

The Impact of Corporate Governance Strategies on Banks Performance

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Abstract

Effective corporate governance enhances bank performance and stability, yet Iraq's banking sector continues to face challenges due to weak governance frameworks that constrain financial efficiency. This research looks at how Iraqi banks' profitability relates to corporate governance norms, particularly audit committees, board independence, and size. Return on assets (ROA) serves as the primary statistic in this research, which employs a quantitative, hypothesis driven methodology to examine the relationship between financial performance and governance parameters. The JASP software was used for both structural analysis and statistical evaluation of the data. The sample comprises 54 banks listed with the Central Bank of Iraq, based on the availability of their 2023 annual reports. Path coefficient, multiple, and panel regression analyses were used to assess the relationships among the variables. The findings indicate a positive and substantial correlation between board size and profitability. Although statistically negligible, the audit board has a negative link with profitability; yet, neither board independence nor the risk committee demonstrates a statistically meaningful impact on it. This research addresses a notable gap in the literature by focusing on Iraq's distinct governance landscape, offering valuable insights for investors, governments, and senior executives aiming to enhance governance standards.

Keywords: Audit Board, Board Size, Corporate Governance Strategies, Directors' Independence, Risk Management Committee.

1. Introduction

After global financial crises like the one that hit the United States and other countries in 2008, the importance of good company governance became much more apparent (Al-Tamimia, 2020). Its significance is justified by the fact that it is one of the factors that contribute to increased economic growth and efficiency, which in turn helps achieve economic development and prevent financial crises. The profitability of banks is greatly impacted by corporate governance, which regulates management and its interactions with stakeholders in a number of ways. How all pertinent parties, or stakeholders, make sure that management and staff in businesses always act appropriately or implement rules that protect the interests of all parties is the main focus of corporate governance. One distinguishing feature of businesses is the division of ownership and management, which has made these systems more crucial and essential.

According to Masoud (2024), Corporate governance is crucial in promoting transparency and accountability. It also has a significant impact on organizational financial success, particularly in nations such as Iraq. The audit board, risk committee, board independence, and governance board size are all important factors influencing Iraqi banks' profitability. Good governance processes increase market capitalization and improve financial



results, which adds financial value, increases investor trust, and maintains stakeholder balance.

Agency theory and good governance theory are two important ideas that make up the theoretical underpinnings of corporate governance in Iraq and the Gulf (Elhabib, 2024). This claim was made by Gyamerah and Agyei (2016). Since sound governance frameworks protect investors from risks, attract capital, and improve company performance, corporate governance has a significant impact on the economy's potential for growth (Clarke, 2004). Board-level accountability, audit board, and board-level transparency are used in company governance to address company failures and give enterprises financial rewards that are linked to the growth of the national economy (Spanos, 2005). The audit board and board of directors play critical roles in a corporation's capacity to maintain strong corporate governance. The audit board oversees risk management, rules, financial reporting procedures, internal and external audits, and internal control systems. Any country's banking business is recognized as the foundation of its financial and economic structure. Banks are crucial to the growth of developing and underdeveloped economies because they effectively mobilize and distribute resources (Hasan et al., 2020). Since banks are essential to the growth of any nation's economy, there are many of them. These banks use a variety of cutting edge financial instruments to offer banking services (Ibrahim, 2022).

Iraq's banking industry, however, remains opaque and unable to contribute to the country's economic growth (Ibrahim, 2022). The main reason for this is that, in contrast to other nations, banking efficiency is almost nonexistent. Mismanagement problems that hinder banking reform efforts and national conditions that lead to financial, economic, and security instability are the causes of this (Jearah et al., 2020). Banks need ongoing oversight to put policies in place that could enhance their present poor financial performance, according to (Qassim, 2022). Iraq's banking evaluation system is seriously threatened by the high levels of risk that the industry encounters. Fraud and manipulation are more likely to occur when internal control systems are weak, endangering the validity of financial statements that financial institutions create (Hakim et al., 2023).

In this instance, the financial viability of Iraqi banks is improved by the implementation of corporate governance policies. However, because traditional indicators only assess the money component, they might be deemed ineffectual. Consequently, these metrics have failed to consider quality, innovation, development, and sustainability all of which directly affect the economic unit's performance as well as other present and future values and dimensions (Neamah, 2023). However, a review of the existing literature reveals that while corporate governance has been extensively studied in developed and emerging economies, limited empirical research has examined these mechanisms within Iraq's unique institutional and regulatory environment. Previous studies have generally focused on countries with mature financial systems, stable governance frameworks, and robust regulatory oversight.

In contrast, Iraq's post-conflict economy presents distinct challenges such as weak legal enforcement, ownership concentration, and limited board independence that may alter how governance mechanisms influence profitability. No comprehensive empirical analysis has investigated how board size, board independence, risk committees, and audit boards collectively affect the profitability of Iraqi banks. This under-researched context offers a novelty to extend corporate governance theory by testing whether traditional governance-performance relationships hold true in transitional economies. Thus, this study contributes new insights by addressing this specific contextual gap and providing evidence that can inform both policy reforms and managerial practices aimed at improving governance and financial performance in Iraq's banking sector. The primary purpose of this research is to determine

the effects of board independence, size, audit board, and corporate governance standards, in particular, on the profitability of Iraqi banks.

2. Literature Review

2.1. Board Size and profitability

Corporate governance has been an essential element that assists managers in making informed decisions in recent years. Effective control systems are essential for the medium to long-term growth, preservation, and expansion of corporate value, aimed at enhancing the firm's profitability and performance (Alabdullah et al., 2022). The goal of corporate governance is to establish an open, equitable economy that safeguards the interests and wealth of shareholders, promotes the sustainability of businesses, and reduces possible dangers. A research by Dwisanty & Madi (2024) revealed a positive correlation between leverage and Return on Equity, a significant negative correlation between board size and Return on Equity, a significant positive correlation between audit board meetings and Return on Equity, and a negative correlation between firm size and Return on Assets. Empirical studies by Andoh et al. (2023) indicate both similarities and variations in the impact of board membership on the performance of listed banks and non-financial firms. The size of the board has a substantial nonlinear impact on Tobin's Q, as evidenced by the parallels observed between banks and non-financial firms. Moreover, a robust positive link exists between the proportion of foreign board members and the profitability of both publicly listed banks and non-financial enterprises. Nguyen et al. (2023) identify government ownership, ownership concentration, gender diversity on boards, and corporate social responsibility as the four statistically significant drivers affecting profitability. The results indicate a direct correlation between corporate social responsibility and financial success, implying that publicly traded companies could enhance their value by considering these factors.

The empirical findings of Al Farooque et al. (2019) indicate that the Thai economy has undergone recent transformations. Specifically, family ownership and ownership concentration favorably affect market-based company performance, but management ownership exerts no significant influence. This diverges from the findings and projections of prior research on emerging markets. The results of Musallam 2025 indicate that risk management and the function of the Chief Executive Officer significantly improve financial performance. Nonetheless, financial success is adversely affected by CEO dualism. The results indicate that risk management, board size, and Chief Executive Officer duality positively influence financial performance.

H1: The size of the board correlates positively with profitability.

2.2. Independence and profitability

Board independence is considered a fundamental element of corporate governance, as it is essential for regulating senior management's behavior and ensuring the safeguarding of shareholders' interests, especially those of minority stakeholders. Audit board independence significantly improves the efficiency of intellectual capital, according to Hermawan et al. (2025) and Usman & Yahaya (2023) results. The independence of the nominations committee markedly enhances the efficacy of intellectual capital. The findings indicate that the autonomy of the pay committee positively and considerably influences the efficacy of intellectual capital. Lastly, the findings indicate that the efficiency of intellectual capital is significantly increased by the risk committee's independence.

Agarwala et al. (2023) demonstrate a significant positive link between board independence and Corporate Social Responsibility success. Conversely, Corporate Social Responsibility exhibits a negative correlation with both board size and meeting frequency. Liquidity and firm size positively influence the extent of Corporate Social Responsibility engagement. Modifications to board independence have had a detrimental effect on financial performance (Almaqtari et al., 2022). Modifications to board independence substantially enhance the correlation between profitability and related-party transactions. The results indicate that, although somewhat reducing the effects of board effectiveness and size, alterations in board independence adversely affect bank profitability.

H2: Independence exhibits an inverse correlation with profitability.

2.3. Risk Committee Management and profitability

Modern approaches to risk management include risk management. Acharyya & Brady (2014) claim that it is a thorough and accurate method of evaluating a business's risks. A risk-aware business culture is fostered by this strategy. The improvement of organizational structure, risk analysis, and reporting processes through risk management may help top authorities make better decisions to reduce risks. Regulatory compliance, resource efficiency, and risk focus and perspective are all enhanced by this approach. Shah et al. (2025) identified a strong and statistically significant positive association between green growth (GG) and risk management.

This implies that by affecting resource efficiency and environmental productivity, risk management significantly boosts green growth. The report also demonstrates the substantial influence of risk management on the natural asset base, government responses, and economic potential. While agency expenses and financial success have a strong negative correlation, risk committee presence, independence, and financial knowledge have a favorable correlation with profitability Almulhim et al. (2024). Nonetheless, there is a negative correlation between profitability and the size and activity of the risk committee, and a positive correlation with agency expenses. Additionally, even though agency fees have a detrimental impact on banks' bottom lines, risk committees monitor these risks and improve bottom lines.

According to research by Jiang & Ji (2024), risk committees work better to lower risk in banks with bigger asset bases. Finally, by boosting profitability and improving loan quality, the creation of a risk committee demonstrates the benefits of strict banking regulation. Risk management, financial reporting, financial success, and climate change disclosure are all highly favorably connected, per a statistical analysis by Megeid (2024). According to the findings, financial markets need reliable, thorough, and accurate information about the effects of climate change, particularly the risks and opportunities associated with new technology, climate policies, and warming temperatures. According to research by Karim et al. (2024), The frequency, scale, and autonomy of risk management committee meetings diminish accounting-based performance indicators while enhancing market-based KPIs. The size of the board strongly influences the attributes of risk committees and their correlation with performance.

H3: Rick Committee Management has a negative relationship with profitability.

2.4. Audit board and profitability

The Audit Board is essential for boosting the performance effectiveness of the Board of Directors, as it evaluates remuneration policies, ensures parity in member nominations, and elevates the quality of audit procedures (Al Farooque et al., 2019). (Haddad et al., 2021) found that the audit committee diminished the profitability of both types of banks. It diminished the

efficacy of traditional banks as well. Nonetheless, the impact on Islamic institutions remained ambiguous. The audit board enhanced the liquidity of conventional banks; however, it had no noticeable impact on the liquidity of Islamic institutions.

Bananuka & Nkundabanyanga (2023) looks at how online financial reporting is affected by firm-specific factors, audit board effectiveness, and internal audit function. The characteristics of audit board effectiveness and internal audit function that influence differences in online financial reporting are also examined. A survey of forty financial services companies was used to gather data. internal audit function and audit board effectiveness significantly affect improvements in online financial reporting, according to analysis. According to Bagonza et al. (2025), in South African firms listed on the Johannesburg Stock Exchange, the audit board governs the correlation between audit quality and market responses. The quality of audits influences market responses, manifested as altered market returns and stock valuations.

H4: The presence of an audit board has a negative relationship with profitability.

2.5. Research Gap

While corporate governance has been extensively studied in developed and emerging economies, there remains a significant gap concerning its dynamics within Iraq’s banking sector. Most prior studies have concentrated on markets with well-established regulatory frameworks and transparent governance structures, leaving countries with evolving institutional settings, such as Iraq, comparatively under-explored. Iraq’s banking industry operates within a unique post-conflict, transitional economy, where governance mechanisms are still developing amid political, legal, and regulatory challenges. Therefore, limited empirical evidence exists on how board characteristics, independence, risk committees, and audit functions influence profitability in this distinct context. This study fills this gap by empirically examining these governance factors in Iraqi banks, thereby extending corporate governance literature to a setting characterized by institutional volatility and emerging financial reforms.

2.6. Research Model

The dependent variable in this research, financial performance as measured by return on equity and return on assets, is grounded in the theoretical framework. Board size, managerial independence, audit committees, and risk management committees exemplify independent variables in corporate governance practices. The theoretical framework is illustrated in Figure 1 below.

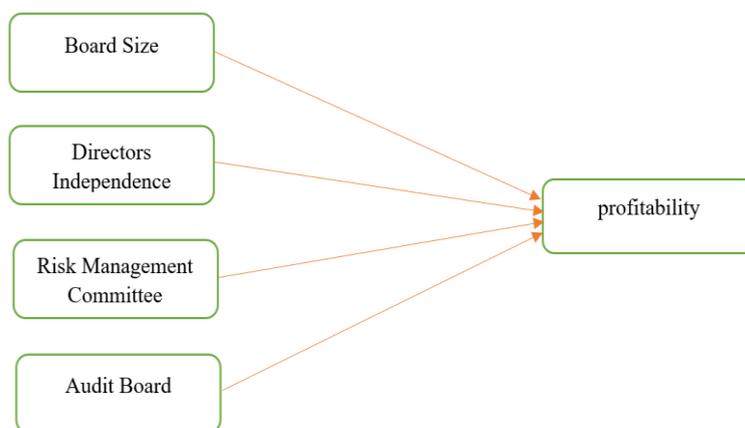


Figure 1. research Model

3. Methods

This research employed a quantitative, hypothesis-driven methodology focusing on return on assets to examine the correlation between corporate governance mechanisms and financial performance. A sample of 54 banks registered with the Central Bank of Iraq was selected for the study based on the availability of a thorough annual report for 2023. The model and data analysis were conducted utilizing JASP software. To assess the relationships between governance mechanisms and profitability, the study employed a Structural Equation Modeling Partial Least Squares (SEM–PLS) approach. This method was chosen because it is suitable for exploratory research, handles complex models with multiple latent variables, and does not impose strict normality assumptions (Hair et al., 2019). Path coefficients were employed to evaluate the relationships among variables utilizing multiple regression and model. However, the present study focuses on a cross-sectional snapshot, providing baseline insights into governance-performance relationships within Iraq’s evolving banking environment. Meanwhile, ROA was chosen as the main measure of profitability as it better shows how efficiently management uses the bank’s assets to make earnings, without being affected by changes in capital structure that can impact ROE in highly leveraged financial institutions. The study’s metrics and sources are enumerated in Table 1 below.

Table 1. Measurement variables and their sources

Variables	Measurement	Source
Board Size	The aggregate count of directors on the company's board.	(García Martín and Herrero, 2020)
Independence	The overall count of independent directors on the board is divided by the total number of board members.	(Al Farooque et al., 2019)
Risk Management Committee	Count of Risk Management Committee Members	(Chou and Buchdadi, 2017)
Audit Board	The quantity of auditors on the audit board.	(Alabdullah and Ahmed, 2020)
Performance	Return on Assets = Net Income divided by Total Assets	(Alabdullah & Ahmed, 2020; Gu & Doodoo, 2021)

3.1. Data Validity and Reliability Techniques

To ensure the accuracy and internal consistency of the measurement model, several statistical tests were conducted to evaluate the reliability and validity of the constructs, as shown in Table 2. Reliability was first assessed using Cronbach’s alpha and Composite Reliability (CR). Cronbach’s alpha evaluates the internal consistency among items measuring each construct, where values above 0.70 are generally considered acceptable for exploratory research (Hair et al., 2019). The Cronbach’s alpha values in this study range from 0.715 to 0.822, indicating satisfactory internal consistency. Similarly, the Composite Reliability (ρ_c) values range from 0.61 to 0.873, all exceeding the minimum threshold of 0.60, which confirms that each construct demonstrates reliable measurement stability. Convergent validity was tested using the Average Variance Extracted (AVE), which measures the proportion of variance captured by a construct relative to the variance due to measurement error. According to Fornell & Larcker (1981), an AVE value of 0.50 or higher indicates adequate convergent validity. All constructs in this study recorded AVE values between 0.524 and 0.594, confirming that the measurement items adequately represent their respective constructs.

Table 2. Reliability and validity of measurement constructs

Variables/Construct	Interpretation
Board independence ($\alpha=0.715$, CR=0.723, AVE=0.567)	Acceptable internal consistency and good convergent validity.
Board size ($\alpha=0.751$, CR=0.847, AVE=0.594)	Strong reliability and convergent validity.
Audit committees ($\alpha=0.779$, CR=0.709, AVE=0.532)	Reliable with satisfactory validity.
Risk management committees ($\alpha=0.743$, CR=0.873, AVE=0.524)	High reliability and acceptable validity.
ROA ($\alpha=0.822$, CR=0.61, AVE=0.532)	Strong reliability; convergent validity acceptable.

4. Results and Discussion

4.1. Research Results

4.1.1. Descriptive Statistics

Table 3 provides descriptive information on the research variables in order to assess participants' perceptions of them. The research intends to evaluate the levels of accuracy and reliability in participants' responses through specific analyses conducted after data collection relative to a set of parameters, include Board Size, Managerial Independence, Audit Committee, and Risk Committee. The research findings indicated an average board size of 6.981, a standard deviation of 0.960, and a skewness of 0.178, with values ranging from 5.000 to 9.000. The range of Managerial Independence was 0.143 to 0.667, with a mean of 0.330, a standard deviation of 0.108, and a skewness of 1.481.

The Risk Committee's mean score was 3.615, with a range of 2.000 to 11.000, a standard deviation of 1.374, and a skewness of 3.474. The Audit board comprised an average of 3.250 members, with a range of 2.000 to 5.000, a standard deviation of 0.622, and a skewness of 0.793. Financial Performance varied from -0.018 to 0.060, exhibiting a mean of 0.007, a standard deviation of 0.015, and a skewness of 1.082. All test variables in this study exhibited acceptable levels of kurtosis. The values of skewness and kurtosis are presented in Table 2, both fall within acceptable ranges, confirming the normality of the research sample distribution. A distribution is considered normal when the kurtosis value is within ± 3 and the skewness is within ± 1.96 .

Table 3. Descriptive statistics

	Board Ind	B-size	AUD-COM	RISK-C	ROA
Mean	0.330	6.981	3.250	3.615	0.007
Std. Deviation	0.108	0.960	0.622	1.374	0.015
Skewness	1.481	0.178	0.793	3.474	1.082
Kurtosis	2.154	1.480	1.230	16.419	2.537
Minimum	0.143	5.000	2.000	2.000	-0.018
Maximum	0.667	9.000	5.000	11.000	0.060

4.1.2. Multicollinearity (Correlation Matrix)

The square root values of the Average Variance Extracted for each variable in the study are presented as diagonal entries in Table (4). To establish construct validity, the Fornell-Larcker criterion mandates that the square root of the Average Variance Extracted for each variable exceeds the corresponding correlations with other variables. To make sure that each variable is unique from the others, the discriminant validity assessment is used. This is accomplished by evaluating the level of correlation between the variables and their indicators. As per the analytical findings, each research variable demonstrates significant conceptual

uniqueness, which are corroborated by Hair et al. (2017). Furthermore, Cross-Loadings analysis strengthened discriminant validity, as Rasoolimanesh (2022) pointed out. If an indicator has a larger loading on the target variable than it does on any of the other variables in the research, it is deemed authentic. As shown in Table 4. Correlation Matrix, the correlation between variables is relatively low, indicating the absence of multicollinearity problems and supporting the discriminant validity of each research construct.

Table 4. Correlation matrix

	Board Ind	B-size	AUD-COM	RISK-C	ROA
1. Board Ind	—				
2. B-size	-0.051	—			
3. AUD-COM	0.377	-0.057	—		
4. RISK-C	0.126	0.381	0.115	—	
5. ROA	0.128	0.237	0.233	-0.037	—

4.1.3. R Square

The coefficient of determination (R²) statistically quantifies the percentage of variance in the dependent variable (DV) attributable to the independent variables (IVs) in regression models. A value closer to 1 signifies enhanced explanatory capacity of the independent variables regarding the variation in the dependent variable. The value of R² is a number between 0 and 1. One represents the highest level of explanation, and zero represents the lowest level. According to Rights & Sterba (2018), higher R² values signify a higher-quality model that better illustrates the correlation between the independent and dependent variables.

A low R² value indicates a weak correlation, signifying that a substantial portion of the variance in the dependent variable remains unexplained by the independent variables. To evaluate model efficiency, it is crucial to remember that R² is not sufficient on its own; additional analytical tests and metrics should be used to bolster the assessment. The dependent variable's computed coefficient of determination (R²) in this research is 0.154, as shown in Table 5. This discovery indicates that the independent variables of risk committee, audit committee, board size, and managerial independence may account for 15.4% of the variance in profitability. Of the total effect, 0.856 is attributed to elements not included in this research, and 0.154 is attributed to the components being studied.

Table 5. Variance explanation

R-squared	
Performance (ROA)	0.154

The measurement models employed in this investigation, which depict the observed link between latent variables and their corresponding indicators, are shown in Figure 2.

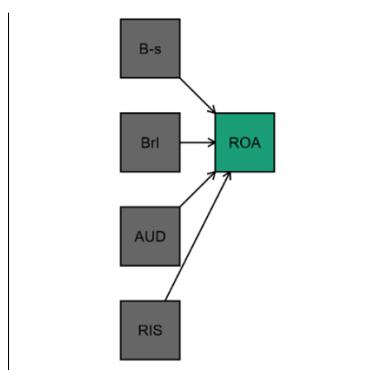


Figure 2. Measurement models of variables

4.1.4. Hypothesis Test

Until the directions of causal influence are precisely characterized and all confounding factors are taken into account, regression coefficient estimates cannot be interpreted as causal effects. To interpret a relationship between two variables as causal, it is important to ensure that there are no external influences (confounders) that could affect the outcome, in addition to clearly identifying the direction of the effect and making it clear which variable is the cause and which is the effect.

Table 6. Hypothesis test

		Estimate	Std. Error	z-value	p	Results
H1	BOD-Z \square ROA	0.011	0.019	0.560	0.575	Rejected
H2	B-IN \square ROA	0.005	0.002	2.386	0.017	Accepted
H3	Rick-C \square ROA	-0.002	0.002	-1.432	0.152	Rejected
H4	AUD-COM \square ROA	0.006	0.003	1.778	0.055	Accepted

According to Table 6, The path coefficients indicate the following: A p-value of 0.575, beyond 0.05, and a coefficient value of 0.011 suggest an absence of substantial association between board size and Return on Assets, as indicated by the route coefficient. Therefore, as board size and Return on Assets do not exhibit a significant correlation, the hypothesis is refuted. A p-value of 0.017 and a coefficient of 0.005, both below 0.05, indicate a substantial and positive correlation between managerial independence and return on assets, as per the path coefficient. A robust correlation exists between managerial independence and Return on Assets, substantiating the premise.

The p-value of 0.152, exceeding 0.05, along with a coefficient of -0.002, suggests a non-significant and negative relationship between the risk committee and Return on Assets. The theory is thereby disproven, and there exists no substantial correlation between Return on Assets and the existence of a risk committee. Finally, the path coefficient indicates a slightly significant positive correlation between the audit committee and Return on Assets, with a coefficient of 0.006 and a p-value of 0.055, which is nearly equivalent to 0.05. Thus, a significant link exists between the audit committee and Return on Assets, and the idea is validated.

4.2. Discussion

4.2.1. Impact of Board Size and profitability

The results of the regression analysis indicate that board size is a critical criterion for assessing the effectiveness of corporate governance. The findings indicate that the inclusion of extra non-executive members enhances autonomy in decision-making, hence improving several financial performance measures. Expanding the board's size demonstrated a beneficial and statistically significant effect on institutional performance in this context. The path coefficient analysis revealed a non-significant correlation between board size and Return on Assets, indicated by a p-value of 0.575 and a coefficient of 0.011, both exceeding 0.05. This affirmed that hypothesis H1 was dismissed based on the findings of Alhejji and Khawaja (2021). This finding contradicts several previous research examining the relationship between organizational success in Saudi Arabia and board composition. Furthermore, the study by Majeed et al. (2020) demonstrated a substantial correlation between board size and Return on Assets in the Pakistani and Chinese's Listed Banking Sector. Moreover, Huynh et al. (2022) identified a positive association between the size of the board and the company's performance. One possible explanation for this divergence lies in the institutional and cultural context of Iraqi banks. Unlike firms in more mature markets, Iraqi banks may suffer from inefficient

board structures, political appointments, or overlapping roles, which diminish the potential benefits of larger boards. In such settings, increasing board size may lead to coordination problems, slow decision-making, and weakened accountability, offsetting any advantages of diverse expertise. Further, weak enforcement of governance codes and limited independence of non-executive members may reduce the strategic oversight that larger boards are theoretically expected to provide. Hence, this finding underscores that board size alone does not enhance profitability unless accompanied by robust governance practices and genuine board independence a context-specific insight that enriches the broader literature on board composition and firm performance in emerging economies.

4.2.2. Impact of Independence and profitability

Boards of directors appoint independent members as their primary oversight mechanism, anticipating that these individuals will render impartial, innovative choices that transcend traditional financial considerations (Zahra & Stanton, 1988). This underscores the significance of independence in commercial decision-making. The coefficient value of 0.005 and a p-value of 0.017, both below 0.05, indicate that the route coefficients significantly influence the independence of return on assets. Consequently, hypothesis H2 is substantiated by the robust association between independence and financial performance. These findings align with those of prior studies. Huynh et al. (2022) demonstrated a favorable and significant correlation between board independence and corporate success. Moreover, enhanced board independence positively and significantly influences the relationship between related-party transactions and corporate profitability (Almaqtari et al., 2022). Oludele et al. (2016) identified a robust and positive linear association between the profitability of listed industrial firms and board independence in listed manufacturing companies in Nigeria. However, while the direction of the relationship aligns with global evidence, the underlying reasons may differ in the Iraqi context. In economies with weaker institutional controls, independent directors may serve as a symbol of legitimacy to attract investors and signal transparency, rather than acting through formalized oversight mechanisms. In Iraq, where family ownership and state influence remain prevalent, truly independent members are relatively rare, but when present, they may enhance investor confidence and reduce agency conflicts, leading to improved financial performance. Therefore, the significant result reflects both the symbolic and functional roles of board independence a nuanced contribution that helps explain why independence remains a key governance variable even in environments with underdeveloped governance infrastructures.

4.2.3. Impact of Risk Management Committee and profitability

A fundamental component of corporate governance frameworks is the Risk Management Committee, particularly given the dynamic and complex environment in which modern enterprises operate. The primary responsibility is to identify, assess, and monitor potential risks that may affect the organization's financial and operational performance. The committee engages in formulating risk management regulations and guarantees their compliance to safeguard the company's assets and enhance its financial stability. In addition to minimizing operational, financial, and strategic risks, enterprise risk management speeds up audits and review procedures and lowers related costs (Acharyya & Brady, 2014). However, with a path coefficient of (-0.002) and a p-value of 0.152, beyond the conventional significance threshold of 0.05, indicates that the Risk Committee does not exert a statistically significant influence on profitability. This indicates that the statistical evidence supporting hypothesis H3 is inadequate. This outcome contradicts several prior studies. Chukwujekwu et al. (2020)

discovered that the effectiveness of enterprise risk management has a favorable and significant influence on business performance among listed Nigeria banks.

Similarly, Almulhim et al. (2024) found that, with their financial autonomy and proficiency, risk committees had a significant negative link with agency costs while positively influencing profitability. The size and workload of the risk committee were adversely correlated with the company's financial success and positively correlated with agency expenses. Moreover, although minimal, the size of the risk management committee adversely affects banks' financial performance, as stated by Chukwujekwu et al. (2020). However, evidence from Egypt by Megeid (2024) showed a high positive correlation between financial reporting, risk management in industrial enterprises, financial success, and disclosure of climate change. The lack of a substantial correlation in the research findings could therefore be explained according to various factors, including the characteristics of the sampled enterprises, which may be less exposed to risks than other sectors, or the risk committee's weak capacity for decision-making or lack of empowerment. The discrepancy may stem from differences in committee effectiveness, authority, and institutional support. In many Iraqi banks, risk management committees may exist only to fulfill regulatory requirements, lacking the technical expertise, autonomy, and decision-making power observed in more mature systems. Furthermore, Iraq's banking sector operates under high levels of economic volatility and regulatory uncertainty, limiting the committee's ability to anticipate and mitigate risks effectively. The weak relationship between RMC presence and profitability suggests that formal structures alone are insufficient; the quality of implementation and the empowerment of committee members are essential for translating risk oversight into financial outcomes. This insight contributes to the literature by emphasizing that the mere existence of governance committees does not guarantee effectiveness particularly in transitional economies where governance culture is still evolving.

4.2.4. Impact of Audit board and profitability

The audit board is a crucial part of an organization's governance structure since it checks that defined procedures are being followed, monitors financial reporting, and regulates risk. According to Collier and Mahbub (2005), the board aims to preserve true financial transparency by bringing together independent members to serve as an intermediary with the board of directors, management teams, and external auditors. The path coefficient value of 0.006 and a p-value of 0.055 indicate that the audit board significantly influences profitability. The robust association between the audit board and financial success supports hypothesis H4.

The results align with those of a number of earlier investigations. Profitability is significantly improved by the audit board, according to Rahman & Ali (2022). The board and the board of directors significantly influenced the profitability of corporations, as indicated by research conducted by Abubakar et al. (2023). A different research in Nigeria by Jibril & Maikano (2022) discovered a statistically significant positive correlation between financial success and the size of the audit board. A study by Haddad et al. (2021) indicates that the audit board enhanced the liquidity of conventional banks. Bananuka & Nkundabanyanga (2023) identified that all attributes of the audit board, except for independence, exhibited a positive correlation with earnings per share, and that an increased number of audit board meetings significantly enhanced earnings per share. Huynh et al. (2022) identified a positive correlation between the size of the audit board and the performance of the organization. However, the magnitude and mechanisms of this relationship may differ in the Iraqi context. Unlike in advanced economies, where audit boards operate under strict compliance and external scrutiny, audit boards in Iraq often compensate for weak regulatory enforcement by providing internal assurance mechanisms that enhance the credibility of financial reporting. The finding

that audit boards significantly affect profitability may reflect their critical intermediary role in environments with limited transparency and higher risks of fraud. Additionally, given the scarcity of effective internal audit systems, audit boards may serve as the primary channel for building investor trust and improving governance credibility. Thus, the result not only supports existing theories but also highlights how audit oversight functions differently in developing markets, underscoring the adaptive role of governance mechanisms in fragile institutional environments.

4.2.5. Limitations and Future Research Directions

Although this study provides meaningful insights into the relationship between corporate governance mechanisms and profitability in Iraqi banks, several limitations should be acknowledged.

First, the research is context-specific, focusing solely on the Iraqi banking sector and within single-year data. Iraq's unique institutional, regulatory, and socio-economic environment may limit the generalizability of the findings to other developing or transitional economies. Future studies could therefore extend the analysis to cross-country comparisons involving other Middle Eastern or post-conflict markets to determine whether governance performance relationships are context-dependent or display universal patterns also with the expanded timeframe. Such comparative research would also help identify the institutional factors that strengthen or weaken governance effectiveness across different economic systems.

Second, the study employs quantitative data derived from secondary financial and governance reports, which, although reliable, may not fully capture the qualitative dimensions of governance, such as leadership style, board dynamics, informal power structures, and decision-making behavior. Future research could adopt mixed-method approaches, combining statistical analysis with interviews, focus groups, or case studies involving board members, executives, and regulatory officials. This would provide richer, context-sensitive insights into how governance mechanisms function in practice and influence strategic decision-making. Since the results evaluate the banks' compliance with regulations and commitment to maintaining high standards for profitability and planning, they are also significant for investors and other stakeholders. As shown by the studies of Kurter (2024) Kurter (2024) and Kurter and Aydan (2024), corporate governance must address the ways in which occupational stress, job satisfaction, and generational career aspirations influence workforce behavior in order to foster long-term employee engagement and moral decision-making. In a similar Dincay et al. (2023) emphasize the significance of social policies and labor force management, suggesting that employee welfare systems should be incorporated into successful governance frameworks to enhance organizational responsibility and resilience.

5. Conclusion

This research objectively substantiated the correlation between corporate governance strategy and financial success. The results confirmed the hypothesis and adequately resolved each study question. This research partially addresses the established criteria that investigate the direct relationships between banks' profitability and corporate governance strategies, including board size, managerial independence, risk management committees, and audit boards. The principal objective of the research was to evaluate the relationship between corporate governance strategies, encompassing board size, managerial independence, risk management committees, and audit boards, and profitability. The research sample consisted of 54 private banks registered with the Securities Commission and the Central Bank of Iraq. Quantitative data was collected, and the JASP statistical software was employed to analyze

and evaluate the research metrics. The findings indicated that corporate governance strategy had a positive and significant effect on profitability. The findings indicate that corporate governance practices that have a substantial impact on profitability encompass the audit board, risk management board, managerial independence, and board size. The results offer valuable insights for financial institutions aiming to improve their profitability by leveraging data and information alongside their accounting frameworks and business strategies.

This research adds to the existing knowledge on corporate governance in emerging markets by exploring the impact of board structure, independence, audit, and risk committees on bank profitability in Iraq. It expands governance-performance models to countries with limited regulations. The study emphasizes the importance of effective, independent, and responsible boards for better financial results. The results recommend regulators in Iraq to enforce governance standards, increase transparency, and promote board independence to boost the stability and efficiency of the banking sector.

6. References

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