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RESEARCH ARTICLE Open Access

THE IMPACT OF CORPORATE GOVERNANCE ON THE EARNINGS QUALITY FOR A SAMPLE OF BANKS LISTED ON THE IRAQ STOCK EXCHANGE

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Abstract

Purpose: The purpose of the current study is to shed light on the influential role of corporate governance in improving the quality of profits in banks listed on the Iraqi Stock Exchange.
Design/methodology/approach: To achieve the objectives of the current study and test the hypotheses from an experimental perspective by reviewing previous studies and relying on them to provide a model that shows the importance of corporate governance in the quality of profits. To achieve this, a sample of 18 banks listed on the Iraq Stock Exchange was approved for 2013-2022.
Results: The research concludes that governance statistically affects the quality of profits for the banks in the research sample. It has become clear that the ownership structure, the number of board members, and the number of audit committee meetings effectively improve the quality of profits.
Originality/value: Given the great need to prepare financial statements that are characterized by quality and reliability, this matter requires the availability of an effective control system that works to provide an appropriate work environment and contributes to raising the quality of profits announced in the reports.

Keywords Quality of Earnings, Ownership Structure, Provision for Loan Losses, Governance

INTRODUCTION

The issue of corporate governance (particularly the nature of the ownership and internal governance structure, including the characteristics of the board of directors) is one of the main issues that attract the attention of academics, practitioners, professional organizations, officials, and civil society. Due to a series of discoveries, it has attracted attention in developed and, more recently, developing countries. Which distorts the financial statements of institutions. in developed countries, the quality of interest rates is considered the primary source of many economic decisions and is a critical issue for decision-makers.

The board of directors is the most crucial body responsible for the organization's profits and preparing the annual accounts. Therefore, it may confirm the countless benefits for the individual and the issues approved by the Board of Directors, which the organization's management can use to increase profits for the benefit of many investors and other related institutions, which raises serious questions. About the benefits of quality reporting

Second: Research Methodology:

1. Research problem:

Many studies have confirmed that corporate governance plays a vital role in financial reform by increasing investor confidence in financial reports, encouraging investment, attracting investments and investors, increasing the financing capacity of institutions, and creating and deepening the stock market to achieve economic development, and from here the research problem begins. The main one: "Does corporate governance have an impact on the quality of profits?" From this main problem, it branches into several sub-problems, as follows:

1. Is there a significant relationship between the number of board members and the quality of profits?

2. Is there a significant relationship between ownership structure and earnings quality?

3. Is there a significant relationship between the number of audit committee meetings and the quality of profits?

2. Research objective:

Given the critical role played by the management of institutions, especially the internal structure that includes the characteristics of the owner, the characteristics of the board of directors, and the characteristics of the audit committee, the quality of the profits of these institutions needs to be monitored using accounting data, and financing is used to determine the degree of influence of financial indicators, especially profitability and market activity, on the quality The announced financial information. Therefore, the research aims to achieve various objectives as follows:

1- Determine the rules and controls related to the goals that the Board of Directors and managers wish to achieve, which are to reduce the stock market's value and protect shareholders' rights.

2- Identifying the main aspects of institutional governance necessary to create a sustainable banking sector that enables it to achieve international economic and social goals.

3- Identifying operations that increase the quality of banks' profits and attract investors.

3. The importance of research:

The importance of this study stems from the following theoretical and practical results of the variables of this research:

1- The importance of applying good judgment in the economic, administrative, financial, accounting, legal and social aspects.

2- The quality of profits is considered an essential source of information for analysts and investors when assessing an organization's risks. It is regarded as a strong indicator for evaluating the accuracy and quality of accounting used in many economic decisions in the organization's market, and it is viewed as a critical decision for decision-makers.

3- Changing the institutional mentality that opposes changes in economic institutions in Iraq for the sake of business continuity and diversification of ownership.

4- Ensure the presence of experts as consultants or independent experts in the management of these institutions in a way that guarantees and confirms the principle of independence, honesty, and transparency in all the activities of these institutions.

5- Contributing to reducing the control of one person's role over all the decisions and activities of these institutions by separating the roles of CEO and Chairman of the Board of Directors.

6- Helping investors decide the best alternative investment options based on criteria applicable to institutions.

4. Research hypothesis:

In light of the current research problem and its objectives, a central hypothesis was formulated as follows:

Institutional governance has a statistically significant effect on the quality of profits of banks listed on the Iraqi Stock Exchange.

Sub-hypotheses:

1- There is a statistically significant effect of ownership structure on the quality of profits of banks listed on the Iraq Stock Exchange.

2—The number of board members has a statistically significant effect on the quality of profits of banks listed on the Iraqi Stock Exchange.

3- There is a statistically significant effect of the number of audit committee meetings on the quality of profits of banks listed on the Iraq Stock Exchange.

Third: The theoretical aspect

1. The concept of governance:

The concept of governance is a new concept that affects the economic field and has become one of the basic standards adopted in monitoring the activities of individuals and institutions, such as evaluating the performance of institutions, increasing profits in the stock market, and indicating the performance and level of institutions. Therefore, a method of monitoring these institutions' work was adopted to ensure the protection of the rights of shareholders. The role of governance is clear, as laws are created to define and implement standards of good governance. (Jenkins, 2019: 21)

When discussing the concept of corporate governance, it should be dealt with with great care because it is considered one of the activities that brings with it a lot of caution for the following reasons (Hopt, 2020: 11)

1- The debate about the concept and nature of governance and the objectives to be resolved has yet to be resolved.

2- While efforts to reform and strengthen ownership structures continue at the international and regional levels, governance's renewable and dynamic nature also contributes to this idea.

Economists, analysts, managers, legal experts, and others discuss all of these previous reasons, making it impossible to accept the idea that there is a standard and agreed-upon definition among those interested (Speer, 2017: 32).

Corporate governance is defined as implementing and monitoring institutions to ensure harmony between shareholders and management interests, achieving justice and equality by building an integrated ethical system that serves their interests and encourages managers to make moral decisions (Al-Ghanem, 2021: 26).

2. Standards and principles of corporate governance:

Corporate governance principles are the practices and principles used in participating institutions. In

2004, the Organization for Economic Cooperation and Development, in cooperation with governments, international organizations, and the private sector, published principles and standards on corporate governance (13: 2018, etal Elgammal), represented as follows:

1-Ensuring a practical corporate governance framework: Corporate governance should comply with the provisions of the law and promote transparency, as stipulated in the first principle of the Organization for Economic Cooperation and Development (OECD). It should also ensure adequate governance within a framework of specific laws and that managers have oversight and regulation. Finally, it should manage transparency, honesty, and authority together. (Taj al-Din, 2019: 44)

2- Shareholder rights: The shareholder group consists of people or institutions whose goals, capabilities, interests, and time horizons for investing their capital differ. In practice, it is difficult to manage the institution through shareholder elections, and at the same time, it should be able to make the necessary decisions quickly. In terms of operation, considering the fast and changing market makes enterprise management difficult and effective. (Al-Othman,2019: 23)

3- Equal justice for shareholders: This principle emphasizes equality between foreign and local shareholders in the management of the institution, as boards of directors, significant shareholders, and managers can have the opportunity to take specific actions to achieve their interests over the interests of small or local shareholders (Abdul Rasoul, and Ali, 2018: 33).), Board members and managers should also disclose any activities, financial interests, family relationships, or other relationships and matters related to the organization that may affect their decisions regarding various activities. (Jingqi, 2022:223)

4- The role of stakeholders in managing institutions: Financial institutions should know that stakeholder contributions constitute a valuable resource in improving the ability of institutions and supporting their levels of profitability, and controlling whether the flow of foreign capital to institutions is also an essential factor in governance (Al-Hayari, 2017: 87)

5- Disclosure and transparency: The institution's board of directors must promptly ensure all procedures related to the establishment of the institution, including its ownership, operation, financial status, and management (Ghaith and Abdullah, 2022: 48), and the disclosure should also include the objectives of the business entity in addition to related policies. Responsibilities in the environment, business activities, professional conduct, and public policy, and this information is considered extremely important (Al-Haddad, 2023: 65).

6- Responsibilities of the Board of Directors: In addition to its role in managing the organization's strategy, preventing conflicts of interest, and balancing interests, the Board of Directors also bears the primary responsibility for monitoring the performance of managers and taking care of the interests of shareholders. For the Board of Directors to be able to carry out its duties effectively, it should enjoy a certain degree of independence from The mother administration (Muhammad, 2019: 32). It is worth noting that there should be communication channels between members so that board members can obtain accurate, appropriate and timely information (Önce, et al. 2019: 56).

. The importance of corporate governance:

1- 1. From the perspective of economics, finance, accounting, and management: The importance of using good governance from an economic perspective can be seen in the way financial information is better disclosed to help raise capital, reduce the cost of capital, and fight corruption, which constitutes a significant obstacle to progress. It prevents the institution from financial distress (et al., 2019: 88, Nakprasit).

2-Governance is essential in ensuring a management structure that is responsible to shareholders for managing the organization and effectively monitoring accountants and managers to achieve financial statements based on high-quality accounting principles. (36: 2019, Tam, et al)

3- 2. The importance of governance from a legal perspective: Governance is essential from a legal standpoint as it protects the rights of the various parties in the organization and eliminates the adverse effects of implementing the agreements signed between multiple parties. (Tran, 2020: 89)

4- The importance of governance from a social perspective: Governance is essential in society because it affects society. Governance is considered necessary in providing governance structures that make the organization's management accountable to shareholders and ensure an annual independent audit of the accounts by accountants and managers annually on accounting principles. (Al-Jawari, 2020) : 17)

4. Corporate governance objectives:

Governance aims to provide multiple benefits to all stakeholders without exception through:

a. It aims to consider the interests of employees and society, protect small and large stakeholders, reach them effectively, and increase their interest.

b. Raise the level of responsibility of managers.

c. Create confidence between investors and shareholders.

d. Providing more than one source of financing (Al-Wakeel, 2021, p. 107).

e. Trying to improve decisions.

f. Increasing the reliability of institutions and supporting their stability by avoiding accounting and administrative problems.

g. Enhancing the integrity and efficiency of the financial market.

h. Improving the image of institutions that want to succeed and serve society in general and shareholders in particular, protecting institutional governance, ensuring transparency, justice, and the right to accountability, and giving everyone the right and interest in managing issues (Vinh, 2019, pp. 11-12).

5. Quality of earnings:

The quality of profits is one of the issues that concern the business world because the credibility or sincerity of profits declared in institutions is something that must be partially relied upon due to the poor performance of the management of these institutions. This practice includes (returns management, income adjustment, and financial engineering) (Hamid & Hassan, 2020). : 51), and is mainly related to institutions that communicate with partners through economic reports, as it contains essential and helpful information for creditors, accountants, all stakeholders, and various interests so that the goal of each party is to focus on enhancing the interests of shareholders on their part (et al., 2020: 10&Chiboole).

Institutions want to achieve high-quality profits because the quality of profits is the backbone of every institution. Therefore, this topic becomes a topic for experts and analysts in the fields of finance and accounting. This return is characterized by continuity and stability and refers to the institution's behavior in providing returns. The quality of profits is considered the primary source of many decisions. Economics is a critical issue for decision-makers, so their earnings are higher than the organization's. (Al-Bamerni, 2020: 21)

There is no common or agreed-upon definition of earnings quality in the literature or an acceptable method for measuring earnings quality (Khudair, 2019, p. 53). Earnings quality can be defined as the profits declared by the institution, that is, profits that reflect the true reality of financial performance and, at the same time, reflect the basis of Economic operations without management intervention (ALemu, 2017: 22).

Profitability is also defined as the ability of current profit to continue in the future because the longer the profit, the higher the profit quality. Earnings quality is defined as the ability of recognized profits to reflect the actual profits of an organization and predict future profits that organizations want to rely on (Menicucci, 2020, p. 45).

It is worth noting that institutions want to rely on profits to generate revenues after paying costs, as they can use them as distributed profits (Al-Hasnawi, 2022, p. 24).

Earnings quality is defined as the ability of reported earnings to reflect an organization's actual performance and predict future earnings. (2020: 44, Ahmed)

6. The importance of earnings quality:

1-Earnings quality is an important source of information for analysts and investors when assessing an organization's risks.

2- It is considered an important indicator to evaluate the accuracy and quality of accounting used in the organization

3- Creditors use the type of interest rate to determine an institution's ability to pay its debts and maintain its relationship with it in the future.

4- Investors are interested in the institution's ability to pay dividends and maintain and compare these dividends, which indicates a relationship between dividends and earnings quality (Maggie, 2019).

. Determinants of earnings quality:

Through reviewing studies and research on earnings quality, five determinants of financial quality were identified:

☒ Characteristics of the institution: Many studies provide evidence that the operational characteristics of the institution are related to various aspects of earnings quality, and they include the following (Alzead, 2017 p. 14)

1- The organization’s performance

2- Debts

3- The size of the institution

☒ How to prepare financial reports.

☒ Governance is a determinant of the quality of profitability.

☒ Auditors.

☒ Capital market incentives are considered a determinant of governance. (Tian, 2017, 23)

8. Earnings Quality Measures:

Earnings quality measures received much attention from researchers, and their efforts aimed to find a way to evaluate them in a better and more rational way (Al-Shabib, 2018, p. 40) and in general there are four different aspects to finding earnings quality standards (Amin & et al., 2018: 27)

1—The first stage refers to the time series of earnings assets. It examines how earnings quality is derived from three main factors: revenue continuity, predictability, and volatility.

2- The second structure is derived from the relationship between income, expenditure, and income: these measurements are often used to determine the scope or effectiveness of management practices.

3- The third construct deals with how qualitative measures are derived from the qualitative FASE concepts: It evaluates quality in terms of suitability, reliability, and compatibility/consistency. These three concepts cannot be measured separately, and a trade-off usually exists between one measure and another.

4- The fourth stage: Results of executive decisions: This stems from the concept of financial management and the impact of administrative decisions on the nature of profit.

Two types of decisions affect the nature of profits (Ilishan: 2019: 38)

a. The number of estimates required affects the accounting method used.

B. The level of profits on which decisions or estimates should be based.

9. The impact of corporate governance on the quality of profits:

A study conducted by Tran and Lam (2020: 22) revealed that earnings management is a source of concern for institutions because it harms the interests of stakeholders, reducing the quality of information in the financial statements of companies involved in their business management processes. The study aimed to investigate how corporate governance affects the quality of earnings. The most significant proposal of the study is the importance of the nature of the interest of investors and financial analysts in the stock market in explaining the quality of profitability of the institution.

The study (Nakprasit & Rattanayong, 2019: 32) also aimed to study the relationship between the quality of profits and the corporate governance structure. The quality of profits was calculated using four metrics, while management was represented by the ownership structure: maintenance by focusing on ownership, foreign ownership, the independence of the board of directors, and dual management. The results revealed a significant relationship between corporate governance and the organization's returns.

While the study (Huong et al., 2019, p. 21) indicated whether foreign shareholders improve the quality of profits of Vietnamese institutions, the researchers found that institutions with significant foreign investments have high-quality financial reports and the ability to help the organization improve the quality of profits.

From the above studies, it can be said that there is a significant relationship between the governance of institutions and the quality of profits.

Fourth: The applied aspect of the study

To empirically verify the impact of corporate governance on the quality of profits, the sample will be a group of (10) Iraqi commercial banks, and their financial statements for the period (2013-2022) will be used.

1. Quality of profits in commercial banks

To measure the quality of profits, the Jones model was used, which represents a model developed from the De Angelo and Healy models, as the model proposes controlling the effect of the economic variables of the company contributing to the entitlement is non-optional by assuming that the profits are non-optional and estimating the accruals taking into account the change in economic variables, stressing that the accruals are non-optional. Constant (Ergun, 2015: 44). One of the essential additions provided by the Jones model is the departure from the assumption of the stability of optional receivables over the period, as a particular regression model was developed to estimate these receivables and separate them from total receivables to measure accounting practices and control the impact of economic factors through the use of (factories, property, and change). in profits) Moreover, Jones's study proved that this model is successful in total receivables (Baddouri, 2018, p. 49) and is expressed by the following equation (2017: 2, Loukianova).

NDAit = a1(1/Ait_1) + a2 (ΔREVit/Ait_1)+ a3(PPEit/Ait_1

Equation No. 5

whereas :

NDAit=Firm i's nondiscretionary receivables during period t

Ait_1 = Total assets of company (i) at the end of period t_1

REVitΔ= Change in company revenues (i) during the period (t)

PPE = The value of the company's machinery, real estate, and property (i) at the end of the period.

Table No. 2 shows the residuals of the regression analysis of the Jones model, indicating the earnings quality. This model assumes that if the model's residuals are positive, they indicate the quality of earnings. Therefore, if the residuals are positive, the company does not use the quality of earnings.

Table No. 1

The research sample delves into the crucial aspect of earnings Quality (EQ) in the banking sector, a topic of significant relevance to our audience of financial analysts and professionals in the banking industry.

2022	2021	2020	2019	2018	Bank Name
0.09594	-0.0677	-0.06572	0.06868	0.07535	Iraqi Investment
-0.06838	0.12293	0.01878	0.11517	0.02951	Al-Ahly Iraqi
-0.00721	-0.05773	0.07966	0.0518	0.12905	United Investment
-0.11965	0.27108	0.03829	-0.48364	-0.06885	Iraqi Commercial
0.0023	0.12026	0.05812	-0.04046	-0.11736	Commercial Gulf
0.17389	-0.50853	0.17604	0.00814	0.01921	Middle East Investment
0.06661	0.03808	-0.10099	-0.05105	0.25788	Mosul For Development And Investment
-0.10973	-0.03877	0.01481	-0.03541	0.08437	Baghdad
0.02454	0.22441	0.04368	-0.06967	0.091	Sumer Commercial Bank
0.11952	-0.02853	-0.14698	-0.10254	0.17863	Credit Bank

It is clear from the table above that the banks in the research sample practice quality profits at different levels. The results of the residuals of the Jones model indicate that the residuals of the model are negative, meaning that the banks prepare financial statements that include profits that are characterized by quality during the study period but at different levels from one period to another, as well as their differences from one bank to another, Etc.

2. Corporate governance

The governance variable included three variables to measure it: the administrative ownership structure of board members, the number of board members, and the number of audit committee meetings.

☒ Ownership structure

This variable was measured by measuring the ratio of ownership of members of the Board of Directors to the number of bank shares, as the table below shows the ownership of members of the Board of Directors.

Table 2: Percentage of ownership by members of the Board of Directors

2022	2021	2020	2019	2018	Bank Name
0	0	0	0	0	Iraqi Investment
0.77	0.77	0.77	0.77	0.77	Al-Ahly Iraqi
0.05	0.05	0.05	0.05	0.07	United Investment
0.85	0.85	0.85	0.75	0.75	Iraqi Commercial
0.1	0.1	0.1	0.1	0.1	Commercial Gulf
0.06	0.06	0.06	0.06	0.06	Middle East Investment
0	0	0	0	0	Mosul For Development And Investment
0.55	0.55	0.55	0.55	0.58	Baghdad
0	0	0	0	0	Sumer Commercial Bank
0.91	0.91	0.91	0.91	0.91	Credit Bank

The percentage of ownership varies between the banks in the research sample, which indicates a difference in the representation of shareholders on the board. That is, it is clear that companies are heading to find independent persons as members of the board of directors.

Number of board members

The number of board members for each bank sampled in the study was measured in the table below.

Table 3: Number of members of the Board of Directors

2022	2021	2020	2019	2018	Bank Name
7	7	7	7	7	Iraqi Investment
5	5	5	5	5	Al-Ahly Iraqi
5	5	5	5	5	United Investment
9	9	9	9	9	Iraqi Commercial
7	7	7	7	7	Commercial Gulf
7	7	7	7	7	Middle East Investment
7	7	7	7	7	Mosul For Development And Investment
9	9	9	9	9	Baghdad
9	9	9	9	9	Sumer Commercial Bank
9	9	9	9	9	Credit Bank

The table above shows the level of variation in the number of board members in the banks sampled in the research, and that in general the number of members ranged between 5-9 members, which falls within the acceptable level for the number of board members and also reflects the level of commitment to applying corporate governance in the banks.

☒ Counting the audit committee meetings

This variable is measured by the number of audit committee meetings during the study period, as shown in the table below

Table 4: Number of Audit Committee meetings

2022	2021	2020	2019	2018	Bank Name
6	4	6	3	3	Iraqi Investment
4	3	2	2	2	Al-Ahly Iraqi
3	4	2	1	3	United Investment

5	5	4	3	6	Iraqi Commercial
2	2	2	2	2	Commercial Gulf
4	3	3	3	3	Middle East Investment
4	6	4	5	3	Mosul For Development And Investment
3	4	4	2	3	Baghdad
3	3	3	3	3	Sumer Commercial Bank
3	3	3	3	3	Credit Bank

The table above clearly shows a discrepancy in the number of meetings between banks, which reflects the level of governance and oversight in those banks.

3. Testing research hypotheses

In this part of the research, hypothesis testing will be examined, and the following regression model is used to test the research hypotheses:

DLLPit = α0 + β1 OWST it + β2 MAC t + β3 GROWTH

+ β4 GROWTH + β5 LEV it + β6 MTB it + β7 CA

+ β8 SIZE it + εit

DLLPit: Allowance for loan losses

OWST: ownership structure

NBM: Number of board members

MAC: Number of audit committee meetings

GROWTH: Growth

LEV: Financial Leverage

MTB: Market value to book value

CA: Capital adequacy

SIZE: The size of the bank

Testing the problem of collinearity

Table (5) shows that all values of the variance inflation factor (VIF) for all independent variables are less than 5, indicating no multicollinearity problem in the model for testing the fourth hypothesis.

Table (5) shows the values of the variance inflation factor (VIF) to test the multicollinearity problem for the fourth hypothesis testing model.

Table 5: Results of the VIF factor (8) related to the hypothesis

VIF	Variable
1.227	OWST
1.506	NBM
2.349	MAC
1.148	GROWTH
1.325	LEV
2.134	MTB
1.121	CA
1.171	SIZE

Correlation coefficients for the variables of the fourth hypothesis testing model

Unlike regression testing, which measures the effects of variables as a whole, it measures the correlation coefficient between two variables in a binary manner. Therefore, the lower the correlation between the two variables, the better the research results, as in the table below.

Table 6: Correlation coefficients for the variables of the fourth hypothesis testing model

SIZE	CA	MTB	LEV	GROWTH	MAC	NBM	OWST	Correlation Probability
							1.000	OWST

						1.000	-0.122	NBM
						-----	0.903	
					1.000	0.214	-0.114	MAC
					-----	0.976	0.769	
				1.000	0.101	0.095	-0.083	GROWTH
				-----	0.250	0.279	0.341	
			1.000	-0.627	-0.868	-0.148	0.310	LEV
			-----	0.761	0.000	0.684	0.016	
		1.000	-0.104	-0.041	0.214	-0.072	-0.590	MTB
		-----	0.219	0.638	0.014	0.410	0.000	
	1.000	0.3105	-0.526	0.073	0.945	-0.087	-0.073	CA
	-----	0.000	0.000	0.205	0.000	0.419	0.506	
1.000	-0.773	-0.196	0.788	-0.176	-0.937	-0.175	0.264	SIZE
-----	0.000	0.132	0.000	0.285	0.000	0.192	0.030	

The table above notes that the binary correlation coefficients between the independent and control variables are weak. This is a useful characteristic that indicates that the variables measure different dimensions.

Before testing the regression model, the appropriate method for testing this model must be determined, as the nature of the time-segment analysis of Panel Data requires choosing between one of the methods for running the study models: the fixed effects model method, the random effects method, and the restricted method.

To ensure that the correct test method was chosen, the three tests (Hausman Test, Redundant Fixed Effects Test, Breusch-Pagan) were conducted, and then a comparison was made between these methods according to the level of significance, as shown in Tables No. (7, 8, 9).

Table 7 Redundant Fixed Effects Tests

Prob.	Test Value	Test type
0.1725	2.2581	F

The above table shows that the test probability is 0.0378 less than 5%, so the OLS method is more suitable than the fixed effects test method to fit the hypothesis testing model

Table 8 Breusch-Pagan

Prob.	Test Value	Test type
0.3258	0.4258	Breusch–Pagan

According to the above table and the probability value of the Breusch-Pagan test, the null hypothesis of this test based on the use of the OLS method was rejected. Therefore, using, according to the test results, the OLS method is appropriate to test the fourth hypothesis model. For verification, the Hausman test was conducted as in Table No. (32). Table 9: Hausman

Prob.	Test Value	Test type
0.5638	12.1658	Hausman

According to the table above and the probability value of the Hausman test, it can be concluded that the null hypothesis of this test based on using panel regression with random effects was accepted, and therefore, the random effects method compared to the fixed effects method, as the random effects method is considered more appropriate for testing the hypothesis model. In general, since the number of time series data (5) years (less than the number of deterministic units) is ten banks (and drawn as a random sample from a larger population) (41 banks), it is better to use the random effects method.

Based on the above, the results of testing the fourth hypothesis model are presented in Table 10. Table

10: Hypothesis test results

Prob.	t-Statistic	Coefficient	Variable	
0.000	5.641	3.418	Fixed Part	C
0.004	0.078	0.023	Ownership Structure	OWST
0.012	2.585	0.013	Number of Board Members	NBM
0.008	0.799	0.106	Number of Audit Committee Meetings	MAC
0.075	0.388	0.102	The Growth	GROWTH
0.003	4.207	0.211	Leverage	LEV
0.026	0.601	0.210	Market Value to Book Value	MTB
0.005	−4.652	−0.101	Capital Adequacy	CA
0.000	5.258	0.182	Bank Size	SIZE
		16.1587		F-statistic
		0.000		Prob(F-statistic)
		0.56		Adjusted R-squared

It is clear from the table above that the test model is valid, as the value of the F-statistic was (16.1587) and that the statistical significance of the (Prob) value reached (0.000), which is less than 1%, which indicates the significance of the test model as a whole. It is also evident from the table that the statistical significance of the value Prob for the independent variable ownership structure (0.012), which indicates proof of the second sub-hypothesis, which states that there is a statistically significant effect of the number of board members on the quality of profits of banks listed on the Iraq Stock Exchange, meaning that increasing the number of board members has a positive role in increasing the quality Profits.

The independent variable, the number of board members, reached (0.004) statistical significance, which indicates proof of the first sub-hypothesis, which states that ownership structure has a statistically significant effect on the quality of profits of banks listed on the Iraqi Stock Exchange. That is, the ownership structure positively impacts improving the quality of profits.

The statistical significance of the independent variable, the number of audit committee meetings, reached (0.008), which indicates the stability of the third sub-hypothesis, which states that there is a statistically significant effect of the number of independent members of the audit committee on the quality of profits of banks listed on the Iraqi Stock Exchange. That is the availability of independent members in the committee. Auditing contributes effectively to increasing the quality of auditing.

From the above, it is clear that the primary research hypothesis is stable, which indicates that (there is a statistically significant effect of institutional governance on the quality of profits of banks listed on the Iraqi Stock Exchange.)

The results also indicated a statistically significant relationship between the regulatory variables and the quality of profits, which is evident from the level of significance, which was less than 5%.

Fourth: Conclusions and Recommendations

CONCLUSIONS

1- A set of external determinants reflects the context in which banks operate and may vary from country to country. For example, the laws and regulations that regulate the governance of institutions and their mechanisms in a particular place play a significant role in encouraging adherence to governance principles.

2- A set of internal determinants includes rules that determine how management structures are organized within the bank and the distribution of powers and responsibilities. These determinants encourage sound management structures and effective decision-making.

3- Banks are committed to applying the principles of bank governance and their mechanisms proposed by the Organization for Economic Cooperation and Development, but to varying degrees, as the principle of fair and equal treatment of shareholders was the best-applied principle according to the answers of the study sample, then followed by the principle of the tasks and responsibilities of the administrative council of the institution. In contrast, providing a regulatory and legal framework is the least applicable principle for bank governance and its effective mechanisms. However, we see the necessity of providing a regulatory and legal framework before obligating banks to implement governance principles because, without this framework, these principles have no role, no matter how well they are designed.

4- The bank is committed to the principle of disclosure and disclosure. However, the absence of an efficient financial market and the conditions of entire competition and competitors reduce the benefits that result from the principle of disclosure and disclosure. However, despite the lag behind international banks in this field and other modern and emerging methods of management and administration, As a result of the weakness of the Iraqi economy, lack of competition, and lack of reliance on the stock market for financing, banks always try to overcome the obstacles they face in their path.

5- There is a statistically significant effect at a significant level (∝=0.05) for corporate governance on the quality of profits for Iraqi banks listed on the Iraq Stock Exchange, and this is actually what was proven from the field study, where there is a relationship described as positive and has statistical significance between the application of corporate governance principles Banks, their mechanisms, and achieving the quality of profits, and this is what we notice. Banks always seek to improve the quality of their information through the annual and quarterly financial reports published by the banks. This is to publish. Disclosure in this context enhances the confidence of the public and those dealing with the bank. In addition, it contributes to protecting the rights of shareholders by providing them with complete and regular information, and shareholders can periodically review any amendments or strategic decisions that may affect the studied banks. This contributes to enhancing operations' transparency and positive interaction between the bank and all stakeholders.

RECOMMENDATIONS

Based on the conclusions reached, especially those that raise several questions, and to be able to implement banking governance and its mechanisms in its modern sense and benefit from them, we recommend the following:

1. Implementing bank governance and its mechanisms is one option for transitioning towards a market economy, which requires institutions to consider methods and strategies for improving their financial performance.

2. Bank governance and its mechanisms will make the institutions strive, through their managers, to achieve profits by relying on modern management techniques and the keenness of their owners for their survival. The success of bank governance and its mechanisms depends on the state's ability to create the economic environment for market mechanisms by liberalizing prices and monetary and financial governance.

3. Work to establish a committee concerned with governance affairs in each company, the Banking Governance Committee, and its mechanisms. This committee emerges from the institution's administrative council and supervises the conduct of governance in companies.

4. Working to find a unified indicator to measure the application of bank governance and its mechanisms in similar sectors. Moreover, Taking into account, when applying the principles of bank governance and its mechanisms, the impact of variables related to the environment that is witnessing rapid and continuous changes in all environmental aspects, namely economic, social, and political.

5. Call for holding seminars and meetings between professional bodies and banks' boards of directors to increase knowledge, develop administrative thinking, and learn about all developments that occur regarding bank governance and its mechanisms.

6. There is a need to increase efforts and attention to the issue of applying bank governance principles and mechanisms and follow up on the latest developments related to this field. The goal is to develop awareness and enhance the role that banks play in investing in society

7. Work to increase the level of disclosure in financial reports and make them available to all stakeholders and influencers to give shareholders

and investors security and safety for their money.

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