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THE DIFFERENCE BETWEEN ABU DHABI AND DUBAI LISTED COMPANIES IN TERM OF CORPORATE GOVERNANCE PRACTICES AND THEIR INFLUENCE ON FIRMS' PERFORMANCE

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ABSTRACT

The purpose of this study is to find out the differences between Abu Dhabi and Dubai Listed Companies in Term of Corporate Governance Practices and their Influence on Firms' Performance. The descriptive approach of the study is to be used for this type of research. This article will make the measurements of corporate governance are different between 2008 and 2009 for Dubai and Abu Dhabi stock market.
This study is based on quantitative research. The SPSS program will be used to do the descriptive statistics analysis and the independent sample t-test.
This research has found out that there was a significant difference between Dubai's stock market and Abu Dhabi's stock market for the variables Return on Asset, Return on Equity, and Earnings per Share. This study was limited to two stock markets, which are the Dubai stock market and Abu Dhabi stock market.

1. Introduction

Corporate governance has become a considerable worldwide issue because of the failure of businesses such as Enron, World Com and HIH. In addition, Zheka (2007) stresses that because firms represent more than 90% of productivity worldwide and there has been rapid growth over the past decades, corporate governance is one of the essential, foundational ingredients for the long-term economy and the stability of companies. Thus, corporate governance is a necessary element for a firm's performance and for the overall growth of a country's economy (Brav, Jiang, Partnoy, & Thomas, 2008). Kuwait security market is considered as one of the emerging financial market, which looks forward to keeping up with the latest development of corporate governance globally. In this regard, corporate governance code established in 2010, noting that implementing the rules of corporate governance was not compulsory until June 2016. Furthermore, during the last six years, most of the listed companies in the security market have complied regulation of corporate governance, but in another side, most of these companies have an objection to the full comply, which has caused sharp volatility in the security market performance, as well as extend to infect listed companies within the market (Jusic, 2016). The GCC countries strive to achieve an integrated economic system for the member's countries. For this purpose, several meetings held periodically that discuss the latest global events that may affect the regional economy, in addition, to improve the economic system of the GCC countries (Ben-Hassoun, Aloui, & Ben-Nasr, 2018).

The United Arab Emirates (UAE) has a special case for this article; it considered as the only GCC country that has two security markets within the country, Abu Dhabi security market which is located in the country capital, while Dubai security market is located in Dubai city. Both security markets are regulated by the Securities and Commodities Authorities (SCA), which is a federal authority that supervises the capital market within the country. Making the decision to subscribe to which market relies on the company board. Despite the similar legislation for both security markets, but each market has specific financial instruments and strategies that make the difference. Dubai debt crisis in 2008 was one of the financial events that differentiated between both markets performance (refers to figure 1).

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Differentiation between both markets paves a fertile ground for investors to take proper decision toward investment. Both markets have different characteristics in term of financial strategy and domination. Selecting the investment hub by investors within the country relies on market performance. For example; the summer market performance on 16 December 2016 revealed that; industrials sector in Abu Dhabi market had achieved a net profit of 1.54%, while industrials sector in Dubai market has achieved a net loss of 0.51% (Reuters, 2016).

Figure 1: Dubai and Abu Dhabi security markets performance - 2007-2016

Source: Thomson Reuters

2. Literature Review

The corporate governance structure of UAE is laid out in the UAE company law that relates to all corporations included in the UAE and in the listing requirements of the ADSM or Abu Dhabi Securities Market and the DFM or Dubai Financial Market. The ESCA or Emirates Securities and Commodities Authority controls capital markets in both Dubai and Abu Dhabi. Dubai's and Abu Dhabi's listed company's corporate governance structures need transformation and development. Nevertheless, ESCA, ADSM and DFM plan on representing their own codes of corporate governance for listed corporations, which develop the total corporate governance structure of UAE. However, more needs to be performed by way of inscribing the poor corporate governance structure and monitoring structure of the state. The study of the Hawkamah-IIF suggests the following action plant to reinforce corporate governance in the UAE (Ahunwan, 2002):

I. Raise agreement of corporate governance of the UAE with global instructions by representing a code of corporate governance and making agreement obligatory for all listed corporations.
II. Reinforce ESCA as a capital market official, making it completely independent.
III. Inscribe weaknesses in the legal structure recognized in the study like representing cumulative voting in director elections and requiring shareholder agreement for blends and main asset transactions.
IV. Harmonize regulations and rules between Dubai and Abu Dhabi to permit for cross-listing of shares in the short-run, with a medium-run goal of connecting the two exchanges.
V. Reinforce monitoring and implementation options at the stock exchange and monitoring degree.
VI. Represent a well-matched data program between ESCA and the stock exchanges to permit for easy information exchange.
VII. Represent precise sector reforms to develop corporate governance practices in state-owned and family-owned businesses.
VIII. Practice IFRS as accounting for the corporate sector.

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According to the traditional concept of corporate governance, the well-being of its shareholders increases with the welfare of the company. However, the modern concept recognizes that the well-being of shareholders differs from the company's well-being (this is due to the fact that the company and its shareholders can have different purposes). The goal of effective corporate governance is to ensure the balance of interests of persons who participate in corporate governance.

The UAE established the Securities and Commodities Authority (SCA) in 2000 to achieve the following objectives:

I. Provide the opportunity to invest savings and money in securities and commodities in the interest of the national economy, ensure the integrity and accuracy of transactions, and ensure the interaction of supply and demand factors, in order to determine prices and protect investors by establishing the basis for fair and fair dealing between different investors.
II. Develop investment awareness by conducting studies and making recommendations.
III. To ensure financial and economic stability.
IV. The Securities and Commodities Authority (SCA) operates two major securities markets: Abu Dhabi Securities Market & Dubai Financial Market.

Both markets are linked to the UAE market. The financial markets in the UAE mainly deal with equity, securities, bonds, futures, investment funds, commodities, currencies, metals, stones, derivatives and Islamic Sukuk.

2.1 Abu Dhabi Securities Exchange (ADX)

The Abu Dhabi Securities Exchange (ADX) was established in 2000 in the Emirate of Abu Dhabi to provide the opportunity to invest savings and money in securities and to develop investment awareness to ensure savings are channelled into productive sectors and contribute to financial and economic stability. The market deals with investment funds, ordinary shares and bonds.

2.2 Dubai Financial Market (DFM)

Established in 2000, DFM is the first publicly traded stock market in the Middle East and is the world's first Shari'ah-compliant financial market. The stock exchange deals with securities issued by public shareholding companies, bonds, Islamic sukuks and mutual funds.

The theory of corporate governance has evolved from more normative approaches to others of a cognitive and behavioural nature (Di Berardino, 2016). Kusumaningtias, Ludigdo, Irianto, and Mulawarman (2016) point out from the perspective of occupational psychology that the theory of servers (stewardship), contrary to what the theory of agency proposes, finds important reasons (managers' ethics, satisfaction at work, need for recognition) to avoid the confrontation of interests between property and managers, and in the case at hand, to make the concrete structure of the board generate a greater financial return as a result of managers developing their work transparently and efficiently.

3. Methodology

The descriptive approach of the study is to be used for this type of research. It is descriptive because it describes a particular behaviour of the selected companies. It is longitudinal because of the significant and desired information for the investigation is the official reports that the companies. It should be noted that in doing the longitudinal analysis observed a problem that had to be modelled and that the measurements of corporate governance are different between 2008 and 2009 for Dubai and Abu Dhabi stock market, so it can be seen that there is no homogeneous data during the period of time analyzed; However, this problem was modelled and worked with the same variable in the two markets consisting of measuring the number of standard deviations of each stock market with respect to the average of all the companies for each year. This study is based on quantitative research. The targeted data for this study will be retrieved from the annual reports of listed companies in Abu Dhabi's and Dubai's security markets.

The objective will be achieved by adopting the quantitative approach, which aims to identify the difference between Abu Dhabi and Dubai listed companies in term of corporate governance practising and its influence on firms' performance. The independent sample t-test will be used to determine whether there is a significant difference between both markets or not. The SPSS program will be used to do the descriptive statistics analysis and the independent sample t-test.

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4. Data Analysis and Results

Descriptive statistics analysis is utilized to isolate the variable's mean score and standard deviation. This section has two tests. The first is applied to Dubai's stock market showed in Table 1, and the second test is applied to Abu Dhabi's stock market showed in table 2. The tables 1 & 2 show the Descriptive statistics analysis results followed by explanations for each variable's result.

Table 1: Descriptive Statistics – Dubai stock market

	Minimum	Maximum	Mean	Std. Deviation
BI	.00	.36	.161	.126
BS	3.00	8.00	5.600	1.712
CD	.00	1.00	.500	.527
OS	.66	1.00	.883	.143
EC	10.79	12.87	12.136	.704
GO	.04	.17	.104	.036
ROA	7.00	30.00	14.4	.059
ROE	9.38	22.58	19.573	4.057
EPS	3.15	4.77	4.074	.515

The mean score for the independent variable (board independence) was 0.161, which means that board independence was a range between 0 to 36% on average for Dubai stock market companies. Furthermore, the standard deviation for the subscale independent variable (board independence) was 0.126. The mean score for the independent variable (board size) was 5.600, which means that board size in average for Dubai listed companies is 5.6 members, and range between 3 and 8.

Furthermore, the standard deviation for the subscale independent variable (board size) was 1.712. The mean score for the independent variable (CEO duality) was 0.500, which means that around 50% of the listed companies follow a duality in its practices. Furthermore, the standard deviation for the subscale independent variable (CEO duality) was 0.527. The mean score for the independent variable (ownership structure) was 0.883, which means that 88% of the companies' directors belong to the local category. Furthermore, the standard deviation for the subscale independent variable (ownership structure) was 0143. The mean score for the independent variable (executive compensation) was 12.136, which means that executives receive an average of 12.13 thousand Dirham, with a range between 10.8 and 12.87. Furthermore, the standard deviation for the subscale independent variable (executive compensation) was 0.704. The mean score for the independent variable (government ownership) was 0.104, with a range between 4% to 17%, this means that the government has shares in all the listed companies in Dubai market. Furthermore, the standard deviation for the subscale independent variable (government ownership) was 0.036.

The mean score for the dependent variable (Return on Asset) was 0.144, with a range between 7% and 30%, this refers to achieving net profit from all the listed companies over the period. Furthermore, the standard deviation for the subscale dependent variable (Return on Asset) was 0.059. The mean score for the dependent variable (Return on Equity) was 19.573, with a range between 9.38% and 22.6%. Also, this finding confirms a net profit over the period. Furthermore, the standard deviation for the subscale dependent variable (Return on Equity) was 4.057. The mean score for the dependent variable (earnings per share) was 4.074, with a range between 3.15 cent and 4.77 cents. Furthermore, the standard deviation for the subscale dependent variable (earnings per share) was 0.515.

Table 2: Descriptive Statistics – Abu Dhabi stock market

	Minimum	Maximum	Mean	Std. Deviation
BI	.00	.28	.126	.103
BS	4.00	9.00	6.200	1.751
CD	.00	1.00	.600	.516
OS	.47	1.00	.868	.183
EC	10.00	13.29	12.024	1.160
GO	.02	.08	.048	.023

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ROA	2.00	11.00	6.20	.028
ROE	2.60	26.00	11.761	6.489
EPS	3.60	4.50	3.880	.415

The mean score for the independent variable (board independence) was 0.126, which means that board independence was a range between 0 to 28% in average for Abu Dhabi stock market companies. Furthermore, the standard deviation for the subscale independent variable (board independence) was 0.103. The mean score for the independent variable (board size) was 6.2, which means that board size in average for Abu Dhabi listed companies is 6.2 members, and range between 4 and 9. Furthermore, the standard deviation for the subscale independent variable (board size) was 1.751. The mean score for the independent variable (CEO duality) was 0.600, which means that around 60% of the listed companies follow a duality in its practices. Furthermore, the standard deviation for the subscale independent variable (CEO duality) was 0.516.

The mean score for the independent variable (ownership structure) was 0.868, which means that 86% of the companies' directors belong to the local category. Furthermore, the standard deviation for the subscale independent variable (ownership structure) was 0.183. The mean score for the independent variable (executive compensation) was 12.024, which means that executives receive an average of 12.02 thousand Dirham, with a range between 10 and 13.29. Furthermore, the standard deviation for the subscale independent variable (executive compensation) was 1.160. The mean score for the independent variable (government ownership) was 0.048, with a range between 2% to 8%, this means that the government has shares in all the listed companies in Abu Dhabi market. Furthermore, the standard deviation for the subscale independent variable (government ownership) was 0.023.

The mean score for the dependent variable (Return on Asset) was 6.20, with a range between 2% and 11%, this refers to achieving net profit from all the listed companies over the period. Furthermore, the standard deviation for the subscale dependent variable (Return on Asset) was 0.028. The mean score for the dependent variable (Return on Equity) was 11.761, with a range between 2.60% and 26 %. Also, this finding confirms a net profit over the period. Furthermore, the standard deviation for the subscale dependent variable (Return on Equity) was 6.489. The mean score for the dependent variable (earnings per share) was 3.880, with a range between 3.60 cents and 4.50 cent. Furthermore, the standard deviation for the subscale dependent variable (earnings per share) was 0.415.

Table 3: Independent Samples Test

		Levene's Test		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Diff.	S.E. D.	95% Con. Interval of Diff.	
									Lower	Upper
BI	Equal variances assumed	.487	.494	.676	18	.507	.03500	.0517	-.073	.143
	Equal variances not assumed			.676	17.289	.508	.03500	.0517	-.074	.144
BS	Equal variances assumed	.011	.919	-.775	18	.449	-.60000	.7746	-2.227	1.027
	Equal variances not assumed			-.775	17.991	.449	-.60000	.7746	-2.227	1.027
CD	Equal variances assumed	.375	.548	-.429	18	.673	-.10000	.2333	-.590	.390
	Equal variances not assumed			-.429	17.993	.673	-.10000	.2333	-.590	.390
OS	Equal variances assumed	.144	.709	.204	18	.841	.01500	.0736	-.139	.169
	Equal variances not assumed			.204	17.030	.841	.01500	.0736	-.140	.170
EC	Equal variances assumed	4.435	.050	.261	18	.797	.11200	.4292	-.789	1.013
	Equal variances not assumed			.261	14.833	.798	.11200	.4292	-.803	1.027
GO	Equal variances assumed	.344	.565	4.080	18	.001	.05600	.0137	.027	.084

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	Equal variances not assumed			4.080	15.419	.001	.05600	.0137	.026	.085
ROA	Equal variances assumed	.426	.522	3.933	18	.001	.08170	.0207	.038	.125
	Equal variances not assumed			3.933	13.013	.002	.08170	.0207	.036	.126
ROE	Equal variances assumed	1.408	.251	3.228	18	.005	7.81200	2.4201	2.727	12.896
	Equal variances not assumed			3.228	15.104	.006	7.81200	2.4201	2.656	12.967
EPS	Equal variances assumed	.280	.603	.926	18	.366	.19400	.2094	-.245	.633
	Equal variances not assumed			.926	17.218	.367	.19400	.2094	-.247	.635

The results shown form the previous table show that there were no significant differences in the scores for board independence of Dubai's stock market (M=0.161, SD=0.126) and board independence of Abu Dhabi's stock market (M=0.126, SD=0.103) conditions; t (18) = 0.676, p= 0.507.
The results have shown form the previous table shows that there were no significant differences in the scores for board size of Dubai's stock market (M=5.600, SD=1.712) and board size of Abu Dhabi's stock market (M=6.200, SD=1.751) conditions; t (18) = - 0.775, p= 0.449.
The results showed form the previous table shows that there were no significant differences in the scores for CEO duality of Dubai's stock market (M=0.500, SD=0.527) and CEO duality of Abu Dhabi's stock market (M=0.600, SD=0.516) conditions; t (18) = - 0.429, p= 0.673.
The results shown form the previous table show that there were no significant differences in the scores for the ownership structure of Dubai's stock market (M=0.883, SD=0.143) and ownership structure of Abu Dhabi's stock market (M=0.868, SD=0.183) conditions; t (18) = 0.204, p= 0.841.
The results showed form the previous table shows that there were no significant differences in the scores for executive compensation of Dubai's stock market (M=12.136, SD=0.704) and executive compensation of Abu Dhabi's stock market (M=12.024, SD=1.160) conditions; t (18) = 0.261, p= 0.797.
The results shown form the previous table show that there were significant differences in the scores for government ownership of Dubai's stock market (M=0.104, SD=0.036) and government ownership of Abu Dhabi's stock market (M=0.048, SD=0.023) conditions; t (18) = 4.080, p= 0.001.
The results showed form the previous table shows that there were significant differences in the scores for Return on Asset of Dubai's stock market (M=0.144, SD=0.059) and Return on Asset of Abu Dhabi's stock market (M=0.062, SD=0.028) conditions; t (18) = 3.933, p= 0.001.
The results showed form the previous table shows that there were significant differences in the scores for Return on Equity of Dubai's stock market (M=19.573, SD=4.057) and Return on Equity of Abu Dhabi's stock market (M=11.761, SD=6.489) conditions; t (18) = 3.228, p= 0.005.
The results shown form the previous table show that there were significant differences in the scores for Earnings per Share of Dubai's stock market (M=4.074, SD=0.515) and Earnings per Share of Abu Dhabi's stock market (M=3.880, SD=0.415) conditions; t (18) = 0.926, p= 0.366.

5. Discussion

The T-independent sample analysis analyzes the means of two independent aggregates taking into account the ultimate objective of determining whether there is statistical confirmation that the means of associated populations differ significantly. T-Independent sampling test is a parametric test.

The T-independent sample test (t-test) analyzes the means between two unconnected clusters on the same independent and continuous variable. For example, the researcher can use independent testing to understand whether the first-year alumnus compensates in the light of sexual orientation (that is, researcher's dependent variable will be the "first-year postgraduate payment rates" and that researcher's independent variable will be "sex" Two groups: "male" and "female"). Alternatively, the researcher can take advantage of the T-independent test to understand whether there is discrimination in test anxiety in light of the educational level (i.e. researcher's dependent variable will be "test anxiety", and researcher's independent variable will be the "educational level", which has two clusters: "Undergraduate" and "graduate studies").

When investigating the researcher's data using the T-independent test, part of the procedure involves verifying that the data researcher wants to divide can actually be dissected using the T-independent test. The researcher has to do

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this because it is only appropriate to use T-independent test if the researcher's data "passes" six assumptions required for T-independent test to give the researcher a legitimate result. In practice, checking these six assumptions involves just a little more chance of the researcher's investigation.

The T-independent test, called the T-test, is a deductive statistical test that determines whether there is a statistically significant distinction between the means in two unrelated events.

6. Conclusion

Using the T-independent test in this research was to find out if there is a difference or not between the impact of corporate governance practices presented on the variables (board independence, the board size, CEO duality, ownership structure, executive compensation, and government ownership) on the performance of the stock market presented on the variables (Return on Asset, Return on Equity, and Earnings per Share) in Dubai and Abu Dhabi. As it was shown in tables 4.3 and 4.4 and the explanation followed that there were no significant differences between Dubai's stock market and Abu Dhabi's stock market for the first five independent variables, which are bored independence, the board size, CEO duality, ownership structure, and executive compensation, while there were significant differences for the sixth independent variable, which is government ownership. Specifications with statistics were shown and explained above.

In regard to the dependent variables, this research has found out that there were significant differences between Dubai's stock market and Abu Dhabi's stock market for the variables Return on Asset, Return on Equity, and Earnings per Share. Specifications with statistics were shown and explained above.

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