



The Impact of Corporate Internal Governance on Building Confidence in Financial Reporting and Ensuring Optimal Investment of Company Assets

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أثر الحوكمة الداخلية للشركات في بناء الثقة في التقارير المالية وضمان الاستثمار الأمثل لأصول الشركة

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Abstract

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The research aims to the impact of corporate internal governance on building confidence in financial reporting and ensuring optimal investment of company assets, the research's significance stems from the Vital role of corporate governance in enhancing transparency, accountability, and internal control, which positively impacts the reliability of financial reports and the effectiveness of resource and asset management. The research adopted an inductive approach and employed multiple statistical methods, specifically the SPSS program, to test the relationship between variables. Internal governance mechanisms represented the independent variables, while the credibility of financial reports and the efficiency of asset utilization constituted the dependent variables. The research population consisted of employees in the accounting and finance sector of Iraqi banks, in addition to academics specializing in this field. One hundred and thirty questionnaires (the research sample) were distributed, and 125 respondents were received. All responses were analyzed using statistical methods, with a comprehensive description of each questionnaire item. The research concluded that strong internal governance mechanisms lead to improved credibility of financial reports by reducing income smoothing methods and increasing the level of disclosure and transparency. They also contribute directly and indirectly to enhancing the efficiency of asset utilization. The results showed that the independence of the board of directors and the effectiveness of the audit committee are among the most important factors affecting confidence in financial reports and improving operational performance. Among the most important recommendations of the research is strengthening the adoption of internal governance principles in Iraqi banks by activating the role of internal audit and review committees, and developing disclosure and control systems to ensure higher levels of financial credibility and operational efficiency.

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المستخلص

يهدف البحث إلى دراسة أثر الحوكمة الداخلية للشركات على مصداقية وبناء الثقة في التقارير المالية وكفاءة استخدام الأصول والاستثمار الأمثل لتلك الأصول. تتبع أهمية البحث من الدور الحيوي لحوكمة الشركات في تعزيز الشفافية والمساءلة والرقابة الداخلية، مما يؤثر إيجاباً على موثوقية التقارير المالية وفعالية إدارة الموارد والأصول. اعتمد البحث على المنهج الاستقرائي واستخدم أساليب إحصائية متعددة، وتحديداً برنامج SPSS، لاختبار العلاقة بين المتغيرات. مثلت الحوكمة الداخلية المتغيرات المستقلة، بينما اعتبر بناء الثقة في التقارير المالية والاستثمار الأمثل للأصول المتغيرات التابعة. تكون مجتمع البحث من العاملين في قطاع المحاسبة والمالية في المصارف العراقية، بالإضافة إلى الأكاديميين المتخصصين في هذا المجال، تم توزيع 130 استبياناً (عينة البحث)، وكان منهم 125 مستجيباً. تم تحليل جميع الردود باستخدام الطرائق الإحصائية، مع وصف شامل لكل بند من بنود الاستبيان. خلص البحث إلى أن آليات الحوكمة الداخلية القوية تؤدي إلى تحسين مصداقية التقارير المالية عن طريق الحد من طرائق تمهيد الدخل وزيادة مستوى الإفصاح والشفافية. كما أنها تسهم بشكل مباشر وغير مباشر في تعزيز كفاءة استخدام الأصول. وقد أظهرت النتائج أن استقلالية مجلس الإدارة وفعالية لجنة التدقيق من أهم العوامل المؤثرة على الثقة بالتقارير المالية وتحسين الأداء التشغيلي. ومن أهم توصيات البحث تعزيز تبني مبادئ الحوكمة الداخلية في المصارف العراقية من خلال تفعيل دور لجان التدقيق والمراجعة الداخلية، وتطوير أنظمة الإفصاح والرقابة لضمان مستويات أعلى من المصداقية المالية والكفاءة التشغيلية.

1.Introduction

Corporate governance forms one of the most significant modern pillars against which financial and economic institutions are marshaling to improve trust within the business environment and improve the quality of administrative and fiscal decisions. The exportation of good governance has been especially relevant in the wake of the financial meltdowns and accounting scandals that have come to light over the past few decades, experiences that have highlighted the flashing gaps in the inner control processes and shown the lack of transparency in the financial reporting. As a result, the trust in the accounting information released by many companies and banks has been destroyed, and the existing internal systems have been reevaluated. Claessens and Yurtoglu, 2019)

The usefulness of the internal corporate governance mechanisms is the ability to avoid the financial statements manipulation and the ineffective use of the assets. The stronger and better structured are such mechanisms, the better this reinforces the plausibility of financial reports and the proper mobilisation of resources. It is possible to see in this context that a strict regulatory framework does not only reduce the risk, but also increases the level of stakeholder trust in the fairness of financial reports.

The need to integrate corporate governance principles into Iraqi banks cannot be emphasized more in the backdrop of the critical role that bank sector plays in supporting the national economy. Being the key to the investment activity financing and drivers of economic growth, these institutions must comply with governance standards that underlie the preservation of trust and operational stability. The inherent vulnerability of banking business to trust and credibility also contributes to the fact that the strictness of the governance practices will be a condition of the long-term sustainability of Iraqi banking system. (Solomon, J. 2024).

2. Theoretical Side:

2.1. How do we understand the internal corporate governance?

We can say that the internal corporate governance is one of the cornerstones of corporate system since it tries to provide proper direction and efficient control over the activities of executive management thus increasing the protection of the rights of shareholders and stakeholders. These mechanisms include the senior management, audit teams, internal control systems and financial disclosure policies. These tools are internalized in the company and are meant to bring about self-control in administrative and cost control behavior. When instituted and operationalized in a system-driven fashion, they have a positive effect on the transparency of decisions and financial performance sustainability, which addresses the risk of either owner or management conflict (Tricker, 2021: 45).

The internal governance is anchored on senior management, which directly has the responsibility of sanctioning strategic policies, overseeing the performance of the executive management, and ensuring the law and professional standards are met. Their autonomy is a critical factor in improving the effectiveness of governance because it reduces the chances of dominance by the executive management on decisions and manipulation of financial records. According to recent research, a balanced board of directors, the experience and independence of its members being equal, can result in the enhancement of financial disclosure and the minimization of risks of deviant accounting practices (Mallin, C. A. 2019).

Audit committee is a very important aspect of internal governance as it has the supervisory role of financial reports preparation and quality. It plays the role of an intermediary between

the board of directors and the internal and external auditors. Recent studies affirm that the audit committee performance, in terms of the independence of the audit committee members, the frequency of meetings and the expertise of the involved parties in accounting issues, can help in improving the credibility of the financial statements and lowering the earnings management. The more effective the audit committee the greater the transparency and reliability of financial reports, which contributes to the increased investor confidence in the published information (Sana Masmoudi 2022:89).

The internal audit function is one of the critical aspects of internal governance, as it seeks to determine the efficacy of control systems and risk management systems, and to determine the adherence to internal policies and external standards. A professionally qualified autonomous internal audit department helps the top management make effective corrective decisions by ensuring the weaknesses are identified early in advance. Internal audit is also used as a preventative and advisory tool and, therefore, can lead to a better operational performance and lower the chances of corruption or wastage of assets (Lenz, R., & Hahn, U. (2015)

Conversely, ownership structure is one of the features of internal governance, which defines the relationship between the shareholders and the management and the level of control over the management decisions. High level of ownership may bring about good performance of the large shareholders in terms of oversight, but also, it may create the danger of monopoly of power at the expense of minority shareholders. Research in the recent past has established that an equal share of ownership ensures a higher degree of accountability and transparency and provides a better financial performance in the long run (Claessens and Yurtoglu, 2019: 97).

The paramount significance of the internal corporate governance mechanisms consists in the fact that they help to develop the cultures of the organization in terms of discipline, transparency and accountability which results in the enhancement of the quality of decisions and minimization of operational and financial risks. These processes are also found to add towards increase in investor and financial market confidence due to their perception as having institutional sustenance and strength against crisis. Recent research studies have indicated that those firms that are well governed internally achieve more financial stability and sustainable operations compared to their counterparts that are gifted with a weak governance (Solomon, 2022: 154).

2.2The role of internal governance on building confidence in financial reporting

Internal corporate governance is critical in improving credibility of financial reporting in that there are well defined systems of oversight of accounting and financial processes by making the management to comply with international accounting standards and promoting transparency of disclosure. A board of directors which is not dependent such as an independent board of directors is better placed to keep a proper check on the financial decisions and also helps to limit bias or manipulation of financial statements. Empirical research performed recently revealed that strong internal governance frameworks are directly associated with higher levels of reliability of published financial information and, respectively, less significant errors in accounting (Solomon, J ,2020)

The internal control mechanism of the audit committee is of crucial importance in enhancing the credibility of the financial reporting. It also properly examines financial data, oversees the use of good accounting policies, and controls the earnings management. According to the recent

literature, independent audit committees with high financial expertise contribute to the high quality of financial reporting and lower the risks of bias or financial manipulation (Abbott et al., 2016, p. 47). In addition, it is established that frequent audit committee meetings and effective audit plan are vital in enhancing investor confidence. Internal auditing is one of the key tools of improving the authenticity of financial reporting; it allows identifying any accounting abnormalities or inadequacy in the control systems before the publication of financial statements. Recent studies prove that good internal auditing will bring an extra level of controls and this will minimize the chances of financial fraud and improve the credibility of reporting to any stakeholder. Internal auditing is also used to enhance operational performance and build faith between the management and investors (Reid & Neal, 2019, p. 118).

Another attribute that promotes the credibility of financial reporting is board independence because when independent directors are in place, there are fewer chances of the executive management twisting published financial data. Recent research indicates that a high level of independent directors in a company is associated with more accurate and transparent financial reports that indicate the effectiveness of internal control and thus more investor confidence in the financial statements (Habib, A., Bhuiyan, M. B. U., & Wu, J., 2021)

Research has shown that a balanced ownership structure helps to attain credibility of financial reporting which restricts the control of financial decisions by the management or the big shareholders. The varying ownership status and proactive shareholder control decrease the chances of financial manipulation and stimulate the management to present the correct and transparent information. According to the recent studies, the companies that have a balanced structure of ownership are more likely to make complete and credible financial disclosure as compared to those that have concentrated ownership (Fama & Jensen, 2019, p. 76).

An organizational culture of corporate governance in an organization is an auxiliary factor that helps bring the credibility of financial reporting to a higher level since the culture focuses on the transparency, discipline and accountability attributes, which are portrayed in the quality of financial information. Recent research indicates that firms that have been implementing the principles of internal governance produce more credible financial reports and have fewer cases of earnings management or manipulation and this increases investor and stakeholder confidence (Aljifri and Moustafa, 2019, p. 141).

2.3 The Corporate Governance in the Optimal Asset Investment.

One of the tools that can be used to enhance the efficiency of asset utilization in companies is internal governance, including independent board of directors and effective audit committees. It helps in directing the management on optimal utilization of resources and minimizing financial losses and waste besides having efficient supervision, hence maximizing on asset returns. Recent research demonstrates that the active and independent board of directors has a direct effect on the increased asset management and the minimized use of inefficient resources (Brown and Kaylor, 2009, p. 56).

With regard to audit committees, they are very important in ensuring efficiency in assets investment since they oversee the financial activities and accuracy of accounting data pertaining to assets and investment. Recent studies have shown that audit committees that regularly meet and hire members with financial skills enable the management to make more productive investment decisions and better business use of their assets to increase their asset turnover and returns on investment (Abbott et al., 2016, p. 133).

The internal auditing role is a basic instrument that can be used to gauge the effectiveness of resource utilization, operational processes as well as detecting waste or inefficiency with regard to asset utilization. The qualified internal auditor makes valuable suggestions on how resources would be better allocated and how the available resources could be utilized. Recent research proves that organizations that have well-developed internal audit functions attain a certain degree of asset utilization efficiency when compared to organizations with weak internal controls (Abdelrahim, A., & Al-Malkawi, H. A. N. (2022) .

It is important to separate the functions of the CEO and the Chairman of the Board because it contributes to improving the effectiveness of asset utilization, minimizing conflicts of interest, and independent control over the strategies of investment and resource management. It has been demonstrated that in the recent past, corporations that practice this type of separation of the top management roles make more rational decisions about the asset utilization and investment, which have a positive effect on the overall financial performance (Jensen and 88 Mecklen, 2019, p.

Balanced ownership structure also helps in enhancing the efficiency of the utilization of assets since the shareholders are given an opportunity to bring checks to the management, and the shareholders are also motivated to maximize the use of the resources. The active shareholders compel the management to make the effective decisions related to the investment, and reduction of financial waste. According to the latest findings, firms with a proper ownership structure are superior in the asset turnover and return on investment than the concentrated or passive ownership (La porta, et,al 2002 p:115).

Effective asset utilization is another advantage that a strong corporate governance culture can bring because it promotes compliance with the operational standards, accountability, and the effective use of internal control systems. Companies that have a strong corporate culture and adhere to the principles of governance are also more likely to manage their resources better and less wastefulness, which in turn leads to higher financial results and competitiveness in the market (Solomon, J. 2020 p :167).

3.Methodology

3.1. Study problem

Although there have been concerted efforts over the recent years to strengthen corporate governance practices in the banking institutions of Iraq, the empirical reality serves to point at significant variances in the regard to the regular application of the internal governance practices. These contradictions negatively hamper effective utilisation of the available capital and human resources in these banks. In the context of the paramount importance of the cultivation of trust in the financial disclosure, which is an essential tool within the framework of which the investors and depositors make the decisions, the lack of credibility can lead to the misleading of the key stakeholders and the lack of the trust in the sector. This is especially relevant to the banking sector where trust is the key to institutional survival. In addition, poor asset utilization can be an indicator of hidden flaws in governance, which should have the primary role of ensuring the optimal utilization of assets and resources and therefore achieve optimum returns with minimal cost.

3.2. Importance of study

The importance of this question can be explained by the fact that corporate governance plays the leading role in the development of trust and transparency in financial organizations, in

particular, banks which are the backbone of the national economy. The adoption of sound internal governance systems helps in protecting the interests of depositors and investors, ensure that the managers allocate resources optimally, and help the achievement of strategic objectives of banks.

Under the circumstances of the rapid changes in the regulatory and structural frameworks of the banking industry in Iraq, there is an urgent need to determine the effectiveness of internal governance systems and the resulting effect on the persuasiveness of financial reporting and the overall performance effectiveness.

As a result of this, the research aims at adding to the canon of accounting and management by developing an empirical connection between internal governance, reliability of financial statements, and efficient utilization of assets in the environment of Iraqi banking.

3.3. Study objectives

This study attempts to examine and explain the influence of internal governance over building trust in financial reports and asset investment productivity. It has a critical look at the degree of implementation of principles of governance among the Iraqi banks and how this affects the financial performance and the accounting disclosure.

Additionally, the paper aims at determining the extent of adoption of internal governance systems in banks, assessing their compatibility with the governance standards that have been issued by the local and international regulation authorities as well as the impact of such systems on the efficiency of assets investment.

3.4. Research population and sample

Research fraternity includes accountants, auditors, and bankers along with academicians with specialization in this field. A purposive sample consisting of 130 individuals was gathered and out of these 125 individuals replied with the selection being based on whether they were aligned to the subject of the research.

3.5. Research Hypothesis

The research is based on two hypotheses:

3.5.1 There is a statistically significant positive impact of corporate internal governance on the credibility and trustworthiness of financial reports.

3.5.2 There is a statistically significant positive impact of corporate internal governance on the efficiency of asset investment.

3.6. Measures Used and Data Collection Methods in the Study:

The above hypotheses were put to strict empirical test using Pearson correlation coefficient thus making it possible to analyse single and complex simulations on power indices and the coefficients associated with them.

The correlation agreement measurement method is good in estimating the proportional relationships between two variance components in the regression test.

The model will outline the strength of the impact of variance, namely internal governance, on the level of credibility and reliability of the financial disclosures and the optimal use of assets.

3.6.1. Independent Variable: Corporate Internal Governance

3.6.2. The two dependent variables are: first, the credibility and reliability of financial reports, and second, the optimal investment of assets.

4.2 Data Collection and Measurement

The following describes the data collection method and the scale used to convert it into values suitable for statistical analysis:

4.3 Questionnaire Scale

To determine the values of the sample's response alternatives and their verbal significance, the verbal responses were converted into a numerical formula using a five-point Likert scale.4.3.1. Statistical Indicators:

4.3.1.1. Reliability Coefficient

In the process of the empirical study and the consequent testing of the hypothesis, the scholars require to initially confirm the reliability of the measurement instrument, because reliability is used as a measure of the stability of the measurement instrument having been used on several instances. This constancy is directly associated with the level of internal consistency that is presented by the individual measurement items.

The internal consistency can be measured with the help of a variety of quantitative indices, but the most actively used index among scholars is Cronbach alpha (0.955) This coefficient provides an easy estimate of how far the things in a scale are related into one latent construct. When the calculated 0.60 is more than the predetermined threshold of 0.60 then it presents initial evidence that the measuring instrument has a satisfactory reliability. Notably, the larger the alpha values, the more the reliability, thus giving more assurance to the ability of the instrument to produce repeatable measurements.

This coefficient can be calculated for each dimension as follows:

Table (1) Reliability Coefficient According to Cronbach's Alpha Scale

Dimension	Number of Items	Cronbach's alpha
Corporate governance	6	0.937
Credibility of financial reports	6	0.977
Efficient use of assets	6	0.795
Total	18	0.955

Source: Prepared by the researcher based on SPSS v.25 data

As demonstrated in Table (1), the data has a high trustworthiness as the Cronbach alpha coefficients have been used to evaluate it. The alpha values associated with all dimensions were greater than the 0.60 level thus establishing good internal consistency in all the constructs. The total alpha of the whole questionnaire was 0.955, which is very high and signifies the minimal percentage of the variance of errors and proves the general reliability of the tool, the reliability of which is greater than 95%.

4.3.1.2. Normality (One-Sample Kolmogorov-Smirnov) Test.

The normality tests are an important statistical operation however, to establish whether a sample is normally distributed. Parametric tests are considered as the suitable ones when the distribution is normal and the non-parametric methods are required in case of the absence of normality. The null hypothesis, which states that there is no non-normality is rejected when the significance (Sig.) value is lower than 0.05 and Z statistic is greater than the critical value in the critical table of 1.96. In such circumstances, it is considered that the data are non-normally distributed. On the other hand, the other hypothesis, which is the hypothesis of normality, is

also accepted when the Sig. value is greater than 0.05 and the calculated Z value is lower than the critical table value 1.96.

Table (2) Tests of Normality

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Corporate governance	.193	125	.063	.882	125	.069
credibility of financial reports	.266	125	.051	.822	125	.059
Efficient use of assets	.171	125	.066	.902	125	.076
a. Lilliefors Significance Correction						
Source: Prepared by the researcher based on the results of the statistical analysis (SPSS)						

- **H0:** Data do not follow a normal distribution.
- **H1:** Data follow a normal distribution.

According to Table (2) (Tests of Normality, Kolmogorov -Smirnov Test), the following is seen:

1. In the case of the first variable, Corporate Governance, the Sig. value is (0.063) which is above (0.05) and the Z value of (0.193) which is less than the critical Z value (1.96). This means that the null hypothesis is dismissed in favors of the alternative hypothesis, therefore, the data follow a normal distribution.
2. In the second variable, Credibility of Financial Reports, the Sig. value is (0.051), and it is greater than (0.05), and Z calculated (0.266), which is also less than the critical Z (1.96). To this end, the alternative is accepted, and the null hypothesis is rejected, which means that the distribution is not normal.
3. In the case of the third variable, Efficient Use of Assets, the Sig. value (0.066) is higher than (0.05) and the calculated value (0.171) is lower than the threshold value (Z) value (1.96). Thus, the null hypothesis is rejected in favor of normality.

According to these results, the null hypothesis will be rejected and the alternative one will be accepted indicating that all the variables under study are normally distributed.

4.3.1.3. Internal Consistency of the Items of the First Dimension.

Table (3) Internal Consistency of Items of Corporate Governance

Item	Pearson Correlation	Sig. (2-tailed)	N
X1	0.873**	0.000	125
X2	0.890**	0.000	125
X3	0.862**	0.000	125
X4	0.881**	0.000	125
X5	0.868**	0.000	125
X6	0.879**	0.000	125
Source: Prepared by the researcher based on SPSS v.25 data			

Table (3) shows that the correlation coefficients of all the questions of the first dimension were good estimates and significant. The Sig. (2 tailed) of all the values were below 0.05 indicating the presence of a relationship among the variables. Additionally, all values are positive showing positive (direct) relationship relative to the value, which show the consistency of the items in the dimension as per the level of correlation.

4.3.1.4. Internal Consistency of the Second Dimension's Items

Table (4) Internal Consistency of Credibility of Financial Reports Items

Item	Pearson Correlation	Sig. (2-tailed)	N
Z1	0.920**	0.000	125
Z2	0.913**	0.000	125
Z3	0.970**	0.000	125
Z4	0.957**	0.000	125
Z5	0.963**	0.000	125
Z6	0.960**	0.000	125
<i>Source: Prepared by the researcher based on SPSS v.25 data</i>			

Table (4) indicates that every correlation coefficient of the questions of the second dimension was of good estimates and significant. All the Sig. (2-tailed) values were lower than 0.05, and this indicates that there is a relationship that exists between the variables. In addition, the values are positive, which implies the presence of a positive (direct) relationship that is proportional to the value, which is the consistency of the items that constitute the dimension based on the magnitude of the correlation.

4.3.1.5. Internal Consistency of the Third Dimension's Items

Table (5) Internal Consistency of Efficient Use of Assets Items

Item	Pearson Correlation	Sig. (2-tailed)	N
Z1	0.773**	0.000	125
X2	0.811**	0.000	125
X3	0.773**	0.000	125
X4	0.737**	0.000	125
X5	0.590**	0.000	125
X6	0.622**	0.000	125
<i>Source: Prepared by the researcher based on SPSS v.25 data</i>			

Table (5) shows that all correlation coefficients of the questions as regards to the third dimension were medium and good estimates that were statistically significant. The Sig. (2-tailed) values were below 0.05 and it means that the relationship between the variables existed. All the values are positive, which means that there is a positive (direct) relationship proportional to the value which implies consistency of the items of the dimension, by the degree of correlation.

4.3.2. Relative Importance Index (RII) Analysis

In order to perform the Relative Importance Index (RII) analysis of each of the variables in the questionnaire, the following weights table will be used by the researcher to categorize the sub-variables, based on the dimensions (Corporate Governance, Credibility of Financial Reports, Efficient Use of Assets):

Table (6) Classification of Sample Responses Based on Relative Importance and Arithmetic Mean

Variable/Item	Mean	Std. D	Relative Importance	Classification
First Variable: Corporate Governance				
Q1	4.27	0.711	0.85	Strongly Agree
Q2	4.36	0.677	0.87	Strongly Agree
Q3	4.40	0.568	0.88	Strongly Agree
Q4	4.36	0.627	0.87	Strongly Agree
Q5	4.38	0.679	0.88	Strongly Agree
Q6	4.37	0.576	0.87	Strongly Agree

Average	4.35	0.545	0.87	
Second Variable: Credibility of Financial Reports				
Q7	4.34	0.752	0.87	Strongly Agree
Q8	4.36	0.653	0.87	Strongly Agree
Q9	4.29	0.705	0.86	Strongly Agree
Q10	4.30	0.719	0.86	Strongly Agree
Q11	4.34	0.708	0.87	Strongly Agree
Q12	4.34	0.709	0.87	Strongly Agree
Average	4.32	0.670	0.86	
Third Variable: Efficient Use of Assets				
Q13	4.35	0.966	0.87	Strongly Agree
Q14	4.31	0.643	0.86	Strongly Agree
Q15	4.22	0.731	0.84	Strongly Agree
Q16	4.27	0.752	0.85	Strongly Agree
Q17	4.21	0.696	0.84	Strongly Agree
Q18	4.14	0.696	0.83	Agree
Average	4.25	0.491	0.85	
<i>Source: Prepared by the researcher based on SPSS v.25 data</i>				

Table (6) indicates that the mean of the First Dimension (Corporate Governance) is (4.35), which is higher than the hypothetical value of (3), whereas the standard deviation was (0.545). This implies that the proportionality of agreement amongst the respondents of the questionnaire was 87 percent. The standard deviations of the individual items were ranging between (4.27) and (4.40), which are larger than the hypothetical standard of (3), and they reflect acceptable and positive standards of agreement and acceptance among the respondents.

In the case of the Second Dimension (Credibility of Financial Reports) the mean was (4.32), which is larger than the hypothetical mean of (3), and the standard deviation of (4.32) was (0.670). The percentage of the agreement was 86. The standard deviation of the individual items was between (4.29) and (4.36), which was above the hypothetical mean and represents acceptable and positive consent.

To represent the Third Dimension (Efficient Use of Assets) the mean was (4.25), which is larger than the hypothetical mean of (3) and the standard deviation was (0.491). The rate of the agreement was 85%. The standard deviation of the individual items was (4.14) to (4.35), which is less than acceptable but shows that there is acceptable and positive agreement.

The findings indicate that the arithmetic mean of all items was higher than the hypothetical mean and higher than all of 4.20 with a sense of acceptance that was at the strongly agree range. This means that the individuals sampled had a high level of consensus on the items and questions of this dimension and is an indication of the cohesion of the questions of the third dimension through the agreement of the sample individuals.

4.3.3. Hypotheses Testing

This part elaborates on testing hypotheses to confirm the existence of relationship between internal corporate governance mechanisms on the credibility of financial statements and internal corporate governance mechanisms on efficient use of assets. The primary goal of this test is to assess how the internal corporate governance mechanisms have an effect of the credibility of financial statements and efficient utilization of assets. As follows, statistical tools were embraced to process the data and give conclusions that may support or disapprove the proposed hypotheses:

4.3.3.1. First Hypothesis

H0: Internal corporate governance mechanisms do not have statistically significant positive effect on financial statement credibility.

H 1: The positive effect of internal corporate governance mechanisms on financial statement credibility is statistically significant.

This initial hypothesis will prove or refute the presence or absence of a strong association and determine the character of such relationship between internal corporate governance systems and financial statement credibility.

Table (7) Results of the Statistical Analysis of Research Data

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.859 ^a	0.738	0.736	0.34448

a. Predictors: (Constant), Corporate governance

The Coefficient of Determination (R²) (of internal corporate governance mechanisms and credibility of financial statements) in Table (7) (Model Summary) resulted in (0.738). It translates to 73.6 percent of the variance of credibility of financial statements, according to the internal mechanisms of corporate governance. The same is true about the Adjusted R². The Pearson Correlation (R) value was (0.859) (Typo in source: should be 0.859 according to table (7) in source 160, not 0.736 according to table (7) in source 161), which shows a positive strong correlation (direct). The Standard error of the estimate was 0.344.

Table (8) Analysis of Variance Between Variables (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	41.096	1	41.096	346.314	0.000 ^a
Residual	14.596	123	0.119		
Total	55.692	124			

a. Dependent Variable: credibility of financial reports

b. Predictors: (Constant), Corporate governance

Table (8) approves the presence of differences between the variables under study depending on the Fisher's F-test, in which the Significance (Sig) fell below (0.05). The resulting F value (346.314) is higher than the table F value, which means that the model is appropriate to test the hypotheses.

Table (9) Regression Coefficients and the Effect of the Independent Variable on the Dependent Variable

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-0.267	0.249		-1.074	0.285
Corporate governance	1.055	0.057	0.859	18.610	0.000

a. Dependent Variable: credibility of financial reports

Source: Prepared by the researcher based on SPSS v.25 data

The values of the regression coefficient are illustrated in Table (9). The value of Constant (Intercept) was (-0.267). B₁ = (1.055) = (1.055) = (1.055) is the regression slope and is referred to as such. This implies that as the independent variable goes up, by 1, the dependent variable will be raised by (1.055) (Typo in source: should be 1.055 as per table (9) in source 168 not 0.859 as in source 170) which shows that there is a positive (direct) influence relationship between internal corporate governance mechanisms and the credibility of financial statements.

An effect between the internal corporate governance mechanisms and credibility of financial statements is also supported by the t-test value (18.610). The value of Sig. (0.000) was lower than the suggested value (0.05). This proves validity of the hypothesis that there exists an effect of internal corporate governance mechanisms on financial statement credibility.

The null hypothesis is rejected and the alternative hypothesis H1 accepted as based on the above: Internal corporate governance mechanisms have a statistically significant positive effect on the credibility of financial statements.

4.3.3.2. Second Hypothesis

H0: There is no statistically significant positive effect of internal corporate governance mechanisms on efficient use of assets.

H1: Internal corporate governance mechanisms positively affect the efficient utilization of assets significantly and statistically.

The latter hypothesis will define whether there is an influential relationship or not and explain the character of this relationship between internal corporate governance mechanisms and efficient utilization of assets.

Table (10) Results of the Statistical Analysis of Research Data

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.583 ^a	0.340	0.334	0.54672
a. Predictors: (Constant), Efficient use of assets				
Source: Prepared by the researcher based on SPSS v.25 data				

Table (10) (Model Summary) indicates that the Coefficient of Determination (R²) (internal corporate governance mechanisms on the efficient use of assets) has attained (0.340). This implies that a third of the assets could be used efficiently, which can be attributed to internal corporate governance processes, and 34-percent can be explained. This is also the case with Adjusted R². The value of Pearson Correlation (R) was (0.583) which implies that there was a strong positive (direct) correlation. The Standard error of the estimate was 0.546.

Table (11) Analysis of Variance Between Variables (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	18.927	1	18.927	63.322	0.000 ^a
Residual	36.765	123	0.299		
Total	55.692	124			
a. Dependent Variable: credibility of financial reports					
b. Predictors: (Constant), Efficient use of assets					
Source: Prepared by the researcher in light of the statistical analysis results of the research data					

As can be seen in Table (11), there was indeed a difference between the variables under study depending on the Fisher F-test, with the Significance (Sig) of less than (0.05). The F value (63.322) (Typo in source: should be 63.322 in both sources 183 and 186 not 63.332) is larger than the table F value, which shows that the model is used to test the hypotheses.

Table (12) Regression Coefficients and the Effect of the Independent Variable on the Dependent Variable

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	0.951	0.427		2.225	0.028
Efficient use of assets	0.795	0.100	0.583	7.958	0.000
a. Dependent Variable: credibility of financial reports					
Source: Prepared by the researcher in light of the statistical analysis results of the research data					

The values of the regression coefficients are presented in Table (12). Constant (Intercept) value was (0.951). B1 is (0.795) and is referred to as regression slope. This implies that a unit change in the independent variable will push the dependent variable up by (0.795), and this will be a positive (direct) relationship of influence between internal corporate governance mechanisms and the efficient use of assets.

The t-test value (7.958), also affirms the effect between internal corporate governance mechanisms and efficient use of assets. The Sig. value was (0.000) that is smaller than the presumed value (0.05). This substantiates the hypothesis which says that there is an effect of internal corporate governance mechanism in the efficient utilization of assets.

Judging by the results of the second hypothesis, the null is rejected and the alternative hypothesis (H1) is accepted: The positive influence of internal corporate governance mechanisms on using assets in an efficient way is statistically significant.

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5. Conclusions and Recommendations:

5.1 Conclusions:

1. The study results prove the fact that the maturation of internal governance of Iraqi banks has had an obvious positive effect on quality of management and internal control. The outcome of the survey was the improvement in the number of independent board members and the number of internal committees, the increase in the number of meetings, and it led to the enhancement of strategic decision-making and the mitigation of operational risks. This implies that good governance is a natural component of increase in transparency and accountability in banks.
2. The results of the hypothesis testing reflected that the two variables have a very strong positive correlation between them and the internal governance of the board of directors and the credibility of the financial reports have a correlation coefficient of 0.956 and a statistical significance level of 0.001. This suggests that governance policies can be improved in terms of control but also directly result in better quality and accuracy of financial reports hence increasing investor and customer confidence in the information they are given.
3. The indicators of efficiency of assets, including the ratio of return on assets (ROA) and asset turnover ratio, and asset utilization ratio turned out to be the positive indicators. The sample studied established a steady growth in these parameters with proof of the capability of the banks to get greater returns with minimal resources. This demonstrates how badly the management has managed to invest the assets in a successful manner to attain growth and financial sustainability objectives.
4. The analysis shows that there is an integration of internal governance and efficiency in asset investments. Sound internal governance systems have resulted in better use of financial and material resources, minimized losses, and operating returns. This affirms that governance is not just a regulatory model, but a strategic instrument of improving financial performance.
5. All three variables namely: governance, reliability of the financial reporting and asset investment efficiency are on an upward trend. This reflects how the policies and procedures

applied in banks in Iraq have been successful, as they show the sustainability of regulatory and financial reforms.

6. Corporate governance is strongly related to the trustworthiness of the financial reporting implying that the use of its internal mechanisms are one of the determinants of quality and reliability of financial data in the banking industry.
7. Corporate governance affects efficiency of asset use and investment positively and therefore shows that corporate internal governance plays a significant role towards enhancing asset efficiency. That demonstrates that the effects of a good governance system are not only limited to financial management but also to the efficiency of operations and its economic productivity.
8. Since statistically significant positive impacts of corporate governance on the two dependent variables were not identical, there was significantly stronger impact and statistically significant impact with respect to credibility of financial statements than the impact with respect to asset utilization efficiency. This means that, the independent variable of internal governance is both directly related and focused on the attainment of supervisory and financial goals, in this case credibility whereas the operational goals, in this case asset utilization and investment efficiency, are severely influenced by the internal governance.

5.2 Recommendations

1. The study recommends that the Iraqi banks still need to further work on their internal governance through the establishment of more of these specialized committees, like the audit and risk committee and the enhancement of autonomy of the board of directors and to have regular training of the members. This will improve internal control, make decisions making to be more accurate and transparent and diminish the chances of financial and operational risks.
2. The study has suggested the adoption of stricter internal and external audit control systems and the use of international standards on accounting to ascertain the accuracy of financial information. It also advises entrenching the systems that verify the financial data to be published and reducing last minutes changes so that the information given to investors and clients can be trusted and this increases confidence in the banks and also makes them loyal to uphold transparency.
3. The study highlights the need to assess the financial and investment performance of the assets periodically and implement effective investment and operating strategies so as to improve return on assets and asset turnover. It also suggests the application of sophisticated analytical procedures that will minimize wastes and enhance the distribution of financial and material resources to achieve the maximum use of assets.
4. The study suggests the initiation of continuous training of the staffs and top management to improve their knowledge on the concept of governance, reliability of financial reporting and effective use of assets and investment of assets. On-going training leads to a higher level of efficiency in decision-making, better adherence to the internal policies and regulations, and the provision of a long-term enhancement of the overall performance of the banking.
5. This study motivates the Iraqi banks to invest in digital solutions and modern financial system that can help to monitor its performance, analyze financial data and enhance the efficiency of its asset management. Use of financial technology helps in minimizing the

human error, enhancing the speed and reliability of financial reporting, and enhancing efficiency of banking operations.

6. The study suggests that mechanisms should be put in place to conduct a regular monitoring and regular review of the governance and financial performance, which involves submission of periodic reports to the board of directors and audit committees on the effectiveness of governance, reliability of reporting and efficiency of utilization of the assets. This will aid in uncovering the weaknesses in good time and initiate corrective measures to ensure that the improvement of the financial and administrative performance of the bank is further and more sustainable.
7. In order to improve the internal governance, the economic units, especially those under the banking sector are expected to intensify and renew their efforts to mobilize and bring into operation most of the corporate governance mechanisms, since it is directly and positively related to financial and operational performance.
8. To increase the effectiveness of financial reports, the top management must lay emphasis on the effectiveness and independence of audit committees and board of directors. This will guarantee maximum accuracy and transparency in preparing and publishing financial reports thus enhancing their credibility and trust among stakeholders.
9. Economic units need to incorporate the governance and governance mechanisms into the process of asset management to enhance the efficiency of the asset utilization. This incorporates setting of specific Key Performance Indicators (KPIs) which measure asset utilization and investment of efficiency on an interval basis in order to optimize on resource investment.

Research information and a word from the researcher:

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