banks produce earning assets at constant returns to scale and hence have less to gain from increasing scale of production notably, through merging with other banks, than from reducing their technical inefficiency. The results show that larger bank size, higher share of equity capital in assets and greater profitability are associated with better efficiency. In lights of the results, it is argued that the only way for banks to better meet the challenge of increased competitive pressure from more powerful banks and future foreign entry would be to increase technical efficiency.

Darrat et al (2003) studied the efficiency of banks in Kuwait for which they obtained sufficient balance sheets and income statements data on all banks represented in the country. The results indicate that cost efficiency of Kuwaiti banks averages about 68%, implying that about 47% of banks' resources in Kuwaiti are not optimally processed.

Jenkins & Mathurin (2012) stated that since the 2007/8 Financial crisis, staff costs in banks accounted for more than 81 per cent of the total, compared with a pre-crisis tally of 58 per cent. Aggregate staff costs have risen by an average annual rate of 7 per cent. Therefore, it is important to investigate how staff efficiencies can be made to optimise profitability and competitiveness.

Hypothesis 1 (H1) – Commercial Banks which operate with a fewer staff are more profitable than banks which operate with more staff. Null hypothesis 1 (H0) - Commercial Banks which operate with a fewer staff are not more profitable than banks which operate with more staff.

Hypothesis 2 (H1) – Commercial Banks which operate with a high level of accountability are more profitable than banks which operate with a low level of accountability. Null hypothesis 2 (H0) - Commercial Banks which operate with a high level of accountability are not more profitable than banks which operate with a low level of accountability.

3. Methodology

The researcher will use Mixed Methods to collect both Quantitative and Qualitative data. Though qualitative type of research is generally discouraged by natural scientist but it is of great importance for social scientist (Creswell, 2007). Data will be collected from the respondents (both male and female) who are approachable. It will not only take into consideration the internal factors of these sectors but also the external environment i.e. the degree of education, economics and business environment, global market circumstances etc. The 100 respondents will be managers and senior managers of Commercial banks in both the GCC States and in countries in other parts of the world, including Europe, the USA and the Middle East. All participants will be asked to complete consent forms before taking part in either the survey or in interviews.

Data Collection will involve: 1. Site interviews at ten Commercial Banks in GCC States: The researcher will conduct one short (average 30 minute) semi-structured interview with a senior manager to collect Qualitative data, which will be coded and analysed in QSR NVIVO v11 software. 2. An on-line (Survey Monkey) survey of 100 Senior Managers from Commercial banks around the world to collect Quantitative data, which will be analysed using IBM SPSS v24 software.

Participants can choose to discontinue participation at any time; if they choose to do so, their data will be destroyed. Participants can determine acceptable times for interviews and observations. The participant's identity will not be disclosed in reports. Researcher will refer to participant with a pseudonym and redact any identifying characteristics in reports. No publications resulting from this research will include identifiers of participants or their organisations. Finally, the researcher will explain to management it is entirely up to team members whether they wish to participate in the study; the organisation will not require team members to participate, and team members can drop out of the study at any time, for any reason.

Research data will be kept in a locked cabinet at the researcher's office, on an encrypted laptop hard drive and backed up to a secure server account to which only the researcher has access. For interviews, (a) the interviews will be audio-recorded; (b) the digital files will be coded so that no personally identifying information is visible on them; (c) they will be digitally secured with a password; (d) they will be heard or viewed only for research purposes by researcher; and (e) after they are transcribed or coded, they will be destroyed.

Potential risks. The research may uncover weaknesses as well as strengths in the participants' work. Reports will remind readers that this should happen and that the role of this research is to better understand the organisations' senior management as a whole, not to evaluate individual work styles. In addition, the participants' identities and organisational affiliations will be kept secret. Participants will be assigned pseudonyms.

Potential benefits. This study will have implications for understanding senior management and governance in Kuwaiti Commercial Banks. Bank managers in Kuwait will be able to use the findings of this study to identify their efficiency status and for understanding better the reasons for their success or failure. In addition, the study should serve as a way for academics to articulate, reflect upon, and justify or improve senior management practices in improving staffing efficiencies in the future.

Cross-sectional data will be used for this study. To select sample from the total population, snowball technique will be used (Creswell, 2002). It has already been mentioned that data will be collected through semi-structured interviews (Bryman & Bell, 2007). In order to avoid unnecessary questioning and interruption, a series of questions will be developed, this will help to remain focus to the main concern and will also be convenient attain only the required information. For interviews, formal permission will be taken from the top management. The interviewee will then be approached. Before the interview, he will brief with all the necessary details regarding research, its purpose, methodology etc. the data will be transcribed, coded and analysed using NVIVO software. It is also planned to spend time with the 10 senior managers and the respondents to observe the phenomenon and the atmosphere and to find the factual view of things.

Ethical issues will be taken into consideration as prescribed by Bell & Bryman (2007). The respondents will be briefed regarding the importance and purposefulness of the study. They will be assured that all the information will remain confidential and their names and views will not be shared with the management or with any relevant person. The study is entirely for academic purposes and no information will be leaked. They will also be mentioned that how a true information can make a difference. Moreover, plagiarism issues will be managed. Side by side, the issue of personal comments and findings will also be tackled.

4. Conclusion

The outcomes of this study could enable commercial banks in Kuwait to become more profitable and competitive as a result of optimising staff efficiency. The findings of the study could potentially be applied to commercial banks across the world. (Discuss the implications of your research and also its limitations. The research could lead to further studies into other factors affecting the profitability of commercial banks such as the increase in on-line banking and the potential for business process re-engineering in the banking sector.

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