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**Effect of Corporate Governance Practice on Private Banking in Iraq:
Empirical research in private banking in Iraq**

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Abstract: The research will examine if private banks in Iraq practice principles of corporate governance which were suggested and confirmed by the Basel Committee on Banking Supervision (2000). The aims of the research are identify the role of BOD and CEO in corporate governance practice, role and experience of board directors in corporate governance practice, and the role of compliance policy in corporate governance practice. The research collected data by distributing 120 questionnaires randomly to high-level bank employees involved in corporate governance. The target population comprises credit risk managers, head departments, CEO, and board members. The researcher designed a questionnaire that include 92 closed questions. The research shows that private banks in Iraq, in general, are effective in applying the principles of corporate governance from the point of view of the respondents in general. The research finds also that the internal audit function assists effective manner senior management and the board of directors in the efficient and effective discharge of their responsibilities.

تأثير ممارسة حوكمة الشركات في الخدمات المصرفية الخاصة في العراق: بحث تجريبي في مجال الخدمات المصرفية الخاصة في العراق

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المستخلص

يفحص البحث فيما إذا كانت البنوك الخاصة في العراق تطبق مبادئ حوكمة الشركات الموصى بها والمصادقة عليها من قبل لجنة بازل للرقابة المصرفية (2000). تتمثل أهداف البحث في تحديد دور مجلس الإدارة والرئيس التنفيذي في ممارسة حوكمة الشركات، ودور أعضاء مجلس الإدارة وخبراتهم في ممارسة حوكمة الشركات، ودور سياسة الامتثال في ممارسة حوكمة الشركات. وقد تم في البحث توزيع 120 استبياناً بشكل عشوائي على موظفي البنوك رفيعي المستوى المشاركين في حوكمة الشركات، ويتكون من مديرين مخاطر الائتمان ورؤساء الأقسام والرؤساء التنفيذيين وأعضاء مجلس الإدارة. وقد قام الباحثان بتصميم استبانة تحتوي على 92 سؤالاً مغلقاً. وقد وجد البحث أن البنوك الخاصة في العراق، بشكل عام، فعالة في تطبيق مبادئ حوكمة الشركات من وجهة نظر المستجيبين بشكل عام، كما وجد أيضاً البحث أن وظيفة التدقيق الداخلي تساعد الإدارة العليا ومجلس الإدارة بطريقة فعالة في الاضطلاع بمسؤولياتهم بكفاءة وفعالية.

الكلمات المفتاحية: حوكمة الشركات، مجلس الإدارة، الرئيس التنفيذي، إدارة المخاطر.

1-1. Introduction

In this chapter, we first define corporate governance. There is a need to give this initial setting because corporate governance is the main topic of this thesis. We continue this chapter with a description of the motivation for the launch of this research and thesis. It is certainly expected that the research will bring a certain contribution and new knowledge to the banking sector. We finish this chapter by putting down the research questions, establishing hypotheses, and defining the main objectives of the research.

According to (Ehrhardt&Brigham,2011,531) Corporate governance can be defined as the set of laws, rules, and procedures that influence a company's operations and the decisions made by its managers.

Corporate governance recognizes as an important topic for successful management and it leads to bank performance. Central Bank of Iraq will supervise private banks to ensure practicing principles of corporate governance which is confirmed by the Basel Committee for banking supervision, (2015).

1-2. The impartment of the research: The research is expected to be useful for banking in Iraq as it provides suggestions for Iraqi private banks based on its findings. The research examines different points of practicing corporate governance and determines both strengths and weaknesses of the process of corporate governance. Private banks can improve their corporate governance based on the findings of this research. By giving direction to top management, the board director members have a fundamental impact on corporate governance. Members of private banks' board of directors have knowledge of risk management strategies and issues. Private banks approve compliance guidelines that are distributed with all staff. The board director is responsible for overseeing a strong risk governance framework. In the bank, there is the stability of board members.

1-3. The research objectives

1. Discuss the role of BOD and CEO in corporate governance practice
2. The research will discuss the role experience of board directors in corporate governance practice.
3. The research will go through how compliance rules impact corporate governance procedures.

1-5. Research question: The research will issue the following research questions

First research question: Do board director members are providing advice to top management?

Second research question: Do board director members have experience in risk management issues and practice?

Third research question: Do private banks approve compliance policies?

1-6. Research hypothesis: The research hypotheses can be formulated as follows:

H0: By giving advice to top management, board director members do not significantly affect corporate governance.

H0: board director members in the private banks have no experience in risk management issues and practices

H0: Private banks do not approve compliance guidelines that are shared with all employees.

1-7. Motivation of the research: The methods of corporate governance in Iraqi private banks are examined in this research. The research 's goal is to determine if the Basel Committee on Banking Supervision's corporate

governance guidelines are effective in practice (2000). The evaluation of corporate governance in Iraqi private banks is being done for three major reasons. First and foremost is to discuss the role of BOD and CEO in corporate governance practice. Secondly, the research will discuss the role experience of board directors in corporate governance practice. Thirdly, the research will discuss the role of compliance policy in corporate governance practice.

2. Literature Review

2-1. Concept of corporate governance: According to researchers (Larcker and Tayan, 2011: 38), (The OECD, 2004: 42) Corporate governance is a group of control mechanisms used by an organization to prohibit or restrict potentially self-interested- interested managers from acting in ways that are harmful to the interests of stakeholders and shareholders. The monitoring system must at the very least have included a board of directors to monitor management and an external auditor to provide feedback on the integrity of the financial statements.

2-2. The goal and objective of corporate governance: (Ghosh, 2012: 65) focus that Promoting the interests of shareholders and raising equity market value are the main goals of corporate governance. Corporate governance in banks aims to ensure long-term solvency, secure shareholders' interests, protect depositors' and debt holders' interests, improve employee performance, establish a reputation and gain the public's trust.

2-3. Corporate governance standards: (Banja Luka, 2011: 3) emphasizes that these standards of corporate governance set out more closely the mechanisms for functioning and protection of interests in interrelations among different stakeholders in. The stakeholders in a joint stock are the persons that assume certain direct or indirect risks in relation to the bank. According to (Larcker and Tayan, 2021: 85) that there is not a single standard for corporate governance which fit to all countries around the world.

2-4. Too-Big-To Fail: (Barclift, 2011: 451) identified by developing rules for a stress test on such organizations, the government defined financial institutions as "too large to fail." A financial institution is said to be "too big to fail" if its insolvency or collapse would severely disrupt the capital markets and send the economy into a recession or depression. However, a

financial firm's corporate governance is affected when systemic threats are determined.

2-5. Management must have integrity and ethical behavior: (Kaptein, 2001: 103) emphasizes that Integrity management is concerned with properly and systematically affecting, analyzing, and enhancing or protecting an organization's capacity to deal with integrity breaches. Integrity violations happen when competing interests are adversely evaluated against one another. These integrity violations seriously harm the company its staff, and its external stakeholders.

2-6. Importance of Corporate Governance: According to (Oman, et al., 2003: 183) The significance of corporate governance deserves much more recognition, a wider scope, and a larger framework, especially in the current climate of the proliferation of various scandals and crises, as well as, to a certain extent, failures of the entire corporate governance structure. The significance of corporate governance has risen even further as a result of globalization, which has significantly increased trade volume, the size and complexity of firms, and the bureaucracies set up to try to control it.

2-7. Effectiveness of corporate governance: Larcker and Tayan, (2021: 72) emphasize that the corporate governance process depends on the function of auditors.

1. Recognizing the value of the audit process and emphasizing its significance throughout the bank would enhance the effectiveness of the board and top management.
2. Taking actions to improve the impartiality and status of auditors.
3. Making use of the auditors' findings promptly and effectively.
4. Ensuring the head auditor's independence by having his report to the board or the audit committee of the board.

2-8. Culture of corruption: Rothstein & Tegnhammar, (2006: 203) emphasize that there are countries, in fact. Which possess all the features to have low levels of corruption perceived but they are related to higher levels with respect to what one could imagine, the same is true for the opposite case: there are some countries which register lower levels of corruption with respect to the ones that one could expect. Culture includes a huge variety of aspects. It can be also defined as the system of social, political, and economic institutions, of religious and spiritual manifestation which belongs to a society in a specific period.

2-9. Board of directors' responsibility: (Seenivasan, 2014: 17) points out Boards of Directors are crucial to the efficient operation and long-term success of any corporation's governing structure. Since their responsibilities often include setting the development plan, mobilizing the human and financial resources needed to accomplish it, and monitoring performance in accordance with the strategy set out, boards should serve as the main body of oversight.

2-10. Board qualification and composition and it's a function: According to Basel Committee on Banking Supervision, 2014: 21) Individually and collectively, board members must continue to be qualified for their responsibilities. They ought to be aware of their position in corporate governance and oversight and be capable of making sound, fair decisions regarding the bank's operations.

The board must be able of fulfilling its responsibilities and have a composition that makes effective oversight possible. The board should have enough independent directors to do this.

2-11. Board member selection and qualification: According to (OECD Principles, 2004: 13) Boards should have a structured procedure for discovering, evaluating, and choosing candidates. The board (not management) chooses and approves candidates and oversees effective succession planning for board members and senior management unless otherwise required by law.

The selection process should investigate whether potential board members: (i) have the knowledge, skills, experience, and independence of mind necessary for their roles as board members and in light of the bank's operations and risk profile; (ii) have a history of integrity and morally good character; and (iii) have enough free time to perform their obligations.

2-12. Board size and board meeting: Researchers (e.g. Drobetz et al., 2004: 137; Khan, et al., 2011: 5331; Garcia-Sanchez, 2010: 47) point out In compliance with corporate governance regulations, boards should ideally range in size from five to sixteen, depending on the size and level of firm diversification. Board meetings are the number of meetings the board conducts annually; the board must meet at least four times during the financial year. Board meetings are crucial since they take place on the company's behalf.

2-13. Board Monitoring and board evaluation: According to (Duchin et al., 2010: 195); Drobetz et al, 2004: 198) shareholders choose the board of

directors to oversee and counsel management. In terms of regulation, the discussion surrounding board monitoring centers on whether there are any desirable traits that ought to be enforced on public company boards, and especially on bank boards of directors. Most often, legal or regulatory requirements are used to formally express corporate governance standards. The corporate governance committee is in duty of annual reporting to the board an examination of the board's overall performance. The report should be provided following the conclusion of each financial year and should, if applicable, be considered with the entire Board at the same time as Board membership requirements.

2-14. Boards own structure and practice: According to Basel Committee on Banking Supervision, 2014: 32) The board should establish the proper governance structures and procedures for its own operations, as well as the manner by which they will be followed and periodically evaluated for continued efficacy.

2-15. Senior management (CEO): (Deb, 2013: 24) emphasizes that senior management should manage the bank's operations in accordance with the strategic plan, appetite for risk, incentive compensation, and other board-approved policies while acting under the direction and supervision of the board. Senior management personnel should be honest, efficient, and have the requisite expertise to manage the organizations and people they are in charge of. In order to preserve and enhance their competencies and stay current on advances pertinent to their areas of responsibility, they should have access to frequent training.

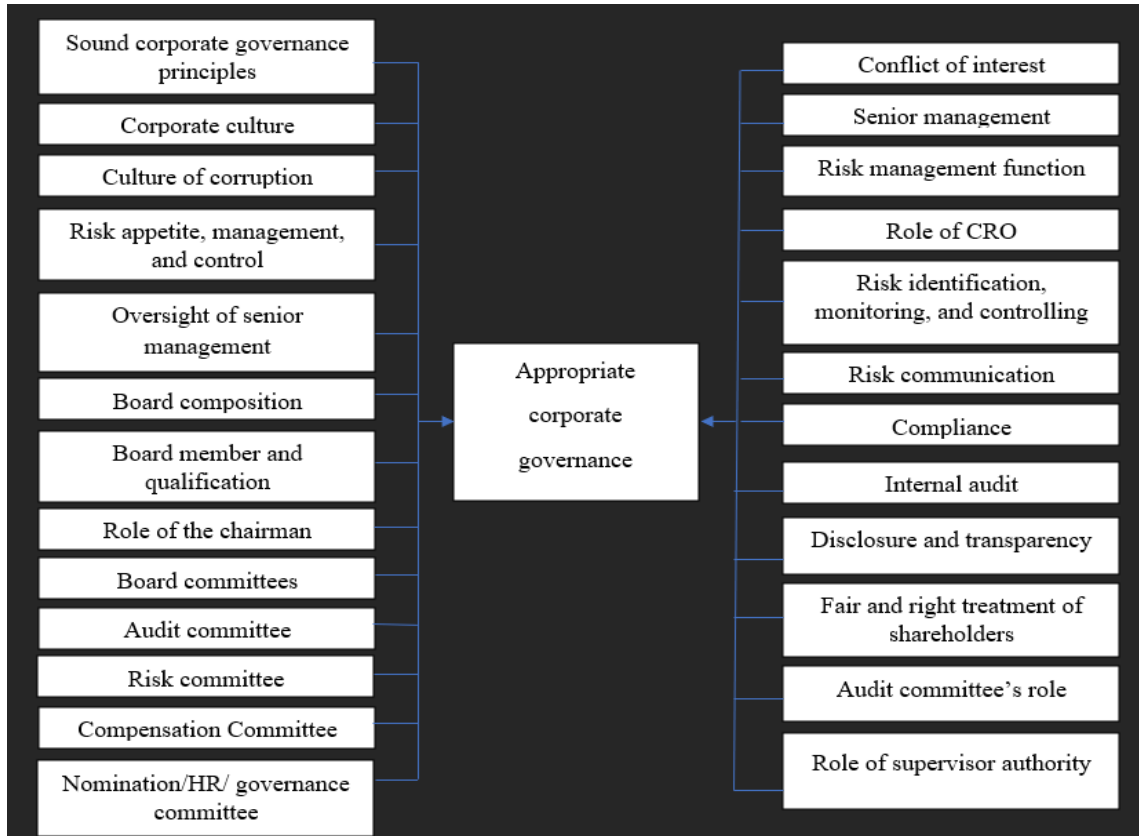
2-16. Director Term Limits: According to (Drobetz et al., 2004: 62) point out that the Board doesn't think term restrictions should be put in place. Term limits have the limitation of eliminating the contribution of directors who over time have developed increasing insight into the Company and its operations and as a result, provide an increasing contribution to the Board as a whole. While term limits may help ensure that the Board has access to new ideas and viewpoints, they also have the disadvantage of reducing the number of directors who could potentially contribute.

3. Methodology

3-1. Empirical model: The research follows Warsame's, (2016) approach and suggests the following model for corporate governance. the first model is the main determinant of good principles for corporate governance.

$$\begin{aligned} \text{Ln(Pit)} = & \alpha + \beta_{11}\text{n(w1,it)} + \beta_{21}\text{n(w2,it)} + \beta_{31}\text{n(w3,it)} + \beta_{41}\text{n(w4,it)} + \\ & \beta_{51}\text{n(w5,it)} + \beta_{61}\text{n(w6,it)} + \beta_{71}\text{n(w7,it)} + \beta_{81}\text{n(w8,it)} + \beta_{91}\text{n(w9,it)} + \\ & \beta_{101}\text{n(w10,it)} + \beta_{111}\text{n(w11,it)} + \beta_{121}\text{n(w12,it)} + \beta_{21}\text{n(w13,it)} + \\ & \beta_{31}\text{n(w14,it)} + \beta_{41}\text{n(w15,it)} + \beta_{51}\text{n(w16,it)} + \beta_{61}\text{n(w17,it)} + \beta_{71}\text{n(w18,it)} \\ & + \beta_{81}\text{n(w19,it)} + \beta_{91}\text{n(w20,it)} + \beta_{101}\text{n(w21,it)} + \beta_{111}\text{n(w22,it)} + \\ & \beta_{121}\text{n(w23,it)} + \beta_{111}\text{n(w24,it)} + \beta_{121}\text{n(w25,it)} \end{aligned}$$

The research framework: The research suggests the following Relationship



3-2. Variables: The present research analyses the following variables described in the further points. There is one dependent variable and several independent variables which together comprise the linear regression model.

3-3. Dependent variable: The dependent variable (P1t) is establishing or measuring an appropriate Corporate Governance Practice in a bank

3-4. Independent variable: The Independent variable of this research is based on principles of corporate governance, (2000) and a sound corporate governance assessment, (2006) issued by the Basel Committee on Banking Supervision. The research gets an advantage for determining independent variables also from general principles of corporate governance which is a supervisory policy manual issued by Hong Kong Monetary Authority (2019). The present research uses the following independent variables. In

equation 3.1 Ln (Pit) is a dependent variable describing establishing appropriate corporate governance while the independent variables are:

- ❖ W1 is sound corporate governance principles
- ❖ W2 is corporate culture
- ❖ W3 is the culture of corruption
- ❖ W4 is control and management of risk appetite
- ❖ W5 is monitoring senior management
- ❖ W6 is board composition
- ❖ W7 is a board member and qualification
- ❖ W8 is the role of the chairman
- ❖ W9 is board committees
- ❖ W10 is an audit committee
- ❖ W11 is a risk committee
- ❖ W12 is the compensation committee
- ❖ W13 is the nomination/HR/ governance committee
- ❖ W14 is a conflict of interest
- ❖ W15 is senior management
- ❖ W16 is risk management function
- ❖ W17 is the role of CRO
- ❖ W18 is risk identification monitoring, and controlling
- ❖ W19 is risk communication
- ❖ W20 is compliance
- ❖ W21 is an internal audit
- ❖ W22 is disclosure and transparency
- ❖ W23 is fair and right treatment of shareholders
- ❖ W24 is the audit committee's role
- ❖ W25 is the role of supervisor authority

In the research, 120 questionnaires were distributed for 17 private banks which makes the sample smaller than estimated but it is still believed that it enables the relevance of the research. The distribution of this sample was based on the ratio of the banks in the Iraqi Market. Since public local banks were few compared to the other banks, fewer respondents were taken from them while local private banks gave a larger number of respondents based on their large number and probably large customer base. The distribution is displayed in table 3.1

3-5. Data collection: The research collected data through a survey and represents qualitative research and it is based on a questionnaire, thus primary data was collected from a sample of customers which represents a majority of the banks in Erbil. Most banks located their headquarters in Erbil, meanwhile, five banks have their headquarters in Erbil (capital of the Kurdistan region). For a piece of research to produce a realistic outcome, a buffet of data must be distributed over a large population. A survey questionnaire needs to be designed to apply heterogeneous target groups so that responses come from the generally open and wide public (from different gender, races, age groups, marital status, educational backgrounds, different ethnicities).

Table (1): Distribution of questionnaire forms

Statement	Number of questionnaires	Percentage of sample
Distributed questionnaire forms	120	% 100
questionnaire forms retrieved	112	%93
questionnaire forms exclusion	8	%7

Source: Author's own research and statistical data analysis.

Table (2): Distribution of respondents in different banks

	Bank	City	Country	Number of percentages of Respondents	sample
1	RT Bank	Erbil- Sulaymaniyah	Iraqi	20	%17.9
2	Kurdistan international bank -main Branch	Erbil- Sulaymaniyah	Iraqi	20	%17.9
3	Kurdistan international bank - bank-azadi Branch	Erbil	Iraqi	5	%4.5
4	Trade Bank of iraq	Erbil- Sulaymaniyah	Iraqi	15	%13.4
5	Cihan Bank- main branch	Erbil- Sulaymaniyah	Iraqi	15	%13.4
6	Cihan Bank- Bajger Branch	Erbil	Iraqi	5	%4.5
7	Ashur Bank	Erbil	Iraqi	5	%4.5
8	France Bank	Erbil	Lebanon	2	%1.8
9	Byblos Bank	Erbil	Lebanon	2	%1.8
10	Al-Baraka Bank	Erbil	Turkey	5	%4.5
11	Ziarat Bank	Erbil	Turkey	2	%1.8
12	Ish Bank	Erbil	Turkey	4	%3.6
13	Erbil Bank	Erbil- Sulaymaniyah	Iraqi	2	%1.8
14	Abu- Dahabi Bank	Erbil	UEA	2	%1.8
15	Auda Bank	Erbil	Lebanon	3	%2.7
16	Economic Bank	Erbil	Iraqi	2	%1.8
17	HSBC Bank	Erbil	Lebanon	3	%2.7
				112	%100

Source: Author's own research and statistical data analysis

The research collects data through a survey, and it represents qualitative research. Data were collected through a questionnaire with corporate governance staffs, it is distributed randomly. Primary data are collected from 17 private banks in Iraq. For the research produce a realistic outcome. The buffet of data should be distributed over a large population. The survey questionnaires are designed to apply heterogeneous, where target respondent has come from different gender educational background, different positions, different ethnics. Questionnaires were distributed to 120 people in 17 private banks in -Iraq. Respondents of questionnaires comprise board directors, CEOs and staffs for credit risk management, credit department, auditors, and heads of finance departments and the main center of banks are received the larger amount of forms rather than the branches of banks. For the research, it was expected to receive at least 112 fully completed questionnaires which are 93% response rate. The questionnaire comprises 92 closed questions. Questions are designed to get answers about points that focused on principles of corporate governance are suggested by Basel Committee on Banking Supervision (2000) and Hong Kong Monetary Authority.

3-6. Cronbach alpha: Cronbach's alpha or coefficient alpha is the most common test score reliability coefficient for single administration. Internal consistency, or how closely connected a group of things are to one another, is measured by Cronbach's alpha. It serves as a gauge of scale dependability. Even if alpha has a "high" value, the measure may not be one-dimensional. Additional analyses can be carried out if you want to show that the scale in question is unidimensional in addition to testing internal consistency. One technique for determining dimensionality is exploratory factor analysis. Technically speaking, Cronbach's alpha is a coefficient of reliability rather than a statistical test (or consistency). Respondents' processing summary and reliability statistics for the quantitative research are presented in table 2 and table 3.

Table (3): Reliability statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.546	0.983	93

Source: Author's own research and statistical data analysis

The four items have an alpha coefficient of 0.983, which indicates that the items have a comparatively high level of internal consistency. Remember that in most instances of social science research, a reliability coefficient of 0.70 or above is regarded as "acceptable."

3-7. Data analyzing: The research applied a statistical analysis SPSS software version 26 as analyzing tool and to test the hypotheses. The data was collected via a questionnaire in which the majority of the question was expected to be responded to by using a 5-point Likert scale giving 5 for "very satisfied" respond, 4 for "satisfied", 3 for "neutral", 2 for "dissatisfied" and 1 for "very dissatisfied". The research found mean values, variance, and standard deviation and, the correlations between variables. The research used multivariate regression analysis and calculated ANOVA, R-squared, and F-test to check the fit of the model, and the significance of different variables.

Table (4): ANOVA results

		Sum of Squares	df	Mean Square	F	Sig
Between People		6131.781	111	55.241		
Within People	Between Items	362165.435	185	1957.651	312.362	.000
	Residual	128698.113	20535	6.267		
	Total	490863.548	20720	23.690		
Total		496995.329	20831	23.858		
Grand Mean = 1.2269163						

Source: Author's own research and statistical data analysis

Table (5):

	Intraclass Correlation ^b	95% Confidence Interval		F Test with True Value 0			
		Lower Bound	Upper Bound	Value	df1	df2	Sig
Single Measures	.013 ^a	.008	.020	2.204	111	10212	.000
Average Measures	.546 ^c	.418	.658	2.204	111	10212	.000
Source: Author's own research and statistical data analysis							
two-way mixed effects model with random effects on people and fixed effects on measurements.							
Whether the interaction effect is present or not, the estimate is the same.							

employing a consistency definition, type C intraclass correlation coefficients. The denominator variance does not include the between-measure variance.

- a. Because it cannot be estimated in the absence of the interaction effect, this estimate is calculated under this assumption.

The intraclass correlation coefficient is a metric that measures the consistency of cluster evaluations. Data that resides in groups is referred to as a cluster. The intraclass correlation coefficient is used to discover relationships between two classes of data rather than between two separate classes of data.

Intraclass correlation coefficient

4. Result and discussion: In this chapter, we start by providing some details from the statistical analyses of the two statistical models. We describe and discuss the results of the ANOVA test and correlations test. We conclude the chapter with the hypothesis confirmation.

4-1. Statistical analysis: The research analyzed collected data from 17 bank staff who responded, using SPSS version 26. Table 4.1 provides the results of respondents. The research presents the first statistical analysis for the first model which includes 16 determinants for establishing an appropriate corporate governance environment.

4-2. Analysis of coefficients for first model: The results of the data analyses presented in table 6 show that determinants (set of independent variables) have a high means (over 4.0) which means that majority of respondents are feeling that there is an effective practice of corporate governance. A low-value variance of the results shows that the distribution of the population closed to mean. There is a significant $p = 0.000$ (2-tailed) impact for independent variables on the practice of credit risk management. The findings demonstrate that determinant factors, or independent variables, have an impact on creating a suitable environment for credit risk. The results of the first model confirm that private banks are practicing principles of credit risk management which was confirmed by the Basel Committee on supervision. Figure 6 shows the histogram for the distribution of the observations

Table (6): Results of responses for the first model

95% confidence interval of the differences								
		T	Sig. (1-tailed)	Lower bound	Upper bound	Mean diff.	St. deviation	Variance
Sound corporate governance principle	X1	1.784	0.078	-0.037	0.681	1.76	0.688	0.473
Boards responsibility	x2	6.644	0.000	0.345	0.640	1.86	0.781	0.610
Corporate culture	x11	0.256	0.799	-0.136	0.176	1.71	0.834	0.696
Risk appetite, mang. & control	x16	0.561	0.576	-0.111	0.198	1.82	0.819	0.671
Oversighting of senior management	x20	-0.815	0.417	-0.216	0.090	1.87	0.854	0.730
Board composition	x25	0.075	0.941	-0.153	0.165	1.96	0.832	0.692
Board member and qualification	x32	-0.037	0.970	-0.170	0.164	1.92	0.818	0.669
The role of chairman	x35	0.518	0.606	-0.128	0.219	1.80	0.847	0.718
Board committees	x40	1.278	0.205	-0.053	0.242	1.87	0.915	0.838
Audit committee	x43	-1.693	0.094	-0.306	0.025	1.84	0.865	0.749
Risk committee	x46	-0.154	0.878	-0.188	0.161	1.97	0.799	0.639
Compensation committee	x51	1.924	0.058	-0.005	0.290	1.85	0.851	0.725
Nomination/HR/ governance committee	x54	-1.412	0.162	-0.331	0.056	1.75	0.833	0.694
Conflict of interest	x56	2.750	0.007	0.064	0.397	1.86	0.879	0.772
Senior management	x59	-1.260	0.211	-0.273	0.061	1.90	0.838	0.702
Risk management function	x64	1.175	0.243	-0.063	0.247	1.76	0.841	0.707
Role of CRO	x67	0.691	0.492	-0.102	0.211	1.79	0.840	0.705
Risk identification, monitoring and controlling	x70	-1.062	0.291	-0.236	0.072	1.80	0.909	0.826
Risk communication	x72	0.119	0.905	-0.152	0.171	1.91	0.916	0.839
Compliance	x74	-0.446	0.657	-0.230	0.146	1.85	0.819	0.670
Internal audit	x77	0.678	0.500	-0.102	0.207	1.87	0.963	0.928
Disclosure and transparency	x80	-0.739	0.462	-0.232	0.106	1.84	0.906	0.821
Fair and right treatment of shareholders	x83	1.816	0.073	-0.014	0.302	1.76	0.797	0.635
Audit committee's role	x85	0.246	0.807	-0.151	0.194	1.94	0.841	0.708
The role of supervisor authority	x90	-0.203	0.840	-0.177	0.144	1.89	0.884	0.781

Source: Author's own research and statistical data analysis

Table (7): Model summary for the first model

Model	R	R-Sqr	Adj. R-Sqr	Std. Error of the Estimate	R-Sqr-Change	F Change	df1	df2	Sig. F Change	Dubrin - Watson
1	.762 ^a	.581	.465	.503	.581	5.018	24	87	.000	1.627

Source: Author's own research and statistical data analysis

- a. Predictors: (Constant), x90, x51, x40, x2, x64, x83, x72, x20, x56, x16, x46, x11, x67, x32, x85, x25, x77, x70, x59, x43, x35, x80, x74, x54
- b. Dependent Variable: x1:** The research used regression analyses to measure the degree of relationship between establishing an appropriate corporate governance environment (as a dependent variable) and determinants of establishing an appropriate corporate governance environment (as independent variables). Stock & Watson (2015) refer that R-squared is the fraction of the sample variance of Y_i , it ranges between 0

and 1. As it is displayed in table 8, the value of R-squared in regression is 0.581 which means that this model fits in 58.1% and this shows that other variables are not included in the model. R-squared and the modified R-squared both provide an estimate of the number of data points that fall along the regression equation's line. Adjusted R-squared, which accounts for the number of terms in a model, shows how well terms match a curve or line. R-squared and the modified R-squared both provide an estimate of the number of data points that fall along the regression equation's line. The results of the research show that there is a significant ($p = 0.000$) (2-tailed) impact from a set of independent variables on the dependent variable. This proves the null hypotheses of the research to be confirmed. Durbin-Watson statistics are used to test the possible autocorrelation between the pairs of independent variables. The Durbin-Watson value lies between 0 to 4. A value between 0 to <2 implies positive autocorrelations. The value for Durbin-Watson in this model is 1.627 which indicates a positive autocorrelation. We can observe that the degree of fitness is only 0.581. According to Fraser (2012), small R-squared values are not constantly problematic, and high R-squared values are not essentially good.

According to Dougherty (2016), the Durbin-Watson test reports a test statistic with a value from 0 to 4. From 0 to < 2 is positive autocorrelation and if test statistic values in the range of 1.5 to 2.5 are relatively normal. The value of Durbin-Watson in the model is 1.627 which shows there is positive autocorrelation between the variables. The strong positive value of the coefficient of correlation shows that there is a correlation between the establishment of an appropriate credit risk management environment and determinants. Table 4.3 shows the results of the ANOVA test.

Table (8): ANOVA for the first model

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	40.372	70	.577	1.951	.011 ^b
	Residual	12.119	41	.296		
	Total	52.491	111			
a. Dependent Variable: x1						

b. Predictors: (Constant), x92, x4, x13, x57, x40, x15, x47, x7, x53, x18, x79, x28, x65, x49, x75, x42, x86, x24, x20, x3, x61, x5, x17, x9, x72, x26, x37, x88, x31, x59, x63, x45, x84, x68, x10, x33, x8, x81, x36, x52, x19, x66, x6, x48, x55, x22, x39, x60, x29, x91, x69, x73, x58, x71, x12, x87, x27, x50, x78, x30, x44, x34, x62, x89, x82, x38, x41, x76, x21, x23

Source: Author's own research and statistical data analysis.

Table (9): Coefficient for the first model

		Std. Coeff.	Std. Coeff.				95% of confidence interval for B	
	Model 1	B	Std. Error	Beta	t	Sig (2-tailed)	Lower Bound	Upper Bound
Sound corporate governance principle	Constant	0.445	0.295		1.509	0.135	-0.141	1.030
Boards responsibility	x2	0.001	0.002	0.044	0.441	0.661	-0.003	0.005
Corporate culture	x11	0.028	0.097	0.034	0.288	0.774	-0.165	0.222
Risk appetite, mang. & control	x16	0.062	0.093	0.072	0.663	0.509	-0.123	0.247
Oversighting of senior management	x20	0.066	0.100	0.078	0.657	0.513	-0.133	0.265
Board composition	x25	-0.052	0.096	-0.064	-0.537	0.593	-0.243	0.140
Board member and qualification	x32	0.049	0.099	0.059	0.493	0.623	-0.149	0.247
The role of chairman	x35	0.038	0.104	0.045	0.369	0.713	0.168	0.244
Board committees	x40	0.049	0.109	0.060	0.448	0.655	-0.168	0.265
Audit committee	x43	0.021	0.091	0.028	0.230	0.818	-0.159	0.201
Risk committee	x46	-0.212	0.102	-0.267	-2.082	0.040	-0.414	-0.010
Compensation committee	x51	0.071	0.108	0.082	0.658	0.512	-0.143	0.285
Nomination/HR/governance committee	x54	0.151	0.092	0.187	1.649	0.103	-0.031	0.333
Competing interests	x56	-0.147	0.121	-0.178	-1.219	0.226	-0.387	0.093
Senior management	x59	0.290	0.104	0.371	2.800	0.006	0.084	0.496
the risk management process	x64	-0.083	0.104	-0.101	-0.799	0.427	-0.289	0.123
Role of CRO	x67	0.155	0.097	0.190	1.600	0.113	-0.038	0.348
Identification, monitoring, and management of risks	x70	0.066	0.097	0.081	0.684	0.496	-0.126	0.259
Risk disclosure Compliance	x72	-0.064	0.096	-0.084	-0.664	0.508	-0.255	0.127
Identification, monitoring, and management of risks	x74	-0.016	0.103	-0.021	-0.151	0.881	-0.220	0.189
Internal audit	x77	-0.001	0.118	-0.001	-0.008	0.994	-0.235	0.233
Disclosure and transparency	x80	0.042	0.097	0.059	0.435	0.664	-0.150	0.234
Fair and right treatment of shareholders	x83	-0.002	0.106	-0.003	-0.019	0.985	-0.213	0.209
Audit committee's role	x85	0.155	0.098	0.179	1.578	0.118	-0.040	0.350
The role of supervisor authority	x90	0.008	0.107	0.009	0.070	0.944	-0.205	0.220

Source: Author's own research and statistical data analysis.

4-3. Summary of hypotheses confirmation: The hypotheses confirmation is summarized in table 10. For the transparency matter, only null hypotheses are presented. As can be observed in table 4.13. the first three hypotheses can be regarded as confirmed. The reference chapter is given to provide a direct link to the evidence on which we judge the validity of a certain hypothesis. The first two hypotheses can be regarded as confirmed due to the significance of the appropriate coefficients in the two regression models. The third hypothesis can be conformed to ranking value and coefficient significance. The fourth hypothesis turns out to be not relevant or better, it cannot be judged on the given sample for two reasons: (1) none of the respondents has ever filed a complaint to his/her bank, and (2) the coefficients for the variable are not significant. To summarize: three out of four hypotheses are confirmed and the fourth cannot be judged.

Table (10): Hypotheses confirmation

	Hypothesis	Status	Reference chapter
1	H1: The board director members have a significant impact on corporate governance by providing advice to top management	confirmed	4
2	H1: board director members in the private bank have experience in risk management issues and practices	confirmed	4
3	H1: private banks approve compliance policies that are communicated to all staff.	confirmed	4
4	H1: The board director is responsible for overseeing a strong risk governance framework.	confirmed	4
5	H1: In the bank, there is the stability of board member	confirmed	4

Source: Author's own research and statistical data analysis

5-1. Conclusion and findings

1. The objective of the study was mainly to evaluate the practicing of corporate governance principles by private banks in Iraq.
2. The study checks if private banks in Iraq practice principles of corporate governance which were suggested and confirmed by the Basel Committee on Banking Supervision (2000).

3. The study aims to identify and confirm determinants of establishing an appropriate corporate governance environment.
4. The study tested the data collected to test reliability Cronbach that show the alpha Coefficient is (0.983) suggesting that the items have relatively high internal consistency.
5. ANOVA tests that there is independent variable have a significant impact on a dependent variable with R-squared is regression is (0.851).
6. The results of the data analyses presented show that determinants (set of independent variables) have a high means (over 1.0) which means that majority of respondents are feeling that there is an effective practice of corporate governance.
7. The results of the study show that there is a significant ($p=0.000$) (2-tailed) impact from a set of independent variables on the dependent variable.
8. The value for Dubrin-Watson in the model is 1.627 which indicates a positive autocorrelation.
9. The value of the F-test is 19.532 which is rather high. A high F-test value means that the distance between the means is large relative to the random error within each group.
10. the mean square result is 0.638, the F value in the ANOVA test also determines the P value which is the probability of getting a result at least as extreme as the one that was observed, given that the null hypothesis is confirmed.

5-2. Limitation of the study: The study has some potential limitations of the generalization of its finding. The potential biases of respondents were not checked which may be a certain weakness of this study. On the other side, we believe that the study, despite the limitation consideration fully reached its objectives.

5-3. Recommendations for further research

1. It would be recommended to repeat the study on a sample that would be geographically more diversified and address a bigger number of respondents which may be tested for representativeness and possible biases.
2. international repetition would provide interesting insights into the possibility of comparisons with different economic and cultural environments with different levels of banking sector maturity and development.

3. Another interesting researcher can corporate governance assessment in an individual bank. This approach may be a step toward transforming this type of research into a consulting tool and the research methodology serves as an assessment and diagnosis tool and shows first-time opportunities for improvements. Additional research could be extended toward banks staffs as service quality and customer loyalty.
4. The banks benefit from adopting sound strategies to improve control over corporate governance.
5. The research findings can help to ensure that commercial banks take appropriate corporate governance measures to help keep them from failure.
6. Society depends on the smooth operation of the banking sector, so bank performance can help contribute to the development and improved welfare of the economy. Therefore, effective supervision should be employed by the banks to check and safeguard bank resources.
7. Effective training and courses should be given to bank employees in the areas of corporate governing. The necessary of spreading awareness about the culture, concept, and importance of governance among all the beneficiary and active parties. Whether external or internal in a way that contributes to employing the appropriate mechanisms in the success of the application of governance, Develop the working staff in the banking system, especially in the private sector, and raise their capabilities and performance efficiency, which contributes to activating development goals and keeping pace with changes in the work environment.
8. Conducting studies and research in cooperation with universities, research centers, and houses of expertise regarding the reality of the application of governance, the mechanisms and methods for its success, and the possibility of identifying some banks as a sample for application and then generalizing it.
9. Work on the possibility of addressing internal and external challenges, each according to the degree of its impact, in order to create the appropriate environment for the application of governance.
10. Work on evaluating the continuous performance of private banks according to the approved governance indicators and building an effective control system that preserves the rights of shareholders.

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APPENDIX 1: Dear officers

The survey is part of the Master Science in Banking & Finance project. The study is an assessment of corporate governance practice within private banking in Erbil-Iraq. Please answer questions for free. You cannot be identified from the information you provide the project is not attached to the banks and your response will not be given to any third party.

Section A:

1- Age							
Less than 30		Between 30 – 40		More than 40			
2- Gender		Male		Female			
<input type="checkbox"/>		<input type="checkbox"/>					
3- Certificate Qualification							
Diploma		Bachelor		Master degree		Phd	
4- Scientific qualification							
Accounting		Business management		Science of finance & banking		Other	
5- job position:							
6- Years of experience							
Less than 5 years		Between 6 – 10 years		Between 11 – 15 years		More than 15 years	
7- Do you joined courses in your current field							

	Question	Very Satisfied	Satisfied	Neutral	Dissatisfied	Very Dissatisfied
X1	Sound corporate governance principles depend on many factors					
X2	Boards responsibility					
X3	Board members provide advice to management					
X4	Board member monitor management activities					
X5	Board members approve the selection					
X6	Board member act in a timely manner to protect the long-term interest of the bank					
X7	Approve the bank's business objective and strategy					
X8	Confirm credit strategy					
X9	Monitor senior management activity					
X10	The board should approve compliance policies that are communicated to all staff					
X11	Corporate culture					
X12	All businesses should conduct in a legal and ethical manner					
X13	Promoting risk awareness with strong risk culture					
X14	Culture of corruption					
X15	In the bank, there is a fighting of corruption					
X16	Risk appetite, management, and control					
X17	The board is responsible for overseeing a strong risk governance framework					
X18	The board should take an active role in defining the risk appetite and ensure it an alignment with the bank's strategy					
X19	The second line of defense also includes an independent and effective compliance function					
X20	Oversight of senior management					
X21	The board should select the CEO and other key personal					
X22	Monitor CEO's actions are consistent with strategy and policies approved by the board including the risk appetite					
X23	Meet regularly with senior management					
X24	Question and critical review explanation and information provided by CEO					
X25	Board composition					
X26	The board is suitable to carry out its the responsibility and have a composition that facilitated effective oversight					
X27	The board is comprised of individuals with a balance of skills					
X28	The board is comprised of individuals with a balance of diversity					
X29	The board is comprised of individuals with a balance of expertise					
X30	The board members have a range of knowledge and experience in the relevant areas and have the varied background to promote diversity of view					
X31	Frequency of board meeting					
X32	Board member and qualification					
X33	In the bank, there is the stability of board member					
X34	The board should have a clear, and resource before identifying assessing and selecting board candidates					
X35	The role of the chairman					
X36	The chairman position should be separated from the CEO position and independence					
X37	The chair of the board plays a crucial role in the proper functioning of the board					
X38	The chair should ensure the necessary experience competence and personal qualities in order to fulfill these responsibilities					
X39	The chair should ensure that board selection is taken on a sound and well-informed basis					
X40	Board committees					
X41	The committees should and mandated by the full board					
X42	Each committee should have depended on the size of the bank, and its board, the nature of the business areas of the bank, and its risk profile					
X43	Audit Committee					
X44	Have a chair who is independent and not the chair of the board or of any other					
X45	Include members who have experience In audit practice, financial reporting, and accounting					
X46	Risk committee					
X47	Should include most members who are independent					
X48	Should include members who have experience in risk management issues and practices					

	Question	Very Satisfied	Satisfied	Neutral	Dissatisfied	Very Dissatisfied
X49	Is required to review the banks risk policies at least annually					
X50	The committee should receive regular reporting and communication from the CEO and other relevant functions about the bank's current risk profile					
X51	Compensation Committee					
X52	The compensation committee will support the board in overseeing the remuneration systems design and operation and in ensuring that					
X53	Compensation payments are based on performance					
X54	Nomination/HR/ governance committee					
X55	The ethics and compliance committee ensures that the bank has the appropriate means for promoting proper decision-making					
X56	Conflict of interest					
X57	The board should have a formal written conflict of interest policy					
X58	A member's duty to avoid, to the extent possible activities that could create conflict of interest or the appearance of a conflict of interest					
X59	Senior management					
X60	Members of senior management have the necessary experience, competencies, and integrity to manage the business and people under their supervision					
X61	Members of senior management should be selected through an appropriate promotion or recruitment process which takes into account the qualification required for the position in question					
X62	Senior management contributes substantially to a bank's sound corporate governance through personal conduct					
X63	Senior management should provide the board with the information it needs to carry out its responsibilities					
X64	Risk management function					
X65	The bank should have an effective independent risk management function					
X66	The independent risk management function is a key component of the banks' second line of defense					
X67	Role of CRO					
X68	The CRO has primary responsibility for overseeing the development and implementation of the bank risk management function					
X69	The CRO should have the organizational stature, authority, and necessary skills to oversee the bank's risk management activities					
X70	Risk identification, monitoring, and controlling					
X71	The banks risk governance framework should include policies., supported by appropriate control procedures and processes, designed to ensure that the bank's risk identification, aggregation, mitigation, and monitoring capabilities are adequate with the bank size and risk profile					
X72	Risk communication					
X73	A strong risk culture should promote risk awareness and encourage open communication and challenge risk-taking across the organization					
X74	Compliance					
X75	The function of compliance ensures that the bank operates with integrity and in compliance with applicable, laws, regulators, and internal policies					
X76	The compliance function has an important role in supporting corporate values, policies, and processes that help ensure that the bank acts responsibly and fulfills all applicable obligations					
X77	Internal audit					
X78	Internal audit department is independent					
X79	Internal audit function provides independent assurance to the board and support board and senior management in promoting an effective corporate governance process and long – term soundness of the bank					
X80	Disclosure and transparency					
X81	Private banks' disclosure requirements for relevant and useful information that supports the key areas of corporate governance					
X82	Transparency of private banks provides the information to assess the effectiveness of the board and CEO in governing the bank					

	Question	Very Satisfied	Satisfied	Neutral	Dissatisfied	Very Dissatisfied
X83	Fair and right treatment of shareholders					
X84	The proper, prudent, and transparent organizational structure of the management (administration and independence) board (in order to provide an effective management framework)					
X85	Audit committee's role					
X86	Publishing information in a timely and balanced way – ensuring transparency, accuracy, and integrity of reporting					
X87	Sustainable corporate social responsibility					
X88	The bank will support local community in providing donation					
X89	The bank providing loans to reduce carbon footprint					
X90	The role of supervisor authority					
X91	Supervisor authority evaluate CAMEL of private banks					
X92	supervisor authority will interview and evaluate candidates for vice and head department, and board members					

Thank you for your time