



**University of
Sunderland**

***CORPORATE GOVERNANCE AND PROFITABILITY:
CHALLENGES AND OPPORTUNITIES FACING
COMMERCIAL BANKS IN LIBYA***

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ABSTRACT

This PhD Thesis critically explores and evaluates the relationship between corporate governance and profitability of Commercial Banks in Libya within Libya's post-conflict and politically unstable financial environment. Despite global emphasis on sound corporate governance policies and practices, Libya's commercial banking sector continues to struggle with weak corporate governance mechanism e.g., board structures, state-dominated ownership, and ineffective risk management systems, which hinder corporate financial performance. Drawing upon Agency, Stewardship, Shareholder, Resource Dependency, Stakeholder, and Institutional theories, the Thesis develops a contextualized conceptual framework tailored for examining the key research question: "How does corporate governance impact the profitability of banks in Libya, and what governance reforms are needed to enhance financial performance in the Libyan banking sector?". This question is answered by adopting a mixed research methodology, underpinned by a pragmatist philosophy, and a sequential mix of quantitative data from exploratory questionnaire survey (N = 343 respondents) and qualitative data from evaluative semi-structured interviews of 20 participants (5 Board Directors, 11 Senior Bank Managers including academics, 4 Experts).

The quantitative analysis using SPSS statistics tested six hypotheses (H1, H2, H3, H4, H5, and H6) involving corporate governance (as independent variable) and corporate profitability (as dependent variable). The NVivo thematic content analysis of the qualitative insights from the 20 interviewees critically evaluated the exploratory quantitative findings, leading to significant findings in six thematic areas: 1/inadequate board independence, 2/excessive government or political interference, 3/poor or weak regulatory compliance, 4/low corporate profitability and financial instability, 5/governance structures in Libyan banks often exist in form but lack functional impact, undermining strategic decision-making and operational efficiency, and 6/institutional constraints such as legal ambiguities, lack of enforcement mechanisms, and sociopolitical volatility exacerbate governance failures.

These findings contribute significantly to knowledge in two ways. First, strategically, sustainable corporate profitability in Libya's commercial banking sector is contingent on comprehensive, multi-level corporate governance reform, anchored in contextual realities and long-term institutional capacity-building. The strategic implication is that Libyan commercial banks need to focus on issues including, separating executive and non-executive roles, equality, diversity, and inclusion, operational efficiency, and cost control. Second, from the perspective of theory development, the Libyan context, helps researchers to challenge and refine existing corporate government theory and practice, strengthen methodological robustness, and provide deeper understanding of governance-performance linkages in fragile and transitional economies. While the Thesis findings contribute valuable insights, the major limitation is that it is limited by the difficulty of accessing empirical data in Libya's fragmented political and socioeconomic environment, coupled with limited generalisability of the findings. To advance this field, future research at the postdoctoral level would adopt a comparative study approach involving a larger sample size and a wider group of stakeholders across the Middle East and North African region; to better understand how corporate governance reforms evolve over time and interact with sociocultural and institutional forces.

Keywords: Corporate Governance, Corporate Profitability, Libyan Commercial Banks, Libyan Banking Sector.

STATEMENT OF ORIGINALITY

No portion of the work referred to in this PhD Thesis has been submitted in support of an application for another degree or qualification of this or any other University or other institute of learning. Except in so far, as stated in the acknowledgements to this report, the text itself, the work contained herein is that of the Author.

N. Altorjman
January 2026

DEDICATION

This thesis is formally dedicated to my parents, whose unwavering support, sacrifices, and belief in my abilities have been the bedrock of my academic journey. Their steadfast encouragement has not only inspired me to persevere through challenges but has also shaped the person I am today. This work is a testament to their enduring love and a small token of my profound gratitude. Rest in Jannah.

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TABLE OF ABBREVIATIONS

Abbreviation	Full Term
CG	Corporate Governance
CP	Corporate Profitability
CSR	Corporate Social Responsibility
CGm	Corporate Governance Mechanisms
ROA	Return on Assets
ROE	Return on Equity
ROCE	Return on Capital Employed
NIM	Net Interest Margin
NPLs	Non-Performing Loans
Nil-Dr	Non-interest income and diversity of revenues
BOD	Board of Directors
CBL	Central Bank of Libya
CrCP	Credit risk management and corporate profitability
OECD	Organization for Economic Co-operation and Development
MENA	Middle East and North Africa
LCCG	Libyan Code of Corporate Governance
LBL	Libyan Banking Law
LCb	Libyan Commercial banks
LCBS	Libyan commercial banking sector
ESG	Environmental, Social, and Governance
EOs	Efficiency of operations
EDI	Equality, Diversity, and Inclusion
FDI	Foreign Direct Investment
UK	United Kingdom
USA	United States of America
GFC	Global Financial Crisis
ISOs	International Standards Organizations
FCGOO	Framework of corporate governance and operational outcomes

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

This PhD Thesis is about ‘corporate governance’ which is a fundamental determinant of a financial institution’s stability, efficiency, and profitability (Tricker, 2019, 2025; Osseo-Asare, Ismaiel, and Nobari, 2025; Shahzad et., 2023). More specifically, Commercial Banks rely strongly on proper corporate governance mechanisms or frameworks because they need financial accountability and transparency to protect shareholders and stakeholders’ interests and achieve long-term sustainable growth (Tricker, 2025; Sartam and Setiyono, 2022; Shahzad et al., 2023). In an organisational context, corporate governance mechanisms have four core benefits: 1/improved transparency and accountability, 2/critical functions to prevent risks, 3/optimization of management decisions, and 4/fulfilment of regulatory standards (Tricker, 2025; Osseo-Asare et al., 2025; Balios and Zaroulea, 2021). The corporate governance systems within commercial banking differ from those of non-financial companies because of distinctive bank characteristics such as government intervention and financial market risks (Tricker, 2025; Shahzad et al., 2023). This Thesis explores these corporate governance mechanisms, to better understand the role of corporate governance systems as a vital element in influencing financial sector performance in emerging markets experiencing political instability and regulatory inefficiencies (Safitri et al., 2022; Osseo-Asare et al., 2025).

1.1.1 DEFINING CORPORATE GOVERNANCE IN THE BANKING SECTOR

Corporate Governance has been defined in many ways, reflecting its multifaceted nature (Tricker, 2025; Osseo-Asare et al., 2025; Malik et al., 2023). Corporate Governance is generally described as a system or mechanism for directing and controlling organisations, focusing on shareholders’ and stakeholders’ values or interests (Cadbury Report, 1992; De Wit, 2025; Oluwole, 2021; Ardila and Sembiring, 2022). In this context, corporate governance in the Commercial Banking sector extends beyond traditional corporate governance mechanism due to the sector’s unique characteristics (Osseo-Asare et al., 2025; Kabbani and Zaneldin, 2021). Unlike non-financial institutions that operate in competitive markets with dispersed ownership, Commercial Banks often deal with Concentrated Ownership Structures, State Intervention, and Stringent Regulatory Frameworks (Kabbani and Zaneldin, 2021; Bagus, 2022). Consequently,

Corporate Governance Mechanisms in Commercial Banks must address critical aspects such as risk management, prudential supervision, and depositor protection (Firdaus et al., 2021).

1.1.2 THE IMPORTANCE OF CORPORATE GOVERNANCE IN FINANCIAL INSTITUTIONS

Corporate governance plays a pivotal role in the financial stability of commercial banks, by ensuring they operate in a transparent and accountable manner, thereby reducing agency conflicts between shareholders and stakeholders (Tricker, 2025; Cheffins, 2024; Januarti and Khairunnisa, 2022). Indeed, given the presence of strong corporate governance mechanisms, shareholders or investors become confident, while financial mismanagement is minimized, and sustainable practices are promoted (Cheffins, 2024; Suryandari and Susandya, 2023). More specifically, sound corporate governance structures in commercial banks lead to superior financial outcomes and improved risk management skills and enhanced market valuation results (Tricker, 2025; Osseo-Asare et al., 2025; Andriani and Haryono, 2022). In addition, risk management and decision-making efficiency represent the primary mechanisms through which corporate governance affects commercial bank profitability (Cheffins, 2024; Khan et al., 2020a; Rahmadani et al., 2023). Furthermore, the basic operational systems of commercial banks make them vulnerable to multiple types of risks (e.g., credit, operational, and market risks), as a result, corporate governance mechanisms (e.g., board oversight, internal controls, and compliance monitoring functions), help ensure implementation of capital allocation, prudent lending strategies and regulatory compliance standards (Osseo-Asare et al., 2025; Khan et al., 2020b; Rahmadani et al., 2023).

Organisations obtain higher profitability levels through corporate governance mechanisms that strengthen financial disclosure and secure investor trust systems. Weak internal controls, along with inadequate disclosure procedures, enable corporations to commit fraud and deceive their investors because of poor corporate governance practices (Rahayu et al., 2023). Corporations maintaining robust corporate governance systems achieve below-average default rates and reduce their cost of capital, together with building higher investor trust, which leads to improved profitability (Candradewi and Rahyuda, 2023).

1.1.3 THE IMPACT OF CORPORATE GOVERNANCE ON COMMERCIAL BANK PROFITABILITY

Prior studies on the relationship between ‘corporate governance’ and ‘corporate profitability’ have dominated the financial literature in the last two decades (Tricker, 2025; Cheffins, 2024). These studies demonstrate that commercial banks with strong corporate governance mechanism or systems, produce more transparent and accountable financial performance results or measure (e.g., return on assets/ROA, return on equity/ROE, and return on capital employed/ROCE), compared to firms with weak corporate governance systems (Koernia and Cahyati, 2022; Antony et al., 2022; Osseo-Asare et al., 2025). Indeed, superior corporate governance systems and structures enable efficient resource distribution, sensible lending operations, and maximize risk-performance ratios (Pangestuti et al., 2021). This shows that a commercial bank's financial performance and managerial accountability improve through three essential corporate governance mechanisms: 1/board independence, 2/executive compensation policies, and 3/shareholder rights (Antony et al., 2022). Indeed, evidence from financial markets, supports the view that these corporate governance mechanisms in commercial banks positively impact financial performance, operational efficiency, and transparency of regulatory framework (Sunrowiyati, 2021; Mayasari et al., 2022). In brief, successful implementation of corporate governance reforms led to increased financial performance in both developed and developing economies, as confirmed by Finishtya et al. (2021) and Mayasari et al. (2022) who researched corporate governance practices in Middle Eastern and North African commercial banks.

1.1.4 THE LIBYAN COMMERCIAL BANKING SECTOR: CONTEXT AND CHALLENGES AND OPPORTUNITIES

The commercial banking sector of Libya provides an attractive example of how corporate governance affects corporate financial outcomes. Historically, political instability, in Libya together with economic disruptions and weak regulations following the revolution in 2011 has resulted in deteriorating commercial banking industry performance (Lu et al., 2021). Systemic risks in the Libyan banking sector remain high because of state control, outdated regulatory frameworks, insufficient financial transparency, and corporate governance inefficiencies (Nur Rohmah, 2022).

Libyan commercial banks suffer from weak corporate governance systems that have generated poor risk management capabilities and reduced investor confidence, together with inefficient

capital distribution (Abdelmoneim and Elghazaly, 2021). Financial mismanagement, along with suboptimal performance, emerged from Libyan commercial banks because they lacked strong board oversight while missing independent auditing mechanisms and risk management frameworks (Almashhadani, 2021a/b). The Libyan commercial banking sector faces hurdles in attaining long-term profitability due to political interference and economic instability combined with insufficient corporate governance development (Putri et al., 2021).

This PhD researcher was motivated by the urgent need to study the effects of corporate governance on commercial banking profitability in Libya emerging from the existing challenges and opportunities (Almashhadani, 2021a/b; Nur Rohmah, 2022). Saleem et al. (2023) report that studies about emerging economy governance have occurred, but research into Libyan commercial banking sector corporate governance and its financial performance implications remain scarce. This PhD study investigates corporate governance factors including board member composition combined with risk oversight and regulatory compliance because it intends to reveal useful findings about corporate governance effects on commercial bank profits in Libya.

1.1.5 JUSTIFICATION FOR THE STUDY

This PhD study is significance because Libya continues its economic transformation by implementing domestic and global financial regulatory changes with a view to maintaining its competitiveness (Rakkarnsil and Butsalee, 2022). It is well established in the literature that financial organizations that focus on corporate governance (CG) will achieve competitive advantages e.g., banking sector stability (Pendong et al., 2022). The results and findings of this study contribute to the existing CG literature in emerging economies because they offer empirical data on post-conflict financial systems, and CG-performance relationships (Rakkarnsil and Butsalee, 2022). Therefore, the analysis of CG systems in this Thesis, helps to better understand how CG influences commercial bank profitability.

The remaining part of this chapter is divided into four sections. Section 1.2 provides details on the background of the study. Section 1.3 describes the research problem situation, highlighting the key research questions and objectives. Section 1.4 discusses the significance, scope and delimitations of the study. Finally, Section 1.5 provides a summary of the chapter and an outline of the structure of the Thesis.

1.2 BACKGROUND OF THE STUDY

While good corporate governance policies and practices are known to bring financial stability to both banking institutions and overall financial systems, the commercial banking industry in Libya continues to face financial risks and crises from corporate governance failures and mismanagement (Antou et al., 2021; Ameliyah and Syaiful, 2023). Indeed, Ameliyah and Syaiful (2023), argues that corporate governance in commercial banks maintains expanded functions beyond typical firm management because of enhanced regulatory supervision combined with commercial banking sector risk levels and financial intermediary duties.

The effectiveness of corporate governance systems produces sound decisions, minimizes risks, and maintains sustainable financial results, which serve as the key element for commercial banking profitability (Liyundira et al., 2023). In this context, this study evaluates how corporate governance affects profitability in Libyan commercial banks despite their weak financial framework and ongoing corporate governance difficulties. The Libyan commercial banking sector operates in economic instability after the revolution in 2011, while encountering multiple structural and regulatory challenges that reduce performance according to (Ernayani, 2022). Financial mismanagement and banking inefficiency along with corruption have worsened through poor corporate governance frameworks (Almaqtari et al., 2022). A thorough examination of corporate governance functions in Libyan commercial banks becomes indispensable because it helps identify strategies that can drive bank profitability improvements.

1.2.1 THE EVOLUTION OF CORPORATE GOVERNANCE IN THE COMMERCIAL BANKING SECTOR

Corporate governance in the Commercial banking sector has experienced substantial development in the past few decades thanks to financial crises together with regulatory changes and market requirements for transparency (Kurniansyah et al., 2021). In the Libyan context, previous corporate governance systems and structures for commercial banks followed three main patterns: insider management control together with restricted shareholder powers, and insufficient regulatory oversight (Kurniansyah et al., 2021). Increased corporate governance deficiencies became apparent after the financial collapses, including Enron and WorldCom, along with the commercial bank failures during the 2008 Global Financial Crisis, which encouraged regulatory

changes for better board oversight of risks and financial reporting transparency (Handayani & Ibrani, 2023).

Different corporate governance systems/structures must address financial sector risks because of their distinct characteristics e.g., excessive risk-taking, and regulatory arbitrage protection (Suzan and Sabila, 2023). Financial stability depends on robust corporate governance because commercial banks use high leverage to accept deposits and experience liquidity problems (Rose et al., 2021). Basel III regulatory standards promote corporate governance procedures consisting of independent board officials and risk oversight councils and monetary stress tests for commercial banking crisis reduction (Fahrnisa & Sutrisno, 2022). Organizations in developing economic systems face challenges in their corporate governance structures because of weak institutions, ineffective regulations, and political involvement (Savitri & Abdullah, 2023). Libyan commercial banks, alongside numerous developing country financial institutions, face corporate governance failures, which result in suboptimal resource distribution and inadequate risk control systems and financial challenges (Putri et al., 2021). Knowledge of Libyan commercial banking sector corporate governance is essential to develop reforms that will boost banking performance and stability.

1.2.2 THE ROLE OF CORPORATE GOVERNANCE IN COMMERCIAL BANK PROFITABILITY

Multiple paths through which corporate governance affects bank profitability exist through effective risk management as well as operational effectiveness and stakeholder trust levels. Board structure combined with executive compensation policies and ownership concentration serves with regulatory compliance to act as vital financial outcome shapers (Manik & Purwanto, 2023).

1.2.2.1 BOARD COMPOSITION AND COMMERCIAL BANK PERFORMANCE

The selection of bank board members directly influences organizational decision quality while simultaneously ensuring risk management and strategic planning functions. The presence of independent board members helps corporate governance by eliminating conflicts of interest and providing objective decision-making according to Cadbury Report. (1992) The research confirms banks achieve better profitability while maintaining lower risks and enhanced financial stability through boards composed of diverse members who function independently (Demetrio et al., 2023).

Libyan commercial bank board's exist under corporate government control through their selection of appointed directors and politically linked members, thus creating weak oversight and operational inefficiencies, according to (Aguilar, 2021). The absence of independent directors weakens both transparency and accountability, which raises corporate governance risks in organizations (Hidayah et al., 2021). Libyan commercial banks can enhance profitability and improve decision-making through independent board corporate governance reforms.

1.2.2.2 OWNERSHIP STRUCTURE AND PROFITABILITY

Organizational ownership patterns at commercial banks affect both corporate governance quality alongside financial results. The governmental control of commercial banks leads to political interference with banking operations alongside inefficiencies and poor financial management practices (Sarta et al., 2021). The structure of bank ownership becomes a problem for dispersed ownership institutions because it creates management-shareholder agency conflicts (Al-Homaidi et al., 2021).

Most Libyan commercial banks operate under state control or through the control of influential shareholders which restricts market competition as well as innovative growth (Wijaya et al., 2021). The leadership position of government-supported entities curtails corporate governance structures which subsequently produces poor financial results (Susilowati et al., 2022). Privatization and regulatory reforms could improve ownership structures, enhancing corporate governance and profitability.

1.2.2.3 RISK MANAGEMENT AND FINANCIAL STABILITY

Strong corporate governance improves risk management practices, reducing financial distress and enhancing profitability. Commercial banks with effective risk committees, internal control systems, and regulatory compliance frameworks are better equipped to manage credit risk, operational risk, and market risk (Prasetyo and Sri Harta Mimba, 2021).

Libyan commercial banks suffer from weak risk management frameworks, exposing them to high levels of non-performing loans (NPLs), liquidity shortages, and regulatory non-compliance (Rahayu and Kartika, 2022). Poor corporate governance structures contribute to excessive risk-taking, leading to financial instability (Purnama and Trisnaningsih, 2022). Implementing global

risk management standards and strengthening regulatory oversight can improve financial performance in Libya.

1.2.3 THE LIBYAN COMMERCIAL BANKING SECTOR: GOVERNANCE AND PERFORMANCE CHALLENGES AND OPPORTUNITIED

Libya's commercial banking system operates with limited development because the state controls most financial institutions under strict regulatory monitoring. The country's sectoral development and financial stability remain restricted because of political instability coupled with economic mismanagement and deficient corporate governance practices (Akims et al., 2023). Multiple critical corporate governance problems impact the profitability of commercial banks operating in Libya.

1. The commercial banking sector in Libya faces major regulatory inadequacies because it fails to establish strong corporate governance standards which results in weak investor protection and financial misreporting according to (Febiyanti and Hersugondo, 2022).
2. Financial institutions operated by government authorities maintain limited autonomy, negatively impacting innovation and accountability (Akims et al., 2023).
3. The lack of financial transparency together with insufficient auditing systems reduces both investor trust and boosts market risks according to (Chaidir et al., 2022).
4. The commercial banking sector excludes most consumers from financial services, which hinders economic development and restricts the expansion of the financial sector (Widyastuti et al., 2022).

Corporate governance reforms must become the essential foundation for better commercial banking performance and foreign investment flow and financial sector stability throughout Libya.

1.2.4 THE RATIONALE FOR INVESTIGATING CORPORATE GOVERNANCE AND PROFITABILITY IN LIBYA COMMERCIAL BANKS

Few studies investigate how corporate governance affects bank performance within the Libyan commercial banking sector although research on this topic grows. This study investigates the

relationship between corporate governance practices and bank profitability because Libyan commercial banks operate under distinct obstacles such as political instability as well as regulatory weaknesses and financial mismanagement.

Analysing board structures and ownership patterns, as well as risk management systems and regulatory systems, helps to fulfil this research aim:

- Identify corporate governance deficiencies affecting profitability in Libya commercial banks.
- Assess the impact of board independence, risk management, and ownership structures on financial performance.
- Provide policy recommendations for strengthening governance mechanisms in the Libyan commercial banking sector.

Profitability heavily depends on corporate governance systems because these systems control executive decision processes and financial risks while ensuring overall stability. The financial sector in Libya faces ongoing corporate governance challenges which block its ability to grow along with its profitability potential. The analysis of corporate governance's influence on commercial banking performance becomes essential because of Libya's complicated economic and political situation to find proper reform strategies and policy adjustments.

The research seeks to fill a knowledge gap about corporate governance by studying its impact on financial outcomes and commercial banking sector transformation within Libya. The strengthening of corporate governance mechanisms produces substantial improvements in commercial bank stability as well as lender trust and Libyan economic expansion.

1.3 RESEARCH PROBLEM SITUATION: AIM, KEY QUESTIONS & OBJECTIVES

1.3.1 RESEARCH PROBLEMS AND RESEARCH GAPS: WEAK BOARD STRUCTURES, ACCOUNTABILITY, POLITICAL AND REGULATORY FAILURES

The performance and stability of commercial banking sectors in the market heavily depend on corporate governance measures. Commercial banks experience significant financial impact

because of how well their corporate governance systems function, including board structure along with ownership patterns, risk management, and regulatory compliance (Almashhadani et al., 2022). The installation of strong corporate governance systems within developed economies functions to lessen agency problems, maintain shareholder accountability, and maximize shareholder value. Corporate governance shows weak performance in emerging economies, especially within politically unstable areas such as Libya, which leads to inefficient operations, financial mismanagement, and subpar commercial banking sector results (Ebgc and Ebgc, 2022).

The commercial banking sector of Libya shows poor financial stability because the government controls most banks and enforces little regulation, which causes profitability problems. These challenges become worse because of political interference along with insufficient transparency and inadequate risk management frameworks (Shakri et al., 2022). The modernization movement of Libyan financial systems continues with ongoing efforts, but the weak banking corporate governance structures maintain their vulnerability to endanger sustainable economic development prospects. The research examines the degree to which corporate governance affects banking profitability in Libyan institutions.

IDENTIFYING THE RESEARCH GAP

Few studies have analysed corporate governance and bank performance, specifically within the MENA commercial banking sectors, including Libya. Research on Libyan banking operations primarily investigates inefficient banking systems and weak regulatory frameworks yet fails to reveal the direct performance effects of corporate governance structures (Umiyati and Andriani, 2023).

Research in corporate governance demonstrates limited interest in financial markets of advanced development because of their well-established corporate governance structures, protection laws, and strong regulatory frameworks (Sartam and Setiyono, 2022). The corporate governance landscape of Libya stands apart because political instability, poor regulations, and banking structures controlled by the state need further research attention. This research fills the existing knowledge gap through an investigation of:

- The corporate governance structures currently implemented in Libyan commercial banks.

- The impact of corporate governance mechanisms on profitability in commercial banks of Libya.
- The challenges and barriers to effective corporate governance in the Libyan commercial banking sector.
- Policy recommendations to strengthen corporate governance frameworks to enhance financial performance.

THE CORE RESEARCH PROBLEM

The primary research problem addressed in this study is:

"How does corporate governance impact the profitability of commercial banks in Libya, and what governance reforms are needed to enhance financial performance in the Libyan commercial banking sector?"

This research problem arises from the persistent underperformance of Libyan commercial banks, high levels of non-performing loans (NPLs), corporate governance failures, and regulatory inefficiencies that weaken the sector's contribution to economic growth. Despite global banking reforms emphasizing corporate governance improvements, Libyan commercial banks continue to struggle with corporate governance shortcomings that limit profitability and financial resilience.

WEAK BOARD STRUCTURES AND ACCOUNTABILITY ISSUES

Board effectiveness is a critical determinant of corporate governance quality in commercial banks. In Libya, most commercial bank boards are characterized by:

- Boards face weakness in oversight because they have too many directors who come from the government or have political ties, which results in subpar decision-making (Balios et al., 2021).
- Limited expertise – Many board members lack the necessary financial and risk management expertise, increasing the likelihood of mismanagement (Shahzad et al., 2023).

- Ineffective risk corporate governance – Weak internal control mechanisms contribute to excessive risk-taking and high NPL levels, undermining financial performance (Safitri et al., 2022).

The corporate governance problems in banking systems produce conflicts of interest, substandard strategic choices, and greater financial hazards that damage profitability levels of commercial Libyan banks.

OWNERSHIP STRUCTURES AND POLITICAL INTERFERENCE

Libya's financial system operates under state control, which affects corporate governance effectiveness through ownership structures. Several corporate governance weaknesses stem from both government ownership of businesses and the influence of shareholders connected to politicians:

- Reduced accountability – State-owned commercial banks often prioritize political objectives over financial sustainability, leading to inefficient capital allocation and low profitability (Malik et al., 2023).
- Limited market competition – Government-dominated commercial banking systems discourage private sector participation, restricting innovation and operational efficiency (Oluwole, 2021).
- Weak shareholder rights – Minority shareholders have limited influence over corporate governance, reducing external oversight and investor confidence (Ardila and Sembiring, 2022).

The lack of privatization and market-driven corporate governance structures hinders commercial banking sector efficiency and reduces profitability, necessitating reforms in ownership structures and shareholder rights protection.

INEFFECTIVE RISK MANAGEMENT AND REGULATORY FAILURES

Risk management is a core component of corporate governance that directly influences financial stability and profitability. In commercial banks of Libya, weak corporate governance frameworks have resulted in:

- High levels of non-performing loans (NPLs) – Poor credit assessment and political lending practices lead to high loan default rates, eroding bank profitability (Kabbani and Zanelidin, 2021).
- Liquidity shortages – Ineffective corporate governance structures contribute to liquidity mismanagement, affecting banks' ability to meet short-term obligations (Bagus, 2022).
- Regulatory non-compliance – Commercial banks frequently fail to meet international regulatory standards, such as Basel III requirements, further weakening financial stability (Firdaus et al., 2021).

These corporate governance shortcomings expose Libyan commercial banks to financial instability and systemic risks, undermining their role in economic development.

1.3.2 ACADEMIC CONTRIBUTIONS, POLICIES, AND PRACTICES

This study contributes to corporate governance literature by offering empirical insights into the governance-profitability relationship in a politically unstable banking environment. Unlike previous studies that focus on corporate governance in developed financial markets, this research examines how governance mechanisms function within Libya's unique institutional context.

By analysing corporate governance structures, ownership patterns, and regulatory frameworks, the study provides:

- A comprehensive assessment of corporate governance effectiveness in Libyan commercial banks.
- Empirical evidence linking corporate governance mechanisms to financial performance in commercial banks of Libya.

- Comparative insights between corporate governance structures in Libya and other MENA commercial banking markets.

POLICY AND PRACTICAL IMPLICATIONS

The findings of this study will provide valuable recommendations for policymakers, financial regulators, and commercial banking executives seeking to improve corporate governance structures in Libya. Potential policy interventions include:

- Enhancing board independence through regulatory reforms that reduce political appointments.
- Strengthening risk management frameworks to improve credit assessment and reduce NPL levels.
- Encouraging privatization and market competition to improve corporate governance efficiency and commercial banking sector profitability.
- Aligning Libyan commercial banking regulations with international corporate governance standards to enhance investor confidence and financial stability.

Corporate governance plays a critical role in shaping bank profitability and financial stability. However, in commercial banks of Libya, corporate governance shortcomings, including weak board structures, state-controlled ownership, ineffective risk management, and regulatory deficiencies, continue to undermine banking performance. Given the strategic importance of the commercial banking sector in Libya's economic recovery, strengthening corporate governance is essential to improving profitability, reducing financial risks, and fostering investor confidence.

This study addresses the urgent need for corporate governance reforms by examining the link between corporate governance mechanisms and commercial bank profitability in Libya. By filling the research gap on corporate governance in politically unstable banking sectors, the study provides empirical insights and policy recommendations to enhance commercial banking sector efficiency and financial performance. Strengthening corporate governance frameworks in Libyan commercial banks is essential for sustainable financial sector development, economic resilience, and long-term banking profitability.

1.3.3 RESEARCH AIM, QUESTIONS AND OBJECTIVES

The main aim of this research is to analyse the effects of corporate governance mechanisms on profitability in commercial banks of Libya. This research explores the effects of corporate governance structures, board effectiveness ownership patterns, and risk management frameworks on the financial performance of the Libyan commercial banking sector because of continuous corporate governance deficiencies, political instability, and weak monitoring in this sector. This study will present practical corporate governance reforms for improving commercial banking sector performance and risk reduction and profitability enhancement in Libya's specific economic framework.

RESEARCH OBJECTIVES

To achieve the stated research aim, the study is structured around the following key objectives:

OBJECTIVE 1: TO EXAMINE THE CORPORATE GOVERNANCE STRUCTURES IN LIBYAN COMMERCIAL BANKS

Corporate governance structures form the foundation of commercial banking sector efficiency. This objective seeks to assess the composition, independence, and effectiveness of commercial bank boards in Libya. Given that most Libyan commercial banks are state-owned or politically influenced, it is crucial to analyse how corporate governance frameworks are structured, how decision-making processes occur, and whether corporate governance practices align with international banking standards such as OECD corporate governance principles and Basel III guidelines (Januarti and Khairunnisa, 2022).

This objective will specifically investigate:

- The roles and responsibilities of board members.
- The degree of board independence in decision-making.
- The transparency and accountability mechanisms in corporate governance practices.

OBJECTIVE 2: TO ANALYSE THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND BANK PROFITABILITY IN LIBYA

While existing literature establishes a strong link between corporate governance and bank profitability in developed economies, empirical evidence on how corporate governance mechanisms impact financial performance in politically unstable and underregulated banking environments remains limited (Suryandari and Susandya 2023).

This objective will focus on identifying:

- The extent to which board effectiveness, ownership structures, and risk corporate governance influence financial indicators such as return on assets (ROA), return on equity (ROE), and net interest margins (NIMs).
- How weak corporate governance contributes to non-performing loans (NPLs), liquidity shortages, and operational inefficiencies.
- Whether corporate governance reforms can significantly improve banking profitability in Libyan commercial banks.

OBJECTIVE 3: TO IDENTIFY KEY CHALLENGES HINDERING EFFECTIVE CORPORATE GOVERNANCE IN THE LIBYAN COMMERCIAL BANKING SECTOR

Despite global advancements in banking corporate governance, Libya's financial sector remains characterised by inefficiencies, political interference, and weak institutional frameworks (Andriani and Haryono, 2022). This objective will identify the major corporate governance obstacles preventing banks from operating effectively, including:

- State-dominated ownership models and their impact on corporate governance independence.
- Regulatory weaknesses that fail to enforce corporate governance best practices.
- Political and economic instability affecting financial decision-making and risk management.

OBJECTIVE 4: TO RECOMMEND CORPORATE GOVERNANCE REFORMS TO ENHANCE BANK PROFITABILITY IN LIBYA

This research aims not only to diagnose corporate governance inefficiencies but also to propose practical, evidence-based solutions to improve financial performance. This objective will focus on:

- Strengthening board independence and accountability.
- Encouraging privatization and reducing political influence in commercial banking operations.
- Aligning Libyan commercial banking regulations with international corporate governance frameworks.
- Enhancing risk management practices to minimize financial vulnerabilities.

RESEARCH QUESTIONS

The formulation of research questions is fundamental to structuring the study, as it ensures a focused investigation into the relationship between corporate governance mechanisms and profitability in commercial banks of Libya. Given the complex regulatory environment, political instability, and weak enforcement of corporate governance principles in Libyan commercial banks, this study seeks to address the following critical research questions

PRIMARY/KEY RESEARCH QUESTION

How do corporate governance mechanisms impact the profitability of commercial banks in Libya?

This overarching question encapsulates the study's central concern, examining the corporate governance structures within Libyan commercial banks and their effectiveness in influencing financial performance. Given the fragmented nature of the Libyan commercial banking system, which is dominated by state ownership, political interference, and regulatory inefficiencies, answering this question will provide a comprehensive understanding of the governance-profitability nexus.

SECONDARY/RELATED RESEARCH QUESTIONS

To explore this issue in depth, the following sub-questions are formulated:

1. WHAT ARE THE PREVAILING CORPORATE GOVERNANCE STRUCTURES IN THE LIBYAN COMMERCIAL BANKING SECTOR?

This question aims to evaluate the corporate governance frameworks in place, specifically analysing board composition, ownership structures, regulatory enforcement, and corporate governance practices. It will also investigate how Libyan commercial banks compare to international corporate governance standards such as Basel III, OECD principles, and the World Bank's corporate governance recommendations (Husnain et al., 2021). Understanding these structures is crucial to identifying systemic weaknesses that contribute to financial underperformance.

2. TO WHAT EXTENT DOES CORPORATE GOVERNANCE INFLUENCE KEY PROFITABILITY INDICATORS SUCH AS ROA, ROE, AND NIM IN LIBYAN COMMERCIAL BANKS?

This question will critically assess the relationship between corporate governance mechanisms (e.g., board independence, ownership concentration, transparency, and risk management) and profitability metrics (return on assets, return on equity, and net interest margins). Previous studies indicate that strong corporate governance enhances profitability, but empirical evidence within commercial banks of Libya remains scarce (Rahmadani et al., 2023). This study will investigate whether similar corporate governance-profitability dynamics exist in Libya's unique commercial banking environment.

3 WHAT ARE THE KEY BARRIERS PREVENTING EFFECTIVE CORPORATE GOVERNANCE IMPLEMENTATION IN LIBYAN COMMERCIAL BANKS?

Given Libya's political instability, weak regulatory enforcement, and high levels of state intervention, this question seeks to uncover corporate governance challenges that hinder commercial banking efficiency. Specific areas of focus include:

- Political influence overboard decisions.
- Regulatory deficiencies and lack of enforcement mechanisms.
- Weak transparency and accountability practices.

- Absence of risk governance frameworks to mitigate financial vulnerabilities.

4 WHAT CORPORATE GOVERNANCE REFORMS CAN BE IMPLEMENTED TO ENHANCE THE PROFITABILITY AND EFFICIENCY OF LIBYAN COMMERCIAL BANKS?

The question presents solutions that will fortify corporate governance mechanisms, improve risk management systems, and boost financial results, along with evidence-based practical implementations specifically tailored for Libyan commercial banking operations. The proposed recommendations will combine international best practices while making necessary modifications for their suitability within the Libyan commercial banking sector to ensure sustainability.

1.4 SIGNIFICANCE, SCOPE AND DELIMITATIONS OF THE STUDY

This research provides significant contributions to academic literature and practical financial sector transformation, particularly within Libya's commercial banking industry. Studies confirm corporate governance stands as one of the crucial factors for financial outcome results, though the approach to its implementation differs according to institutional systems and regulatory requirements and larger socio-economic, political elements. The Libyan commercial banking industry continues to suffer from poor corporate governance structure due to its history of unstable political conditions and insufficient regulatory oversight, thereby under examining the effects of corporate governance practices on financial outcomes. Economic development depends on banks to allocate credit and investments and maintain financial stability, so understanding governance's influence on profitability becomes essential in this specific environment.

ACADEMIC CONTRIBUTIONS: PREVIOUS STUDIES

The academic research investigates an essential knowledge gap by examining corporate governance effects on banking profitability within the Libyan context. The academic literature about banking governance across developed and emerging economies exists in great numbers, yet studies on Libya remain limited. Most studies about corporate governance in the Middle East and North Africa (MENA) region have studied Saudi Arabia, the United Arab Emirates, and Egypt as their primary focus points (Nur Rohmah, 2022). However, Libya remains poorly investigated in this field of study. The study is important in advancing geographic exploration of corporate

governance research by offering proof from a post-conflict economy amidst regulatory ambiguity and economic instability. The research contributes to theoretical understanding by analysing agency theory combined with stakeholder theory and stewardship theory models. Agency theory works as a fitting model in the Libyan setting because shareholders and managers have conflicting interests because of information discrepancies that worsen governance issues from inadequate financial disclosure practices (Ernayani, 2022). Stakeholder theory becomes essential because commercial banks play a pivotal role in economic development, yet they must maintain a balance between shareholder interests and depositors and regulatory and public interests. The stewardship theory provides insights into how appropriate corporate governance structures, combined with correct incentives, help managers fulfil their responsibility to corporate governance resources while contributing to better financial results.

This research analysis uses theoretical models to examine Libyan commercial banking corporate governance, thus broadening traditional Western and emerging market theoretical applications. The research reviews whether standardized corporate governance systems are appropriate for weak transitional economic systems or whether alternative models become necessary for handling unique institutional and economic issues (Almaqtari et al., 2022). This examination determines how much structural weaknesses contribute to Libya's corporate governance issues alongside managerial misconduct to support existing research about institutional quality impacts on corporate governance.

PRACTICAL IMPLICATIONS

The research findings hold important business applications that benefit banking managers, financial oversight entities, and market participants. Commercial banking profitability, alongside economic stability, suffers from weak corporate governance in Libyan commercial banks because it leads commercial banks to take excessive risks while allocating credit poorly and managing finances improperly. This PhD research examines the exact corporate governance systems that impact financial performance to give Libyan commercial banks essential guidance for strengthening their corporate governance systems that lead to sustainable profitability (Kurniansyah et al., 2021). This study promotes the intelligent development of board independence while highlighting the role that ownership structure risk management policies and financial

disclosure play in reducing corporate governance risks and the establishment of transparent, accountable institutions.

This research produces strategic information that commercial banking executives can use to transform their corporate governance practices and decision-making systems. Understanding the influence of ownership structure matters significantly when analysing corporate governance effectiveness because Libyan financial institutions have long operated with substantial government involvement in state-owned and private banking sectors. The study establishes evidence through empirical analysis to determine if commercial banks achieve better financial results when their boards comprise independent members instead of politically influenced directors (Kurniansyah et al., 2021). The analysis evaluates how improved governance measures concerning enhanced financial disclosure and internal risk controls generate better financial results that provide actual direction to commercial banking executives seeking governance practice improvements.

This study presents specific policy guidelines to financial regulators that help Libya update its regulations to meet worldwide governance criteria. The Libyan commercial banking sector persists in facing weak regulatory oversight because financial institutions lack proper enforcement of corporate governance standards and insufficient mechanisms to enforce accountability. Analysis of global best practices that succeeded in banking corporate governance improvements after conflicts enable this study to create regulatory update guides for commercial banking stability in addition to investor confidence enhancement (Handayani and Ibrani, 2023). A resilient commercial banking sector in Libya requires three main policy measures, which include strengthened corporate governance laws, strict financial reporting requirements, and independent oversight bodies.

This research creates meaningful implications for investors who want to work with Libya's financial sector both in the country and from outside it. Weak corporate governance systems/structures combined with low transparency levels act as primary barriers to foreign direct investment in Libyan commercial banks because they elevate investment risk. This study shows that financial institutions should adopt superior corporate governance practices because it displays how better corporate governance enhances financial performance, thus benefiting the economy through increased investment. The improvement of corporate governance systems will increase institutional investor interest in Libyan commercial banks, thus enabling more capital inflows and better financial sector development.

POLICY RELEVANCE

This study generates findings that directly assist government officials in supporting Libya's financial institutions while creating economic stability. Libya's financial system functions under an unstable political situation because its regulatory bodies fail to implement corporate governance standards effectively. This study demonstrates why governments need enhanced regulatory systems that follow the Basel III framework and Organisation for Economic Co-operation and Development (OECD) corporate governance principles (OECD, 2004, 2016). Efforts to strengthen commercial banking regulations will produce two main effects: they will reduce financial risks and banking instability, leading to increased economic growth.

The study identifies independent commercial banking oversight bodies as a crucial recommendation because they should function without political interference. Political factors influencing Libyan commercial banks have consistently caused corporate governance problems because they base board nominations and executive choices on political factors instead of sound financial logic. The establishment of independent financial regulatory agencies should have the power to implement corporate governance standards and monitor corporate compliance to strengthen governance mechanisms. This research suggests that state-owned banks should implement dedicated corporate governance codes, which will drive public financial institutions to follow the most effective corporate governance practices while being more transparent.

The research demonstrates that commercial banks of Libya need to develop financial disclosure practices according to international best standards to increase both banking transparency and investor trust levels. The lack of financial transparency is the primary impediment to the commercial banking sector's growth because numerous institutions fail to disclose their financial information correctly and on time. Financial reporting standards need strengthening while independent auditing institutions and sanctions for non-compliance should be developed because they will improve corporate governance effectiveness. Libya will develop an investor-friendly financial system with long-term economic stability through the implementation of these policy measures, which promote transparency.

This PhD research has important effects in academic domains, practical settings, and policy areas. This research fills an essential academic gap by studying how corporate governance relates to

profitability within Libya's commercial banks under investigated banking sector. The research adds new theoretical knowledge by using corporate governance approaches to analyse political instability and economic post-conflict situations, thus providing a fresh understanding of corporate governance processes in unstable financial environments. This study delivers specific guidance regarding corporate governance improvements that can boost commercial banking profitability and strengthen the financial stability of executives running commercial banks, financial regulators, and investors. Financial transparency, along with independent boards aligned with adequate regulatory oversight, helps businesses combat corporate governance risks by establishing accountability as a vital organizational culture. This PhD study recommends policy changes to develop better corporate governance standards, improve commercial banking financial transparency, and minimize political commercial bank operation interventions.

The extensive economic difficulties of Libya, along with its necessity to transform the financial sector, make the research results vital for designing future corporate governance frameworks in Libyan commercial banks. Libyan banking institutions will establish a more robust financial system that produces better performance and drives economic advancement by adopting recommended corporate governance practices. This research provides essential information about corporate governance practices that foster financial sector expansion in post-conflict economies through its extensive analysis of corporate governance mechanisms in commercial banks of Libya.

SCOPE OF THE STUDY

This study defines its research boundaries specifically to effectively analyse the corporate governance and banking profit relationship in commercial banks of Libya. To boost both accuracy and practical value, the research sets exact boundaries that address Libya's unique financial, political, and regulatory difficulties.

This PhD research examines Libyan commercial banks located exclusively within Libya's borders. Libyan banking operations stand apart from other MENA countries since they operate in a transitional economy with weak corporate governance frameworks, political turbulence, and substantial government interference. The research exclusively studies Libyan commercial banks to establish detailed findings that accurately match the nation's economic framework instead of developing generalized concepts that could not correctly address Libya's particular circumstances.

This research examines private institutions together with state-owned establishments as part of its institutional examination. The distinction between state-owned banks and private banks remains vital because government policies, together with political appointments and public sector financing, strongly affect state-owned banks, but private banks function under different corporate governance frameworks and competitive market forces. The research achieves a complete understanding of corporate commercial governance effects on bank profitability by studying both private and state-owned banks.

This research period spans five consecutive years, starting from 2018 through 2023. The research period began in 2018 to observe recent changes in corporate governance practices after Libya's economic transformation. It also assesses the effects of financial instability on governance and banking profitability, as well as contemporary policy reforms on bank performance. The study period spans five consecutive years, beginning in 2018, to ensure contemporary trend inclusion and statistically significant insights into analytical topics.

This analysis focuses on examining four elements of corporate governance, which include board ship composition, while also studying ownership breakdown and risk management together with compliance and transparency activities. This study evaluates profitability indicators, including return on assets (ROA), return on equity (ROE), and net interest margin (NIM) through examination of these factors. This research establishes empirical evidence to assess corporate governance effectiveness in Libyan commercial banks through its analysis of these defined variables.

DELIMITATIONS OF THE STUDY

Delimitations represent researcher-defined boundaries that help maintain the study's focus, feasibility, and relevance. This research study acknowledges three main limitations related to methodology issues, data accessibility, and external generalization constraints.

The analysis omits all non-banking financial institutions as part of its defined boundaries. This research examines corporate governance effects on commercial banks exclusively without including microfinance institutions, insurance companies, or investment firms. The study excludes entities that function according to different management systems and regulatory schemes from its

primary examination. This research boundaries to commercial banks ensure that the study generates findings targeting banking institutions.

This PhD study employs quantitative methods as its primary approach instead of utilising qualitative data collection methods. This research maintains quantitative financial metrics as its core research approach because qualitative information would not provide sufficient objective measures for profitability assessment. The process of gathering qualitative data from Libya's commercial banking sector faces two significant barriers related to inadequate sector transparency and the potential existence of self-reported information biases. This research acknowledges that qualitative factors should be studied further, yet this examination focuses exclusively on the quantitative aspects of corporate governance effectiveness.

The limited access to commercial banking data in Libya becomes challenging since its financial sector operates under poor visibility and inconsistent regulatory control. Governments control several commercial banks that do not share their entire corporate governance data publicly or hide their financial reports because of political reasons. This study addresses this constraint by using the Central Bank of Libya's official financial reports together with commercial banking data available to the public and academic peer-reviewed publications to supplement the missing financial information. Numerous sources establish data reliability, but the research recognises that incomplete disclosure prevents a thorough governance assessment from being conducted.

Generalisation of this study's findings extends only to Libya since it represents its main limitation. The examination reveals exclusive results that specifically address the financial industry in Libya without providing universal application across other nations. Several factors limit generalisability, including Libya's unique political and economic instability compared to other MENA economies, the heavy state involvement in commercial banking, and the presence of regulatory inconsistencies that may not reflect corporate governance practices in countries with stronger financial oversight. While the study contributes to corporate governance research in post-conflict economies, its findings should be interpreted within the Libyan context and cautiously applied to other regions.

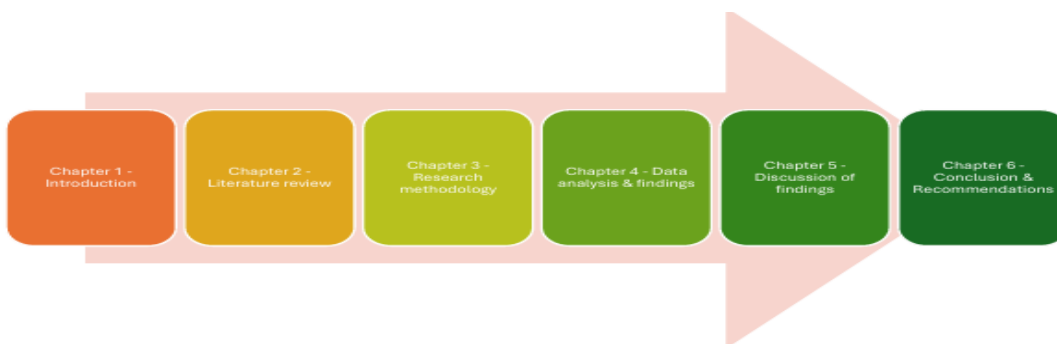
1.5 SUMMARY OF CHAPTER AND OUTLINE OF THE THESIS STRUCTURE

This chapter introduced the Thesis, by providing details on the background of the study and synthesis of the literature review of the keywords in the Thesis e.g., corporate governance, corporate profitability in the context of Libyan commercial banking sector. In addition, describes in detail the research problem situation, with a focus on Libyan commercial banks. This led to a clear statement of primary and secondary key research questions and related specific four objectives (RO1 - To examine the Corporate Governance Structures in Libyan Banks; RO2 - To analyse the relationship between Corporate Governance and Bank Profitability in Libya; RO3 - To identify key challenges hindering effective Corporate Governance in the Libyan Banking Sector; RO4 - To recommend Corporate Governance reforms to enhance Bank Profitability in Libya. Furthermore, this chapter discusses the significance, scope and delimitations of the study, and provides a summary of the chapter and an outline of the structure of the Thesis.

Figure 1.1 presents an outline of the six-chapter Thesis structure, which has been carefully designed to ensure that the Thesis systematically, logically, and rigorously explores corporate governance and its impact on commercial banking profitability in Libya. Each chapter contributes to the overall research objectives, providing a coherent flow from problem identification to empirical analysis and conclusion.

Figure 1.1 Outline of the Six-Chapter Thesis Structure

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CHAPTER 1: INTRODUCTION

This chapter introduces the topic, outlining its significance, and defining key research components. It provides background information, the rationale for studying corporate governance in Libyan commercial banks, highlighting the sector's corporate governance challenges and financial performance issues.

CHAPTER 2: LITERATURE REVIEW

This chapter critically examines the existing literature and prior studies on corporate governance and commercial banking profitability. It draws on various theories to underpin the conceptual framework for the study e.g., Agency, Stewardship, Shareholder, Stakeholder, Resource Dependence, and Institutional theorised.

CHAPTER 3: METHODOLOGY

This chapter details the mixed research design and methods for primary data collection and analytical techniques used. It demonstrates how pragmatism research philosophy can influence the choice of positivist and interpretivist epistemology when mixed methodology is being used.

CHAPTER 4: DATA ANALYSIS AND FINDINGS

This chapter presents empirical results in a structured manner: 1/Qualitative Thematic Content Analysis. 2/Quantitative Statistica Analysis e.g., Descriptive Statistics – Summarizes governance indicators and profitability metrics. Inferential Analysis – Reports findings from statistical models assessing governance-profitability links.

CHAPTER 5: DISCUSSION OF FINDINGS

The Discussion of Findings provides a comprehensive interpretation of the results, situating them within the context of existing literature and established corporate governance theories. It critically examines how the findings align with, extend, or challenge previous research, offering insights into their theoretical and practical implications. By integrating evidence from relevant studies and corporate governance frameworks, the discussion demonstrates a nuanced understanding of the topic and highlights the significance of the results in advancing scholarly and practical perspectives within the field.

CHAPTER 6: CONCLUSION AND RECOMMENDATIONS

The final chapter synthesizes research insights and provides actionable recommendations: 1/Summary of Key Findings – Highlights the most significant empirical insights. 2/Theoretical and Practical Implications – Discusses how findings contribute to governance literature and commercial banking policy reform. 3/Recommendations for Policy and Practice – Suggests improvements in regulatory oversight, corporate governance transparency, and risk management.

4/Limitations and Future Research Directions – Acknowledges study constraints and proposes areas for further investigation.

This structured approach ensures a logical progression from problem identification to empirical validation and strategic recommendations. The next chapter critical reviews existing literature and previous studies to provide a conceptual framework for study

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

Corporate governance has a significant impact on the profit performance and sustainability of the competitive advantages of commercial banks, particularly in emerging economies, including Libya (Mazol, 2026; Tricker, 2025; Osseo-Asare et al., 2025; Vitolla, Raimo & Rubino 2020). In direct response to the primary research question (PRQ: How do corporate governance mechanisms impact the profitability of commercial banks in Libya?), and related sub-questions (What are the prevailing corporate governance structures in the Libyan Commercial Banking Sector?/SRQ1; To what extent does corporate governance influence key Profitability Indicators e.g., Return on Assets (ROA) in Libyan Commercial Banks?/SRQ2; What are the key barriers preventing effective corporate governance implementation in Libyan Commercial Banks?/SQR3; What corporate governance reforms can be implemented to enhance the profitability and efficiency of Libyan Commercial Banks?/SRQ4), this literature review chapter has four aims. First, to critically review existing literature on corporate governance (CG), corporate profitability (CP), corporate social responsibility (CSR), and the relationship between CG, CP, and CSR policies and practices in the Libyan Commercial Banking sector (Mazol, 2026; Vitolla et al., 2020; Almashhadani et al., 2022; Tricker, 2025). Second, to compare the key CG challenges and opportunities facing the Libyan Commercial Banking Sectors with those faced by other Commercial Banking Sectors in emerging economies, especially, countries in the MENA region e.g., Egypt, Algeria, Tunisia, and Saudi Arabia (Almashhadani et al., 2022; Vitolla et al., 2020). Third, to identify best CG policies and practices that can improve CP and sustain the competitive advantages of Libyan commercial banks. This includes a review of the effects of Libya's unique economic and regulatory challenges on CG effectiveness, to inspire positive change and progress in the commercial banking sector (Mazol, 2026; Vitolla et al., 2020). Finally, to use the thematic findings from the literature to develop a conceptual framework for the study.

Corporate governance has gain consideration in the contemporary era because of the growing and expanding of developed and emerging economies (Kyere and Ausloos, 2020). The diversity within Board of directors (BODs) and corporate performance play vital parts within firms that are better governed in comparison to the firms with poor governance (Sarhan et al., 2019). This illustrates

that the corporate governance firms influence the corporate performance of firms. According to Bhagat and Bolton, (2019), firms that are better governed perform well. In addition to this, it is also stated that director stock ownership is most reliable and productive in terms of corporate performance in future. Almashhadani et. al (2022) mention that corporate governance influences the performance of the firm regardless of the size of the company; and elaborates that this kind of control aid the business to grow and attain sustainability. In addition, there is evidence that corporate governance enhances the company in terms of economic growth, with intellectual capital playing the mediator role regarding linking corporate governance and corporate firm performance (Shahwan and Fathalla, 2020).

The remaining part of the chapter is divided into six parts. Section 2.2 provides a critical review of the nature of corporate governance and discusses whether CG matters in today's fast moving global commercial banking industry in the context of organisational purpose e.g., pursuit of CP or CSR. Section 2.3 provides the research context, by critically reviewing the challenges and opportunities facing the global Commercial Banking industry, focusing on the performance of the Libyan commercial banking sector in the national, regional, and global context. It includes a comparison of the key CG challenges and opportunities facing the Libyan Commercial Banking Sectors with those faced by other Commercial Banking Sectors in emerging economies, especially, countries in the MENA region. It also includes a review of the effects of Libya's unique economic and regulatory challenges on corporate governance effectiveness, to inspire positive change and progress in the commercial banking sector. Section 2.4 reviews the various theories e.g., Agency, Stewardship, Resource dependency, Shareholders, Stakeholders, and Institutional, underpinning corporate governance frameworks adopted across developed and developing economies, including Libya. Section 2.5 discusses the research problem situation by reviewing the corporate performance and corporate profitability of commercial banks in Libya in the context of their corporate governance policies and practices. Section 2.6, develops and discusses the conceptual framework for the study from a synthesis of the theoretical frameworks reviewed - highlighting the key research gaps, questions, and hypotheses. Finally, Section 2.7, provide a summary of the chapter and a link to the next chapter on Research methodology.

2.2 WHAT IS THE NATURE OF CORPORATE GOVERNANCE, AND DOES IT MATTER?

This section critically reviews the nature of corporate governance (CG). It examines whether CG matters in today's fast-moving global commercial banking industry, particularly in relation to organisational objectives such as profitability (CP) and corporate social responsibility (CSR) (Mazol, 2026; Tricker, 2025; Cheffins, 2024; Foster, 2025; Clarke, 2022). Corporate governance became a global concern in the early 1980s due to financial crises and business scandals involving companies like Polly Peck, Maxwell Group, BCCI, Barings Brothers, and Northern Rock (Yadav, 2021). The 1997 financial crisis in Asia and the failures of major corporations like Enron and WorldCom further emphasized the need for systemic changes in corporate governance (Mazol, 2026; Sarta et al., 2021).

The term 'corporate governance' has been defined in a broad sense or narrow sense (Cadbury, 1992; OECD, 2016; Tricker, 2019, 2025). Broad definitions focus on structural or regulatory framework, whereas narrow definitions are discipline-specific, relating to areas such as management, accounting, finance, and law (OECD, 2016). Broad definitions and meanings of corporate governance, accommodates the narrow definition of CG, and encompasses structures, processes, practices, and mechanisms by which corporations are influenced, controlled, directed, operated by boards of directors (BODs), managers, shareholders and stakeholders (Cadbury 1992; OECD, 2016). A broad authoritative definition of CG is offered by Cadbury (1992, p. 15), who defines CG as "the system by which companies are directed and controlled", and the OECD (2016, p. 6) provides a relational-structural view of CG as "a set of relationships between a company's management, board, shareholders and stakeholders...the structure and systems through which the company is directed and its objectives are set, and the means of attaining those objectives and monitoring performance are determined". Also broadly speaking CG is about the policies and procedures that set forth how management and shareholders interact with other stakeholders, contributing to market trust, financial market integrity, and economic efficiency (Mazol, 2026; Mrabure and Abhulimhen-Iyoha, 2020; OECD, 2016). In contrast, narrow definitions of CG, define CG, as a system by which corporations are directed and controlled, the internal and external corporate structures for monitoring the actions of management and directors, and mitigating agency risks arising from the misdeeds of corporate executives (OECD, 2016; Cadbury, 1992). Also, a most basic definition is that corporate governance is the collection of rules and incentives

by which the administration of a corporation is directed and managed to optimize profitability and long-term value for shareholders (Puni & Anlesinya, 2020). This suggests that, basically, corporate governance deals with the structure, practices, policies, and procedures of managing corporations, with a view of harmonizing the stakeholder claims and expectations; the key constituencies being shareholders, the management, customers, suppliers, financiers and the public (OECD, 2016; Scherer and Voegtlin, 2020; Cheffins, 2024). It creates targets and standards for Companies' activities and their evaluation, as well as guidance in risk mitigation, when promoting corporate responsibility and corporate sustainability (Mazol, 2026; Scherer and Voegtlin, 2020).

The nature of corporate governance therefore depends on the culture, laws, and the economy of a country, but the major aim of attaining this structure is to avoid corporate misconduct and encourage sustainability (Mazol, 2026; OECD, 2016). Corporate governance is very important because it influences the company's reputation, investor confidence, and capital. Business-society relations build trust between firms and investors which is critical in the levitation of capital in the emerging economies as described by Masli et al. (2021). Weak corporate governance policies and practices, for their part, lead to ineptitude, corruption, fraud and losses as demonstrated by the cases of Enron and WorldCom (OECD, 2016). In contrast, good corporate governance is embryonic to the realization of sustainable and competitive opportunities and advantages in today's complex international business environment. Indeed, effective corporate governance policies and practices demonstrate a company's obligations to multiple stakeholders, not just investors or shareholders (Mazol, 2026; Pan et al., 2022). In the context of Libyan Commercial Banks, the members of boards of directors (BODs) are responsible for corporate governance and long-term or strategic decisions of the commercial banks. Board members are core internal stakeholders of organizations, and they are responsible for a company's financial decisions and performance (Postuła and Kabut, 2020). Therefore, effective corporate governance policies and practices affect the financial decisions of commercial banks (Mazol, 2026; Owolabi, 2019). In brief, Corporate Governance matters because it enhances the corporate governance image and reputation of commercial banks, which benefits all stakeholders including shareholders, management, creditors, suppliers, customers, employees, and the government.

The next section provides the research context, by critically reviewing the challenges and opportunities facing the global commercial banking industry, focusing on the performance of the Libyan commercial banking sector in the national, regional and global context.

2.3 THE CHALLENGES AND OPPORTUNITIES FACING THE GLOBAL COMMERCIAL BANKING INDUSTRY, FOCUSING ON THE LIBYAN COMMERCIAL BANKING SECTOR

The section reviews the research context by comparing the key CG challenges and opportunities facing the Libyan Commercial Banking Sectors with those faced by other Commercial Banking Sectors in emerging economies, especially, countries in the MENA region. It also reviews the effects of Libya's unique economic and regulatory challenges on corporate governance effectiveness, to inspire positive change and progress in the commercial banking sector. These reviews enabled this researcher to critically understand the relationships between corporate governance and corporate profitability in the Libyan commercial banks relative to the overall profitability of the Libyan banking sector (Mazol, 2026; Shahwan and Fathalla, 2020). According to Almashhadani & Almashhadani (2022), corporate governance incorporates the rules that are for controlling and limiting decision making in a corporate environment. Additionally, it addresses the agency issues and helps to develop a good relationship between the senior managers of commercial banks and stakeholders – this is important because weak corporate governance is a root cause of financial crisis in many countries including Libya e.g., addressing tax avoidance practices is an important function of corporate governance (Mazol, 2026; Kovermann and Velte, 2019; Kastiel and Nili, 2021). Through the means of a good corporate governance system, stakeholders can make decisions that deliver the key objectives of increasing corporate profitability (Almashhadani, 2021). Effective and efficient corporate governance can add value to firms' performance through reducing the cost of agency and opportunistic behaviors such as empire building or manipulating financial results can be restricted (Mazol, 2026; Mansour et al., 2022; Tricker, 2019, 2025).

Libya falls under the domain of developing countries; therefore, its corporate governance regime is not as stable as in developed countries like the UK and USA. Therefore, Libya as a research context, represents an exclusive and fascinating environment for researching the impact of corporate governance policies and practices on corporate profitability and corporate social

responsibility disclosures (Alshbili et al., 2019; Mansour et al., 2022). For example, over time both political and economic forces have greatly impacted the development of the effective or good corporate governance regimes in Libya. Highlights of the politico-economic factors include the fact that, the 1953 Libyan Commercial Law include several of the essential principles associated with corporate governance today that provide structure of board along with the responsibilities and rights of shareholder (Mazol, 2026; Alshbili et al., 2019). In 2006 the Libyan Stock Market officially issued a second corporate governance code for listed companies, which was revised in 2010 but was not made mandatory because it was not issued with executive regulations (Masli and Elwalda, 2021; Mansour et al., 2022). This evidence of slow progress in the development of effective CG regime in Libya suggests that the corporate governance and accountability in the listed companies of Libya is still in the early stages of development because of the lack of awareness and knowledge related to the corporate governance (Mazol, 2026; Elshahoubi et al., 2019). This contrasts sharply with the progressive evolution of CG policies and practices in developed countries like the UK, where the corporate governance index is much higher (Dora and Bhanotu, 2020).

2.3.1 LIBYA'S POLITICAL AND LEGAL ENVIRONMENT AND CORPORATE GOVERNANCE

This section primarily reviews the circumstances prevailing in the Libyan political and legal arena as these shape the features and functioning of CG systems especially in commercial banks. Due to the continuous political instabilities in the country, the political and legal structures are virtually poorly set and worse still, are not well policed (Mazol, 2026; Altajouri and Ibrahim, 2003a/b), which destabilized the business environment thus making it hard for foreign investors and almost impossible for local firms to meet the international CG standards (Alzawawi, 2019). Added to this, there are shared responsibilities between and across different government agencies such that the jurisdictions of these different agencies become blurred resulting in conflicting regulations e.g., the Central Bank of Libya (CBL), as well as all the other financial regulatory authorities, do not always have clear mandates that can enhance policy implementation of the governance guidelines in the banking subsector (Alzawawi, 2019). This shows that, the development of Corporate Governance policies and practices in Libya, provides some helpful insights on the key role played by several stakeholders including board members, regulators, particularly the Central Bank of

Libya (CBL), and policymakers to promote CG practices in Libya (El-Brassi et al., 2018: Altajouri and Ibrahim, 2003a/b). The general historical, geographical, political and legal contexts of Libya have profoundly influenced both the economy and the development of CG (Mazol, 2026; Alzawawi, 2019). In this context, this researcher focuses on the emergence and current status of the country's accounting and auditing profession, the role played by the Libyan Stock Market, and the key legislative and regulatory steps that led up to the Central Bank of Libya's CG Code before discussing how some of the main CG mechanisms (i.e. the board of directors, sub-committees, and disclosure practices) are treated within this legislation.

The commercial banking sector is one of the most important sectors of the Libyan economy (Alzawawi, 2019), because it is one of the major financiers for most projects and institutions, following the inclusion of public sector enterprises in the implementation of social and economic development plans (Mazol, 2026; El-Brassi et al., 2018). As a result, it was necessary to take a range of appropriate measures to improve and repair the commercial banking sector to bring it in line with the new policies to shift the burden on the state, and so that the sector can contribute effectively to being able to provide a better environment for its development. In this context, it is important to acknowledge the fact that the applied legal system in Libya represents an Islamic fusion system which debatably has made it more complex for inclination towards world standard in corporate governance best policies and practices (Mazol, 2026; El-Brassi et al., 2018: Altajouri and Ibrahim, 2003a/b). For example, there is a potential conflict with Sharia Law which plays an important role in many aspects of Libyan commercial banking laws, as such there is a need for Libya to adopt corporate governance frameworks that appreciate religiosity but are, at the same time, globally competitive based on main elements of international CG codes (Altajouri and Ibrahim, 2003a/b). This view underpins the rationale for this doctoral thesis and is reinforced by the fact that there are no specialized courts for handling financial-based cases which would have resolved some of the corporate governance problems or challenges facing Libya.

1/Legislation Process: The Libya Company Law conflicts the Libyan code of conduct and Corporate Governance guidelines includes he CEO and board chairman can hold the position at times of crisis but Article 3-K prohibits the dual role.

2/Board Composition: LCC and Libyan Banking Law (LBL) lack regulations concerning the composition of executive and non-executive board members, unlike LCCG Article 4-K, which

mandates a majority of non-executive board members (Masli and Elwalda, 2021). Additionally, Libyan law does not mandate the formation of board committees for audits and nominations, as required by LCCG rules. Together, these challenges have led to legal formalities taking too much time to be fulfilled, thus causing much insecurity among the business community, making investors lack adequate confidence in an economy. Legal challenges are the hindrances that occur during the judicial proceeding that create challenge for the lawfulness or validity of the planning of the application (Law Insider, 2024). The incorporation of corporate changes requires to be associated with the law regarding fulfil the legal obligation (Aureli et al., 2020). The legal challenges in terms of corporate governance includes, corporate social responsibility, diversity of board, continuity of board, regulatory compliance, stakeholder proposals, increasing cybersecurity, transparency, and others. The companies are required to provide information to the stakeholders while maintaining the laws in terms of security and accounting rules (Mazol, 2026; Masoud, 2016). The increase in legal requirements is developing challenges for the board committee to perform essential board functions effectively (Kolev et al., 2019). In addition to this, the lack of understanding related to the corporate governance code along with weak supervision and insufficient training have negative influence on the corporate governance of Libya (Iswaissi and Falahati, 2017, 2019).

3/Conflicting Legislation: Code of corporate governance are the principles or guidelines that are designed regarding manage and monitor the company's code of conduct. It enables to develop responsible management that further leverage accountability, transparency, responsibilities, and fairness (Intact One, 2024). However, the company law in Libya that allows an individual to hold the position of CEO and Board chairman has the conflicting relation with the Libyan code of corporate governance as it prohibits dual role under the articles 3-k. The corporate governance is somehow incorporated in the Libyan companies however the Libyan Corporate Governance Code is not being effectively incorporated (Elshahoubi, 2019).

4/Board Composition: The composition of effective board of directors is the key factor to attain success for the business through the prolific decision making by the officials (Mazol, 2026; El Beshlawy and Ardroumli, 2021; Tricker, 2019, 2025; Osseo-Asare et al., 2025). There are dissimilar structures that could be followed regarding composed the board of directors based on different roles often create confusion for the governance structure of the company. Moreover, the rights of stakeholders can also develop conflicts among the stakeholders. According to Zagoub

(2019), the Commercial Activity Law directs that the board structure should be unitary that means comprising of both executive and non-executive directors (Tricker, 2019, 2025).

In brief, these challenges can be overcome by ensuring better corporate governance with legal frameworks in terms of corporate laws that call for less interpretation and hence less ambiguity in the legal framework – this would create a better investment climate.

2.3.2 LIBYA’S SOCIAL AND CULTURAL ENVIRONMENT AND CORPORATE GOVERNANCE

According to Zagoub (2019), even though the UN has made several efforts regarding stabilizing Libya, political instability has impacted the dynamics of the social and cultural environment which cumulative has become a major hinderance for the country to ensure effective corporate governance policies and practices. The prominent factors include incapability of the government to administrate the country effectually and sensibly, weak public administration, lack of decentralization, lack of training and understanding about the corporate governance system requirements, failure to reduce corruption, eliminate bureaucracy, and inability to develop effective financial and services management also contribute to the governance failure (Mazol, 2026; Zagoub, 2019; Cheffins, 2024; Foster, 2025). These factors, consequently, make the **adaptation of International corporate governance standards or principles**, more challenging, in the sense that the principles outlined in LCCG are influenced by those of developed nations with mature professional cultures and democratic legal frameworks - adapting these standards or principles to the local environment and investment climate in Libya, characterized by limited awareness and understanding of corporate governance, poses a significant challenge (Zagoub, 2019; Cheffins, 2024). Through the means of holistic approach of incorporating corporate social responsibility along with implementing environmental, social, and governance principles into the core strategies of the business the key objectives of coping with environmental challenges will be attained (Malik et al., 2023). The international standards set for the environmental prosperity ISO 14001 and water quality ISO 7704, provides the effective guidelines to acquire sustainable operational excellence along with complying with the legal requirements. Moreover, the stakeholders’ requirements are also being fulfilled through effective adaptation of international standards (ISO, 2024). The incorporation of corporate governance factors is the key requirement in terms of attaining environmental sustainability (Aguilera et al., 2021; Cheffins, 2024; Osseo-

Asare et al., 2025). However, the environmental and cultural challenges that are associated to Libya influence the corporate governance and effective business operations. As Libya is known for the country with the water scarcity thus it impacts on the climate and environmental factors of the country (UNDP, 2024). The environmental challenges negatively impact on the corporate social responsibilities that further requires effective corporate governance which will mitigate these challenges. Environmental, social, and governance advocacy represents the stance that the stakeholders' interests should be considered regarding serve society and sustain firm strategic goals through aligning with stakeholders' perspectives (Larcker and Tayan, 2021). To address this challenge would require a **social and cultural transformation**, involving a cultural shift towards accountability, transparency, and ethical practices, and enhancing employees' skills through long-term training programs, conferences, and changes in workplace culture (Mazol, 2026; Zagoub, 2019). The green climate fund and Libya's engagement have portrayed the positive aspect in regard of enhancing the climate issues. The national designated authority has been designed to create connections with the green climate funds and other valuable associated stakeholders (Fund, 2021). This indicates that the Libyan institutes are paving the way towards effective measures for the improvement of environmental challenging factors. However, Libya still requires enhancing its inclusive institutions along with the reforms and country dynamics (World Bank Group, 2023). The 1969 revolution has made Libya experience major changes in its political, economic, social, and cultural aspects. Moreover, it caused major impact on the media of Libya, and the media becomes free (Baryun, 2023). This further developed the stance of cultural transformation due to diversified ideologies that were reflected through the platform of media. This means in a **historical context**, by addressing these socio-cultural challenges vis-à-vis the politico-legal challenges mentioned above, will be crucial for Libya to strengthen its corporate governance framework, enhance investor confidence, and promote sustainable economic growth - it requires harmonizing conflicting laws, building institutional capacity, fostering cultural change, and adapting international best practices to local realities (Mazol, 2026; Zagoub, 2019). The Libya's independence was fuelled and guided by United Nation with the collaboration of United States and United Kingdom (Moradi et al., 2021). Thus, it justifies the viewpoint that Libya's cultural aspects are rooted with from diversified regions. Furthermore, the events that took place in Libya in the year 2019 established that there is the essential requirement of the education associated to democracy (Alshbili et al., 2019). According to Alshbili et al. (2019), there is significant

requirement of enhancing the corporate social responsibility disclosure in the developing countries like Libya. However, apart from the low corporate social responsibility disclosure in Libya the influence of strong ownership reflects positive impact on it.

2.3.3 LIBYA'S ECONOMIC AND FINANCIAL ENVIRONMENT AND CORPORATE GOVERNANCE

The political unrest in Libya since 2011 when the Gaddafi fell has paved the way for economic difficulties for the region. The lack of governance in terms of weak board governance, feeble legal and regulatory factors have significantly contributed in the challenges to effectively run the corporate governance (Mazol, 2026; Masli & Elwalda, 2021). Also, the mismanagement of resources such as oil have created a challenge for the country's economic stability - in addition to this, the lack of diversification in the economy has restricted the economic growth of Libya (Omar, 2021). Along with this, the lack of corporate governance was increasing because of the insufficient expertise in the domain of corporate governance. Moreover, there were no stable legal framework or regulations which add on to the ineffectiveness of business through developing uncertain environment and complexities. Furthermore, the most prominent aspect for financial and corporate governance challenges was the rising rate of corruption. The corporate governance practices were unable to be performed due to the lack of accountability and transparency within the system.

Although listed companies of Libya have incorporated corporate governance mechanism, however, there are inadequate practices related to the corporate governance codes (Mazol, 2026; Elshahoubi, 2019). For example, some companies are following the board of directors' mechanism but there are still inadequate practices related to transparency and level of disclosure (Elshahoubi et al., 2019) Also, some listed companies follow internal and external audit mechanisms however, some stakeholders claim that these mechanisms are not strong enough for the robust internal system of controls required for effective corporate governance (Mazol, 2026; Elshahoubi, 2019). This evidence supports the view that Libya does not have effective legislative framework that ensures successful implementation of corporate governance and accountability practices (Elshahoubi, 2019). This further highlight the fact that a weak legal framework in Libya is another matter of concern apart from the accountability mechanism which hinders the effective integration of corporate governance policies and practices within the country.

Corporate governance regulations mandated by stock markets necessitate the creation of various committees within Libyan enterprises including commercial banks (Magrus, 2012). For instance, according to the LBL (1/ 2005), some committees e.g., nomination and audit must consist of at least nine members each; however, in majority of Libyan firms, notably in banking, typically have smaller committees of five to seven members (Magrus, 2012; Abdulsaleh, 2017). Additionally, these regulations require designated roles such as heads of corporate governance, risk analysis, internal control, and audit, imposing significant financial burdens on companies (Mazol, 2026; Magrus, 2012). In terms of financial difficulties there are various risks associated including, operational risk, in contrast to liquidity and credit risks, which mostly originate within financial institutions – these risks are however challenging to evaluate, and have the potential to endanger the institution's existence (Magrus, 2012; Abdulsaleh, 2017). Globally, prior research shows that banking activities are becoming increasingly complex, because financial institutions rely more on specialized skill and creativity (Tricker, 2019, 2025; Osseo-Asare et al., 2025; Cheffins, 2024; Magrus, 2012). This reliance on expertise and innovation however tend to create operational risk, which is one of the most challenging hazards for financial institutions to handle (Tricker, 2019). In addition, incorrect regulations can pose a significant risk to income by causing unproductive processes, resulting in operational gaps inside the bank e.g., commercial banks typically employ many ways to effectively handle operational risk, one of which is the basic indicator method (BIA) (Mazol, 2026; Cheffins, 2024; Osseo-Asare et al., 2025). Financial difficulties include lack of operational efficiency, which can be attained when the optimal combination of personnel, techniques, and machinery collaboratively enhance productivity, while also reducing regular operational expenses as expected (Tricker, 2025). As a result, commercial banks in Libya are expected to increase availability of resources for new innovative initiatives, which will enhance the organization's competencies (Abdalla et al., 2015). More specifically, a commercial bank's operational efficiency refers to the bank's operational policies that are financially successful, efficient, and rely on logical utilization of resources (Abdulla and Gweirif, 2019). To evaluate the effectiveness and profitability of banks' operational strategies, especially those linked to finance, they utilize a set of performance ratios associated with the risks resulting from the malfunctioning of internal processes, individuals, and systems (Mazol, 2026; Abdalla et al., 2015). For example, Islamic banks have operational risk due to potential losses resulting from non-compliance with sharia principles and failure in fiduciary duties (Abdulla and Gweirif, 2019). Like commercial

banks in the UK, Libyan banks also faced pretty much the same challenges at different phases of their development depending on their corporate profit performance (Abdalla, 2015; Abdalla et al., 2015), e.g., Libyan Banks act as the middleman when it comes to the supply of lending and advancing to clients. In addition, Libyan banks channel the deposits of small and medium businesses and lend them to individuals who need loans etc. in accordance with Libya's commercial banking regulatory body guidelines and strict policies on deposits and lending. In the MENA region including Pakistan, commercial banks are the foundation for a stable economy due to the fact they invest the deposits of people and businesses in support of the financial system (Mazol, 2026; Abdalla, 2015; Abdalla et al., 2015; Cheffins, 2024). Because Libya's economy heavily depends on oil exports, it is vulnerable to global commodity price fluctuations (Saldana Quintans, 2021). In response, the government is striving to diversify economic activities and expand business ownership across the nation (Mazol, 2026; Saldana Quintans, 2021). In brief, the evidence from the Libyan and global economic and financial environment indicate that a crucial step towards a more open economic and financial model involves the development and implementation of a robust corporate governance framework, as highlighted by the Libyan Stock Market (LSM) through the Libyan Corporate Governance Code (LCGC) - this initiative would foster investor confidence, particularly in emerging sectors like tourism and export-oriented industries in Libya (Saldana Quintans, 2021).

2.3.4 LIBYA'S TECHNOLOGICAL AND ECOLOGICAL ENVIRONMENT AND CORPORATE GOVERNANCE

Although, the implementation of technology organization environment model in the Libyan financial institutes will help develop effective financial reporting systems through internet financial reporting, the adoption of internet technology as part of the corporate governance framework in commercial banks will add more value to the banks' financial reporting system (Mazol, 2026; Lihniash et al., 2019). Indeed, the adoption of internet technologies, along with prolific administration and effective corporate governance means financial institutions in Libya can be monitored effectively in terms of performance (Lihniash et al., 2019; Tricker, 2025). According to Elmansori and Ishak (2021), the government should build public trust in the governance system and in the use of internet to enhance the corporate governance system. This further **highlights** the stance that innovative technology can be a productive approach within the corporate governance system. However, the citizens of Libya need to be satisfied through the

transparency of the process regarding ensure the effectiveness of process and continuous development.

The changing dynamics of technological and ecological environment in the southern mediterranean region have significant impacted Libya's corporate governance system (Elmansori & Ishak, 2021; Foster, 2025). Libya whose economy relies on oil and gas corporate governance regimes is very much interested in how to manage the interaction between technology and environmental issues especially pollution and land degradation (Elshahoubi, 2019; Tricker, 2025). The oil sector which is a key player in Libya's economy needs good and sound corporate governance structures which addresses issues relating to the ecological environment. Nevertheless, the implementation of environmental laws has received limited support which complicates efforts to standardize with international counterparts. It is therefore appropriate to critically evaluate how technological and ecological environmental developments are evolving across different parts of the world and the impact these developments are having on Libyan firms' including commercial banks' ability to incorporate digital solutions to stay up to date and enhance corporate governance systems. However, Libya has some challenges mainly resulting from a weak technological infrastructure that threatens to slow down the much-needed innovative improvements in functions and accountability (Elmansori & Ishak, 2021; Cheffins, 2024). For example, some Libyan companies are still utilizing conventional methodology in documenting and reporting processes, which we know are slower and more prone to errors than digital reporting platforms that are present in developed market systems. In addition, technology is now a very significant component of corporate governance domains including risk management, compliance and auditing e.g., machine learning and some form of distributed ledger like the blockchain could be utilized to increase efficiency and integrity that are critical to sound corporate governance (Lihniash et al., 2019). But as it has been seen, Libya which possesses these capabilities has not made significant investment in such technologies and lacks adequate experience to enhance the openness and effectiveness of the governance systems. To reverse this negative trend in the adoption of technologies, it is necessary to pay attention to efforts to improve board members' and managers' knowledge of the practical usage of information and communication technologies (ICTs) including social media platforms to improve corporate governance performance results. In brief, Table 2.1 below provides a summary of key opportunities, challenges, research questions, and related references.

Table 2.1

Summary of Macro-environmental Factors impacting Corporate Governance in Libya: key opportunities, challenges, and research questions

Source: various

Macro-Environmental analysis	Challenges	Opportunities	Key Research questions	Key references
Political and legal influences	An unfavorable business environment makes it hard for foreign investors and local firms to meet the international CG standards.	Increasing efforts are in progress to bring about political and legal stability, e.g., the UN, MENA, and AU.	1/When would the continuous political and legal instabilities in the country come to an end? 2/How effective are the Regulatory Bodies in policing CG policies and practices? 3/What are the Prevailing Corporate Governance Structures in the Libyan Commercial Banking Sector? /SRQ1. 4/What are the Key Barriers Preventing Effective Corporate Governance Implementation in Libyan Commercial Banks? /SRQ3. 5/What Corporate Governance Reforms can be Implemented to Enhance the Profitability and Efficiency of Libyan Commercial Banks? /SRQ4. 5/ How do corporate governance mechanisms impact the profitability of commercial banks in Libya? /PRQ	Mazol (2026), Libya (2021, 2022, 2023), Magrus (2012), Tricker (2019, 2025), Cheffins (2024).
Social and Cultural influences	UN's efforts have not fully delivered stability in the socio-cultural environment - a major hinderance for effective corporate governance policies and practices.	The dynamics of the social and cultural environment continue to show positive signs of stability, e.g., management of public institutions, training, efforts to reduce corruption, and eliminate bureaucracy.	1/How effective are the initiatives for improving social and cultural harmony? 2/How are socio-cultural factors embedded in commercial banks' CG policies and practices? 3/What are the Prevailing Corporate Governance Structures in the Libyan Commercial Banking Sector? /SRQ1. 4/What are the Key Barriers Preventing Effective Corporate Governance Implementation in Libyan Commercial Banks? /SRQ3.	Mazol (2026), Zagoub (2019), Foster (2025), Cheffins (2024), Tricker (2019, 2025).
Economic and financial influences <i>How do corporate governance mechanisms impact the profitability of commercial banks in Libya? /PRQ</i>	Although listed companies have incorporated CG mechanisms, there are inadequate policies and practices relating to CG codes on transparency, level of disclosure, internal and external audit mechanisms.	Further improvement of the board of directors' mechanism is needed, focusing on transparency and level of disclosure, and audit mechanisms.	1/What initiatives are available to update corporate governance mechanisms relating to firms' inadequate CG policies and practices relating to CG codes? 2/ How do corporate governance mechanisms impact the profitability of commercial banks in Libya? /PRQ. 3/What are the Prevailing Corporate Governance Structures in the Libyan Commercial Banking Sector? SRQ1. 4/To What Extent Does Corporate Governance Influence Key Profitability Indicators Such as Roa, Roe, And Nim in Libyan Commercial Banks? SRQ2 .5/What are the Key Barriers Preventing Effective Corporate Governance Implementation in Libyan Commercial Banks? SQR1.	Mazol (2026), Zagoub (2019), Foster (2025), Cheffins (2024), Tricker (2019, 2025).
Technological and ecological environmental influences	Ongoing difficulties associated with the effective implementation of the Technology Organization Environment Model in the Libyan financial institutes e.g., internet financial reporting.	Searching for FDI flows to further develop internet technology for the Commercial banking sector in Libya.	1/What are the alternative sources of funding or investment flows to further develop internet connectivity and digitalization focusing on the Commercial banking systems? 2/What Are the Prevailing Corporate Governance Structures in The Libyan Commercial Banking Sector? SRQ1. 3/What Are the Key Barriers Preventing Effective Corporate Governance Implementation in Libyan Commercial Banks? SRQ3	Mazol (2026), Lihniash et al. (2019), Elmansori & Ishak (2021), Elshahoubi (2019), Tricker (2019, 2025).

The next section provides a critical analysis and evaluation of alternative theoretical frameworks for effective corporate governance policies and practices.

2.4 THEORIES UNDERPINNING CORPORATE GOVERNANCE; AGENCY, STEWARDSHIP, RESOURCE DEPENDENCY, SHAREHOLDERS, STAHEHOLDERS, & INSTITUTIONAL.

This section critiques various theories of corporate governance emerging from different perspectives, e.g., Agency Theory, Stewardship Theory, Shareholders Theory, Stakeholders Theory, Resource dependency Theory, and Institutional Theory (Mazol, 2026; Tricker, 2019, 2025; Cheffins, 2024; Foster, 2025; Swain, 2020). These theories represent frameworks or lenses or mechanisms for explaining the often-conflicting relationship between shareholders or owners of a business organization and stakeholders (Mazol, 2026; Swain, 2020).

2.4.1 AGENCY THEORY: SHAREHOLDERS (PRINCIPALS) AND BOARD OF DIRECTORS (AGENTS)

In response to the primary research question (PRQ) in this study (i.e., How do corporate governance mechanisms impact the profitability of commercial banks in Libya?), this researcher refers to the Agency Theory depicted in Figure 2.1 below.

Figure 2.1
Agency Theory
Source: various



The agency theory defines the conflicting interests between shareholders and board of directors of a company and asserts that management is responsible to shareholders for how they oversee the supervision of a company's resources (Mazol, 2026; Tricker, 2025). According to Dong et al. (2021), two conditions must exist for challenges of CG to become apparent: (i) owners and management have a conflict of interest or agency issues - shareholders, managers and directors, have a financial stake; (ii) conflicts of interest and agency-related difficulties cannot be resolved using contracts. Dong et al. (2021) presents a variety of reasons why it is not always possible to resolve an agency problem via the use of contracts. These explanations are presented in the context of the several reasons that identify the barriers in fixing the issues. Companies have limited duties, the most important of which are to comply with the law and prioritise shareholder interests. Even if the primary objective of companies should be to grow the wealth of their shareholders, there is still a problem in that agents do not always make decisions that are in the best interest of the people they are entrusted with serving, commonly known as the principals (Swain, 2020; Tricker, 2019, 2025;). The challenge occurs when agents prioritise their own personal interests above the achievement of their superiors' objectives.

To provide clarity on the subject, not all commercial activity and transactions are governed by contracts e.g., costs involved with the establishment and enforcement of contracts are referred to collectively as agency expenditures (Foster, 2025). If shareholders sought to ensure that all decisions and actions made by the company's management were in line with their interests, they would pay astronomical agency expenses (Swain, 2020; Cheffins, 2024). The implementation of CG practises obligates directors and management to plan and then implement decisions that align their interests with those of shareholders (Vargas-Hernández and Teodoro Cruz, 2018; Swain 2020). These CG solutions may be used to combine the interests of both parties into a single entity. One of the strategies would be based on the individual performance of each employee, with managerial incentives corresponding to the level of employee success. Another method of compensating managers is to offer them the opportunity to purchase shares at a price below the current market price (Mazol, 2026; Vitolla et al., 2020; Tricker, 2025). This is done as a technique of encouraging staff to study concepts that may increase shareholder profits. Kovermann & Velte

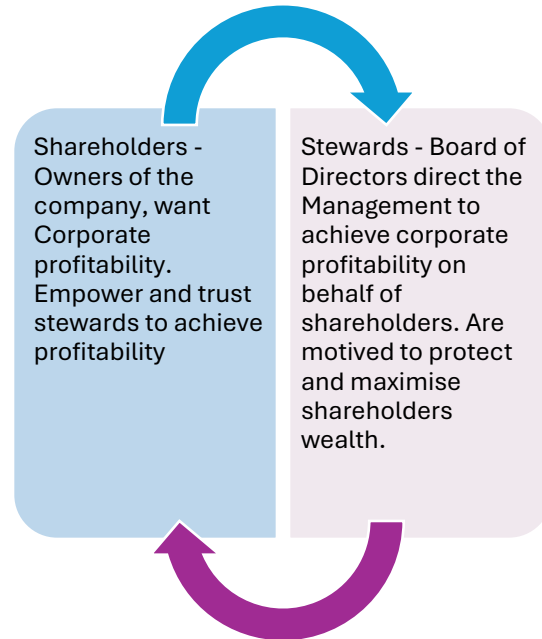
(2019) argue that the combination of concentrated ownership and the legal consideration of all types of investors may be able to establish an effective corporate governance structure. To protect the interests of their shareholders, corporations were compelled to build solid corporate governance systems. In addition, small investors, who represent the minority interest, need legal protection against the dishonest conduct of major investors (Mazol, 2026; Swain, 2020; Cheffins, 2024; Osseo-Asare et al., 2025). Effective legal protection of shareholders' interests, particularly minority shareholders' interests, has the potential to reduce agency costs and mitigate the agency problem, whereas ineffective legal protection of shareholders' rights has the potential to exacerbate the agency problem and raise the costs (Mazol, 2026).

It is important to note that, even countries with a civil law system rather than a common law system, lack comprehensive regulations protecting minority shareholders. This is especially true in nations that do not conform to common law standards (Tricker, 2025). The agency hypothesis says that a manager's efforts are not primarily focused on enhancing the value of the business most of the time. This is a fundamental foundation upon which the agency theory rests (Mazol, 2026; Bae et al., 2018; Tricker, 2025). Instead, they prioritise several goals that are consistent with the pursuit of their interests. Furthermore, the responsible individuals do not have access to all data types. Consequently, the amount of information accessible to the principal and agent will vary. The authority of shareholders to influence all management decisions and business operations, for instance, may be restrained by the rights or interests of other stakeholder groups, which must also be considered (Kovermann & Velte, 2019; Tricker, 2019, 2025). This control might be restricted to the level at which choices are made. Therefore, shareholders may not have the authority to oversee the logics and procedures behind the recording of transactions. This situation can occur if shareholders lack the power to monitor these concerns (Mazol, 2026; Vargas-Hernández and Teodoro Cruz, 2018; Cheffins, 2025; Tricker, 2025). Because it is difficult for the agent to keep track of all the choices and acts that may influence both his own and the principal's interests, agency issues develop. Consequently, it is more challenging for the agent to work in the principal's best interests. In brief, to answer the primary research question (PRQ) in this study, requires critical understanding of the relationship between 'principal' (shareholders) and 'agent' (board of directors) in terms of how corporate governance mechanisms impact the profitability of commercial banks in Libya.

2.4.2 STEWARDSHIP THEORY

As shown in Figure 2.2 below, the Stewardship theory or framework of corporate governance states that management is a steward of their organization and their role is to protect and maximise shareholders' wealth through improved performance results (Mazol, 2026; Tricker, 2025; Cheffins, 2024).

Figure 2.2
Stewardship Theory
Source:various



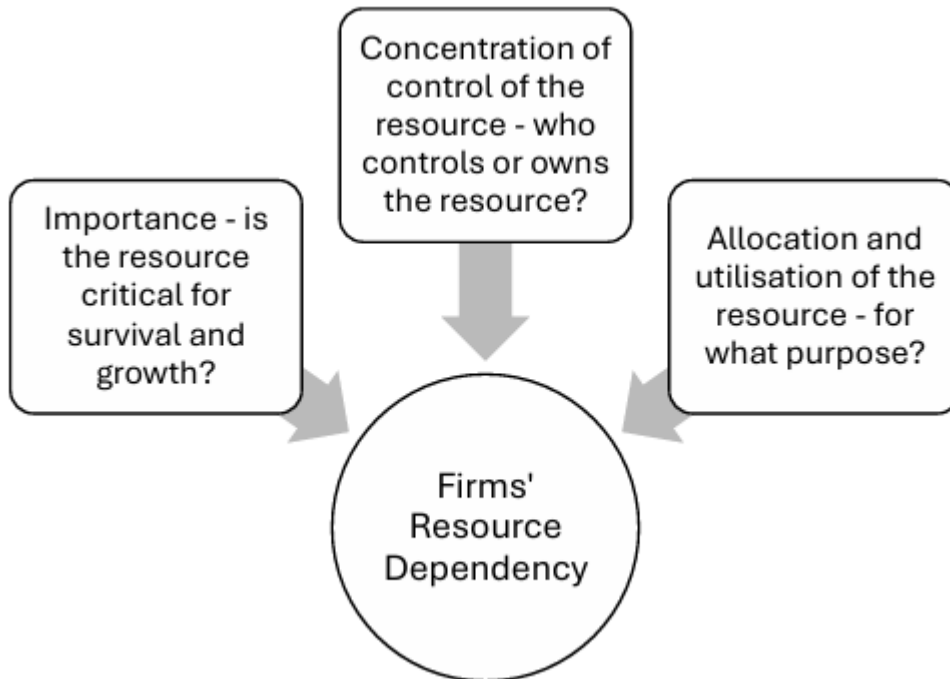
It is based on two assumptions, first, that managers as stewards are motivated to work collectively rather than individually to achieve the goals of their organization because they have been entrusted with that responsibility (Mazol, 2026; Foster, 2025; Cheffins, 2024). Second, that managers as stewards need to accept the responsibility of managing the organization on behalf of owners or shareholder of the organisation (Mazol, 2026; Tricker, 2019; 2025). In brief, there is a clear link between Agency and Stewardship theories, in the sense that Stewardship theory represents a theoretical framework for understanding the motivation, responsibility, duty of care, and accountability of the board of directors or management (agents) to shareholders (principals in

Agency Theory) in relation to corporate governance policies and practices (Mazol, 2026; Tricker, 2019, 2025; Foster, 2025).

2.4.3 RESOURCE DEPENDENCY THEORY

Figure 2.3 present the Resource dependency theory (RDT) as a theoretical framework for explaining how the board of directors (BOD) of a company manage the critical external resource dependencies to improve the company’s performance, survival and growth (Tricker, 2019, 2025; Foster, 2025).

Figure 2.3
Resource dependency Theory
Source: various



?

It highlights three key components of RDT, namely, ‘importance of the external resource(s) to the company’, ‘the concentration of resource control’, and ‘how the resources are to be allocated and utilized’ (Tricker, 2019, 2025; Foster, 2025; Osseo-Asare et al., 2025). RDT therefore, helps to explain a company’s dependency on suppliers of critical external resources and its collaborative efforts or power relations with external partners or suppliers, aimed at getting access to or utilizing those critical resources (Mazol, 2026; Foster, 2025; Cheffins, 2025). RDT is based on two fundamental assumptions, first, a company is an open system dependent on critical resources from

the external environment through effective networking arrangements; second, a company that lacks critical resources for survival and growth must develop collaborative partnerships with external partners/suppliers with the aim of gaining access and/or using those critical resources (Mazol, 2026; Tricker, 2025; Foster, 2025).

2.4.4 SHAREHOLDERS THEORY: FOCUS ON CORPORATE PROFITABILITY

The Shareholders Theory was introduced and made famous by the economist, Milton Friedman in 1970 and referred to simply as the ‘Friedman Doctrine’ (Tricker, 2019, 2025; De Wit, 2025; Foster, 2025; Friedman, 1970), based on the argument that, a profit-making organisation, does not have a social responsibility to society or the public, but has a single responsibility to only shareholders (Tricker, 2019, 2025; Foster, 2025; Friedman, 1970). Shareholders are, therefore, crucial in controlling the organization with their interest along with maximizing the sustainable wealth of the firm through optimization of several relationships.

2.4.5 INSTITUTIONAL THEORY – NEW INSTITUTIONAL SOCIOLOGY (NIS)

Institutional theory is also referred to as a ‘New Institutional Sociology (NIS)’ which provides an explanation for adoption of corporate governance policies and practices (Foster, 2025; Musa and Ibrahim, 2022; Tricker, 2025). Institutional theorists contend that organisations including commercial banks, are part of a network of cultural norms, values, and beliefs, as such, organisations so often adopt policies and practices that are respected in their social and cultural context (Jackson, 2018; Chan, 2020). Indeed, Jackson (2018) claimed that organisations must abide by laws and norms to maintain their legitimacy. In this study, the NIS theoretical framework is integrated into the broader Stakeholder theory of corporate governance to help analyse and explain the many institutional or organisational factors that have influenced the way corporate governance as currently practised in Libyan Commercial Banks (Musa and Ibrahim, 2022; Bae et al., 2018). In this context, Boström et al. (2018) stated that the institution makes the social stuff of systems and life of prevalent social rules and established structures of social interactions. According to Boström et al. (2018), an institution encompasses not only the structures, rules, norms, values, roles, processes, and behaviours of a single organisation as well as those of several organisational systems - collaborating to accomplish a shared goal (for instance, to encourage the

excellent corporate practice of governing and enforcing them). More specifically, the word institutionalisation is used to describe the process of ingraining societal notions, guidelines, expectations, roles, and behaviours inside a social system, an organisation, or a society (Hersberger-Langloh et al., 2021). In addition, institutionalisation emphasises the multiplicity of roles of influences like values, cognition, perception, politics, and power for how things evolve and then are shaped after some time (Ta'Amnha, 2020). In this study, it offers the researcher a helpful framework for comprehending the socioeconomic, political, and legal effects on organisations, especially, Commercial banks in Libya.

2.4.6 STAKEHOLDERS THEORY: FOCUS ON CORPORATE GOVERNANCE

This section adopts a broader definition of the term ‘stakeholders’ under two categories, namely, internal stakeholders (e.g., directors, managers, other employees), and external stakeholders (e.g., shareholders, government, regulators, competitors, communities or society) (De Wit, 2025). It is important to note that ‘internal stakeholder’ e.g., directors can become shareholders (De Wit, 2025). The “Stakeholder theory” as a framework for understanding corporate governance appeared in the year 1970, and established itself gradually to deals with the interests and rights of different groups of people or stakeholders, including employees, government, auditors and others and spreads corporate responsibility to several sectors of society instead of just focusing on the stakeholders (De Wit, 2025; Alazzabi et al., 2020; Freeman, 1984). As a theory or framework for corporate governance it focuses on business ethics and corporate social responsibility (CSR) of companies (De Wit, 2025; Freeman, 1984). For instance, a McKinsey study of foreign investors found that when choosing which firms to invest in, corporate governance in Africa and Eastern Europe is "equally, if not more, critical than financial difficulties" according to 85% of international investors surveyed by McKinsey & Co. in the year 2002 (Ahmad and Ishwerf, 2014). The Anglo-Saxon system of corporate governance has acquired formal support for “stakeholder theory”, which is reinforced and promoted by the continental system (Mazol, 2026; Tricker, 2025). One research article, for instance, suggested that members of several stakeholder constituencies be selected for a unitary board. The research found that companies must be held accountable for how their actions impact various stakeholders. The stakeholder hypothesis is backed by the fact that stakeholders expect their own interests to be served through inducements since they are not

only affected by companies but also by them when they make "contributions" to them (Mazol, 2026; Masli et al., 2021).

Additionally, stakeholder theory has broader interests which focuses on shareholders' interests/values (e.g., corporate profitability), which requires enhanced productivity through repeat customers that result in increased sales revenue/turnover (Foster, 2025; Tricker, 2025; Olalere, 2021). This shows that the dominant corporate governance paradigm should be based on the concept of stakeholder value which incorporates Agency, Stewardship, Shareholder theories, that further drives the organizations to achieve corporate profitability (De Wit, 2025; Osseo-Asare et al., 2025; Tricker, 2025; Hart and Zingales, 2022; Masli et al., 2021; Freeman, 1984). Moreover, the growing awareness related to sustainability has increased the value of corporate governance and sustainability (Masli et al., 2021; Foster, 2025). Also, the UN sustainability development goals framework has been incorporated within the corporate domain regarding achieving sustainable objectives (Naciti et al., 2021; Foster, 2025; Farrell, 2018). These developments raise questions about, to how corporate governance mechanisms impact the corporate profitability of commercial banks in Libya (which is the primary research question for this study/PRQ).

In brief, Table 2.2 below provides a synthesis/summary of key findings, assumptions, arguments made by the different theories underpinning corporate governance – as explained above -, primary and secondary research questions, and related references.

Table 2.2
Summary of key theoretical arguments, research questions, and related references
Source: various

Theories of corporate governance	Key assumptions or arguments	Specific questions linked to Primary and Secondary Research Questions	Key references
Agency Theory	Assume Shareholders are the principals and Board of Directors (the agent) of a company, and Management is responsible to shareholders.	Are Shareholders of Commercial Banks in Libya in conflict with Board of Directors, and Management? If not, why not?	Mazol (2026), Tricker (2025), Swain (2020), Vargas-Hernández & Cruz (2018), Vitolla Raimo & Rubino (2020), Kovermann & Velte (2019), Bae et al. (2018).
Stewardship Theory	Assumes Management is a steward of their organization, and their role is to protect and maximize shareholders' wealth through improved performance results.	How effective are Managers of Libyan Commercial Banks in protecting and maximizing shareholders' wealth through improved performance results?	Foster (2025), Mazol (2026), Tricker (2019, 2025), Cheffins (2024), Foster (2025), Osseo-Asare et al (2025).
Resources dependency Theory	Assumes the board of directors (BOD) of a company manages critical external resource dependencies to improve the company's performance, survival, and growth.	How valuable/effective were the collaborative relationships with external partners to support Libyan Commercial Banks in the past decade e.g., since Covid-19 pandemic?	Mazol (2026), Osseo-Asare et al. (2025), Tricker (2019, 2025), Cheffins (2024), Foster (2025).

Shareholders Theory	Assuming profit-making organizations are responsible to only shareholders. Shareholders control the organization to maximize their wealth.	How strong/effective has Shareholders' control of Libyan commercial banks been since Covid-19?	Friedman (1970), Mazol (2026), Olalere (2021), Derakhshan et al. (2019), Karpoff (2021), Almagtome et al. (2020), Salvioni & Gennari (2020), Amis et al. (2020), Sakawa & Watanabel (2020), Bridoux & Vishwanathan (2020), Tricker (2019,2025), Foster (2025)
New Institutional Sociology	Assumes an institution encompasses not only the structures, rules, norms, values, roles, processes, and behaviors of a single organization as well as those of several organizational systems - collaborating to accomplish a shared goal (for instance, to encourage the excellent corporate practice of governing and enforcing them).	How is New Institutional Sociology theory linked with Stakeholders Theory and the other related theories of corporate governance?	Boström et al. (2018), Ta'Amnha, (2020), Farrell (2018), Jackson (2018), Volberda et al. (2021), Lounsbury & Glynn (2019), Li et al. (2019), Shubham et al. (2018), Olson et al. (2018), Klymenko & Halse (2021), Sarta, Durand & Vergne (2021), Bananuka et al. (2019), Ferdous, Adams & Boyce (2019), Alsharari (2022), Berti & Simpson (2021), Imhanze & Belonwu (2019).
Stakeholders Theory	Assumes the interests and rights of different groups of people or stakeholders' matters.	Which stakeholder groups including shareholders should Libyan Commercial Banks focus on the most and the least in the Libyan context?	Mazol (2026), De Wit (2025), Alazzabi et al. (2020), Ahmad & Ishwerf (2014), Masli et al. (2021), Masoud (2016), Omar (2021), Tricker (2019, 2025), Foster (2025), Foster (2025).

This above theoretical framework underpins the conceptual framework (Figure 2.6) for this study which focuses on how stakeholders and shareholders perceive how Libyan Commercial Banks' corporate governance influences corporate profitability. Accordingly, the purpose of the conceptual framework is to ascertain how various stakeholders perceive the nature and function of corporate governance practices in Libyan Commercial Banks in the context of corporate profitability. It also aims to examine the corporate governance practices that Libyan Commercial Banks have adopted and determine whether there are institutional differences between them. The inherent conflict between the interests of shareholders and management is the fundamental problem that agency and stewardship theories seek to explore and ultimately resolve (Tricker, 2025; Foster, 2025; Musa and Ibrahim, 2022). The conflict is not restricted to these divergent interests; it also encompasses disagreements between huge investors and small stockholders, especially in developing countries including Libya (Musa and Ibrahim, 2022; Bae et al., 2018).

Shareholders can also be used as a channel that fosters good governance practices, and Institutional investors, as active shareholders, are capable of affecting corporate governance policies and practices through voting, dialogue with the board, and through other skilled resolutions, which have been accepted overwhelmingly as an efficient way of monitoring boards and propping for improved corporate governance (Musa and Ibrahim, 2022; Bae et al., 2018). This shareholder engagement is particularly important in the Libyan context where the emphasis is gradually transferring to more demanding standards of accountability and transparency in corporate

management decisions (Mazol, 2026; Musa and Ibrahim, 2022; Bae et al., 2018). Promoting shareholders' activity in the process of governance can contribute to the filling of the existing regulatory voids and enhance corporations' responsibility. Finally, it must be concluded that the processes of corporate governance allow for the use of both internal components of the companies, for example, the board of directors, and external ones, especially norms defining the activities of the corporations in the field of corporate governance, as well as market factors. Efforts have been made and need to be further reinforced, particularly in an emergent economy such as Libya to improve corporate transparency, shareholder rights, and firm sustainability.

The broad definition of the stakeholder theory if well applied goes a long way in dealing with the factors that come with weak institutional frameworks and enhance the business environment in several ways. For example, 1/**structure of ownership** - ownership concentration is an organic reaction to inadequate investor protection under the law, but that it has little apparent impact on firm performance (Mazol, 2026; Khanna and Palepu, 2000; Shin-Ping and Tsung-Hsien, 2009; Hellman, 2005; Wei and Geng, 2008; Postuła and Kabut, 2020; Sabirov et al., 2021; Pan et al., 2022; Zelenyuk and Zheka, 2006; 2/**rights of shareholders and legal defenses** - the global legal and regulatory framework significantly contributes to improving corporate governance standards within businesses, due to the fact that the degree of a nation's legal system impacts the company's level of corporate governance processes, including the makeup of board committees, the ownership structure, transparency, and conversation (Kentikelenis and Babb, 2019; Elshahoubi et al., 2019); 3/**challenges implementing International corporate governance standards** – due to conflicting laws e.g., Libyan Company Law permit the appointment of chief executive officer and board chairman in the same company while corporate governance code discourage duality between the two positions (Elshahoubi, 2019; World Bank, 2023); 4/**insufficient cross-industry comparison on Islamic and conventional banking systems** - corporate governance holds a very significant importance in the Islamic banking sector of Libya, but at the same time, there is a lack of research done to carry out a proper comparative analysis of the results of Islamic and conventional corporate governance structures in the organization (Elshahoubi, 2019); 5/**unexplored link between governance and profitability in the Libyan banks** - despite the fact that ample literature has been published globally with regard to the role of corporate governance on firm profitability, it is acknowledged that the dynamics and understanding of the application of

the phenomenon is still limited particularly in the context of the Libyan banking sector (Zagoub, 2019; Elshahoubi et al., 2019). 6/**lack of governance adaptation to capture post conflict economies** - post conflict economy such as that of Libya presents unique dynamics in company law and corporate governance reconstruction, due to the diluted environment requiring strong institutional foundation (Iswaissi and Falahati, 2017, 2019); 7/**stakeholders' awareness and training in corporate governance** - enhancing the effectiveness of the governance practices in Libya requires informed and trained stakeholders in the frameworks of the CG codes and practices (Iswaissi & Falahati, 2017, 2019; Elshahoubi, 2019; Elshahoubi et al., 2019); 8/**ensuring transparency and accountability** - transparency and accountability are important governance issues, but have not yet been optimally achieved in the Libya context - the existing governance practices; corruption and low accountability erode the probable gains of practiced governance codes (Mazol, 2026; Tricker, 2025; Abudirbala and Mukhtar, 2019).

The next section provides a critical analysis and evaluation of alternative theoretical frameworks for effective corporate governance policies and practices.

2.4.7 CORPORATE GOVERNANCE FRAMEWORKS ACROSS DEVELOPED AND DEVELOPING COUNTRIES: FOCUS ON UK AND LIBYA.

The Cadbury Report of 1992, P1 was the starting point of the development of corporate governance in the UK, and it states that in an **organization** the executive roles of the key personnel should be separated (Tricker, 2025; Osseo-Asare et al., 2025). It further elaborates that the audit committee should be separated for each group and that it will be comprised of non-executive members (Foster, 2025; Dora & Bhanotu, 2020). Furthermore, there should be 3 non-executive directors and there would be no financial affiliation with executives (Dora & Bhanotu, 2020). The last corporate governance code that is still valid in the UK focuses on developing the positive relationship between the company, stakeholders, and shareholders through the means of diversity that will indirectly result in long term success (Tricker, 2025; Dora & Bhanotu, 2020). The UK has paved the way for other countries to excel in corporate governance through introducing its Cadbury Report. Moreover, the reason behind the UK's process in the corporate governance is due to the association of the corporations with the informed principles which further indicates that the firm has incorporated the corporate governance codes (Osseo-Asare et al., 2025; Dora & Bhanotu,

2020). Additionally, in those scenarios when the codes are not being followed by the corporations then it is also informed why the governance rules are not followed (Shirwa and Onuk, 2020). The core reason behind the effective implementation of corporate governance code within the UK is because of the prolific governance (Tricker, 2025; Dora & Bhanotu, 2020). Under the corporate governance 2018, code companies must justify the corporate governance compliance if not followed or in case any other governance practices are followed (Mazol, 2026; Ullah et al., 2020). This further **highlights** the fact that developed countries like the UK have effective and efficient corporate governance policies and practices due to the follow up process they must ensure every listed corporation is associated with corporate governance practices or codes (Osseo-Asare et al., 2025; Ullah et al., 2020).

Globally, changes in corporate strategy of companies brought significant changes in Corporate Governance policies and practices over the past decades (Tricker, 2019; 2025; Elfadli, 2019). The global standard has changed over the period e.g., in the last 10 years, and corporate governance has been changed, previously, corporate governance has only the role for long-term decisions of a company and fulfills the responsibility of board of directors (BOD) (Cheffins, 2024; Elfadli, 2018, 2019). The next chapter of data analysis and discussion of findings of many developed economies including USA, UK and Europe have been changed, due to domestic market crash in the USA which plays pivotal role in development of new corporate governance strategy and speculations of investments (Tricker, 2025). In addition, various incidents have taken place like the Case of Enron, the crises of financial investments and liquidity, and E-con, the biggest crisis of Lehman Brothers, enhanced the importance of Corporate Governance forcing shareholders to have more concern for their investment and to take part in management and board meetings (Elshahoubi et al., 2019). The financial crisis of Chaebols in 1997 in Korea, and the US subprime mortgage crisis in 2007, resulted in the requirements, coal markets, the bonds markets, stocks markets and real estate sector (Mazol, 2026; Fawzy, 2003). As a result, the management and board members of firms now have more concern for their investment, liquidity and financial performance of organizations. The implementation of good corporate governance policies and practices are therefore expected to help increase investment in the financial sector especially in developing and emerging markets including Libya (Mazol, 2026; Owolabi, 2019).

In the UK, unlike in Libya, the financial markets and international investments are stable, a direct consequence of good corporate governance policies and practices, it is therefore not surprising to see various international or global financial institutions headquartered in the UK (Tricker, 2025; Osseo-Asare et al., 2025; Owolabi, 2019; Magrus, 2012). Since the UK financial institutions, and investment markets provide opportunity for investors to gain profitability, the UK's Corporate Governance system a useful benchmark for other economies including Libya, due to the symmetric availability of information and international markets standards (Magrus, 2012; Owolabi, 2019). This is supported by prior research which analysed the various financial markets, including Stock markets, Bonds markets, which are known to be stable in the UK financial environment – and are a landmark in good corporate governance policies and practices (Magrus, 2012; Owolabi, 2019). For example, Corporate Governance practices identified in Cadbury's financial reports are used as landmark for shareholders, investors and audits, and UK companies use significance accounting practices and financial performance tools for ethical and corporate sustainability (Magrus, 2012).

In comparison, in Libya, the corporate governance concept is still evolving and has increasingly been adopted by many organizations including Commercial banks working towards better financial models to enhance their shareholders performance in terms of corporate profitability (Foster, 2025; Alsharari, 2018). In addition, it is important to note that, historically the financial performance of companies has decline due to increase in financial constraints and lack of financial resources (Alsharari, 2022). Libya's Commercial banking sector has and continues to face many external environmental challenges due to changes in the political and legal, economic, and financial, social, and cultural, technological, and ecological environmental forces (Alsharari, 2018). The banking sector continues to play the traditional role of financial intermediation to people in relation to investments, savings, and current account services (Alsharari, 2022; Khan et al., 2020b). Financial intermediation is distinguished from other economic activities by its involvement in gathering and analysing information on economic agents, as well as the bundling and restructuring of financial claims, and the establishment of financial contracts (Khan et al., 2020a). The nature of intermediation has undergone significant transformation in the past thirty years because of shifts in macroeconomic policy, liberalization of capital accounts, deregulation, advancements in financial theory, and technological innovations (Alsharari, 2018). For example, the lending-focused operations that define traditional banking have been substituted by fee-based services that provide direct interaction between investors and borrowers (Alsharari, 2018; Khan et

al., 2020b). The prevalence of market-based intermediation has led to a significant decrease in traditional banking, which mostly involves loan activities, in developed nations (Alsharari, 2018). Financial intermediation in Islamic history has a well-documented track record and has played a crucial role in fostering economic progress throughout the years (Alsharari, 2018). In the early Muslim states, financial services were primarily provided by moneychangers known as *Iayerifah* (singular, *Iarref*) (Alsharari, 2018; Khan et al., 2020a/b). There are, however, various risk involved with transaction of Islamic banking e.g., risks associated with operations and liquidity (Alsharari, 2018). These risks have affected Libya's banking sector's long-term growth and development, which have led to some commercial banks to diversify the risks to enhance returns and corporate profitability (Mazol, 2026; Khan et al., 2020a/b). In the context of good corporate governance practices, liquidity risk refers to the potential harm to the interests of shareholders, clients, and other stakeholders of a financial institution due to the inability to fulfil immediate cash obligations promptly and efficiently (Khan et al., 2020b), and with reference to Islamic banks liquidity risk refers to the possibility of being unable to fulfil their responsibilities to depositors or finance the growth of assets in a timely manner, resulting in undesirable expenses or losses (Mazol, 2026; Khan et al., 2020a/b; Alsharari, 2018). This indicates that the performance of the banking sector in Libya as a Muslim state compares with the expected performance in Islamic banking, as such commercial banks' performance can be enhanced when risks are minimized e.g., market risk, risk free rate, interest rate risk, credit risks, and bank size and growth are significant factors to consider in the risk analysis of operations and impact on the performance of commercial banks (Khan et al., 2020b). For example, in the specific context of Islamic banking in Libya and some researchers examined the impact of operational risk and bank size impacts on firm performance – these studies confirmed that operational and other internal risks factors related to banking services and management affect firm performance in selected Islamic banks in Pakistan (Khan et al., 2020a/b). Reference to the work of Samaha (2010), suggests that developing nations including Libya are quite diverse from one another. They are a diverse population that is specifically amorphous and heterogeneous and exhibits diversity in numerous ways e.g., nations from many geographical regions, such as Latin America, Africa, Asia, the Middle East, and Oceania and Eastern Europe. These nations have divergent economic ideologies and political stages of political development. This demonstrates the enormous difficulty Libya confronts in creating a vibrant private sector, let alone a code to regulate it. Both the private sector as well as the Libyan Stock Market are recent

establishments with no administrative legacy to draw from. It would be unfair, though, to omit to mention the literature that comes from emerging nations and from nations that some observers consider relevant because they discuss transition economies. Nam and Nam (2004) used a questionnaire study to investigate the corporate governance practises of four Asian nations: Indonesia, Korea, Malaysia, and Thailand. Their sample included 307 businesses from seven categories that were listed on the stock exchanges of these four nations. Additionally, directors and executive managers made up the majority of those who took part in this opinion poll. Their findings demonstrated that because shareholders were given the opportunity to participate in decision-making and other processes, their rights were generally adequately protected in these nations. The median board size in the study countries was 12, compared to 8–10 in Malaysia, 6-7 in Korea, and 4 in Thailand. Board sizes varied greatly among the sample countries. Usually between 25% and 50% of boards have independent directors. In contrast to Korean businesses, the CEO and board chairman roles are separated in more than 80% of the remaining three nations. Additionally, the board in all four countries does a poor job of appointing, overseeing, and replacing CEOs. They concluded that these four Asian countries generally have inadequate corporate governance. Another study on Asian nations was carried out by Canton (2021), who looked at how the OECD, World Bank, and IMF's corporate governance guidelines were implemented in eight different Asian nations. Limpaphayom and Connelly (2004) used a survey questionnaire to study governance practises in Thailand in the areas of shareholder rights, board effectiveness, and stakeholder involvement. They used a sample of 61 Thai businesses from eight different industries to perform their study. Their findings showed that more than 50% of the sample had a highly concentrated ownership. While somewhat more than one fourth of the businesses are connected to a family group or holding company, more than half of the businesses are independent businesses. Furthermore, Malaysia from the viewpoints of Malaysian auditors, loan officers, and senior managers of publicly traded businesses to investigate the effects of four corporate governance programmes on auditor independence.

Existing literature on CG both in the global and regional contexts have largely emanated primarily from developed countries like the UK and USA but very little is known in emerging markets such as Libya. However, it has been mentioned that the Libyan Corporate Governance Code exists hence there are still some areas that are not clearly developed regarding this code such as several

companies are not fully aware of the Libyan Corporate Governance Code due to the weak disseminating system (Elshahoubi et al., 2019). This is a crucial area because socio-political and economic factors in Libya, specifically political instability and weak institutional development, hinder a direct importation of CG best practices from the global arena (Mazol, 2026; Masli and Elwalda, 2021). Thus, the investigation of more studies is required to apply CG frameworks to the Libyan context considering particularities of the Libyan regulation and economy.

In brief, Table 2.3 below provides a summary of key similarities and differences between Libya and UK approaches to corporate governance, emerging key research questions, and related references.

Table 2.3
Summary of key similarities and differences in UK and Libyan Corporate Governance Codes, research questions, and related references

Source: various

Corporate governance Issues	UK Corporate Governance Codes	Libyan Corporate Governance Codes	Specific research questions linked to the Primary and Secondary Research Questions for this study	Key references
Independent Corporate Governance Committees	UK Corporate Governance Code 2018. Role of successive UK Governments	Libya Corporate Governance Code. Role of successive Libyan Governments	Which Libyan Corporate Governance Code requires executive roles of key personnel in a Commercial bank to be separated?	Osseo-Asare et al. (2025), Foster (2025), Dora & Bhanotu (2020), Shirwa & Onuk (2020), Ullah et al. (2020), Elfadli, (2019).
Executive and Non-Executive Roles	The executive roles of the key personnel should be separated.	Separation of Executive Roles of key personnel.	What is the relevance of separation executive and non-executive roles in the Libyan context?	Foster (2025), Ullah et al. (2020), Elfadli, (2019), Bruner & Miller (2018).
Audit Committee vs other CG Committees	The audit committee is separated from other committees and comprised of 3 non-executive directors with no financial affiliation with executives.	Separation of Audit committee from other committees – number and role of non-executive members – issue of financial affiliation with executives.	What is the significance of non-executives having financial affiliations with Executive on the effectiveness of the Audit committee in the Libyan context?	Mazol (2026), Tricker (2025), Dora & Bhanotu (2020), Shirwa & Onuk (2020), Ullah et al. (2020), Elfadli, (2019).
Issues of equality, diversity, and inclusion at CG committee level	The UK corporate governance code now focuses more on developing the positive relationship between the company, stakeholders, and shareholders by addressing issues of equality, diversity, and inclusion (EDI) for long term success.	Addressing issues of equality, diversity, and inclusion addressed in the size, composition, and role of people at the CG committee level for sustainability.	How are the issues of equality, diversity, and inclusion (EDI) addressed in the size, composition, and role of people at the CG committee level?	Tricker (2025), Ullah et al. (2020), Elfadli, (2019), Bruner & Miller (2018), Elshahoubi (2019), Fawzy (2003), Owolabi (2019),
Compliance or Explain Principle	Compliance or Explain Principle codified in UK CG regimes. Where is the code not being followed, then why?	Codification of the Compliance or Explain Principle in Libyan CG policies and practices.	Are all Corporate Governance Codes to be complied with or some are discretionary in the Libyan context?	Osseo-Asare et al. (2025), Dora & Bhanotu (2020), Shirwa & Onuk (2020), Ullah et al. (2020), Elfadli, (2019).

Knowledge transferability – domestic, regional, international, global CG	Has mechanisms for incorporating international best CG policies and practices	Mechanism for incorporating international or regional best CG policies and practices	How effective are the Mechanisms for incorporating international or regional best CG policies and practices in the Libyan context?	Foster (2025), Magrus (2012), Owolabi (2019), Alsharari (2018), Khan et al. (2020a/b).
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The next section provides a critical analysis and evaluation of the corporate performance, corporate profitability in the context of corporate governance – focusing on Commercial banks in Libya.

2.5 CORPORATE GOVERNANCE PERFORMANCE AND CORPORATE PROFITABILITY IN THE CONTEXT OF CORPORATE GOVERNANCE: FOCUSING ON COMMERCIAL BANKS IN LIBYA

This section provides further details on the research context, by critically reviewing the corporate performance of Libyan commercial banks in the national, regional, and global context. It includes a comparison of the key CG challenges and opportunities facing the Libyan Commercial Banking Sectors with those faced by other Commercial Banking Sectors in emerging economies, especially, countries in the MENA region, to inspire positive change and progress in the commercial banking sector (Mazol, 2026; Tricker, 2019, 2025). The corporate performance of commercial banks is typically measured in terms of corporate profitability using various proxies including return on assets (ROA) and return on equity (ROE) (Osseo-Asare et al., 2025; Foster, 2025; Alwaddan, 2005). ROA refers to the ratio of net cash flow after taxes to total assets, and it measures the effectiveness and competitiveness of a bank's management in converting property into profit, indicating their level of managerial efficiency - the majority of banking institutions employ substantial monetary leverage to greatly enhance their ROE, and a greater ratio indicates that financial institutions are more efficient – both ROA and ROE are excellent financial ratios for evaluating and contrasting the performance of various commercial banks or the broader industrial banking system (Tricker, 2019, 2025).

For many years, Libya’s financial sector reflected a highly centralised economy to the Nation (Alwaddan, 2005). At socialist expansion peak in year 1970, Law 153 fully nationalised banking sector which requires commercial banks to be completely owned by the Libyans (Alwaddan, 2005). The financial system therefore remains overwhelming under the state aegis, like the economies communists along with the specialised projects with state fundings like the central bank acts as the mono bank and housing as well as agriculture (Alwaddan, 2005). At the height of the

socialist period, the private sector disappeared virtually with the state in full control of economy (Alwaddan, 2005). Also, at the time, Libya's financial sector mainly represented 81 percent of the financial sector assets, which were poorly managed by a handful functioning state banks (Tricker, 2025; Alwaddan, 2005). For example, five state banks held over 90% of Libya's deposits due to the government channelling of salaries that includes implicit deposit guarantees in broader perception (Alwaddan, 2005). Furthermore, the penetration into customer's accounts was high technically, because it represents salary deposits - but the intermediation processes behind the transfer of salaries were extremely narrow (Mazol, 2026; Alwaddan, 2005). Businesses of private sector are wholly excluded from the financial sector formally.

Libya's financial system was also impacted by the global recession of 2008–2009 which was triggered by the failure of numerous financial institutions, mostly due to their excessive dependence on short-term wholesale funding and inadequate management of liquidity (Mazol, 2026; Tricker, 2025; Alwaddan, 2005). A bank's operational risk, in contrast to liquidity and credit risks, is predominantly inherent inside financial institutions, poses challenges in evaluation, and has the potential to endanger the institution's continued existence – this is because banking activities are becoming increasingly intricate, as financial institutions rely more heavily on specialized experience and innovation - this reliance on expertise and innovation has resulted in operational risk, which is considered one of the most challenging risks for financial institutions to handle (Mazol, 2026; Tricker, 2025; Alwaddan, 2005). For example, incorrectly formulating and adopting regulations can significantly reduce income by implementing unproductive processes, resulting in operational gaps in the bank (Foster, 2025; Cheffins, 2022). This is supported by the findings in some studies which indicate that operational risk affects financial performance e.g., Banks typically employ many ways to effectively handle operational risk, one of which is the basic indicator method (BIA), coupled with the fact that, inertia can negatively affect the financial performance of established organizations, e.g., banks become constrained rendering them unable to adjust to the progressively changing market environment (Tricker, 2025; Foster. 2025).

2.5.1 WHAT IS CORPORATE PERFORMANCE IN TERMS OF CORPORATE PROFITABILITY, AND HOW IT IS LINKED TO CORPORATE GOVERNANCE: A FOCUS ON COMMERCIAL BANKING PROFITABILITY

Libya's Central Bank's key corporate governance roles include, a/stressing the CBL's independence in accordance with global best practises, b/increasing commercial banks' capital adequacy ratios, c/increasing the domestic banks' ability to compete, which will eventually allow foreign banks to enter the domestic banking sector, d/including all banks, including specialised banks like the Agriculture, Real Estate Investment, and Development Bank, which were formerly excluded from the CBL supervision's supervisory area, e/adopting the Basel Committee's recommendations for efficient banking oversight, and f/improving supervisory disclosure norms and procedures for the bank (Mazol, 2026; Libya, 2021, 2022, 2023; Alwaddan, 2005). Libyan Central Bank (LCB) has invested in banking supervision improvement over the past years - this was a partial outcome of IMF capacity building program, mainly including both off site and on-site visits to request regular statements e.g., monthly balance sheet and income statements (Libya, 2023). Some banks in Libya have several kinds of the risk based internal classification system (IRB), however the advanced IRB for eventual building blocks are not in place (Libya, 2021, 2023).

The financial sector of Libya is highly controlled e.g., the LCB has classifies Islamic Banks into at least six distinct classifications, and it is estimated that 85 percent of ownership is by the state (Al Balushi et al., 2019; Alwaddan, 2005). This partially accounts for the poor differentiation in the banking system of Libya, with over 90% of Libya's deposits, been held by the country's five state banks, most of which are currently in disrepair (Al Balushi et al., 2019). State banks dominate the financial industry by a wide margin, holding 81 percent of its assets e.g., the central bank of Libya, which also acts as the industry regulator, owns shares in all state banks, raising the possibility of conflicts of interest (e.g., it primarily handles salary transfers to public sector employees but do not offer much in the way of other financial intermediation (Mazol, 2026; Al Balushi et al., 2019). In the last two decades, there has been an increase in the number of banks – as shown in Table 2.4 below, currently, Libya has overall 11 banks with 48 local banks, following the end of Gaddafi's Regime, which brought about liberalisation of the laws of banking and entering of new private banks into the banking system (Al Balushi et al., 2019).

Table 2.4
Libyan Commercial Banking Structure

Bank Name	No of Branches	No of Agencies	Assets	Paid Capital	Ownership % - Public	Ownership % - Private
Gumhouria Bank	54	27	39267	40,0	100	-
National Commercial Bank	48	12	34441	35,0	100	-
Umma Bank	40	15	22683	23,0	100	-
Wahda Bank	60	12	283,86	36,0	87	-
Sahara Bank	41	7	264,40	63,0	83	17
Bank of Commerce & Development	6	10	696,8	9,0	22.2	77.8
National Tripoli Bank	1	2	42,8	3,0	-	100
El-Wafaa Bank	2	1	54,4	1,5	-	100
El-Aman Bank	1	6	53,1	3,0	-	100
Al-Ejmaa Alarabi Bank	3	1	34,6	0,9	-	100
Libyan National Bank	1	-	353,9	119	-	100
Local Banks (48)	-	14	115,30	46,8	-	100

Source: various

For example, **Wahda Bank**, is a Libyan Joint Stock which was established under the Nationalisation Decision of 1970, that demanded the shares of all foreign banks that were owned and nationalised by Libya completely (Al Balushi et al., 2019). LD 432 million is its paid capital and the development funds of social economic owns 54.1 percent of stocks and the private sector owns 26.9 percent (User, 2022; World Bank, 2023). **Sahara Bank** was established as a foreign bank in the year 1964 and its owners were Banco di Sicilia (20 percent), Bank of America (29 percent) and Libyan government that held maximum of its shares that is 51 percent (Taouab & Issor, 2019). **Gumhouria Bank** is a company of Libyan Joint Stock which was established under the Nationalisation Decision of 1970 to take over Libyan operations of the Barclays Bank. Moreover, the Central Bank of Libya began privatising the Ghumhouria Bank and the shares of

about 11 percent were offered to private sector (Varpio et al., 2020). Although multiple banks were opened to foreign ownerships, unfortunately the trend was largely reversed and halted by ongoing political crisis (Taouab & Issor, 2019). In addition, many new entrants were small and had no impact significantly on the financial intermediation process e.g., several private banks demonstrated against the high rates and poor lending capacity of loan losses (Al Balushi et al., 2019). Historically, Libya had a low-functioning banking system even before the ongoing crisis (Swain, 2020). During the era of Gaddafi, it was characterised by extreme economic centralisation typical of Arab oil production economies (World Bank, 2023). Primarily, the state banks were used to finance the economic activity of state or as a mechanism of wealth transfer (Sartipi, 2020). As a result, the financial sector of Libya further suffered from the changes of volatile policy that discourages the evolution of private sector that includes political decreases like the land's redistribution overnight (Ramadan and Safavi, 2022).

Board of directors (BODs) play a key role in good corporate governance, because it is responsible for overseeing the company's activities, setting strategic objectives, appointing and monitoring senior management, and representing the interests of shareholders by adopting the appropriate corporate governance mechanisms which would enhance companies' Corporate Governance Rating (CGR) i.e., opinion on the relative position of an organisation in respect of adoption of corporate governance practices. Corporate governance mechanisms are procedures, policies, and instruments for facilitating the direction and performance of organizations through proper monitoring and control of the executive behaviour in the exigencies of organizational duties (Mazol, 2026; Al Balushi et al., 2019). This study will attempt to establish why it is imperative that corporations have proper corporate governance mechanisms in place. These mechanisms are commonly categorized as internal and external systems mainly since they have different aims of regulating corporate conduct and influencing corporate decision-making procedures. **Internal mechanisms** involve a detailed overview of the internal environment and the forces at work within an organization, such as the principles followed by the board of directors and management and all shareholders involved. External pressures refer to the actual forces from the market and legislation that affect the corporate governance structures that are in place outside the organization. It was also found that a well-functioning board of directors is one of the most important components of an efficient system of corporate governance. It acts as an intermediary between shareholders and

the management since it strives to ensure operations respond to the strategies formulated and approved by shareholders (Al Balushi et al., 2019). Good boards exercise their powers independently, are diverse, and have specialized knowledge thus enabling the board to make sound strategic decisions. In every board there are board committees including audit committee, nomination committee, and remunerations committee performing tasks relating to accountability for financial reporting, executive appointments, and remuneration. Such specialized committees help the board to work on certain areas of governance with preciseness and adequate experience. Another internal factor is the formulation and implementation of sound internal controls, as this is also a positively valued factor. Such systems consist of procedures dealing with risk control, compliance check, and corporate assets protection. A key function within this framework relates to internal audit functions since their conduct offers an independent opinion on the relative efficiency of internal controls and interpret areas of weakness. Fraud risk control measures improve the identification of fraud, and compliance with and against the legal and regulatory frameworks, as well as the safeguarding of shareholders' value. Moreover, adopting management-compensation tied to incentives tied to organizational performance can spur superior efforts for creating organizational value (Mazol, 2026; Al Balushi et al., 2019).

In contrast, the **External mechanisms** are made up of laws and regulations, market forces and external auditors. In other words, legal requirements like corporate governance codes, listing rules of the stock exchange houses, and code of other sectorial legislation give direction and policies by which companies need to be run to ensure corporate accountability and transparency. In Libya, the LCGC is used as a reference tool for the listed firms, prescribing the boards' composition and some disclosure requirements as well as shareholders protections. Despite the formulation of these rules and regulations, the issue of its implementation continues to experience a bottleneck due to political instability and weak institutional structures. Market forces also act as other external mechanisms of governance, pressing organizations for good standards of governance. In competitive markets, organizations are under pressure to enhance their performance and use efficient management practices as well as report to investors. From this perspective, shareholders can exercise control and change the outcome through shareholder engagement and demanding changes in the boards of directors of the firm, or other policies of the firm (Al Balushi et al., 2019). External auditors are another important part of corporate governance as well. External audits offer

the company a third-party opinion on the financial data as contained in the financial statements to verify the validity of such information. This is attributed to helping in gaining investors' confidence and a way of enhancing the financial market credibility. External auditor appearance even more in Libya as more stakeholders require companies to act in a more transparent manner because of the difficult economic conditions. More specifically, in terms of the corporate performance of Libyan commercial banks, corporate performance has been measured in both financial and non-financial measures or metrics, methodologies, and processes that the Libyan financial system follows regarding monitoring corporate governance performance (Khan et al., 2020a/b).

According to Khan et al., (2020b), the employees' employability skills is the key non-financial metric that portrays positive impact on the corporate performance of commercial banks. In addition, corporate social responsibility (CSR) impacts positively on the banks' corporate non-financial performance (Okafor et al., 2021). This justifies the stance that corporate social responsibility is the valuable code of conduct that can enhance the corporate performance of the firm financially (Purbawangsa et al., 2020). Furthermore, business intelligence is a non-financial measure that adds value to the corporate performance of a bank through providing effective techniques for planning and analysis (Richards et al., 2019). The effective and efficient planning and analysis will indirectly aid banks' business to improve its corporate performance through incorporating corporate governance best policies and practices that are valuable to maintain position in the highly competitive banking industry in the MENA region and beyond (Richard et al., 2019; Chang, 2022). In addition to this, a bank's green practices based on total quality management represents a non-financial measure of corporate performance which also adds value to the bank's corporate green performance (Abbas, 2020). The corporate green performance and corporate social responsibility are the key components for the business to progress (Abbas, 2020).

The corporate green performance is comprised of sustainable strategies for management, processes, and product performance. However, the corporate social responsibility includes employees and customer along with social aspects. Thus, these non-financial components of corporate performance collaboratively add value to the corporate performance of Libyan commercial banks in terms of good corporate governance policies and practices.

According to Chang (2022), a commercial banks financial performance measures include a robust working capital policy which can create positive impact on banks' corporate performance e.g., through the means of effective working capital management, the corporate profitability can be maximized, and it will indirectly aid Libyan commercial banks to maintain their competitive positions in the competitive banking environment.

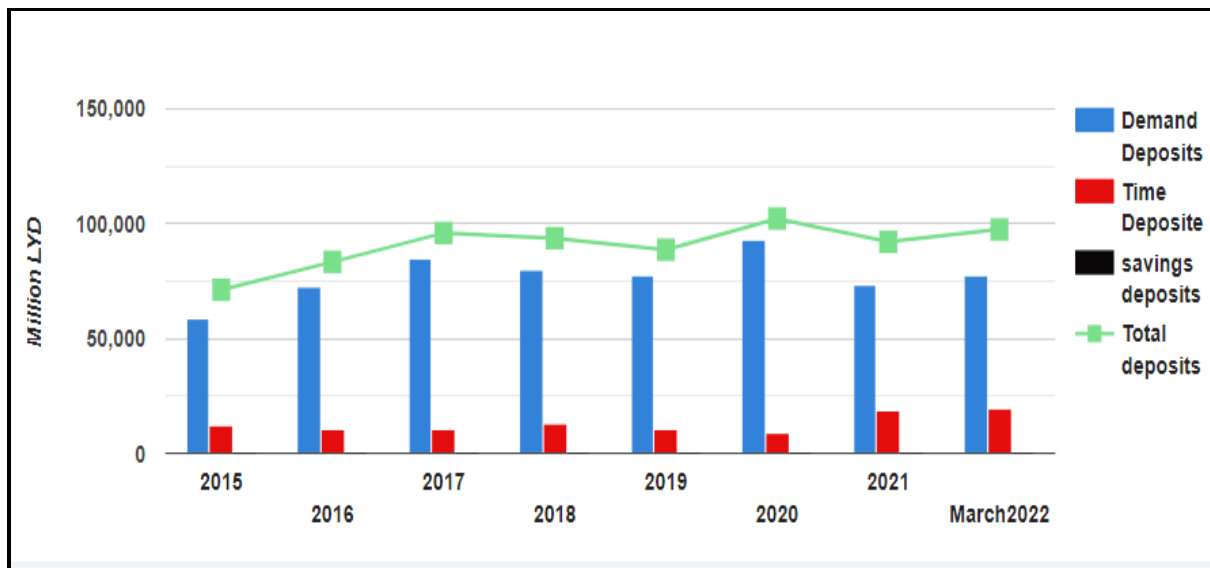
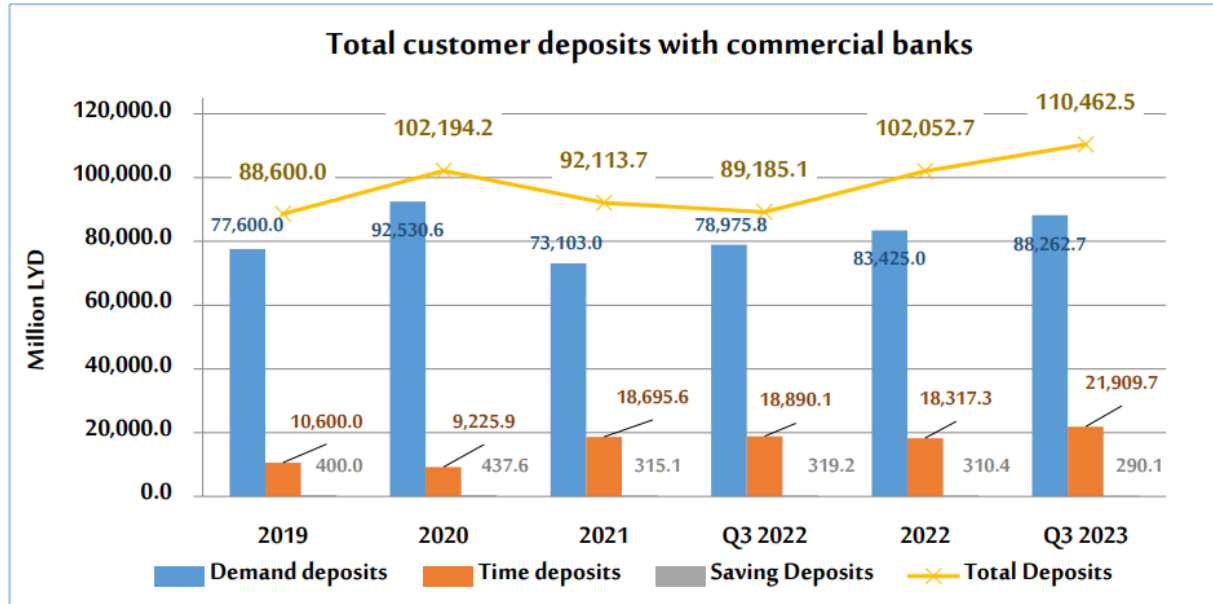
The Central Bank of Libya has been cautious in its demands that banks keep substantial amounts of working capital, e.g., while increasing the protective buffer reduces banks' corporate profitability and further squeezes margins, it also discourages risk-taking (Libya, 2021, 2022, 2023). In case of UK, the concept that the structure of financial market and entry obstacles are the primary external factors driving bank profits has also been explored in relation to UK banks (Puni and Anlesinya, 2020). However, more recent research differentiates between environmental (external) and managerial (internal) aspects in the financial industry. One of several external factors that affects UK bank profitability is structure (expressed by regulatory requirements or concentration), along with interdependence of trade, inflation, economic growth, market interest rates, and ownership (Mazol, 2026; Purbawangsa et al., 2020).

As shown in Figure 2.4 below, based on corporate performance data on Libya's Commercial Banks published by Libya's Research and Statistics Department, revealed that between 2015 and end of 3rd quarter 2022, total consumer deposit (see green line) rose very slowly, a trend which continued between 2019 and 3rd Quarter 2023, with total customer deposits increasing by 12,277.4 million LYD, rising from 98,185.1 million LYD at the end of the 3rd quarter of 2022 to reach 110,462.5million LYD at the end of the 3rd quarter of 2023, hence, recording a growth rate of 12.5% (Libya, 2022, 2023). The distribution of deposits with commercial banks by type of deposit, demand deposits and payment orders constituted 79.9% of the total deposits, while time deposits and cash insurance constituted 19.8% of the total deposits, and savings deposits constituted only 0.3% of the total deposits (Libya, 2022, 2023).

Figure 2.4

Total customer deposits with Libyan Commercial Banks

Source: Central Bank of Libya (Libya, 2023) <https://cbl.gov.ly/en/micifaf/sites/4/2023/12/Main-Financial-Data-and-Indicators-of-Libyan-Commercial-Banks-Q3-2023docx.pdf>



Similarly, demand deposits rose by the end of the third quarter of 2023 by 9,286.9 million LYD, to a record 88,262.7 million LYD, compared to 78,975.8 million LYD at the end of the third quarter of 2022 (Libya, 2021, 2022, 2023). In addition, Time deposits increased at the end of the third quarter of 2023 by 3,019.6 million LYD, to record 21,909.7million LYD, compared to 18,809.1 million LYD at the end of the third quarter of 2022 (Libya, 2023). Finally, from Figure 2.4 we can

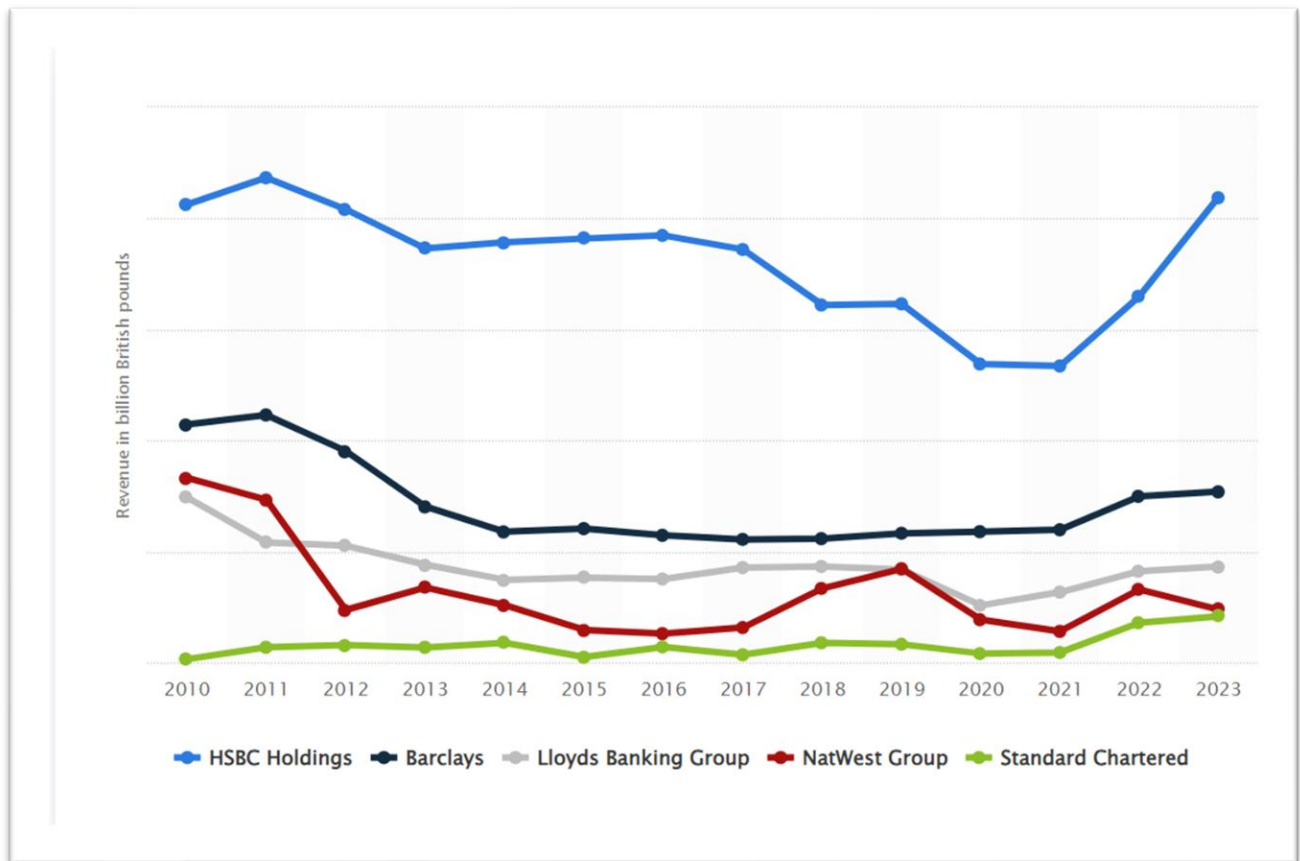
see that the balance of saving deposits decreased at the end of the third quarter of 2023 by 29.1 million LYD, to record 290.1 million LYD, compared to 319.2 million LYD at the end of the third quarter of 2022 (Libya, 2021, 2023). In more recent times Libyan banks recorded a remarkable 145.4% increase in profits during 3rd quarter 2024, rising to 1,639.4 million LYDs compared to 668.0 million LYDs in 3rd quarter 2023 (Libya, 2022, 2023). In addition, the total assets grew by 24.1%, rising from 145.2 billion LYDs at the end of 3rd quarter of 2023 to 180.2 billion dinars in the corresponding period of 2024. This growth was primarily attributed to major banks expanding their financing operations.

Customer deposits showed significant improvement, increasing by 25.5% from 110.4 billion dinars to 138.5 billion dinars year-on-year, the central bank's report indicated (Libya, 2022). The substantial profit growth was reflected in the interest margin, which reached 13.0% during the third quarter of 2024, with further improvements expected throughout the year. The central bank attributed this positive trend to increased commission revenues from Murabaha services (Mark up or Cost-plus financing) and higher interest earnings on balances and deposits with foreign correspondents. In a positive development for the sector's asset quality, the non-performing loan ratio decreased from 22.2% at the end of 2023 to 21.6% by the end of the third quarter of 2024. The improvement was primarily due to the loan portfolio growing at a faster rate than the increase in non-performing loans (Libya, 2023). The figures suggest a robust performance across Libya's banking sector, marked by significant improvements in profitability, asset growth, and deposit base expansion, despite ongoing economic challenges.

In comparison with UK Banks, from 2010-2023, Figure 2.5 below shows the revenue of the five largest banks in the UK. Since 2010, HSBC Holdings had the largest annual revenue among the five largest banks in the UK. In 2023, HSBC's revenue amounted to roughly £51.92 billion, Barclays, £25.38 billion, Lloyds, £18.63 billion, NatWest, £14.75 billion, and Standard Chartered, £14.15 billion (Libya, 2023). Although the financial results show improvement in the banking sectors of Libya and the UK, what is not clear from these comparative results is the extent to which the corporate government regimes in the two countries during the periods in question have impacted the financial results of the banking sectors – this lack of clarity provides the motivation

and underpins the rationale for this PhD Thesis which seeks to explore and evaluate how corporate governance impacts the corporate performance of commercial banks in Libya.

Figure 2.5 Revenue of the largest banks in the UK from 2010 to 2023 (in billion British pounds)
Source: Statista Research Department (2024), Available at <https://www.statista.com/statistics/939531/leading-banks-in-the-united-kingdom-by-revenue/#statisticContainer> Accessed 21 December 2024



The next section provides a synthesis of the research problem situation, highlighting the key research gaps, research questions, and research objectives as a basis for developing the conceptual framework for the doctoral study.

2.5.2 RESEARCH PROBLEM SITUATION: RESEARCH GAPS, RESEARCH QUESTIONS AND OBJECTIVES

The above critical review of extant literature and prior studies on corporate governance and corporate profitability in the context of Libyan commercial banking, provide a better

understanding of the research problem situation in this PhD study. The commercial banking sector in Libya has a regulatory body locally and globally, which imposes regulations and strict rules on Libyan commercial banks. In both developed and developing country, commercial banks are the foundation for the stability of the national economy because they are the institutions which invest the deposits of people in different businesses (Mazol, 2026; Osseo-Asare et al., 2025; Tricker, 2025). Developing markets like Libya are becoming increasingly significant in global economies for specific traders due to their robust economic growth potential and the emergence of well-established legal and functional infrastructure facilities - these markets are interesting to foreign direct investors because they provide promising commercial opportunities, nevertheless, they do entail a range of hazards, both at the organizational and regional levels (Otman, 2019; Ramadan and Safvi, 2022; Hossin and Ayedh, 2016; Khan et al., 2020a/b; Alatresh, 2021). The researcher further discusses the research problem situation, research gaps and questions which inform the development of the conceptual framework for the study under two themes: 1/management and leadership challenges relating to corporate governance policies and practices in the Libyan commercial banking sector, 2/implementation challenges linked to Libyan Corporate Governance Code.

LIBYA'S MANAGEMENT AND LEADERSHIP CHALLENGES RELATING TO CORPORATE GOVERNANCE

Usually, corporate governance and business management and leadership issues are interlinked by the directors and managers, however, corporate governance delivers dissimilar objectives in terms of management, economics, accounting, and law (Mazol, 2026; Otman, 2019). In addition, prolific leadership also adds value to successfully incorporated strategies that are customer centric (Ramadan and Safavi, 2022). The expectation in the literature reviewed is that board of directors (BOD) should be independent from the management of commercial banks to avoid conflicts during management and monitoring processes that will result in improved accountability of the bank management (Alajili and Noor, 2018; Zagoub, 2019). This requires the implementation of a corporate governance system for effective accountability and transparency within the banking sector, which represents the economic platform of the country. To achieve this, this researcher seeks to answer the following specific questions linked to the primary and secondary research questions: 1/How are socio-cultural factors embedded in commercial banks' CG policies and

practices? 2/What initiatives are available to update corporate governance mechanisms, relating to firms' inadequate CG policies and practices relating to CG codes?

Libya lags in the utilization of renewable energy technologies because of political crisis and financial problems (Elmansori and Al-Hindawi, 2022; Elmansori and Ishak, 2021) – this raises the question: What are the alternative sources of funding or investment flows to further develop internet connectivity and digitalization technologies focusing on the Commercial banking systems? To answer this question, there is evidence of delay in changing stagnates firms' compatibility with international trends, especially as more investors seek out businesses with ecological sensitivity (Elmansori and Ishak, 2021). The slow pace of transition towards the use of renewable energy sources is therefore a major challenge for firms that want to lure foreign investors through showcasing sustainability practices (Elmghaamez and Ntim, 2021; Lihniash et al., 2019). In addition, few corporate leaders in Libya have realized the need to adopt ecological sustainable technologies. The short-term socio-cultural orientation common among many board members may lead to pro-pecuniary strategies and general low environmental performance and reputational risk (Zagoub, 2019). This becomes a major issue to Libyan commercial banks as global pressures towards sustainable management and protection of the environment rise.

To avoid these technological challenges there needs to be a concerted effort from the Libyan commercial banks, government and institutions, to collaborate to attract international partners to improve their capacity in the use of technology and managing the environment (Mazol, 2026; Lihniash et al., 2019). For example, Libya commercial banks should support investment incentives for adopting and developing green technological applications, skills training in the use of Information Communication Technologies, and collaborations with environmental organizations across the globe (Lihniash et al., 2019). It's in these aspects that efforts need to be made to assist Libyan companies to improve on processes that will enhance corporate governance practices in accordance with international practices.

Efficient management and leadership are important and core roles for corporate governance development in organizations including commercial banks (Tricker, 2025; Foster, 2025). Corporate governance sets the scope for management and leadership role play in the development of corporate culture (Cheffins, 2022). In terms of practice, corporate governance provides a formal

structure for the relationships among organisational core constituencies, where management and leadership provide the energy and determination to make corporate governance effective in the achievement of the organisation's purpose and goals (Foster, 2025; Cheffins, 2022).

The management and leadership issues in Libya hugely influence the extent to which proper CG can be practiced within firms in the Libyan context (Mazol, 2026; Zagoub, 2019). There are many problems but one of them is the absence of appropriate managerial training and trade courses regarding the specific requirements of corporate governance (Tricker, 2025). In many Libyan companies including banks, today, many managers do not possess a clear understanding of the principles of modern corporate governance, leading to some of the essential features for transparency, accountability and an understanding of when to make strategic decisions not being fully met (Zagoub, 2019). This skills gap emerges most prominently within the banking industry, as managers manage operations in diverse and challenging legal contexts and are charged with maintaining sound governance programs (Mazol, 2026; Zagoub, 2019). In Libya, one issue that has raised concern especially to corporate governance is the question of leadership instability (Ataya et al., 2022; Zagoub, 2019). The case is that two types of players exhibit considerable flux at the top, and this leads to significant fluctuations in the policies and, therefore, in the continuity of the practices within public and private sectors (Ataya et al., 2022; Balhassan et al., 2022). Such instability can distort long-term planning and generate uncertainties for the stakeholders, which are negative for a stable governance framework. This is particularly a challenge for enterprises in countries that want consistent leadership to assure international investors and abide by universal governance codes. In this context, this study seeks to find answers to two related specific questions: 1/How are socio-cultural factors embedded in commercial banks' CG policies and practices? 2/How effective are managers and leaders of Libyan Commercial Banks in protecting and maximizing shareholders' wealth through improved corporate governance policies and practices?

IMPLEMENTATION CHALLENGES OF THE LIBYAN CORPORATE GOVERNANCE CODE

Implementing the LCGC presents challenges within Libya's legal framework, which draws from diverse legal traditions (Elshahoubi, 2019; Samaha, 2010). In some cases, the LCGC's requirements may conflict with existing Libyan laws, complicating adherence, and enforcement. Notably, the auditing profession in Libya, primarily engaged with major state-owned banks and

insurance firms, faces obstacles due to its fragmented nature and limited global integration - this fragmentation hinders the profession's ability to adapt to changes in ownership structures and effectively enforce new governance standards (Elshahoubi, 2019). Another problem is the decision-makers' culture in many Libyan organizations that show that most decisions are made at the top of an organization (Elshahoubi, 2019; Samaha, 2010). As much as this could help reduce autonomy among board members and lower management, it hampers the participation of all the stakeholders in the governance process - this frequently leads to problems in organizing restraint to address the conflicts of interest that should be checked and balanced anyway for all the involved parties (Ataya et al., 2022; Elshahoubi, 2019; Samaha, 2010). This centralized leadership style also weakens potential for developing a more participatory governance culture which can help in a fast-changing market, which also affects the management styles in Libya since most organizations adopt the centralized system and do not embrace the bureaucratic system of leadership (Elshahoubi, 2019; Samaha, 2010). This can be detrimental in the social aspect of an organization because it will prevent the flow of useful information necessary for the institution to adhere to governance principles that insist on a lot of accountability and stakeholder participation (Zagoub, 2019). Another challenge that results from weak collaborative leadership relates to the problems of innovation and response while companies are experiencing economic and political instabilities (Ataya et al., 2022). Furthermore, political instability in Libya has continued to cause leadership practices in organizations for the past few years - these uncertainties have been realized to have an impact on the political capacity in corporate governance reforms, as it demoralizes experienced heads that companies desire to get, with the hope of implementing reforms (Ataya et al., 2022; Zagoub, 2019). Some of the possible leaders may avoid taking positions in an organization where the external conditions can shift in the shortest time affecting the stability of the business and its growth, thus hesitation reduces the talent available for leadership roles further putting off attempts to enhance governance (Ataya et al., 2022; Zagoub, 2019). Also, simple things like encouraging leadership models that involve stakeholder relations can go along to put Libyan businesses in a good light, and this will encourage more investments hence future growth (Zagoub, 2019). In this context, this study seeks to find answers to the following related specific research questions: 1/How effective are the Regulatory Bodies in policing CG policies and practices? 2/How valuable/effective were the collaborative relationships with external partners to support Libyan Commercial Banks in the past decade e.g., since Covid-19 pandemic? 3/How effective are

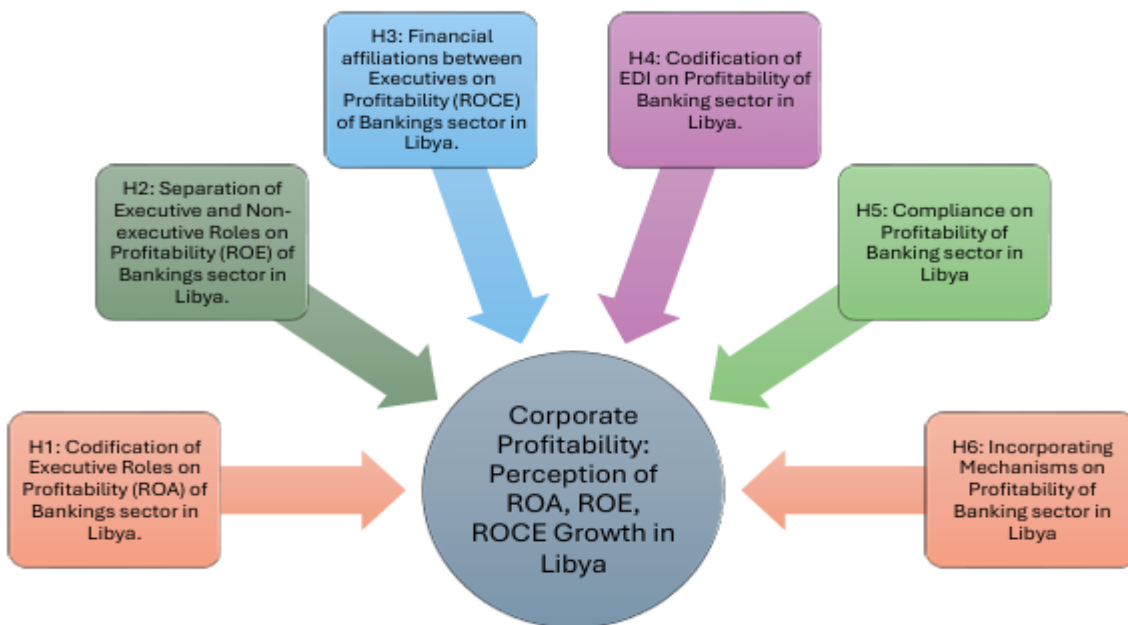
the managerial and leadership mechanisms for incorporating international or regional best CG policies and practices in the Libyan context?

The next section presents and discusses the theoretical and conceptual framework for the study, which embeds the research problem situation, the key research gaps, research questions, and research objectives.

2.6 CONCEPTUAL FRAMEWORK FOR THE STUDY

This section presents and discusses the conceptual framework for the study, which embed the different theories underpinning corporate governance, synthesis of the research problem situation in the Libyan context, the key research gaps, research questions, and research objectives. Figure 2.6 below, presents the conceptual framework for the study.

Figure 2.6: Conceptual Framework



?

Figure 2.6 highlights the underlying theories on corporate governance, corporate profitability, and commercial banking industry performance and competitiveness, the research gaps, questions, and

objectives of the study. In addition, it highlights the best policies and practices in CG for improving CP and sustaining the competitive advantages of Libyan commercial banks. The conceptual framework is underpinned by six (6) hypotheses (H1, H2, H3, H4, H5, and H6 as presented in Figure 2.6). It is important to note that these hypotheses are linked to six specific research questions related to the primary and secondary research questions in this study: 1/Which Libyan Corporate Governance Code requires executive roles of key personnel in a Commercial bank to be separated? 2/What is the relevance of separation executive and non-executive roles in the Libyan context? 3/What is the significance of non-executives having financial affiliations with Executive on the effectiveness of the Audit committee in the Libyan context? 4/How are the issues of equality, diversity, and inclusion (EDI) addressed in the size, composition, and role of people at the CG committee level? 5/Are all Corporate Governance Codes to be complied with or some are discretionary in the Libyan context? 6/How effective are the Mechanisms for incorporating international or regional best CG policies and practices in the Libyan context?

The proposed hypotheses (H1, H2, H3, H4, H5, and H6) assume that the corporate profitability of commercial banks in Libya is affected by banks' corporate governance policies and practices, as such all things being equal, an increase in corporate governance practices would lead to increase in banks' corporate profitability – in the Libyan context. In brief, historically, Libya's corporate governance regime is not stable like other developed countries (Ataya et al., 2022; Alshbili et al., 2019). As expected, changes in the external environment influence the development of corporate governance within the country (Masli & Elwalda, 2021). The corporate governance and accountability in the listed countries of Libya is still in the early stages of development because of the lack of awareness and knowledge related to the corporate governance (Elshahoubi et al., 2019; Dora & Bhanotu, 2020; Shirwa & Onuk, 2020; Ullah et al., 2020; Fawzy, 2003; Owolabi, 2019; Magrus, 2012). As a concept corporate governance is still emerging and has increasingly been adopted by many organizations working towards better financial models to enhance their shareholders wealth in terms of corporate profitability (Ataya et al., 2022; Alsharari, 2018, 2022). In the context of the development of good corporate governance policies and practices in Libya, the Commercial banking sector has and continues to face many external environmental challenges due to changes in the political and legal, economic and financial, social and cultural, technological, and ecological environmental forces (Tricker, 2025; Khan et al, 2020a/b).

From the above discussion, the researcher proposes the following six hypotheses below (H1-H6) to test the impact of corporate governance on corporate profitability of commercial banks in Libya:

***H1:** Codification of Executive Roles does not have a positive and significant impact on Commercial Banks' Perception of Profitability Growth in terms of (ROA) in Libya. Where **Codification** is the independent variable and **ROA** Growth is the dependent variable.*

***H2:** Separation of Executive and Non-executive Roles does not have a positive and significant impact on Commercial Banks' Perception of Profitability Growth in terms of (ROE) in Libya. Where **Executive role separation** is the independent variable and **ROE** Growth is the dependent variable.*

***H3:** Financial affiliations between Executives does not have a positive and significant impact on Commercial Banks' Perception of Profitability Growth in terms of (ROCE) in Libya. Where **Financial affiliation** is the independent variable and **ROCE** Growth is the dependent variable.*

***H4:** Codification of Equality, Diversity, and Inclusion (EDI) does not have a positive and significant impact on Commercial Banks' Perception of Profitability Growth in terms of (ROA, ROE, ROCE) in Libya. Where **Codification of EDI** is the independent variable and **Perception of Profitability Growth** is the dependent variable.*

***H5:** Compliance with Corporate governance codes does not have a positive and significant impact on Commercial Banks' Perception of Profitability Growth in Libya. Where **Codification** is the independent variable and **Profitability Growth** is the dependent variable.*

***H6:** Incorporating Mechanisms does not have a positive and significant impact on Commercial Banks' Perception of Profitability Growth in Libya. Where **Incorporating mechanism** is the independent variable and **Profitability Growth** is the dependent variable.*

The hypotheses test results are expected to be moderated by external environmental conditions e.g., corrupt activities in the banking sector, smuggling through the use of fictitious letters of credit, phantom imports, money laundering, debit card fraud, fraudulent deposits made through the use of fictitious checks, misuse of checks, and excessive credit use have all raised concerns (Tricker, 2025; Cheffins, 2024). In brief, Table 2.5 below presents a synthesis of the key research questions

and key references relating to the testable hypotheses underpinning the above conceptual framework.

Table 2.5

A synthesis of the key research questions, key references, hypotheses underpinning the conceptual framework: focusing on Libya Commercial Banking Sector.

Sources: various

Libyan Corporate Governance Problems	Specific research questions linked to the primary and secondary research questions in this study	Six Key Hypotheses: H1, H2, H3, H4, H5, and H6	Key references
Libya Corporate Governance Code. Role of successive Libyan Governments	Which Libyan Corporate Governance Code requires executive roles of key personnel in a Commercial bank to be separated?	H1: Codification of Executive Roles does not have a positive and significant impact on Commercial Banks' Perception of Profitability Growth in terms of (ROA) in Libya. Where Codification is the independent variable and ROA Growth is the dependent variable.	Mazol (2026), Dora & Bhanotu (2020), Shirwa & Onuk (2020), Ullah et al. (2020), Elfadli, (2018, 2019).
Separation of Executive Roles of key personnel.	What is the relevance of separation executive and non-executive roles in the Libyan context?	H2: Separation of Executive and Non-executive Roles does not have a positive and significant impact on Commercial Banks' Perception of Profitability Growth in terms of (ROE) in Libya. Where Executive role separation is the independent variable, and ROE Growth is the dependent variable.	Mazol (2026), Tricker (2025), Ullah et al. (2020), Elfadli, (2018, 2019).
Separation of Audit committee from other committees – number and role of non-executive members – issue of financial affiliation with executives.	What is the significance of non-executives having financial affiliations with Executive on the effectiveness of the Audit committee in the Libyan context?	H3: Financial affiliations between Executives does not have a positive and significant impact on Commercial Banks' Perception of Profitability Growth in terms of (ROCE) in Libya. Where Financial affiliation is the independent variable and ROCE Growth is the dependent variable.	Cheffins (2024), Dora & Bhanotu (2020), Shirwa & Onuk (2020), Ullah et al. (2020), Elfadli, (2018, 2019).
Addressing issues of equality, diversity, and inclusion addressed in the size, composition, and role of people at the CG committee level for sustainability.	How are the issues of equality, diversity, and inclusion (EDI) addressed in the size, composition, and role of people at the CG committee level?	H4: Codification of Equality, Diversity, and Inclusion (EDI) does not have a positive and significant impact on Commercial Banks' Perception of Profitability Growth in terms of ROA, ROE, ROCE) in Libya. Where Codification of EDI is the independent variable and Perception of Profitability Growth is the dependent variable.	Ullah et al. (2020), Elfadli, (2018, 2019), Elshahoubi (2019), Fawzy (2003), Owolabi (2019), Tricker (2025).
Codification of the Compliance or Explain Principle in Libyan CG policies and practices.	Are all Corporate Governance Codes to be complied with or some are discretionary in the Libyan context?	H5: Compliance with Corporate governance codes does not have a positive and significant impact on Commercial Banks' Perception of Profitability Growth in Libya. Where Codification is the independent variable and Profitability Growth is the dependent variable.	Dora & Bhanotu (2020), Shirwa & Onuk (2020), Ullah et al. (2020), Elfadli, (2018, 2019).
Mechanism for incorporating international or regional best CG policies and practices	How effective are the Mechanisms for incorporating international or regional best CG policies and practices in the Libyan context?	H6: Incorporating Mechanisms does not have a positive and significant impact on Commercial Banks' Perception of Profitability Growth in Libya. Where Incorporating mechanism is the independent variable and Profitability Growth is the dependent variable.	Magrus (2012), Owolabi (2019), Alsharari (2018), Khan et al. (2020a/b). Mazol (2026)

2.7 SUMMARY OF CHAPTER

This chapter critically reviewed existing literature and previous research on corporate governance policies and practices, and how it impacts corporate profitability of commercial banks in Libya. This led to the development of the theoretical and conceptual frameworks for the study. The literature review covers the introduction of corporate governance, discusses the importance of corporate governance, and analyses the commercial banking sector financial performance in terms of corporate profitability with references to corporate governance. The researcher also discussed the theoretical frameworks including agency theory, stewardship theory, stakeholder theory, institutional theory to support the conceptual framework for the study. The researcher also covers aspects of profitability analysis of the banking sector, challenges faced by banks in managing banking performance. The researcher also describes the conceptual framework and literature gap on corporate governance and profitability of banks in Libya. Practically all prior studies examining the link between CG and profitability are reviewed and their relevance to the specific conditions of Libyan commercial bank is highlighted. Furthermore the researcher analyzes how specific dimensions of corporate governance affect the financial performance of banks and discusses the Libyan case study in relation to selected emerging markets, with focus on political, economic, and cultural factors e.g., although the financial results show improvement in the banking sectors of Libya and the UK, what is not clear from these comparative results is the extent to which the corporate government regimes in the two countries during the periods in question have impacted the financial results of the banking sectors – this lack of clarity provides the motivation and underpins the rationale for this PhD Thesis which seeks to explore and evaluate how corporate governance impacts the corporate performance of commercial banks in Libya.

Corporate governance can be described as the system by which organizations are operated and regulated with specific reference to the relationship between managers and shareholders to ensure that shareholders' interest is protected (Mazol, 2026; Tricker, 2025; Cheffins, 2024; Puni and Anlesinya, 2020). CG is acknowledged to provide a significant contribution to building up the organizations' sustainable improvement in profitability, reducing risks for the banking sector, and optimizing resource management (Vitolla et al., 2020). From the literature review, the author discovers that there is a positive relationship between the establishment of a strong CG framework and the ability to sustain stakeholders' confidence and stability within the market, especially in the emergent economy. Due to the instability of political setting and continuously shifting economic

structure, Libya is a pertinent context for examining CG. The review note that the adoption of CG practices in Libya is preconditioned with some challenges; they include weak legal enforcement mechanisms, limited capacity of regulatory authorities, and low level of stakeholders, awareness (Elshahoubi et al., 2019). However, the adoption of the international governance standards faces a hard task given the prevailing local laws that are in contrary with the best practices like the duality of the CEO and the board chairman as observed by Elshahoubi (2019). These challenges make it difficult for transparency and accountability to be adopted in the governance system, hence leading to alternative profitability of banks.

According to agency theory and stakeholder theory, effective corporate governance systems play the role of eliminating conflicts that may exist between management decisions as well as shareholders and other stakeholders e.g., if a company maintains an extensive board structure coupled with clear reporting systems, it can also minimize agency costs and guarantee productivity contributed by the management to the company's long-term profit (Khatib & Nour, 2021). In addition, the resource dependency theory strongly supports the view that effective governance can help organizations to obtain many critical resources, including the most crucial ones, namely capital and valuable market information, required to maintain the competitive advantage and profit. Good corporate governance can also improve the firm's reputation, which improves its ability to attract investors, decreasing the cost of capital. Through combining these theoretical viewpoints, the framework puts a great level of focus on the various roles of governance in achieving sustainable corporate performance in various economic environments - the Libyan context included. The corporate governance mechanism in the emerging market setting portrays a significant impact on the firm's performance (Ciftci et al., 2019). The relationship-based corporate governance mechanism aims to maximize the profit for stakeholders and seeks to provide benefits to a wider range of stakeholders. However, the market-based corporate governance mechanism is more inclined towards maximizing the values of stakeholders through robust protection of minority stakeholders. According to Khatib & Nour, (2021), the size of the board imposes positive influence on the performance of the firm. However, the audit committee meetings and board meetings negatively impact on the firm's performance regardless of the positive influence of the board's diversity. Corporate governance is seen as the foundation that provides structures, processes, and guidelines regarding ensure that firms are suitably managed to benefit all the

stakeholders. Therefore, effectiveness of corporate governance delivers corporate stability that indirectly enhances economic progress through development and support (Mazol, 2026; Herbert and Agwor, 2021). This further highlight that corporate governance effectiveness plays an essential role in attaining valuable corporate performance for the firm through improving economic status. The financial performance and corporate sustainability of the firm is mainly associated with the effectiveness of corporate governance as it reduces or eliminates the agency problems that cause hindrance in the business progress (Tricker, 2025; Puni and Anlesinya, 2020). These are especially so in volatile contexts such as Libya where enhanced governance capabilities may act as defining factors for organizations within these firms to establish sustainable growth and performance in volatile markets.

An evaluation of the literature established that corporate governance has a widespread influence in increasing commercial banks' profitability. Accounting and governance practices, including on the board of directors and internal control systems, can determine or inform measures of profitability which include the Return on Assets (ROA) and Return on Equity (ROE) as shown in Almashhadani and Fathalla (2022). However, research works that establish a direct relationship between governance practices and profitability in the Libyan context are limited; thus, there is a need for more empirical studies in the subject area this understanding informed the development of the hypotheses underpinning the conceptual framework. The researcher also noted that there is a significant research gap where there is scarce empirical research literature that compares the CG practices between Islamic and conventional banks. Even though both types of banks find themselves in different legal authorities, scholarly studies as to how such differences might affect the efficacy of governance and/or constrain financial performance have remained scarce (Masli et al., 2019). Since Islamic banking is well established in Libya, it is important to identify how governance of Shariah compliant practices impact the relative profitability of the sector compared to conventional banks to enhance its performance.

The literature also covers the applicability of the stakeholder theory in the Libyan bank highlighting the need for increased attention to both the shareholder and other legitimate stakeholders including employees, customers, and the government (Ataya et al., 2022; Omar, 2021). The Interest Group Concept shows that frameworks of governance that consider the stakeholders' interest will increase the corporate social responsibility (CSR) and theoretically the reputation and profitability of a bank (Shahwan and Fathalla, 2020). However, in Libya there is

limited research that comprehensively evaluates the efficiency of stakeholder-oriented governance systems. In contrast, shareholders, who are the company's owners, provide managers the authority to act on their behalf and do any responsibilities essential to their positions. This management is accountable for conforming to shareholder directives. Due to the isolation of the firm's owners from the decision-making process, the concept of corporate governance emerged as a solution to the agency issue. The literature review reveals, two conditions which must exist inside an organisation for challenges of corporate governance to become apparent: (i) The business owners and the company's management have a conflict of interest or agency issue; the shareholders, including the managers and directors, have a financial stake in the company, thus this is a cause for worry (Mazol, 2026; Tricker, 2025). (ii) The second point is that conflicts of interest and agency-related difficulties cannot be resolved using contracts (Cheffins, 2024; Ataya et al., 2022). In addition, there are a variety of reasons why it is not always possible to resolve an agency problem via the use of contracts (Tricker, 2025; Cheffins, 2024). These explanations are presented in the context of the several reasons that identify the barriers in fixing the issues.

The next chapter provides justification for choice of research methodology to enable the researcher to answer the key research questions.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter is about the researcher’s justification for choosing the research methodology for the study. It primarily focuses on the choice of research designs and methods for answering the primary research question (PRQ) and secondary research questions (SRQs) stated in both Chapters 1 Introduction and Chapter 2 Literature review and now restated here for purposes of clarity. To answer the primary and secondary research questions, this researcher achieved four (4) specific research objectives, relating to the definitions and meanings of corporate governance and corporate profitability, how shareholders and stakeholders perceive the influence of corporate governance on corporate profitability, the correlation between key measures of corporate governance and corporate profitability, and development of a holistic framework for Libyan Commercial Banks. This includes testing of the general Null hypothesis (H0: that there is no significant correlation between corporate governance and corporate profitability). Table 3.1 below shows how the researcher has carefully mapped the study’s overarching aim, key research questions, specific research objectives, research designs, and research methods. These four key aspects of the research methodology for the study have been discussed in detail in this chapter.

Table 3.1
Mapping of Thesis Aim
Source: various

Overarching aim	Primary and Secondary research questions (PRQ, SRQs), including the general hypothesis (H0)	Four specific research objectives and general hypothesis	Research methodology	
			Research Design	Research Method
To provide critical understanding of how shareholders and stakeholders perceive the impact of corporate governance on corporate profitability in Libyan commercial banks	<p>PRQ: How do corporate governance mechanisms impact the profitability of commercial banks in Libya?</p> <p>SRQ1: What are the prevailing corporate governance structures in the Libyan Commercial Banking Sector?</p> <p>SRQ2: To what extent does corporate governance influence key Profitability Indicators e.g., Return on Assets (ROA) in Libyan Commercial Banks?</p> <p>SRQ3: What are the key barriers preventing effective corporate governance implementation in Libyan Commercial Banks?</p> <p>SRQ4: What corporate governance reforms can be implemented to enhance the profitability and efficiency of Libyan Commercial Banks?</p>	<p>(RO1 – to critique definitions and meanings of corporate governance and describe how it influences corporate profitability in the commercial banking sector,</p> <p>RO2 – to critically evaluate how shareholders and stakeholders in the Libyan Commercial Banking sector perceive the influence of corporate governance policies and practices on corporate profitability and societal wellbeing,</p> <p>RO3 – to determine the correlation between key measures of corporate governance and corporate profitability in the Libyan Commercial Banking sector, and</p> <p>RO4 – to develop a holistic framework to enable Libyan Commercial Banks to sustain corporate profitability through good</p>	Pragmatism – a focus on answering the two key research questions. Positivism, Interpretivism, Deductive, Inductive, Abductive. Survey, Case study.	Quantitative data, Qualitative data; Questionnaire survey; Semi-structured interviews

	H0: There is no significant correlation between corporate governance and corporate profitability.	or sustainable corporate governance policies and practices.		
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The remaining part of the chapter comprises five (5) sections. Section 3.2 describes the nature of research methodology at the doctoral level in terms of two key components: research design and research methods. This is followed by justification for the choice of research design in terms of research philosophy (e.g., pragmatist, positivist, interpretivist, realism, critical realism), research approach (e.g., deductive, inductive, and abductive), and strategy (e.g., survey, case-study, action research, ethnography). Section 3.3 provides justification for the choice of mixed research methods e.g., techniques and procedures for quantitative and qualitative data collection and analysis. Section 3.4 discusses the importance of research ethics, other methodological issues, including validity, reliability, and generalisability and how they were addressed by the researcher. Section 3.5 discusses the results and findings from Piloting the research instruments (questionnaires and semi-structured interviews), and how the results informed the main study. Finally, Section 3.6, provides a summary of chapter and a link to the next chapter on data analysis and findings.

3.2 NATURE OF RESEARCH METHODOLOGY: DESIGN AND METHODS

In this section, the researcher describes the nature of research methodology at the doctoral level in terms of two key components, namely, research designs and research methods. It also includes a comparison between Wilson’s (2026) ‘Honeycomb’ model for research methodology with Saunders et al.’s (2023) ‘Onion model’ to demonstrate critical understanding of the nature of research methodology at the doctoral level. In direct response to the question (what is research methodology, and does it matter in doctoral level studies?) this researcher first, refers to the work of Creswell and Creswell (2023), which describes a research methodology as the path or process for conducting research, with the aim of finding answers to clearly defined research problems and questions, by achieving clear objectives. This view receives support from Saunders et al. (2023) who argued that a research methodology is about the methods for studying research problems. Similarly, reference to the works of Easterby-Smith et al. (2015) reveal that research methodology is a logical process, involving searching available sources of data/information on relevant topics, systematically analysing the data/information to enable researchers find solutions to social and scientific problems.

While the term ‘research methods’ refers to methods for conducting research on a topic, the term ‘research methodology’ refers to how researchers proceed with identifying, selecting, and using appropriate research methods to study their research top (Creswell and Creswell, 2023). For example, research methods include qualitative, quantitative, and mixed techniques and procedures, and research methodology includes philosophies, approaches, and strategies (Saunders et al., 2023). Some authors have divided research methodology into three categories. First, data collection and presentation; second, statistical and non-statistical techniques and procedures used in the study; and third, quantitative and qualitative methods used in the study (Easterby-Smith et al., 2015; Saunders, et al., 2023). In addition, some researchers further describe research methodology as a collective term representing the structured and logical process of conducting research and typically includes research design and methods for data collection, presentation, analysis, and interpretation (Creswell and Creswell, 2023; Saunders, et al., 2023; Easterby-Smith, et al., 2015).

As shown in Figure 3.1 below, Saunders et al.’s (2023) ‘onion’ (Figure 3.1a), and Wilson (2026) ‘honeycomb’ (Figure 3.1b) models, depict research methodology as comprising of different layers, stages, or steps for developing an efficient and effective research design, comprising of the researcher’s philosophies, approaches, and strategies; and also the researcher’s research methods, comprising quantitative, qualitative, or mixed, which requires the researcher to make choices, decide time horizons, and techniques to be adopted.

Figure 3.1
 Comparing Onion and Honeycomb Models of Research methodology
 Figure 3.1a: Saunders et al.’s (2023) Onion Model

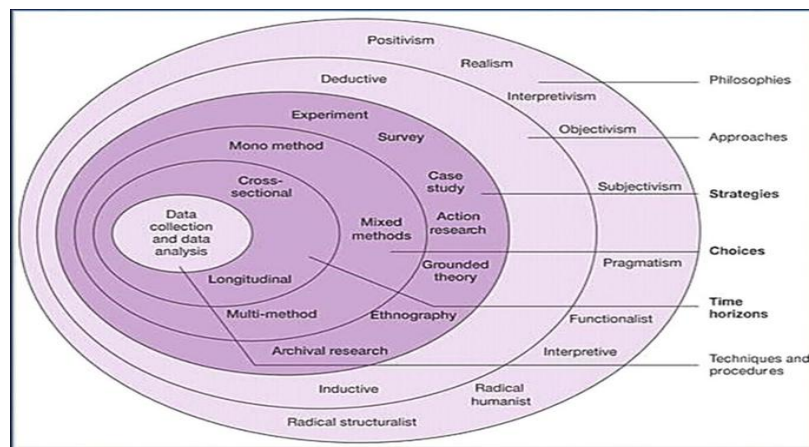


Figure 3.1b. Wilson’s (2026) Honeycomb Model



More specifically, Figure 3.1a, suggests that research philosophy includes, positivism, realism, interpretivism, objectivism, subjectivism, pragmatism, functionalism, and radicalism), research approach, includes (deductive, inductive, abductive), research strategy, includes (experiment, survey, case study, action research, grounded theory, ethnography), time horizon (cross-sectional, longitudinal), and data collection and data analysis in a study.

From Table 3.2, below, we can see that, ‘research methodology’ according to the Honeycomb model comprises of six components defined as steps: 1/philosophy, 2/approach, 3/strategy, 4/design, 5/data collection, and 6/analysis”. Similarly, Saunders et al.’s (2023) Onion model comprises of all the six components identified by Wilson (2026) but is presented differently and show more details. For example, the 1st layer (philosophy), 2nd layer (approach), and 3rd layer (strategy) are the same for both models. Both models hold equal importance in terms of the components they offer for utilisation in a specific research study (Wilson, 2026).

Table 3.2

Key Components of Honeycomb and Onion Models of Research Methodology

Source: Saunders et al. (2023), Wilson (2026).

Onion Model			Honeycomb Model		
Layer	Element	Methods	Layers/steps	Element	Methods
First layer	Philosophies	1/Pragmatism; 2/Positivism; 3/Realism; 4/Interpretivism	First layer	Research Philosophy	1/Pragmatism; 2/Positivism; 3/Realism; 4/Interpretivism
Second layer	Approaches	1/Deductive; 2/Inductive; 3/Abductive	Second layer	Research approach	1/Deductive; 2/Inductive
Third layer	Strategies	1/Action research; 2/Archival research; 3/Case study; 4/Experiment; 5/Ethnography; 6/Grounded theory; 7/Survey	Third layer	Research strategy	1/Quantitative; 2/Qualitative; 3/Mixed
Fourth layer	Choices	1/Mono-method; 2/multi-method; 3/Mixed method	Fourth layer	Research design	1/Action research; 2/Case study; 3/Cross-sectional; 4/Experimental; 5/Longitudinal; 6/Survey
Fifth layer	Time horizons	1/Cross-sectional; 2/Longitudinal	Fifth layer	Data collection	1/Interviews; 2/Questionnaires; 3/Observations; 4/Secondary data
Sixth layer	Data collection & Data analysis	Data collection: 1/Interviews; 2/Questionnaires; 3/Secondary data; 4/Observation; 5/Sampling Data analysis: 1/Quantitative: continuous; descriptive; discrete; and ranked data; 2/Qualitative	Sixth layer	Data analysis techniques	1/Analyzing Quantitative data: descriptive; inferential statistics 2/Analyzing Qualitative data: content; discourse; grounded theory; narrative; and visual analysis.

3.2.1 Research Design: Philosophies, Approaches, Strategies

From both Saunders et al.’s (2023), and Wilson’s (2026) models of research methodology, we can see that the ‘**research philosophy**’ of a study may be considered as a fundamental part of the research design for a study, which precedes research approach (e.g., deductive, inductive, abductive) and research strategy (e.g., survey, case study), because it deals with the researcher’s beliefs, values or assumptions through which the data of the research study are collected, analysed and in the end utilised (Creswell and Creswell, 2023; Easterby-Smith et al., 2015).

3.2.1.1 Research Philosophies: Epistemology, Ontology, Axiology

This researcher provides justification for adopting pragmatism philosophy to answer two key research questions (RQ1, RQ2), by achieving four specific research objectives (RO1, RO2, RO3, RO4), and conducting a mix of exploratory questionnaire survey and evaluative semi-structured interviews. The researcher also utilised the case study research strategy to collect the data from selected Libyan Commercial Banks, which involved an in-depth investigation of the banks, stakeholder groups, events, and individual experts or consultants to understand the nature of corporate governance in the Libyan context. The secondary data collected from document analysis was analysed qualitatively get a comprehensive understanding of the phenomenon under study (Creswell and Creswell, 2023; Easterby-Smith et al., 2015). More specifically, the key components

of a researcher’s philosophy are epistemology (nature of knowledge, or what is known to be true, e.g., positivism versus interpretivism), ontology (nature of reality, e.g., objectivism versus subjectivism), and axiology (nature of value, or what is believed to be true, e.g., value-free versus value-laden) (Wilson, 2026; Creswell and Creswell, 2023; Easterby-Smith et al., 2015). Some scholars do not believe in ‘positivism’ or ‘interpretivism’ and prefer “realism” philosophy which is positioned between ‘positivism’ and ‘interpretivism’ (Saunders et al., 2023). Realism assumes that researchers are part of the research process and try to find the probable truth depending on the triangulation of different positivist and interpretivist views to reveal empirically explanation (Wilson, 2026; Creswell & Creswell, 2023). The assumption of realism receives support from those who prefer to adopt “pragmatism” philosophy by arguing that what is important in doing research is to adopt appropriate research designs and methods which provides answers to predetermined research questions i.e., making use of the approach(s) that works best in a real-world situation (Tashakkori et al., 2020; Creswell and Creswell, 2023; Easterby-Smith et al., 2015). Table 3.3 below highlights the key characteristics of several types of research philosophies used by doctoral researchers. In addition, the third column provide brief justification for choice of research philosophy in this study.

Table 3.3
Key Characteristics of Research Philosophy
Source: Saunders et al. (2023), Wilson (2026).

Types of Research Philosophies	Key characteristics	This Study – Mixed Methodology
Pragmatism; pragmatists.	Incorporates effective procedure based on “what will work best” with the aim of finding the answer to the research questions.	Adopts Pragmatism based on “what will work best” with the aim of answering the primary and secondary research questions (PRQ and SRQs).
Positivism; positivists.	Entirely based on factual knowledge, obtained by observation. There are single reality or truth not multiple realities or truths. Reality can be observed, is objective, and can be logically explained. Positivist epistemology, Objectivist ontology, and Value-free axiology.	Adopts positive epistemology, objectivist ontology, and value-free axiology, to test Hypotheses: H1, H2, H3, H4, H5, and H6. Uses Questionnaire Survey to capture quantitative data which are subjected to SPSS Statistical analysis e.g., multiple linear regression analysis.
Interpretivism; interpretivists.	Entirely based on non-factual knowledge, based on opinions, feelings or intuitions. There are multiple realities or interpretations of reality. Focused on in-depth knowledge or reasons behind reason. This philosophy is the opposite of the positivism philosophy. Interpretivist epistemology, subjectivist ontology, and value-laden axiology.	Adopts interpretivist epistemology, subjectivist ontology, and value-laden axiology, in the collection of qualitative data through semi-structured interviews which are subjected to NVivo thematic content analysis.
Realism; realists. Assumes research independence, and scientific approach to knowledge creation.	Direct or Naïve Realism; direct or naïve realists. What you see or observe is what you get – reality based on personal human senses.	Some aspects of Direct or Naïve Realism are acknowledged e.g., Questionnaire Survey.
	Critical Realism; critical realists. What you see or observe may not actually be what you get, because human sensations and images of reality can sometime be deceptive or fake.	Some aspects of Critical Realism are acknowledged e.g., Semi-structured interviews.

Pragmatism is based on “what will work best” and aims to answer the research question(s) under examination (Saunders et al., 2023; Tashakkori et al., 2020). It enables researchers to conduct their study in a dynamic and innovative way to find answers to their intended research questions (Easterby-Smith et al., 2015). In contrast, with positivism philosophy, pragmatism rejects the idea of a single reality or absolute truth, and instead emphasizes the significance of experiences and experimentation in the pursuit of knowledge (Easterby-Smith et al., 2015). Indeed, pragmatists state that the truth is associated with the current situation, and this truth can be changed with the passage of time as novel information is discovered, pragmatists also believe that knowledge is valuable only to the extent that it can be applied to practical problems (Tashakkori et al., 2020). In addition, pragmatism research philosophy focuses on the experiences of nature, unlike positivist research philosophy that focuses on objectivity and single reality. This view is supported by (Creswell and Creswell, 2023) emphasises on three main shared ideas of pragmatism: first, idea is “actions cannot be separated from the situations and contexts in which they occur”, this explains that the world is full of unique experiences rather than the universal truth, their warranted beliefs are also included, which represent themselves as the repeated actions in the similar form of situation and the results of the experiences, and the other belief is produced to predicts the results (Easterby-Smith et al., 2015); second, belief is “actions are linked to consequences in ways that are open to change” this belief is explained as if one action is changed based on the situation, and the outcomes of the action will also be changed.

According to the pragmatism research philosophy, it is not possible to experience the same situation twice (Tashakkori et al., 2020); finally, is the belief that “actions depend on worldviews that are socially shared sets of beliefs”, meaning, that, two individuals would not have the same experiences which can be identified, so their worldviews of them cannot be the same. Thus, there is always an erratic degree of experience between two individuals which may lead to a distinct degree of common experiences, which supports the assumptions of interpretivism research philosophy (Easterby-Smith et al., 2015). The probability of exhibiting similar behaviour and interpreting the results of that behaviour in a comparable manner is contingent on the degree of shared belief regarding a specific situation. Consequently, worldviews can possess both a distinctive individual character and a socially collective dimension (Saunders et al., 2023).

Positivism research philosophy unlike **pragmatism** is entirely based on factual knowledge, which is obtained by observation (Saunders et al., 2023). In addition, the positive researcher believes that there is a single reality, or truth which can be obtained through observation and can be explained from the viewpoint of the objectivist without interfering with the study's phenomena. This philosophy allows researchers to manipulate reality by varying "independent variables" to identify relationships between dependent and independent variables, often relating to the fundamental aspects of the social world (Easterby-Smith et al., 2015). Positivists argue that since the knowledge of an individual, is centred on natural phenomena and associations, human sensory experiences, help to collect and interpret knowledge using logic and reason (Saunders et al., 2023). Positivists, argue that introspection, emotions, and intuitive knowledge should be rejected because they have no scientific basis (Creswell and Creswell, 2023). One argument that needs to be acknowledged is that "society is like the physical world which operates according to general law" (Easterby-Smith et al., 2015). In the sense of epistemology, the term "positive" highlights a "value-free" or objective approach which is associated with natural science methods (Saunders et al., 2023; Creswell and Creswell, 2023; Easterby-Smith et al., 2015).

The justification for using positivism in this study, is because a positivist epistemology, objectivist ontology, and value-free axiology, underpin the test of Hypotheses: H1, H2, H3, H4, H5, and H6, application of SPSS Statistical analysis to the responses from the Questionnaire survey, and interpretation of the multiple linear regression analysis results (Field, 2024; Saunders et al., 2023; Pallant, 2020). In addition, prior research studies identified five major principles or benefits of positivism, which are applicable in this study, namely, a/logical inquiry, b/predication and explanation, c/human sense for observation, d/testing of hypothesis, and e/logical analysis (Field, 2024; Pallant, 2020). This researcher has observed that positivism studies adopt the deductive approach while interpretivism studies adopt the opposite inductive approach (Saunders et al., 2023). The observer in the positivism research is an independent agent, and the human interest is irrelevant, the research progress is identified by deduction and hypothesis and the idea which needs to be functionalised in the context where the measurement can be occurred by the researcher (Easterby-Smith et al., 2015).

Interpretivism, is diametrically opposite to **positivism**, in the sense that unlike positivism, it assumes there are multiple realities and interpretations (Saunders et al., 2023). In addition, interpretivists are more focused on in-depth knowledge and factors which are related to the intended research area and argue that because humans are distinct from the physical world, more in-depth meaning can be gained from perceptions of individuals (Easterby-Smith et al., 2015). Thus, social science research explores these individual differences, to better understand present situations, cultures, and different realities (Easterby-Smith et al., 2015). This philosophy is the opposite of the positivism philosophy as it considers the richness of the gathered data instead of trying to give universal and definite law which can be applied to every individual and the outcomes generalised regardless of any significant factors and variables (Field, 2024; Pallant, 2020). Some researchers support the view that interpretivism primarily focuses on wisdom literature and biblical sources, and the view of that interpretivism seeks to understand the world with the help of different experiences of phenomena (Creswell and Creswell, 2023; Saunders et al., 2023). Also, the Symbolic interaction approach states that interpretivism takes symbols into deliberation because this provides the shared meaning, based on this it is also supposed that interpretivism provides the symbol to support reality (Saunders et al., 2023).

Epistemology (nature of knowledge) is also related to two philosophical positions, namely, **ontology** (nature of reality), and **axiology** (nature of value) (Easterby-Smith et al., 2015; Saunders et al., 2023). Positivism is related to objective ontology linked to value-free axiology, while interpretivism is related to subjective ontology linked to value laden axiology – the latter places emphasis on the opinions and feeling and interpretation of reality, and the former places emphasis on facts or numbers as the basis of knowledge creation (Saunders et al., 2023). Subjectivist ontology and value laden axiology are both linked to the belief that the meanings considered through intersubjectivity and inductively as well as sympathies are an experiential element of interpretivist philosophy and inductive approach which seek to create new understanding or better understanding of the phenomenon under study (Easterby-Smith et al., 2015). Subjectivism provides a transparent or direct link to the research subject and the research as it assumes that individual participants cannot be separated from their own interpretation of reality – as such, interpretivism is considered more sensitive - instead of being compromised, it rejects universal laws, shared values, beliefs, validity of questioning, and considers the subjectivity of different individuals (Creswell and Creswell, 2023). Thus, the participants of the research do not provide

general interpretations of the data. In addition, the collected data and analyses are more often less generalised, and mostly focus on specific values, context and viewpoint. This provides strong justification for adopting, interpretivism research philosophy in this study – as part of a mixed research methodology - to provide in-depth knowledge of corporate governance policies and practices in Libyan Commercial Banks.

3.2.1.2 Research Approach: Deductive, Inductive, Abductive

In this research study, the abductive research approach which combines or integrates the deductive and inductive approaches has been followed, because it underpins the mixed methodology adopted and enables the research test existing theories (deductively) expressed in terms of hypotheses and to develop new theories (inductively) on the relationship between corporate governance and corporate profitability in the context of Libyan Commercial Banks. Table 3.4 below highlights the key characteristics of deductive, inductive, and abductive research approaches and provides brief justification for choice of abductive approach (see the third column).

Table 3.4
Key Characteristics of Research Approaches
Source: Saunders et al. (2018).

Types	Key characteristics	This Study – Mixed Methodology
Deductive; deductive reasoning i.e. theory testing	1/Developing a hypothesis (or hypotheses) based on existing theory and then testing the hypotheses. 2/Deducing hypotheses from existing theories. 3/Involves deductive reasoning and explained by the means of hypotheses - deducting conclusions from premises or propositions.	Adopts positive epistemology, objectivist ontology, and value-free axiology, to test Hypotheses: H1, H2, H3, H4, H5, and H6. Uses Questionnaire Survey to capture quantitative data which are subjected to SPSS Statistical analysis e.g., multiple linear regression analysis.
Inductive; inductive reasoning i.e. theory development	1/Involves searching for pattern(s) from qualitative data set, leading to better or in-depth understanding of the phenomenon under study. 2/Generates meanings from qualitative data set to identify patterns and relationships to build a new theory. 3/Inductive reasoning is based on learning from experience i.e. it is intuitive and based on experiential learning.	Adopts interpretivist epistemology, subjectivist ontology, and value-laden axiology, in the collection of qualitative data through semi-structured interviews which are subjected to NVivo thematic content analysis.
Abductive; abduction; testing and developing theory or vice versa	1/Combination of deductive and inductive approaches sequentially in a 2-phase study. 2/Definition of a problem that is not fully understood, and development of a theory. 3/Testing the new theory through the collection and analysis of quantitative data.	Adopts relevant aspects of deductive and inductive which are compatible. Deductive approach based on and Explorative Questionnaire Survey, followed by an Evaluative Semi-structured Interviews.

Abductive approach aligns best with the adoption of mixed research methodology in this study and begins with the definition of the research problem situation and formulation of the primary and secondary research questions (PRQ, and SRQs). This is followed by testing of existing theories (hypotheses) relating to the research questions. The results from the hypotheses tests feed into the inductive approach sequentially, by helping to determine the themes and specific questions for the

semi-structured interviews. The main advantages of abductive approach, include, a/possibility to explore the causal relationships between corporate governance and corporate social responsibility through hypotheses testing, b/sequentially evaluating the hypotheses test results, by finding the reasons for ‘accepting’ or ‘rejecting’ a hypothesis, c/provides strong basis for developing the holistic framework for the study.

In brief, the researcher has demonstrated how both inductive as well as deductive reasoning can be combined/integrated in the same study based on mixed research methodology. Thus, the adoption of a mixed methodology helps in providing the researcher with an ability to design a single longitudinal study at the doctoral level, which answers the primary and secondary research questions about the nature of the relationship between corporate governance and corporate profitability in the Libyan Commercial Banking Industry. Indeed, the adoption of abductive approach as part of a mixed methodology study, helps to address the inherent weaknesses associated with both inductive and deductive approaches. The next section provides justification for choice of research strategies for the study.

3.2.2 Research Strategy: Survey, Case Study

Saunders et al. (2023) and Easterby-Smith et al. (2015) describe a ‘research strategy’ as the researcher’s plan of action, which helps in a thorough investigation of a research problem that has been identified for the research. The literature identifies three types of research strategies linked to three types of data: quantitative, qualitative, and mixed data (Easterby-Smith et al., 2015). The chosen research strategy for this study is mixed research strategy, involving the collection and analysis of quantitative data from questionnaire survey (survey strategy) and qualitative data from semi-structured interviews (case study strategy) (Creswell and Creswell, 2023; Saunders et al., 2023).

Table 3.5 below highlights the key characteristics of survey research strategy, case study research strategy, and action research strategy, and ethnographic research strategy. In addition, it provides brief justification for choice of questionnaire survey and semi-structured interviews based on a case study strategy (see the third column).

Table 3.5
Key Characteristics of Research Strategies
Source: Saunders et al. (2023).

Types	Key characteristics	This Study – Mixed Methodology
Survey research strategy: Questionnaire survey	A systematic strategy for collecting quantitative or qualitative data from a sample of people. Aims to understand attitudes, opinions, beliefs, or behaviors on specific topics. Sample needs to be representative of a defined population, for generalizability of findings.	Adopts Exploratory survey strategy to test Hypotheses: H1, H2, H3, H4, H5, and H6. The responses to the Questionnaire are subjected to SPSS Statistical analysis e.g., multiple linear regression analysis. Uses Exploratory survey because there is limited existing information on a corporate governance and corporate profitability in Libyan Commercial Banks.
Case study of Libyan Commercial Banks	1/In-depth examination of a few/small convenient samples of a population, within the context of a single/few countries. 2/It aims to explore and evaluate topics in detail and criticality. 3/Unlike other research methods that aim for broad generalizations, case studies offer an intensive understanding of a specific individual, group, event, or situation.	In-depth examination of a few/small convenient sample of Commercial Banks, within the context of a single country/Libya. It aims to explore and evaluate corporate governance and corporate profitability in detail and critically. It aligns with interpretivism, qualitative research, and use of semi-structured interviews.
Action research strategy	1/Facilitates organizational change; 2/Researcher and Client collaboration needed; 3/Client involved in the entire process of diagnostic, problem identification, experiential learning, and problem-solving process.	Not appropriate for this study, because of researcher is not currently an employee of any Libyan Commercial Bank. In addition, this is a self-sponsored full-time PhD Study.
Ethnography research strategy	1/Study of people in their normal, everyday environments. 2/To understand the subject of the research as part of the wider context in which it exists. 3/looking at people within their communities, organizations, and cultures, 4/observational data required.	No appropriate for this study, because participant observation in the real-life context in Libya is not required to achieve the aims of this PhD study.

In brief, the adoption of survey and case study research strategies in this study as part of a mixed research methodology, enable the researcher to collect both quantitative and qualitative data/information needed to achieve the research objectives (RO1, RO2, RO3 and RO4) and ultimately answer the primary and secondary research questions. Quantitative research is based on the natural sciences and uses quantitative data that can be express in quantities or something that can be counted i.e., numbers, and is underpinned by a positivist research philosophy (Easterby-Smith et al., 2015). Quantitative researchers use of deductive reasoning because they seek to test existing theories or hypotheses, which involves systematic analysis, observable phenomenon, requiring mathematical or statistical skills for data collection, analysis, and interpretation (Easterby-Smith et al., 2015). As such for Phase 1/Quantitative phase of this study, this researcher makes assumptions about testing theory deductively and asserts that a positivist mind set is needed to test the relationship between corporate governance and corporate profitability in Libyan commercial banks (Creswell and Creswell, 2023). This view receives support from Easterby-Smith et al. (2015) who argue that quantifying data can make information more explicit, easier to aggregate and summarise or compare thus, one needs to be explicit about meaning of concepts and exclude any other meaning that is not relevant to the concept. In brief, quantitative research

methodology uses positivism and deductive approaches in the sense that the quantitative data collected is used to test existing theories by proposing hypotheses aimed at explaining the cause-and-effect relationships between dependent and independent variables in a study (Field, 2024). This makes quantitative research useful when a large set and a general pattern of data is essential for understanding a phenomenon for instance, the use of questionnaires in a survey to collect a large set of data for comparing different type of cases (Saunders et al., 2023).

Despite the advantages of using quantitative techniques, they do not explain the structure and processes that influence complex strategies and motivation behind such actions (Saunders et al., 2023). Also, Easterby-Smith et al. (2015) found quantitative analysis alone does not include the contextual underpinnings, which can limit discovery, understanding and interpretation. Furthermore, quantitative research often involves large sample sizes which makes data collection and analysis expensive (Creswell and Creswell, 2023). Saunders et al. (2023) also state that when handling quantitative data inappropriate statistical errors can occur, misuse of sample can happen, data coding may be undermined and inaccurate. To address these limitations of quantitative research this researcher therefore uses qualitative research methodology for Phase 2 of the study which involves evaluative semi-structured interviews based on interpretivist philosophy and inductive approach.

According to the literature qualitative research, enables researchers to better understand how research participants actual feelings, their opinions, and how they behave when asked questions (Easterby-Smith et al., 2015). The main advantage of qualitative methodology over quantitative methodology is, therefore, the fact that it only requires the use of smaller sample sizes, it is highly subjective and designed to look beyond participants' reasons for answering questions in a particular way (Bell et al., 2022; Saunders et al., 2023). This means qualitative researchers stress, socially constructed nature of reality, intimate relationship between the researcher and what is studied, and the situational constraints that shape inquiry (Bell et al., 2022; Saunders et al., 2023; Easterby-Smith et al., 2015).

In this doctoral study the researcher adopts a pragmatist philosophy to benefit from both the quantitative data from the exploratory questionnaire survey (Phase 1), and the qualitative data from the evaluative semi-structured interviewees (Phase 2), through triangulation of sources, data,

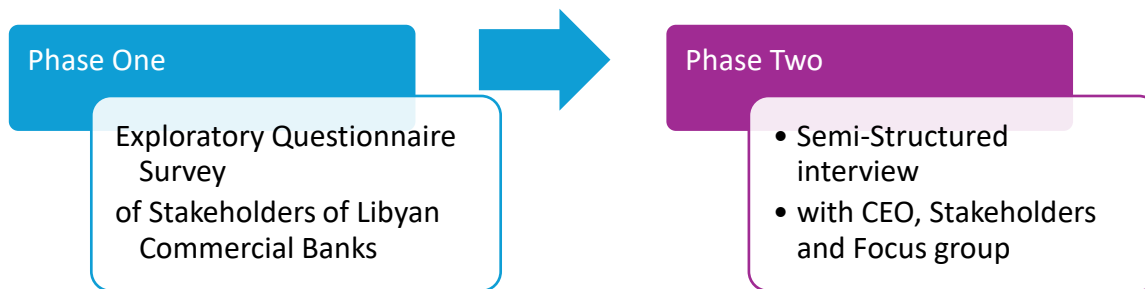
information, methods, and findings, as part of a mixed methodological approach (Saunders et al., 2023; Creswell & Creswell, 2023; Tashakorri et al., 2020). Indeed, some research methodologists in the field of business and management, including Tashakorri et al. (2020) strongly support the combination of both qualitative and quantitative approaches because both are beneficial to society. Creswell and Creswell (2023) also argues mixed-method approach is advantageous because it utilized both methods to capture the responses of both and at the same time connecting layers of frameworks used in policy intervention to enhance the development and quality of the research outcomes, by leveraging on the strengths of both approaches. As such results from mixed methods strengthen the robustness of the research and stimulate alternative understanding by illuminating the conditions that are associated with specific outcomes (Saunders et al., 2023; Creswell and Creswell, 2023).

3.3 MIXED RESEARCH METHODS: QUANTITATIVE, QUALITATIVE, MIXED DATA

This study uses a cross-sectional time horizon for data collected for the purpose of answering the primary and secondary research questions, using a mix of quantitative data from questionnaire survey and qualitative data from semi-structured interviews of selected Libyan Commercial Banks. However, because the data collection process is part of a 3–4-year full-time PhD programme, the time horizon has some element of longitudinal time horizon in the sense that the 3-4 years can be considered as a long period, during which the researcher conducts an ongoing critical review of extant literature, collects data for the specific timeframe, investigates and updates the draft thesis several times (Bell et al., 2022; Saunders et al., 2023; Easterby-Smith et al., 2015).

More specifically, this section provides justification for the choice of questionnaire (as part of the exploratory survey research strategy) and semi-structured interviews (as part of the evaluative case study research strategy, in Phase 2 of the study). Figure 3.2 below shows the 2-phase or stages of the fieldwork which enabled collection of primary quantitative and qualitative data to address the key research questions (RQ1, RQ2).

Figure 3.2
Two-phase Fieldwork: Questionnaires followed by Semi-structured interviews
Source: Researcher



The aim of using mixed data in one research is to gain a more comprehensive knowledge of the real world in terms of the association between corporate governance and corporate profitability in the Libyan context. In addition, there are limited mixed research studies on how shareholders and stakeholders perceive corporate governance and profitability in Libyan commercial banks. This means, the findings from this study, would provide better understanding of the key role of corporate governance in the Libyan commercial banking and financial sector. More specifically, during stage one of the fieldwork, the quantitative data from the questionnaire survey of stakeholders of commercial banks, including bank CEOs in Libya, would help the researcher understand the views of stakeholders in terms of how they perceive corporate governance and probability, and their attitudes, beliefs, and practices towards corporate governance. In addition, this stage of the study was intended to inform the next stage involving semi-structured interviews of selected stakeholders e.g., CEOs and other stakeholders about their opinions and attitudes towards the corporate governance policies and practices in the Libyan context. In addition, semi-structured interviews are considered beneficial based on the reason that they enable participants to provide in-depth information related to their experiences and they provide a more accurate answer to the questions and help the researcher to gain more comprehensive knowledge of the value, attitudes, and experiences (Bell et al., 2022; Saunders et al., 2023; Easterby-Smith et al., 2015).

The use of questionnaires during Phase 1 of the study helped to generate quantitative data for the SPSS statistical analysis, and the use of semi-structured interviews helped to generate qualitative data for the NVivo thematic content analysis. In addition, the researcher also collected and analysed relevant secondary quantitative and qualitative data from Libyan Commercial Banks in response to the key research questions. This main logic in adopting mixed methodology is based on the principle that no single technique can ever adequately resolve the issues being research, and

that utilizing only a single technique makes the researcher more vulnerable to the errors that are connected to the specific technique being used (Bell et al., 2022; Saunders et al., 2023; Easterby-Smith et al., 2015). This view receives support from Tashakorri (2020) and Creswell and Creswell (2023), who argue that the significant reason behind adopting mixed methodology is not to consider replacement either for qualitative or quantitative approaches but instead to draw from their strengths as well as to reduce the weaknesses of both approaches in single research studies. In this context, this researcher, has identified five key reasons to conduct a mixed methodology study: 1/Enhancing the description of the investigated phenomenon as well as providing the complete picture and in-depth understanding of the research (Bell et al., 2022; Saunders et al., 2023; Easterby-Smith et al., 2015); 2/Explicate and validate the findings from the other approach as well as generate more comprehensive, valid, and internally consistent findings; 3/It provides the understanding with elaboration as well as higher confidence for the conclusions; 4/It handles the threats to gain and validate the deeper and complete understanding; and 5/It provides meaningful and useful answers to the research questions. From Table 3.6 below, we can see that combining and integrating both quantitative and qualitative research together gives a better understanding of the research problem and research topic (Bell et al., 2022; Saunders et al., 2023; Easterby-Smith et al., 2015). The significant benefit of conducting the mixed method methodology is to gather and analyse the theoretical and numerical data that assists in understanding the topic of research and answering the primary and secondary research questions.

Table 3.6
Benefits and Limitations of using Mixed Data
Source: Easterby-Smith et al. (2015), Saunders et al. (2023).

Type of Data	Benefits	Limitations	This Study
Quantitative data	Tests of hypotheses help to accept, reject, and generate new hypotheses. Help to identify gaps in existing theory.	1/Needs sufficient skills and resources. 2/Sample needs to be representative of a defined population.	Uses quantitative data from the Questionnaire Survey to explore the effects of good corporate governance on corporate profitability of Libyan Commercial Banks.
Qualitative data	Help develop new theories or better understanding of a phenomenon under study. Helps to identify gaps in existing theory.	1/Needs sufficient skills and resources. 2/Time-consuming and costly.	Uses qualitative data from the Semi-structured interviews to evaluate the experiences and perceptions of the participants.
Mixed data - Enhances the credibility and validity of research.	Addresses complex research questions that require more than one type of data. Provides a deeper and richer insight into how corporate governance influences corporate profitability and validates or complements the thesis' findings.	1/Needs a clear and coherent rationale for using mixed methods, and a suitable design and strategy for integrating the data. 2/potential conflicts and contradictions from different paradigms, assumptions, and methods, and how to resolve them.	The results from the quantitative research phase inform the qualitative research phase to enrich the Thesis' findings and contribution to knowledge.

The next section describes the quantitative research phase comprising of the questionnaire design and sampling techniques for the exploratory survey.

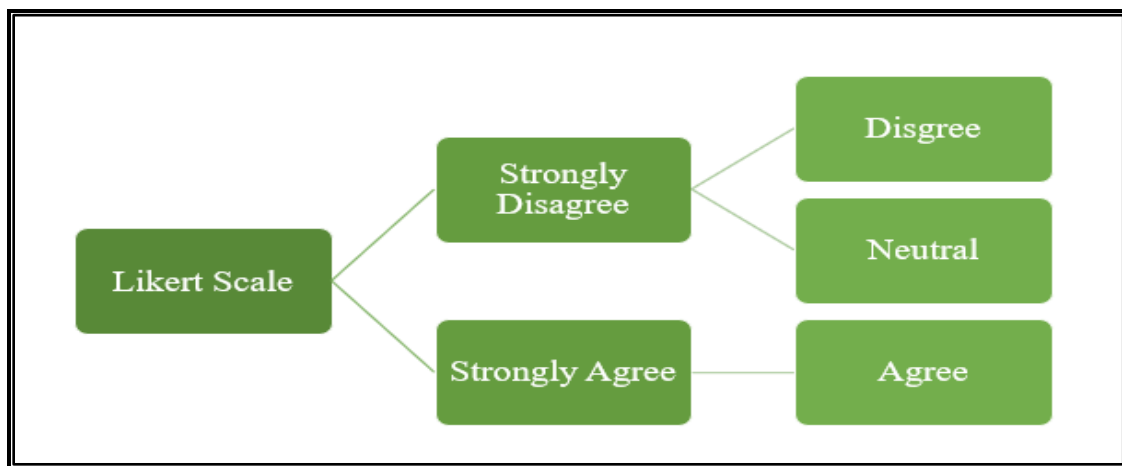
3.3.1 QUANTITATIVE RESEARCH PHASE: EXPLORATORY SURVEY QUESTIONNAIRE DESIGN

According to the literature an exploratory questionnaire survey is mostly utilized in explanatory and descriptive research, because it is related to the deductive research approach, it enables the use questionnaires to efficiently collect standardised data from a defined sample of the population, it is comparatively easy to understand, and findings can be generalised to represent the entire population (Bell et al., 2022; Saunders et al., 2023; Easterby-Smith et al., 2015). The quantitative research phase forms the first phase of the study, which is aimed at exploring corporate governance policies and practices and how they impact corporate profitability of Libyan Commercial Banks. Phase 1 of the study was conducted based on a carefully designed questionnaires as presented in Appendix 3.1. According to the literature a questionnaire must incorporate specific specifications, it must have an attractive layout and accurate length, and it must also be constructed stepwise (Saunders et al., 2023). There must also be a significant consideration of the question types that are being provided (such as closed or open or both) (Easterby-Smith et al., 2015). The questionnaire further must be designed in such a way that the specific specifications and particular aim should be clear, and a considerable amount of relatable data could be obtained with less expenditure of both effort and time (Saunders et al., 2023; Easterby-Smith et al., 2015). Close-ended questions are used offer the respondent choices of answers in a rating scale style usually conducted with the help of the Likert Scale (Saunders et al., 2023). As this gives the ground for numerical or graphical value to be generated based on shared opinions. This is considerably smooth for the respondent to accomplish their task and for the researcher to analyse and interpret the codes accordingly (Saunders et al., 2023). Moreover, the technique is important since the research has separate groups of respondents who might have diverse beliefs. Due to this, it might not be suitable to utilize open-ended questions. Although, the questions of closed ended might have inherent restrictions that result from the expressiveness loss as well as restrict the space for reasoning the answers (Saunders et al., 2023). To further overcome the restrictions, half-page spaces were given in the last section for the respondents to give further comments as they considered them relevant to the research.

In terms of length and structure, the questionnaire is divided into three major sections, namely, demographics, corporate governance (independent variable), and corporate profitability (dependent variable) (see Appendix 3.1). As per the discussion above, the significant goal of the questionnaire was to gather the desired primary information first to answer the desired primary and secondary research questions. Secondly, the opinions of respondents as well as general research attitudes were sought regarding the introduction of corporate governance and profitability for the Libyan Commercial Banking sector. Lastly, the general attitudes and opinions of respondents were identified regarding the present obstacles that face the application of good corporate governance practices in the Libyan Commercial Banking sector. The demographic section of the questionnaire helps understand the differences between respondent groups which provides some background information of respondents. The questionnaire data collected from respondents are based on close ended 5-Likert scale: 1/*strongly agree*, 2/*agree*, 3/*neutral or neither agree now disagree*, 4/*disagree*, and 5/*strongly disagree* (Saunders et al., 2023). Figure 3.3 shows the basis for the 5-point Likert Scale which contains a set of category responses that is constructed around the range of disagreement or agreement levels (Bell et al., 2022; Easterby-Smith et al., 2015). The respondents are expected to tick suitable levels on the scale of Likert in response to the statements/questions asked. In this study the Likert scale was used in some of the questions to obtain the level of respondents' agreement with the statement that are presented under that, and in some questions the Likert scale was used in to obtain the views of respondents over the statement's importance that is presented under it (Saunders et al., 2023).

Figure 3.3: Use of Likert scale in Questionnaire

Source: Easterby-Smith et al. (2015)



The questionnaire was administered via Online Google Forms for quantitative research, available at: <https://www.google.com/forms/about/>). In this research the purpose of the questionnaire is to explore the attitudes of key stakeholders towards corporate governance in Libyan Commercial Banks. Table 3.7 below, briefly outline the structure and content of the questionnaire design which covers the two key themes: corporate governance (independent variable) and corporate profitability (dependent variable).

Table 3.7
Survey Questionnaire Design for Phase 1 of the study
Source: Based on Gaps in the literature and previous studies

No.	Statements/ Link to Primary and Secondary Research Questions (PRQ, SRQs)	References
Q1	Age Group - Different age groups have different characteristics, beliefs, values and attitudes when they make business level or strategic decisions. Age influences how people feel physically, psychologically, and label themselves and others/ PRQ/age	Abusloum et al. (2021). Zagoub (2015); Abofaied (2017).
Q2	Gender/Sex - Is associated with gender role i.e., the natural behaviors expected of men and women in a work environment. Gender schema theory - people play different roles in society based on their sex. Social and cultural traits: males (masculinity) and females (femininity)/PRQ/gender	Zagoub (2015); Abofaied (2017). Abusloum et al. (2021).
Q3	Educational qualification - Determines the success of any business activity by enabling employees to apply theoretical frameworks to make strategic decisions and solve business problems effectively; helps to develop human capital, knowledge creation/PRQ/education	Zagoub (2015); Abofaied (2017). Abusloum et al. (2021).
Q4	Job Role in the Bank – Relates to five basic essential characteristics of job titles: task integrity, task importance, skill varieties, autonomy feedback/PRQ/job	Abusloum et al. (2021). Zagoub (2015); Abofaied (2017).
Q5	Years of experience – positively impact corporate governance/PRQ/experience	Zagoub (2015); Abofaied (2017) Abusloum et al. (2021)..
Q6	Type of Bank – commercial banks vs. non-commercial/PRQ/type	Abusloum et al. (2021). Zagoub (2015); Abofaied (2017).
Q7	Department – individual vs. team decision making process/PRQ/department	Zagoub (2015); Abofaied (2017). Abusloum et al. (2021).
Q8	Region/location of employment – location competitive advantages/PRQ/location	Abusloum et al. (2021). Zagoub (2015); Abofaied (2017).
Q9	Number of employees – turnover rates, team effort, structure/PRQ/employees	Zagoub (2015); Abofaied (2017).
Q10	Certification or training in corporate governance – credibility/reputation/PRQ/certification	Zagoub (2015); Abofaied (2017).
Q11	Smooth mechanisms of corporate governance are imperative for the banking sector/CG PRQ/SRQs/H0	Abu-Tapanjeh (2009). Zagoub (2015, 2019); Abofaied (2017).
Q12	The significance of corporate governance includes the collaboration in working relations between the bank supervisors and bank management/CG; PRQ/SRQs/H0	Zagoub (2015); Abu-Tapanjeh (2009).
Q13	For long-term investments, corporate governance plays a vital role in terms of building the environment’s transparency, trust, and accountability/CG; PRQ/SRQs/H0	Abofaied (2017). Abu-Tapanjeh (2009).
Q14	Mitigation risk, enhanced capital flow, assurance of internal control, and enhanced decision are the effective factors of corporate governance/CG; PRQ/SRQs/H0	Abu-Tapanjeh (2009). Alrafadi (2020a/b, 2023);
Q15	Lack of strategic alignment and lack of control strengthens the role of corporate governance/CG. PRQ/SRQs/H0	Zagoub (2015, 2019); Abu-Tapanjeh (2009).
Q16	Lack of risk management leads to effective governance/CG; PRQ/SRQs/H0	Abu-Tapanjeh (2009). Abu-Tapanjeh (2009).
Q17	Lack of honesty and integrity does not affect the corporate governance/CG; PRQ/SRQs/H0	Abofaied (2017).
Q18	The significant factors of profitability include credit quality, liquidity, and size/CG; PRQ/SRQs/H0	Ciftci et al. (2019), Aguilera & Haxhi (2019)
Q19	GDP natural algorithm and inflation have no significant impact on the profitability of commercial banks/CP; PRQ/SRQs/H0	Bhagat & Bolton (2019); Claessens & Yurtoglu (2013).
Q20	Corporate profitability is positively correlated with operation efficiency, along with the negative sign in the case of the operational ratio/CP; PRQ/SRQs/H0	Alrafadi (2020a/b, 2023); Cheffins (2024)
Q21	Credit risk shows negative relation with the commercial bank profitability/CP; PRQ/SRQs/H0	Ciftci et al. (2019). Claessens & Yurtoglu (2013)
Q22	Your bank can operate on a long-term basis with the ROE (Return on equity)/CP; PRQ/SRQs/H0	Bhagat & Bolton (2019) Abofaied (2017).
Q23	A good framework of governance is found to generate smooth operational outcomes that result in greater profitability/CP; PRQ/SRQs/H0	Ahmed et al. (2020); AlHares (2020); Zagoub (2015, 2019);
Q24	Direct costing and the number of production units affect the profitability of commercial banks/CP; PRQ/SRQs/H0	Ahmed et al. (2020). Abofaied (2017).

Q25	The practices and rules of corporate governance led to financial viability and ethical business and that interests many shareholders/CP; PRQ/SRQs/H0	Zagoub (2015, 2019); Alrafadi (2020a/b, 2023);
Q26	The significance of profitability includes its measurement of expenses and income for Libyan commercial banks/CP; PRQ/SRQs/H0	Abu-Tapanjeh(2009); Zagoub (2015); Aguilera & Haxhi (2019). Alrafadi (2020a/b, 2023);
Q27	Increasing the proportion of non-interest income will help increase the diversity of types of revenue in the commercial bank, thereby reducing risks through diversification/CP; PRQ/SRQs/H0	Ciftci et al. (2019), Claessens & Yurtoglu (2013) Abofaied (2017).
Q28	Commercial Banks' financing structure is correlated positively to the profitability/CP; PRQ/SRQ1/SRQ2	Zagoub (2015, 2019); Alrafadi (2020a/b, 2023);
Q29	The key issue with corporate governance is the qualification and composition of the board/CG; PRQ/SRQ1/SRQ2/SRQ3	Zagoub (2015, 2019); Alrafadi (2020a/b, 2023);
Q30	The functioning and development of capital markets are affected by the corporate governance/CG; PRQ/SRQ1/SRQ4	Ciftci et al. (2019). Alrafadi (2020a/b, 2023);
Q31	Firms with poor governance are responsible for negative market reactions and poor market response/CG; PRQ/SRQ2	Ciftci et al. (2019), Claessens & Yurtoglu (2013) Abofaied (2017).
Q32	Higher liquidity of commercial banks leads to lower profitability/CP; PRQ/SRQ2/SRQ3	Bhagat & Bolton (2019). Alrafadi (2020a/b, 2023);
Q33	The successful rate of corporate governance is due to its corruption in the banking sector/CG.; PRQ/SRQ2/SRQ3/SRQ4	Ciftci et al. (2019), Claessens & Yurtoglu (2013) Zagoub (2019);
Q34	Based on the determinants of profitability, capital adequacy and the size of the bank have a significant impact/CP; PRQ/SRQ2/SRQ3/SRQ4	Ciftci et al. (2019), Claessens & Yurtoglu (2013)
Q35	Efficiency of operation is a significant factor for commercial banks/CP; PRQ/SRQ2, SRQ3, SRQ4	Abofaied (2017). Alrafadi (2020a/b, 2023);
Q36	Investor's relationship based on business for the monitoring process makes smoother corporate governance/CG; PRQ/SRQ2/SRQ4	Bhagat & Bolton (2019); Ciftci et al. (2019), Claessens & Yurtoglu (2013) Abofaied (2017).
Q37	The driving factors of profitability in the corporate banking sector are the investors and lenders/CP; PRQ/SRQ2, SRQ4	Abofaied (2017). Alrafadi (2020a/b, 2023);
Q38	The financial liability of banks majorly relies on good corporate governance/CG; PRQ/SRQ3	Ciftci et al. (2019), Claessens & Yurtoglu (2013) Abofaied (2017).
Q39	Good corporate governance helps the stakeholders to know the possible risks of conducting transactions/CG; PRQ/SRQ3	Zagoub (2015, 2019). Claessens & Yurtoglu (2013).
Q40	Corporate governance rationale is to enhance the bank's performance by sustaining and structuring the incentives/CG; PRQ/SRQ4	Ciftci et al. (2019), Claessens & Yurtoglu (2013) Abofaied (2017).

Note: **PRQ:** How do corporate governance mechanisms impact the profitability of commercial banks in Libya? **SRQ1:** What are the prevailing corporate governance structures in the Libyan Commercial Banking Sector? **SRQ2:** To what extent does corporate governance influence key Profitability Indicators e.g., Return on Assets (ROA) in Libyan Commercial Banks? **SRQ3:** What are the key barriers preventing effective corporate governance implementation in Libyan Commercial Banks? **SRQ4:** What corporate governance reforms can be implemented to enhance the profitability and efficiency of Libyan Commercial Banks? **H0:** There is no significant correlation between corporate governance and corporate profitability.

The questionnaire comprises of a total of 40 questions: 10 demographic questions (Q1-Q10), 15 questions on corporate governance (Q11-Q26), and 15 questions on corporate profitability (Q27-Q40). Table 3.7 also shows the key references to which each question relates. It is important to note that these questions are hierarchically linked to the primary and secondary research questions (PRQ and SRQs). As discussed in detail in Chapter 2 Literature review, under hypothesis development, the primary and secondary research questions are also linked to the general null hypotheses: H0: There is no significant correlation between corporate governance and corporate profitability. The next section describes the qualitative phase of the study. It is important to note that the results of the quantitative phase feed into the qualitative phase of the study sequentially.

3.3.2 QUALITATIVE RESEARCH PHASE: EVALUATIVE SEMI-STRUCTURED INTERVIEW PLAN

It is important to note that the results from the exploratory questionnaire survey informed the design of the semi-structured interview schedule, which seeks to critically evaluate the quantitative results and findings. The semi-structured interview method has been found as one of the appropriate qualitative methods to enable the researcher to answer the primary and secondary research questions (PRQ and SRQs). The justification for using this qualitative method in the current study is to provide in-depth information on the relationship between corporate governance and corporate profitability in the Libyan commercial banking settings. The in-depth information from CEOs represents rich primary data which allows the researcher to gather first-hand understanding of the exploratory statistical results and findings in this study (Creswell and Creswell, 2023; Easterby-Smith et al., 2015).

The sequential adoption of semi-structured interviews in this study covers the general research themes e.g., corporate governance and corporate profitability in the context of Libyan commercial banks. As such the semi-structured interview questions emerge from the exploratory questionnaire survey sequentially (Saunders et al., 2023). This research approach also provided the chance for the interviewees e.g., CEOs and Managers of Commercial Banks, to discuss any other related dilemma or challenges and opportunities that they think needs to be addressed (Saunders et al., 2023). In addition, the interviews cover related areas including, background information of participants, and their perception, attitude towards corporate governance and corporate profitability (Saunders et al., 2023; Creswell and Creswell, 2023; Easterby-Smith et al., 2015). More specifically, as shown in Table 3.8 below, in this study the semi-structured interview plan was based on the five (5) key research themes emerging from the questionnaire survey, namely, 1/Relevance of separating executive and non-executive roles in the Libyan context, 2/Implications of non-executives having financial affiliations with executives for the Audit committee in the Libyan context, 3/Addressing issues of equality, diversity, and inclusion (EDI) vis-à-vis Board size, composition, and role of board members, 4/Applicability of ‘comply or explain’ principle in the Libyan context, and 5/Effectiveness of Mechanisms for incorporating international or regional best CG policies and practices in the Libyan context. In addition, Table 3.8, gives examples of specific interview questions relating to the five interview themes.

Table 3.8

Semi-structured interview Themes and examples of specific questions asked

Source: Researcher

Themes	Examples of specific questions	References
Key Theme#1, Corporate governance, related sub-themes: 1/separating executive and non-executive roles, 2/non-executives having financial affiliations with executives, 3/EDI, 4/comply or explain, 5/incorporative mechanisms.	1.Do you think that smooth mechanisms of corporate governance are imperative for the banking sector?2. Do you think corporate governance affects the functioning and development of capital markets? / 3. How would you explain good corporate governance based on your working experience? / 4. Do you think the major corporate governance issue in Libyan banks is the qualification and composition of the board? / 5.How do you experience collaboration between bank supervisors and bank management?/ 6.For long-term investments, do you believe corporate governance plays a vital role in building transparency, trust, and accountability?/ 7.Does corporate governance help improve a bank's performance by sustaining and structuring incentives?/ 8.Do you agree that firms with poor governance are responsible for negative market reactions and poor market responses?/ 9.How much does the financial liability of banks rely on good corporate governance?/ 10.What are your views on corporate governance's role in mitigating risk, enhancing capital flow, ensuring internal control, and improving decision-making?/11.Do you believe that corruption in the banking sector hinders the success rate of corporate governance?/12.Do you think a lack of strategic alignment and control strengthens the need for corporate governance? If yes, to what extent? /13. Does ineffective risk management impact the effectiveness of governance in banks? / 14. Do you agree that a lack of honesty and integrity does not affect corporate governance? Why or why not? / 15. What are your views on how investor relationships influence corporate governance and monitoring processes?	Mazol (2026). Tricker (2019, 2025), Foster (2025). Cheffins (2024). Amis et al. (2020).
Key Theme#2, Corporate profitability, related sub-themes: 1/separating executive and non-executive roles, 2/non-executives having financial affiliations with executives, 3/EDI, 4/comply or explain, 5/incorporative mechanisms.	1.Do you think credit quality, liquidity, and size are important factors for the profitability of commercial banks? /2. Are investors and lenders the primary driving factors for profitability in the Libyan corporate banking sector? / 3. Do you believe that higher liquidity in commercial banks leads to lower profitability? / 4. Do the practices and rules of corporate governance contribute to financial viability and attract shareholders? / 5. How would you describe the measurement of expenses and income for Libyan commercial banks concerning profitability? / 6. Do you believe the financing structure of commercial banks is positively correlated with profitability? /7. What are your views on the determinants of profitability, particularly capital adequacy and the size of the bank? / 8. Do you think GDP growth and inflation have no significant impact on the profitability of commercial banks in Libya? How does this add value to banks? / 9.Based on your experience, corporate profitability is positively correlated with operational efficiency, and how does the operational ratio affect this?/ 10.How do you relate credit risk to the profitability of commercial banks?/ 11.Do you believe increasing the proportion of non-interest income will reduce risks through diversification in commercial banks?/12.In your opinion, is operational efficiency a significant factor for the profitability of commercial banks?/13.Can your bank operate sustainably in the long term with a strong Return on Equity (ROE)?/ 14.Do you think a good governance framework is essential for achieving greater profitability?/ 15.How do direct costing and the number of production units affect the profitability of commercial banks in Libya?	Tricker (2025). Foster (2025), Amis et al. (2020). AlHares (2020); Ciftci et al. (2019), Alazzabi et al. (2020) Alrafadi (2020); Cheffins (2024) Ahmed et al. (2020).

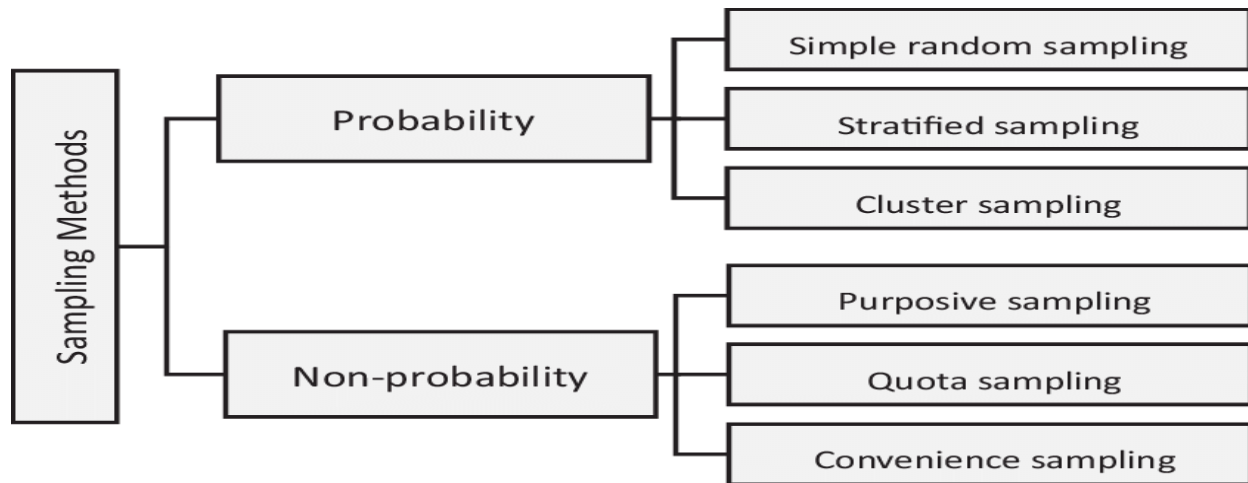
The next section discusses the importance of research ethics and other methodological issues including validity, and reliability.

3.3.3 SAMPLING TECHNIQUES: QUANTITATIVE PHASE VERSUS QUALITATIVE PHASE

The process of identifying, recruiting, and selecting research participants is among the significant problems which determine the generated data quality (Saunders et al., 2023; Easterby Smith et al., 2015). Hence, it is recommended that the researcher should select the right population and sample to participate in the research. For the quantitative phase, the sampling method was probability sampling using simple random technique (see Figure 3.4 below) to select an appropriate proportion/sample from the target/defined population of stakeholders in Libyan Commercial Banks without any bias (Faiz et al., 2015). An appropriate sample size for a study must be

representative of the defined population statistically (Pallant, 2020; Saunders et al., 2023). In contrast, for the qualitative phase of the study, the sampling method was non-probability sampling using purposive and convenience techniques, including snowballing.

Figure 3.4
Sampling Methods
Source: Saunders et al. (2023)



The purpose of Phase 1 of the study Exploratory Online (Google Form, n=343) Questionnaire Survey, was to explore/identify the critical characteristics of the good corporate governance practices and how they impact corporate profitability in the Libyan Commercial Banking Sector – this relates to the primary and secondary research questions (PRQ and SRQs). The results from the survey sequentially informed Phase 2, Evaluative Qualitative Semi-structured interviews (Online, Zoom) of 20 participants (5 CEOs, 4 Experts, 3 Academics with experience in commercial banking and corporate governance, and 8 Practitioners/Bankers). The purpose was to evaluate the quantitative results in terms of the key patterns in the relationship between corporate governance and corporate profitability in Libyan Commercial Banking Sector over the years, from the perspectives of stakeholders and shareholders, which relates to the primary and secondary research questions.

3.3.3.1 QUANTITATIVE, QUESTIONNAIRE SURVEY PHASE – RANDOM SAMPLING TECHNIQUES

The defined sample frame or population comprises of a total of 25 registered Commercial banks of Libya, based on a set of criteria (stock exchange, registration, history, registration, and profitability). The researcher then used non-probabilistic (convenience sampling) technique to recruit and select five (5) commercial banks for the study based on their willingness to participate in the study: 1/Wadha, 2/Wafa, 3/British Arab, 4/First Gulf, and 5/North Africa (see Table 3.9 below).

Table 3.9
The sample size for the exploratory questionnaire survey.
Source: Researcher

NO	Libyan Commercial Banks	No of employees in Libya	Population size by the proportion	The proportion of administered questionnaire using Bank contacts to senior employees via email	The proportion of Received the questionnaire the questionnaire
1	Wadha Bank	7300	366	183	45
2	Al Wafa Bank	6500	363	183	57
3	British Arab Commercial Bank	15000	375	188	19
4	First Gulf Libyan Bank	17000	314	157	117
5	North Africa Bank	28420	380	190	10(21) = 31
Total		665981	3659	1833	343

Bank	Address	Contact Person	Website of Bank
1/Wadha Bank	Al Fadiel Abu Omar Square, Al Berka – Benghazi, Libya.	General Manager: Marei Moftah Albarasi Tel: +218612224256.	https://www.wahdabank.com.ly/
2/Al Wafa Bank	Al Fatah Tower, P.O. Box 84212, Tripoli, Libya.	Mr. Ahmed Ashtewi Mohamed (Chairman). Tel: +218-21-3351519	https://alwafabank.com/
3/British Arab Commercial Bank/BACB	EL - Fatah Tower (Floor15, Office No.154), P.O. Box: 91051, Tripoli, Libya.	Eddie Norton (Group Chief Executive). Tel: +218 21 335 1489	https://ww.bacb.co.uk
4/First Gulf Libyan Bank	First Gulf Libyan Bank Sikka Street, P.O. Box: 81200 - Tripoli, Libya.	Abdelrazak Mohamed El Housh - Chief Executive Officer. Tel: +21821362 22 62	https://www.bankfab.com/
5/North Africa Bank	Aldaharah-Kahled Ben, Alwaled Street, Tripoli, 00218 Libya.	Mr Abdulhakim Modamed Elmisurati	https://nab.ly/

For the Questionnaire Survey, a random sampling technique was used to select a sample of n = 343 respondents from the defined population of N=3,210 respondents, comprising of Stakeholders

of Libyan Commercial Banks (especially, CEOs, directors, managers, and external consultants with knowledge of corporate governance, accounting, and finance). The adoption of simple random sampling gave every member of the population equal opportunity to enter the sample (Easterby-Smith et al., 2015). The Online Questionnaire Survey via Google Form is anonymised and gets rid of bias and gives a fair opportunity for all members of the defined population to be included in the sample (Saunders et al., 2023; Field, 2024). In this study the sample size for the questionnaire survey was determined using Raosoft (2026) formula below:

$$\begin{aligned}
 x &= Z^{(c/100)^2} r(100-r) \\
 n &= \frac{N x}{(N-1) E^2 + x} \\
 E &= \text{Sqrt} \left[\frac{(N-n) x}{n(N-1)} \right]
 \end{aligned}$$

Where: ‘n’ = sample size; ‘E’ = margin of error; N = population size; r = fraction of responses; Z(c/100) = critical value for the confidence level ‘c’ of 95% with an error margin/E of 5 per cent; and response distribution of more than 50 per cent bringing the accumulated sample size to 3,659 (see Table 3.9). Considering a defined or target population of little over 600 thousand employees in the study area, 1,833 questionnaires were administered to senior level employees in Libyan Commercial Banks. The literature on sampling posits that a sample size of at least 30 from any group with a combined minimum sample size of 90 is often appropriate (Field, 2024; Pallant, 2020). The researcher formally emailed the contacts in the selected commercial banks to further participate in the research after the researcher received ethics approval for the research from the University of Sunderland’s Research Ethics Committee.

3.3.3.2 QUALITATIVE PHASE – CONVENIENCE, PURPOSIVE, SNOWBALLING SAMPLING TECHNIQUES

The process of identifying, recruiting, and selecting participants for the semi-structured interviews includes the use of a non-probability sampling method: convenience sampling and snowball sampling. Convenience sampling was adopted because participants are senior employees or experts in the subject area e.g., this study selected 20 participants, namely, 5 CEOs, 4 Experts, 3 Academics with experience in commercial banking and corporate governance, and 8 Practitioners/Bankers, who are very busy and do not have enough time to agree to do interviews

(Saunders et al., 2023). Similarly, snowball sampling techniques was adopted as a follow up on convenience sampling, because some of the participants selected were willing to recommend or directly ask other senior employees working for the same commercial bank or another commercial bank (Easterby-Smith et al., 2015). Expert interviews are widely used in qualitative research to obtain information and collect data about the specific filed of interest (Saunders et al., 2023). According to Easterby-Smith et al. (2015) expert interviews focus on the knowledge of the experts. As such this researcher, also conducted 4 expertise interviews in Libya. After receiving Research Ethics approval from the University of Sunderland (See Letter in Appendix 3.1), the researcher identified and recruited 15 Commercial Banks in Libya (see Table 3.9) and formally emailed the main contact in each bank requesting an interview with the appropriate members with expertise in corporate governance. As shown in Table 3.10 below, only the first 5 of the 15 banks expressed interest and willingness to participant in the interviews.

Table 3.10
The sample size for the evaluative semi-structured interviews
Source: Researcher

NO	Commercial Banks in Libya	No of employees agreed to Participate	Actual Participated No	Duration in Minutes 1st Round	Duration in Minutes 2nd Round	Total Duration in Minutes
1	Wadha Bank	5	5; 1CEO, 1Expert, 3Bankers,	75	30	105
2	Al Wafa Bank	4	4; 1CEO, 1Academic, 2Bankers	115	90	205
3	British Arab Commercial Bank	3	3; 1CEO, 1Expert, 1Banker	110	70	180
4	First Gulf Libyan Bank	4	4; 1CEO, 1Expert, 1Academic, 1Banker	180	60	240
5	North Africa Bank	4	4; 1CEO, 1Expert, 1 Academic, 1Banker	70	70	140
6	Alejmaa Alarabi Bank	1	0	0	0	0
7	Aman Bank for Commerce and Investment (ABCI)	1	0	0	0	0
8	Bank of Valletta	1	0	0	0	0
9	Gumhouria Bank	0	0	0	0	0
10	Libyan Foreign Bank,	1	0	0	0	0
11	Mediterranean Bank	1	0	0	0	0
12	National Commercial Bank	1	0	0	0	0
13	Sahara Bank	1	0	0	0	0
14	Umma Bank	1	0	0	0	0
15	United Bank for Commerce & Investment	1	0	0	0	0
	Total	30	20 = 5CEOs + 4Experts + 3Academics + 8Bankers	430	240	670mts = 11hrs, 10mts

From the table we can see that the 20 participants comprise of 5 CEOs, 4 Experts, 3 Academics and 8 Bankers/Practitioners e.g., from First Gulf Libyan Bank, the researcher interviewed, 5 participants, comprising 1 CEO, 1 Expert, 1 Academic, and 1 Banker. Due to Covid19 pandemic all the semi-structured interviews were conducted via Zoom.

In brief, in contrast to Phase 1 of the study, sampling of participants for Phase 2 was based on the following four steps (Easterby-Smith et al., 2015).

- *First, a list of 15 Libyan Commercial Banks was prepared by the researcher based on Desk research (see Table 3.10 above).*
- *Second, as shown in Table 3.10, column 3, a list of 30 participants who agreed to participate in the interviews was identified by the researcher from participants who completed the Questionnaire survey.*
- *Third, the researcher formally emailed the 30 potential participants to confirm their willingness to participate in the study – 20 responded favourably and took part in the semi-structured interviews, 6 responded unfavourably, 4 did not respond after several gentle reminders.*
- *Finally, the researcher prepared a semi-structured interview schedule/plan based on the willingness/availability of participants for virtual interviews via Zoom.*

The main purpose of the semi-structured interviews was to critically evaluate the quantitative results in terms of the key patterns in relationship between the corporate governance and corporate profitability in Libyan Commercial Banking Sector over the years, from the perspectives of interviewees. Due to Covid-19 pandemic some of the semi-structured interviews were done by using Zoom technology, and all interviews were audio recorded, transcribed, and thematically analysed using NVivo content analysis software. Precoding process was used as part of the thematic content analysis, and the data analysis was conducted concurrently to inform the next interview. The next section discusses the procedures for both quantitative and qualitative data analysis.

3.3.3.3 PROCEDURES FOR QUANTITATIVE AND QUALITATIVE DATA ANALYSIS – SPSS STATISTICS VERSUS NVIVO THEMATIC CONTENT ANALYSIS

The questionnaire responses/primary data from the exploratory questionnaire survey (Phase 1) are analysed using the Statistical Package for Social Science (SPSS) software versions 28/29 (officially “IBM® SPSS® Statistics”) - a commercially distributed software provided by the University of Sunderland (Field, 2024; Pallant, 2020). The researcher followed a three-step procedure for SPSS recommended by Pallant (2020), namely, Step 1, assigning variable labels for all the 40 questions in the questionnaire (see Appendix D) followed by entering of numerical scores which represents the Likert-scale responses (Pallant, 2020). Step 2, selecting the statistical analysis procedure to be used e.g., descriptive statistics including ‘frequencies’ ‘means,’ ‘standard deviations,’ ‘cross-tabulation,’ ‘correlation matrix,’ ‘bar charts,’ ‘pie charts’ (Field, 2024; Pallant, 2020). Finally, providing further statistical analysis using **Factor analysis** procedures as a reductionist approach to reduce the number of variables linked to the 40 questions in the questionnaire, before subjecting the questionnaire data to a more rigorous statistical analysis e.g., multiple linear regression analysis and hypothesis tests to establish the causal relationship between corporate governance and corporate profitability. To ensure internal consistency in the questionnaire data set, the researcher tested the **reliability** and **validity** of the data set (Pallant, 2020; Field, 2024).

Multiple Linear Regression Analysis using SPSS Statistics versions 28-29

This researcher used multiple linear regression procedures to test the correlation between ‘corporate governance’ (as the independent variable) and ‘corporate profitability’ (as the dependent variable) (Easterby-Smith et al., 2015; Osseo-Asare et al., 2025). The concepts of regression and correlation are related intimately, they are different, nevertheless. Also, correlation might be defined as the degree of association between two variables, and regression expresses the form of relationship between one variable (independent) and a second (dependent) variable (Kim et al., 2020). The aim in this study is to predict the value of ‘corporate profitability’ based on the value of two or more other variables of ‘corporate governance’ (Easterby-Smith et al., 2015; Kim et al., 2020). Corporate profitability as the dependent variable is measured using financial performance measures e.g., Returns on Assets (ROA), Return on Equity (ROE), etc.; and corporate governance as the independent variable (or the predictor, explanatory or regressor variable), is

measured in terms of corporate governance best practices e.g., Board size, Board composition, etc. (Easterby-Smith et al., 2015; Kim et al., 2020). This means the research is using multiple linear regression to understand whether corporate profitability performance can be predicted based on corporate governance best practices e.g., board size, board composition, equality, diversity, and inclusion practices, and gender balance (Kim et al., 2020). In addition, the researcher used multiple linear regression it helps to determine the overall fit (variance explained) of the regression model and the relative contribution of each of the predictors (corporate governance measures) to the total variance explained (Field, 2024; Pallant, 2020). For example, this researcher wants to know how much of the variation in corporate profitability performance can be explained by ‘board size’, ‘gender balance’, ‘board composition’, "as a whole", and the "relative contribution" of each independent variable in explaining the variance (Pallant, 2020). As shown in Table 3.11 Below, to use SPSS multiple regression procedures effectively, the researcher made the following eight (8) assumptions about the quantitative data set used in this study for multiple regression to give a valid result.

Table 3.11
 SPSS Statistics: Assumptions of Validity
 Source: various

Assumptions	Description	This Study
Assumption#1	Corporate profitability as the dependent variable is measured on a continuous scale and/or ordinal scale e.g., ordinal Likert items (e.g., a 5-point scale from "strongly agree" through to "strongly disagree").	Pass
Assumption#2	Two or more corporate governance measures (independent variables): continuous (i.e., interval or ratio variable); categorical (i.e., ordinal, or nominal variable).	Pass
Assumption#3	There is independence of observations (i.e., independence of residuals), based on Durbin-Watson statistics.	Pass
Assumption#4	There is a linear relationship between (a) the corporate profitability/dependence and each measure of corporate governance/independence; and (b) dependent and independent variables collectively.	Pass
Assumption#5	Data set shows homoscedasticity, because the variances along the best fit remain similar as you move along the line.	Pass
Assumption#6	Data set does not show multicollinearity, because no two or more independent variables are highly correlated with each other.	Pass
Assumption#7	No significant outliers, high leverage points, or highly influential points. No observations in the data set are unusual for a multiple regression analysis.	Pass
Assumption#8	The residuals (errors) are normally distributed, based on (a) a histogram (with a superimposed normal curve) and a Normal P-P Plot; or (b) a Normal Q-Q Plot of the studentized residuals.	Pass

The next section describes the procedure for thematic content analysis using NVivo.

NVivo Thematic Content using NVivo version 18

This research used thematic content analysis mainly because it can be used for the purpose of interpreting texts for the development of expert systems (Easterby-Smith et al., 2015), showing the relationship between themes based on rules or by the power of conjecture (Saunders et al.,

2023). In contrast, with the questionnaire data (Phase 1), the data set from the semi-structured interviews (Phase 2), was subjected to NVivo qualitative analysis, which enabled this researcher to go beyond the traditional manual textual/content analysis, through visualisations, and creation of mind maps and relational networks (Beekhuyzen and Bazeley, 2024; Mortelmans, 2024). According to Beekhuyzen and Bazeley (2024) NVivo software uses different techniques to code, create memos, develop and modify visualisations of the textual data collected. In this study the researcher has used manual and NVivo qualitative procedure to benefit from both thematic and content analysis procedures for qualitative data analysis as described below:

- **Thematic analysis (TA):** *systematic identification of patterns of meaning (main themes, and sub-themes) across the qualitative semi-structured interview data set; reporting repeated patterns of association between main themes, between sub-themes, and between main- and sub-themes as basis for deriving semantic meanings or making sense of the data collected; describing and interpreting the data set using mind maps (Beekhuyzen and Bazeley, 2024; Mortelmans, 2024).*
- **Content analysis (CA):** *analysis of texts with numerical description of features of a given text (Creswell and Creswell, 2023) e.g., counting number of main- and sub-themes in the qualitative semi-structured data set using a set of pre-codes to identify and count instances in which themes are used in a text or image; it is therefore basically quantitative in nature because it determines the frequencies of the occurrence of particular categories/themes (Beekhuyzen and Bazeley, 2024; Mortelmans, 2024); it represents a model for systematic qualitative analysis with clear procedures for checking the quality of the analysis conducted.*

The thematic analysis (TA) provides support in analysing the information from interviews by determining any duplicate information and further divides the information into various other themes and their sub-themes. The thematic analysis also helps in getting clear data about research finding by further categorizing them into smaller themes as well as discussing and briefing the findings of research outcomes (Creswell and Creswell, 2023). Recognising the relations and making additional categories to further analyse the recognised information and generating the patterns, relations, and key themes have become extremely helpful for the analysis of qualitative data (Saunders et al., 2023). Therefore, NVivo Thematic content analysis offered this researcher a structured way to uncover meaningful patterns and opportunities for richer insights from the complex data set obtained from the semi-structured interviews (Beekhuyzen and Bazeley, 2024; Mortelmans, 2024).

To enhance transparency, credibility, and validity in the qualitative data analysis, this researcher followed six key steps in NVivo Thematic Content Analysis based on the works of Beekhuizen and Bazeley (2024) and Mortelmans (2024) as presented in Table 3.12 below, namely, 1/Familiarization with the data, which require, researchers immerse themselves in their data to begin understanding how it relates to their research question; going through interviews, and writing memos and annotations and field notes, observations, assumptions, initial thoughts and ideas; summarization of transcripts, or of parts of transcripts; produce a long, standard or short summary of a transcript that offers researchers a high-level view of what topics are discussed in each interview. 2/Generation of initial codes, which involves, descriptive, high-level codes; interpretive, second-order codes; and abstract, codes which relate each piece of data to a theory relevant to the research question(s). 3/Searching for themes after coding has been completed; themes are groups of data that relate to the aims of your study and your research question (Saunders et al., 2023).

Table 3.12
Six key steps of the NVivo Thematic content analysis
Source: Based on Peel (2020)

Steps	Process description
Step 1 - Familiarization with the qualitative data	Transcribing the information if necessary, reading and then re-reading the information, noting down the initial ideas.
Step 2 - Generation of initial/pre-codes	To code interesting features of information in the systematic fashion around the whole data set, collecting information which is relevant to one another.
Step 3 - Searching for main- and sub-themes or codes/nodes	Collecting the code into potential themes, collecting information that is relevant to every theme potentially.
Step 4 - Reviewing the themes includes emerging themes	Checking if these themes work with the relation to the coded extract that is Level 1 and the complete data set of Level 2, producing the thematic map of overall analysis.
Step 5 - Naming and defining the themes	The ongoing analysis to refine practical themes and overall analysis story shares about producing clearer definitions as well as names for every single theme.
Step 6 – Generating Report for creating Mind maps etc.	Final analysis opportunity. Vivid selection, compelling extract examples, chosen extracts final analysis, relating it to analysis of literature and research question, generating the scholarly report of analysis.

At stage 4/Reviewing the themes, involves deciding which themes fit with the aims of the study and which should be set aside; re-evaluation of all work to date; are the references for each theme relevant to that theme? Is a consistent pattern forming within the references? Stage 5/Naming and defining the themes, involves, additional memos, cross-referencing which allows researchers to further condense their themes to what is most essential in terms of the research question; the goal is to develop a thematic framework from the data collected. Finally, although Step 6/Generating report, allows the researcher to present key themes supported by quotes from participants' text in the form of Mind maps (Easterby-Smith et al., 2015; Saunders et al., 2023). In brief, this researcher

adopted a more robust process involving; adding a number to each theme, writing a detailed memo that describes key findings; interpreting each theme and providing context; and generating visualizations for each theme to understand the relationships between codes (Easterby-Smith et al., 2015; Saunders et al., 2023).

The next section discusses research ethics and other methodological issues which impact research at the doctoral level, and how these issues were addressed in this study.

3.4 RESEARCH ETHICS OTHER METHODOLOGICAL ISSUES INCLUDING VALIDITY, AND RELIABILITY

This section discusses the importance of research ethics and other methodological issues including validity, and reliability, and how they were addressed in this study. **Research Ethics** are an important aspect of business and management research at all levels (Easterby-Smith et al., 2015; Saunders et al., 2023). In this study this researcher addressed issues relating to informed **consent** and **confidentiality**, which ensured that participants were not exposed to any **harm** at any point in the doctoral research process (Creswell and Creswell, 2023; Easterby-Smith et al., 2015). Ethical issues are linked to the rights and commitments of the researcher, participants, and the University of Sunderland (Creswell and Creswell, 2023) and involved the design of a Participant Consent Form (PCF) and Participant Information Sheet (PIS), especially for the Semi-structured Interview participants – these were not required for the Questionnaire Survey, because the respondents were anonymous.

Prior to commencement of data collection, this researcher applied and obtained approval from the University's Research Ethics Committee (see Approval Letter in Appendix A). The PCF and PIS informed the interview participants about the purpose, motivation, and rationale, for the research, the research design and methods used (Easterby-Smith et al., 2015). In addition, this researcher told all participants they have the right to pull out of the study at any time, without giving a reason for withdrawal (Creswell and Creswell, 2023; Easterby-Smith, et al., 2015). Furthermore, this researcher avoided any **fraud** due to selective sampling, by reporting survey response rates, avoiding biased data collection, use of leading questions, inserting imaginary and fake data, changing results to match with the research conclusions, and deliberately excluding data that do

not match with the research (Saunders et al., 2023; Creswell and Creswell, 2023). More specifically, this researcher did the following to ensure good ethical

practice:

1/Access - Letter of Introduction	To introduce the researcher to Libyan Commercial Banks and other stakeholders, the research aims and rationale for the study.
2/Design of instruments	Avoiding leading questions in the design of the Questionnaire and Semi-structured interview questions.
3/Plagiarism/Turnitin	Avoiding plagiarism by ensuring Turnitin score is within the acceptable limit of 20% or below – individual scores are less than 1 percentage. Effective use of Harvard referencing style to acknowledge sources of data/information.
4/Interviewing process	Ensuring participants received PIS and signed the Consent Form before the start of interviews. Prior to the interview participant permission was short after before audio recording the session, and assurance provided that the recording would be kept private/confidential and anonymized and utilized for the purpose of the Thesis only.
5/Data security and management	Interview transcripts in Microsoft Word were kept in a university file organizer and accessible only with a personal password.
6/Ensuring confidentiality	To assure confidentiality the research ensured that the responses were used only for academic purposes. The results/findings were encrypted and only the supervisors and the researchers have access to them.
7/Anonymity	For both the exploratory questionnaire survey and semi-structured interviews anonymity was maintained by deleting or using pseudo-names when recording/publishing the findings.
8/Triangulation of data and information	Used to increase credibility and validity of research data sources, information, results, findings. Highly recommended for mixed methodology research.

Other methodological issues: Triangulation, Validity, Reliability, Generalisability

Triangulation enables researchers to combine and integrate various data sources, procedures for collecting, analysing data, study approaches, examinations, and inferences at the final phase of research (Tashakkori et al., 2020; Easterby-Smith et al., 2015). The literature identifies four types of triangulations: data, methodological, theoretical, and researcher (Saunders et al., 2023; Wilson, 2026).

- *First, data triangulation e.g., informant (compares data from different informants); time (data form different time); space (compares data from two or more contexts - cultural, social, or geographical) (Wilson, 2026; Easterby-Smith et al., 2015).*
- *Second, methodological triangulation e.g., uses multiple or mixed methodologies to collect data (Tashakkori et al., 2020; Easterby-Smith et al., 2015).*
- *Third, theoretical triangulation, e.g., compares two or more theories in relation to subject area under study e.g., comparing a sociological with a psychological approach to corporate governance (Tashakkori et al., 2020).*
- *Finally, researcher triangulation e.g., compares two or more researchers' approach to data analysis in the same study (Easterby-Smith et al., 2015, Wilson, 2026).*

With each research strategy, the data collection instruments selected e.g., questionnaire design and semi-structured interview questions need to be assessed for their **validity** (accuracy of the data obtained i.e., whether it measures what it claims to measure; and **reliability** (trustworthy and consistency i.e., the extent to which when repeated by other researchers at the same time similar findings can be realized), before they are used (Easterby-Smith et al., 2015; Wilson, 2026). Validity of a research instrument guarantees that the instrument of estimation has indeed captures the data it intends to collect or represent (content validity) or represents a satisfactory paradigm (criterion-related validity) and guarantees that the measure utilized fits the hypothesis being tested (construct validity) (Saunders et al., 2023). The issues of validity and reliability are more relevant for quantitative study than for qualitative, because some researchers including Saunders et al., (2023) contend that validity and reliability are applicable in different ways when it comes to qualitative or subjective research, because qualitative data is about emotions, feelings or multiple interpretations of reality and not about numbers. One approach to ensuring validity and reliability is to first conduct a pilot test on the research instruments before full-scale adoption in the field (Easterby-Smith et al., 2015; Yin, 2017).

In this study the researcher has ensured there is internal validity in the research instruments, because the researcher is very certain – based on the pilot results - that the questions in the questionnaire and semi-structured interviews measure what they intended it to measure (Saunders et al., 2023; Easterby-Smith et al., 2015). More specifically, in a questionnaire survey, internal validity is established when a set of questions can be shown to be statistically linked; and construct validity assures that the questions can be generalized (Saunders et al. 2023). The **reliability** of the questionnaire survey relates to the internal consistency of the responses to the questions across either a subgroup of the questions e.g., corporate governance or corporate profitability, or all the 40 questions in the questionnaire. In this study, the researcher used Cronbach's alpha values (over 0.7) to measure the consistency of the scale items of each of the 40 questionnaire questions – this ensured that questions combined in the scale are measured in the same way (Saunders et al., 2023; Wilson, 2026). For the semi-structured interviews, reliability is measured through different patterns e.g., the stability and consistency of the answers to the interview questions. As such this researcher defines the reliability of qualitative semi-structured interviews in terms of degree of clarity and transparency of the interview transcripts by asking the interviewee to check the

transcripts for accuracy (Creswell and Creswell, 2023). In addition, another method of reliability of qualitative nature data is inter-coder reliability, this method is utilised when there are multiple researchers involved in the research study (Easterby-Smithe et al., 2015).

Generalizability of findings

Generalizability is the degree to which researchers can apply the results and findings of their studies to a broader context, or applied to most people, or most of the time (Easterby-Smith et al., 2015). The quality of quantitative and qualitative research can be assessed using generalizability of the findings along with validity and reliability as assessment criteria (Creswell and Creswell, 2023). Generalizability helps determine a study's validity and reliability - indeed, some define generalizability as external validity (Saunders et al., 2023). This means generalizability can be assessed differently depending on the type of research e.g., generalizability in quantitative research is referred to as statistical generalizability and is about making inferences about the target population; while in qualitative research, it is about comparing the results to other results from similar situations. As such, the lack of generalizability can be interpreted as a major methodological limitation of a PhD study, which helps to identify areas for future research (Creswell and Creswell, 2023; Wilson, 2026).

The generalizability of the quantitative findings in this study can be determined by how representative the sample is of the target population of stakeholders of Libyan Commercial Banks (Easterby-Smith et al., 2015). Although the purpose of the exploratory questionnaire survey was to produce knowledge about the relationship between corporate governance and corporate profitability that can be applied as widely as possible in the Libyan and international contexts; this was only possible to the extent to which the sample used represented the defined population of respondents (Saunders et al., 2023; Creswell and Creswell, 2023). In contrast, generalizability in qualitative research is referred to as theoretical generalizability or transferability and is limited to a much smaller convenience sample of participants (Creswell and Creswell, 2023). In this study theoretical generalizability is limited to the case study of five Libyan Commercial Banks, and to few interviewees e.g., CEOs, Experts, etc., primarily because of the sample used is not statistically representative of any defined population, which narrows the scope of the study “to whom it can be applied” (Creswell and Creswell, 2023; Denzin et al., 2023). The next section describes the process

of piloting the research instruments and describes how the results of the pilot influenced the main data collection process.

3.5 PILOTING THE RESEARCH INSTRUMENTS: QUESTIONNAIRE AND SEMI-STRUCTURED INTERVIEW

The questionnaire and semi-structured data collection instruments were piloted in the first week of March 2023 (Wednesday, 1st March to Friday, 10th March 2023) involving 10 respondents (Questionnaire survey/Phase 1 of the study) and 5 participants (2 CEO, 1 Expert, 2 Academics) for the Semi-structured interviews (Phase 2 of the study). The results and findings from the pilot study informed the main study, which commenced from March 2023 to June 2024. For the pilot study, the questionnaire was hand-delivered to the 10 respondents through the researcher's contacts in two Libyan Commercial Banks (Wahada, Benghazi and Alwafa, Tripoli). In terms of the pilot results for the questionnaire survey, eight (8) respondents completed the questionnaire correctly within 35-45 minutes, while the remaining two (2) respondents completed the questionnaire within 2-3 days. This means the response rate for the pilot was 100% i.e. 10 out of 10 completed questionnaires received.

The pilot study of the semi structured interview plan involving five participants working for the 5 selected Libyan Commercial Banks in Table 3.10 (identity of the bank has been anonymised in this study for ethical reasons). Due to the Covid-19 pandemic the semi-structured interviews were conducted virtually via Zoom, and each lasted 60-75 Minutes. The semi-structured interviews were recorded with the consent of participants, transcribed verbatim, saved in Microsoft Office Word documents/file, and subsequently transferred to the NVivo software template for thematic content analysis. The results from the NVivo thematic content analysis of the interview transcripts informed the main interviews and helped the researcher to build up a detailed picture of the impact of corporate governance policies and practices on corporate profitability. In brief, it was necessary to pilot the questionnaire and interview questions; otherwise, it becomes difficult to determine whether the main study will run its course successfully (Saunders et al., 2023). The result of the pilot study helped in determining whether the structure of the questionnaire and semi-structure interview schedule and interviewing processes were appropriate and ethical (Wilson, 2026; Saunders et al., 2023; Easterby-Smith et al., 2015).

Table 3.13 below provides a summary of the results of the pilot study and how it informed the main study.

Table 3.13
Summary of the results of the pilot study.

Questionnaire Design (see Table 3.7, p. 115)	Semi-structured Interview Plan (see Table 3.8, p. 118)
Questionnaire Design (see Table 3.7): 1/All the questions were fully answered, no omissions, which confirms construct validity. As such there was no need to change the questions in the main study.	Semi-structured interviews: 1/Duration of the interview sessions was too long, it was above the normal 60 minutes e.g., 110 minutes in 2 cases, because of the number of specific questions asked; therefore, the researcher used carefully selected questions for the main study which yielded very rich interview data.
2/100% Response rate was obtained, perhaps because the questionnaires were hand-delivered. The main study is expected to combine live online delivery with hand-delivery, as such, a lower response rate of 50-65% is expected - all things being equal.	2/Evidence of interview content potentially 'lost in translation' because 1 interview session was in the Arabic language, which meant that the interview questions and answers had to be translated into English language. The translation from Arabic to English was however very useful for the main study.
3/It took some respondents too long to complete the questionnaires comprising of a total of 40 questions, as such the duration for the main study was increased from 35minutes to 45 minutes.	3/Hybrid interview sessions were conducted for the pilot, which this researcher found useful during the main study. 4/Some of the interviewees have taken the time to email the researcher with in-depth comments and suggestions that have added to the richness of the interview data set.

After the pilot study the questionnaire responses and verbatim interview transcripts were reviewed by the researcher with support from supervisors to obtain comments regarding sentence construction and possible ambiguity of questions, and based on these expert feedback and approval, some few changes were made e.g., confusing statements were restated.

3.6 SUMMARY OF CHAPTER AND A LINK TO THE NEXT CHAPTER

This chapter first addresses issues relating to the nature of research methodology, and the extent to which it matters at the doctoral level. In addition, it describes research methodology as the path followed when conducting research to find answers to the researcher's primary and secondary research questions (PRQ, SRQs) (Creswell and Creswell, 2023; Wilson, 2026). More specifically, the chapter demonstrates that a doctoral research methodology represents a systematic and logical way to find solutions to business and management problems (Wilson, 2026; Easterby-Smith, 2015). This involves a critical review of alternative research designs and methods and providing

justification for choice of mixed research methodology underpinned by a pragmatist's philosophy in this study.

The mapping of the primary and secondary research questions (PRQ and SRQs) and specific research objectives (RO1, RO2, RO3 and RO4) to a mix of qualitative and quantitative designs and methods led to selection of exploratory questionnaire survey (Phase 1) and evaluative semi-structured interviews (Phase 2) for data collection, and use of SPSS and NVivo software for quantitative and qualitative data analyses respectively. In brief, according to Beekhuyzen and Bazeley (2024) a research design is like a road map to research, and it is all about what strategies that the researcher will choose to integrate all part of her/his investigation. Also, Easterby-Smith (2015) implied that research design is a road map for transforming a research concept into a research scheme that a researcher can implement. This is supported by Creswell and Creswell (2023), who suggested that a research design is a process of collecting, analysing, interpreting, and reporting data. For Beekhuyzen and Bazeley (2024), research design is the overall research configuration, involving decisions on what kind of evidence needs to be collected, where the data is to be collected and how the data will be analysed.

This chapter also discusses and provides justification for choice of probabilistic and non-probabilistic sampling techniques, quantitative and qualitative approaches to primary data collection and analysis, and how the pilot study informed the main study. This is followed by a discussion of the importance of research ethics and how ethical and other methodological issues such as validity, reliability and generalisability were addressed in this study (Creswell and Creswell, 2023; Yin, 2017). In terms of research philosophy, this researcher adopts the view that it represents the researcher's 'worldview' or paradigm or mindset (Saunders et al., 2023), and comprises of epistemology (knowledge e.g., positivism, realism, interpretivism or social constructivism), ontology (reality e.g., objectivism, subjectivism), and axiology (value e.g., value free, value laden or judgement) (Creswell and Creswell, 2023; Wilson, 2026; Easterby-Smith et al., 2015). In this study, different aspects of positivism (quantitative/survey) and interpretivism (qualitative/semi-structured interviews), have been used to answer the primary and secondary research questions (PRQ and SRQs).

Pragmatism provides an appropriate philosophical basis for a pluralistic or mixed methods approach to derive knowledge about the research problems (Creswell and Creswell, 2023). The

technique of mixed methods is used in studies in which the combinations of various approaches lead to subsequent management decisions as well as better research reflecting both scientific and social factors of today's world (Saunders et al., 2023). In addition to that, the evidence of growth in use of mixed method contains wide range of academic fields more specifically in business management as well as social sciences it is a mix of pure quantitative (positivistic) and pure qualitative (interpretivism or social constructivism) (Easterby-Smith et al., 2015). Therefore, adoption of pragmatism overall enables this researcher to look for the 'what' and the 'how' of the thesis' research problems (Creswell and Creswell, 2023; Wilson, 2026; Saunders et al., 2023; Denzin et al., 2023).

As part of the mixed methodology, this research adopted abductive approach it comprises of a mix of deductive approach (hypothesis testing) and inductive approach (new theory development or better understanding of the subject area, this enabled the researcher to gather deeper insights into the relationship between corporate governance and corporate profitability in the Libyan commercial banking context. This means abductive approach helps to address the weaknesses that are associated with inductive as well as deductive approaches (Saunders et al., 2023). To implement the abductive approach, this chapter also considered a variety of research strategies, including, experiment, survey, archival research, case study, ethnography, action research, grounded theory, and narrative inquiry, but decided to adopt a questionnaire survey and semi-structured interviews as part of a case study of five selected Libyan commercial banks in response to the primary and secondary research questions (PRQ, SRQs) (Saunders et al., 2023).

Finally, ethical and other methodological issues were considered because they are important components of the doctoral research process (Creswell and Creswell, 2023); as such this researcher provide justification for using informed consent, addressing issues of confidentiality, using participant information sheet (Creswell and Creswell, 2023), addressed issues relating to data security and management and also discussed the issues relating to triangulation, validity, reliability, and generalisability of findings (Easterby-Smith et al., 2015). The next chapter presents the results and findings from both the quantitative data (questionnaire survey/Phase 1) and qualitative data (semi-structured interviews/Phase 2) analysis.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 INTRODUCTION

This chapter is about data analysis and findings, comprising of quantitative analysis of the responses to the questionnaire survey followed by qualitative analysis of the semi-structured interviews. It primarily focuses on the statistical analysis of the questionnaire using SPSS Statistics and thematic content analysis of the semi-structured interviews using NVivo software, as they relate to the primary research question (PRQ) and secondary research questions (SRQs) stated in Chapter 3, and restated here for the purpose of clarity.

The remaining part of the chapter comprises four (4) sections. Section 4.2 presents the quantitative results and findings. Section 4.3 presents the qualitative results and findings. Section 4.4 combines and integrates the quantitative and qualitative results and findings. Section 4.5 provides a summary of the chapter, and a link to the next chapter (Discussion of findings).

4.2 PRESENTATION OF QUANTITATIVE RESULTS AND FINDINGS

This section presents the statistical results and findings emerging from the SPSS analysis of the responses to the Questionnaire survey. It covers four main aspects of the quantitative data analysis, namely, **Descriptive statistics** (Section, 4.2.1) e.g., response rate, frequency distribution, **SPSS Factor analysis outputs** (Section 4.2.2) e.g., reliability test result using Cronbach alpha, Mean, Standard deviation, Correlation coefficients matrix, identity of key components/factors for further analysis (Skew diagram), **Multiple linear regression analysis** (Section 4.2.3) e.g., independent variables (mechanisms of corporate governance), dependent variables (measures of corporate profitability).

4.2.1 Descriptive Statistics

For the Questionnaire survey, the **response rate** was $343/1833 \times 100 = 18.71$. Where, the proportion of administered questionnaires is 1,833, and the proportion of received questionnaires properly completed is 343 (luckily there were no incomplete questionnaires on this occasion). The response rate of 18.71 was deemed comparable to previous studies (Osseo-Asare et al., 2025; Saunders et al., 2023).

Table 4.1

Frequency Distribution Based on Questionnaire Survey: 40 Questions, N = 343 respondents

Source: Corporate Governance and Profitability – Najat – Data – save. Save [Data Save 1]/IBM SPSS Statistics Data Editor - 2023-24.

No.	Demographics (Q1-Q10), Main (Q11-Q40)	N=343		
Q1	Age Group	18-24 (88, 25.7%). 25-34 (57, 16.6%). 35-44 (76, 22.2%). 45-54 (53, 15.5%). Over 55 (69, 20.1%)		
Q2	Gender/Sex	Male (74, 21.6%). Female (91, 26.5%). Non-binary / Gender diverse (87, 25.4%). Prefer Not to Say (91, 26.5%).		
Q3	Education	Associate degree (74, 21.6%). Bachelor (91, 26.5%). Master's Degree (77, 22.4%). Doctorate (101, 29.4%).		
Q4	Job Role	Junior (71, 20.7%). Mid-level (77, 2.4%). Senior (56, 6.3%). Executive (66, 19.2%). Specialist (73, 21.3%).		
Q5	Experience	< 1yr (62, 18%). 1-3yrs (51, 15%). 4-7yrs (58, 17%). 8-12 yrs (57,17%). 13–20yrs (41, 12%). > 20 yrs (74, 22%).		
Q6	Bank	Commercial (39,11.4%), Investment (43,12.5%), Central (32,9.3%), Retail (48,14.0%), Islamic (38,11.1%), Development (49,14.3), Cooperative (44,12.8%), Digital/Neobank (50,14.6%)		
Q7	Department	Finance & Accounting (41,12.0%), Risk & Compliance (45,13.1%), Human Resources (42,12.2%), IT & Digital Banking (31,9.0%), Retail Banking (46,13.4%), Investment & Wealth Management (33,9.6%), Treasury & Capital Markets (36,10.5%), Corporate Banking (39,11.5%), Customer Service & Support (30,8.7%)		
Q8	Location	North America (70,20.4%), South America (45,13.1%), Europe (56,16.3%), MENA (63,18.4%), Sub-Saharan Africa (59,17.2%), Asia-Pacific (50,14.6%)		
Q9	Employees	Less than 50(51,14.9%), 50 – 199(45,13.1%),200 – 499(50,14.6%),500 – 999(50,14.6%), 1,000 - 4,999(39,11.4%), 5,000 - 9,999(50,14.6%), 10,000 and above (58,16.9%)		
Q10	C/T in CG	Yes, formal certification (104,30.3%), Yes, attended training/seminar (92, 26.8%), No, but interested (76, 22.2%), No, not interested (71, 20.7%)		
Q11	Do the functioning and development of capital markets affect corporate governance? Note: Neutral (84, 25%).	Strongly Disagree (63, 18%). Disagree (61, 18%). 124 (36%)	Agree (70, 20%). Strongly Agree (65, 19%). 135 (39%)	
Q12	Smooth mechanisms of corporate governance are imperative for the banking sector Note: Neutral (68, 20%)	Strongly Disagree (77,22%). Disagree (71,21%). 148(43%)	Agree (73, 21%). Strongly Agree (54,16%). 127(37%)	
Q13	Good corporate governance helps the stakeholders to know the possible risks of conducting transactions Note: Neutral (69, 20%)	Strongly Disagree (68, 20%). Disagree (77, 22%): 145 (42%)	Agree (63, 18%). Strongly Agree (66, 19%): 129 (37%)	
Q14	The key issue with corporate governance is the qualification and composition of the board. Note: Neutral (61, 18%).	Strongly Disagree (76, 22%). Disagree (65, 19%): 141 (41%).	Agree (74, 22%). Strongly Agree (67, 20%): 141 (42%)	
Q15	The significance of corporate governance includes collaboration in working relations between the bank supervisors and bank management. Note: Neutral (70, 20%)	Strongly Disagree (66, 19%). Disagree (71, 21%): 137 (40%)	Agree (66, 19%). Strongly Agree (70, 20%): 137 (39%)	
Q16	For long-term investments, corporate governance plays a vital role in terms of building the environment’s transparency, trust, and accountability Note: Neutral (84, 25%)	Strongly Disagree (39, 11%). Disagree (75, 22%): 114 (33%)	Agree (88, 26%). Strongly Agree (57, 17%): 145 (43%)	
Q17	Corporate governance rationalizes to enhance the bank’s performance by sustaining and structuring the incentives. Note: Neutral (62, 18%)	Strongly Disagree. (42,12%) Disagree (103,30%): 145(42%)	Agree (73, 21%). Strongly Agree (63,18%): 136 (39%)	
Q18	Firms with poor governance are responsible for negative market reactions and poor market response. Note: Neutral (88, 26%)	Strongly Disagree (24, 7%). Disagree (79, 23%): 103 (40%)	Agree (48, 14%). Strongly Agree (104, 30%): 152 (44%)	
Q19	The financial liability of banks majorly relies on good corporate governance. Note: Neutral (88, 26%)	Strongly Disagree (60, 18%). Disagree (58, 17%): 118 (35%)	Agree (52, 15%). Strongly Agree (85, 25%): 137 (40%)	
Q20	Mitigation risk, enhanced capital flow, assurance of internal control, and enhanced decision are the effective factors of corporate governance Note: Neutral (92, 27%)	Strongly Disagree (89, 26%). Disagree (89, 26%): 178 (52%)	Agree (26, 8%). Strongly Agree (47,14%): 73 (22%)	
Q21	The successful rate of corporate governance is due to its corruption in the banking sector. Note: Neutral (62, 18%)	Strongly Disagree (42, 12%). Disagree (103, 30%): 145 (42%)	Agree (73, 21%). Strongly Agree (63, 18%): 133 (39%)	
Q22	Lack of strategic alignment and lack of control strengthens the role of corporate governance Note: Neutral (88, 26%)	Strongly Disagree (24, 7%). Disagree (79, 23%): 103 (30%)	Agree (48, 14%). Strongly Agree (104, 30%): 152 (44%)	
Q23	Lack of risk management leads to effective governance Note: Neutral (72, 21%)	Strongly Disagree (84, 25%). Disagree (63, 18%): 147 (43%)	Agree (56, 16%). Strongly Agree (68, 20%): 124 (36%)	
Q24	Lack of honesty and integrity does not affect corporate governance. Note: Neutral (71, 21%)	Strongly Disagree (63, 18%). Disagree (67, 20%): 130 (38%)	Agree (72, 21%). Strongly Agree (70, 20%): 142 (41%)	
Q25	Investor’s relationship based on business for the monitoring process makes smoother corporate governance. Note: Neutral (67, 20%)	Strongly Disagree (81,24%). Disagree (68,20%): 149 (44%)	Agree (58, 17%). Strongly Agree (69, 20%): 127 (37%)	

Q26	The significant factors of profitability include credit quality, liquidity, and size Note: Neutral (74, 22%)	Strongly Disagree (62, 18%). Disagree (53, 16%): 115 (34%)	Agree (74, 22%). Strongly Agree (80, 23%): 154 (45%)
Q27	The driving factors of profitability in the corporate banking sector are the investors and lenders Note: Neutral (67, 20%)	Strongly Disagree (66, 19%). Disagree (74, 22%): 140 (41%)	Agree (62, 18%). Strongly Agree (74, 22%): 136 (40%)
Q28	Higher liquidity of commercial banks leads to lower profitability. Note: Neutral (84, 25%)	Strongly Disagree (39, 11%). Disagree (75, 22%): 114 (33%)	Agree (88, 26%). Strongly Agree (57, 17%): 143 (43%)
Q29	The practices and rules of corporate governance led to financial viability and ethical business and that interests many shareholders Note: Neutral (62, 18%)	Strongly Disagree (42, 12%). Disagree (103, 30%): 145 (42%)	Agree (73, 21%). Strongly Agree (63, 18%): 133 (39%)
Q30	The significance of profitability includes its measurement of expenses and income for Libyan commercial banks. Note: Neutral (88, 26%)	Strongly Disagree (24, 7%). Disagree (79, 23%): 103 (30%)	Agree (48, 14%). Strongly Agree (104, 30%): 152 (44%)
Q31	Commercial Banks' financing structure is correlated positively to the profitability Note: Neutral (88, 26%)	Strongly Disagree (60, 18%). Disagree (58, 17%): 118 (35%)	Agree (52, 15%). Strongly Agree (85, 25%): 137 (40%)
Q32	Based on the determinants of profitability, capital adequacy and the size of the bank have a significant impact. Note: Neutral (92, 27%)	Strongly Disagree (82, 26%). Disagree (89, 26%): 171(52%)	Agree (26, 8%). Strongly Agree (47, 14%): 73 (20%)
Q33	GDP natural algorithm and inflation have no significant impact on the profitability of commercial banks Note: Neutral (62, 18%)	Strongly Disagree (42, 12%). Disagree (103, 30%): 145 (42%)	Agree (73, 21%). Strongly Agree (63, 18%): 136 (39%)
Q34	Corporate profitability is positively correlated with operation efficiency, along with the negative sign in the case of the operational ratio. Note: Neutral (88, 26%)	Strongly Disagree (24, 8%). Disagree (79, 23%): 107 (31%)	Agree (48, 14%). Strongly Agree (104, 30%): 152 (44%)
Q35	Credit risk shows negative relation with commercial bank profitability Note: Neutral (88, 26%)	Strongly Disagree (60, 18%). Disagree (58, 17%): 138 (35%)	Agree (52, 15%). Strongly Agree (85, 25%): 137 (40%)
Q36	Increasing the proportion of non-interest income will help increase the diversity of types of revenue in the commercial bank, thereby reducing risks through diversification Note: Neutral (92, 27%)	Strongly Disagree (89, 26%). Disagree (89, 26%): 178 (52%)	Agree (26, 8%). Strongly Agree (47, 14%): 73 (22%)
Q37	The efficiency of operation is a significant factor for commercial banks Note: Neutral (62, 18%)	Strongly Disagree (42, 12%). Disagree (103, 30%): 145 (42%)	Agree (73, 21%). Strongly Agree (63, 18%): 136 (39%)
Q38	Your bank can operate on a long-term basis with the ROE (Return on equity) Note: Neutral (88, 26%)	Strongly Disagree (24, 7%). Disagree (79, 23%): 104 (30%)	Agree (48, 14%). Strongly Agree (104, 30%): 152 (44%)
Q39	A good framework of governance is found to generate smooth operational outcomes that result in greater profitability. Note: Neutral (94, 27%)	Strongly Disagree (39, 11%). Disagree (89, 26%): 128 (37%)	Agree (46, 13%). Strongly Agree (75, 22%): 121 (35%)
Q40	Direct costing and the number of production units affect the profitability of commercial banks Note: Neutral (84, 25%)	Strongly Disagree (39, 11%). Disagree (75, 22%): 114 (33%)	Agree (88, 26%). Strongly Agree (57, 17%): 146 (43%)

Table 4.1 above shows the frequency distributions from the quantitative data set. It presents the results for Respondents' (N=343) Demographic characteristics (Questions: Q1, Q2, Q3, Q4, Q5, Q6, Q7, Q8, Q9, and Q10). For example:

- *Q1/'age'/years: about 26% respondents (88 out of N=343), were in the 18-24 age group; 17% (57 respondents) in 25-34 age group, 22% (76 respondents) in 35-44 age group, 16% (53 respondents) in 45-54 age group, and finally, 20% (69 respondents) in the Over 55 age group.*

Similarly, it shows the results for Respondents' answers for the main questions on 'corporate governance' and 'corporate profitability' (Q11, Q12, Q13, Q14, Q15, Q16, Q17, Q18, Q19, Q20, Q21, Q22, Q23, Q24, Q25, Q26, Q27, Q28, Q29, Q30, Q31, Q32, Q33, Q34, Q35, Q36, Q37, Q38, Q39, Q40). For example:

- *Q11/Do the functioning and development of capital markets affect corporate governance?, 36% (representing 124 out of N=343 respondents), 'strongly disagree and disagree', while 39% (representing 135 respondents) 'agree and strongly agree'. Finally, it is important to note that a significant number of respondents (84) i.e. 25% were 'neutral' in their response to Q11.*

4.2.2 SPSS Factor Analysis: Reliability Test, Descriptive Statistics

This researcher subjected the initial frequency distribution data relating to Q1-Q40 to more rigorous statistical analysis using the SPSS Factor analysis procedure recommended by experts including Pallant (2020) and Easterby-Smith et al. (2015), starting with a Test of Reliability of the Quantitative Data Set (from the Questionnaire Survey, Table 3.7, p. 115).

For the Reliability Test, Table 4.2 below shows the SPSS output/results with a 'case processing summary' based on a sample size of N=343 (all data input valid).

Table 4.2
SPSS Output – Reliability Statistics (N=343 respondents)

Reliability Statistics	
Cronbach's Alpha	N of Items
.743	40

Case Processing Summary			
		N	%
Cases	Valid	343	100.0
	Excluded ^a	0	.0
	Total	343	100.0
a. Listwise deletion based on all variables in the procedure.			

In this study, the questionnaire containing **40** items/questions (Q1-Q40) achieved acceptable **internal consistency** according to a **Cronbach's Alpha** (α) value of **0.743** (see Table 4.3 below.). The items in the questionnaire demonstrate sufficient correlation, which ensures the survey effectively measures its desired constructs regarding corporate governance (CG) and corporate profitability (CP) in the operation of the Libyan commercial banking sector (LCBs). This means the questionnaire items demonstrate consistent performance in measuring underlying concepts because, according to Field (2024) social science research accepts Cronbach's Alpha values higher than **0.7**.

In this study, a total sample size of $N = 343$ valid cases without any exclusions provides strong evidence of robust analysis through a complete quantitative dataset. A high response rate demonstrates both the general applicability of the study's findings and confirms the reliability of the obtained data, according to Pallant (2020). Therefore, the questionnaire design passes the internal consistency test, which researchers can use for statistical analysis, including factor analysis, and multiple linear regression and T-tests, to study the relationship between corporate governance frameworks and Libyan bank corporate profitability (Aboukadeer et al., 2023).

Table 4.3 and Table 4.4(a/b) below present, the descriptive statistics, followed by the Correlations coefficient matrix for $N=343$ respondents.

Table 4.3

SPSS Output – Descriptive Statistics: Mean, Standard Deviation for a sample size (N=343 respondents)

Source: SPSS Output 1

Descriptive Statistics			
	Mean	Std. Deviation	Analysis N
Age	2.8776	1.46385	343
Gender	2.5685	1.10043	343
Education	2.5977	1.12452	343
Job Role	2.9796	1.44980	343
Experience	3.5423	1.78127	343
Types of banks	4.6793	2.31112	343
Department	4.7901	2.56659	343
Locations	3.4257	1.72007	343
Number of employees	4.0583	2.05824	343
Certification	2.3324	1.11622	343
Capital markets	3.0379	1.37065	343
Mechanisms	2.8717	1.39166	343
Risks of transactions	2.9475	1.40494	343
Qualification of board.	2.9738	1.44162	343
Supervisors and bank management	3.0087	1.41108	343
Long-term investments	3.1429	1.25656	343
Sustaining and structuring incentives.	3.0350	1.31964	343
Firms and market reactions	3.3761	1.31399	343
Financial liability	3.1283	1.41458	343
Mitigation risk and capital flow	2.5714	1.32011	343
Corruption	3.0350	1.31964	343
Strategic alignment and control	3.3761	1.31399	343
Risk management	2.8863	1.45354	343
Honesty and integrity	3.0554	1.39961	343
Investors relationship	2.9009	1.45360	343
Credit quality, liquidity, and size	3.1662	1.41579	343
Impact of investors and lenders	3.0117	1.42652	343
Liquidity and profitability.	3.1429	1.25656	343
Financial viability and ethics	3.0350	1.31964	343
Expenses and incomes	3.3761	1.31399	343
Financing structure and profitability	3.1283	1.41458	343
Profitability, capital and size	2.5714	1.32011	343
GDP and inflation	3.0350	1.31964	343
Operational efficiency.	3.3761	1.31399	343
Credit risk and profitability	3.1283	1.41458	343
Non-interest income and diversity of revenue	2.5714	1.32011	343
Efficiency of operation	3.0350	1.31964	343
Long-term ROE	3.3761	1.31399	343
Framework of governance and operational outcomes	3.0845	1.31183	343
Costing and productivity	3.1429	1.25656	343

Table 4.4a

Correlation coefficient matrix^{a,b}

Source:SPSS Factor Analysis Correlation Matrix, N=343

Questions	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20
Corr	1.000	.027	-.014	.084	-.026	.135	.024	-.008	-.044	-.002	.081	-.048	.027	.025	-.086	.005	.049	.065	.026	.030
elati	.027	1.000	.013	-.048	.060	.004	-.004	-.022	-.077	-.011	.079	-.002	.076	-.068	-.016	.015	.033	.034	.039	.062
on	-.014	.013	1.000	-.055	.033	.033	.005	-.076	-.045	.009	-.062	-.134	.055	-.086	-.024	.051	-.132	-.151	-.115	-.063
	.084	-.048	-.055	1.000	-.082	-.035	.004	.077	.060	.010	.052	.084	.031	.015	.080	-.016	.020	.026	-.047	.067
	-.026	.060	.033	-.082	1.000	.021	.022	-.009	-.100	-.001	-.006	.035	-.048	.072	.061	-.003	.008	-.012	.042	.041
	.135	.004	.033	-.035	.021	1.000	-.023	.132	-.011	.036	.031	-.031	.025	-.033	.041	.000	-.042	-.058	-.028	-.104
	.024	-.004	.005	.004	.022	-.023	1.000	-.023	-.058	-.032	-.004	.035	-.021	-.060	.062	.005	.010	.056	.046	.033
	-.008	-.022	-.076	.077	-.009	.132	-.023	1.000	-.081	-.082	.013	-.065	-.003	.075	.108	.043	.032	-.001	.076	.106
	-.044	-.077	-.045	.060	-.100	-.011	-.058	-.081	1.000	-.012	.056	-.057	-.081	-.023	.019	.110	.058	.016	.076	.033
	-.002	-.011	.009	.010	-.001	.036	-.032	-.082	-.012	1.000	-.068	.001	.035	.013	-.006	-.061	-.052	-.028	-.118	-.026
	.081	.079	-.062	.052	-.006	.031	-.004	.013	.056	-.068	1.000	-.011	-.131	.140	-.035	-.064	.004	.002	.022	-.007
	-.048	-.002	-.134	.084	.035	-.031	.035	-.065	-.057	.001	-.011	1.000	.025	.058	-.017	.039	.002	.006	.008	.024
	.027	.076	.055	.031	-.048	.025	-.021	-.003	-.081	.035	-.131	.025	1.000	-.060	-.020	-.044	-.057	-.100	.011	-.022
	.025	-.068	-.086	.015	.072	-.033	-.060	.075	-.023	.013	.140	.058	-.060	1.000	-.049	-.053	.088	.002	.012	.056
	-.086	-.016	-.024	.080	.061	.041	.062	.108	.019	-.006	-.035	-.017	-.020	-.049	1.000	.017	-.006	.058	.004	.090
	.005	.015	.051	-.016	-.003	.000	.005	.043	.110	-.061	-.064	.039	-.044	-.053	.017	1.000	-.059	.120	.144	.180
	.049	.033	-.132	.020	.008	-.042	.010	.032	.058	-.052	.004	.002	-.057	.088	-.006	-.059	1.000	.272	.344	.208
	.065	.034	-.151	.026	-.012	-.058	.056	-.001	.016	-.028	.002	.006	-.100	.002	.058	.120	.272	1.000	.226	.211
	.026	.039	-.115	-.047	.042	-.028	.046	.076	.076	-.118	.022	.008	.011	.012	.004	.144	.344	.226	1.000	.416
	.030	.062	-.063	.067	.041	-.104	.033	.106	.033	-.026	-.007	.024	-.022	.056	.090	.180	.208	.211	.416	1.000
	.049	.033	-.132	.020	.008	-.042	.010	.032	.058	-.052	.004	.002	-.057	.088	-.006	-.059	1.000	.272	.344	.208
	.065	.034	-.151	.026	-.012	-.058	.056	-.001	.016	-.028	.002	.006	-.100	.002	.058	.120	.272	1.000	.226	.211
	.026	.039	-.115	-.047	.042	-.028	.046	.076	.076	-.118	.022	.008	.011	.012	.004	.144	.344	.226	1.000	.416
	.030	.062	-.063	.067	.041	-.104	.033	.106	.033	-.026	-.007	.024	-.022	.056	.090	.180	.208	.211	.416	1.000
	.049	.033	-.132	.020	.008	-.042	.010	.032	.058	-.052	.004	.002	-.057	.088	-.006	-.059	1.000	.272	.344	.208
	.065	.034	-.151	.026	-.012	-.058	.056	-.001	.016	-.028	.002	.006	-.100	.002	.058	.120	.272	1.000	.226	.211
	.026	.039	-.115	-.047	.042	-.028	.046	.076	.076	-.118	.022	.008	.011	.012	.004	.144	.344	.226	1.000	.416
	.030	.062	-.063	.067	.041	-.104	.033	.106	.033	-.026	-.007	.024	-.022	.056	.090	.180	.208	.211	.416	1.000
	.049	.033	-.132	.020	.008	-.042	.010	.032	.058	-.052	.004	.002	-.057	.088	-.006	-.059	1.000	.272	.344	.208
	.065	.034	-.151	.026	-.012	-.058	.056	-.001	.016	-.028	.002	.006	-.100	.002	.058	.120	.272	1.000	.226	.211
	.026	.039	-.115	-.047	.042	-.028	.046	.076	.076	-.118	.022	.008	.011	.012	.004	.144	.344	.226	1.000	.416
	.030	.062	-.063	.067	.041	-.104	.033	.106	.033	-.026	-.007	.024	-.022	.056	.090	.180	.208	.211	.416	1.000
	.049	.033	-.132	.020	.008	-.042	.010	.032	.058	-.052	.004	.002	-.057	.088	-.006	-.059	1.000	.272	.344	.208
	.065	.034	-.151	.026	-.012	-.058	.056	-.001	.016	-.028	.002	.006	-.100	.002	.058	.120	.272	1.000	.226	.211
	.021	.108	-.062	-.059	.079	.034	.051	.079	.049	-.119	.008	.006	.058	.000	.055	.321	.366	.239	.689	.251
	.005	.015	.051	-.016	-.003	.000	.005	.043	.110	-.061	-.064	.039	-.044	-.053	.017	1.000	-.059	.120	.144	.180

Note: a = Determinant = .000; b = This matrix is not positive definite

Table 4.4b Correlation coefficient matrix^{a,b} Continue. Source:SPSS Factor Analysis Correlation Matrix, N=343

Questions	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
Q1	.049	.065	.006	.019	.012	-.048	.110	.005	.049	.065	.026	.030	.049	.065	.026	.030	.049	.065	.021	.005
Q2	.033	.034	-.04	-.083	-.020	-.044	-.073	.015	.033	.034	.039	.062	.033	.034	.039	.034	.033	.034	.108	.015
Q3	-.132	-.151	-.010	-.086	-.037	.013	.034	.051	-.132	-.151	-.115	-.063	-.132	-.151	-.115	-.063	-.132	-.151	-.062	.051
Q4	.020	.026	-.021	.037	-.084	-.055	-.024	-.016	.020	.026	-.047	.067	.020	.026	-.047	.067	.020	.026	-.059	-.016
Q5	.008	-.012	-.092	-.066	.032	.052	-.069	-.003	.008	-.012	.042	.041	.008	-.012	.042	.041	.008	-.012	.079	-.003
Q6	-.042	-.058	-.017	.071	-.056	.004	.045	.000	-.042	-.058	-.028	-.104	-.042	-.058	-.028	-.104	-.042	-.058	.034	.000
Q7	.010	.056	-.014	-.037	.005	-.006	-.037	.005	.010	.056	.046	.033	.010	.056	.046	.033	.010	.056	.051	.005
Q8	.032	-.001	-.053	.002	-.130	.002	-.010	.043	.032	-.001	.076	.106	.032	-.001	.076	.106	.032	-.001	.079	.043
Q9	.058	.016	.031	.075	.057	-.066	.034	.110	.058	.016	.076	.033	.058	.016	.076	.033	.058	.016	.049	.110
Q10	-.052	-.028	-.013	.005	.044	-.085	-.019	-.061	-.052	-.028	-.118	-.026	-.052	-.028	-.118	-.026	-.052	-.028	-.119	-.061
Q11	.004	.002	-.008	-.091	-.039	-.021	-.053	-.064	.004	.002	.022	-.007	.004	.002	.022	-.007	.004	.002	.008	-.064
Q12	.002	.006	.048	.005	.052	-.062	.114	.039	.002	.006	.008	.024	.002	.006	.008	.024	.002	.006	.006	.039
Q13	-.057	-.100	-.092	.061	.048	.073	.006	-.044	-.057	-.100	.011	-.022	-.057	-.100	.011	-.022	-.057	-.100	.058	-.044
Q14	.088	.002	.053	-.092	-.092	-.002	-.015	-.053	.088	.002	.012	.056	.088	.002	.012	.056	.088	.002	.000	-.053
Q15	-.006	.058	-.071	-.045	.080	-.039	-.121	.017	-.006	.058	.004	.090	-.006	.058	.004	.090	-.006	.058	.055	.017
Q16	-.059	.120	.051	-.013	-.039	-.054	-.029	1.000	-.059	.120	.144	.180	-.059	.120	.144	.180	-.059	.120	.321	1.000
Q17	1.000	.272	.007	-.042	-.055	-.067	-.027	-.059	1.000	.272	.344	.208	1.000	.272	.344	.208	1.000	.272	.366	-.059
Q18	.272	1.000	.081	-.018	.038	-.131	-.087	.120	.272	1.000	.226	.211	.272	1.000	.226	.211	.272	1.000	.239	.120
Q19	.344	.226	.017	.106	-.029	-.071	-.038	.144	.344	.226	1.000	.416	.344	.226	1.000	.416	.344	.226	.689	.144
Q20	.208	.211	.039	.051	-.094	-.101	-.025	.180	.208	.211	.416	1.000	.208	.211	.416	1.000	.208	.211	.251	.180
Q21	1.000	.272	.007	-.042	-.055	-.067	-.027	-.059	1.000	.272	.344	.208	1.000	.272	.344	.208	1.000	.272	.366	-.059
Q22	.272	1.000	.081	-.018	.038	-.131	-.087	.120	.272	1.000	.226	.211	.272	1.000	.226	.211	.272	1.000	.239	.120
Q23	.007	.081	1.000	-.011	-.106	-.052	-.015	.051	.007	.081	.017	.039	.007	.081	.017	.039	.007	.081	.020	.051
Q24	-.042	-.018	-.011	1.000	.016	.081	-.145	-.013	-.042	-.018	-.106	.051	-.042	-.018	.106	.051	-.042	-.018	.063	-.013
Q25	-.055	.038	-.106	.016	1.000	-.030	-.015	-.039	-.055	.038	-.029	-.094	-.055	.038	-.029	-.094	-.055	.038	-.060	-.039
Q26	-.067	-.131	-.052	.081	-.030	1.000	-.040	-.054	-.067	-.131	-.071	-.101	-.067	-.131	-.071	-.101	-.067	-.131	-.064	-.054
Q27	-.027	-.087	-.015	-.145	-.015	-.040	1.000	-.029	-.027	-.087	-.038	-.025	-.027	-.087	-.038	-.025	-.027	-.087	-.052	-.029
Q28	-.059	.120	.051	-.013	-.039	-.054	-.029	1.000	-.059	.120	.144	.180	-.059	.120	.144	.180	-.059	.120	.321	1.000
Q29	1.000	.272	.007	-.042	-.055	-.067	-.027	-.059	1.000	.272	.344	.208	1.000	.272	.344	.208	1.000	.272	.366	-.059
Q30	.272	1.000	.081	-.018	.038	-.131	-.087	.120	.272	1.000	.226	.211	.272	1.000	.226	.211	.272	1.000	.239	.120
Q31	.344	.226	.017	.106	-.029	-.071	-.038	.144	.344	.226	1.000	.416	.344	.226	1.000	.416	.344	.226	.689	.144
Q32	.208	.211	.039	.051	-.094	-.101	-.025	.180	.208	.211	.416	1.000	.208	.211	.416	1.000	.208	.211	.251	.180
Q33	1.000	.272	.007	-.042	-.055	-.067	-.027	-.059	1.000	.272	.344	.208	1.000	.272	.344	.208	1.000	.272	.366	-.059
Q34	.272	1.000	.081	-.018	.038	-.131	-.087	.120	.272	1.000	.226	.211	.272	1.000	.226	.211	.272	1.000	.239	.120
Q35	.344	.226	.017	.106	-.029	-.071	-.038	.144	.344	.226	1.000	.416	.344	.226	1.000	.416	.344	.226	.689	.144
Q36	.208	.211	.039	.051	-.094	-.101	-.025	.180	.208	.211	.416	1.000	.208	.211	.416	1.000	.208	.211	.251	.180
Q37	1.000	.272	.007	-.042	-.055	-.067	-.027	-.059	1.000	.272	.344	.208	1.000	.272	.344	.208	1.000	.272	.366	-.059
Q38	.272	1.000	.081	-.018	.038	-.131	-.087	.120	.272	1.000	.226	.211	.272	1.000	.226	.211	.272	1.000	.239	.120
Q39	.366	.239	.020	.063	-.060	-.064	-.052	.321	.366	.239	.689	.251	.366	.239	.689	.251	.366	.239	1.000	.321
Q40	-.059	.120	.051	-.013	-.039	-.054	-.029	1.000	-.059	.120	.144	.180	-.059	.120	.144	.180	-.059	.120	.321	1.000

In addition, Table 4.5 presents the **15 Factor**- or Components solutions (Factors 1-15) extracted from the Factor analysis and confirmed by the Scree Plot. From the table, we can see that 5 (Factors 1-5) of the 15 factors are more important/significant than the remaining 10 factors (Factor 6-15).

Table 4.5
15 Factor (Component) Solutions: Factor 1 – 15

Component	Total Variance Explained								
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.005	20.012	20.012	8.005	20.012	20.012	5.099	12.748	12.748
2	3.980	9.949	29.961	3.980	9.949	29.961	5.091	12.728	25.476
3	3.667	9.168	39.130	3.667	9.168	39.130	3.560	8.899	34.375
4	2.406	6.014	45.144	2.406	6.014	45.144	3.094	7.736	42.111
5	1.963	4.907	50.051	1.963	4.907	50.051	3.033	7.582	49.693
6	1.397	3.492	53.543	1.397	3.492	53.543	1.288	3.221	52.914
7	1.354	3.384	56.928	1.354	3.384	56.928	1.280	3.200	56.114
8	1.301	3.253	60.181	1.301	3.253	60.181	1.232	3.079	59.193
9	1.268	3.171	63.352	1.268	3.171	63.352	1.227	3.066	62.260
10	1.202	3.005	66.357	1.202	3.005	66.357	1.218	3.045	65.305
11	1.162	2.905	69.262	1.162	2.905	69.262	1.214	3.036	68.341
12	1.100	2.751	72.012	1.100	2.751	72.012	1.213	3.033	71.374
13	1.079	2.697	74.710	1.079	2.697	74.710	1.177	2.942	74.316
14	1.049	2.623	77.332	1.049	2.623	77.332	1.133	2.832	77.148
15	1.020	2.550	79.883	1.020	2.550	79.883	1.094	2.735	79.883
16	.956	2.390	82.273						
17	.892	2.230	84.503						
18	.869	2.172	86.675						
19	.837	2.093	88.768						
20	.791	1.979	90.747						
21	.768	1.919	92.666						
22	.702	1.756	94.422						
23	.677	1.693	96.115						
24	.632	1.579	97.694						
25	.584	1.459	99.153						
26	.339	.847	100.000						
27	1.053E-15	2.632E-15	100.000						
28	8.425E-16	2.106E-15	100.000						
29	3.914E-16	9.785E-16	100.000						

30	2.842E-16	7.106E-16	100.000						
31	2.443E-16	6.106E-16	100.000						
32	1.422E-16	3.555E-16	100.000						
33	-4.089E-17	-1.022E-16	100.000						
34	-4.668E-17	-1.167E-16	100.000						
35	-9.595E-17	-2.399E-16	100.000						
36	-2.320E-16	-5.799E-16	100.000						
37	-3.198E-16	-7.996E-16	100.000						
38	-3.849E-16	-9.623E-16	100.000						
39	-4.567E-16	-1.142E-15	100.000						
40	-6.454E-16	-1.614E-15	100.000						
Extraction Method: Principal Component Analysis.									

In addition, Table 4.6 presents the results from the Principal Component Analysis (PCA) (Pallant, 2020; Field, 2024), which identified 5 Factors or Components for further statistical analysis e.g., multiple regression analysis, based on their Cronbach alpha values:

- 1/Sustaining and restructuring incentives using an effective CG Framework;
- 2/ Sustaining corporate profitability through key financial performance indicators;
- 3/Financial structure and long-term corporate profitability;
- 4/Long-term investment and corporate profitability;
- and 5/Long-term financial risks and returns

Table 4.6

Reliability Tests for 15 Factors: Basis for statistical analysis (correlation of 0.400 is accepted/yellow highlight; blue highlight rejected)

Factors/Questions	Component Matrix*														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Sustaining and structuring incentives.	.743	-.600	-.064	.249	-.134	-.049	-.011	.017	.008	-.005	-.003	.007	-.002	.007	.017
Corruption	.743	-.600	-.064	.249	-.134	-.049	-.011	.017	.008	-.005	-.003	.007	-.002	.007	.017
GDP and inflation	.743	-.600	-.064	.249	-.134	-.049	-.011	.017	.008	-.005	-.003	.007	-.002	.007	.017
Efficiency of operation	.743	-.600	-.064	.249	-.134	-.049	-.011	.017	.008	-.005	-.003	.007	-.002	.007	.017
Financial viability and ethics	.743	-.600	-.064	.249	-.134	-.049	-.011	.017	.008	-.005	-.003	.007	-.002	.007	.017
Firms and market reactions	.701	.441	-.552	-.054	-.043	-.003	.014	.007	.025	-.024	-.019	-.008	.009	.018	-.025
Strategic alignment and control	.701	.441	-.552	-.054	-.043	-.003	.014	.007	.025	-.024	-.019	-.008	.009	.018	-.025
Operational efficiency.	.701	.441	-.552	-.054	-.043	-.003	.014	.007	.025	-.024	-.019	-.008	.009	.018	-.025
Expenses and incomes	.701	.441	-.552	-.054	-.043	-.003	.014	.007	.025	-.024	-.019	-.008	.009	.018	-.025
Long-term ROE	.701	.441	-.552	-.054	-.043	-.003	.014	.007	.025	-.024	-.019	-.008	.009	.018	-.025
Financing structure and profitability	.662	-.007	.481	-.200	-.498	.079	-.032	-.049	-.021	.016	.018	-.048	.010	-.045	-.024
Financial liability	.662	-.007	.481	-.200	-.498	.079	-.032	-.049	-.021	.016	.018	-.048	.010	-.045	-.024
Credit risk and profitability	.662	-.007	.481	-.200	-.498	.079	-.032	-.049	-.021	.016	.018	-.048	.010	-.045	-.024
Framework of governance/OO	.603	.045	.363	.143	-.402	-.009	.105	-.007	.025	.051	-.009	.007	-.010	-.099	-.026
Mitigation risk and capital flow	.535	.183	.457	-.476	.469	-.068	-.031	-.022	.043	-.051	.020	.015	.021	.072	.026
Profitability, capital and size	.535	.183	.457	-.476	.469	-.068	-.031	-.022	.043	-.051	.020	.015	.021	.072	.026
Non-interest income/diversity - revenue	.535	.183	.457	-.476	.469	-.068	-.031	-.022	.043	-.051	.020	.015	.021	.072	.026
Long-term investments	.199	.592	.435	.625	.139	-.012	.012	.013	-.009	.026	-.029	.048	.006	.027	.013
Liquidity and profitability.	.199	.592	.435	.625	.139	-.012	.012	.013	-.009	.026	-.029	.048	.006	.027	.013
Costing and productivity	.199	.592	.435	.625	.139	-.012	.012	.013	-.009	.026	-.029	.048	.006	.027	.013
Capital markets	.011	-.047	-.030	-.074	-.014	.472	.291	-.094	-.203	.099	.349	.331	-.193	.140	.016
Qualification of board.	.064	-.114	-.008	-.060	.158	.422	.243	-.129	-.230	.044	-.235	.149	.295	.029	-.061
Number of employees	.082	.028	.083	.133	.002	.188	.446	.144	-.253	-.032	.445	-.003	.031	.153	-.110
Experience	.024	-.014	.060	-.050	-.039	-.252	.433	-.254	-.187	.142	-.089	.070	.337	.155	.213
Honesty and integrity	.014	.033	.108	-.128	-.192	-.074	.342	.500	-.010	-.153	-.162	.307	.087	.066	.279
Locations	.075	.006	.129	-.063	.068	.158	.426	.481	.035	.090	-.131	-.253	.086	-.055	-.250
Job Role	.025	.003	-.031	-.077	.233	.200	-.109	.392	.013	.336	-.010	.081	-.361	-.127	-.061
Age	.073	.001	-.041	-.006	.010	.270	.059	.056	.557	.160	.184	.194	-.015	.270	.338
Risks of transactions	-.087	-.045	.093	-.067	-.140	-.334	-.082	.125	.413	.111	-.254	.216	-.135	-.068	-.293
Types of banks	-.080	-.019	.014	.080	-.142	.136	.259	.353	.377	.107	.151	-.048	.354	-.056	.241
Mechanisms	.019	.026	.020	.005	.060	.116	-.205	-.234	-.058	.551	-.488	.053	-.043	-.101	.076
Investors relationship	-.049	.046	-.126	-.003	-.167	-.344	-.288	-.139	-.131	.357	.211	.080	.153	.317	.012
Education	-.198	.038	.091	.103	.042	-.236	.125	-.184	.268	-.339	.253	-.226	-.049	-.087	.000
Supervisors and bank management	.056	.083	.005	-.087	.088	-.308	.192	.313	-.306	.335	.223	-.294	.014	-.147	-.024
Gender	.069	.013	.035	-.029	-.018	-.189	.315	-.244	.194	.059	.178	.472	-.268	-.215	-.206
Impact of investors and lenders	-.083	-.062	.033	.031	.054	.269	-.193	-.281	.437	.192	-.061	-.442	.077	.278	-.194
Certification	-.097	-.009	-.094	-.051	.129	-.147	-.197	-.039	.121	.112	.114	.206	.487	-.414	.116
Credit quality, liquidity, and size	-.157	-.084	.029	.010	-.114	-.150	-.149	.165	-.089	-.328	-.375	.098	-.098	.464	.070
Risk management	.066	.089	-.031	.031	.071	.349	-.177	-.146	-.041	-.334	-.148	-.061	-.021	-.433	.231
Department	.059	.046	-.012	-.047	-.045	-.151	.107	-.086	-.033	.172	-.006	-.274	-.443	-.064	.623
Reliability Test (Cronbach alpha)	.920	.901	.852	1.000	1.000	.245	-.018	.071	.132	n/a (b)	n/a	n/a	n/a	n/a	n/a
Number of Items loading	17	8	9	3	3	2	2	2	3	1 (b)	1	1	1	1	1
Ranking in terms of importance	2	3	4	1	1										
Relabelling of Components based on Factor Loadings	Sustaining and restructuring incentives using an effective CG Framework	Sustaining corporate profitability through key financial performance indicators	Financial structure and long-term corporate profitability	Long-term investment and corporate profitability	Long-term financial risks and returns										
Extraction Method: Principal Component Analysis.															
a. 15 components extracted. b = single item loading not reliable for computation															
Reliability Statistics: Component 1; Cronbach's Alpha .920 N of Items 17															
Reliability Statistics: Component 2; Cronbach's Alpha .901 N of Items 8															
Reliability Statistics: Component 3; Cronbach's Alpha .852 N of Items 9															
Reliability Statistics: Component 4; Cronbach's Alpha 1.000, N of Items 3															
Reliability Statistics: Component 5; Cronbach's Alpha 1.000 N of Items 3															
Reliability Statistics: Component 6; Cronbach's Alpha .245 N of Items 2															
Reliability Statistics: Component 7; Cronbach's Alpha (a) -.018, N of Items 2															
a. The value is negative due to a negative average covariance among items. This violates reliability model assumptions. You may want to check item codings.															
Reliability Statistics: Component 8; Cronbach's Alpha .071, N of Items 2															
Reliability Statistics: Component 9; Cronbach's Alpha .132 N of Items 3															

THEME/COMPONENT #1: Sustaining operational outcomes by restructuring incentives using an effective corporate governance framework - CG = f (Q17, Q18, Q19, Q20, Q21, Q22, Q26, Q29, Q30, Q31, Q33, Q34, Q35, Q36, Q37, Q38, Q39) Note: 17 factors loadings

This theme/component, is linked to 17 sub-themes/factors loading namely, 1/Sustaining and structuring incentives/ Q17/.743; 2/Framework of corporate governance and operational outcomes/ Q39/.603; 3/Corruption/Q21/.743; 4/GDP and inflation/Q33/.743; 5/Efficiency of operation/Q37/.743; 6/Financial viability and ethics/Q29/.743; 7/Firms and market reactions/Q18/.701; 8/Strategic alignment and control/Q22/.701; 9/Operational efficiency/Q34/.701; 10/Expenses and incomes/Q30/.701; 11/Long-term ROE/Q38/.701; 12/Financing structure and profitability/Q31/.662; 13/Financial liability;/Q19/.662; 14/Credit risk and profitability/Q35/.662; 15/Mitigation risk and capital flow/Q20/.535; 16/Profitability, capital and size/Q26/.535; and 17/Non-interest income/diversity-revenue/Q36/.535. These 17 sub-themes/factors are linked to both the independent and dependent variables in the proposed null hypothesis (H0: There is no significant correlation between CG and CP measures and related six sub-hypotheses (H1, H2, H3, H4, H5, and H6). For examples, in H1, ‘codification of executive roles’ (Q22, Q39) represents the independent variable linked to corporate governance, and ‘perception of profitability growth’ (Q36, 38) is a measure of the dependent variable linked to corporate profitability.

Hypotheses	Statement	Variable
H0	There is no significant correlation between corporate governance and corporate profitability in the Libyan commercial banks.	Corporate governance (dependent); corporate profitability (independent)
H1	Codification of Executive Roles does not have a positive and significant impact on Commercial Banks’ Perception of Profitability Growth in terms of (ROA) in Libya.	Codification of Executive roles is the independent variable and ROA Growth is the dependent variable.
H2	Separation of Executive and Non-executive Roles does not have a positive and significant impact on Commercial Banks’ Perception of Profitability Growth in terms of (ROE) in Libya.	Executive role separation is the independent variable and ROE Growth is the dependent variable.
H3	Financial affiliations between Executives [does not have a positive and significant impact on Commercial Banks’ Perception of Profitability Growth in terms of (ROCE) in Libya.	Financial affiliation is the independent variable and ROCE Growth is the dependent variable.
H4	Codification of Equality, Diversity, and Inclusion (EDI) does not have a positive and significant impact on Commercial Banks’ Perception of Profitability Growth in terms of ROA, ROE, ROCE) in Libya.	Codification of EDI is the independent variable and Perception of Profitability Growth is the dependent variable.
H5	Compliance with Corporate governance codes does not have a positive and significant impact on Commercial Banks’ Perception of Profitability Growth in Libya.	Where Codification is the independent variable and Profitability Growth is the dependent variable.
H6	Incorporating Mechanisms does not have a positive and significant impact on Commercial Banks’ Perception of Profitability Growth in Libya.	Where Incorporating mechanism is the independent variable and Profitability Growth is the dependent variable.

Based on the Cronbach alpha results, Theme #1 is also related to sub-themes#2, #3, #4, and #5 below:

THEME/COMPONENT #2: Sustaining corporate profitability through key financial performance indicators - CP = f (Q16, Q18, Q22, Q28, Q30, Q37, Q38, Q40) Note: 8 factors loadings

Long-term investments/Q16/.592; Liquidity and profitability/Q28/.592; Costing and productivity/Q40/.592; Firms and market reactions/Q18/.441; Strategic alignment and control/Q22/.441; Operational efficiency/Q37/.441; Expenses and incomes/Q30/.441; Long-term ROE/Q38/.441.

THEME/COMPONENT #3: Financial structure and long-term corporate profitability - CP = f (Q16, Q19, Q20, Q28, Q31, Q32, Q35, Q36, Q40). Note: 9 factors loadings.

Financing structure and profitability/Q31/.481; Financial liability/Q19/.481; Credit risk and profitability/Q35/.481; Mitigation risk and capital flow/Q20/.457; Profitability, capital and size/Q32/.457; non-interest income/diversity-revenue/Q36/.457; Long-term investments/Q16/.435; Liquidity and profitability/Q28/.435; Costing and productivity/Q40/.435.

THEME/COMPONENT #4: Long-term investment and corporate profitability - CP = f (Q16, Q22, Q40). Note: 3 factors loadings.

Long-term investments/Q16/.625; Liquidity and profitability/Q28/.625; Costing and productivity/Q40/.625.

THEME/COMPONENT #5: Long-term financial risks and returns - CP = f (Q20, Q32, Q36). Note: 3 factors loadings.

Mitigation risk and capital flow/Q20/.469; Profitability, debt capital and size/Q32/.469; non-interest income/diversity-revenue/Q36/.469

Having successfully, reduced the number of variables/factors to a manageable number of factors/components/themes, the next section, further subjects the factor loadings to more rigorous statistical analysis using SPSS multiple regression analysis procedures.

4.2.3 Multiple Linear Regression Analysis

The researcher followed Pallant's (2020) 2-step procedure for multiple linear regression, namely, Step 1/Evaluate the Regression model as presented in the Model Summary and related statistics below. The model is expressed in the form of equation 1 below. Step 2/Evaluate the independent variables (corporate governance factors).

Multiple Linear Regression Equation:

$$\text{Corporate Profitability (CP)} = \text{function (f) of [Corporate Governance (CG)]} \quad (1)$$

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + \text{error} \quad (2)$$

Where: X-values represent the six key measures or mechanisms of corporate governance.

X_1 = credit risk and profitability,

X_2 = non-interest income and diversity of revenue,

X_3 = efficiency of operation,

X_4 = long-term ROE and profitability,

X_5 = costing and productivity,

X_6 = framework of corporate governance and operational outcomes

b_0 = y-intercept, b_1 = coefficient of X_1 , b_2 = coefficient of X_2 , b_3 = coefficient of X_3 , b_4 = coefficient of X_4 , b_5 = coefficient of X_5 , b_6 = coefficient of X_6 .

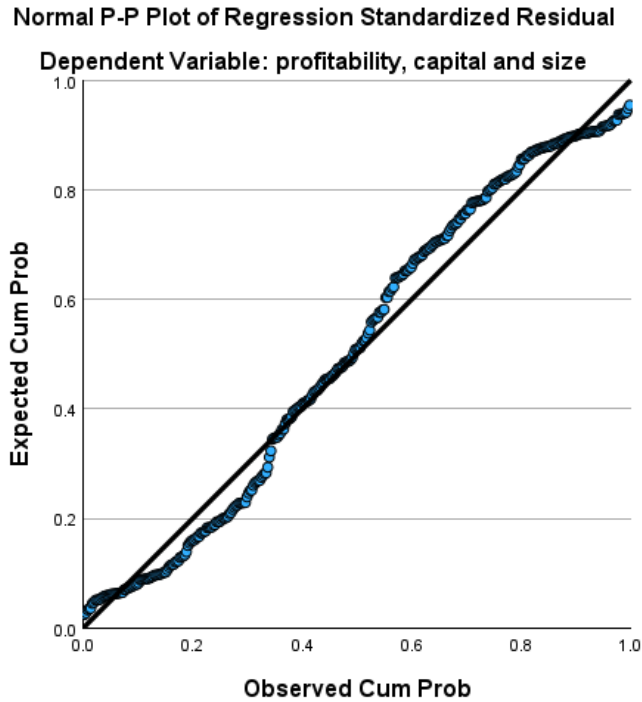
Table 4.7 Model Summary, including ANOVA, Normal P-P Plot, and Coefficients

Source: SPSS Output

Model Summary ^c									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.146 ^a	.021	-.008	1.42157	.021	.723	10	332	.703
2	.210 ^b	.044	-.003	1.41792	.023	1.286	6	326	.263
a. Predictors: (Constant), certification, experience, age, education, department, gender, location, job role, employees, types of banks									
b. Predictors: (Constant), certification, experience, age, education, department, gender, location, job role, employees, types of banks, costing and productivity, efficiency of operation, non-interest income and diversity of revenue, long-term ROE and profitability, credit risk and profitability, framework of corporate governance and operational outcomes									
c. Dependent Variable: profitability, capital and size									

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.601	10	1.460	.723	.703 ^b
	Residual	670.926	332	2.021		
	Total	685.528	342			
2	Regression	30.110	16	1.882	.936	.528 ^c
	Residual	655.418	326	2.010		
	Total	685.528	342			
a. Dependent Variable: profitability, capital and size						
b. Predictors: (Constant), certification, experience, age, education, department, gender, location, job role, employees, types of banks						

c. Predictors: (Constant), certification, experience, age, education, department, gender, location, job role, employees, types of banks, costing and productivity, efficiency of operation, non-interest income and diversity of revenue, long-term ROE and profitability, credit risk and profitability, framework of corporate governance and operational outcomes



Model		Coefficients*												
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics		
		B	Std. Error				Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF	
1	(Constant)	3.933	.525		7.491	<.001	2.900	4.966						
	age	-.044	.053	-.046	-.833	.405	-.150	.061	-.048	-.046	-.045	.967	1.034	
	gender	-.069	.070	-.054	-.987	.324	-.208	.069	-.044	-.054	-.054	.988	1.012	
	education	.007	.069	.006	.103	.918	-.128	.142	.013	.006	.006	.987	1.013	
	job role	-.043	.054	-.044	-.800	.424	-.149	.063	-.055	-.044	-.043	.970	1.031	
	experience	.035	.044	.044	.797	.426	-.051	.121	.052	.044	.043	.980	1.021	
	types of banks	.007	.034	.011	.197	.844	-.060	.074	.004	.011	.011	.956	1.046	
	department	-.007	.030	-.012	-.224	.823	-.066	.052	-.006	-.012	-.012	.993	1.007	
	location	-.008	.046	-.010	-.172	.864	-.098	.082	.002	-.009	-.009	.952	1.051	
	employees	-.046	.038	-.067	-.121	.227	-.121	.029	-.066	-.066	-.066	.966	1.035	
	certification	-.111	.069	-.088	1.211	-.109	-.247	.025	-.085	-.088	-.087	.989	1.011	
2	(Constant)	b₀ = 4.672	.605		7.716	<.001	3.481	5.863						
	age	-.033	.053	-.034	-.616	.538	-.138	.072	-.048	-.034	-.033	.960	1.041	
	gender	-.056	.071	-.043	-.789	.430	-.195	.083	-.044	-.044	-.043	.970	1.031	
	education	-.020	.070	-.016	-.280	.780	-.157	.118	.013	-.015	-.015	.948	1.055	
	job role	-.041	.054	-.042	-.761	.447	-.147	.065	-.055	-.042	-.041	.958	1.044	
	experience	.038	.044	.048	.874	.383	-.048	.124	.052	.048	.047	.971	1.030	
	types of banks	-.002	.034	-.004	-.072	.943	-.070	.065	.004	-.004	-.004	.935	1.070	
	department	-.002	.030	-.003	-.053	.958	-.061	.058	-.006	-.003	-.003	.987	1.013	
	location	.001	.046	.001	.024	.981	-.090	.092	.002	.001	.001	.934	1.071	
	employees	-.038	.038	-.056	-.100	.318	-.114	.037	-.066	-.055	-.054	.944	1.060	
	certification	-.121	.070	-.095	1.000	-.083	-.258	.016	-.085	-.096	-.094	.973	1.028	
	credit risk and profitability = X ₁	b₁ = -.017	.082	-.017	-.211	.833	-.178	.144	-.071	-.012	-.011	.439	2.279	
	non-interest income and diversity of revenue = X ₂	b₂ = -.063	.067	-.059	-.944	.346	-.194	.068	-.101	-.052	-.051	.758	1.320	
	efficiency of operation = X ₃	b₃ = -.022	.066	-.020	-.328	.743	-.152	.109	-.067	-.018	-.018	.767	1.304	
	long-term ROE and profitability = X ₄	b₄ = -.111	.063	-.103	-.168	.078	-.235	.013	-.131	-.097	-.096	.860	1.163	
costing and productivity = X ₅	b₅ = -.030	.068	-.027	-.440	.660	-.164	.104	-.054	-.024	-.024	.804	1.244		

	framework of corporate governance and operational outcomes = X ₆	b ₆ = -.008	.090	-.007	-.088	.930	-.184	.168	-.064	-.005	-.005	.425	2.352
a. Dependent Variable: profitability, capital and size													

After the ten (10) demographic characteristics have been entered (**Model 1**), the overall regression model explains 2.1% of the variance (.021 x 100). After the second block of independent variables have been included (**Model 2**), the regression model explains 4.4% (.044 x 100). The **ANOVA** table indicates that the regression model (which includes both blocks of independent variables) is not statistically significant, $F(16, 326) = .0936, p > .001$.

To determine how well each of the six (6) independent variables contribute to the final regression equation, the researcher looks at the **Coefficient table** in the **Model 2** row (Pallant, 2020). Scanning the **Sig.** column, there are no variables (e.g., credit risk and profitability = X₁, non-interest income and diversity of revenue = X₂, efficiency of operation = X₃, long-term ROE and profitability = X₄, costing and productivity = X₅, and framework of corporate governance and operational outcomes = X₆) that make a unique statistically significant contribution (p-values are less than .05). These results mean regression equation (2) can be restated with the actual values as presented in equation (3) below:

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + error \quad (3)$$

Where:

Y = Corporate Profitability, $b_0 = 4.672$, $b_1 = -0.017$ for X₁ (Credit risk and profitability), $b_2 = -0.063$ for X₂ (Non-interest income and diversity of revenue), $b_3 = -0.022$ for X₃ (Efficiency of operation), $b_4 = -0.111$ for X₄ (long-term ROE and profitability), $b_5 = -0.030$ for X₅ (Costing and productivity), $b_6 = -0.008$ for X₆ (Framework of corporate governance and operational outcomes), the error value for Model 2 = 0.605. The means:

Corporate Profitability (Y) = $4.672 - 0.017(\text{Credit risk and profitability}) - 0.063(\text{non-interest income and diversity of revenue}) - 0.022(\text{Efficiency of operation}) - 0.111(\text{long-term ROE and profitability}) - 0.030(\text{Costing and productivity}) - 0.008(\text{Framework of corporate governance and operational outcomes}) + 0.605$

Corporate Profitability(x) = $4.672 - 0.017X_1 - 0.063X_2 - 0.022X_3 - 0.111X_4 - 0.030X_5 - 0.008X_6 + 0.605$

The next section presents the results of the hypotheses using T-tests.

4.2.4 T-tests results to confirm Hypotheses

From the Multiple linear regression Model 2, we can see that overall, the Null H0 is ACCEPTED, because although there are correlations between the measures of CG and CP, there are not statistically significant. In addition, the directions of the correlations are all NEGATIVE based on the Beta (B) values. evident by the fact that all six measures of corporate governance (X1 – X6) do not show statistically significant correlation with CP (see Table 4.8 below).

Table 4.8
Highlights of the decisions regarding the hypotheses (H0, H1-H6)

Hypotheses	Statement	Independent Variables in the Regression Model	Decision/Direction: Accept or Reject Null Hypothesis
H0	There is no significant correlation between corporate governance and corporate profitability in the Libyan commercial banks.	Corporate Profitability/Y, X ₁ (b ₁ = - 0.017, p > .005) Q30/Credit risk and profitability. X ₂ (b ₂ = - 0.063, p > .005) Q36/non-interest income and diversity of revenue. X ₃ (b ₃ = - 0.022, p > .005) Q37/Efficiency of operation. X ₄ (b ₄ = - 0.111, p > .005) Q38/long-term ROE and profitability. X ₅ (b ₅ = - 0.030, p > .005) Q40/costing and productivity. X ₆ (b ₆ = - 0.008, p > .005) Q39/framework of corporate governance and operational outcomes.	Overall, the Null H0 is ACCEPTED because although there is a correlation between CG and CP, it is not statistically significant. In addition, the directions of the correlations are all NEGATIVE based on the Beta (B) values. evident by the fact that all six measures of corporate governance (X ₁ – X ₆) do not show statistically significant correlation with CP
H1	Codification of Executive Roles (CG) does not have a positive and significant impact on Commercial Banks' Perception of Profitability Growth in terms of (ROA) (CP) in Libya.	X ₆ (b ₆ = - 0.008, p > .005) Q39/framework of corporate governance and operational outcomes. X ₄ (b ₄ = - 0.111, p > .005) Q38/long-term ROE and profitability.	This means, the Null H1 is ACCEPTED because although there is a correlation between CG (Codification of Roles) (X ₆ (b ₆ = - 0.008, p > .005) Q39/framework of corporate governance and operational outcomes) and CP (X ₄ (b ₄ = - 0.111, p > .005) Q38/long-term ROE and profitability), it is not statistically significant. In addition, the direction of the correlation is NEGATIVE .
H2	Separation of Executive and Non-executive Roles does not have a positive and significant impact on Commercial Banks' Perception of Profitability Growth in terms of (ROE) in Libya.	X ₆ (b ₆ = - 0.008, p > .005) Q39/framework of corporate governance and operational outcomes. X ₁ (b ₁ = - 0.017, p > .005) Q30/Credit risk and profitability.	This means, the Null H2 is ACCEPTED because although there is a correlation between CG (Separation of Roles) (X ₆ (b ₆ = - 0.008, p > .005) Q39/framework of corporate governance and operational outcomes) and CP (X ₁ (b ₁ = - 0.017, p > .005) Q30/Credit risk and profitability), it is not statistically significant. In addition, the direction of the correlation is NEGATIVE .
H3	Financial affiliations between Executives does not have a positive and significant impact on Commercial Banks' Perception of Profitability Growth in terms of (ROCE) in Libya.	X ₆ (b ₆ = - 0.008, p > .005) Q39/framework of corporate governance and operational outcomes. X ₃ (b ₃ = - 0.022, p > .005) Q37/Efficiency of operation.	This means, the Null H3 is ACCEPTED because although there is a correlation between CG (Financial affiliations) (X ₆ (b ₆ = - 0.008, p > .005) Q39/framework of corporate governance and operational outcomes) and CP (X ₃ (b ₃ = - 0.022, p > .005) Q37/Efficiency of operation), it is not statistically significant. In addition, the direction of the correlation is NEGATIVE .
H4	Codification of Equality, Diversity, and Inclusion (EDI) does not have a positive and significant impact on Commercial Banks' Perception of Profitability Growth in terms of ROA, ROE, ROCE) in Libya.	X ₆ (b ₆ = - 0.008, p > .005) Q39/framework of corporate governance and operational outcomes. X ₂ (b ₂ = - 0.063, p > .005) Q36/non-interest income and diversity of revenue.	This means, the Null H4 is ACCEPTED because although there is a correlation between CG (Codification of EDI) (X ₆ (b ₆ = - 0.008, p > .005) Q39/framework of corporate governance and operational outcomes) and CP (X ₂ (b ₂ = - 0.063, p > .005) Q36/non-interest income and diversity of revenue), it is not statistically significant. In addition, the direction of the correlation is NEGATIVE .
H5	Compliance with Corporate governance codes does not have a positive and significant impact on Commercial Banks' Perception of Profitability Growth in Libya.	X ₆ (b ₆ = - 0.008, p > .005) Q39/framework of corporate governance and operational outcomes. X ₅ (b ₅ = - 0.030, p > .005) Q40/costing and productivity.	This means, the Null H5 is ACCEPTED because although there is a correlation between CG (Compliance/CG Code) (X ₆ (b ₆ = - 0.008, p > .005) Q39/framework of corporate governance and operational outcomes) and CP (X ₅ (b ₅ = - 0.030, p > .005) Q40/costing and productivity), it

			is not statistically significant. In addition, the direction of the correlation is NEGATIVE .
H6	Incorporating Mechanisms does not have a positive and significant impact on Commercial Banks' Perception of Profitability Growth in Libya.	X_6 ($b_6 = -0.008$, $p > .005$) Q39/framework of corporate governance and operational outcomes. X_4 ($b_4 = -0.111$, $p > .005$) Q38/long-term ROE and profitability. X_1 ($b_1 = -0.017$, $p > .005$) Q30/Credit risk and profitability.	This means, the Null H6 is ACCEPTED because although there is a correlation between CG (Incorporation) (X_6 ($b_6 = -0.008$, $p > .005$) Q39/framework of corporate governance and operational outcomes) and CP (X_4 ($b_4 = -0.111$, $p > .005$) Q38/long-term ROE and profitability. X_1 ($b_1 = -0.017$, $p > .005$) Q30/Credit risk and profitability), they are not statistically significant. In addition, the directions of the correlations are NEGATIVE .

These results/findings are further confirmed by the T-test results for the main items/questions used in the factor analysis (Q11-Q40) which confirms the fact that there is a correlation between the measure of CG and CP. In addition, the two-tailed analysis indicates a high probability of the correlations been statistically significant ($p < .005$) (see Table 4.9).

Table 4.9
T-Test Results for Q11-Q40

One-Sample Test						
Variables (Q11-Q40)	Test Value = 0					
	t	df.	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Q11 functioning and development of capital markets get affected by the corporate governance	41.048	342	.000	3.03790	2.8923	3.1835
Q12 Smooth mechanisms of corporate governance are imperative for the banking sector	38.217	342	.000	2.87172	2.7239	3.0195
Q13 Good CG helps the stakeholders to know the possible risks of conducting transactions	38.855	342	.000	2.94752	2.7983	3.0967
Q14 The key issue with corporate governance is the qualification and composition of the board.	38.204	342	.000	2.97376	2.8207	3.1269
Q15 Significance of CG/collaboration between the bank supervisors and bank management	39.489	342	.000	3.00875	2.8589	3.1586
Q16 Long-term investments, CG role - building the environment's transparency, trust, and accountability	46.322	342	.000	3.14286	3.0094	3.2763
Q17 CG rationale is to enhance the bank's performance by sustaining and structuring the incentives.	42.594	342	.000	3.03499	2.8948	3.1751
Q18 Firms with poor governance are responsible for negative market reactions and poor market response	47.585	342	.000	3.37609	3.2365	3.5156
Q19 The financial liability of banks majorly relies on good corporate governance.	40.957	342	.000	3.12828	2.9780	3.2785
Q20 Mitigation risk, capital flow, internal control, enhanced decision are the effective factors of CG	36.075	342	.000	2.57143	2.4312	2.7116
Q21 The successful rate of corporate governance is due to its corruption in the banking sector	42.594	342	.000	3.03499	2.8948	3.1751
Q22 Lack of strategic alignment and lack of control strengthens the role of corporate governance	47.585	342	.000	3.37609	3.2365	3.5156
Q23 Lack of risk management leads to effective governance	36.776	342	.000	2.88630	2.7319	3.0407
Q24 Lack of honesty and integrity does not affect the corporate governance	40.430	342	.000	3.05539	2.9067	3.2040
Q25 Investor's relationship - monitoring process makes smoother corporate governance.	36.960	342	.000	2.90087	2.7465	3.0553
Q26 The significant factors of profitability include credit quality, liquidity, and size	41.417	342	.000	3.16618	3.0158	3.3165

Q27 The driving factors of profitability in the corporate banking sector are investors and lenders	39.100	342	.000	3.01166	2.8602	3.1632
Q28 Higher liquidity of commercial banks leads to lower profitability.	46.322	342	.000	3.14286	3.0094	3.2763
Q29 The practices and rules of CG - financial viability, ethics, many shareholders	42.594	342	.000	3.03499	2.8948	3.1751
Q30 Significance of CP - measurement of expenses and income for Libyan commercial banks. H0, H1-6	47.585	342	.000	3.37609	3.2365	3.5156
Q31 Commercial Banks' financing structure correlated positively to the profitability	40.957	342	.000	3.12828	2.9780	3.2785
Q32 Determinants of profitability, capital adequacy and the size of the bank have a significant impact.	36.075	342	.000	2.57143	2.4312	2.7116
Q33 GDP natural algorithm and inflation have no significant impact on the profitability of commercial banks	42.594	342	.000	3.03499	2.8948	3.1751
Q34 Corporate profitability and operation efficiency/operational ratio.	47.585	342	.000	3.37609	3.2365	3.5156
Q35 Credit risk shows negative relation with commercial bank profitability	40.957	342	.000	3.12828	2.9780	3.2785
Q36 Non-interest income, diversity of types of revenues, reducing risks through diversification. H0	36.075	342	.000	2.57143	2.4312	2.7116
Q37 The efficiency of operation is a significant factor for commercial banks. H0	42.594	342	.000	3.03499	2.8948	3.1751
Q38 Your bank can operate on a long-term basis with the ROE (Return on equity). H0, H1, H6	47.585	342	.000	3.37609	3.2365	3.5156
Q39 Framework of CG generates smooth operational outcomes that result in greater CP. H0, H1-6	43.547	342	.000	3.08455	2.9452	3.2239
Q40 Direct costing and the number of production units affect the profitability of commercial banks. H0, H5	46.322	342	.000	3.14286	3.0094	3.2763

More specifically, from Table 4.9 we can also see that in response to question/Q11, relating to “how the functioning and development of capital markets are affected by corporate governance practices” the result is statistically significant evident by the t-value of 41.048, and mean difference of 3.0379. Similarly, the response for question/Q12, relating to “how smooth mechanisms of corporate governance are imperative for the banking sector”, reveals that “smooth corporate governance mechanisms” hold tremendous importance, with a mean difference of 2.8717 and a t-value of 38.217.

4.2.5 Summary of Statistical Results and Findings

From the hypotheses test results, the researcher **ACCEPTED** the general null hypothesis (H0) i.e., H0: There is no significant correlation between corporate governance (CG) and corporate profitability (CP) in the Libyan commercial banks. This is because, this study identified six (6) key factors influencing the relationship between CG and CP in this study, namely, 1/Credit risk and profitability (beta = - 0.017, $p > .005$), 2/Non-interest income and diversity of revenue (beta = - 0.063, $p > .005$), 3/Efficiency of operation (beta = - 0.022, $p > .005$), 4/Long-term ROE and profitability (beta = - 0.111, $p > .005$), 5/Costing and productivity (beta = - 0.030, $p > .005$), and 6/framework of corporate governance and operational outcomes (beta = - 0.008, $p > .005$). In addition, the negative-directions of influence based on the beta-values suggest a lack of good

corporate governance policies and practices in the Libyan commercial banks in this study. This provides the rationale and motivation for the adoption of mixed methodology involving the use of semi-structured interviews as presented in the next section.

4.3 PRESENTATION OF QUALITATIVE RESULTS AND FINDINGS: Based on NVivo version 15.3.1, Windows

The qualitative results and findings presented in this section are from the NVivo v.15.3.1 thematic content analysis of the semi-structured interviews on the state of CG and CP within the **Libyan commercial banking sector (LCBS)**. The semi-structured interviews primarily aimed to evaluate the quantitative results and findings e.g., hypotheses – H1, H2, H3, H4, H5, and H6), in terms how various **corporate governance mechanisms (CGm)** impact the corporate profitability (CP) of **Libyan Commercial banks (LCb)**, namely, the six (6) key factors emerging from the statistical analysis:

- **Credit risk management and corporate profitability (CrCP)** ($\beta = - 0.017$, negative impact),
- **Non-interest income and diversity of revenues (NiI-Dr)** ($\beta = - 0.063$, negative impact),
- **Efficiency of operations (EOs)** ($\beta = - 0.022$, negative impact),
- **Long-term ROE and profitability (ROEP)** ($\beta = - 0.111$, negative impact),
- **Costing and productivity (Cp)** ($\beta = - 0.030$, negative), and
- **Framework of corporate governance and operational outcomes (FCGOO)** ($\beta = - 0.008$, $p > .005$).

The semi-structured interviews seek to further explore the importance/influence of these themes/factors on the relationship between CG and CP – in an in-depth manner.

Figure 4.1 presents the NVivo Word Cloud for 20 participants, highlighting the most common themes/words used by the interviewees, based on the frequency of words e.g. ‘corporate governance’ and ‘financial or corporate profitability’ has high frequencies, followed by related words/sub-themes e.g., operational management, capital risks, accountability, transparency, efficiency, liquidity, etc. This is supported by the associated ‘Tree Map’.

Figure 4.1b

NVivo Word Cloud: Profile of Participating CEOs of Five Commercial Banks in Libya

First Gulf CEO, Tripoli	North Africa CEO, Tripoli	Wahda Bank CEO, Benghazi
<p>Summary: 1st Level: e.g., CP, CG, Management. 2nd Level: e.g., transparency, accountability, framework, operational efficiency, credit risks, financial markets, reduce risk capital, investors, banking sector.</p>	<p>Summary: 1st Level: e.g., CP, CG, Management, Banks' financial risk. 2nd Level: e.g., credit risk, reduce risk capital, investors, commercial banks.</p>	<p>Summary: 1st Level: e.g., CP, CG, Banks' financial risk. 2nd Level: e.g., accountability, operational efficiency, financial markets, reduce capital, investors, banking sector.</p>

British Arab CEO, Tripoli	Al Wafa Bank, Tripoli	
		<p>Notes: The results for the other interviewees e.g., were not included at this stage</p>
<p>Summary: 1st Level: e.g., CP, CG, Banks' Risks Management. 2nd Level: e.g., operational efficiency, credit risks, long term operational commercial banking sector, reduce risk capital,</p>	<p>Summary: 1st Level:, CG practices, CP, , financial markets, reduce risk capital, banking sector. 2nd Level: e.g., risk management, commercial banks. financial markets</p>	

Table 4.10 presents the results and findings from the NVivo Thematic Content analysis to give voice to all the 20 interviewees in this study.

Table 4. 10 In-depth Content Analysis providing evidence of NVivo Thematic Content Analysis: Voice of Participants/Interviewees

Note: Colour Coding: **Yellow** = Corporate Governance/CG. **Green** = Corporate Profitability/CP. **Purple** = Pattern between CG and CP

Questions	Voice of Interviewees
Q1/Mechanisms of corporate governance/ CG and imperative/CP ^{q2}	Absolutely, effective corporate governance/CG is crucial in ensuring stability, transparency, and accountability/CP... helps mitigate financial risks and enhances investor confidence/CP... vulnerability to mismanagement, fraud, and instability/CG. Interviewee#1/Transcript#1
Q2/Corporate governance and capital markets ^{q1}	Strong CG boosts investor confidence, which leads to higher capital inflows. Investors...well-governed and transparent banks...lack of governance mechanisms lead to market inefficiencies and a reluctance to invest. Interviewee#20/Transcript#20
Q3/Good corporate governance and working experience ^{q4}	Good CG means having clear policies, a well-structured board, accountability, and ethical practices...requires a balance between executive management and independent oversight to ensure that decisions are made in the best interests of all stakeholders. Interviewee#17/Transcript#17
Q4/Sustaining and structuring incentives ^{q17}	Yes, corporate governance ensures that incentives are structured to align with long-term profitability rather than short-term gains. Performance-based rewards encourage responsible management. Interviewee#12/Transcript#12
Q5/Firms and market reactions ^{q18}	Definitely. Poor governance leads to scandals, financial instability, and investor withdrawals. We have seen this happen in multiple financial crises where weak governance was a key contributor. Interviewee#10/Transcript#10
Q6/Financial liability ^{q19}	Financial liability is directly tied to governance. Poor risk management and lack of oversight increase liabilities, whereas strong governance reduces financial exposure. Interviewee#15/Transcript#15
Q7/Mitigation risk and capital flow ^{q24}	Corporate governance plays a critical role in all these aspects. Strong risk management frameworks reduce exposure to crises, enhance investor confidence, and streamline decision-making. Interviewee#13/Transcript#13
Q8/Corruption ^{q21}	Without a doubt. Corruption erodes trust, reduces investment, and weakens governance structures. Many Libyan banks struggle with governance due to corrupt practices at various levels. Interviewee#19/Transcript#19
Q9/Strategic alignment and control ^{q22}	Yes, when banks lack strategic focus, governance frameworks help realign priorities and introduce better control mechanisms. Interviewee#11/Transcript#11
Q10/Profitability, capital and size ^{q26}	Yes, these factors determine a bank's ability to generate stable income. Poor credit quality leads to defaults, while inadequate liquidity creates financial stress. Interviewee#4/Transcript#4
Q11/Financial viability and ethics ^{q29}	Yes, strong governance enhances financial stability, which makes banks more attractive to investors. Interviewee#8/Transcript#8
Q12/Expenses and incomes ^{q30}	Libyan banks face challenges in cost management. High operational costs and regulatory burdens often impact net income. Interviewee#9/Transcript#9
Q13/Financing structure and profitability ^{q31}	Yes, banks with diversified funding sources and lower costs of capital tend to be more profitable. Interviewee#2/Transcript#2
Q14/GDP and inflation ^{q33}	I disagree. Macroeconomic factors like GDP growth and inflation directly influence interest rates, credit demand, and profitability. Interviewee#1/Transcript#1
Q15/Operational efficiency ^{q39}	Yes, reducing inefficiencies increases profit margins and enhances financial performance. Interviewee#14/Transcript#14
Q16/Credit risk and profitability ^{q35}	High credit risk reduces profitability due to loan defaults. Proper credit assessment and risk management improve financial stability. Interviewee#6/Transcript#6
Q17/Non-interest income/diversity-revenue ^{q34}	Yes, reliance on non-interest income, such as fees and commissions, diversifies revenue sources and reduces risk. Interviewee#3/Transcript#3
Q18/Efficiency of operation ^{q37}	Absolutely. Streamlining processes reduce costs and increase revenue. Interviewee#11/Transcript#11
Q19/Long-term ROE ^{q38}	Sustainability requires a balance between high ROE and risk management. If profits come at the cost of excessive risk-taking, it is not sustainable. Interviewee#17/Transcript#17
Q20/Framework of corporate governance and operational outcomes ^{q39}	Yes, governance ensures accountability, reduces fraud, and improves financial discipline. Interviewee#16/Transcript#16

The first column of Table 4.10 shows the specific interview questions asked, the second column, presents direct answers to each question, the third column, demonstrates the linkages between the main- and sub-themes relating to 'corporate governance' and 'corporate profitability. Finally,

the last column shows how the results align with the hypotheses in the study. For example, on the first roll, in response to Interview question Q1 relating to the ‘mechanisms of corporate governance and their influence on corporate profitability’, overall, participants reveal that there is a strong association between CG and CP measures e.g., stability, transparency, accountability, mitigate financial risks, enhances investor confidence. mismanagement, fraud, and instability. This view is supported by Interviewee#1, who said, “Absolutely, effective corporate governance/CG is crucial in ensuring stability, transparency, and accountability/CP...helps mitigate financial risks and enhances investor confidence/CP...vulnerability to mismanagement, fraud, and instability” (Interviewee#1/Transcrip#1). This finding supports the general hypothesis (H0) that there is an association between CG and CP.

More specifically, as shown in Table 4.11a and Table 4.11b below, the NVivo thematic content analysis reveal the emerging themes linked to the two key research themes, namely, ‘corporate governance’ and ‘corporate profitability’ respectively. For example, in Table 4.11a, on the first roll, we have ‘corporate governance’ (CG) as the main theme.

Table 4.11a
Emerging Themes from the NVivo Thematic content analysis focusing on **Corporate Governance Policies and Practices**

Main Themes	Sub-themes/Axial Codes/Participants	Emerging Themes from Semi-structured Interview Transcripts	Direct Quotes from Participants
Corporate Governance (CG)	1/Credit risk management and corporate profitability (CrCP) Participants: 1, 2, 3, 7, 9, 11, 18, 20	1/Separating executive and non-executive roles in Libyan Commercial banks (SENER-LCb), 2/Separation of executive and non-executive roles (SENER), 3/Role clarity, 4/Governance structure, 5/Decision-making separation. 6/Negative impact of weak correlation between Credit risk management and corporate profitability (CrCP). 7/Profitability focus, 8/Governance alignment, 9/Decision-making clarity. 10/Libyan Commercial Banking Sector (LCBS).	Absolutely. Effective corporate governance is crucial in ensuring stability, transparency, and accountability in the banking sector. It helps mitigate financial risks and enhances investor confidence. Without proper governance, banks are more vulnerable to mismanagement, fraud, and instability (Q1/Do you think that smooth mechanisms of corporate governance are imperative for the banking sector?) Participant #1
	2/Non-interest income and diversity of revenues (Nil-Dr) (negative impact). Participants: 1, 3, 5, 7, 9, 11, 18, 19, 20	1/Non-executives have financial affiliations with executives. Conflict of interest, Governance integrity, Decision influence 2/ non-executives have financial affiliations with executives. Financial influence, Profitability risks, Bias in decision-making	Strong corporate governance boosts investor confidence, which leads to higher capital inflows. Investors seek financial institutions that are well-governed and transparent. A lack of governance mechanisms can lead to market inefficiencies and a reluctance to invest in the banking sector (Q2/How do you think corporate governance affects the functioning and development of capital markets?) Participant #11
	3/Efficiency of operations (EOs), negative impact), Participants: 11, 13, 15, 19, 20	1/Equality, Diversity, and Inclusion/EDI. 2/Diversity, Equal opportunity in Decision-making enhancement. 3/Effect of EDI on profitability improvement, 4/Effect of EDI on Organizational effectiveness.	Good corporate governance means having clear policies, a well-structured board, accountability, and ethical practices. It requires a balance between executive management and independent oversight to ensure that decisions are made in the best interests of all stakeholders. Q3/How would you explain good corporate governance based on your working experience? Participant 19

<p>4/Long-term ROE and profitability (ROEP)(negative impact),</p> <p>Participants: 1-20</p>	<p>4. Comply or explain. Flexibility, Transparency, Accountability Comply or explain. Profitability, Transparency, Financial alignment. Corporate Profitability/Return on Assets (CP-Roa), Corporate Profitability/Return on Investments (CP-Roi)</p>	<p>Yes, corporate governance is essential in fostering an environment of trust and transparency, particularly when it comes to long-term investments. It ensures that investors and stakeholders have clear visibility into the decision-making process and that the institution is accountable for its actions, which strengthens investor confidence and encourages sustained investment. Participant#20</p>
<p>5/Costing and productivity (Cp) (negative impact).</p> <p>Participants: 1-20</p>	<p>5. Incorporative mechanisms. Stakeholder involvement, Risk management, Transparency Incorporative mechanisms. Risk management, Profitability, Decision-making transparency. 3/Framework of corporate governance and operational outcomes (FCGOO) (negative impact). Corporate Governance mechanisms (CGm), Corporate Governance mechanism/structures (CGms)</p>	<p>Direct costing and production unit management help in controlling operational costs and optimizing resource use. By accurately allocating costs to each banking product or service, banks can identify areas for improvement and maximize profitability by improving efficiency and reducing waste. Participant#20</p>

The sub-theme linked to CG is ‘credit risk management and corporate profitability (CrCP)’. From the thematic content analysis of responses received from eight (8) participants (Participant#1, 2, 3, 7, 9, 11, 18, 20), revealed 10 emerging themes, namely, 1/separating executive and non-executive roles in Libyan Commercial banks, 2/separation of executive and non-executive roles, 3/role clarity, 4/governance structure, 5/decision-making separation, 6/negative impact of weak correlation between Credit risk management and corporate profitability, 7/profitability focus, 8/governance alignment, 9/decision-making clarity, and 10/Libyan Commercial Banking sector/industry. For example, when, Participant #1, was asked the question (Q1 - Do you think that smooth mechanisms of corporate governance are imperative for the banking sector?), he responded by saying “Absolutely. Effective corporate governance is crucial in ensuring stability, transparency, and accountability in the banking sector. It helps mitigate financial risks and enhances investor confidence. Without proper governance, banks are more vulnerable to mismanagement, fraud, and instability”.

Similarly, in Table 4.11b, on the first roll, we have ‘corporate profitability’ (CP) as the main theme. The sub-theme linked to CP is ‘efficiency of operations (EOs)’. From the thematic content analysis of responses received from five (5) participants (Participant#11, 13, 15, 19, and 20), revealed four (4) emerging themes, namely, 1/equality, diversity, and inclusion/EDI, 2/diversity, equal opportunity in decision-making enhancement, 3/effect of EDI on profitability improvement, and 4/effect of EDI on organizational effectiveness. For example, when, Participant #11, was asked

the question (Q3/How would you explain good corporate governance in relation to corporate profitability based on your working experience?), he responded by saying that:

“Good corporate governance means having clear policies, a well-structured board, financial accountability, and ethical practices. It requires a balance between executive management and independent oversight to ensure that decisions are made in the best interests of both shareholders (corporate profitability) and stakeholders (corporate social responsibility) (Participant#11, British Arab Bank, Tripoli).

Table 4.11b
Emerging Themes from the NVivo Thematic content analysis focusing on **Corporate Profitability Performance**

Main Themes	Sub-themes/Axial Codes/Participants	Emerging Themes from Semi-structured Interview Transcripts	Direct Quotes from Participants
Corporate Profitability (CP)	1/Credit risk management and corporate profitability (CrCP) Participants: 1, 2, 3, 7, 9, 11, 18, 20	1/Separating executive and non-executive roles in Libyan Commercial banks (SENER-LCb), 2/Separation of executive and non-executive roles (SENER), 3/Role clarity, 4/Governance structure, 5/Decision-making separation. 6/Negative impact of weak correlation between Credit risk management and corporate profitability (CrCP). 7/Profitability focus, 8/Governance alignment, 9/Decision-making clarity. 10/Libyan Commercial Banking Sector (LCBS).	Credit risk management is at the heart of banking profitability. High credit risks lead to loan defaults and write-offs, which directly reduce profits. Effective credit risk strategies are essential for maintaining healthy profit margins. Participant#3
	2/Non-interest income and diversity of revenues (Nil-Dr) (negative impact). Participants: 1, 3, 5, 7, 9, 11, 18, 19, 20	1/Non-executives have financial affiliations with executives. Conflict of interest, Governance integrity, Decision influence. 2. Non-executives have financial affiliations with executives. Financial influence, Profitability risks, Bias in decision-making	Yes. Diversifying into non-interest income streams like fees and service charges helps stabilize income and reduces reliance on traditional lending, which is more susceptible to credit risk. Participant#7
	3/Efficiency of operations (EOs), negative impact), Participants: 11, 14, 15, 19, 20	1/Equality, Diversity, and Inclusion/EDI. 2/Diversity, Equal opportunity in Decision-making enhancement. 3/Effect of EDI on profitability improvement, 4/Effect of EDI on Organizational effectiveness.	Absolutely. Operational efficiency is one of the most significant factors for profitability. Banks that are efficient in their operations can minimize costs while improving customer service, leading to higher customer satisfaction and increased revenue. Participant#14
	4/Long-term ROE and profitability (ROEP)(negative impact), Participants: 1, 15, 20	4. Comply or explain. Flexibility, Transparency, Accountability Comply or explain. Profitability, Transparency, Financial alignment. Corporate Profitability/Return on Assets (CP-Roa), Corporate Profitability/Return on Investments (CP-Roi)	Yes, strong ROE is a key indicator of sustainable profitability. It shows that the bank is effectively generating returns for its shareholders, which is essential for long-term growth and financial health. Participant#15
	5/Costing and productivity (Cp) (negative impact). Participants: 1, 10, 19	5. Incorporative mechanisms. Stakeholder involvement, Risk management, Transparency Incorporative mechanisms. Risk management, Profitability, Decision-making transparency. 3/Framework of corporate governance and operational outcomes (FCGOO) (negative impact). Corporate Governance mechanisms (CGm), Corporate Governance mechanism/structures (CGms)	The collaboration is not always perfect, but there has been noticeable progress over the years. Supervisors typically focus on regulatory compliance and risk management, while management is often more focused on business growth and profitability. While these objectives align to some extent, there can sometimes be friction. However, when communication is transparent, and both sides recognize the importance of their roles, it leads to better decision-making and smoother operations. Participant#10

The next section combines and integrates the quantitative and qualitative results and findings as they relate to the primary and secondary research questions.

4.4 COMBINATION AND INTEGRATION OF QUANTITATIVE AND QUALITATIVE RESULTS AND FINDINGS

This section combines and integrates different aspects of the quantitative and qualitative findings as presented above, in the context of the primary and secondary research questions (PRQ, SRQ1, SRQ2, SRQ3, and SRQ4), including the general null hypothesis (H0) (see Table 4.12). From Table 4.12, we can see that in direct response to PRQ and the related SRQs including H0, the findings from this study can be categorised into two.

Table 4.12
Combination and Integration of Empirical Research Findings

Research Questions/Hypotheses	Quantitative Findings relating to CG and CP - Statistical	Qualitative Findings relating to CG and CP – Non-statistical
<p>PRQ: How do corporate governance mechanisms impact the profitability of commercial banks in Libya?</p> <p>SRQ1: What are the prevailing corporate governance structures in the Libyan Commercial Banking Sector?</p> <p>SRQ2: To what extent does corporate governance influence key Profitability Indicators e.g., Return on Assets (ROA) in Libyan Commercial Banks?</p> <p>SRQ3: What are the key barriers preventing effective corporate governance implementation in Libyan Commercial Banks?</p> <p>SRQ4: What corporate governance reforms can be implemented to enhance the profitability and efficiency of Libyan Commercial Banks?</p> <p>H0: There is no significant correlation between corporate governance and corporate profitability.</p>	<p>The acceptance of H0 indicates four things in this study. 1/CG mechanisms impact CP in Libyan commercial banks, because there is a correlation between CG mechanisms and CP in this study. 2/The impact is however not statistically significant. 3/In addition, the negative-direction of impact based on beta-values suggest a lack of good corporate governance policies and practices in the Libyan commercial banks. 4/Therefore, PRQ and related SRQs have been answered statistically - the reasons behind the lack of good CG are explained by the Qualitative findings. Note: This study identified six (6) key factors influencing the relationship between CG and CP in this study, namely, 1/Credit risk and profitability (beta = - 0.017, p > .005), 2/Non-interest income and diversity of revenue (beta = - 0.063, p > .005), 3/Efficiency of operation (beta = - 0.022, p > .005), 4/Long-term ROE and profitability (beta = - 0.111, p > .005), 5/Costing and productivity (beta = - 0.030, p > .005), and 6/framework of corporate governance and operational outcomes (beta = - 0.008, p > .005).</p>	<p>The reasons behind the lack of good CG are explained by the Qualitative findings, which address the 'how' question. Example: The interviews identified 'politically unstable environment' (CEO#1), 'lack of separation of executive and non-executive roles' (CEO#5), 'non-executives having financial affiliations with executives' (CEO#3), 'equality, diversity, and inclusion (CEO#2), 'comply or explain' (CEO#1-5), 'incorporative mechanisms' (CEO#4), 'revenue generation and strategic direction' (CEO#2-3), 'operational efficiency and cost control' (CEO#2), 'impact of governance on profitability' (CEO#3), 'market positioning and competitive challenges' (CEO#1-5), 'credit risk and profitability' (CE#1-3), 'non-interest income and diversity of revenue' (CEO#4-5), 'efficiency of operation' (CEO#2), 'long-term ROE and profitability' (CEO#1-5), 'costing and productivity' (CEO#3-5), and 'framework of corporate governance and operational outcomes' (CEO#1-5).</p>

First, the quantitative findings reveal four key statistical findings, namely, 1/CG mechanisms impact CP in Libyan commercial banks, 2/the impact is however not statistically significant, which means the H0 is accepted, 3/the negative-direction of impact suggests a lack of good corporate governance in the Libyan commercial banks, 4/the reasons behind the lack of good CG are explained by the Qualitative findings. **Second**, the qualitative findings reveal 16 thematic findings, namely, 1/politically unstable environment, 2/lack of separation of executive and non-executive roles, 3/non-executives having financial affiliations with executives, 4/equality, diversity, and inclusion (EDI), 5/comply or explain, 6/incorporative mechanisms, 7/revenue

generation and strategic direction, 8/operational efficiency and cost control, 9/impact of governance on profitability, 10/market positioning and competitive challenges, 11/credit risk and profitability, 12/non-interest income and diversity of revenue, 13/Efficiency of operation, 14/long-term ROE and profitability, 15/costing and productivity, and 16/framework of corporate governance and operational outcomes.

The next section provides a summary of the chapter and link to Chapter 5 Discussion of findings.

4.5 SUMMARY OF CHAPTER AND LINK TO NEXT CHAPTER

This chapter demonstrates a rigorous analysis of the responses to the Questionnaire survey (N =343 respondents) and answers to the semi-structured interviews, involving 20 participants e.g., CEOs, Experts, and Academics. SPSS Statistics and NVivo software provide the analytical procedures used e.g., Principal component analysis, Reliability tests, T-tests, Multiple linear regression, thematic content analysis, word cloud, mind map, etc. for the empirical primary quantitative and qualitative data analysis. In brief, the combined and integrated quantitative and qualitative findings have been aligned/mapped with the primary and secondary research questions (PRQ, SRQ1, SRQ2, SRQ3, and SRQ4) (see Table 4.12). These research questions were successfully, operationalised through four specific research objectives and general hypothesis (H0): (RO1 – to critique definitions and meanings of corporate governance and describe how it influences corporate profitability in the commercial banking sector, RO2 – to critically evaluate how shareholders and stakeholders in the Libyan Commercial Banking sector perceive the influence of corporate governance policies and practices on corporate profitability and societal wellbeing, RO3 – to determine the correlation between key measures of corporate governance and corporate profitability in the Libyan Commercial Banking sector, and RO4 – to develop a holistic framework to enable Libyan Commercial Banks to sustain corporate profitability through good or sustainable corporate governance policies and practices.

The combined and integrated findings have been categorised into two. First, the study reveals **four key statistical findings**: 1/CG mechanisms impact CP in Libyan commercial banks, 2/the impact is however not statistically significant, , 3/the negative-direction of impact suggests a lack of good corporate governance in the Libyan commercial banks, 4/the reasons behind the lack of

good CG are explained by the Qualitative findings, which means the researcher accepts the general hypothesis (H0). Second, the study also reveals **16 thematic findings**, namely,

- *1/impact of the long period of political instability,*
- *2/lack of separation of executive and non-executive roles in the context of corporate governance systems, appropriate for commercial banks in turbulent global financial environment,*
- *3/non-executives having financial affiliations with executives, which impact on their independent decision-making,*
- *4/equality, diversity, and inclusion (EDI), in the broader context of the UN Sustainable Development Goals for countries,*
- *5/comply or explain principle, which is fundamental to most corporate governance policies and practices in both developed and developing economies,*
- *6/incorporative corporate governance mechanisms, structures, systems and processes,*
- *7/sustainable sources of income/revenue generation and clear strategic direction,*
- *8/operational efficiency and cost control,*
- *9/impact of governance on profitability,*
- *10/market positioning and competitive challenges,*
- *11/credit risk and profitability,*
- *12/non-interest income and diversity of revenue,*
- *13/Efficiency of operation,*
- *14/long-term ROE and profitability,*
- *15/costing and productivity, and*
- *16/framework of corporate governance and operational outcomes.*

CHAPTER FIVE

DISCUSSION AND INTERPRETATION OF FINDINGS

5.1 INTRODUCTION

This chapter critically discusses and interprets the findings from both the exploratory quantitative and evaluative qualitative strands of the study on the complex and evolving relationship(s) between CG and CP - as proposed by the general hypothesis, H0 and related sub-hypotheses - within the commercial banking sector in Libya. The study sets out to answer the primary research question (PRQ) relating to how CG mechanisms impact CP in the Libyan commercial banking settings, which is linked to four sub-research questions which probes into specific aspects of CG and CP e.g., 'corporate governance structures' (SRQ1), 'Return on Assets' (SRQ2), 'CG implementation' (SRQ3), and 'CG Reforms' (SRQ4). With Libya's financial system operating under an environment of political volatility, institutional fragility, and regulatory opacity, both the quantitative and qualitative findings present a contextually rich and theoretically provocative contribution to corporate governance theory and practice in both developed and developing economies, especially, transitional economies like Libya. The primary aim or purpose of this chapter is to interrogate the extent to which the empirical quantitative and qualitative results and findings support/confirm or contradict the assumptions embedded in dominant theoretical frameworks, such as Agency, Stewardship, Resource dependency, Stakeholder, and Institutional theories, while simultaneously critically evaluating the practical implications and continuing relevance for commercial banking CG reforms in Libya. In doing so, this chapter not only links the Thesis' findings to existing/extant literature and prior research but also critiques their explanatory power in a highly politicised and structurally weak CG and CP systems in Libya.

The remaining part of this chapter is divided into four sections. Section 5.2 discusses and interprets the findings relating to the general hypothesis (H0). In this study H0 is accepted and indicates four things: 1/there is a correlation between CG and CP. 2/there is no statistically significant impact between CG and CP, 3/there is a negative-direction of impact between CG and CP indicating a lack of good CG policies and practices, 4/PRQ and related SRQs have been answered statistically – the reasons behind the lack of good CG are explained by the qualitative findings in Section 5.3.

Section 5.3 discusses and interprets the qualitative/thematic findings, which give in-depth reasons behind the lack of good CG. The thematic findings, address the ‘how’ question about the relationship between CG and CP. The thematic findings include, ‘politically unstable environment’, ‘lack of separation of executive and non-executive roles’, ‘non-executives having financial affiliations with executives’, ‘equality, diversity, and inclusion’, ‘comply or explain’, ‘incorporative mechanisms’, ‘revenue generation and strategic direction’, ‘operational efficiency and cost control’, ‘impact of governance on profitability’, ‘market positioning and competitive challenges’, ‘credit risk and profitability’, ‘non-interest income and diversity of revenue’, ‘efficiency of operation’, ‘long-term ROE and profitability’, ‘costing and productivity’, and ‘framework of corporate governance and operational outcomes’. Section 5.4 develops a holistic framework based on the combination and integration of the quantitative and qualitative findings in this Thesis. This will enable Libyan Commercial Banks to sustain CP through good or sustainable CG policies and practices, which relates to the specific research objective RO4. This was made possible by achieving, the other specific research objectives, namely, critiquing definitions and meanings of CG and describing how it influences CP (RO1), critically evaluating how shareholders and stakeholders perceive the influence of CG on CP (RO2), and determining the correlation between CG and CP measures (RO3). Finally, Section 5.5 provides a summary of the chapter and link to the next chapter.

5.2 Quantitative findings: Descriptive Statistics and Hypotheses

The demographic information collected from the questionnaire survey ensures complete background data acquisition to build a varied representative research sample. The research data demonstrates that respondents between 18 and 24 years represent the largest demographic (25.7%), with 22.2% from the 35-44 age group and another 20.1% from individuals above 55 years old, demonstrating adequate representation across all age segments. The study depends on this distribution to acquire diverse perspectives from different age groups because this analysis method helps evaluate CG practices and their effects on banking performance (Widyastuti et al., 2022). The survey includes considerable participation from both female and male respondents. The data featured similar numbers of female (26.5%) and non-binary/gender diverse (25.4%) and male (21.6%) participants and those who declined to disclose their gender (26.5%) among the total

sample. This study therefore includes gender-balanced respondent groups which provides a full understanding of how various gender groups interact with corporate governance practices, according to (Almashhadani et al., 2022).

- **Qualification:** Most respondents hold Doctorate degrees (29.4%), but Bachelor's (26.5%) and master's degrees (22.4%) follow closely, while associate degrees comprise 21.6% of the total. The educated sample population demonstrates advanced comprehension of corporate governance dynamics, according to (Ebgc & Ebgc, 2022).
- **Job Role:** The banking industry divides its various job positions in an organized manner. Specialists and mid-level management comprise the biggest occupational groups in the survey, with 22.4% and 21.3%, respectively, while entry-level/junior staff occupy 20.7% and executive leadership occupy 19.2% of the total respondents. The study benefits from its balanced distribution of respondents across jobs because it allows the researchers to collect data from various levels of organization for an enhanced understanding of corporate governance practices (Mazol, 2026; Tricker, 2025).
- **Experience:** The respondents represent a wide spectrum in their work duration. A considerable portion of respondents (21.6%) maintain more than 20 years of professional experience, but they are equal to those (18.1%) who have worked less than a year. The study's inclusive examination of corporate governance practices benefits from this wide range of employee tenure because it enables both experienced and new professional insights (Umiyati & Andriani, 2023).
- **Location:** A distribution analysis shows Digital/Neobanks and Development Banks and Retail Banks as the top three bank categories with similar representation at 14.6%, 14.3%, and 14.0%. The study includes feedback from traditional financial institutions along with emerging institutions to determine variations in governance practices that exist between banking models (Sartam & Setiyono, 2022).
- **Departments:** The survey sample includes employees from the main operational sections: Risk and compliance (13.1%), Retail Banking (13.4%), and Finance and accounting (12.0%). The study benefits from departmental diversity, which allows it to reveal the effects of governance on various functional banking sectors (Balios & Zaroulea, 2021).
- **Number of Employees:** The employment area analysis reveals that the Asia Pacific region (14.6%), Sub-Saharan Africa region (17.2%), and the MENA region (18.4%) have strong representation among the sample. The study requires this diversity to understand the different corporate governance practices across regions and their resulting effects (Shahzad et al., 2023). Organizational scales differ among the surveyed bank employees as 16.9% work in banks that exceed 10,000 employees, while 14.6% work in banks with 200-999 employees. The exploration of corporate governance practices requires diverse financial institution sizes since small versus large institutions might demonstrate different governance behaviours (Safitri et al., 2022).

- ***Certification & Training courses:*** *The data shows that formal certifications were held by 30.3% of the respondents, together with 26.8% who participated in training or seminars. Professional development levels in the research sample are high because these workers possess either certification or have participated in seminars (Malik et al., 2023).*

The above demographic data provides evidence of a diverse sample group made up of experienced professionals who hold appropriate qualifications to study CG practices throughout banking institutions. The wide range of participants contributes to developing broad and replicable findings about the link between CG structures and organizational success.

The next section discusses and interprets the findings relating to the general hypothesis (H0): There is no significant correlation between CG and CP. To understand the relationship between CG and CP this researcher critiqued the definitions and meanings of CG in Chapter 2, focusing on the nature of CG in today's fast moving global commercial banking industry, in the pursuit of corporate profitability (CP) (Tricker, 2019, 2025; Cheffins, 2024; Foster, 2025; Clarke, 2022; Dongol, 2021). CG is still a global concern especially in transition economies like Libya due to financial crises as a direct result of unstable political environment following the overthrow of the Gaddafi regime in 2011 (Abdalla et al., 2015a/b). In this Thesis, the researcher defines 'CG' in a holistic manner using both the broad and narrow meanings drawn from the works of Cadbury (1992), OECD (2016, 2004) and Tricker (2019, 2025). The researcher's broad definition focuses on 'structure or regulation', while the narrow definition focuses on 'managerial, accounting, financial, and regulatory discipline' within the financial system within Libya – this suggest that the narrow definition is an integral part of the broad definitions and meanings of corporate governance. In contrast, existing literature defines CP as in terms of corporate performance measures, along with market share, earnings per share, dividends per share, ROA, ROE, ROI, etc. Organizations need CP as their core sustainability factor, which reveals how effectively they can make profits against their expenses. Libyan banks demonstrate financial success through their profitability, which behaves as a dual indicator showing the banks' governance performance, market conditions, and operational effectiveness (Tricker, 2019, 2025; Foster, 2025). This study reveals two key outcomes. First, there is a correlation between CG and CP, however, this correlation is not statistically significant. Second, the direction of the correlation is negative, indicating that CG has a negative impact on CP in this study, which provides evidence of poor or weak CG policies and practices in the five participating Libyan commercial banks. Overall, in this

study H0 is ACCEPTED, because all the related sub-hypotheses (H1, H2, H3, H4, H5, and H6) are ACCEPTED. More specifically, H1 is ACCEPTED because ‘Codification of Executive Roles does not have a positive and significant impact on Commercial Banks’ Perception of Profitability Growth in terms of (ROA) in Libya’; H2 is ACCEPTED because ‘Separation of Executive and Non-executive Roles does not have a positive and significant impact on Commercial Banks’ Perception of Profitability Growth in terms of (ROE) in Libya’, H3 is ACCEPTED, because ‘Financial affiliations between Executives does not have a positive and significant impact on Commercial Banks’ Perception of Profitability Growth in terms of (ROCE) in Libya’, H4 is ACCEPTED, because ‘Codification of Equality, Diversity, and Inclusion (EDI) does not have a positive and significant impact on Commercial Banks’ Perception of Profitability Growth in terms of ROA, ROE, ROCE) in Libya’, H5 is ACCEPTED, because ‘Compliance with CG codes does not have a positive and significant impact on Commercial Banks’ Perception of Profitability Growth in Libya’, and finally, H6 is ACCEPTED, because ‘Incorporating Mechanisms does not have a positive and significant impact on Commercial Banks’ Perception of Profitability Growth in Libya’.

As shown in Table 5.1 below, the statistical findings are compared with prior studies on the relationship between CG and CP, using global and Libyan sources e.g., Tricker (2019, 2025), Osseo-Asare et al. (2025), Abdalla et al. (2018), Aguilar (2021), Akims et al., (2023), indicating that indeed a correlation exists between CG and CP. More specifically, in the context of Libya, the works of Ameliyah and Syaiful (2023), Ahamed et al. (2020), Al-Homaidi et al. (2021) support the finding that, there is a correlation between CG and CP, however, this correlation is not statistically significant.

Hypotheses	Findings	Previous Studies in support of the findings	Previous Studies that contradict the findings	Comments/Implications
<p>Overall, the H0 is ACCEPTED, because all the related sub-hypotheses (H1, H2, H3, H4, H5, and H6) are all ACCEPTED.</p> <p>H1: Codification is the independent variable and ROA Growth is the dependent variable.</p> <p>H2: Executive role separation is the independent variable and ROE Growth is the dependent variable.</p>	<p>First, there is a correlation between CG and CP, however, this correlation is not statistically significant.</p>	<p>This finding receives support from Tricker (2019, 2025), Abdalla (2015), Aguilar (2021), Akims et al., (2023), indicating that indeed a correlation exists between CG and CP. More specifically, in the context of Libya, the works of Ameliyah and Syaiful (2023), Ahamed et al. (2020), Al-Homaidi et al. (2021) support the finding.</p>	<p>At the time of the Thesis write up, the researcher did not find any study indicating that there is no statistical correlation between CG and CP.</p>	<p>How can ‘good’ CG lead to ‘poor’ CP? How can ‘poor/weak’ CG lead to ‘increased’ CP? Evidence that CG has not developed to a mature level. PRQ and related SRQs have been answered statistically – the reasons behind the lack of good CG are explained by the qualitative findings in Section 5.3. Key areas of concern: CG: 1/Poor Codification/H1; 2/Executive role separation is weak/H2. 3/Inappropriate Financial</p>

<p>H3: Financial affiliation is the independent variable and ROCE Growth is the dependent variable.</p> <p>H4: Codification of EDI is the independent variable and Perception of Profitability Growth is the dependent variable.</p> <p>H5: Codification is the independent variable and Profitability Growth is the dependent variable.</p> <p>H6: Incorporating mechanism is the independent variable and Profitability Growth is the dependent variable.</p>	<p>Second, the direction of the correlation is negative, indicating that CG has a negative impact on CP in this study, which provides evidence of poor or weak CG policies and practices in the five participating Libyan commercial banks.</p>	<p>This finding receives support from Tricker (2019, 2025), Abdalla (2015), Aguilar (2021), Akims et al., (2023), indicating that indeed a negative correlation exists between CG and CP in situations where CG is weak. Examples of weak CG have been identified in the Libyan context, by Ameliyah and Syaiful (2023), Ahamed et al. (2020), Al-Homaidi et al. (2021) support the finding.</p>	<p>This finding contradicts the findings of prior studies by Osseo-Asare et al. (2025), Tricker (2019, 2025), Abdalla (2015), Aguilar (2021), Akims et al., (2023), indicating that good CG and increased CP are positively correlated. More specifically, in the Libyan context, the works of Ameliyah and Syaiful (2023), Ahamed et al. (2020), Al-Homaidi et al. (2021) support the finding.</p>	<p>affiliation/H3; 4/Poor Codification of EDI/H4; 5/Poor Codification/H5; 6/Weak incorporation of CG mechanisms/H6. CP: 1/Poor forecasting of ROA Growth/H1; 2/Poor forecasting of ROE Growth/H2; 3/Poor forecasting of ROCE Growth/H3; 4/Inaccurate Perception of Profitability Growth/H4. 5/Weak forecasting of Profitability Growth/H5. 6/Weak forecasting of Profitability Growth/H6.</p>
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The next section discusses the results of the hypotheses (H1-H6) by reference to the gaps in existing literature

H1: CODIFICATION OF EXECUTIVE ROLES ON PROFITABILITY (ROA)

The survey results regarding Hypothesis 1 reveal how CG, together with executive role definition, impacts bank profitability through Return on Assets (ROA) metrics. Results show that participants hold different views about codification of executive roles in relation to ‘board qualification’, ‘collaboration’, ‘bank performance’, ‘investor monitoring’, ‘profitability determinants’ (see **Bibliographical Notes, 5.1**).

H2: SEPARATION OF EXECUTIVE AND NON-EXECUTIVE ROLES ON PROFITABILITY (ROE) OF BANKING SECTOR IN LIBYA

This analysis investigates how Libyan banks perform on Return on Equity (ROE) when executive positions are separate from non-executive roles according to survey responses for Hypothesis 2. The study reveals important information about how CG systems operate and how bank transparency works, along with business alignment methods, operational efficiency, and bank longevity.

H3: FINANCIAL AFFILIATIONS BETWEEN EXECUTIVES ON PROFITABILITY (ROCE) OF BANKING SECTOR IN LIBYA

Financial relationships between Libyan banking sector executives prove to have a substantial effect on Return on Capital Employed (ROCE) performance. Survey participants demonstrate

broad-based doubts about CG systems, which include risk mitigation procedures, internal controls, and decision-making processes for enhancing profitability. The responses indicated that 51.9% of survey participants either strongly disagreed or disagreed about governance factors enhancing profitability, but 21.3% of respondents agreed or strongly agreed. The presence of financial relationships among executives seems to create interferences that block independent decision-making, thus diminishing internal control effectiveness. Tricker (2025) states that independent control and ownership improve governance efficiency, but the Libyan market shows financial relationships between executives that create biased decisions that harm long-term profitability.

H4: CODIFICATION OF EDI ON PROFITABILITY OF BANKING SECTOR IN LIBYA

Equity diversity and inclusion (EDI) practices within CG structures produce major positive effects on the profitability of Libyan banking institutions. The collected research data generates variant perspectives about how transparent governance systems influence financial performance. Survey participants who strongly agree and agree indicate that poor governance practices result in negative market responses and reduced profitability in Libyan banks to the extent of 44.3%. Kurniansyah et al. (2021) explain that operational inefficiencies combined with market confidence reduction stem from weak governance systems.

H5: COMPLIANCE ON PROFITABILITY OF BANKING SECTOR IN LIBYA

The analysis of Hypothesis 5 reveals a complex relationship between compliance with CG standards and the profitability of the Libyan banking sector. Research evidence supports that financial stability depends on CG practices, yet profitability experiences negative effects from noncompliance with governance requirements. Research regarding CG effects on capital market development shows split results. The results indicate that effective CG positively impacts capital market functioning according to 39.4% of respondents who either agreed or strongly agreed with this statement, yet 36.2% of respondents demonstrated disagreement. According to Ernayani (2022), bank profitability shows signs of weakness because emerging markets such as Libya experience governance inconsistencies that diminish investor trust and block capital flow access.

H6: INCORPORATING MECHANISMS ON PROFITABILITY OF BANKING SECTOR IN LIBYA

The data collected for Hypothesis 6 shows conflicting evidence concerning Libyan banking sector profitability influenced by CG systems. Participants in the survey demonstrated comprehension of theoretical governance advantages, but they disagreed about their impact on practical profitability because of potential implementation difficulties. A contradictory set of opinions exists in survey findings regarding stakeholder risk transparency as implemented through corporate governance practices. Survey participants showed 42.2% disagreement with effective risk disclosure practices, yet 37.6% of respondents agreed with this practice. Kurniansyah et al. (2021) support this contradictory viewpoint because poor governance in developing economies causes information imbalances that reduce stakeholder trust and raise operational uncertainties. Poor governance execution in Libyan banking produces unclear risk revelation, which negatively affects long-term profitability by causing misdirected financial decisions and operational unpredictability.

To get a deeper understanding of how the frequency distributions help explain each hypothesis, the researcher carried out T-tests on selected questions (Q11, Q12, Q23, Q28, Q29, and Q37) which focus on the relationship between CG and CP e.g., Q11/the impact of CG on capital market functioning and profitability, Q12/smooth CG mechanisms and banking sector stability, Q23/risk management and governance effectiveness, Q28/liquidity and its inverse relationship with profitability, Q29/CG and ethical business practices, and Q37/operational efficiency as a driver of profitability (see Bibliographical Notes, 5.2). The results provide fundamental information about respondents' attitudes toward how CG impact/correlate CP in commercial banking institutions. The T-test for each question shows that CG functions as a critical management force that directs financial performance through operational enhancement risk reduction measures and ethical business maintenance. This part evaluates key research outcomes from theoretical studies and academic literature about banking sector profitability responses to corporate governance frameworks. The T-test results and the hypotheses tests (H1-H6) prove that Libyan banking sector profitability depends directly on corporate governance structures. The mechanisms succeed in delivering effective results through their implementation in combination with risk management and operational efficiency practices. The study data verifies all proposed hypotheses while showing that governance practices and financial relationships exist but remain intricate to define. The research results show operational efficiency (Q24) and liquidity (Q18) possess the strongest

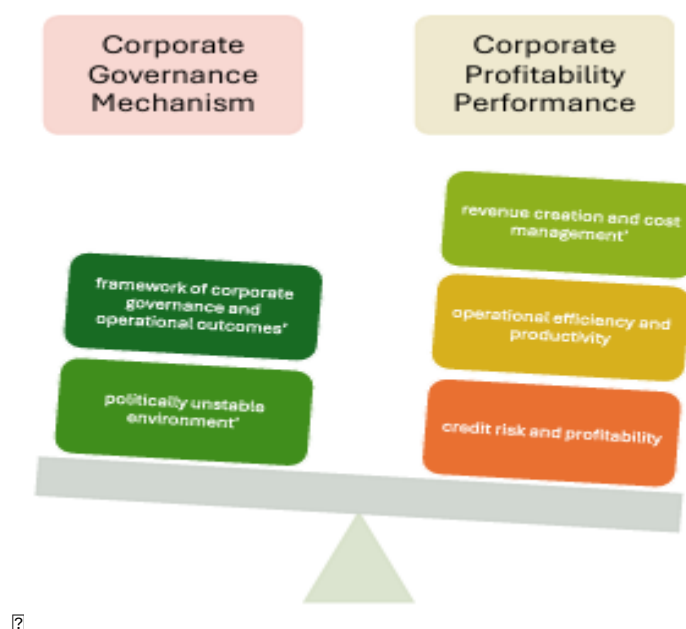
impact on profitability outcomes based on statistical data. Governance systems fail to produce effective outcomes without companies developing extensive risk control methods (Q13). Sustainable profitability requires organizations to unify their governance systems with risk management structures, as per the research of Firdaus et al., (2021). The study shows that ethical governance practices provide maximum support to financial viability and stakeholder trust. The research demonstrates that ethical operations bring about lasting business achievement, according to Edinov et al. (2022). According to Januarti and Khairunnisa's (2022) research findings, corporate governance mechanisms deliver their best results within an appropriate regulatory system combined with suitable organizational cultures. These statistical findings raise two fundamental questions. **First**, how can 'good/improved/effective' CG policies and practices lead to 'poor/decrease' in CP? **Second**, how can 'poor/weak/ineffective' CG lead to 'increased/improved' CP? These findings contradict the expected causal relationship between CG and CP, because the expectation is that – at least theoretically implementation of good CG mechanisms lead to improved CP performance (Tricker, 2019, 2025; Osseo-Asare et al., 2025; Foster, 2025; Cheffins, 2024). The strategic implication is that evolution/development of CG policies and practices in Libyan commercial banking sector have not developed to a mature level. In brief, the Thesis PRQ and related SRQs have been answered statistically, although the reasons behind the lack of good CG in Libyan commercial banking sector are yet to be explained by the qualitative findings in Section 5.3 below. This doctoral researcher has identified two key areas of concern relating to CG and CP for further evaluation at the qualitative phase of the study, namely, firstly, CG (1/Poor Codification e.g., EDI; 2/Weak Executive role separation; 3/Inappropriate Financial affiliation; 4/Weak incorporation of CG mechanisms), and secondly, CP (1/Inaccurate Perception of Profitability Growth; 2/Weak forecasting of Profitability Growth e.g., ROE, ROCE, ROA).

5.3 Discussion and interpretation of Qualitative findings: CG-CP Association, Voice of Participants

This section discusses and interprets the qualitative/thematic findings, which give in-depth reasons behind the lack of good CG as suggested by the statistical findings e.g., based on negative correlation between CG and CP. The thematic findings, address the 'how' question about the causal relationship between CG mechanisms and CP performance. As shown in Figure 5.1 below,

the researcher aligns (combining and integrating themes) the thematic findings from the quantitative study, including, ‘revenue creation and strategic direction’ (e.g., Tricker, 2025; Bhagat and Bolton, 2019), ‘cost management’(e.g., Al-Absy and Hasan, 2023), ‘operational effectiveness’, ‘market positioning’, ‘politically unstable environment’, ‘lack of separation of executive and non-executive roles’, ‘non-executives having financial affiliations with executives’, ‘equality, diversity, and inclusion’, ‘comply or explain’, ‘incorporative mechanisms’, ‘operational efficiency and cost control’, ‘impact of governance on profitability’, ‘market positioning and competitive challenges’ (e.g., Abdalla, 2015; Abdulsaleh, 2017), ‘credit risk and profitability’, ‘non-interest income and diversity of revenue’, ‘efficiency of operation’, ‘long-term ROE and profitability’, ‘costing and productivity’, and ‘framework of corporate governance and operational outcomes’ (e.g., Tricker, 2025; Osseo-Asare et al., 2025).

Figure 5.1
 Combination of Main and Sub-themes from the Quantitative and Qualitative Findings: CG-CP
 Source: Researcher



The Figure provides evidence of **prioritising** of CP performance over CG mechanisms in Libyan commercial banking sector. This is confirmed by the some of the participants in the semi-structured interviews as presented below:

- “Yes, board composition is a significant issue. Many board members in Libyan banks lack financial expertise, which affects decision-making. There is also a need for more

independent directors who can provide unbiased oversight...collaboration is often strained due to regulatory inefficiencies. Bank supervisors need to enforce stricter policies and work closely with management to ensure compliance without overburdening operations” (CEO#1, Interview#1, Wahada, Benghazi).

- *“That’s a significant part of the problem. Many board members lack the necessary expertise in finance and risk management. But I’d also say there’s a cultural issue, board members often prioritize personal or political interests over the bank’s long-term stability, which undermines governance. Collaboration exists but is often strained. Supervisors push for strict adherence to regulations, while management sometimes resists because of the perceived impact on profitability. However, when both sides align on the importance of risk management, the collaboration becomes more productive” (Expert#1, Interview#6, British Arab Bank, Tripoli).*
- *“Yes, the qualifications and composition of boards in Libyan banks are critical issues. Many boards lack sufficient expertise in banking, risk management, and governance. This can lead to weak decision-making and poor oversight, which undermines the bank’s ability to thrive in the competitive market. In my experience, collaboration between supervisors and bank management is fundamental for effective governance. When supervisors provide guidance and monitoring, it complements the management’s strategic decisions. A cooperative relationship ensures that both compliance and business goals are met, promoting overall stability” (Academic#2, Interview#13, Al Wafa, Tripoli).*

From the above examples of comments from participants, we can see that the key aspects of CG includes, ‘the significance of board composition/members’ (e.g., Al-Absy and Hasan, 2023), ‘lack financial expertise and decision-making’, ‘need for more independent directors’, ‘need for unbiased oversight’, ‘lack of collaboration due to regulatory inefficiencies’ (e.g., Tricker, 2019, 2025), ‘inefficient Bank supervisors not able to enforce stricter policies and management’, ‘compliance without overburdening operations. In contrast, the key aspects of CP include ‘board members lacking the necessary expertise in finance and risk management’, ‘financial outcomes and cultural issues’, ‘board members prioritizing personal or political interests over the bank’s long-term stability’, ‘strict adherence to regulations’, ‘management resistance’, and ‘importance of risk management’ (e.g., Bhagat and Bolton, 2019; Osseo-Asare et al., 2025).

More specifically, as shown in Figure 5.1, the Thesis identified some key aspects of CG mechanisms (e.g., politically unstable environment, framework of corporate governance and operational outcomes), and CP performance (e.g., credit risk and profitability, operational

efficiency and productivity, revenue creation and cost management) which raise concerns which need addressing for a more sustainable/profitable Libyan commercial banking sector in the next 3-5 years. For example, in terms of the ongoing ‘politically unstable environment’ in Libya the CEO of one of the commercial banks provides a link between political instability and corruption, when he said: *“Without a doubt. Corruption erodes trust, reduces investment, and weakens governance structures. Many Libyan banks struggle with governance due to corrupt practices at various levels”* (CEO#1, Wahada, Benghazi). This receives support from the CEO of another commercial bank who opines that:

“Yes, corruption is one of the biggest threats to effective corporate governance. It undermines trust, distorts decision-making processes, and leads to resource misallocation. When corruption is prevalent, governance structures become ineffective because rules are either ignored or manipulated for personal gain. This creates a toxic culture that’s hard to reverse and ultimately damages the institution’s credibility and performance” (CEO#2, British Arab, Tripoli).

In addition, some Libyan academics highlight the strategic or long-term importance of a ‘framework of CG and operational outcomes’ which is effective in dealing with issues of corruption to ensure political stability. For example, Interviewee#13, argued that:

“Yes, corruption undermines CG (political stability) at its core. If bank officials are involved in corrupt practices, it destroys trust, affects decision-making, and results in financial losses. Addressing corruption is essential to restoring integrity and ensuring that governance structures can function as intended...Absolutely. A lack of strategic alignment and control makes it even more crucial to have strong governance frameworks. Without alignment, banks may struggle to pursue their long-term objectives, leading to inefficiency and poor performance. CG provides the structure needed to maintain focus, align strategies, and ensure control over operations” (Academic#2, Interview#13, Al Wafa, Tripoli).

The above qualitative findings demonstrate various aspects of CG and CP in Libyan banks while showing how these matters play out within their unstable political, economic, and institutional framework. The integration of the findings attempts to provide an analytical review of CG elements and CP relationships while evaluating the impact of wider environmental factors on their connections (Alajili and Noor, 2018). The integrated findings help provide a deeper understanding of how corporate governance structures combine with profitability alongside the regulatory and market environment framework. This provides empirical evidence to determine how much CG affects CP levels in Libyan banks while analysing whether the findings support or challenge

existing theoretical frameworks. The extent to which CG affects CP in a qualitative manner is discussed in detail in Bibliographical Notes 5.3, under three themes, namely, ‘the interplay between governance and profitability’, ‘institutional factors and their influence on CP’, ‘CP and operational efficiency’, and ‘CG reforms and CP optimization’.

In summary, the above findings demonstrate how CG affects profitability in Libyan banking institutions while showing the main obstacles that prevent financial success. The combination of inadequate CG structures caused by executive and non-executive role fusion and financial relationships between executives and non-executives leads to decision-making delays while increasing operational inefficiencies. The governance weaknesses generate a setting where political priorities dominate business decisions, which negatively affects profitability. The Libyan case disproves agency theory assumptions because independent boards fail to produce their expected advantages due to political meddling along with poor management practices. The study demonstrates that political instability and regulatory constraints act as significant institutional factors that impact how profitable Libyan banks can be. The combination of controlled interest rates by government authorities with economic instability reduces banks' potential for a market-oriented approach and negatively impacts their profit margin. Libyan banks encounter financial difficulties because operational inefficiencies are worsened by excessive staff, outdated technological systems, and inadequate risk management protocols, which cause severe problems in global market competition. The investigated data reveals possible paths for bank improvement. The banks will achieve better profitability results by improving their CG, implementing technological enhancements, and developing robust risk management systems. The implementation of profit-enhancing strategies depends on the resolution of substantial political obstacles, economic barriers, and institutional limitations that prevent banking sector development. Substantial governance reforms, along with economic stability and decreased political influence in Libyan banks, are essential to turn the clear path for profitability improvement into reality.

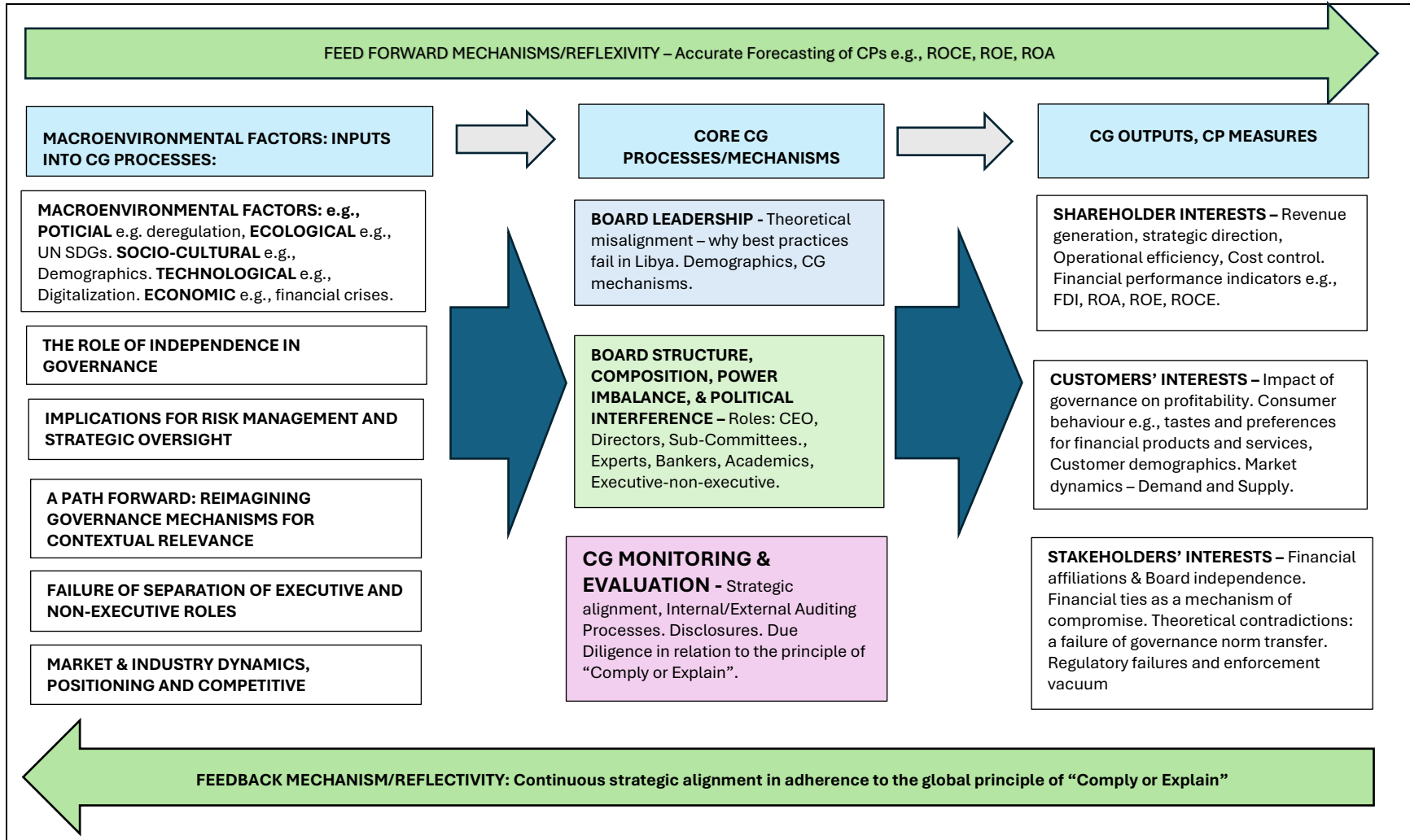
The next section demonstrates how the specific research objective RO4 was achieved, through development of a holistic framework for sustaining corporate governance in the Libyan commercial banking sector.

5.4 Development of a Holistic framework for Corporate Governance on Libyan Commercial Banking Sector/RO4

This section presents the holistic framework for sustaining an effective causal relationship between corporate governance and corporate profitability in the Libyan commercial banking sector. This framework is grounded in the actual quantitative and qualitative data collected in this study, to ensure that the environmental conditions prevailing in Libya are captured or taking into consideration in the development of an effective framework (Tricker, 2019, 2025; Osseo-Asare et al., 2025; Cheffins, 2024). This suggests that the holistic framework benefits from the combination and integration of the quantitative and qualitative findings in this Thesis, to enable Libyan Commercial Banks to sustain corporate profitability through good or sustainable corporate governance policies and practices – this relates to the specific research objective RO4. Figure 5.2 below presents the holistic framework, which is based on the premise that **‘effective or good CG leads to improved CP’ all things been equal. It is clear or evident in this Thesis that in the context of Libya “all things were not equal”** e.g., politically unstable environment, especially in the eastern part of Libya in the Benghazi area. This premise is underpinned by a set of five (5) fundamental assumptions:

- *That there is an association between CG and CP in a systematic manner, with clear antecedents/inputs, processes/throughputs, and outcomes/results, consistent with ‘systems thinking i.e., ‘inputs-processes-outputs’, with feedback and feedforward mechanisms.*
- *That good CG policies and practices, requires that the association between CG and CP is defined in statistical terms.*
- *That at the Board level, the measures of CG should be explicitly conceptualised and defined in terms of CG mechanisms e.g., board structure, board composition, independence of board directors.*
- *The measure of CP should be explicitly conceptualised and defined in terms of corporate performance measures e.g., ROA, ROCE, ROE.*
- *Continuous strategic alignment between CG practices and CP performance results in adherence to the global principle of “Comply or Explain”*

Figure 5.2
Najat Ismaiel’s Holistic Framework for Corporate Governance in Libya Commercial Banking Sector
Source: Researcher



The holistic framework presented in Figure 5.2 above comprises of three key components, namely, **‘inputs into CG’** e.g., impact of macroenvironmental factors, **‘core processes of CG’** e.g., board behaviour, and **‘outputs of CG’** e.g., corporate profitability. The holistic framework is underpinned by the evidence in this Thesis which confirms the fact that good corporate governance stands as a fundamental corporate mechanism that makes sure that commercial banking organizations, together with other organizations, function with transparency while upholding social responsibility and financial accountability towards their stakeholders. The implementation of this holistic framework of corporate governance presents additional challenges and provides opportunities for Libyan commercial banks because of the political obstacles alongside economic and institutional barriers. The interview data shows that practical governance in Libyan banks diverges substantially from established good governance theoretical principles (El-Osta and Elghawi, 2020). As such the discussion and interpretation of the findings relating to each component of the holistic framework are based on the three components as shown below, starting with ‘inputs into CG’.

5.4.1 Inputs into Corporate Governance in Libyan Commercial Banking Sector

This section applies a critical realist view, as social systems in transitional environments do not have simple or predictable causes (Alhasadi, 2019; Alshadi and Demirel, 2020). It instead points out that governance reforms are influenced by changes in macroenvironmental factors, including who has power, what has happened in the past, and unwritten rules in the system. As a result, it is not only the formal rules that play a role in connecting corporate governance and profitability in Libyan banks, but also much larger macroenvironmental factors e.g., political and legal, economic and financial, sociocultural, technological, and ecological environment factors. In addition, the factors in the microenvironment, especially, market and industry dynamics which enables firms/commercial to determine their market position and the competitive challenges they face.

MARKET & INDUSTRY DYNAMICS, POSITIONING AND COMPETITIVE CHALLENGES

The findings in this study confirms that evidence that market and industry dynamics and positioning stand among the essential elements that determine corporate profit levels (Elsallabi et al., 2021; De Wit, 2025). The competitive conditions Libyan banks face creates difficulties in shaping their operational environment, although they work under intense market competition. The

sector faces substantial limitations in innovation along with restricted profitability because state-owned banks control most of the market share. Multiple interviewees reported that state-owned banks' strong position across the Libyan banking sector obstructs private banks from competing on a level basis. The bank executive declared that state-owned banks maintain an unfair competitive edge because government backing and minimal regulatory barriers provide them an advantage. Our organization faces obstacles when attempting to compete because of the distorted competitive environment that state-owned banks create. Because private banks lack competitive opportunities, the sector experiences diminished efficiency and reduced profitability. Highly competitive markets require banks to enhance their offerings and operational processes to maintain their position in the market. The absence of bank competition in Libya enables state-run institutions to relax their focus on innovation while showing decreased interest in profitability growth.

Libyan commercial banking institutions currently encounter multiple barriers when attempting to establish their position in global markets. Libyan banks face market limitations because of political uncertainties, international restrictions, and the underdevelopment of capital markets, which prevents their participation in worldwide financial networks. Foreign investment and access to capital and market expansion beyond the domestic market have become restricted for Libyan banks. Global market availability restrictions diminish the profit-making capabilities of Libyan banks because they cannot capitalize on international trade and foreign investment opportunities. Some Libyan banks have started to enhance their market performance through customer-oriented approaches as well as specialized market segments. The broader economic and political challenges in the country typically counteract the efforts of Libyan banks to improve their market position (Elsallabi et al., 2021). The senior banker from a state-owned bank explained that the bank has begun to focus on market sections, yet instability across the economy, together with political challenges, has blocked the growth of its market reach and profit generation. Several factors work together to restrict corporate profitability in Libyan banks because of inefficient revenue generation, operational inefficiencies, weak governance structures, and limited market competition. Libyan banks hold potential for profitability growth, yet they need to undergo an extensive transformation of governance practices alongside risk management and operational methods and market strategy development to achieve it. The profitability of Libyan banks depends heavily on effective governance system improvements and revenue source expansion alongside

technological innovation and market competition enhancement. To achieve these changes, the banking sector requires successful navigation through the existing political and economic barriers that slow its growth and stability performance.

FAILURE OF SEPARATION OF EXECUTIVE AND NON-EXECUTIVE ROLES

The Thesis findings confirm the view in the literature that there are several theories that address the idea of social integration, but the idea of separating social groups has failed. It is argued by agency theory that good corporate governance happens when ownership and control are completely separated, and independent non-executive directors ensure managers do not take advantage of their position (OECD, 2004, 2016). It is assumed in this model that non-executive directors are not influenced by inside factors and can provide an unbiased review of executive decisions. Surprisingly, the analysis revealed that non-executive directors in Libyan banks are often related to or have business interests with the banks' executive members. As a result of this network, directors struggle to question decisions or keep an eye on the company's actions, negating the main purpose of agency control (Hamd et al., 2023). Many of the interviewees noted that non-executives in their companies usually have a very close relationship with executives and often form an alliance that reduces the board's independence and control over governance. Therefore, executives gain more power, and their decisions in these areas are not properly questioned or stopped. It is most obvious in state-owned banks, since their leadership is often appointed for political reasons and does not face a deep review. So, not having distinct roles has led to murky decision-making, lower accountability, and more costs due to agency problems. All these factors go against what agency theory predicts and make it less useful in Libya (Khader, 2023).

A PATH FORWARD: REIMAGINING GOVERNANCE MECHANISMS FOR CONTEXTUAL RELEVANCE

To get better results in Libya, reforms need to focus on what is wrong at the foundation of the country's problems. It is important for regulatory bodies to uphold director independence and make the standards for joining the board open to everyone. Besides, when board members are trained professionally and when whistleblower protections are in place, non-executives can feel more empowered to do their work well. Additionally, Libya ought to carry out more reforms that ensure independence for the courts, keep the banks free from politics, and support the performance

of regulatory organizations. It is only then that governance systems can help protect the workings of banks and increase their earnings.

THE ROLE OF INDEPENDENCE IN GOVERNANCE

Board independence is theoretically posited as essential to separating strategic oversight from operational control. Within the agency theory framework, independent non-executive directors serve as counterbalances to the power of executive management by safeguarding shareholder interests, scrutinizing financial decisions, and preventing managerial opportunism (Tekala et al., 2016). Independence is not merely about formal position but also about the absence of material relationships that may impair judgment or compromise objectivity (Faiz, 2016). In principle, such independence should ensure more robust governance, greater transparency, and ultimately enhanced financial performance. However, this idealised model assumes a functional legal environment, a merit-based board appointment process, and a governance culture committed to ethical accountability, conditions that are largely absent in the Libyan banking sector.

IMPLICATIONS FOR RISK MANAGEMENT AND STRATEGIC OVERSIGHT

The erosion of board independence through financial affiliations has far-reaching implications for strategic direction and risk management. Non-executive directors, compromised by personal interests, are unlikely to challenge high-risk strategies, question unethical conduct, or resist short-termism. As reported in the interviews, several banks made investment and credit allocation decisions without proper review, primarily because the board's oversight function was “aligned, not independent”. This misalignment leads to excessive risk exposure, as directors fail to act as a check on executive enthusiasm or political interference. According to corporate governance literature, independent boards are more likely to implement robust internal controls, pursue long-term strategic objectives, and safeguard against operational inefficiencies (Darbi & Khanfar, 2020 a/b). In Libya, the lack of independence has resulted in the opposite, boards that act as enablers of entrenched inefficiency, corruption, and financial misreporting. The quantitative findings support this pattern. Banks that exhibited higher rates of financial interdependency between directors also reported lower ROCE, a key metric for profitability and capital efficiency. This suggests that the erosion of governance standards directly contributes to suboptimal financial performance, reinforcing the view that independence is not just a governance ideal but a financial imperative.

5.4.2 Core Corporate governance processes in Libyan Commercial Banking Sector

A notable tension underpinning the research is the apparent divergence between normative corporate governance frameworks, often drawn from Anglo-American models, and the real-world practices observed in Libyan commercial banks. From an agency theory standpoint, it is believed that splitting ownership and control helps with supervision and cuts down on agency costs (Alzawawi, 2019). Yet, the research discoveries suggest that Libya's non-executive directors usually cannot act independently because of strong financial or political ties with executives. Ibrahim and Lawela (2015) suggest that governance structures that follow the rules in theory might fail when enforcement of these rules is not proper or when it is influenced by others. In addition, the study shows that approaches such as the "comply or explain" rule are not applied in Libya, due to the lack of reliable accountability systems. According to Baryun (2023), the absence of enforcement means that compliance is only shown, but not put into practice, like the "decoupling" seen often in post-conflict and resource-dependent states. Given the critical role that CG mechanisms, structures and processes play in financial institutions, the thematic finding highlight the **separation of executive and non-executive roles**, the **non-executives having financial affiliations with executives** i.e., influence of financial affiliations between non-executives and executives, the **equality, diversity, and inclusion (EDI) role**, the principle of '**comply or explain**,' and **incorporative governance mechanisms**. These highlights are further discussed in detail below, starting with the 'separation of executive and non-executive roles.

SEPARATING EXECUTIVE AND NON-EXECUTIVE ROLES

The fundamental principle in corporate governance systems is having different roles for executives and non-executives (Tricker, 2019, 2025). The structural board division serves to minimize potential conflicts of interest by providing non-management oversight that results in superior decisions and enhanced risk management capabilities. International organizations recognize executive-non-executive role separation as the top practice for corporate governance management. The Libyan corporate governance code based on international guidelines clearly states that the separation of CEO and board chairman positions helps achieve independent boards and stronger governance system checks and balances (El-Osta and Elghawi, 2020). The findings in this Thesis show that Libyan commercial banks, in practice, still need to establish complete divisions between executive and non-executive positions. According to (Alber & Kheir, 2018), executive and non-

executive roles should be separate to enable independent non-executives to evaluate executive-proposed decisions and strategies. An improved transparency level and accountability in decision-making would result from this organizational arrangement. Many interview respondents working in Libyan public and private banks explained that the present situation deviates radically from what is established in their institutions. One of the CEOs in this study stated, *"The governance structure has executive and non-executive roles separation requirements, but many non-executive members work closely with executive leaders thus diminishing the board's effectiveness."* (CEO#2, Wahad, Tripoli). This view is supported by the fact that control of power remains concentrated at state-owned banks since this has been a persistent issue. A few executive leaders who frequently have political connections exercise excessive power, which destroys both board independence and non-executive director objectivity. Non-executives lose their functional purpose on boards because they cannot maintain independence from executives, and this leads to decreased governance quality (El-Brassi et al., 2020, 2017). From a theoretical perspective, the importance of keeping executive and non-executive roles distinct becomes critical. Tricker (2025) explains that independent directors should serve as shareholders and stakeholder monitors for managing executives. The monitoring responsibilities of non-executive directors become impaired when they maintain close relations with executive team members because their ability to make objective choices becomes reduced. (Barghathi et al., 2018) suggests that organizations experience weak corporate governance when role separation does not exist because this situation leads to negative impacts on their long-term financial stability.

Libyan banks lack distinct boundaries between executive and non-executive roles, which creates this governance issue. State-owned banks running most Libyan banks face governance issues because the decision-making authority at the top holds excessive power. Organizations experience diminished performance together with weak risk management and reduced accountability in such cases (Salem, 2019). Despite modern initiatives to establish stronger governance systems linked to international standards, their actual application faces numerous implementation challenges because political authorities continue to influence management choices. Research worldwide about corporate governance reveals that Libyan banks encounter major hurdles when trying to establish proper executive and non-executive role separation. The concept behind this separation has strong theoretical backing, yet Libya's political and economic climate, along with weak regulatory oversight, prevents its complete execution as confirmed in this study.

NON-EXECUTIVES HAVING FINANCIAL AFFILIATIONS WITH EXECUTIVES

The findings in this study reveals that a key corporate governance element within Libyan commercial banking institutions involves the monetary relationships that connect non-executive board members to executive directors. The findings confirm the academic literature which strongly criticizes this practice of non-executives establishing financial relations with executives since it reduces board members' independence and objectivity. Numerous studies demonstrate that financial connections between non-executive directors and executive shareholders or shareholders diminish their capacity to make decisions beneficial for shareholders and stakeholders (Mazol, 2026; Abusloum et al., 2021). This situation affects Libyan commercial banking institutions more intensely than other sectors. Numerous interview participants pointed out the widespread financial relationships that linked non-executive board members to executive leadership. According to a state-owned bank senior executive, many of the non-executive board members maintain business and personal ties with executives. The executive team members benefit from decision-making opportunities that prioritize their own interests above long-term bank goals and shareholder value. Independence among non-executive directors stands as a critical governance challenge that affects corporate management. Non-executives who receive financial support from the executive team tend to avoid questioning strategic decisions made by the bank. When non-executive directors receive financial benefits from executives, they tend to put their financial stability ahead of their role as fiduciary protectors for bank stakeholders (Mazol, 2026; Abusloum et al., 2021). The absence of proper regulatory oversight enables financial relationships between bank executives and non-executive directors to remain without appropriate evaluation.

These financial associations between executive team members and non-executive directors demonstrate fundamental agency cost issues, according to (Mazol, 2026; Tricker, 2025; Mousa Mustafa Odeh et al., 2021). According to agency theory, the ownership and control functions of corporations should be separated because independent directors must protect shareholder interests. The financial relationships between Libyan bank non-executives and executives disrupt the principle of separation between ownership and control, which results in diminished corporate oversight effectiveness. The findings in this study confirm worldwide academic research including Osseo-Asare et al. (2025) demonstrates that financial independence is a primary factor that determines how well corporate boards perform. Non-executive directors who work independently

from the company see it in their best interest to protect shareholders without consideration for their personal finances. The financial ties between non-executive and executive members of Libyan banks diminish both governance potential and decision quality while causing conflicts between personal interests and shareholder concerns and generating distrust from investors.

EQUALITY, DIVERSITY, AND INCLUSION (EDI)

The fundamentals of corporate governance today depend on the essential principles of Equality, Diversity, and Inclusion (EDI). The findings in this Thesis confirm previous research by Baryun (2023) which demonstrates that corporate boards embracing diversity achieve superior decision performance because their members bring together different viewpoints and skills. EDI concerns in corporate governance within Libyan banks are still developing significantly across the banking sector. Interview results indicate that Libyan banking institutions mostly have all-male boards, leading to insufficient female and minority representation. According to a banking participant, women play an infrequent role in top positions within Libyan banking institutions. The boards maintain an almost exclusive male presence that restricts diverse viewpoints, which should contribute to organizational decision-making. The findings support international research about female underrepresentation in corporate governance structures, especially in socio-cultural contexts that maintain male dominance (Masli et al., 2021). The recognition of EDI's vital importance has started to grow, yet progress remains sluggish, as numerous banks operate according to traditional structures that exclude diverse viewpoints from their decision-making processes. Libyan banks lack diversity, which creates problems regarding their ability to include different perspectives in decision-making processes. A board composed entirely of one type of person shows greater susceptibility to groupthink, which results in decisions being made from consensus instead of considering alternative options thoroughly. Board diversity enhances the ability to challenge established thinking, which leads to innovative outcomes (Wan Omar et al., 2020). The absence of diversity creates significant reputational damage to banks primarily because global investors now expect companies to establish inclusive governance frameworks (Hamd et al., 2023).

Global recognition exists of the necessity to improve corporate governance representation for women and additional marginalized groups. Numerous countries have developed board diversity promotion measures that include quota systems (Foster, 2025; Cheffins, 2024). The findings

indicate that Libyan commercial banks have performed poorly in developing EDI initiatives inside their governance systems. The path to gender equality in leadership alongside full diversity remains blocked by entrenched cultural standards and social prejudices. Progress toward change exists in several private banks, yet the general transformation speed remains slow. A private bank representative said that the institution strives to increase female and younger staff representation, yet this effort is slow. Culture stands as the main obstacle instead of any other factor. The broader difficulties Libyan banks experience when trying to establish diversity and inclusion within their governance framework are illustrated by this statement. The necessary changes need regulatory updates alongside cultural transformations that promote gender equality and workplace diversity in Libyan banking institutions.

COMPLY OR EXPLAIN

The 'comply or explain' principle serves as the central governance practice of worldwide corporate governance codes because it enables organizations to deviate from specific practices through proper transparency (Mazol, 2026; Tricker, 2025; Bouthahab & Khaled, 2021a/b). Under the corporate governance code of Libya's central bank, banks have the option to explain their non-adherence to specified rules. The interview findings demonstrate that Libyan banks face difficulties implementing this principle because regulators show inconsistent enforcement while banks lack proper compliance commitment. The findings in this study support the fact that the 'comply or explain' principle leads to unconvincing explanations instead of true corrective measures – this is supported by the negative correlation statistics in this study. One of the Experts from a state-owned bank stated that their organization must submit explanations for non-compliant governance rules, yet this process leads to minimal enforcement action since the bank receives no substantive oversight.

The absence of proper enforcement systems in Libyan corporate governance stands as a severe organizational problem. According to theoretical guidelines, the 'comply or explain' principle enables organizations to adjust their governance practices to suit their unique circumstances (Alhasadi & Demirel, 2020). Banks misuse their regulatory flexibility because there is insufficient oversight, resulting in substandard governance practices that they can maintain without facing meaningful penalties. The 'comply or explain' principle shows ineffective performance based on the findings compared with existing literature within Libya's banking sector. The principle exists

to increase transparency, yet the poor regulatory framework, together with insufficient follow-up inspections, enables banks to circumvent its intended objectives. Strong enforcement systems for governance need utmost emphasis. The 'comply or explain' principle becomes useless when there is no adequate monitoring system because it fails to create meaningful changes in governance practices (Bouthahaba et al., 2021a/b).

INCORPORATIVE MECHANISMS

Corporate governance effectiveness depends heavily on incorporative mechanisms, including internal controls, risk management systems, and compliance structures. These mechanisms both protect against fraud, minimize risks, and confirm that governance expectations and standards are achieved. The interview results indicate that Libyan banks have insufficiently developed and underdeveloped incorporative mechanisms. The banking institutions maintain formal risk management departments together with compliance teams, yet these departments commonly lack both sufficient authority and required resources to execute proper governance procedures. One interviewee explained that *“Top executives make decisions that Favor short-term profits over long-term stability by setting aside internal controls and risk management procedures.”* (CEO#5, First Gulf, Tripoli). The observation demonstrates the obstacles faced when trying to establish effective incorporative systems. Internal controls need a culture of compliance along with transparency and accountability for them to work efficiently. The executive power structure within Libyan banks hinders internal mechanisms from operating autonomously and effectively throughout the organization.

The literature about incorporative mechanisms demonstrates that organizations must develop a robust internal control system to achieve strict corporate governance implementation (Alrafadi, 2020). Libyan banks show a minimal proactive approach through their mechanisms because they do not anticipate risks or implement preventive measures ahead of time. The evidence shows Libyan banks must develop stronger incorporative systems while obtaining enough power and operational resources to perform efficiently. The findings in this study strongly demonstrate that theoretical corporate governance standards fail to match actual implementation within Libyan banking institutions. A governance environment in Libya that fails to meet international best practices arises from the problems of executive-non-executive role segregation together with

financial connections between executives and non-executives while diversity is scarce and the 'comply or explain' principle lacks sufficient enforcement. The country faces various political and economic obstacles which continue to restrict corporate governance progress. The necessary solutions for these obstacles must be to implement major regulatory modifications along with cultural adjustments that emphasize board independence, encourage board diversity, and establish stronger incorporative structures. The next section discusses the key outputs from CG processes in Libya.

CHALLENGES TO BOARD INDEPENDENCE AND THE INFLUENCE OF FINANCIAL AFFILIATIONS

It was also noted in the study that when non-executive and executive members are financially connected, it affects their objectivity. Having these relationships often leads to non-executive directors agreeing with decisions that might harm their financial or political interests (Mazol, 2026; Tricker, 2025; Stela and Abdulsalam, 2016). When it comes to corporate governance, this structure goes against both the main rules of trust and impartial decision-making. In other words, non-executives now go from acting on behalf of shareholders to quietly supporting the plans of executive teams. When it comes to making a profit, political advantages or executive bonuses are more important than the company's overall financial well-being. As per agency theory, when there is a misalignment, the costs connected to this issue grow, and the company's value goes down (Tricker, 2025; Stela and Abdulsalam, 2016). This finding can be supported by empirical data from the study, which reveals that banks in Libya with confused roles had lower returns.

THEORETICAL MISALIGNMENT: WHY BEST PRACTICES FAIL IN LIBYA

The OECD and other organizations recommend that good governance relies on having directors who are independent of company management. While the standards are included in banking codes in Libya, they are not fully followed in practice (Mazol, 2026; Stela and Abdulsalam, 2016). It is confirmed through the study that having a code in place does not ensure it is put into practice. The instability and confusion in Libya's politics, along with its elite capture, often mean that government norms are not followed or are set aside. The difference between theory and practice shows that applying Western governance systems to immature systems often leads to limits. It has been argued by Tricker (2025) that corporate governance exists within the legal, cultural, and political framework of a society. No matter how advanced the government system is, if there are

no reforms at the basic levels, it is bound to fail. There is not much regulation being enforced in Libya, the courts are not independent, and banks often feel pressured by political groups. With these gaps in the theory, models become impractical compared to real-life situations.

CONSEQUENCES FOR STRATEGIC DECISION-MAKING AND PROFITABILITY

It is evident from research that ineffective government systems can directly affect a company's profit level. If executives have most of the power on the board, company plans can be changed to suit their own interests. As a result, firms make decisions that are not the best, distribute capital in the wrong places, and cannot come up with new ideas (Mazol, 2026; Tricker, 2025). Those involved in the study pointed out that making decisions without considering the risks or costs often resulted in lower operational performance and less profit for the company. Another finding from the survey was that people strongly supported the opinion that separating duties could help a firm achieve better financial results by aligning what staff do with the company's overall strategy. This result agrees with studies worldwide that find that companies with independent boards tend to achieve better financial results (Mazol, 2026; Cheffins, 2024). In Libya, since there are no institutions to help, the benefits of such structures are not achieved.

BOARD STRUCTURE, POWER IMBALANCE, AND POLITICAL INTERFERENCE

As seen from the research, authority is often concentrated too heavily in the hands of the executives. Control can also reach into political matters, since executives are often chosen due to their ties with powerful people in politics. As a result, non-executive roles are mainly meant to follow regulations instead of truly supervising the company (Mazol, 2026; Salem, 2019). According to a senior bank official, sometimes governance roles are given out because of political connections, rather than based on what is best for the bank. It leads to a difficult situation for those in government. Most non-executive directors either keep quiet or face possible negative consequences, which continues to hold the executive class in power. By concentrating power, this makes it difficult for companies to manage risks and be transparent, which in turn leads to wrong business goals that reduce their profits in the future (Zaed et al., 2016). It has been shown through research that effective checks and balances in a governance system are beneficial for the country's finances.

5.4.3 Key outputs from Corporate Governance processes in Commercial Banking Sector

The quantitative and qualitative findings demonstrate how CG in Libya's financial sector does or does not work in fragile economies in transition. The goal is to better explain how corporate governance shapes a bank's corporate profitability and sets the stage for reforms that can be put into practice (Tricker, 2025; Cheffins, 2024). The findings strongly support the idea that better corporate governance processes also improve banks' profits. In other words, the findings demonstrate how CG processes or mechanisms, including board structure, executive-non-executive role separation, financial affiliations, Equality, Diversity and Inclusion (EDI), and the implementation of the "comply or explain" principle, interact with financial performance indicators such as Return on Assets (ROA), Return on Equity (ROE), and Return on Capital Employed (ROCE). While studies from different countries (Tricker, 2025; Balhasan et al., 2022) point to the benefits of reliable government systems on finances, in the Libyan situation, those benefits depend on other institutional and political circumstances. Kreiw (2019) argues that corporate governance reforms alone could not increase profits, unless they are accompanied by reforms in the regulation system, decentralisation of political power, and the establishment of professional practices on boards. This shows that corporate governance mechanisms should be put in place to ensure that financial institutions are overseen properly, remain transparent, and are accountable. The clear difference between executive and non-executive positions helps to prevent conflicts and ensure the right level of strategic supervision (Tricke, 2019; Mazol, 2026). This Thesis reveals that the daily operations of Libyan state-owned banks do not reflect the theoretical ideas found in the literature. As a result of one group of executives holding most of the power, corporate governance in these institutions has been severely weakened, making the job of non-executive directors little more than a respectful formality.

REVENUE GENERATION AND STRATEGIC DIRECTION

The findings in this study confirm the findings in the literature which suggest that all corporate profitability starts with revenue generation. The participating commercial banks in this study generate multiple revenue streams, such as interest from loans combined with fees, trading income, and investment returns (Stela and Abdulsalam, 2016; Cheffins, 2024). Libyan banks generate their revenue mostly through interest income because the country's economic environment and underdeveloped capital markets determine this financial structure. The research data shows Libyan

banks have insufficient revenue efficiency because poor governance accompanies insufficient market diversification and institutional inefficiencies. The interviews with senior bankers revealed that banks depended excessively on few income streams, which restricted their profitmaking capabilities. The participant stated that interest obtained from loans and deposits comprises most of our bank revenue. Our bank depends heavily on a small number of revenue sources for income because this makes us sensitive to interest rate fluctuations and economic uncertainties. Libyan banks demonstrate high vulnerability because they lack sufficient diversity that would protect them from economic downturns or banking industry changes (Alrafadi, 2023; Cheffins, 2024). The banking profitability of these institutions depends too heavily on interest rates and domestic market conditions because they have not established additional revenue channels through investment banking or fee-based or non-interest income sources.

The establishment of strategic direction serves as an essential factor when banks aim to expand their revenue generation methods. Banks worldwide demonstrate superior financial results and better stability when they expand into wealth management and advisory services as well as alternative lending (Alrafadi, 2023; Foster, 2025). The adoption of modern strategic initiatives in Libyan banking remains limited because of political turbulence and economic decision powers concentrated in one entity. Libyan banking institutions struggle to adopt worldwide banking principles because they lack flexibility in strategic planning, which limits their capacity to establish alternative revenue sources. Some interview participants observed that strategic choices within the Libyan financial sector are predominantly shaped by political factors instead of business needs. According to a senior banker from one of the state-owned banks, the strategic direction of the bank does not follow market reality. Political surroundings exert a fundamental impact on strategy development at financial institutions, leading to operational losses that reduce organizational profitability. Political intervention in the banking sector functions as a major barrier for financial institutions to implement strategic moves that generate profit gains (Mazol, 2026; Cheffins, 2024). Libyan banks have the potential to enhance their revenue potential by expanding into strategic new areas and matching their strategic plans to market expectations. Changing the governance system becomes essential because decisions need to be based on financial analysis instead of political power.

OPERATIONAL EFFICIENCY AND COST CONTROL

The cost-to-income ratio of a bank strongly depends on operational efficiency, which functions as a vital profitability determinant. The Libyan banking industry faces efficiency issues that reduce their profitability rate (Jaballa and Gorgevic, 2022; Mazol, 2026). Several vital operational deficiencies affect Libyan banks through excessive personnel staffing, obsolete systems, weak risk management practices, and limited benchmarking of market competition. The interview participants identified overstaffing in state-owned banks as the most severe inefficiency observed within the banking sector. The executive at the public bank said that their staff numbers exceed optimal levels, thereby raising operational expenditures while failing to boost organizational output. Excessive staff numbers, which some governments implement to generate employment, become a major operational efficiency obstacle. Research shows that financial success comes from banks that operate efficiently with optimum personnel levels (Tricker, 2019, 2025; Jaballa and Gorgevic, 2022). The political environment in Libya forces banks to keep excessive personnel levels that lead to both inefficient operations and elevated labour expenses.

Technology stands as a major shortcoming that plagues Libyan banks. The banking system technology is outdated, according to multiple interviewees who also observed resistance to investing in modern operational technologies (Jaballa and Gorgevic, 2022). A bank supervisor stated the institution continues to use outdated systems that cannot manage modern banking requirements. The market already includes digital solutions, which our organization has yet to implement because we remain behind the competition (Mazol, 2026). Lack of modern technology investment restricts bank operational capacity, thus making it impossible for them to minimize costs, enhance service quality, and optimize their overall efficiency. The adoption of innovative technology combined with digital solutions by banks allows them to achieve better profitability alongside reduced costs according to global banking practices (Jaballa and Gorgevic, 2022).

Libyan banks demonstrate poor efficiency because they fail to establish strong risk management systems. Banks that work in unpredictable markets like Libya must build robust systems for risk management because they need it to maintain future financial success. Libyan banks struggle to execute proper risk management, which causes their costs for non-performing loans (NPLs), regulatory fines, and market volatility to increase. The bank needs an extensive risk management system that can both recognize and reduce potential threats, but we do not have it. The bank faces

avoidable financial losses because of this situation. Without proper risk management frameworks, businesses must face increased operational expenses, which negatively affects profitability throughout the extended time (Mazol, 2026). The inability to maintain proper cost control in important operational areas creates negative effects on profitability. A bank's ability to lead through cost reduction while providing customer value remains essential for market competitiveness, as shown by Porter's (1985) theory on competitive advantage (Darbi & Khanfar, 2020a/b/c). Libyan banks face operational inefficiency problems that both reduce their profitability performance and diminish their competitive advantage against international banking institutions. By implementing operations that streamline contemporary technology adoption and enhance risk management mechanisms, Libyan banks could reduce operational expenses, thus boosting their profitability rate.

IMPACT OF GOVERNANCE ON PROFITABILITY

Studies have extensively validated the link between corporate governance structures and corporate profitability in academic research. Independent board members, who are joined with effective risk management systems and transparent financial reporting, help organizations increase both profitability and financial success (Foster, 2025; Elmansori and Al-Hindawi, 2022). This research indicates that Libyan banks encounter major profitability obstacles because of their inadequate governance systems. The findings in this study confirms the evidence in previous study which indicate that insufficient clarity exists in the processes used to make key decisions, which is one of the main organizational problems (Foster, 2025; Cheffins, 2024). Several interview respondents indicated that Libyan banks make important decisions in private sessions that deny stakeholder involvement and independent monitoring. The interviewee observed that Libyan state-owned banks operate with insufficient transparency when making decisions. Frequent decision-making secrecy leads to a failure to identify inefficiencies, which negatively impacts bank profitability. Good governance requires transparency to deliver proper information about bank operations, financial performance, and strategic pathways to stakeholders. The inability to maintain transparency within Libyan banks reduces public trust in the organization while creating wasteful processes that diminish profitability.

The poor state of internal controls found in state-owned banks leads to increased corruption and financial mismanagement. A bank employee declared that weak internal controls allowed both

fraud and mismanagement to occur and consequently led to bank financial losses. Profitability faces severe challenges because corruption, together with financial mismanagement and fraud, redirects essential resources from productive operations and creates substantial financial consequences or negative reputational effects. Banks need proper governance systems, including strong internal controls, to produce efficient operations and financial gains. A major governance challenge for profitability arises from insufficient strategic management oversight (Tricker, 2025; Foster, 2025). The structure of governance in Libyan banks, and especially state-owned entities, becomes subject to political control, thus restricting their capacity to determine profit-driven strategic plans. The interviewee described political decision-making interference as a process that produces financial choices that differ from bank-centred interests. The instability that results from this situation negatively affects our ability to generate profits. Strategic bank direction gets distorted by political influence, which produces operational inefficiencies and substantial profit potential loss. Research by Mohammad et al. (2020) show that profitability increases when organizations implement good governance practices, which include independent boards, transparent reporting, and full accountability. Libyan governance practices remain weak, thus creating barriers to profitability. Libyan banks must strengthen governance structures because this will promote transparency, minimize corruption, and enable decision-making that matches long-term profitability objectives.

FINANCIAL AFFILIATIONS AND BOARD INDEPENDENCE

Among the key obstacles to good corporate governance found in this study is the fact that many executive and non-executive board members in Libyan commercial banks are related financially (Mazol, 2026; Ahmad and Daw, 2015). Although in theory, being independent from each other is essential for good board performance, the findings here suggest that the board members are too closely connected for independence to hold much value in practice (Tricker, 2025; Foster, 2025). The involvement of these groups in politics often leads to more conflicts, less oversight, and accountability issues in the system.

FINANCIAL TIES AS A MECHANISM OF COMPROMISE

In the interviews, it was found that several non-executive board members in Libyan banks engage in financial transactions with executives, such as running businesses together, getting preferred

contracts, or being related by family. As a result, their watchdog role is greatly diminished. One senior interviewee at a public bank said, “Most non-executive board members are involved financially, so they are unlikely to challenge the executive’s decisions” (Tricker, 2025; Cheffins, 2024).

As a result of this, the directors may side with the management team because of their dependence on the company or political interests (Abusloum et al., 2021). Capture in this way corrupts leadership practices and introduces situations where those in charge do not work for the benefit of the shareholders or obey rules (El-Brassi et al., 2017). In Libya, this is a bigger concern as many state-owned banks do not have strong regulations to follow. While the Central Bank of Libya may have a governance code outlining independence, without strict rules for enforcement and transparency, shady financial links continue to exist in the country (Mazol, 2026; Ali and Saleh, 2020). Because of these affiliations, directors and executives may enter “implicit contracts” where directors control the company in return for personal or financial benefits.

A FAILURE OF GOVERNANCE NORM TRANSFER

Attempts to implement international governance standards in Libya, such as the OECD principles or the UK’s Combined Code, have failed to consider the socio-political specificities that mediate board behaviour. The literature on institutional theory posits that governance norms are not universally transferrable; they must be contextually embedded within local legal, cultural, and political frameworks (Mazol, 2026; Tricker, 2025; Ahmad and Daw, 2015). In Libya, where tribalism, patronage networks, and political capture intersect with corporate structures, financial affiliations are not aberrations, they are embedded governance mechanisms. The application of Western-style independence frameworks without corresponding institutional foundations therefore leads to symbolic compliance. Banks may formally appoint non-executive directors to meet regulatory expectations, but in practice, these individuals are selected precisely because of their alignment, financial or political, with executive leadership. This “window-dressing” governance subverts the very principles it seeks to uphold and results in a bifurcation between formal governance structures and informal power networks (Cheffins, 2024; Foster, 2025; Barghathi et al., 2018).

REGULATORY FAILURES AND ENFORCEMENT VACUUM

A recurring theme in both interviews and literature is the weakness of enforcement mechanisms. In jurisdictions with strong regulatory frameworks, financial affiliations are disclosed and penalised. In Libya, regulatory bodies often lack the capacity, autonomy, or political will to challenge entrenched relationships. As a result, violations of board independence go unpunished and, over time, become normalized (Mazol, 2026; Ataya et al., 2022).

The Central Bank of Libya's governance code lacks clarity on disclosure requirements and enforcement protocols regarding related-party transactions or director affiliations. Interviewees often said that the compliance process felt like a box-ticking exercise and was mainly meant to please auditors or the donors who gave them money. This matches what Albashir et al. (2018) found, saying that the "comply or explain" rule in Libya now just follows the rules on paper, without keeping an eye on the behaviour of the companies. Without mandatory disclosure, checking who is on the board, and having consequences for conflicts of interest, the system makes it easier for people to work together secretly and harder for those who speak up against it (Tricker, 2025). Non-executive directors do not usually get much help from the company to be independent, and most of the time, when they go against the wishes of senior managers, they can be pushed out of the company or ignored (Foster, 2025).

TOWARDS REFORM: POLICY AND CULTURAL RECOMMENDATIONS

Addressing the problem of financial connections needs more than just making simple changes to the rules. While changes like making related-party transactions public and setting limits for how long board members can serve are important, they still need to go hand in hand with bigger changes in how the company is run and the culture within it (Mazol, 2026; Foster, 2025). First, banks should put in place clear rules about handling conflicts of interest and make sure there are real consequences if someone does not follow them, in addition to having groups with outside experts who check the bank's actions. Second, civil society and media can check if the appointments are fair and point out any cases where a conflict of interest might be happening. Increased transparency, even if it is just by word-of-mouth or group conversations, can make institutions feel more public pressure and encourage them to change their behaviour. Third, international financial institutions and donors that support Libya's banking reforms should make sure that good

governance is in place before giving support, and they should also help train and support independent directors.

Finally, cultural change is crucial. In Libya, where people usually stick with connections over following the rules, it's important to change the way things are seen so that being independent is seen as a good, professional choice, not as breaking loyalty. This means leaders at the top, from the government and businesses, must set an example of doing things the right way.

5.5 Summary of Chapter

This section provides a summary of the chapter and link to the next chapter, highlighting the contribution of the Thesis quantitative and qualitative findings, in the context of the gaps in extant literature and prior studies. More specifically, it discusses and interprets the statistical and thematic findings relating to the general hypothesis (H0), that, there is no significant correlation between corporate governance (CG) and corporate profitability (CP). In this study H0 is accepted and indicates four things.

- *First, that there is a correlation between CG and CP.*
- *Second, that, there is no statistically significant impact between CG and CP.*
- *Third, that there is a negative direction of impact between CG and CP indicating a lack of good CG policies and practices.*
- *Finally, that PRQ and related SRQs have been answered statistically.*

This chapter also discussed the reasons behind the lack of good CG focusing on the thematic qualitative findings in Section 5.3. The discussion and interpretation of the qualitative/thematic findings provided the researcher with an in-depth reasoning and understanding of the statistical findings which show essentially that although a correlation exists between CG and CP it is evident that the correlation is not significant coupled with the fact the direction of the correlation is inverse or negative. This underpin the reasons behind the lack of good CG in the Libyan commercial banks which participated in this study – suggesting clearly that the extent to which the findings can be generalisable is limited to only the participating commercials, although the findings have serious implication for the Libyan commercial banking industry as a whole (Mazol, 2026; Aljbiri and Milad, 2019).

The combined and integrated statistical and thematic findings, address the fundamental question about ‘how’ CG mechanisms impact on CP measures. The proposed Najat Ismaiel’s Holistic Framework is grounded in both the statistical findings e.g., Hypothesis (H0), and the related sub-hypotheses (H1: Codification is the independent variable and ROA Growth is the dependent variable. H2: Executive role separation is the independent variable and ROE Growth is the dependent variable. H3: Financial affiliation is the independent variable and ROCE Growth is the dependent variable. H4: Codification of EDI is the independent variable and Perception of Profitability Growth is the dependent variable. H5: Codification is the independent variable and Profitability Growth is the dependent variable. H6: Incorporating mechanism is the independent variable and Profitability Growth is the dependent variable) and the thematic findings which relates to several themes, e.g., ‘politically unstable environment’, ‘lack of separation of executive and non-executive roles’, ‘non-executives having financial affiliations with executives’, ‘equality, diversity, and inclusion’, ‘comply or explain’, ‘incorporative mechanisms’, ‘revenue generation and strategic direction’, ‘operational efficiency and cost control’, ‘impact of governance on profitability’, ‘market positioning and competitive challenges’, ‘credit risk and profitability’, ‘non-interest income and diversity of revenue’, ‘efficiency of operation’, ‘long-term ROE and profitability’, ‘costing and productivity’, and ‘framework of corporate governance and operational outcomes’.

The urgent need to develop a holistic framework based on the combination and integration of the quantitative and qualitative findings in this Thesis, this study contributes to knowledge by demonstrating that corporate governance is not universally effective, but highly context dependent. It shows that in fragile environments such as Libya, governance mechanisms often exist in form but fail in practice due to institutional and political constraints. (Almansour and Elkrggli, 2023; Mazol, 2026). This has serious strategic or long-term implications for future development of Libyan Commercial Banks in terms of how these banks contribute to both shareholder value/interest in sustaining corporate profitability and stakeholders’ value/interests in sustaining corporate social responsibility, through good or sustainable corporate governance policies and practices, which relates to the specific research objective RO4. This was made possible by achieving, three specific research objectives, namely:

- **RO1 - To Examine the Corporate Governance Structures in Libyan Commercial Banks.** *The Thesis quantitative and qualitative findings help to achieve this objective, by highlighting the fact that corporate governance structures form the foundation of Libyan commercial banking sector efficiency e.g., the findings critically explored and evaluated Board composition, independence, and effectiveness of commercial bank in Libya (Almansour and Elkrggli, 2023; Mazol, 2026). In addition, given that most Libyan commercial banks are state-owned or politically influenced, the findings are crucial to analyse and understanding how corporate governance frameworks are structured, how decision-making processes occur, and whether corporate governance policies and practices align with domestic, regional and global banking standards.*
- **RO2 - To Analyse the Relationship Between Corporate Governance and Bank Profitability in Libya.** *While this Thesis confirms the fact that there is correlation between CG and CP, the correlation is not as strong as suggested by the literature and some prior research in both developed economies and developing economies. Indeed, the findings have been mixed some positive and others negative. However, empirical evidence on how corporate governance mechanisms impact financial performance in politically unstable and underregulated banking environments remains limited. The fact in this Thesis the direction of the correlation is 'negative' supports existing evidence of lack of good corporate governance systems in the Libyan context (Almansour and Elkrggli, 2023; Mazol, 2026).*
- **RO3 - To Identify Key Challenges Hindering Effective Corporate Governance in the Libyan Commercial Banking Sector.** *The findings demonstrate that despite global advancements in banking corporate governance, Libya's financial sector remains characterized by inefficiencies, political interference, and weak institutional frameworks. The findings help identify the major corporate governance obstacles preventing Libyan commercial banks from operating efficiently and effectively e.g., State-dominated ownership models have a negative impact on corporate governance independence. Also, the evidence of regulatory weaknesses demonstrate failure to enforce corporate governance best practices, attributable to political and economic instability, ineffective financial decision-making and risk management (Tricker, 2025; Foster, 2025; Hidayah et al., 2021).*

These findings further reinforce the study's contribution by highlighting the gap between formal governance structures and their practical implementation in fragile contexts. The next chapter concludes the Thesis, makes practical recommendations, discusses the major limitations highlighting the key areas for further studies at a post-doctoral level.

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.1 INTRODUCTION

This chapter concludes the Thesis and offers practical recommendations to policymakers, practitioners, and researchers in the areas of CG and CP in the commercial banking sector. This includes a discussion of the Thesis' conclusions vis-à-vis the primary research question which relates to how CG mechanisms impact the CP of commercial banks in Libya (PRQ). PRQ is related to four sub-research questions, which focus on 'prevailing CG structures' (SRQ1), 'CG influence on CP indicators' (SRQ2), 'key barriers preventing effective CG implementation' (SRQ3), and 'implementation of CG reforms' (SRQ4). These research questions have been fully or comprehensively answered by testing the generic hypothesis (H0) which correlates CG and CP. This was operationalised using six related hypotheses (H1/Codification of Executive Roles; H2/Separation of Executive and Non-executive Roles; H3/Financial affiliations between Executives; H4/Codification of EDI; H5/Compliance with CG codes; and H6/Incorporating Mechanisms. The statistical findings were followed sequentially by semi-structured interviews involving 20 participants from the commercial banking sector in Libya with the purpose of evaluating the results of the hypotheses tests. To answer the key research questions (PRQ and SRQs), this researcher used four specific related research objectives (ROs): (RO1 - To examine the CG structures in Libyan Commercial Banks; RO2 - To analyse the relationship between CG and CP; RO3 - To identify key challenges hindering effective CG; RO4 – to develop a holistic framework for Libyan Commercial Banks.

The remaining part of this chapter is divided into six sections. Section 6.2, discusses the key conclusions of the Thesis drawn from the discussion of findings in Chapter 5. Section 6.3, discusses the strategic significance and implications of the Thesis' findings with the aim of establishing the connection between CG and CP. In this context, this researcher presupposes that the environment where institutional weaknesses, political instability, and structural inefficiencies have significantly

influenced the way CG mechanisms operate in the sphere of commercial banking in Libya and in the wider context of the MENA (Middle East and North African) region (Tricker, 2025; Foster, 2025; Cheffins, 2024; Alshbili et al., 2019; Elshahoubi, 2019). Section 6.4 discusses the Thesis contributions to knowledge, in terms of theory, methodology, and practice. This reflects on the various theoretical lenses critically reviewed in Chapter 2, the justification of the choice of mixed research methodology in Chapter 3, and the gaps in theory and practice as they relate to the Libyan commercial banking sector. Section 6.5 offers practical recommendations to policymakers, practitioners, academics and researchers, grounded in the actual empirical quantitative and qualitative results and findings in Chapter 4. These recommendations are deemed practical by the researcher because there are actionable e.g., each participating commercial can successfully implement the recommendations within acceptable timelines. Section 6.6 discusses the major limitations of the Thesis, followed by an outline of the key areas for future research at the post-doctoral level. Section 6.7 provides a critical personal reflection and reflexion of the researchers' PhD Journey from 2022 to date with an example of the researcher's publication.

6.2 KEY CONCLUSIONS DRAWN FROM THE FINDINGS

This section discusses the key conclusions drawn from the statistical and thematic findings in Chapter 5 by reference to the key research objectives (RO1, RO2, RO3, and RO4) – this is important because the researcher believes that achieving the research objectives demonstrate beyond all reasonable doubt that the research questions (PRQ and SRQs) have been comprehensively answered. As such the structure for this section is based on the research objectives, starting with research objective (RO1) below:

RESEARCH OBJECTIVE (RO1): TO EXAMINE CG STRUCTURES IN LIBYAN COMMERCIAL BANKS

The study provided a critical evaluation of CG structures within Libyan commercial banks by combining the results and findings from the empirical data. For example, from the quantitative findings this researcher concludes that overall, the respondents in the study believe that CG structures in the Libyan commercial banking sector are weak, because of three factors. **First**, some boards are composed of members who lack the required qualification for effective CG policy

formulation and implementation, this confirms the works by Mazol (2026), Elshahoubi (2019) and Tricker (2025). This conclusion demonstrates that the distorting effect of ownership concentration and control in terms of who qualifies to be a member Boards in Libyan commercial banks is a major theme. In this context, a state ownership model that is overwhelming results in a hybrid system of governance where the interests of commerce are put in second place behind political interests. On a theoretical level, state ownership could allow stability and a long-term perspective; in reality, the Libyan state has been unable to distinguish regulatory control from actual control which has implications for qualifications of Board members (Mazol, 2026; Alshbili et al., 2019; Masli & Elwalda, 2021). The duality of the state as both regulator and owner breed a fundamental conflict of interest which impacts on board members qualifications and competencies. Regulatory capture becomes inevitable, and governance mechanisms meant to ensure compliance and prudence are instead repurposed to shield politically affiliated directors or delay transparency-enhancing reforms. Moreover, minority shareholders, where they exist, are often disenfranchised, lacking both legal protections and practical channels to influence board decisions or enforce their rights. This is contrary to global governance principles, which increasingly emphasize shareholder empowerment as a check on executive and board malfeasance (Cadbury Report, 1992; OECD, 2004, 2016). The absence of market discipline in Libyan bank ownership models also inhibits the introduction of innovation, performance-driven leadership, and international partnerships. In contrast, privatized banks in other MENA economies (e.g., Morocco and Jordan) have demonstrated greater alignment with global corporate governance norms, showing that ownership reform is not only desirable but feasible in the regional context.

Second, there is a misalignment between financing structure and profitability, indicates that most of the Libyan commercial banks have a board structure that is too politicized or too weak. The ability of the board to provide objectivity in strategic oversight has been undermined by the dominance of the directors in politically appointed positions that are usually not financially nor risk management skilled. Such a situation is against the international best practice, as, e.g., the OECD and Basel III promote the role of independent directors in protecting the interests of stakeholders and objectivity in decision-making (OECD, 2004, 2016; Tricker, 2025). In contrast to the boards in a stronger regulatory environment where different thinking and independence of the executive are valued, Libyan boards operate within the politically darkened clime of the regime. It is a situation which waters down fiduciary responsibility, polarizes power in the hands

of a small group of elites, and institutionalizes incompetence. This observation can be confirmed by empirical literature, according to which board independence has a positive relationship with risk management effectiveness and financial performance (Bhagat and Bolton, 2019; Kyere and Ausloos, 2020). This has been the case in Libya, where there is a scanty representation of non-executive or independent directors, creating the scenario whereby boards merely rubber stamp the politically oriented or short-term decisions, in most cases, with little or no concern for financial sustainability or institutional accountability. In addition, there is no consistency in board tenure in Libyan banks, which are being regulated poorly. The directors have uninhibited power when it comes to governing decisions with no fixed terms or performance-based reviews, hence lessening the transparency and strategic value of the board. Such gaps in corporate governance are not technical inadequacies but structural failures that institutionalize mismanagement that hinders reform.

Finally, prevalence of ineffective mechanisms of CG, which support the work of Osseo-Asare et al. (2025). This conclusion highlights a critical governance flaw i.e. ineffective risk management frameworks in the Libyan commercial banking sector. While many Libyan banks claim to have risk committees and internal controls, these structures often exist only nominally. The research highlights that internal audit functions are either underdeveloped or entirely absent, and when they do exist, they lack independence from executive management. This arrangement undermines the risk governance architecture required to detect, assess, and mitigate systemic vulnerabilities, especially in a volatile macroeconomic environment like Libya's. Effective CG in the banking sector must integrate robust risk oversight, particularly given the high exposure to credit defaults, liquidity constraints, and political shocks. However, Libyan banks fail to meet even the minimal standards laid out in the Basel Committee's Core Principles for Effective Banking Supervision (OECD, 2004, 2016). This governance vacuum has contributed to high non-performing loan (NPL) ratios, deteriorating asset quality, and the sector's chronic underperformance confirming that banking institutions in Libya have weak CG structures. Indeed, the operations of the CG compliance function are weakened by executive pressure as well as limited resources to a level of insignificant effectiveness devoid of procedural independence in the compliance units and strong whistleblower protection (Mazol, 2026; Foster, 2025). This means Libyan banks can neither investigate financial abnormalities nor hold anyone accountable. In turn, the lack of those internal mechanisms represents system failure of the CG culture instead of the regulatory gap. The high

level of CG within which the Libyan banks do their operations is weak, inefficient, and outdated. Even though the CG codes have been issued in national institutions, most of them, especially the Libyan Stock Market and the Central Bank of Libya, are not binding and have not been rooted in the legal order (Elshahoubi, 2019; Cheffins, 2024). This weakness makes most of the reform efforts to be mostly cosmetic, aggravated by the statutory provisions that do not follow the international best practice. With the Libyan Commercial Code, the concurrent holding of both the chief executive officer and the board chair may be applied even in the case of crisis, thus deviating from the normative suggestion of separation of executive and supervisory power to reduce the risk of entrenchment (Mazol, 2026; Magrus, 2012). The ensuing vagueness allows the violation of corporate governance to be defended by law. The overlap of institutions and lack of coordination between the agencies worsen the regulatory deficit. There is often overlapping guidance that is issued by the Libyan Central Bank, Ministry of Finance and the Libyan Stock Market with no coordinated strategy to enforce, which results in regulatory fatigue by the banks and encourages discretionary compliance. Enforcement capacity is further lacking in the form of specialist commercial or financial courts. Delays in the procedures and legal ambiguity discourage corrective measures, and stakeholders lack confidence in the system to penalize wrongdoings.

These quantitative findings are supported by the thematic findings from the qualitative study. For example, when some CEOs, Experts, and Bankers were asked the questions about ‘CG structures’, this is what some said:

“Absolutely. Effective CG is crucial in ensuring stability, transparency, and accountability in the banking sector. It helps mitigate financial risks and enhances investor confidence. Without proper governance, banks are more vulnerable to mismanagement, fraud, and instability” (CEO#1, Al Wahada, Benghazi).

“Yes, absolutely. From a risk management standpoint, CG acts as the backbone for identifying, mitigating, and managing risks. Smooth mechanisms ensure that policies are not only in place but are actively enforced, reducing operational and financial risks in the banking sector” (Expert#1, Al Wahada, Benghazi).

“Absolutely. In the banking sector, effective CG is critical for maintaining operational integrity, ensuring compliance with regulations, and building trust with stakeholders. Smooth governance mechanisms ensure transparency, accountability, and the ability to make decisions that benefit both the institution and its clients, ultimately ensuring the sector's stability” (Banker#8, British Arab Bank, Tripoli).

From the above conclusions we can see that the analysis of the board structure, ownership systems, risk management, and regulatory control mechanism revealed deep structural gaps based on the institutional weakness and political economy environment of Libya. These gaps have limited the performance of Libyan banks in the implementation of effective corporate governance, thus compromising performance and profitability. The situation of the Libyan corporate governance crisis is highlighted in a comparative perspective, depicting the seriousness of the situation. MENA region countries, Egypt, Tunisia, and the UAE, have pledged themselves to different levels of institutional change. Both have moved in the direction of board independence, financial reporting in line with IFRS and governance systems that are more transparent and reduce political influence. The problem is that Libya is still in a pre-reform stage, and in such a situation, the political economy outweighs rational institutional design. The post-revolutionary redesign of the corporate governance of the banking sector in Egypt offers a particularly relevant case of gradual and pragmatic reform: legal reform, regulatory merging, and donor involvement together enabled the gradual process of leaving the CG pathologies behind (Aljileedi and Amoozegar, 2023). In short, the CG frameworks of Libyan commercial banks are institutionally undermined by state ownership, politicized recruitment of members of the board, symbolic risk management, and poor regulatory framework. Such gaps harm competitive performance as well as the ability to cope with risk, and this has its own repercussions in terms of profitability and sustainability.

RESEARCH OBJECTIVE (RO2): TO ANALYSE RELATIONSHIP BETWEEN CG AND CP

The second objective of this research explored the complex, multidimensional relationship between CG practices and CP in Libya. Grounded in empirical analysis and relevant theories, this section synthesizes the findings on how CG mechanisms such as board effectiveness, ownership structures, risk corporate governance, and transparency influence key financial indicators, namely, Return on Assets, Return on Equity, and Net Interest Margin. Firstly, from the statistical findings this researcher concludes that overall, the respondents in the study believe that although CG is correlated with CP the correlation is not statistically significant, couple with the fact that the direction of the correlation is negative. This is the reason for accepting the general null hypothesis (H0), that there is no statistically significant correlation between CG and CP in the Libyan commercial banking sector context, because of seven (7) underlying factors: 1/high levels of

financial liabilities, 2/poor investor relationship management, 3/expenses and incomes imbalance, 4/capital inadequacy, 5/operational inefficiencies, 6/widening gaps in contribution to GDP, 7/lack of a coherent national framework for CG applicable. The evidence overwhelmingly supports the assertion that Libya's CG weaknesses are a root cause of suboptimal CP, a finding consistent with prior research in emerging and post-conflict economies (Almashhadani et al., 2022; Elshahoubi, 2019; Tricker, 2025). These quantitative findings are supported by the thematic findings from the qualitative study. One of the most robust relationships uncovered in the qualitative findings is the link between board effectiveness and financial performance. Empirical data show that banks with relatively more independent, diversified, and professionally competent boards reported higher ROA and ROE compared to those with politically entrenched or homogeneous boards. Although most Libyan banks still suffer from poor CG, variations within the sample reveal a clear performance differential attributable to governance quality. This aligns with theoretical expectations derived from agency theory, which posits that independent and well-functioning boards reduce agency costs by monitoring managerial decisions more effectively (Mazol, 2026; Tricker, 2025). In the Libyan context, however, board ineffectiveness is perpetuated by political appointments, lack of financial expertise, and limited performance accountability. This not only hampers strategic decision-making but also undermines the oversight required to ensure that lending practices, investment strategies, and operational expenditures contribute to profitability. Banks where board members had prior banking or financial sector experience tended to exercise greater fiscal prudence, limit exposure to non-performing loans (NPLs), and adopt more coherent asset-liability management strategies. These factors cumulatively improved profitability metrics, particularly ROA, by enhancing operational efficiency and reducing capital erosion through avoidable credit risk (Mazol, 2026; Cheffins, 2024). In contrast, banks with politically influenced boards exhibited high NPL ratios and persistent capital adequacy problems, confirming that poor governance directly impairs financial returns.

The achievement of this research objective forms another empirical evidence on the effect of CG on the performance of commercial banks, with emphasis on the Libyan context. The researcher concludes that a strong association between high ownership concentration, particularly when the state is its major shareholder, and reduced profitability. Such overlapping interests of the government as regulator and major shareholder corrupt the incentives of banks and shift their focus away, where it should be, on profit maximization to politically driven lending or subsidized

financial intermediation. These actions undermine the ability to generate sufficient returns on equity, destroy the commercial nature of banks' operations, and block the ability to take efficiency-boosting reforms. The conclusions in this study agree with the works of Malik et al. (2023) and Oluwole (2021), which also reveal that government ownership creates moral hazard and soft-budget constraints, especially when fiscal discipline is replaced by political goals. In Libya, a high percentage of state ownership creates structural inefficiencies: loan portfolios are progressively focused on politically linked parties and many of them default with no substantial consequences. The achievement of this objective also provides evidence of implicit governmental insurance and, therefore, the less desire to keep strong credit standards or to diversify risk exposure (Mazol, 2026; Tricker, 2025). A comparative analysis of privately owned banks (which are curiously scarce in Libya) shows that those institutions are more profitable, especially when it comes to the return on equity, mainly due to more strict risk management procedures, operational flexibility, and the obligation to answer to the outside shareholders. The results support the need to review the ownership structure of the Libyan banking system either by partial privatization or the formation of a public-private partnership where the CG changes can be entrenched in shareholder agreements.

The quality of risk CG is among the aspects of CG that have been explored as a major factor that defines CP. The empirical evidence points out the statistically significant correlation between poor risk controls and poor profitability measures. The negative relationship between high NPLs, which are caused by inadequate credit appraisal system and inadequate risk assessment, and ROA and NIM throughout the sample is apparent (Tricker, 2025; Foster, 2025). In several banks, there were no functioning risk committees, poor internal auditing abilities, and the lack of early warning systems played a part in growing credit losses. Such gaps indicate the existence of operational and credit risks that cannot be sustained in financial terms. Banks that, on the other hand, had put in place, though in a primitive way, sound risk measures were able to maintain profitability since they avoided massive defaults in loans as well as maintained adequate liquidity in times of economic turbulence. These findings are consistent with the stewardship theory that stresses responsible, long-term, value-oriented management. In Libya, failure of stewardship that is demonstrated by short-sightedness, reactive risk management, and poor incentives have exposed banks to losses that are occasioned by the crisis. Empowering corporate governance with all-encompassing risk-management paradigms is, as such, no longer only a compliance precondition but a strategic prerequisite to profitability sustainability.

The other material CG factor is financial transparency. Most Libyan banks report their financial statements irregularly and/ or do not follow international financial reporting rules. This opacity has the impact of reducing the confidence of investors, restricting the availability of capital, and increasing the perceived risk premiums, which trickles down to profitability (Osseo-Asare et al., 2025). The empirical evidence proves that the voluntary disclosure of more detailed information about their finances by banks, even without the legal requirements, results in better performance of these banks in the market and better returns in operations. This disclosure will be more attractive to potential investors, build the confidence of depositors and cause disciplinary effects on the managers of any given bank since it will put its operations under the spotlight. These results support the necessity of Libyan financial institutions to be in line with international standards such as the IFRS and Basel disclosure requirements (OECD, 2016). Lack of such alignment hinders the development of the capital market and forces banks to use highly expensive short-term funding approaches that undermine NIM and increase the amount of systemic risk.

***RESEARCH OBJECTIVE (RO3): TO IDENTIFY KEY CHALLENGES
HINDERING EFFECTIVE CG***

This research objective reinforces research objective (RO2) in the sense that it explores and identifies the critical challenges preventing the effectiveness of good CG systems in Libyan commercial banks. From the quantitative findings, this researcher concludes that there are several challenges and opportunities facing Libyan commercial banks when it comes to successful implementation of good CG policies and practices, to enable them to achieve and sustain their CP (Mazol, 2026; Al-Salami et al., 2023). As shown in Figure 6.1 below, the study identified four main challenges, namely, 1/Misalignment of demographics with CG policies and practices e.g., qualifications, years of experience, 2/Lack of collaboration between regulators, boards, supervisors, management, and other stakeholders, 3/Lack of long-term investments for effective CG e.g., transparency, trust, accountability, and 4/Difficulty sustaining and restructuring incentives – these challenges have and continue to hinder CG policy and practice. In addition, this researcher identified two main opportunities for effective CG implementation and monitoring, namely, 1/effective CG mechanisms have strong positive correlation with improve CP, evident by the fact that CG mechanism affect the functioning and development of capital markets, 2/growing market for financial products and service in Libya, MENA region, and globally, as a consequence

of increased internationalisation and commercialisation of financial institutions. In addition, there is a growing demand for commercial banks to achieve corporate social responsibility goals aligned with the UN's Sustainable Developments Goals for countries.

Figure 6.1
Main Challenges and Opportunities for Good CG and CP Growth in Libya
Source: Researcher



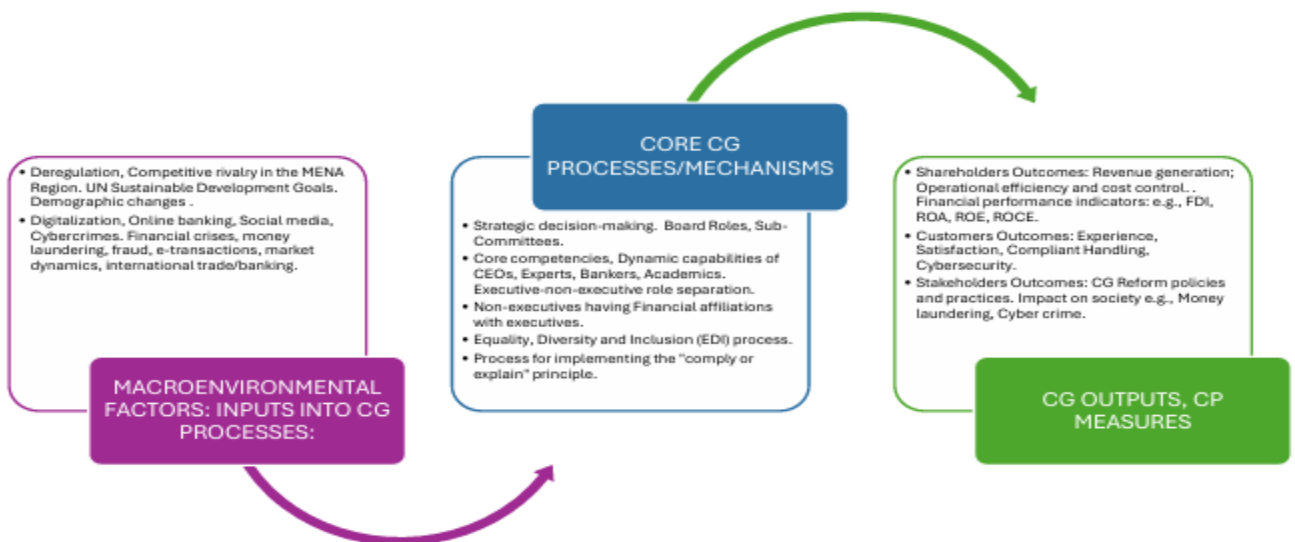
The above main challenges and opportunities demonstrate that although the worldwide commercial banking system continues to successfully implement good corporate governance mechanisms to sustain corporate profitability, the same cannot be said for the Libyan commercial banking sector, which has and continues to experience several challenges despite the opportunities in the local, regional and international environments (Massoud and Abdelsalam, 2020; Mazol, 2026). Based on the quantitative and qualitative findings in this study, this researcher concludes that these challenges or barriers to effective corporate governance in Libya can be removed if Banks proactively exploit the opportunities available to them. To exploit the opportunities identified in Figure 6.1 (e.g., a/CG mechanisms as imperative for CP and functioning and development of capital markets; b/Banks' local, regional, global competitiveness through increased CP, societal wellbeing, and sustainability), in today's fast changing and dynamic global financial services environment requires a critical understanding of the structural, institutional, cultural, and procedural nature of the challenges facing banks relating to 'political', 'legal', 'board

structure’, ‘transparency’, ‘risks’, ‘sociocultural resistance’, (see details in Bibliographical Notes 6.1).

RESEARCH OBJECTIVE (RO4): TO RECOMMEND CG REFORMS TO ENHANCE CP

To achieve research objective (RO4), this researcher developed a Holistic framework for CG in Libyan Commercial Banking Sector as presented in Figure 5.2. To enable readers easily understand the framework, a simplistic version is present in Figure 6.2 below, which highlights the key components and how they are related using system thinking approach which identifies the ‘inputs’, ‘processes’, and ‘outputs’ for effective CG reforms for sustainable CP. In addition, there is a feedback and feedforward loops to demonstrate bank’s resilience and dynamic capability to operate as a going concern. Figure 6.2 shows that the inputs of CG drives core CG processes which results in CG outputs and guide CG reforms.

Figure 6.2
A simplified version of Najat Ismaiel’s Holistic Framework for CG Reforms in Libyan Commercial Banking Sector. Source: Based on Figure 5.2, p. 180.



From Figure 6.2 this researcher argues that building on the critical assessment of Libya’s current CG deficiencies or challenges, the holistic framework presents a series of targeted, evidence-based reforms aimed at enhancing the profitability, efficiency, and resilience of commercial banks in Libya. This means the recommendations based on the framework are grounded in both empirical findings and international best practices, with adaptations for Libya’s unique political,

institutional, and socio-economic environment (Mazol, 2026; Cheffins, 2024). By so doing the framework addresses CG challenges/opportunities at four interrelated levels: board structure and independence, ownership reform, risk governance, and regulatory and cultural transformation. In post-conflict and fragile states like Libya, adopting this Najat's Holistic framework as basis for CG Reforms can strengthen CG policies and practice because for good CG to positively impact CP, it is not simply a matter of institutional refinement, it is a strategic imperative to stabilize the commercial banking sector, attract foreign direct investment, enhance investors' confidence, and restore public trust in the financial and economic system. The next section discusses the strategic relevance, significance and implications of the Holistic Framework for CG Reforms in the Libyan commercial banking context.

6.3 STRATEGIC RELEVANCE, SIGNIFICANCE AND IMPLICATIONS OF HOLISTIC FRAMWORK

This section discusses the strategic relevance, significance and implications of Najat's Holistic Framework for CG Reforms in the Commercial banking sector in Libya, by reference to both the statistical and thematic findings, with the overall aim of establishing the connections/linkages between CG and CP within Libyan commercial banks. In this context, the proposed holistic framework reflects the Libyan environment where institutional weaknesses, political instability, and structural inefficiencies have significantly influenced the way corporate governance mechanisms operate in the sphere of commercial banking and in the wider context of the MENA (Middle East and North African) region (Tricker, 2025; Foster, 2025; Alshbili et al., 2019; Elshahoubi, 2019). This shows that the holistic framework, has both practical and policy implications for now and the foreseeable future i.e., the next 3-10 years. In this context, this section critically evaluates the **practical and policy-level implications** of the research findings for key stakeholders involved in Libya's commercial banking sector e.g., bank executives, regulatory institutions, policymakers, international financial organizations, investors, and academics. The insights presented are derived from the intersection of empirical data, theoretical interpretations, and comparative experiences from other post-conflict and emerging economies which are incorporated into the holistic framework. As demonstrated in the holistic framework, Libya's CG challenges are not only structural but systemic, deeply intertwined with the country's broader institutional fragility. Therefore, the relevance, significance and implications go beyond technical

adjustments and emphasize strategic reforms with the potential to unlock both sustainable profitability and sector-wide transformation. The strategic relevance, significance, and implications are categorized into three core areas: (1) **Best practices** for bank executives and internal stakeholders, in terms of, a/enhancing board competency and independence, b/institutionalizing internal risk governance, c/ improving disclosure and transparency, and d/promoting a culture of ethical and professional governance. These best practices highlight several critical deficiencies in internal governance frameworks, ranging from weak board oversight and ineffective risk governance to poor transparency and accountability. These weaknesses are relevant because they not only compromise bank profitability but also expose institutions to operational and reputational risks. (2) **Policy formulation** for regulators and government institutions, in terms of a/establishing a unified and enforceable governance code, b/strengthening the capacity and autonomy of the central bank, c/ creating specialized financial tribunals and dispute mechanisms, d/mandating governance reporting and public disclosure, and e/ encouraging responsible privatization and ownership reform. These policy issues are relevant because the regulatory environment in Libya is fragmented, politically influenced, and under-resourced. To reverse this situation, a series of robust, policy-driven interventions must be undertaken by institutions such as the Central Bank of Libya (CBL), the Ministry of Economy, and the Libyan Stock Market (LSM), and (3) **Strategic considerations** for investors and international development partners, in terms of, a/conditioning aid and investment on governance benchmarks, b/ supporting human capital development, c/promoting Environmental, Social, and Governance (ESG) integration and impact investing, and d/creating a Libyan corporate governance development fund. These strategic issues are relevant because, international actors, ranging from multilateral development banks to foreign investors, play a critical role in shaping Libya's corporate governance trajectory. Their involvement must be strategic, conditional, and aligned with local institutional realities. Table 6.1 provides more details for each of the three core areas.

Table 6.1
The Core Areas of Strategic relevance, significance, and implications
Source: Various

Three Core Areas	Strategic Relevance, Significance, and Implications
(1) Best Practices for bank executives and internal stakeholders,	ENHANCING BOARD COMPETENCY AND INDEPENDENCE - Bank executives and current board members must recognize the intrinsic link between CG quality and financial performance. As such, banks should: a/Appoint independent non-executive directors (INEDs) who bring diverse expertise and objective oversight. b/Implement board evaluation systems, where board members are assessed annually based on performance, strategic contribution, and risk oversight. c/Promote board diversity, ensuring representation of different professional backgrounds and, where possible, gender inclusion. Research shows that diverse boards make more balanced decisions, especially in risk-prone environments (Kyere and Ausloos, 2020).
	INSTITUTIONALIZING INTERNAL RISK GOVERNANCE - Banks must establish robust, operationally independent risk management committees. These should: a/Be chaired by independent directors with experience in finance and compliance. b/Oversee credit exposure, market risk, liquidity risk, and emerging risks (e.g., cyber threats).c/Be supported by internal audit departments that report directly to the board. Risk management in Libyan banks has historically been reactionary and informal. Moving towards structured, data-driven risk models will allow banks to build capital buffers, price credit risk more accurately, and improve decision-making during crises.
	IMPROVING DISCLOSURE AND TRANSPARENCY - Transparency is the cornerstone of market trust and sustainable profitability. Bank managers must: a/Prepare annual reports that adhere to International Financial Reporting Standards (IFRS), clearly disclosing performance metrics, risk exposure, and governance structure. b/Create compliance departments responsible for ensuring anti-money laundering (AML) and Know Your Customer (KYC) obligations are met, critical for both local legitimacy and international partnerships. c/Enhanced disclosure will not only build customer and investor confidence but also reduce the cost of capital by improving banks' perceived creditworthiness.
	PROMOTING A CULTURE OF ETHICAL AND PROFESSIONAL GOVERNANCE - Corporate culture plays a pivotal role in governance. Banks should: a/Introduce governance codes of ethics for staff and board members. b/Develop training programs on governance and compliance, targeting both new hires and senior executives. c/Encourage whistleblowing systems protected by anonymity and free from retaliation. d/Such interventions promote trust, accountability, and professionalism, leading to long-term strategic coherence and profitability.
(2) Policy formulation for regulators and government institutions,	ESTABLISHING A UNIFIED AND ENFORCEABLE GOVERNANCE CODE - Libya's governance landscape is hindered by conflicting legal texts. A single, legally binding corporate governance framework must be developed, drawing from: a/The OECD (2016) Principles of Corporate Governance. b/Basel III guidelines for banking supervision. c/Comparative regional models (e.g., Morocco, Jordan). d/This code must clearly define roles of the board, management, shareholders, and regulators and be embedded in national legislation, not issued merely as voluntary guidelines.
	STRENGTHENING THE CAPACITY AND AUTONOMY OF THE CENTRAL BANK - The CBL's supervisory function should be enhanced through a/Legal reforms that grant the CBL independence from political appointments. b/Capacity-building programs, including partnerships with international institutions such as the International Monetary Fund (IMF) or European Central Bank (ECB). c/Implementation of digitized supervisory tools, such as real-time reporting systems and AI-powered risk dashboards. d/An empowered, autonomous central bank can ensure regulatory consistency, deter misconduct, and act as a credible enforcer of governance norms.
	CREATING SPECIALIZED FINANCIAL TRIBUNALS AND DISPUTE MECHANISMS - Given the lack of effective redress for governance-related misconduct, Libya should: a/Establish financial governance courts or tribunals, equipped with technical expertise in banking law, corporate disputes, and fiduciary responsibilities. b/Introduce fast-track arbitration mechanisms to resolve shareholder grievances, boardroom disputes, or regulatory breaches efficiently. c/This would reduce judicial delays, encourage investor confidence, and enhance compliance with governance laws.
	MANDATING GOVERNANCE REPORTING AND PUBLIC DISCLOSURE - Regulatory bodies must require +a/Annual governance statements from all licensed banks, outlining board composition, audit and risk structures, ownership distribution, and executive compensation. b/Public compliance ratings or governance indices, enabling benchmarking of institutions and incentivizing compliance. c/This strategy has been successfully implemented in economies like Turkey and Malaysia, improving transparency and capital inflows.
	ENCOURAGING RESPONSIBLE PRIVATIZATION AND OWNERSHIP REFORM - Ownership concentration, particularly by the state, has distorted bank incentives. Policymakers should: a/Develop a phased privatization roadmap, starting with partial equity listings on the Libyan Stock Market under public-private partnership models. b/Encourage foreign institutional participation but regulate it to preserve national interests and avoid oligopolistic control. c/Privatization must be paired with governance safeguards to ensure that private investors enhance, rather than erode, institutional integrity.
(3) Strategic considerations for investors and international development partners.	CONDITIONING AID AND INVESTMENT ON GOVERNANCE BENCHMARKS - Organizations such as the World Bank, African Development Bank (AfDB), and EBRD should: a/Link financial support to measurable governance improvements, such as board restructuring, disclosure levels, or risk governance maturity. b/Provide technical assistance grants to support digitization of risk management, IFRS adoption, and auditor training. c/This approach, used in post-war Balkan states, successfully fostered governance reforms in banks by linking access to capital with institutional performance (World Bank, 2023).
	SUPPORTING HUMAN CAPITAL DEVELOPMENT - Capacity constraints are a major bottleneck in Libyan banks. International donors and educational institutions should: a/Fund executive education programs focused on ethics, governance, and financial regulation. b/Partner with Libyan universities to develop governance-focused academic modules or certifications. c/Building a pipeline of competent, ethical governance professionals is critical for long-term institutional change.
	PROMOTING ESG INTEGRATION AND IMPACT INVESTING -Environmental, Social, and Governance (ESG) investing is rapidly expanding globally. Development partners should: a/Promote ESG standards adoption in Libya's

	<p>financial sector through pilot programs. b/Encourage banks to issue ESG-linked instruments, such as green bonds or microfinance-backed lending, tied to governance reforms. c/This positions Libya to align with global sustainable finance trends and tap into new capital sources.</p> <p>CREATING A LIBYAN GOVERNANCE DEVELOPMENT FUND - This fund, backed by multilateral and sovereign stakeholders, would: a/Provide financing and advisory support to banks committed to governance reform. b/Offer matching grants for governance innovation (e.g., AI-based audit tools, digital KYC systems). c/Act as a neutral intermediary to build trust between regulators, banks, and civil society.</p>
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From Table 6.1 the researcher concludes that the relevance, significance and practical and policy implications emerging from this study underscore the critical importance of aligning CG reform with both internal bank practices and broader institutional transformation. At the operational level, bank executives must adopt a governance culture rooted in accountability, transparency, and risk-based thinking. At the national level, regulators and policymakers must consolidate fragmented frameworks, professionalize oversight bodies, and legislate enforceable governance codes. International actors, in turn, must support Libya’s reform process through investment, technical assistance, and conditionality mechanisms that incentivize good governance. In essence, CG reform in Libya must be seen not just as a compliance task, but as a strategic development tool that enhances profitability, strengthens investor confidence, and positions the banking sector as a key pillar of national reconstruction and economic revival. Only through a coordinated, inclusive, and institutionally grounded approach can Libya’s banks transform from fragile entities into competitive, resilient financial institutions. The next section discusses the Thesis’ contributions to knowledge with reference to theories and methodologies used in this study.

6.4 THESIS’ CONTRIBUTIONS TO KNOWLEDGE: THEORY, METHODOLOGY AND PRACTICE

This section outlines the principal contributions of the thesis to theory, methodology, and practice within the field of corporate governance (CG), particularly in fragile and post-conflict institutional environments. Drawing upon the theoretical perspectives critically reviewed in Chapter 2, the mixed methods research design justified in Chapter 3, and the empirical findings presented in Chapters 4 and 5, the study advances a context-sensitive understanding of the relationship between corporate governance and corporate profitability (CP) in the Libyan commercial banking sector. More broadly, the study contributes to emerging debates concerning the effectiveness of corporate governance within transitional and institutionally fragile environments across the MENA region. **Theoretical Contributions:** This study makes a significant theoretical contribution by developing a context-sensitive and integrated framework that challenges the universal applicability of traditional corporate governance theories (Mazol, 2026; Tricker, 2025; Foster, 2025). The findings

demonstrate that no single governance theory can adequately explain the complexities and challenges associated with corporate governance in fragile institutional environments such as Libya. The study critically reassesses the explanatory relevance of Agency Theory, Stakeholder Theory, Stewardship Theory, Shareholder Theory, and Institutional Theory within the Libyan commercial banking context. In particular, the findings demonstrate that traditional assumptions underpinning these theories are often constrained by political interference, weak regulatory enforcement, institutional fragility, and governance structures that exist formally but remain ineffective in practice. The proposed Holistic Framework therefore contributes to the development of a hybrid and integrated theoretical understanding of corporate governance reform in Libya. The framework demonstrates that governance effectiveness is highly context-dependent and shaped by institutional and political realities rather than by formal governance structures alone. In doing so, the study extends the applicability of existing governance theories to fragile, transitional, and post-conflict environments. Furthermore, the framework highlights how agency conflicts are intensified within politically influenced and state-dominated institutions, while also demonstrating the interdependence between stakeholder and institutional perspectives in achieving effective governance reforms. Table 6.2 summarises the key findings

Table 6.2
 Holistic framework: Key findings and contributions to the development of a hybrid/integrated theory for CG Reforms in Libya.

CG – CP Theories/ Proponents	Key Findings	Holistic Framework
Agency Theory/ Stewardship Theory/ Shareholder Theory	1/Evidence of inefficiencies, mismanagement, or self-serving behaviours from commercial bank directors, managers, experts, policy. 2/Evidence of Commercial banks lacking the ability to address the conflict of interest between shareholders and directors through effective auditing, board oversight, and other corporate governance mechanisms with a view to strategically realign interests of principal and agents.	1/Provides a critical understanding of the relationship between shareholders as principals and Board directors and managers as agents in the Libyan commercial banking context. 2/Demonstrates how Agency problems (i.e., conflict of interest between principals and agents especially in Libya and the MENA region. For example, the conflict between shareholders and directors are magnified in state-owned, politically captured institutions. 3/Provides opportunity for Commercial banks to create rewards and incentives for both shareholders and board directors as part of a long-term strategy to resolve the conflict of interests. 4/Challenges the universal applicability of agency, stewardship, and shareholder theories under authoritarian national and organisational corporate governance.

Stakeholder Theory/ Freeman (1980) Institutional Theory	1/Evidence of shareholders' and board directors' interests been prioritised over all other parties in Libya. 2/Evidence that some Libyan commercial banks e.g., Al Wafa, British Arab Bank, actively promote ethical and sustainable commercial banking policies and practices, thereby creating value for all parties.	1/Encourages Libyan commercial banks to serve not only the shareholders' and board directors' interests, but also the interests or values of everyone (i.e., internal and external stakeholders) affected by the operations of Commercial banks in Libya. 2/Demonstrate that the Agency Problem can be resolved at the same time as the interest of other parties through interdependency. This highlights the fact that stakeholder theory e.g., requires enabling institutions to be effective – thereby linking Stakeholder and Institutional theories.
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Methodological Contributions: This thesis makes an important methodological contribution through the adoption of an explanatory sequential mixed methods approach as the foundation for developing the Holistic Framework. This contribution is particularly significant within the Libyan context, where previous studies have predominantly relied upon quantitative research designs (e.g., Alrafadi, 2023; Khan et al., 2020a/b; Alajili and Noor, 2018; Almaqtari et al., 2022), with relatively limited use of qualitative or mixed methods approaches. By integrating quantitative analysis with qualitative inquiry, the study provides both statistical evidence and contextual explanation, thereby enhancing the depth, validity, and interpretive strength of the findings. The methodological approach enabled the study not only to identify weak and inconsistent relationships between governance mechanisms and profitability, but also to explain the institutional and political dynamics underlying those relationships. The mixed methods design therefore contributes to methodological knowledge by demonstrating the value of methodological triangulation when examining complex governance issues within fragile institutional environments. **Practical Contributions:** The practical contributions of this thesis relate to the applicability of the proposed Holistic Framework within the Libyan commercial banking sector. To enhance practical relevance, the framework adopts systems thinking principles to categorise governance challenges and opportunities into inputs, processes, outputs, and feedback/feedforward mechanisms. The study identifies the absence of a coherent and integrated governance framework as a major factor contributing to fragmented corporate governance reforms within Libya (e.g., Aboukhadeer et al., 2023; Abofaied, 2017). In response, the proposed framework offers practical guidance for policymakers, regulators, banking practitioners, academics, and researchers seeking to improve governance effectiveness within fragile institutional settings. More specifically, the study highlights the importance of strengthening regulatory enforcement, reducing political interference, improving board independence, and enhancing institutional accountability. The framework therefore provides a

practical foundation for supporting more sustainable and context-sensitive corporate governance reforms in Libya and similar post-conflict environments

6.5 PRACTICAL RECOMMENDATIONS: POLICYMAKERS, PRACTITIONERS, ACADEMICS AND RESEARCHERS

This section offers practical recommendations to policymakers, practitioners, academics and researchers, grounded in the actual empirical findings in Chapter 4. These recommendations are deemed practical by the researcher because there are actionable e.g., each participating commercial bank can successfully implement the recommendations within acceptable timelines. Accordingly, Table 6.3 below, outline the recommendations for each key stakeholder group categorised according to ‘internal’ and ‘external’ stakeholders as explained in Chapter 2. Each recommendation is positioned not as isolated interventions, but as components of a comprehensive CG transformation agenda capable of driving long-term CP and CSR which integrates both Agency and Stakeholders’ interests or values.

Table 6.3
Practical Recommendations for Policymakers, Practitioners, Academics and Researchers
Source: Researcher

Practical Recommendations based on Holistic Framework – Challenges & Opportunities	STAKEHOLDERS INTERESTS			
	Internal Stakeholders		External Stakeholder	
	Boards of Libyan Commercial Banks as Policymakers/Leadership/CEO/Chair	Board’s Sub-Committees – Nominations/Bankers	Policymakers – Government, Agencies, Regulators, Experts, Consultants	Academics, Researchers, Experts
1/Strengthening Board Independence and Competence due to: lack of independence and the weak competence of board members; b/blurred line between executive and non-executive responsibilities undermines checks and balances	Boards of Libyan commercial banks: 1/strict guidelines for board composition. 2/separation of the roles of CEO and Chairperson. 3/ensuring majority of board members are independent and professionally qualified.	Sub-Committee: 1/Nomination sub-committee. 2/ensuring there is a formal and transparent process, 3/engaging an External review committee e.g., Regulators/Agencies , to improve legitimacy and reduce cronyism.	Regulators/Agencies: 1/ensuring recruitment of board members based on technical qualifications, prior banking or financial experience, and an understanding of risk oversight2/ensuring there are formal and transparent board nomination process, to improve legitimacy and reduce cronyism. 3/ensuring mandatory Board training on financial regulation, risk management, and digital banking trends.	1/Board Independence and Competencies in the Libyan and MENA contexts, with the objective of addressing the challenges due to lack of independence and the weak competence of board members; the blurred line between executive and non-executive responsibilities which undermines checks and balances, how to ensure strict guidelines for board composition, how to ensure separation of the roles of CEO and Chairperson, how to ensure that majority of board members are independent and professionally qualified on every sub-committee e.g., Nomination sub-committee. 2/Frameworks for collaborating with External Bodies e.g., Regulators/Agencies/Consultants: focusing on formal, transparent, and accountable internal and external processes.
2/Enforcing the ‘Comply or Explain’ Principle with Regulatory Oversight	Boards: 1/shifting from a passive to a more proactive CG compliance. 2/adopting formalized regulatory processes to make deviations from	Sub-Committees: 1/shifting from passive to proactive compliance. 2/ to effectively enforce formalized	Regulators/Central Bank of Libya (CBL): 1/should be autonomous from political patronage. 2/should strengthen banks’ internal and	1/Continuing relevance of the ‘Comply or Explain’ Principle across different countries. 2/Board members ‘orientation/ motivation: focusing reactive/passive versus proactive approaches in the context of CG process improvement across all Sub-Committees. 3/Strategic Role of Regulators

	governance codes justifiable and transparent.	regulatory processes.	external auditing procedures to promote transparency of disclosures.	e.g., Central Bank of Libya (CBL) in CG Reforms across all sectors of the Libyan economy/society.
3/Curtailing Political Interference Through Governance Safeguards	Board & Political interference: 1/Independence in Board decisions regarding executive appointments, and credit allocation. 2/introduce CG safeguards such as tenure limits for board members, conflict-of-interest declarations, and anti-corruption clauses in contracts to help in monitoring board activities without direct government involvement.	Nomination/Appointment Sub-Committee & Political interference: 1/Members should be independent and professional without showing their political preferences in Board decisions regarding executive appointments, and credit allocation.	Regulators/CBL Strategic Role: 1/to minimize the impact of prolonged political instability on banks e.g., political interference, 2/promote CG safeguards - tenure limits, conflict-of-interest declarations, and anti-corruption clauses in contracts, independent CG oversight committees at the national, institutional, bank levels.	1/How to curtail Political Interference in Board decisions, by focusing on CG Safeguards e.g., independence regarding executive appointments, credit allocation, tenure limits, conflict-interest declarations, and anti-corruption clauses in contracts to help in monitoring board activities without direct government involvement. 2/Challenges and opportunities in nominating Board members who are independent and professional without showing their political preferences in Board decisions. 3/Strategic Role of Regulators/CBL in Good CG in Libya, focusing on how to minimize the impact of prolonged political instability on banks, and other institutions.
4/Institutionalizing Diversity and Equity Policies	Boards & Equity, Diversity, and Inclusion (EDI): not to overlook EDI, as reflected in the absence of women and minorities on boards and in senior management.	Sub-Committees e.g., Nomination, Rewards and Remuneration: to promote EDI proactively through gender balance, inclusion of minorities on boards and in senior management.	Regulators/CBL Strategic Role: to promote EDI and address issues of Sustainability across banks and related industries.	1/Board diversity to improve financial oversight and innovation capacity, focusing on institutionalization of diversity policies that mandate the inclusion of women, youth, and marginalized groups on boards and in executive roles. 2/Gender and ethnic diversity as regulatory targets and business imperatives.
5/Improving Risk Management Infrastructure	Boards & Risk Management: 1/to address ineffective risk management practices which undermine both CG and CP. 2/to integrate enterprise-wide risk management (ERM) systems that proactively identify, measure, and mitigate financial and non-financial risks.	Sub-Committees: 1/to recruit members with competencies in effective risk management practices. 2/to promote integrating of enterprise-wide risk management (ERM) systems.	Regulators/CBL: 1/to develop frameworks for reducing ineffective risk management practices in banks; 2/to enable banks to integrate enterprise-wide risk management (ERM) systems by investing in predictive analytics, data governance, staff training, technological upgrades.	1/Eliminating Ineffective risk management practices which undermine both CG and CP. 2/Frameworks for Integrating enterprise-wide risk management (ERM) systems, that proactively identify, measure, and mitigate financial and non-financial risks.
6/ Leveraging Digital Transformation to Enhance Efficiency	Boards' Decisions: 1/to reduce operational inefficiency, 2/to replace outdated infrastructure, and manual processes heavily contributing to cost inflation and reduced profitability. 3/to strategically invest in digital transformation, core banking software, automating back-office operations, and online customer services, to improve both CG and CP.	Sub-Committees: 1/to reduce operational inefficiency, 2/to invest in digital transformation, core banking software, automating back-office operations, and online customer services.	Regulators/CBL: 1/to recommend Digital tools for enhancing CG transparency e.g., Blockchain-based audit trails to reduce fraud and enable real-time compliance monitoring. 2/to provide regulatory guidelines on minimum digital infrastructure standards and cybersecurity protocols should accompany any push for digital banking.	1/Digital tools for enhancing CG transparency. 2/Blockchain-based audit trails for reducing fraud and enable real-time compliance monitoring. 3/Effectiveness of digital transformation: institutional readiness, cybersecurity frameworks, and workforce digital literacy.
7/ Realigning Strategic Goals	Board Decisions: 1/to address the absence of	Sub-Committee Decisions: 1/to	Regulators/CBL/National Government: 1/to	1/ Realigning Boards' Strategic Goals with Corporate Profitability Metrics linked to

with Profitability Metrics	long-term strategic alignment in bank operations. 2/to avoid short-term, politically influenced objectives and adopt long-term profitability goals which align with measurable profitability indicators: ROA, ROE, and Cost-to-Income Ratio (CIR), 3/to employ. Balanced scorecard models to track both financial and non-financial performance metrics.	adopt long-term strategic alignment with external developments. 2/to avoid short-term, politically influenced objectives, 3/to employ. Balanced scorecard models to track both financial and non-financial performance metrics.	enable banks to balance corporate profitability with corporate governance standards, customer satisfaction, and employee engagement. 2/to adopt an integrated approach which fosters sustainable growth and stakeholder confidence.	ROA, ROE, and Cost-to-Income Ratio (CIR), 2/Effectiveness of Balanced scorecard models for tracking both financial and non-financial performance metrics in commercial banks in Libya.
8/ Promoting Investor Confidence Through Transparent Financial Disclosures	Board Decision: 1/to engage in effective Investor relationship management. 2/to engage in transparent financial disclosures through standardization and timeliness. 3/to adhere to International Financial Reporting Standards (IFRS).	Sub-Committee Decision: to conduct regular investor briefings that communicate financial health, governance issues, and risk exposures; and feedback to the Board.	Regulators/CBL: 1/to engage with dedicated investor relations teams; 2/to encourage institutionalize communication channels between banks and stakeholders, thereby ensuring two-way engagement.	Enhancing transparency through accurate risk pricing and credit ratings, to improve commercial banks' foreign capital markets access.
9/ Re-Evaluating the Governance-Profitability Nexus/Thinking	Board Decision: 1/to change the thinking about how Libyan banks conceptualize the relationship between CG and CP. 2/to see CG not as a regulatory burden but as a profitability enabler.	Sub-Committees: 1/to embed CG thinking into the core CG-CP processes of financial institutions, and not viewed as peripheral, or externally imposed.	Regulators/CBL: 1/to encourage Banks to see CG not as a regulatory burden but as a profitability enabler. 2/to enable Banks embed CG thinking into their core CG-CP processes.	To test the Thesis' Holistic framework's ability to reduce capital costs, improve credit ratings, and attract long-term investors in the Libyan commercial banking sector.
Timeframe or timeline applicable to each stakeholder group	14 months – 3 years	14 months – 3 years	2026 - 2031	Ongoing

The above recommendations point to the fact that CG reforms in Libya is not merely a technical adjustment but a political and cultural transformation. Without a systemic shift, the commercial banking sector will continue to face reputational risks, capital flight, and financial fragility, thereby obstructing its role as a driver of national development and post-conflict reconstruction. The nine (9) recommendations highlighted in Table 6.3 above are further clarified under different themes: 'Board independence and competence', 'Comply or Explain', 'Political interference', 'Diversity and Equity Policies', 'Risk management infrastructure', 'Digital transformation', 'Realigning strategic goals with profitability metrics', 'Promoting investor confidence', and 'Re-evaluating the governance-profitability nexus' in **Bibliographical Notes 6.3**.

6.6 MAJOR LIMITATIONS OF THE THESIS & KEY AREAS FOR FUTURE RESEARCH AT THE POST-DOCTORAL LEVEL

This section discusses the major limitations of the Thesis, followed by an outline of the key areas for future research at the post-doctoral level. In brief, the Thesis' findings recommendations as presented in Table 6.3, under the fifth column (Academics, Researchers, Experts), suggest that implications for future research are clear based on the premise/assumption, **that CG theories must evolve to address non-Western, conflict-affected, and transitional contexts**, because, standard models that assume legal stability, competitive markets, and cultural alignment with governance principles must be revised to reflect the realities of fragmented authority, rent-seeking behaviour, and hybrid institutional orders currently prevailing in the Libyan commercial banking sector. In this context, the next section discusses the major limitations of this study.

6.6.1 THREE MAJOR LIMITATIONS OF THE THESIS

While this research has provided significant insights into the relationship between CG and CP in Libyan commercial banks, it is important to acknowledge the major limitations that inevitably constrained the breadth and depth of the findings. Recognizing these limitations does not undermine the findings but rather provides transparency and paves the way for methodological refinement and future inquiry. The major limitations can be broadly categorized into three dimensions: **(1) methodological limitations, (2) data availability and quality constraints, (3) generalizability concerns**. Each of these factors is discussed in turn.

- **Methodological limitations:** are essentially a direct result of the contextual and political constraints, which made the adoption of **mixed research design** complex, time consuming, and potentially expensive. especially in politically unstable economies e.g., Libya.
- **Data availability and quality limitations:** while data sufficiency was achieved in this study, the sample size for the quantitative/questionnaire survey could be increased. Similarly, the sample size and mix of participants for the qualitative/semi-structured interviews could be expanded to cover a much wider range of stakeholders. A wider range of perspectives could have enriched the understanding of how CG norms are socially constructed, resisted, or negotiated within Libya's unique political and cultural context.
- **Generalizability of findings:** the **generalizability** of the findings is essentially limited to the five participating commercial banks, which means the recommendations should be directed to the five banks. However, the findings have implications for all commercial banks in Libyan and the MENA region.

6.6.2 KEY AREAS FOR FUTURE RESEARCH

The key areas for further research at the post-doctoral level, seek to address the above three major limitations (methodological, data availability and quality, and generalisability).

- **Mixed Methodology Research:** *Adoption of mixed methodology in a more stable less complex sociopolitical environment, because the outlook is looking favourable for Libya – politically, legally, economically, financially, socially, and technologically.*
- **Qualitative Research:** *Expanding the sample size for the qualitative semi-structured interviews to include a much wider number of stakeholders across commercial banks. This would help provide in-depth understanding of CG and CP from a diverse range of stakeholders including shareholders across Libya and the MENA region.*
- **Quantitative Research:** *Using quantitative research designs to critically explore the nature of the relationship between key CG and CP measures across different economic sectors including commercial banking in Libya and the MENA region. This would involve the use of SPSS Statistics for Exploratory and Confirmatory Factor analysis, Structural Equation Modelling, and Multiple Linear Regression analysis.*

The above discussion of the major limitations and key areas for future research contributes meaningfully to the understanding of how CG structures impact the profitability of commercial banks in Libya, particularly within a politically fragile and institutionally underdeveloped context. More specifically, this researcher builds on the identified limitations and areas for future research that can further develop academic understanding and inform policy formulation, focusing on six key issues: *(1) deepening contextualization through qualitative inquiry, (2) longitudinal analysis of governance reform impacts, (3) comparative regional research, (4) expanding the scope beyond commercial banks, (5) evaluating the role of technological and ESG governance, and (6) developing context-specific theoretical frameworks.* (see Bibliographical Notes, 6.4 for details). Such theoretical innovation would greatly enrich the corporate governance literature by bridging the gap between global norms and local realities.

6.7 CRITICAL PERSONAL REFLECTION AND REFLEXION OF THE RESEARCHERS' PHD JOURNEY FROM 2022 TO DATE.

This final of the PhD Thesis provides a critical personal reflection and reflexion of the researchers' PhD Journey from 2022 to date. Embarking on a PhD is often described as a solitary, transformative, and intellectually demanding process, and in my case, this could not be more accurate. My research on *corporate governance and profitability within Libya's commercial*

banking sector emerged not only from academic curiosity but also from a deeply personal awareness of the institutional fragilities that plague fragile economies. Throughout this journey, I was not only a researcher navigating scholarly terrain but also a citizen confronting the socio-political realities of a nation in transition. The PhD journey is often described as a test of endurance, and while it certainly is that it is also a profound process of becoming. I entered this journey as a researcher seeking answers; I leave it as a scholar more equipped to ask better questions. I have gained not only a thesis but also a set of lifelong skills, resilience, criticality, empathy, and the capacity to engage deeply with complexity. In reflecting on this journey, I am reminded of the words Edward Said: "Every intellectual's journey is, ultimately, a personal one." My research, though shaped by frameworks, findings, and figures, is deeply personal. It is a testament to the resilience of those who strive for reform in difficult circumstances and to the power of scholarship as a tool for change.

FROM TOPIC CONCEPTION TO COMMITMENT

The genesis of my research idea was deeply rooted in my observation of the dysfunctionality in Libya's banking sector, particularly how CG structures appeared robust in form yet deficient in function. Identifying the theoretical and practical gaps within Libyan financial institutions, I aimed to bridge international frameworks like the OECD CG principles and Basel III standards with the contextual challenges posed by Libya's post-conflict environment. Committing to this research direction early on was both inspiring and daunting, given the scarcity of reliable data, the sensitivity surrounding institutional criticism, and the relatively underexplored nature of this subject in Libyan academia. While many researchers find solace in replicating or extending existing models in developed economies, my decision to explore CG in a politically unstable, economically volatile context required resilience and adaptability. It meant stepping into uncharted waters, developing a conceptual framework that acknowledged theoretical norms while also being grounded in institutional realities.

NAVIGATING METHODOLOGICAL COMPLEXITIES

One of the most intellectually enriching but simultaneously challenging phases of the PhD was the formulation of an appropriate methodology. Initially, I considered a purely quantitative design; however, I soon realized that numeric indicators alone would fail to capture the nuance, ambiguity,

and institutional opacity that characterized Libya's banking ecosystem. This realization led me to adopt a **mixed-methods approach**, combining statistical analysis with semi-structured interviews to surface insider perspectives. It was a crucial decision that enriched the research's depth. Yet, it came with logistical and ethical hurdles. Securing interviews from high-ranking officials in a politically sensitive environment demanded not only formal ethics approvals but also trust-building, patience, and cultural awareness. At times, the weight of navigating data collection in such a complex environment felt overwhelming. Gaining access to participants required persistence and persuasion, sometimes bordering on diplomacy. Furthermore, coding and interpreting qualitative data was an eye-opening experience. Many of the narratives revealed deeply entrenched issues, such as politicization of bank boards, regulatory capture, and stakeholder disenfranchisement, that resonated far beyond the theoretical confines of agency or stakeholder theory. These interviews compelled me to engage critically with the limits of Western governance models and reevaluate my own assumptions.

BALANCING OBJECTIVITY AND SUBJECTIVITY

One of the most subtle but profound challenges I encountered was the tension between academic objectivity and personal proximity to the research context. As a Libyan scholar, I was emotionally invested in the outcomes of my work. The banking failures, institutional corruption, and political interference I studied were not abstract variables, they were part of my lived reality. Striking a balance between critical distance and empathetic understanding was difficult. I constantly had to remind myself to remain impartial in analysis while acknowledging the systemic pain and dysfunction that underpinned much of the data. This tension was particularly acute when formulating recommendations. It would have been easy to adopt a critical tone, condemning systemic failures. However, my aim was to produce a constructive, forward-looking study. Thus, I emphasized institutional reform grounded in capacity-building, regulatory strengthening, and strategic independence, while also appreciating the embedded cultural and political constraints.

THE EMOTIONAL LANDSCAPE: SELF-DOUBT, AND PERSEVERANCE

Despite its intellectual rewards, the PhD journey was marked by significant emotional challenges the sustained demands of reading, writing, and revising required continuous emotional regulation and resilience. Data collection and interviews were delayed due to ongoing political instability in

Libya and communication challenges, which introduced uncertainty into the research process. At various stages, I experienced self-doubt, questioning the scope of the research and the potential impact of the findings within a volatile context? What sustained me during these moments was a deep belief in the importance of the research, the encouragement of my supervisory team, and the occasional breakthroughs that offered clarity amidst the uncertainty. Every peer-reviewed citation I discovered validated my approach, every participant who shared candid insights, and every completed chapter acted as a quiet reaffirmation that I was moving in the right direction.

THE EVOLVING RESEARCHER: GROWTH IN THOUGHT AND SKILL

Throughout my PhD, my identity as a scholar evolved. I began the journey with a relatively narrow understanding of governance, largely shaped by Western-centric models. However, engaging with Institutional Theory and New Institutional Sociology reshaped my perspective. I began to appreciate governance not as a static checklist of best practices but as a dynamic, context-sensitive construct shaped by political, cultural, and economic systems. Moreover, my writing, critical thinking, and analytical skills matured significantly. Drafting the literature review taught me the art of synthesis; engaging with interviews taught me how to listen for meaning beyond words; conducting statistical tests taught me how to distinguish between correlation and causation; and writing the conclusion taught me how to move from critique to contribution. Perhaps most importantly, I learned humility. Every time I felt I had reached a conclusion, new contradictions emerged. The complexity of Libya's banking governance structures defied simplistic explanations, forcing me to engage in iterative thinking and perpetual questioning.

DISSEMINATION OF FINDINGS: PUBLICATIONS

The screenshot below shows my early attempt to disseminate the Thesis findings. It provides a critical review of extant literature on corporate governance and profitability in British commercial banks, which informed my literature review. Looking back, I am proud that my thesis contributes to academic discourse in several ways: it extends theoretical frameworks into under-researched environments; it provides empirical evidence from a fragile state; and it proposes a context-driven model for governance reform. But more than that, the journey has shaped me as a scholar committed to rigorous, relevant, and reflective research. As I move beyond the PhD, I am eager to translate this work into practical outcomes, whether through policy briefs, consultancy

engagements, or further academic collaborations. I am especially interested in fostering dialogues between scholars and practitioners in Libya and beyond to advocate for banking reform that is both theoretically sound and contextually viable.

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Corporate Governance and Profitability in British Commercial Banks: Conceptual Framework and Research Agenda

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Abstract

Global corporate misgovernance, irresponsibility, and bankruptcy, over the last two decades continue to stimulate empirical research on how corporate social responsibility (CSR) mediates the cause-and-effect relationship between corporate governance (CG) and corporate profitability (CP). In the context of British Commercial Banks, the exact nature of the mediating effects of CSR on governance-profitability relationship remains ambivalent and under researched. This paper, therefore, aims to clarify the relationship between CG, CSR, and CP, by conducting a systematic review of Agency, Stewardship, Shareholders, Resource-dependency, Institutional, and Stakeholders theories, and critically evaluating the results and findings of 29 prior studies on CG, CSR and CP. We identify 15 common measures for future research: five for CG (board leadership, responsibilities, composition, internal controls, remuneration), five for CP (ROA, ROE, Tobin's Q, share price, market share), and five for CSR (collaboration, institutions, education, climate action, responsible production) across British Commercial Banks. We make significant contribution to knowledge by embedding the 15 measures in the development of a holistic and integrated conceptual framework to underpin a future research agenda. The continuing relevance and implications for commercial bank-specific CG development, Board leadership in the pursuit of profitability, and social responsibility simultaneously are also discussed.

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This Thesis has undertaken a comprehensive investigation into the relationship between corporate governance and profitability within Libyan commercial banks, highlighting the systemic challenges, embedded inefficiencies, and potential reform pathways that shape institutional performance in a fragile and transitional economy. In doing so, it has illuminated not only the direct linkages between governance mechanisms and financial outcomes, but also the broader structural, political, and cultural forces that sustain governance failures in post-conflict Libya. The study's empirical findings affirm a clear and consistent relationship: **where governance is weak, profitability suffers**. This is manifested in compromised risk management, board inefficacy, politicized ownership, and an absence of transparency. Libya's commercial banks, many of which are state-owned or politically captured, operate within a governance ecosystem marked by opacity, informal power structures, and fragmented regulatory enforcement. Such an environment restricts strategic innovation, erodes public trust, and constrains long-term value creation. Critically, however, this research has gone beyond diagnosing problems. It has offered a **realistic and context-sensitive roadmap for reform**, tailored to the Libyan financial sector. The proposed interventions, ranging from enhancing board independence and internal risk governance, to strengthening the autonomy of regulatory bodies and promoting ESG-based transparency, present actionable strategies that, if coordinated effectively, can reposition Libya's banking system for sustained recovery and growth.

BIBLIOGRAPHICAL NOTES:

CHAPTER FIVE:

5.1 Discussion of the results of the hypotheses (H1-H6) by reference to the gaps in existing literature

- **H1 – Codification of Executive Roles on Profitability (ROA) in Libyan Banks – 1/Board Qualification and Composition as a Key Governance Issue** - A majority of 41.2% of respondents expressed disagreement toward the assessment of board qualification and composition being vital to governance issues, whereas 21.6% showed agreement and 19.5% strongly agreed with this statement. Bank employees show divided opinions about the importance of board composition because some staff members value other factors above this element. The research supports (Oluwole, 2021), who established that board member selection constructs direct pathways toward better decision efficiency and risk management. The absence of standardized governance frameworks in Libya leads to inconsistent board quality standards, which limits organizations from making their best decisions. The absence of defined governance regulations might result in diverging executive targets from profit performance objectives (Ardila & Sembiring, 2022). **2/Collaboration Between Bank Supervisors and Management** - The survey respondents divided equally in their assessment of how essential it is for bank supervisors to team up with management. A significant portion of the participants, or 39.9%, do not consider bank supervisor-management collaboration important, whereas 39.6% find it to be essential. The absence of agreement demonstrates organizations disagree about how well supervisory involvement through governance practices affects profitability. Secondary research demonstrates that successful cooperation enables banks to maintain compliance alongside risk reduction (Kabbani & Zanelidin, 2021). Libyan regulatory oversight suffers from weak implementation of governance frameworks, which reduces the ROA benefits from supervisory cooperation (Bagus, 2022). **3/Corporate Governance and Bank Performance** - The survey results demonstrate that a large portion (42.2%) of participants disagree that corporate governance exists to improve performance through incentive systems, yet 39.7% uphold this view. The data indicates a mixed attitude toward the direct relationship between governance structures and bank performance assessment. According to (Firdaus et al., 2021), executive performance suffers when executive responsibilities lack proper documentation because governance systems then lose their ability to boost profitability. The informal governance system, along with scarce transparency levels in Libya, results in mixed perceptions about its effects on return on assets. **4/Investor Monitoring and Corporate Governance Efficiency** - User monitoring by investors has received disagreement from 43.4% of respondents, although 37% either agree or strongly agree with this statement. Data shows that investors doubt the effectiveness of their governance oversight role in process enhancement. According to (Edinov et al., 2022), active investors play a role in producing favourable corporate governance results. The banking sector in Libya faces regulatory confusion alongside restricted investor activism, which diminishes the effectiveness of monitoring as a governance mechanism, thus diminishing its positive impact on return on assets, according to (Januarti & Khairunnisa, 2022). **5/Profitability Determinants: Credit Quality, Liquidity, and Size** - The survey results show that credit quality, along with size and liquidity, has substantial effects on profitability since 44.9% of respondents endorsed this view, 23.3% strongly agreed with the statement, and 21.6% expressed agreement with the statement. Many executives validate operational factors as key elements in driving ROA performance. Empirical evidence supports this consensus. According to (Suryandari & Susandya, 2023), profitable banking institutions must manage their credit portfolio well and maintain enough liquidity. The Libyan banking sector faces profitability limitations due to unstable credit markets along with liquidity difficulties, according to (Andriani & Haryono, 2022), which emphasizes the necessity of executive roles to handle these challenging circumstances.
- **H2: Separation of Executive and Non-Executive Roles on Profitability (ROE) of Banking Sector in Libya – 1/Importance of Corporate Governance Mechanisms in Banking** - The survey findings show that participants differ in their view of whether banking sector corporate governance mechanisms need proper functioning. Respondents split equally, with 37% agreement and 43.1% disagreement regarding the importance of smooth corporate governance mechanisms. The remaining respondents (19.8%) expressed no definite stance. Different stakeholders exhibit opposing views about corporate governance benefits because Libyan banks implement governance mechanisms inconsistently. The research shows that banks experience higher stability alongside improved investor confidence when corporate governance is properly established (TASNIM Khan et al., 2021). The poor institutional makeup and regulatory shortcomings in Libya restrict governance efficiency, which reduces its relationship to ROE (Rahmadani et al., 2023). **2/Transparency, Trust, and Accountability in Governance** - A majority of 42.3% of study participants indicated their agreement or strong approval regarding the positive impact of corporate governance on transparency, accountability, and trust for long-term investments, while 33.3% of individuals took a disagreeing stance, and 24.5% maintained neutrality. The research results match (Rahayu et al., 2023), who shows that transparent governance reduces information asymmetry and creates greater investor trust, which leads to increased ROE. The Libyan business environment suffers from inadequate trust between stakeholders due to weak governance structures and unstable political conditions, according to (Made Reina Candradewi & Henny Rahyuda, 2023). **3/Strategic Alignment and Corporate Governance Strength** - A significant number of 44.3% of respondents support the argument that poor strategic alignment and weak control functions make corporate governance more effective. The responses show 30% disagreement and 25.7% neutral stance. Researchers have identified the management separation between executive and non-executive positions as a solution to operational-strategic alignment weakness. The research by (Koernia & Cahyati, 2022) demonstrates that independent non-executive directors enhance governance oversight, which reduces risks and produces better long-term profitability. Libya's governance challenges, consisting of weak enforcement regulations and insufficient independent directors, decrease the potential benefits of role separation on ROE, according to (Pangestuti et al., 2021). **4/Operational Efficiency as a Profitability Driver** - Survey findings show that operational efficiency holds major importance for commercial banks in the opinion of 39.7% of respondents, but 42.3% do not share this view, and 18.1% express no clear stance. The results demonstrate organizations have doubts regarding how much efficiency improvements impact their ROE performance. The research demonstrates that banks showing improved operations through clear governance along with streamlined procedures achieve better financial performance (Antony et al., 2022). Libyan banks face obstacles to achieving maximal ROE despite governance mechanisms because of credit allocation inefficiencies and inadequate risk management along with high costs (Finishtya et al., 2021). **5/ROE as a Measure of Long-Term Banking Sustainability** - Survey results show that 44.3% of respondents strongly agreed or agreed banks can sustain long-term operations using ROE. On the other hand, 30% disagreed, and 25.7% remained neutral about this statement. The survey demonstrates that a significant number of banking professionals across Libya understand the return on equity to be their essential profitability metric, which follows international banking standards according to the (Sunrowiyati,

2021). Libyan banks face a lowered potential for maintaining high ROE levels because of both market external factors and internal governance issues (Mayasari et al., 2022). Executive and non-executive roles, when effectively separated, could enhance governance quality, which would result in stronger financial performance sustainability. The findings indicate that the potential ROE-enhancing impact of executive-non-executive role separation is limited in Libya because weak institutional frameworks and operational inefficiencies combine with a lack of transparency. Better governance systems alongside stricter regulatory enforcement and improved board independence would create optimal profitability conditions that foster lasting financial sustainability.

- **H3: Financial Affiliations Between Executives on Profitability (ROCE) of Banking Sector in Libya** - Research data shows that the banking sector remains uncertain about how much investors and lenders affect overall bank profitability. The survey participants were equally divided on whether outside parties should be considered the main determinants of bank profitability since 39.7% approved this notion while 39.8% disagreed. The split results show that executive relationships within banks exert more power on profit generation than financial capital sources from outside. The financial connections between major shareholders and executives at the bank create agency problems that lead executives to make choices that benefit themselves instead of shareholder value, according to (Abdelmoneim & Elghazaly, 2021). Libyan regulatory oversight is weak, which enables financially affiliated executive managers to make capital decisions that lower ROCE (Almashhadani, 2021). The tracking of expenses and income in Libyan commercial banks stands vital according to 44.3% of survey participants who expressed agreement or strong agreement. Thirty percent of respondents disagreed with the statement, while twenty-five-point seven percent expressed neutrality, showing insufficient agreement on this topic. The observations about financial affiliations match Jensen's (1986) theory, which shows that financial relationships produce inaccurate financial data and short-term profit improvements that create artificial ROCE increases at the expense of long-term financial stability. Libyan banks face challenges with inefficient capital management and decreased transparency when affiliates are involved in the banking sector (Putri Renalita Sutra Tanjung, 2021). The research outcome indicates wider problems regarding executive personal connections, which affect both profitability measurement and strategic management processes. Numerous experts hold different views about how capital structure affects profitability levels. A large portion of 40.6% of individuals concurred that bank financing structure positively impacts profitability, but 34.4% held opposing views, and 25.7% kept a neutral position. The study results support Modigliani and Miller's (1958) theory because they show that a balanced capital structure leads to efficiency improvement. Practice shows that executive financial relationships often lead to dangerous financial approaches that benefit personal profits rather than lasting returns (Saleem et al., 2023). The weak corporate governance structure in Libya allows financial connections to motivate executives to use excessive debt, which leads to lower ROCE, increased credit risks, and financial instability (Pendong et al., 2022). The study highlights two important elements that influence profitability: capital adequacy measures and bank size. A significant portion (51.9%) of the respondents disagreed that profitability is substantially affected by these factors, while agreement came from only 21.3% of respondents. Standard financial theory faces challenges because it promotes capital adequacy as financial stability protection (Rakkamsil & Butsalee, 2022). In Libya, financial relationships between executive leaders result in diminished capital buffer advantages because these leaders favor short-term financial returns, which reduces ROCE levels over time (Antou et al., 2021). Survey participants had mixed perspectives about the impact of GDP and inflation on profitability since 42.3% disagreed and 39.7% agreed with this statement. The Libyan banking sector shows that internal governance and executive affiliations have a stronger effect on ROCE than macroeconomic stability, according to global studies (Ameliyah & Syaiful, 2023). Economic fluctuations appear to have minimal impact on profitability compared to the strategic capital movement and risk management conducted by financially affiliated executives who control internal capital flows (Liyundira et al., 2023). Many analysts doubt the ability of banks to successfully use non-interest income to generate revenue stability. The majority (51.9%) of survey participants rejected the idea that a greater proportion of non-interest income decreases risks, yet just 21.3% supported this concept. The research aligns with (Ernayani, 2022) because banks that depend significantly on non-interest revenue suffer from increased profit volatility. Libyan bank executives affiliated with the financial sector often use risky diversification methods to boost short-term financial gains, but this approach creates inconsistent profits and intensifies operational risks in the bank (Almaqari et al., 2022). The research findings reveal that financial connections between Libyan banking executives generate multiple complex effects that negatively affect ROCE performance. The relationships between financial executives generate negative effects on corporate governance systems, which in turn intensifies organizational conflicts between stakeholders and produces dangerous financial activities that damage capital efficiency over the long term. The negative effects of executive financial affiliations on profitability should be reduced through stronger regulatory oversight combined with independent boards and greater transparency mechanisms.
- **H4: Codification of EDI on Profitability of Banking Sector in Libya** - Bank profitability and market competitiveness decline when Libyan banking practices fail to implement standardized EDI policies. The connection between corporate governance and corruption leads to different perspectives among Libyan banking professionals. The relationship between corporate governance success rates in the banking sector and corruption receives conflicting evaluations from 39.7% of respondents who agree and 42.3% who disagree. The results indicate a perceived lack of transparency in governance structures because corporate governance corruption distorts financial decision-making and reduces shareholder value, according to (Handayani & Ibrani, 2023). Libya's banking sector suffers from weak EDI policies, which enable outside networks based on personal associations to compromise organizational governance quality and decrease Return on Capital Employed (ROCE) levels (Kurniansyah et al., 2021). Survey participants showed a widespread agreement that dishonesty and lack of integrity weaken corporate governance systems by responding negatively to this statement. Forty-one-point-four percent of respondents did not agree or strongly disagreed with the statement that a lack of honesty and integrity does not affect governance. The research outcomes support (Ernayani, 2022) by showing that uncoded EDI practices create higher risks for executive self-serving conduct that leads to profit reduction. The Libyan business environment lacks formal EDI frameworks, which allow discriminatory hiring and promotion methods to persist, hamper innovative activities, and reduce operational effectiveness (Almaqari et al., 2022). The implementation of formal EDI policies would enhance governance performance because it would create accountable and fair decision-making processes. Yes and no reactions emerged from survey respondents about how good governance frameworks influence operational efficiency and profitability. Deficient governance practices led 37.3% of respondents to disagree with operational efficiency benefits, but 35.3% of respondents agreed, with 27.4% remaining neutral. A similar view emerges from (Liyundira et al., 2023) since they state that effective governance depends greatly on institutional enforcement mechanisms. The Libyan context of weak enforcement allows informal financial relationships to destroy the intended EDI benefits, thus preventing it from increasing ROCE. The study reveals institutional recognition of theoretical governance advantages, yet it shows conflicting actual implementation practices, thus producing different financial results. The Libyan banking sector experiences diminished corporate governance and decreased operational efficiency because it lacks established EDI practices, leading to poor financial results. Most respondents understand how governance integrity matters, yet they disagree about the level to which unethical practices and corruption impact financial results. Strategic, clear EDI guidelines need to be established because they will improve governance transparency and safeguard shareholder

interests. Implementing these measures would help reduce agency conflicts while enhancing decision-making processes, which should lead to sustainable profitability growth in the Libyan banking sector.

- **H5: Compliance on Profitability of Banking Sector in Libya** - The research demonstrates that researchers hold varying viewpoints regarding how corporate governance affects bank financial liabilities. A majority of 40% of survey participants (including those who agreed and strongly agreed) believe good governance enhances financial stability, yet 34.4% responded in disagreement, while 25.7% expressed neutrality. The survey results match (Almaqtari et al., 2022), who explain that strong corporate governance systems decrease information asymmetry, which leads to better financial liability management. The Libyan business environment suffers from regulatory enforcement problems, which reduce the impact of corporate governance systems. Weak compliance practices produce higher capital costs while increasing operational risks, which subsequently decreases Return on Capital Employed (ROCE) in banking institutions. Corporate governance practices show inconsistent relationships with shareholder interests according to varying opinions. Respondents hold the opinion that governance promotes financial viability and shareholder attraction, making up 39.7% (Agree and Strongly Agree combined), yet 42.3% of respondents disagree with this statement. The banking sector of Libya experiences doubts about governance due to its weak enforcement structure combined with multiple regulatory bodies. Corporate governance with proper structure helps protect shareholders through ethical conduct while securing sustainable earnings, according to (Kurniansyah et al., 2021). According to (Kurniansyah et al., 2021), stakeholders view governance regulation compliance as inconsistent, which diminishes stakeholder confidence and produces unfavourable financial outputs. Credit risk creates a significant issue regarding its impact on bank profitability levels. A total of forty percent of the surveyed individuals either agreed or strongly agreed that bank profitability experiences negative effects from increased credit risk levels. The findings match (Kurniansyah et al., 2021), who prove that banks experience diminished profitability because of elevated credit risk levels without proper compliance mechanisms, which results in higher default rates. The insufficient risk mitigation systems of Libyan financial institutions lead to declining ROCE levels due to poor coordination of regulatory supervision in that country. The research findings prove that corporate governance standards provide financial stability with greater profitability, yet imperfect compliance reduces their expected benefits. The ineffective execution of governance rules reduces credit risk management operations and introduces operational inefficiencies into the system. The profitability of Libyan banks should increase through strengthened compliance frameworks combined with active regulatory monitoring and robust corporate governance applications to decrease credit risks.
- **H6: Incorporating Mechanisms on Profitability of Banking Sector in Libya** - The combination of participants who expressed strong disagreement or disagreement with the statement made up 42.9% of total respondents, demonstrating a rejection of the cause-effect relationship between poor risk management and proper governance. Among the 36.1% of participants who express both Agree and Strong Agreement to this relationship. Research by (Kurniansyah et al., 2021) supports the findings, which demonstrate that effective risk management frameworks create financial stability for maintaining profitability. Weak governance structures occur in the Libyan banking sector due to mixed feelings about risk management, which leads to decreased operational effectiveness in banks that do not have complete risk management systems. Profitability decreases for banks because they fail to implement adequate risk mitigation strategies that safeguard them from market uncertainties and credit-related problems. The connection between bank liquidity levels and profits produces useful information. The majority of 42.3% of respondents who selected Agree or Strongly Agree support the conclusion that more bank liquidity generates reduced profitability, yet 33.3% of respondents who chose Strongly Disagree or Disagree reject this theory. (Kurniansyah et al., 2021) supports this result by demonstrating that unused funds diminish profitability by creating financial opportunity costs. The Libyan financial environment, with its inconsistent regulatory oversight, makes high liquidity levels a protective measure against market uncertainties. High levels of bank liquidity limit their capacity to secure profitable investment opportunities, which results in reduced profitability. The Libyan banking sector shows signs of profit stagnation because inefficient capital deployment occurs due to insufficient advanced liquidity management frameworks. Respondents demonstrated positive opinions about the relationship between operational efficiency and corporate profitability, as 44.3% of them agreed with this correlation, while 30% held opposing views. Operational efficiency achieved through sound governance mechanisms leads to improved profitability, according to (Kurniansyah et al., 2021). Systemic governance inefficiencies exist in Libyan organizations despite general awareness of the relationship between operational performance and profitability. The misalignment between operational performance and profitability implies that Libyan banks need better-streamlined processes together with transparent governance to achieve maximum profitability. Data shows that Libyan banking sector institutions rarely follow a standardized approach to implement governance mechanisms that effectively enhance profitability despite general agreement about their importance. Unreliable governance implementation leads to reduced profit potential and elevates operational risks because of inconsistent practices. The achievement of profitability requires better compliance practices, integrated risk management systems, and operational excellence standards that follow international best practices.

5.2 T-tests results on selected questions (Q11, Q12, Q23, Q28, Q29, and Q37) which focus on the relationship between CG and CP

- **Q11 - THE IMPACT OF CORPORATE GOVERNANCE ON CAPITAL MARKET FUNCTIONING AND PROFITABILITY** - T-test analysis revealed that corporate governance practices strongly determine the performance of capital market development and operations (Mean = 3.0379, $t = 41.048$, $p = 0.000$). The study confirms prevailing academic insights about how governance mechanisms help markets become more transparent while solving information asymmetry issues (Kurniansyah et al., 2021). Organizations that implement good corporate governance systems create clear investment conditions because they align corporate actions with shareholder priorities (Kurniansyah et al., 2021). The growing importance of corporate governance emerges in Libyan markets because the nation is developing its legal systems, thus requiring superior governance mechanisms to protect investors and market resilience (Kurniansyah et al., 2021). The research proves that market efficiency benefits from corporate governance practices through better disclosure and reduced fraudulent activities (Kurniansyah et al., 2021). The research outcomes demonstrate compatibility with the agency theory of Jensen and (Kurniansyah et al., 2021) because effective governance systems reduce agency conflicts between company management and shareholder groups. The Libyan banking sector faces challenges because weak regulatory oversight continues to damage market confidence, according to (Kurniansyah et al., 2021).
- **Q12 - SMOOTH CORPORATE GOVERNANCE MECHANISMS AND BANKING SECTOR STABILITY** - The T-test analysis shows that the banking sector requires smooth governance mechanisms because the test results indicate Mean = 2.8717 and $t = 38.217$ with $p = 0.000$. Research findings confirm that effective governance results in improved control systems together with superior decision-making capabilities, according to (Kurniansyah et al., 2021). Financial institutions operating within strong governance systems demonstrate better capabilities for efficient operations, risk management, and external shock response (Kurniansyah et al., 2021). The

research data supports the stakeholder theory because it demonstrates how governance creates equilibrium between owners' interests and those of employees and customers (Freeman, 1984). The banking sector operating in Libya requires smooth governance systems to ensure operational stability as well as stakeholder protection despite political and economic risks (Kurniansyah et al., 2021). According to Gompers et al. (2003), firms perform better financially when they have strong governance structures because accountability and efficient decision-making produce better results.

- Q23 - RISK MANAGEMENT AND GOVERNANCE EFFECTIVENESS - Risk management practices have a crucial effect on governance effectiveness, with a calculated mean value of 2.8863 and a statistic of 36.776 ($p = 0.000$). Previous studies agree that extensive risk management forms a basic element of corporate governance (Kurniansyah et al., 2021). Effective risk management helps financial institutions detect, measure, and protect themselves from threats while securing their profitability and enduring sustainability (Kurniansyah et al., 2021). The Libyan banking sector faces risks of financial instability because it lacks strong frameworks for risk management, which subsequently weakens governance effectiveness, according to (Akims et al., 2023). The Basel III framework highlights the requirement for risk management integration into corporate governance systems, which aims to achieve financial stability (Febiyanti & Hersugondo, 2022). The research supports the resource-based view (RBV) theory because risk management capabilities function as strategic assets that bestow competitive advantages on banks (Chaidir et al., 2022).
- Q28 - LIQUIDITY AND ITS INVERSE RELATIONSHIP WITH PROFITABILITY - This study establishes an important negative connection between bank liquidity and profitability (Mean = 3.1429, $t = 46.322$, $p = 0.000$). The research confirms previous findings, which show that high bank liquidity diminishes profitability through restricted income-producing operations (Widyastuti et al., 2022). The need to preserve financial stability through liquidity makes good sense, but excessive focus on liquidity results in lowered asset deployment and impaired financial returns, according to (Almashhadani et al., 2022). The research result upholds the trade-off theory, which states that businesses need to weigh the benefits of liquid assets against the opportunity costs of holding idle funds (EBGC & EBGC, 2022). Libyan banks prioritize liquidity to address external risks even though this strategy leads to decreased profits, as (Shakri et al., 2022) reported. Banks show lower net interest margins when they maintain high liquidity ratios because lending activities decrease, according to (Umiyati & Andriani, 2023).
- Q29 - CORPORATE GOVERNANCE AND ETHICAL BUSINESS PRACTICES - The T-test demonstrates that corporate governance produces meaningful improvements in financial viability and ethical business practices with a mean value of 3.0349, a t-value of 42.594, and a p-value equal to 0.000. The study confirms the legitimacy theory, showing organizations must follow ethical and social standards to build stakeholder confidence and preserve legitimacy (Oluwole, 2021). Public trust remains essential for banking sector operations to continue and for financial stability because ethical governance practices are crucial in this industry (Ardila & Sembiring, 2022). Ethical governance practices implemented in Libyan institutions serve to reduce risks associated with reputation while fostering investor trust. The study by (Kabbani & Zanelidin, 2021) shows that organizations that uphold ethical principles tend to receive lasting investments from investors in addition to developing enduring growth opportunities. The stewardship theory agrees that governance should focus on both ethical practices and sustainable value generation (Bagus, 2022).
- Q37 - OPERATIONAL EFFICIENCY AS A DRIVER OF PROFITABILITY - The analysis reveals that operational efficiency proves essential for corporate profitability since its mean score is 3.3761 and its t value is 47.585 with $p = 0.000$. The study supports the efficiency-structure hypothesis because efficient organizations reach higher profitability levels by minimizing costs and optimizing their resources (Sartam & Setiyono, 2022). The banking sector achieves operational efficiency through process optimization, cost reduction efforts, and service delivery enhancement (Balios & Zaroulea, 2021). Operational efficiency enhancement within the Libyan banking sector plays an essential role in both profit margin growth and competitive market success (Shahzad et al., 2023). The research conducted by (Safitri et al., 2022) demonstrates that banks that perform efficiently show superior outcomes because they implement better cost containment systems and deliver improved service standards. Organizational performance depends on matching internal capabilities with external circumstances according to the contingency theory as described by (Malik et al., 2023).

5.3 The extent to which CG affects CP in a qualitative manner

- GOVERNANCE AND PROFITABILITY: THE INTERPLAY - The main research discovery demonstrates how governance frameworks affect profitability outcomes within Libyan banking institutions. The research data demonstrates that inadequate corporate governance practices create substantial problems for profitability. A fundamental governance issue developed from distinct executive and non-executive roles being separated (Alhasadi and Yousef, 2019). Multiple findings demonstrate that when executive and non-executive roles blend, decision-making processes become both centralized and non-transparent, resulting in operational inefficiencies and decreased accountability. The problem exists most prominently within state-owned banks because political power typically surpasses basic business principles. Research has established that solid corporate governance frameworks that combine precise role divisions and free decision-making capabilities produce superior financial outcomes (El-Osta & Elghawi, 2020). The absence of clear role divisions between owners and managers in Libyan organizations produces unfavourable financial results because political interventions and administrative mismanagement become dominant factors. The discovered relationship opposes governance theories, which promote structured boards as positive contributors to financial profitability. According to (Alber & Kheir, 2018), the agency theory explains that financial performance should improve through independent oversight and ownership-control separation to reduce agency costs. Libyan political patronage has made the theoretical benefits outlined in agency theory irrelevant through its complete elimination of executive and non-executive role separation. A source interviewed for this study highlighted that "The governance structures are more about political Favors than about ensuring financial success," which indicates banks struggle to optimize decision-making when independent governance structures are absent, thus resulting in poor profitability. The research indicates that financial links between executive and non-executive personnel act as governance problems that reduce profitability potential. Many Libyan banks face the problem of non-executive directors who maintain financial relationships with executives, compromising their objectivity and decision-making independence. The results confirm existing global worries about governance structure conflicts of interest as described by (El-Brassi et al., 2020). Libyan banks struggle with substandard business strategies because their executives and professionals fail to maintain proper professional-personal interest boundaries. The link between effective board decision-making and corporate profitability becomes vital to understand, according to Tricker (2019, 2025). The compromised governance framework leads important decision-makers to pursue their personal interests over profitability, which decreases bank performance.
- INSTITUTIONAL FACTORS AND THEIR INFLUENCE ON PROFITABILITY - The findings synthesize a crucial aspect of how institutional factors affect corporate profitability levels in business operations. The research demonstrated how political instability,

together with regulatory frameworks and economic environment conditions, fundamentally affect Libyan bank financial results. The instability of the political environment, together with frequent government policy changes, leads directly to reduced profitability (Barghathi et al., 2018). Libyan banks follow government policies that dictate interest rate limitations and lending approaches, among other policies. The regulatory framework shapes banking operations as banks must follow directives that restrict their ability to effectively use market-oriented approaches for maximizing profitability. Profitability remains volatile for the Libyan banking sector because it receives its main income from interest while the domestic market remains unstable. The interviewees observed that Libyan banks remain exposed to interest rate changes because government entities determine all interest rates in the country. The regulatory oversight prevents banking institutions from adapting their operations to market changes, thus restricting their potential profitability. Research on state-dominated banking systems supports that government-dictated interest rates cause inefficiencies and reduce profitability, according to (Salem, 2019). Government control in Libya makes it exceptionally difficult for banks to seek secondary sources of revenue, which in turn restricts their potential for profitability growth. Libyan banks face negative profitability effects because of the ongoing economic instability across the country. The economic instability in a country leads banks to face elevated default rates and increased risks while experiencing lower profitability, according to research by (Hashlof et al., 2022). Libyan economic conditions featuring oil price instabilities and political disruptions alongside underdevelopment of the private sector create conditions that harm bank profitability. The absence of economic stability requires our bank to make regular financial adjustments that produce complex long-term planning difficulties, according to a private bank interviewee. The unstable economic conditions create obstacles for banks to execute profit-maximizing plans because effective risk management becomes both intricate and expensive. The regulatory structure that controls Libyan banking institutions proves to be a major institutional factor that directly affects profitability levels. Regulatory constraints established through foreign investment limit international banking relationship restrictions, and weak shareholder rights protection systems block banks from growing their operations and expanding their service range (Abusloum et al., 2021). The regulatory restrictions placed on Libyan banks prevent them from using international financial markets for funding, which reduces their investment opportunities in profitable business ventures. The regulatory framework prevents Libyan banks from achieving profit stability because it restricts their potential growth strategies and weakens their international market position.

- **CORPORATE PROFITABILITY AND OPERATIONAL EFFICIENCY** - The research demonstrates that Libyan banks experience a direct relationship between their operational efficiency levels and profitability outcomes. The research discoveries revealed various operational cost drivers, which include staffing excess, outdated system infrastructure, and weak risk control systems. The profitability potential of Libyan banks remains limited because of operational inefficiencies, which reduces their market competitiveness against global financial institutions (Mousa Mustafa Odeh et al., 2021). The political pressure to generate employment jobs in state-owned banks leads to excessive staffing beyond what is required for business performance. Research evidence demonstrates that banks achieve better financial outcomes when their operational efficiency reaches higher levels, and their staff productivity improves (Baryun, 2023). The personnel excess in Libyan banks drives up their cost-to-income ratio, which negatively impacts their profitability levels. Our bank has plenty of workers but lacks proper systems to verify maximum employee contributions to the financial statement according to one employee statement. The inefficient operations drive Libyan banks toward decreased financial success. Libyan banks operate behind other institutions due to their lack of technological advancement. Research revealed that numerous Libyan banks operate using outmoded banking systems, which restrict their operational effectiveness for cost reduction, customer satisfaction, and profitability improvement. The worldwide transition to digital banking alongside technological adoption enables banks to simplify their operations, decrease expenses, and better serve their customers (Mohamad Masli et al., 2021). Libyan banks operate with outdated legacy systems because they have faced slow technological investment, which hampers their ability to meet modern banking requirements. An interviewee explained that better technological infrastructure would help the bank decrease processing expenses and cut down operational costs, thereby boosting financial profits. The Libyan banking sector remains at a disadvantage because it lacks proper technological investments, which would generate operational increases alongside improved profitability levels. The operational inefficiencies in Libyan banks intensify because of poor risk management practices. The research showed that Libyan financial institutions do not enact effective risk management programs; thus, their default rates increase, and business expenses rise. This produces higher operational costs for banks. Financial institutions employing solid risk management systems achieve better performance compared to organizations that disregard risk assessment (Wan Omar et al., 2020). Libyan banks operate in greater uncertainty because they lack complete risk management systems, which impairs their ability to maintain long-term profitability.
- **CORPORATE GOVERNANCE REFORMS AND CORPORATE PROFITABILITY OPTIMIZATION** - The study demonstrates that profitability benefits strongly from governance reform initiatives. Financial performance in Libyan banks will improve when the institutions establish stronger governance mechanisms, which include independent boards, clear role separation, and transparent decision-making processes. During interviews with senior banking officials, they confirmed that unclear governance systems enable political control over financial decisions, which causes performance problems and profit reduction. Our financial performance will stay restricted until the banking sector establishes an independent board that bases business decisions on financial performance instead of political factors. Global research supports the need for Libyan bank governance reforms since effective corporate governance systems improve financial performance (Hamd et al., 2023). Better governance structures within Libyan banks will strengthen the connection between business decisions and profitability targets, which will ultimately improve both performance efficiency and financial results. To maximize Libyan bank profitability, it is imperative to implement reforms in risk management, adopt new technology, and enhance operational efficiency. Such reforms will produce cost reductions that generate more revenue and boost total profitability. Libyan banks face substantial political, economic, and institutional barriers when implementing essential reforms for their sector in this current environment.

CHAPTER SIX:

6.1 Main Challenges and Opportunities for Good CG and CP Growth in Libya:

- **POLITICAL INTERFERENCE AND STATE CONTROL** - The Thesis findings confirm the fact that at present the level of political and state control is not a severe problem as it used to be. To exploit the opportunities identified in Figure 6.1 (e.g., a/CG mechanisms as imperative for CP and functioning and development of capital markets; b/Banks' local, regional, global competitiveness through increased CP, societal wellbeing, and sustainability), the implication of the Thesis findings is that there is an increasing effort by the current governments to encourage good corporate governance policies and practices in the banking sector in Libya. This has led to good corporate governance e.g., there is now less subservience to political interests which has improved financial prudence or

shareholder interests, although the state remains a dominant shareholder, regulator and appointing power in the bank management and board. Historically, the arm-length distance between ownership and management required to maintain an effective oversight has been compromised by this political co-optation of governance institutions. As mentioned by Alshbili et al. (2020) and confirmed in this study, assigning politically tinted people to ensure decision-making essentially undermines the board's capacity to operate objectively, instil compliance, and take on long-term strategic objectives. A process of decision-making is instead politicized, and decision-making falls in line with short-term political goals, like political lending or patronage in employment, putting banks at risk of too much credit exposure as well as an inefficient way of running the banking business. In addition, there exists confused liability and disintegrated enforcement due to the state playing the dual roles of both the administrator and the owner. Regulatory forbearance turns into a tool of politics, and when politically influential entities violate governance laws, rarely are they punished. This has practically provided impunity to public banks and strengthened a culture of impunity and lack of risk.

- **LEGAL AND REGULATORY FRAGMENTATION** - The Thesis findings also confirm the evidence that a second most important barrier to exploitation of the opportunities identified in Figure 6.1 (e.g., a/CG, CP and Capital markets; b/Banks' competitiveness), effectiveness of corporate governance in Libya is the fact that the legal system of corporate governance of the banking and corporate sector is fragmented and outdated. Although the adoption of the Corporate Governance Code (LCGC) and the laws that govern banking practice with the ownership of the Central Bank of Libya (CBL) have been adopted, these are not enforceable, not harmonized, or clear. According to Elshahoubi (2019), most of the corporate governance laws in Libya are advisory and not mandatory, and this symbolic compliance translates to no changes occurring to the institution. Among the most eminent is the inconsistency between the Commercial Law of Libya that allows the same individual to operate as the CEO and the chair of the board under the circumstances of crisis and article 3-K of the governance code (LCGC) that does not respect such a practice. Such inconsistency has created an opportunity for the banks to exploit the legal loopholes, thus undermining the checks and balances and establishing the executive power without independent checks. Also, there is no specific commercial court, nor is there a special regulatory tribunal to ensure that disputes related to governance are solved quickly, as well as there is no incentive to whistle blow. This legal gap vitiates the validity of the requirements of governance and hinders the redress of corporate misconduct, which occurs infrequently and non-effectively. In addition, regulatory guidelines promulgated by the CBL, Ministry of Economy and the Libyan Stock Market tend to overlap or even conflict with one another, a factor that generates confusion as well as regulatory weariness among financial sector institutions. Such a lack of coherent governance lowers policy coherency and lowers the credibility of reform efforts.
- **WEAK BOARD STRUCTURES AND LIMITED INDEPENDENCE** - Another serious barrier or challenge to reform of the CG of Libyan banks is the structural composition of the bank boards. As the results and findings from this Thesis indicate, the decisions made when appointing members to the board will always be based on some political relationships or personal acquaintance but are not based on skills, Independence, or proficiency. The effect of this practice is giving the oversight role of the board little significance that it becomes useless in making the executive management answerable. Empirical evidence has indicated that most banks in Libya do not have independent non-executive directors or people who play a critical role in maintaining objectivity, opposing actions of the executive as well as safeguarding the interest of shareholders. The concentration of inside directors connected to the top management of the banks or the state organizations severely handicaps the capacity of the board to furnish some critical challenge or say about strategic focuses. Also, most of the boards lack diversity either in professional background, gender, or international experience. This homogeneity limits the scope of opinions to be used in making deliberations and results in group thinking, particularly in the field of risk assessment, digital transformation, and sustainability. In addition, the board assessment tools, which are prevalent in properly run organizations, have virtually not been established in the Libyan banks, and there are no measurements, revitalization patterns or demands of accountability.
- **LACK OF TRANSPARENCY AND WEAK DISCLOSURE PRACTICES** - From the Thesis findings this researcher argues that effective corporate governance relies on transparency, which is at present not as good as it should be in the commercial banking sector of Libya. For example, there is frequent delay, incomplete, and non-standard preparation of financial disclosures, and thus, they are not consistent with the international reporting framework, including IFRS. Such opacity is not only a hindering force to market discipline but also a demoralizing factor to investor confidence, perceived risk, and access to foreign capital. It was revealed that most of the banks fail to issue annual reports and accounts, and those that do expound upon the same fail to provide adequate detail to allow the stakeholders to make judgments on the risk coverage, capital adequacy, or the performance of governance. The sensible involvement of external auditors and the fact that audit committees do not fully serve their purpose are adding to this systemic level of transparency. In addition, the Libyan banks seldom publish their policies of corporate governance, regulatory boards, or executive compensation systems. This information shortage restricts the possibilities of the stakeholders to evaluate the consistency between the decisions made by management and the interests of its shareholders since these breaches the principle of transparency and accountability that forms the basis of contemporary corporate governance models (OECD, 2015).
- **ABSENCE OF EFFECTIVE RISK GOVERNANCE** - Another significant corporate governance gap defined in this PhD research relates to risk management. Risk management activities have been unutilized even though it is not rare to find in the MENA region that Libyan banks work within the most volatile economic conditions. Most commercial banks do not have specialised risk committees, independent compliance or even institutionalised internal audit functions. Rather, risk management is usually incorporated into the operation, lacking adequate freedom and reporting freedom. Such role overlap impedes best practices suggested by Basel III and presents considerable operation and credit risk to the banks. Libyan banks lack early warning systems, stress tests or risk models, so they are relatively poorly placed to predict or react to external shocks, e.g. currency volatility, inflation booms or geopolitical upheavals. The results indicate that there is a direct relationship between poor risk governance and poor financial performance. Banks without formal risk governance systems exhibited increased non-performing loans, poor measures of profitability (ROA and ROE) and an enlarged liquidity mismatch. This validates the fact that poor governance is a strategic weakness and not merely an ethics or process problem that harms financial stability.
- **SOCIO-CULTURAL RESISTANCE TO GOVERNANCE REFORM** - Finally, this researcher identified an issue that is not so measurable yet is influential is the socio-cultural resistance to the governance reform. The commercial banking sector in Libya is still affected by hierarchical, collectivist cultural parameters that support subordination, personal relations, and tribal membership rather than meritocratic or rule-based policies. The result of such cultural forces is reflected in a non-transparent process of hiring, a lack of willingness to take responsibility for action, and an overall resistance to external audits or examinations. Most executives regard the governance reforms as Western imports that could not fit into the Libyan socio-political conditions. Such perception creates a passive temptation to reform and, arguably, facilitates what is commonly known as superficial compliance, namely, the prevalence of

structural acceptance of governance structures but the absence of their underlying content. The other element that stalls institutional change is the low level of knowledge and realization of the rules of corporate governance among staff members, the members of the board, and policymakers. Training programs, professional certification, and awareness campaigns are either lacking or ineffective. As Zagoub (2019) emphasizes, meaningful reform requires a cultural transformation that embraces transparency, accountability, and merit-based leadership. Without this shift in values, formal regulatory changes will remain insufficient to produce substantive improvements.

6.2 The theoretical contributions emerging from the Holistic framework

- **USING THE HOLISTIC FRAMEWORK TO REASSESS AGENCY THEORY IN POST-CONFLICT LIBYA** - The agency theory assumes that conflicts of interest inevitably take place between the shareholders (principals) and the managers (agents), especially where the main aspects of information asymmetry and goal misalignment are present (Jensen & Meckling, 1976). This Thesis is very convincing concerning the relevance of agency theory in Libyan banking. The main dysfunctions of governance in Libya, such as over-exercising executive authority, politicization of management and weak shareholder protections, correspond to the major inefficiencies outlined by the agency theorists. Some of the problems inherent in the research were quite common and included the politically appointed executives working to fulfil short-term political interests in lieu of longer-term financial feasibility concerns. This example of the interest's mismatch indicates a high degree of agency issues because, given that the state owner has held ownership and no independent board exists, there is a low level of accountability on the part of an agent. The major impact of poor disclosure is further widening information asymmetries, which hinder shareholder scrutiny and facilitate managerial entrenchment. In Libya, the banks fail to publish full and at appropriate times the financial statements, which implies that shareholders, depositors and other people outside the bank cannot completely monitor the performance or the way the bank conducts its business. Additionally, the Holistic framework not only enhance the claim of the agency theory but also proves the fact that the principal-agent dilemma is more complicated in case the principal is the state within a weak, rentier economy. The case of Libya regarding the state as an owner, as well as regulator and policymaker, is adopted. This multifaceted role distorts traditional agency relationships and allows for institutionalized conflict of interest. Unlike traditional agency models in liberalized economies, where the shareholders can exert influence through voting or divestment, Libya's political economy precludes such levers of control. Hence, this research exposes a critical limitation of agency theory in accounting for public-sector dominated or authoritarian banking systems, suggesting the need for an expanded conceptualization that incorporates political economy dimensions.
- **HOLISTIC FRAMEWORK, STAKEHOLDER THEORY AND THE DILUTION OF ACCOUNTABILITY** - Stakeholder theory argues that corporate governance should consider the interests of a broad range of stakeholders, not just shareholders, including employees, customers, regulators, communities, and the broader economy (Freeman, 1984). The Holistic framework underscores the relevance of stakeholder theory in the commercial banking sector, given the systemically important nature of commercial banks and their role in economic development. In the Libyan context, commercial banks hold a critical developmental mandate: to support SME financing, enable public sector wage distribution, and promote economic stabilization. However, empirical findings indicate that stakeholder interests are often neglected due to the dominance of narrow, politically driven objectives. The Holistic framework reveals that Libyan commercial banks often prioritize elite interests, those of politically connected individuals or entities, over broader stakeholder welfare. Loans are frequently extended on non-commercial terms to insiders or rent seekers, while small businesses and ordinary depositors face restricted access to credit or suffer from liquidity shortages during political turmoil. In addition, the lack of transparent disclosure, weak regulatory enforcement, and frequent breaches of ethical standards (e.g., failing to implement know-your-customer procedures) demonstrate the systemic failure to uphold fiduciary responsibility to stakeholders. However, the findings also raise a critical theoretical insight: stakeholder theory presumes a degree of institutional functionality and regulatory support that may not exist in fragile or post-conflict settings. In Libya, where the rule of law is weak and enforcement mechanisms are ambiguous, stakeholder accountability cannot be assumed, it must be actively institutionalized. Thus, stakeholder theory requires modification or contextualization in environments where stakeholder engagement mechanisms, civil society oversight, or legal recourse are underdeveloped. This research contributes to the refinement of stakeholder theory by emphasizing the need to consider institutional capacity and political structures as mediating factors in the realization of stakeholder-oriented governance.
- **HOLISTICS FRAMEWORK & THE LIMITS OF STEWARDSHIP THEORY IN POLITICALLY CAPTURED ECONOMIES** - Stewardship theory posits that managers, when entrusted with resources, will act as stewards for the organization, aligning their goals with those of the stakeholders and exhibiting trustworthiness, professionalism, and intrinsic motivation (Davis et al., 1997). It assumes that under certain structural and cultural conditions, control mechanisms may be relaxed in Favor of empowering managers to deliver sustainable outcomes. However, this study finds limited support for stewardship theory in the Libyan commercial banking sector. The Libyan political economy has instilled a culture of keeper as opposed to steward, where the heads of banks are commonly awarded based on commitment to political masters as opposed to the expression of strategic insight, ethical conduct or fiscal responsibility. The fact that there is no performance-based incentive, no board evaluation, and the performance is not focused on the value creation in the long term is a sign that the model of stewardship is no longer in place in Libya in the present time institutional environment. Furthermore, it has been found that stewardship behaviour is not expected in those environments where career growth is not dependent on merit but on connections with political elites and where the misconduct of executives is not punishable either by legal action or by social disgrace. This contradiction undermines one of the major postulates of the stewardship theory that it is possible to positively influence managerial behaviour through trust and intrinsic motivation. Under the Libyan scenario, such assumptions will be naive or seem premature, which adds to the position that the stewardship theory can be context-specific and fail to lay across the board, especially in institutions where institutions are not robust. Nevertheless, the Holistic framework introduces an alternative use of stewardship theory: it can be applied in case of some CG reforms conditions e.g., independent boards, performance evaluation systems and ethical leadership training must be introduced; in that case, stewardship behaviours can be eventually developed. This process does not just need structural adjustments but also cultural reengineering in the sense of giving prominence to fiduciary duty, transparency and service in the interests of the people as compared to political loyalty or rent seeking.
- **HOLISTIC FRAMEWORK & INSTITUTIONAL THEORY: GOVERNANCE IN FRAGILE REGULATORY ECOSYSTEMS** - Institutional theory averred that the behaviour of organizations is not merely influenced by economic efficiency issues but by the need to adhere to norms, rules, and expectations that are archetypes developed over time (DiMaggio & Powell, 1983). In that view, Libyan banks exist within a wider institutional context of weak legal systems, political control of regulation and cultural aversion to foreign approaches to regulation. There is ample evidence that can be used to support the argument that institutional theory is applicable in

determining why governance reforms in Libya have, in most instances, failed to find a foothold based on the research findings. Notwithstanding the introduction of the Libyan Corporate Governance (LCGC) and the adoption of international code norms, there is still little substantive compliance. The trend fits into what has been defined as the trend of decoupling, where organizations embrace practices external to them in the quest to seek legitimacy but fail to incorporate the practices into the true operations of the organization (Meyer & Rowan, 1977). To sum up, as an example, Libyan banks purport to have an in-house audit department and risk committee; in fact, the structures do not work, are poorly equipped with resources, or are subordinate to the executive. In the same way, the board policies and the governance always have board charters which are on paper and are not followed at all. This ritualized adoption of the reforms may be explained as an effort to demonstrate an intention to comply with international standards (e.g. those of the IMF or World Bank) but to lack the institutional capacity or political will to do so substantively. Furthermore, the Holistic framework reveals how institutional isomorphism, mimicking the governance models of Western financial systems, has failed to consider Libya's specific socio-political and cultural context. Governance models based on transparency, competition, and shareholder rights struggle to function in an environment where governance decisions are shaped by tribal affiliations, centralized state authority, and informal norms of loyalty and deference. The Holistic framework therefore reinforces the importance of contextualizing governance reforms, avoiding the assumption that institutional solutions that work in mature economies can be transplanted wholesale into post-conflict settings. Instead, institutional theory should account for localized institutional logics, path dependencies, and informal power structures that define organizational behaviour in such environments.

6.3 Practical Recommendations

- **STRENGTHENING BOARD INDEPENDENCE AND COMPETENCE** - One of the most pressing CG issues in the Libyan banking sector is the lack of independence and the weak competence of board members. The blurred line between executive and non-executive responsibilities undermines checks and balances (Ibrahim & Lawela, 2015). It is recommended that Libyan banks adopt strict guidelines for board composition by separating the roles of CEO and Chairperson and ensuring that a majority of board members are independent and professionally qualified. Recruitment of board members must be based on technical qualifications, prior banking or financial experience, and an understanding of risk oversight. A formal and transparent board nomination process, through an external review committee, can improve legitimacy and reduce cronyism (Zagoub, 2015). Further, board training on financial regulation, risk management, and digital banking trends should be mandatory.
- **ENFORCING THE 'COMPLY OR EXPLAIN' PRINCIPLE WITH REGULATORY OVERSIGHT** - Libyan banks must shift from a passive to a more proactive approach toward CG compliance. The adoption of the "comply or explain" principle, common in UK corporate governance, should be formalized through regulatory frameworks to make deviations from governance codes justifiable and transparent (Baryun, 2023). However, for this to be effective, enforcement mechanisms must be strengthened. Regulatory bodies such as the Central Bank of Libya (CBL) need more autonomy, capacity, and resources to audit board performance, governance disclosures, and shareholder rights. Transparency should not remain a symbolic performance. As the findings suggest, unchecked deviations in Libyan banks are often covered up by political patronage or weak auditing procedures, contributing to risk opacity and investor distrust (Balhasan et al., 2022). Mandatory annual reports disclosing board structure, executive pay, conflicts of interest, and governance deviations must be introduced and subject to third-party scrutiny.
- **CURTAILING POLITICAL INTERFERENCE THROUGH GOVERNANCE SAFEGUARDS** - A critical barrier to effective governance and profitability is excessive political interference in board decisions, executive appointments, and credit allocation. This is not unique to Libya, many developing countries suffer from similar issues (Kreiw, 2019), but its scale and impact are particularly pronounced in Libya due to prolonged political instability. To limit this interference, Libyan banks should introduce governance safeguards such as tenure limits for board members, conflict-of-interest declarations, and anti-corruption clauses in contracts (Abofaied, 2017). Additionally, the establishment of an independent governance oversight committee, either at the national or institutional level, could be instrumental in monitoring board activities without direct government involvement.
- **INSTITUTIONALIZING DIVERSITY AND EQUITY POLICIES** - Equity, Diversity, and Inclusion (EDI) remain largely overlooked in Libyan banks, as reflected in the absence of women and minorities on boards and in senior management. Numerous studies have linked board diversity to improved financial oversight and innovation capacity (OECD, 2016). It is recommended that Libyan banks institutionalize diversity policies that mandate the inclusion of women, youth, and marginalized groups on boards and in executive roles. Gender and ethnic diversity should not only be regulatory targets but also business imperatives. The integration of varied perspectives is proven to reduce groupthink, enhance risk detection, and foster innovative decision-making, all of which contribute to long-term profitability (Khader, 2023).
- **IMPROVING RISK MANAGEMENT INFRASTRUCTURE** - The study indicates that ineffective risk management practices undermine both governance and profitability. Libyan banks should integrate enterprise-wide risk management (ERM) systems that proactively identify, measure, and mitigate financial and non-financial risks (Salem, 2019). This requires investing in predictive analytics, data governance, and staff training. In addition to technological upgrades, establishing internal risk committees with clearly defined responsibilities can enhance risk accountability. These committees should report directly to the board and be independent from the profit-generating departments to avoid conflicts of interest (Hamd et al., 2023).
- **LEVERAGING DIGITAL TRANSFORMATION TO ENHANCE EFFICIENCY** - Operational inefficiency, outdated infrastructure, and manual processes heavily contribute to cost inflation and reduced profitability. Libyan banks must strategically invest in digital transformation, adopting core banking software, automating back-office operations, and introducing online customer services, to improve both governance and performance (Elsallabi et al., 2021). Digital tools also enhance governance transparency. For instance, blockchain-based audit trails can significantly reduce fraud and enable real-time compliance monitoring. However, the success of digital transformation depends on institutional readiness, cybersecurity frameworks, and workforce digital literacy (Zaed et al., 2016). Hence, regulatory guidelines on minimum digital infrastructure standards and cybersecurity protocols should accompany any push for digital banking (Tabouli et al., 2016).
- **REALIGNING STRATEGIC GOALS WITH PROFITABILITY METRICS** - A recurring theme from the findings was the absence of long-term strategic alignment in bank operations. Most Libyan banks function on short-term, politically influenced objectives rather than long-term profitability goals. Strategic plans must be revisited to align with measurable profitability indicators such as Return on Assets (ROA), Return on Equity (ROE), and Cost-to-Income Ratio (CIR) (Stela & Abdulsalam, 2016). Balanced scorecard models can be employed to track both financial and non-financial performance metrics. This enables banks to balance profitability with

governance standards, customer satisfaction, and employee engagement (Abusloum et al., 2021). Such an integrated approach fosters sustainable growth and stakeholder confidence.

- **PROMOTING INVESTOR CONFIDENCE THROUGH TRANSPARENT FINANCIAL DISCLOSURES** - Investor relationships are central to effective governance and capital market development. Currently, financial disclosures by Libyan banks lack standardization and timeliness, which reduces investor trust and market participation. It is recommended that banks adhere to International Financial Reporting Standards (IFRS) and conduct regular investor briefings that communicate financial health, governance issues, and risk exposures (El-brassi et al., 2017). Moreover, forming dedicated investor relations teams can institutionalize communication channels between banks and stakeholders, ensuring two-way engagement. Enhanced transparency, in turn, supports more accurate risk pricing and credit ratings, which are essential for accessing foreign capital markets (Shurbagi, 2015).
- **RE-EVALUATING THE GOVERNANCE-PROFITABILITY NEXUS** - Finally, this study recommends a change in thinking in how Libyan banks conceptualize the relationship between governance and profitability. Governance is not a regulatory burden but a profitability enabler. Research has shown that strong governance frameworks reduce capital costs, improve credit ratings, and attract long-term investors (Ali & Saleh, 2020). As such, governance reforms should be embedded into the core strategy of financial institutions, not viewed as peripheral, or externally imposed. Benchmarking against successful regional models, such as Moroccan or Jordanian banks, could provide relevant insights for Libyan banks navigating similar socio-political contexts (Iswaissi & Falahati, 2017).
- **In brief**, the Thesis' Holistic framework demonstrates that the challenges and opportunities for effective corporate governance policy and practice in Libyan commercial banks are systemic, interconnected, and deeply embedded in political, legal, institutional, and cultural structures. These barriers or challenges have resulted in a corporate governance landscape characterized by inefficiency, opacity, and low financial performance. Addressing these challenges and exploiting the opportunities requires a multidimensional and coordinated strategy involving a/Depoliticization of bank corporate governance through merit-based board appointments and reduced state ownership. To address these structural inefficiencies, Libya must reimagine its corporate governance architecture, by mandating board independence and setting term limits for directors. b/Legal reforms to harmonize conflicting laws, enforce compliance, and establish specialized commercial courts. These structural inefficiencies can be addressed by reducing state ownership and fostering competitive privatization. c/Capacity building through training, board certification, and public awareness campaigns. These structural inefficiencies can be addressed by strengthening internal audit, risk, and compliance functions. d/Cultural change initiatives that promote ethical leadership and professional integrity. To address these structural inefficiencies, Libya must reimagine its corporate governance leadership and professionalism, by enhancing regulatory coordination and judicial capacity. e/International cooperation to align Libyan banking practices with global governance standards (e.g., Basel III, OECD, IFRS). To address these structural inefficiencies, Libya must reimagine its CG mechanisms by clarifying and enforcing corporate governance legislation.

6.4 Key Areas for Future Research

- **DEEPENING CONTEXTUALIZATION THROUGH QUALITATIVE INQUIRY (QUALITATIVE RESEARCH)** - This researcher argues that because corporate governance in politically complex environments like Libya is not only a technical or regulatory issue, but also deeply shaped by informal networks, personal relationships, and socio-political dynamics, future research should therefore: a/Conduct in-depth qualitative case studies involving interviews with key stakeholders such as board members, compliance officers, bank regulators, policymakers, and bank clients. b/Explore the informal governance structures that operate parallel to official mechanisms, such as patronage networks, tribal affiliations, and insider influence, particularly in board appointments and credit decision-making. c/Use ethnographic or narrative methodologies to gain a more textured understanding of how governance is experienced, interpreted, and negotiated within banking institutions. This approach will uncover hidden power dynamics and provide a more holistic picture of how governance operates beyond written codes and formal procedures.
- **LONGITUDINAL ANALYSIS OF GOVERNANCE REFORM IMPACTS (QUANTITATIVE RESEARCH)** - From the Holistic framework, we can see that corporate governance reform is a long-term or continuous process. While this study has examined the structural weaknesses in Libya's banking governance at a given point in time, it does not track changes over time or evaluate the longitudinal effects of reform interventions, particularly those initiated after 2020. Therefore, future studies should: a/Design longitudinal studies that monitor changes in governance practices (e.g., board independence, risk management quality, disclosure practices) and their impacts on profitability over a five- to ten-year period. b/Evaluate the effectiveness of newly implemented reforms by the Central Bank of Libya or government institutions, especially if Libya begins to stabilize politically. c/Analyse how banks respond to external shocks (e.g., currency devaluation, sanctions, pandemic disruptions) based on the maturity of their governance frameworks. This would allow researchers to assess the causal and time-sensitive relationship between governance and financial performance, which is essential for shaping evidence-based policy recommendations.
- **COMPARATIVE REGIONAL RESEARCH: LIBYA AND BEYOND (MIXED METHODOLOGY RESEARCH)** - This study also confirmed that Libya's corporate governance challenges are unique, but not entirely isolated, because, other MENA countries, such as Yemen, Iraq, Sudan, and Syria, share post-conflict traits, while others like Morocco, Egypt, and Tunisia are actively reforming their governance frameworks. As such, future research should: a/Conduct cross-country comparative studies of corporate governance in MENA commercial banks, particularly in states transitioning from conflict or authoritarian regimes. b/Examine how different countries have adapted international governance models (e.g., Basel III, OECD Principles) to their specific institutional contexts, identifying success factors and pitfalls. c/Investigate the role of regional financial cooperation (e.g., Maghreb banks, African Development Bank partnerships) in fostering governance convergence or divergence. Such comparative work can provide a benchmark for Libya and help identify adaptable reform strategies based on shared regional experiences.
- **EXPANDING THE SECTORAL SCOPE BEYOND COMMERCIAL BANKS (MIXED METHODOLOGY RESEARCH)** - While this study has focused on commercial banks as central financial actors, governance dynamics in Libya extend far beyond this sector. State-owned enterprises (SOEs), microfinance institutions, Islamic banks, and fintech companies are also relevant entities with distinct governance needs. In this context, future research should: a/Examine the corporate governance of Libyan SOEs, particularly in the energy and infrastructure sectors, which are major contributors to GDP and highly politicized. b/Analyse Islamic banking governance structures, which involve additional layers of religious compliance and Shariah board oversight. c/Explore how microfinance institutions and fintech firms manage governance challenges in the absence of comprehensive regulation. d/By adopting a multi-

sectoral lens, future research can contribute to the creation of a national governance ecosystem that aligns principles across various financial entities and economic sectors.

- **EVALUATING THE ROLE OF TECHNOLOGICAL INNOVATION AND ESG GOVERNANCE** - The Thesis findings reveal that as global governance standards evolve, there is growing emphasis on technology-enabled governance (e-governance) and Environmental, Social, and Governance (ESG) criteria. Libya's financial sector has yet to fully engage with these developments, presenting an important area for future investigation. This means future researchers could: a/Explore the potential of blockchain, AI, and digital compliance tools in improving audit trails, enhancing transparency, and mitigating governance risks in Libyan banks. b/Evaluate the readiness and willingness of Libyan banks to adopt ESG frameworks, particularly considering international investor expectations and sustainable finance trends. c/Assess how digital transformation strategies, including mobile banking, automated credit scoring, and digital KYC, affect governance and risk management in both urban and rural banking contexts. Such studies will help position Libyan banks within the broader discourse of modern governance innovation, allowing them to leapfrog traditional models through technological adoption.
- **DEVELOPING CONTEXT-SPECIFIC THEORETICAL FRAMEWORKS** - Finally, this study has revealed the limitations of applying conventional governance theories, like agency, stakeholder, and stewardship theories, in the Libyan context without adaptation. These theories often presuppose institutional maturity, functional regulatory enforcement, and competitive markets, which are lacking in fragile states like Libya. Therefore, future academic research should: a/Develop hybrid theoretical models that integrate Western governance principles with post-conflict political economy frameworks and cultural sociology. b/Investigate the role of tribalism, informal patronage, and localized legitimacy systems in shaping governance behaviours in financial institutions. Propose Libya-specific governance maturity models, capable of tracking progress through context-sensitive indicators rather than relying solely on international benchmarks.

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APPENDICES:

APPENDIX A: RESEARCH ETHICS APPROVAL LETTER



Downloaded: 03/10/2025
Approved: 15/03/2023

Najat Ismaiel
Sunderland Business School
Programme: Doctor of Philosophy

Dear Najat

PROJECT TITLE: Corporate Governance and Profitability: Challenges and Opportunities Facing Commercial Banks in Libya
APPLICATION: Reference Number 015492

On behalf of the University ethics reviewers who reviewed your project, I am pleased to inform you that on 15/03/2023 the above-named project was **approved** on ethics grounds, on the basis that you will adhere to the following documentation that you submitted for ethics review:

- University research ethics application form 015492 (form submission date: 16/01/2023); (expected project end date: 01/05/2025).
- Participant information sheet 1023210 version 2 (16/01/2023).
- Participant information sheet 1023699 version 1 (16/01/2023).
- Participant consent form 1023698 version 1 (16/01/2023).

If during the course of the project you need to deviate significantly from the above-approved documentation please email ethics.review@sunderland.ac.uk

For more information please visit: <https://www.sunderland.ac.uk/research/governance/researchethics/>

Yours sincerely

Mrs Andrea Howell
Ethics Admin
University of Sunderland

APPENDIX B: PARTICIPANT CONSENT FORM



**University of
Sunderland**

Consent Form

Participant code: _____

I am over the age of 18

I have read and understood the attached study information and, by signing below, I consent to participate in this study

I understand that I have the right to withdraw from study without giving a reason at any time during the study itself

I understand that I also have the right to change my mind about participating in the study for a short period after the study has concluded.

Signed: _____

Print name: _____

(Your name, along with your participant code is important to help match your data from two questionnaires. It will not be used for any purpose other than this.)

Date: _____

Witnessed by: _____

Print name: _____

Date: _____

APPENDIX C: PARTICIPANT INFORMATION SHEET



PARTICIPANT INFORMATION SHEET

Study Title: Key Corporate Governance and Profitability: Challenges and Opportunities facing Commercial Banks in Libya

What is the purpose of the study? the overarching aim of this research proposal is to provide a critical understanding of how shareholders and stakeholders value and perceive the key challenges and opportunities facing Libyan commercial banks when it comes to formulating and implementing good corporate governance policies and practices in the context of sustaining their corporate profitability in today's fast-changing and dynamic global financial services sector.

Who can take part in the study Senior level employees who are working in Commercial Bank in Libya e.g., Directors, Managers, senior executives, Stakeholders and Shareholders.

Do I have to take part?

Participation is entirely voluntary. If you change your mind about taking part in the study, you can withdraw at any point during the session without giving a reason and without penalty.

What will happen to me if I take part? None

What are the possible disadvantages and risks of taking part? None

What are the possible benefits of taking part? Opportunity to give your ideas and feedback about Corporate Governance policies and practices impact on Challenges and Opportunities facing Commercial Banks in Libya.

What if something goes wrong?

If you change your mind about participation, please contact me by email to cancel your participation. If you feel unhappy about the conduct of the study, please contact me immediately or the Chairperson of the University of Sunderland Research Ethics Group, whose contact details are given below.

Will my taking part in this study be kept confidential? Yes

What will happen to the results of the research study?

If suitable, the results may also be presented at academic conferences and/or written up for publication in peer reviewed academic journals.

Who is organising and funding the research? Researcher

Who has reviewed the study?

The University of Sunderland Research Ethics Group has reviewed and approved the study.

Contact for further information:

Doctor John Fulton (Chair of the University of Sunderland Research Ethics Group, University of Sunderland)

Email: john.fulton@sunderland.ac.uk

Phone: 0191 515 2529

APPENDIX D: SEMI-STRUCTURED INTERVIEW QUESTIONS

Key Theme #1: Corporate Governance

1. Do you think that smooth mechanisms of corporate governance are imperative for the banking sector?
2. How do you think corporate governance affects the functioning and development of capital markets?
3. How would you explain good corporate governance based on your working experience?
4. Do you think the major corporate governance issue in Libyan banks is the qualification and composition of the board?
5. How do you experience collaboration between bank supervisors and bank management?
6. For long-term investments, do you believe corporate governance plays a vital role in building transparency, trust, and accountability?
7. Does corporate governance help improve a bank's performance by sustaining and structuring incentives?
8. Do you agree that firms with poor governance are responsible for negative market reactions and poor market responses?
9. How much does the financial liability of banks rely on good corporate governance?
10. What are your views on corporate governance's role in mitigating risk, enhancing capital flow, ensuring internal control, and improving decision-making?
11. Do you believe that corruption in the banking sector hinders the success rate of corporate governance?
12. Do you think a lack of strategic alignment and control strengthens the need for corporate governance? If yes, to what extent?
13. Does ineffective risk management impact the effectiveness of governance in banks?
14. Do you agree that a lack of honesty and integrity does not affect corporate governance? Why or why not?
15. What are your views on how investor relationships influence corporate governance and its monitoring processes?

Key Theme #2: Corporate Profitability

1. Do you think credit quality, liquidity, and size are important factors for the profitability of commercial banks?
2. Are investors and lenders the primary driving factors for profitability in the Libyan corporate banking sector?
3. Do you believe that higher liquidity in commercial banks leads to lower profitability?
4. Do the practices and rules of corporate governance contribute to financial viability and attract shareholders?
5. How would you describe the measurement of expenses and income for Libyan commercial banks concerning profitability?
6. Do you believe the financing structure of commercial banks is positively correlated with profitability?
7. What are your views on the determinants of profitability, particularly capital adequacy and the size of the bank?
8. Do you think GDP growth and inflation have no significant impact on the profitability of commercial banks in Libya? How does this add value to banks?
9. Based on your experience, is corporate profitability positively correlated with operational efficiency, and how does the operational ratio affect this?
10. How do you relate credit risk to the profitability of commercial banks?
11. Do you believe increasing the proportion of non-interest income will reduce risks through diversification in commercial banks?
12. In your opinion, is operational efficiency a significant factor for the profitability of commercial banks?
13. Can your bank operate sustainably in the long term with a strong Return on Equity (ROE)?
14. Do you think a good governance framework is essential for achieving greater profitability?
15. How do direct costing and the number of production units affect the profitability of commercial banks in Libya?

APPENDIX E: SAMPLE INTERVIEW TRANSCRIPTS

APPENDIX E1 – WhatsApp – Participant #1 CEO, Pilot Study, Tripoli, Libya

Note: Interview Questions sent out and responses received via WhatsApp in the Arabic language and subsequently translated into English below.

Questions on Corporate Governance:

1/Do you think that smooth mechanisms of corporate governance are imperative for the banking sector? Absolutely. Effective corporate governance is crucial in ensuring stability, transparency, and accountability in the banking sector. It helps mitigate financial risks and enhances investor confidence. Without proper governance, banks are more vulnerable to mismanagement, fraud, and instability. **2/How do you think corporate governance affects the functioning and development of capital markets?** Strong corporate governance boosts investor confidence, which leads to higher capital inflows. Investors seek financial institutions that are well-governed and transparent. A lack of governance mechanisms can lead to market inefficiencies and a reluctance to invest in the banking sector. **3/How would you explain good corporate governance based on your working experience?** Good corporate governance means having clear policies, a well-structured board, accountability, and ethical practices. It requires a balance between executive management and independent oversight to ensure that decisions are made in the best interests of all stakeholders. **4/Do you think the major corporate governance issue in Libyan banks is the qualification and composition of the board?** Yes, board composition is a significant issue. Many board members in Libyan banks lack financial expertise, which affects decision-making. There is also a need for more independent directors who can provide unbiased oversight. **5/How do you experience collaboration between bank supervisors and bank management?** The collaboration is often strained due to regulatory inefficiencies. Bank supervisors need to enforce stricter policies and work closely with management to ensure compliance without overburdening operations. **6/For long-term investments, do you believe corporate governance plays a vital role in building transparency, trust, and accountability?** Absolutely. Without governance, investors lack confidence in a bank's ability to manage risks, which reduces long-term investments. Trust is built through clear reporting, ethical leadership, and strategic decision-making. **7/Does corporate governance help improve a bank's performance by sustaining and structuring incentives?** Yes, corporate governance ensures that incentives are structured to align with long-term profitability rather than short-term gains. Performance-based rewards encourage responsible management. **8/Do you agree that firms with poor governance are responsible for negative market reactions and poor market responses?** Definitely. Poor governance leads to scandals, financial instability, and investor withdrawals. We have seen this happen in multiple financial crises where weak governance was a key contributor. **9/How much does the financial liability of banks rely on good corporate governance?** Financial liability is directly tied to governance. Poor risk management and lack of oversight increase liabilities, whereas strong governance reduces financial exposure. **10/What are your views on corporate governance's role in mitigating risk, enhancing capital flow, ensuring internal control, and improving decision-making?** Corporate governance plays a critical role in all these aspects. Strong risk management frameworks reduce exposure to crises, enhance investor confidence, and streamline decision-making. **11/Do you believe that corruption in the banking sector hinders the success rate of corporate governance?** Without a doubt. Corruption erodes trust, reduces investment, and weakens governance structures. Many Libyan banks struggle with governance due to corrupt practices at various levels. **12/Do you think a lack of strategic alignment and control strengthens the need for corporate governance?** Yes, when banks lack strategic focus, governance frameworks help realign priorities and introduce better control mechanisms. **13/Does ineffective risk management impact the effectiveness of governance in banks?** Yes, risk management is a cornerstone of governance. Poor risk policies lead to financial losses and instability. **14/Do you agree that a lack of honesty and integrity does not affect corporate governance?** I strongly disagree. Governance is built on integrity. Without ethical leadership, no governance mechanism can function properly. **15/What are your views on how investor relationships influence corporate governance and its monitoring processes?** Investors play a crucial role in governance. When investors demand transparency and accountability, banks are more likely to strengthen their governance mechanisms.

Questions on Corporate Profitability:

16/Now, let's move to corporate profitability. Do you think credit quality, liquidity, and size are important factors for the profitability of commercial banks? Yes, these factors determine a bank's ability to generate stable income. Poor credit quality leads to defaults, while inadequate liquidity creates financial stress. **17/Are investors and lenders the primary driving factors for profitability in the Libyan corporate banking sector?** While they are important, profitability also depends on operational efficiency, risk management, and regulatory policies. **18/Do you believe that higher liquidity in commercial banks leads to lower profitability?** Not necessarily. While excessive liquidity can limit investment opportunities, a well-managed liquidity level ensures stability and supports long-term profitability. **19/Do the practices and rules of corporate governance contribute to financial viability and attract shareholders?** Yes, strong governance enhances financial stability, which makes banks more attractive to investors. **20/How would you describe the measurement of expenses and income for Libyan commercial banks concerning profitability?** Libyan banks face challenges in cost management. High operational costs and regulatory burdens often impact net income. **21/Do you believe the financing structure of commercial banks is positively correlated with profitability?** Yes, banks with diversified funding sources and lower costs of capital tend to be more profitable. **22/What are your views on the determinants of profitability, particularly capital adequacy and the size of the bank?** Capital adequacy ensures resilience, while size influences market power. However, mismanagement can still lead to inefficiencies. **23/Do you think GDP growth and inflation have no significant impact on the profitability of commercial banks in Libya?** I disagree. Macroeconomic factors like GDP growth and inflation directly influence interest rates, credit demand, and profitability. **24/Is corporate profitability positively correlated with operational efficiency?** Yes, reducing inefficiencies increases profit margins and enhances financial performance. **25/How do you relate credit risk to the profitability of commercial banks?** High credit risk reduces profitability due to loan defaults. Proper credit assessment and risk management improve financial stability. **26/Do you believe increasing the proportion of non-interest income will reduce risks through diversification?** Yes, reliance on non-interest income, such as fees and commissions, diversifies revenue sources and reduces risk. **27/Is operational efficiency a significant factor for the profitability of commercial banks?** Absolutely. Streamlining processes reduces costs and increases revenue. **28/Can your bank operate sustainably in the long term with a strong Return on Equity (ROE)?** Sustainability requires a balance between high ROE and risk management. If profits come at the cost of excessive risk-taking, it is not sustainable. **29/Do you think a good governance framework is essential for achieving greater profitability?** Yes, governance ensures accountability, reduces fraud, and improves financial discipline. **30/How do direct costing and the number of production units affect the profitability of commercial banks in Libya?** Costing methods help in pricing decisions, while production unit efficiency determines revenue growth. Optimizing both is crucial for profitability.

APPENDIX E2 - Zoom – Participant #2 Expert, Pilot Study, Malta.

Note: Interview via Zoom in the English.

Interviewer: Researcher; Date: April 2023, Duration: 1hr 40mts

Questions on Corporate Governance:

1/Do you think that smooth mechanisms of corporate governance are imperative for the banking sector? Absolutely. Corporate governance is the backbone of the banking sector. It ensures that banks operate with transparency, accountability, and integrity. Without strong governance frameworks, banks become vulnerable to mismanagement, fraud, and financial crises. Especially in volatile markets like Libya, good governance is not just beneficial, it's essential for maintaining stability and public trust.

2/How do you think corporate governance affects the functioning and development of capital markets? Corporate governance directly influences investor confidence, which is critical for capital market development. When banks and corporations demonstrate strong governance, clear reporting, ethical practices, and transparency, investors feel safer committing their funds. This, in turn, deepens market liquidity and broadens participation. Poor governance, on the other hand, can trigger market volatility and capital flight, as seen in numerous global financial crises.

3/How would you explain good corporate governance based on your working experience? In my experience, good corporate governance comes down to three things: clear leadership, transparency, and accountability. Leadership must be both ethical and strategic, ensuring that decisions are made in the best interest of all stakeholders. Transparency ensures that all financial and operational activities are openly reported, leaving no room for hidden risks. Finally, accountability ensures that everyone, from top executives to lower management, is held responsible for their actions.

4/Do you think the major corporate governance issue in Libyan banks is the qualification and composition of the board? Yes, that's a significant issue. Many boards in Libyan banks are filled with individuals who may lack the necessary expertise in finance, risk management, or international banking standards. This creates a gap in effective decision-making and strategic planning. Boards need diverse members with financial acumen, risk management expertise, and a clear understanding of governance principles to guide the bank effectively.

5/How do you experience collaboration between bank supervisors and bank management? The collaboration is often strained and inconsistent. Bank supervisors sometimes lack clear guidelines, and there's often a communication gap with management. Instead of working as partners in maintaining compliance and improving operations, there's sometimes a dynamic of mistrust. Better-defined roles and more open communication channels could improve this relationship significantly.

6/For long-term investments, do you believe corporate governance plays a vital role in building transparency, trust, and accountability? Definitely. Long-term investments thrive on stability and predictability, both of which are ensured by strong governance. When investors see that a bank or corporation is governed well, with transparent processes, ethical leadership, and clear accountability structures, they're more likely to commit to long-term investments. Poor governance introduces uncertainty, which is a deterrent to such investments.

7/Does corporate governance help improve a bank's performance by sustaining and structuring incentives? Yes, proper governance structures ensure that incentives are aligned with the bank's long-term goals, not just short-term profits. When incentives are poorly structured, they often encourage risky behaviour that can lead to financial instability. Governance ensures that bonuses, promotions, and other rewards are tied to sustainable performance, risk management, and compliance, which ultimately improves overall bank performance.

8/Do you agree that firms with poor governance are responsible for negative market reactions and poor market responses? Absolutely. When a firm is perceived to have poor governance, it undermines investor confidence, leading to stock selloffs, reduced capital inflows, and negative publicity. This can snowball into broader market instability, especially if the firm is a significant player in the industry. Poor governance also increases the risk of scandals, fraud, and regulatory penalties, all of which can trigger adverse market reactions.

9/How much does the financial liability of banks rely on good corporate governance? Strong corporate governance significantly reduces financial liabilities by ensuring robust risk management practices and compliance with regulatory standards. When governance is weak, the likelihood of financial mismanagement, legal penalties, and reputational damage increases, all of which add to a bank's liabilities. Conversely, good governance acts as a protective shield, identifying and mitigating risks before they escalate into liabilities.

10/What are your views on corporate governance's role in mitigating risk, enhancing capital flow, ensuring internal control, and improving decision-making? Governance frameworks are essential for all these aspects. They create a system where risks are identified and managed proactively, capital flow is optimized through strategic decision-making, and internal controls are established to prevent fraud and errors. Good governance also ensures that decision-making processes are transparent and inclusive, leading to better outcomes and stronger institutional resilience.

11/Do you believe that corruption in the banking sector hinders the success rate of corporate governance? Yes, corruption is one of the biggest threats to effective corporate governance. It undermines trust, distorts decision-making processes, and leads to resource misallocation. When corruption is prevalent, governance structures become ineffective because rules are either ignored or manipulated for personal gain. This creates a toxic culture that's hard to reverse and ultimately damages the institution's credibility and performance.

12/Do you think a lack of strategic alignment and control strengthens the need for corporate governance? Definitely. When an organization lacks strategic alignment, it becomes fragmented, with different departments or leaders pulling in different directions. Corporate governance provides the structure needed to align goals, streamline operations, and ensure that all parts of the organization are working towards a common objective. It also introduces controls that help monitor progress and correct deviations from strategic plans.

13/Does ineffective risk management impact the effectiveness of governance in banks? Yes, risk management and governance are closely linked. If risk management is weak, governance structures become ineffective because they rely on accurate risk assessments to make informed decisions.

Poor risk management exposes banks to unexpected financial losses, regulatory penalties, and reputational damage, all of which undermine governance efforts. Conversely, strong risk management supports governance by providing the information needed to navigate challenges effectively.

14/Do you agree that a lack of honesty and integrity does not affect corporate governance? I completely disagree. Honesty and integrity are the foundations of corporate governance. Without them, even the best governance structures will fail because people will find ways to manipulate the system for personal gain. Integrity ensures that rules are followed, decisions are made ethically, and stakeholders' interests are protected. Without it, governance is just a facade.

15/What are your views on how investor relationships influence corporate governance and its monitoring processes? Investor relationships play a crucial role in shaping corporate governance. Active and engaged investors demand transparency and accountability, pushing banks to adopt stronger governance practices. Investors also serve as an external monitoring mechanism, flagging issues that internal controls might miss. In this way, healthy investor relationships drive continuous improvements in governance.

Questions on Corporate Profitability:

16/Do you think credit quality, liquidity, and size are important factors for the profitability of commercial banks? Yes, these factors are critical. High credit quality reduces default risks, strong liquidity ensures that the bank can meet its obligations without financial strain, and the size of the bank often determines its ability to leverage economies of scale. All these factors combined influence a bank's profitability and financial health.

17/Are investors and lenders the primary driving factors for profitability in the Libyan corporate banking sector? They are important, but they're not the only factors. Internal efficiency, regulatory compliance, and the broader economic environment also play significant roles. For example, even with strong investor support, poor risk management or inefficient operations can erode profitability. **18/Do you believe that higher liquidity in commercial banks leads to lower profitability?** It can, but it depends on how the liquidity is managed. If a bank holds excess liquidity without deploying it into profitable investments, it can lead to lower returns. However, maintaining adequate liquidity is also essential for financial stability, so it's about finding the right balance. **19/Do the practices and rules of corporate governance contribute to financial viability and attract shareholders?** Yes, absolutely. Strong governance practices signal to shareholders that the bank is well-managed, transparent, and committed to ethical practices. This attracts both new investors and retains existing ones, contributing to long-term financial viability.

20/How would you describe the measurement of expenses and income for Libyan commercial banks concerning profitability? Expense management in Libyan banks often lacks rigor, and income measurement can be inconsistent. This impacts profitability because uncontrolled expenses and unreliable income tracking make it difficult to assess financial performance accurately. Improved financial reporting and stricter cost controls would enhance profitability. **21/Do you believe the financing structure of commercial banks is positively correlated with profitability?** Yes, a well-balanced financing structure, with a mix of equity and debt, can enhance profitability by optimizing capital costs and reducing financial risks. However, excessive reliance on debt can increase financial vulnerability. **22/What are your views on the determinants of profitability, particularly capital adequacy and the size of the bank?** Capital adequacy ensures that the bank has enough reserves to absorb losses, which is crucial for long-term sustainability. Larger banks often benefit from economies of scale, but they also face more complex risks. Profitability depends on how well these factors are managed.

23/Do you think GDP growth and inflation have no significant impact on the profitability of commercial banks in Libya? That's not true. GDP growth leads to increased business activity and loan demand, boosting bank profits. Inflation, on the other hand, can erode purchasing power and affect loan repayment capacity, impacting profitability negatively. Both factors are highly significant. **24/Is corporate profitability positively correlated with operational efficiency?** Absolutely. Efficient operations reduce costs, improve service delivery, and enhance customer satisfaction, all of which contribute to higher profitability.

25/How do you relate credit risk to the profitability of commercial banks? Credit risk is directly linked to profitability. Higher credit risk increases the likelihood of loan defaults, which reduces income and affects the bank's financial stability. Effective credit risk management is essential for maintaining profitability. **26/Do you believe increasing the proportion of non-interest income will reduce risks through diversification?** Yes, diversifying income sources reduces dependency on interest income, which can be volatile due to market fluctuations. Non-interest income, such as fees and service charges, provides a more stable revenue stream, mitigating risks. **27/Is operational efficiency a significant factor for the profitability of commercial banks?** Definitely. Efficient operations minimize waste, reduce costs, and improve profitability. It also enhances customer satisfaction, which can lead to increased business and revenue. **28/Can your bank operate sustainably in the long term with a strong Return on Equity (ROE)?** Yes, but only if ROE is achieved through sound risk management and sustainable business practices. Chasing high ROE without considering risks can lead to financial instability.

29/Do you think a good governance framework is essential for achieving greater profitability? Absolutely. Good governance ensures that decisions are made in the best interest of the bank and its stakeholders, reducing risks and enhancing profitability. **30/How do direct costing and the number of production units affect the profitability of commercial banks in Libya?** Efficient cost management and optimizing service delivery directly influence profitability. By understanding direct costs and scaling services appropriately, banks can maximize their margins.

Thank you for your detailed insights. You're welcome. I'm glad to contribute to this important research.

End of Interview Transcript

APPENDIX F: SPSS STATISTICAL OUTPUTS

Reliability

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Scale: ALL VARIABLES

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Reliability Statistics	
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Frequencies

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	Cases Used	Statistics are based on all cases with valid data.
Syntax		FREQUENCIES VARIABLES=Age Gender Education Job_Role_in_the_Bank Experience Type_of_Bank Department Region_of_employment Number_of_Employees Certification Q1 Q2 Q3 Q4 Q5 Q6 Q7 Q8 Q9 Q10 Q11 Q12 Q13 Q14 Q15 Q16 Q17 Q18 Q19 Q20 Q21 Q22 Q23 Q24 Q25 Q26 Q27 Q28 Q29 Q30 /ORDER=ANALYSIS.
Resources	Processor Time	00:00:00.02
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Frequency Tables

Demographics:

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-24	88	25.7	25.7	25.7
	25-34	57	16.6	16.6	42.3
	35-44	76	22.2	22.2	64.4
	45-54	53	15.5	15.5	79.9
	Over 55	69	20.1	20.1	100.0
	Total	343	100.0	100.0	

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	74	21.6	21.6	21.6
	Female	91	26.5	26.5	48.1
	Non-binary / Gender diverse	87	25.4	25.4	73.5
	Prefer Not to say	91	26.5	26.5	100.0
	Total	343	100.0	100.0	

Education					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Associate degree	74	21.6	21.6	21.6
	Bachelor's degree	91	26.5	26.5	48.1
	Master's degree	77	22.4	22.4	70.6
	Doctorate (PhD) or equivalent	101	29.4	29.4	100.0
	Total	343	100.0	100.0	

Job_Role_in_the_Bank					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Entry-level/Junior staff	71	20.7	20.7	20.7
	Mid-level management	77	22.4	22.4	43.1
	Senior management	56	16.3	16.3	59.5
	Executive leadership (e.g., CEO, CFO)	66	19.2	19.2	78.7
	Specialist (e.g., Risk Analyst, IT Security, Treasury)	73	21.3	21.3	100.0
	Total	343	100.0	100.0	

Experience					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	62	18.1	18.1	18.1
	1 - 3 years	51	14.9	14.9	32.9
	4 - 7 years	58	16.9	16.9	49.9
	8 - 12 years	57	16.6	16.6	66.5
	13 - 20 years	41	12.0	12.0	78.4
	More than 20 years	74	21.6	21.6	100.0
Total	343	100.0	100.0		

Type of Bank					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Commercial Bank	39	11.4	11.4	11.4
	Investment Bank	43	12.5	12.5	23.9
	Central Bank	32	9.3	9.3	33.2
	Retail Bank	48	14.0	14.0	47.2
	Islamic Bank	38	11.1	11.1	58.3
	Development Bank	49	14.3	14.3	72.6
	Cooperative Bank	44	12.8	12.8	85.4
	Digital/Neobank	50	14.6	14.6	100.0
	Total	343	100.0	100.0	

Department					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Finance & Accounting	41	12.0	12.0	12.0
	Risk & Compliance	45	13.1	13.1	25.1
	Human Resources	42	12.2	12.2	37.3
	IT & Digital Banking	31	9.0	9.0	46.4
	Retail Banking	46	13.4	13.4	59.8
	Investment & Wealth Management	33	9.6	9.6	69.4
	Treasury & Capital Markets	36	10.5	10.5	79.9
	Corporate Banking	39	11.4	11.4	91.3
	Customer Service & Support	30	8.7	8.7	100.0
	Total	343	100.0	100.0	

Region_of_employment					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	North America	70	20.4	20.4	20.4
	South America	45	13.1	13.1	33.5
	Europe	56	16.3	16.3	49.9
	Middle East & North Africa (MENA)	63	18.4	18.4	68.2
	Sub-Saharan Africa	59	17.2	17.2	85.4
	Asia-Pacific	50	14.6	14.6	100.0
Total		343	100.0	100.0	

Number_of_Employees					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 50	51	14.9	14.9	14.9
	50 - 199	45	13.1	13.1	28.0
	200 - 499	50	14.6	14.6	42.6
	500 - 999	50	14.6	14.6	57.1
	1,000 - 4,999	39	11.4	11.4	68.5
	5,000 - 9,999	50	14.6	14.6	83.1
	10,000 and above	58	16.9	16.9	100.0
	Total	343	100.0	100.0	

Certification					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes, formal certification (e.g., CFA, CGMA, ICSA)	104	30.3	30.3	30.3
	Yes, I attended corporate governance training/seminar	92	26.8	26.8	57.1
	No, but interested in training	76	22.2	22.2	79.3
	No, not interested in training	71	20.7	20.7	100.0
	Total	343	100.0	100.0	

Main Questions:

Q1 The functioning and development of capital markets get affected by the corporate governance					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	63	18.4	18.4	18.4
	Disagree	61	17.8	17.8	36.2
	Neutral	84	24.5	24.5	60.6
	Agree	70	20.4	20.4	81.0
	Strongly Agree	65	19.0	19.0	100.0
	Total	343	100.0	100.0	

Q2 Smooth mechanisms of corporate governance are imperative for the banking sector					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	77	22.4	22.4	22.4
	Disagree	71	20.7	20.7	43.1
	Neutral	68	19.8	19.8	63.0
	Agree	73	21.3	21.3	84.3
	Strongly Agree	54	15.7	15.7	100.0
	Total	343	100.0	100.0	

Q3 Good corporate governance helps the stakeholders to know the possible risks of conducting transactions					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	68	19.8	19.8	19.8
	Disagree	77	22.4	22.4	42.3
	Neutral	69	20.1	20.1	62.4
	Agree	63	18.4	18.4	80.8
	Strongly Agree	66	19.2	19.2	100.0
	Total	343	100.0	100.0	

Q4 The key issue with corporate governance is the qualification and composition of the board.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	76	22.2	22.2	22.2
	Disagree	65	19.0	19.0	41.1
	Neutral	61	17.8	17.8	58.9
	Agree	74	21.6	21.6	80.5
	Strongly Agree	67	19.5	19.5	100.0
	Total	343	100.0	100.0	

Q5 The significance of corporate governance includes the collaboration in working relations between the bank supervisors and bank management					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	66	19.2	19.2	19.2
	Disagree	71	20.7	20.7	39.9
	Neutral	70	20.4	20.4	60.3
	Agree	66	19.2	19.2	79.6
	Strongly Agree	70	20.4	20.4	100.0
	Total	343	100.0	100.0	

Q6 For long-term investments, corporate governance plays a vital role in terms of building the environment's transparency, trust, and accountability					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	39	11.4	11.4	11.4
	Disagree	75	21.9	21.9	33.2
	Neutral	84	24.5	24.5	57.7
	Agree	88	25.7	25.7	83.4
	Strongly Agree	57	16.6	16.6	100.0
	Total	343	100.0	100.0	

Q7 Corporate governance rationale is to enhance the bank's performance by sustaining and structuring the incentives.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	42	12.2	12.2	12.2
	Disagree	103	30.0	30.0	42.3
	Neutral	62	18.1	18.1	60.3
	Agree	73	21.3	21.3	81.6
	Strongly Agree	63	18.4	18.4	100.0
	Total	343	100.0	100.0	

Q8 Firms with poor governance are responsible for negative market reactions and poor market response					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	24	7.0	7.0	7.0
	Disagree	79	23.0	23.0	30.0
	Neutral	88	25.7	25.7	55.7
	Agree	48	14.0	14.0	69.7
	Strongly Agree	104	30.3	30.3	100.0
	Total	343	100.0	100.0	

Q9 The financial liability of banks majorly relies on good corporate governance.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	60	17.5	17.5	17.5
	Disagree	58	16.9	16.9	34.4
	Neutral	88	25.7	25.7	60.1
	Agree	52	15.2	15.2	75.2
	Strongly Agree	85	24.8	24.8	100.0
	Total	343	100.0	100.0	

Q10 Mitigation risk, enhanced capital flow, assurance of internal control, and enhanced decision are the effective factors of corporate governance					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	89	25.9	25.9	25.9
	Disagree	89	25.9	25.9	51.9
	Neutral	92	26.8	26.8	78.7
	Agree	26	7.6	7.6	86.3
	Strongly Agree	47	13.7	13.7	100.0
	Total	343	100.0	100.0	

Q11 The successful rate of corporate governance is due to its corruption in the banking sector					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	42	12.2	12.2	12.2
	Disagree	103	30.0	30.0	42.3
	Neutral	62	18.1	18.1	60.3
	Agree	73	21.3	21.3	81.6
	Strongly Agree	63	18.4	18.4	100.0
	Total	343	100.0	100.0	

Q12 Lack of strategic alignment and lack of control strengthens the role of corporate governance					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	24	7.0	7.0	7.0
	Disagree	79	23.0	23.0	30.0
	Neutral	88	25.7	25.7	55.7
	Agree	48	14.0	14.0	69.7
	Strongly Agree	104	30.3	30.3	100.0
	Total	343	100.0	100.0	

Q13 Lack of risk management leads to effective governance					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	84	24.5	24.5	24.5
	Disagree	63	18.4	18.4	42.9
	Neutral	72	21.0	21.0	63.8
	Agree	56	16.3	16.3	80.2
	Strongly Agree	68	19.8	19.8	100.0
	Total	343	100.0	100.0	

Q14 Lack of honesty and integrity does not affect the corporate governance					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	63	18.4	18.4	18.4
	Disagree	67	19.5	19.5	37.9
	Neutral	71	20.7	20.7	58.6
	Agree	72	21.0	21.0	79.6
	Strongly Agree	70	20.4	20.4	100.0
	Total	343	100.0	100.0	

Q15 Investor's relationship based on business for the monitoring process makes smoother corporate governance.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	81	23.6	23.6	23.6
	Disagree	68	19.8	19.8	43.4
	Neutral	67	19.5	19.5	63.0
	Agree	58	16.9	16.9	79.9
	Strongly Agree	69	20.1	20.1	100.0
	Total	343	100.0	100.0	

Q16 The significant factors of profitability include credit quality, liquidity, and size					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	62	18.1	18.1	18.1
	Disagree	53	15.5	15.5	33.5
	Neutral	74	21.6	21.6	55.1
	Agree	74	21.6	21.6	76.7
	Strongly Agree	80	23.3	23.3	100.0
	Total	343	100.0	100.0	

Q17 The driving factors of profitability in the corporate banking sector are the investors and lenders					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	66	19.2	19.2	19.2
	Disagree	74	21.6	21.6	40.8
	Neutral	67	19.5	19.5	60.3
	Agree	62	18.1	18.1	78.4
	Strongly Agree	74	21.6	21.6	100.0
	Total	343	100.0	100.0	

Q18 Higher liquidity of commercial banks leads to lower profitability.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	39	11.4	11.4	11.4
	Disagree	75	21.9	21.9	33.2
	Neutral	84	24.5	24.5	57.7
	Agree	88	25.7	25.7	83.4
	Strongly Agree	57	16.6	16.6	100.0
	Total	343	100.0	100.0	

Q19 The practices and rules of corporate governance led to financial viability and ethical business and that interests many shareholders					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	42	12.2	12.2	12.2
	Disagree	103	30.0	30.0	42.3
	Neutral	62	18.1	18.1	60.3
	Agree	73	21.3	21.3	81.6
	Strongly Agree	63	18.4	18.4	100.0
	Total	343	100.0	100.0	

Q20 The significance of profitability includes its measurement of expenses and income for Libyan commercial banks.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	24	7.0	7.0	7.0
	Disagree	79	23.0	23.0	30.0
	Neutral	88	25.7	25.7	55.7
	Agree	48	14.0	14.0	69.7
	Strongly Agree	104	30.3	30.3	100.0
	Total	343	100.0	100.0	

Q21 Commercial Banks' financing structure correlated positively to the profitability					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	60	17.5	17.5	17.5
	Disagree	58	16.9	16.9	34.4
	Neutral	88	25.7	25.7	60.1
	Agree	52	15.2	15.2	75.2
	Strongly Agree	85	24.8	24.8	100.0
	Total	343	100.0	100.0	

Q22 Based on the determinants of profitability, capital adequacy and the size of the bank have a significant impact.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	89	25.9	25.9	25.9
	Disagree	89	25.9	25.9	51.9
	Neutral	92	26.8	26.8	78.7
	Agree	26	7.6	7.6	86.3
	Strongly Agree	47	13.7	13.7	100.0
	Total	343	100.0	100.0	

Q23 GDP natural algorithm and inflation have no significant impact on the profitability of commercial banks					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	42	12.2	12.2	12.2
	Disagree	103	30.0	30.0	42.3
	Neutral	62	18.1	18.1	60.3
	Agree	73	21.3	21.3	81.6
	Strongly Agree	63	18.4	18.4	100.0
	Total	343	100.0	100.0	

Q24 Corporate profitability is positively correlated with operation efficiency, along with the negative signs in the case of the operational ratio.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	24	7.0	7.0	7.0
	Disagree	79	23.0	23.0	30.0
	Neutral	88	25.7	25.7	55.7
	Agree	48	14.0	14.0	69.7
	Strongly Agree	104	30.3	30.3	100.0
	Total	343	100.0	100.0	

Q25 Credit risk shows negative relation with the commercial bank profitability

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	60	17.5	17.5	17.5
	Disagree	58	16.9	16.9	34.4
	Neutral	88	25.7	25.7	60.1
	Agree	52	15.2	15.2	75.2
	Strongly Agree	85	24.8	24.8	100.0
	Total	343	100.0	100.0	

Q26 Increasing the proportion of non-interest income will help increase the diversity of types of revenue in the commercial bank, thereby reducing risks through diversification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	89	25.9	25.9	25.9
	Disagree	89	25.9	25.9	51.9
	Neutral	92	26.8	26.8	78.7
	Agree	26	7.6	7.6	86.3
	Strongly Agree	47	13.7	13.7	100.0
	Total	343	100.0	100.0	

Q27 The efficiency of operation is a significant factor for commercial banks

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	42	12.2	12.2	12.2
	Disagree	103	30.0	30.0	42.3
	Neutral	62	18.1	18.1	60.3
	Agree	73	21.3	21.3	81.6
	Strongly Agree	63	18.4	18.4	100.0
	Total	343	100.0	100.0	

Q28 Your bank can operate on a long-term basis with the ROE (Return on equity)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	24	7.0	7.0	7.0
	Disagree	79	23.0	23.0	30.0
	Neutral	88	25.7	25.7	55.7
	Agree	48	14.0	14.0	69.7
	Strongly Agree	104	30.3	30.3	100.0
	Total	343	100.0	100.0	

Q29 A good framework of governance is found to generate smooth operational outcomes that result in greater profitability.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	39	11.4	11.4	11.4
	Disagree	89	25.9	25.9	37.3
	Neutral	94	27.4	27.4	64.7
	Agree	46	13.4	13.4	78.1
	Strongly Agree	75	21.9	21.9	100.0
	Total	343	100.0	100.0	

Q30 Direct costing and the number of production units affect the profitability of commercial banks

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	39	11.4	11.4	11.4
	Disagree	75	21.9	21.9	33.2
	Neutral	84	24.5	24.5	57.7
	Agree	88	25.7	25.7	83.4
	Strongly Agree	57	16.6	16.6	100.0
	Total	343	100.0	100.0	

APPENDIX G: T-TEST RESULTS

/TESTVAL=0

/MISSING=ANALYSIS

/VARIABLES=Q1 Q2 Q3 Q4 Q5 Q6 Q7 Q8 Q9 Q10 Q11 Q12 Q13 Q14 Q15 Q16 Q17 Q18 Q19
Q20 Q21 Q22 Q23 Q24 Q25 Q26 Q27 Q28 Q29 Q30

/CRITERIA=CI (.95).

T-Test

Notes		
Output Created		16-APR-2025 11:38:59
Comments		
Input	Data	C:\Users\Admin\Downloads\Corporate Governance and Profitability - 88000 Words thesis - 4000 Words framework - Expected Questions + 1200 Words - NT - HA - DA.sav
	Active Dataset	DataSet1
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	343
Missing Value Handling	Definition of Missing	User defined missing values are treated as missing.
	Cases Used	Statistics for each analysis are based on cases with no missing or out-of-range data for any variable in the analysis.
Syntax		T-TEST /TESTVAL=0 /MISSING=ANALYSIS /VARIABLES=Q1 Q2 Q3 Q4 Q5 Q6 Q7 Q8 Q9 Q10 Q11 Q12 Q13 Q14 Q15 Q16 Q17 Q18 Q19 Q20 Q21 Q22 Q23 Q24 Q25 Q26 Q27 Q28 Q29 Q30 /CRITERIA=CI (.95).
Resources	Processor Time	00:00:00.00
	Elapsed Time	00:00:00.02

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Q1 The functioning and development of capital markets get affected by the corporate governance	343	3.0379	1.37065	.07401
Q2 Smooth mechanisms of corporate governance are imperative for the banking sector	343	2.8717	1.39166	.07514
Q3 Good corporate governance helps the stakeholders to know the possible risks of conducting transactions	343	2.9475	1.40494	.07586
Q4 The key issue with corporate governance is the qualification and composition of the board.	343	2.9738	1.44162	.07784
Q5 The significance of corporate governance includes collaboration in working relations between the bank supervisors and bank management	343	3.0087	1.41108	.07619
Q6 For long-term investments, corporate governance plays a vital role in terms of building the environment's transparency, trust, and accountability	343	3.1429	1.25656	.06785
Q7 Corporate governance rationale is to enhance the bank's performance by sustaining and structuring the incentives.	343	3.0350	1.31964	.07125
Q8 Firms with poor governance are responsible for negative market reactions and poor market response	343	3.3761	1.31399	.07095
Q9 The financial liability of banks majorly relies on good corporate governance.	343	3.1283	1.41458	.07638
Q10 Mitigation risk, enhanced capital flow, assurance of internal control, and enhanced decision are the effective factors of corporate governance	343	2.5714	1.32011	.07128
Q11 The successful rate of corporate governance is due to its corruption in the banking sector	343	3.0350	1.31964	.07125

Q12 Lack of strategic alignment and lack of control strengthens the role of corporate governance	343	3.3761	1.31399	.07095
Q13 Lack of risk management leads to effective governance	343	2.8863	1.45354	.07848
Q14 Lack of honesty and integrity does not affect the corporate governance	343	3.0554	1.39961	.07557
Q15 Investor's relationship based on business for the monitoring process makes smoother corporate governance.	343	2.9009	1.45360	.07849
Q16 The significant factors of profitability include credit quality, liquidity, and size	343	3.1662	1.41579	.07645
Q17 The driving factors of profitability in the corporate banking sector are the investors and lenders	343	3.0117	1.42652	.07702
Q18 Higher liquidity of commercial banks leads to lower profitability.	343	3.1429	1.25656	.06785
Q19 The practices and rules of corporate governance led to financial viability and ethical business and that interests many shareholders	343	3.0350	1.31964	.07125
Q20 The significance of profitability includes its measurement of expenses and income for Libyan commercial banks.	343	3.3761	1.31399	.07095
Q21 Commercial Banks' financing structure correlated positively to the profitability	343	3.1283	1.41458	.07638
Q22 Based on the determinants of profitability, capital adequacy and the size of the bank have a significant impact.	343	2.5714	1.32011	.07128
Q23 GDP natural algorithm and inflation have no significant impact on the profitability of commercial banks	343	3.0350	1.31964	.07125
Q24 Corporate profitability is positively correlated with operation efficiency, along with the negative signs in the case of the operational ratio.	343	3.3761	1.31399	.07095
Q25 Credit risk shows negative relation with the commercial bank profitability	343	3.1283	1.41458	.07638
Q26 Increasing the proportion of non-interest income will help increase the diversity of types of revenue in the commercial bank, thereby reducing risks through diversification	343	2.5714	1.32011	.07128
Q27 The efficiency of operation is a significant factor for commercial banks	343	3.0350	1.31964	.07125
Q28 Your bank can operate on a long-term basis with the ROE (Return on equity)	343	3.3761	1.31399	.07095
Q29 A good framework of governance is found to generate smooth operational outcomes that result in greater profitability.	343	3.0845	1.31183	.07083
Q30 Direct costing and the number of production units affect the profitability of commercial banks	343	3.1429	1.25656	.06785

One-Sample Test						
	Test Value = 0					
	t	df.	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Q1 The functioning and development of capital markets get affected by the corporate governance	41.048	342	.000	3.03790	2.8923	3.1835
Q2 Smooth mechanisms of corporate governance are imperative for the banking sector	38.217	342	.000	2.87172	2.7239	3.0195
Q3 Good corporate governance helps the stakeholders to know the possible risks of conducting transactions	38.855	342	.000	2.94752	2.7983	3.0967
Q4 The key issue with corporate governance is the qualification and composition of the board.	38.204	342	.000	2.97376	2.8207	3.1269
Q5 The significance of corporate governance includes collaboration in working relations between the bank supervisors and bank management	39.489	342	.000	3.00875	2.8589	3.1586
Q6 For long-term investments, corporate governance plays a vital role in terms of building the environment's transparency, trust, and accountability	46.322	342	.000	3.14286	3.0094	3.2763

Q7 Corporate governance rationale is to enhance the bank's performance by sustaining and structuring the incentives.	42.594	342	.000	3.03499	2.8948	3.1751
Q8 Firms with poor governance are responsible for negative market reactions and poor market response	47.585	342	.000	3.37609	3.2365	3.5156
Q9 The financial liability of banks majorly relies on good corporate governance.	40.957	342	.000	3.12828	2.9780	3.2785
Q10 Mitigation risk, enhanced capital flow, assurance of internal control, and enhanced decision are the effective factors of corporate governance	36.075	342	.000	2.57143	2.4312	2.7116
Q11 The successful rate of corporate governance is due to its corruption in the banking sector	42.594	342	.000	3.03499	2.8948	3.1751
Q12 Lack of strategic alignment and lack of control strengthens the role of corporate governance	47.585	342	.000	3.37609	3.2365	3.5156
Q13 Lack of risk management leads to effective governance	36.776	342	.000	2.88630	2.7319	3.0407
Q14 Lack of honesty and integrity does not affect the corporate governance	40.430	342	.000	3.05539	2.9067	3.2040
Q15 Investor's relationship based on business for the monitoring process makes smoother corporate governance.	36.960	342	.000	2.90087	2.7465	3.0553
Q16 The significant factors of profitability include credit quality, liquidity, and size	41.417	342	.000	3.16618	3.0158	3.3165
Q17 The driving factors of profitability in the corporate banking sector are the investors and lenders	39.100	342	.000	3.01166	2.8602	3.1632
Q18 Higher liquidity of commercial banks leads to lower profitability.	46.322	342	.000	3.14286	3.0094	3.2763
Q19 The practices and rules of corporate governance led to financial viability and ethical business and that interests many shareholders	42.594	342	.000	3.03499	2.8948	3.1751
Q20 The significance of profitability includes its measurement of expenses and income for Libyan commercial banks.	47.585	342	.000	3.37609	3.2365	3.5156
Q21 Commercial Banks' financing structure correlated positively to the profitability	40.957	342	.000	3.12828	2.9780	3.2785
Q22 Based on the determinants of profitability, capital adequacy and the size of the bank have a significant impact.	36.075	342	.000	2.57143	2.4312	2.7116
Q23 GDP natural algorithm and inflation have no significant impact on the profitability of commercial banks	42.594	342	.000	3.03499	2.8948	3.1751
Q24 Corporate profitability is positively correlated with operation efficiency, along with the negative signs in the case of the operational ratio.	47.585	342	.000	3.37609	3.2365	3.5156
Q25 Credit risk shows negative relation with the commercial bank profitability	40.957	342	.000	3.12828	2.9780	3.2785
Q26 Increasing the proportion of non-interest income will help increase the diversity of types of revenue in the commercial bank, thereby reducing risks through diversification	36.075	342	.000	2.57143	2.4312	2.7116
Q27 The efficiency of operation is a significant factor for commercial banks	42.594	342	.000	3.03499	2.8948	3.1751
Q28 Your bank can operate on a long-term basis with the ROE (Return on equity)	47.585	342	.000	3.37609	3.2365	3.5156
Q29 A good framework of governance is found to generate smooth operational outcomes that result in greater profitability.	43.547	342	.000	3.08455	2.9452	3.2239
Q30 Direct costing and the number of production units affect the profitability of commercial banks	46.322	342	.000	3.14286	3.0094	3.2763