Board attributes, risk management and financial performance: Insights from Iraq
Ahmad Haruna Abubakar¹, Bashar Yousif Ibrahim², Nur Nashreen Binti Zakaria³, Siti Fatimah Binti Mohd Kassim⁴
Management and Science University, Malaysia¹,³,⁴
Technical College of Administration, Duhok Polytechnic University²
ahmad_haruna@msu.edu.my

Abstract
Purpose: This study examines how good corporate governance practices and the establishment of risk management committees reduce investors’ risks and improve performance.
Research Methodology: Data stream and annual reports were used to acquire secondary data for all 21 banks listed on the Iraqi Stock Exchange between 2019 and 2021, totalling 63 firm-year observations. Data were analyzed using Stata version 15.
Results: The data show that board size and independence have strong negative relationships with bank performance. The financial knowledge of the board and independence of the risk management committee had minor positive relationships with performance.
Limitations: This study examines board size, independence, financial expertise, and the presence of a risk management committee. Other factors that may impact bank performance include the type of ownership structure, audit committee, and the application of additional financial performance indicators such as Tobin’s Q. Future research could expand to encompass these factors.
Contribution: This study aims to provide valuable insights to the Iraqi government and regulators, aiding them in formulating new policies and deliberating on issues related to corporate governance concerning bank performance. It is well-established that both shareholders and companies rely on robust corporate governance mechanisms, especially as a means of augmenting bank value
Novelty: The presence of a risk management committee reduces managers’ discretion to engage in opportunistic behavior. This study educates regulators on the importance of firms having sound corporate governance and separate and active risk management committees to improve internal control.
Keywords: risk management, board independence, board size, board financial expertise, financial performance

1. Introduction
This study aims to investigate whether the existence of a robust corporate governance system, along with an independent risk management committee, prevents managers from engaging in opportunistic behavior and incurring agency costs. This study is motivated by the financial and non-financial risks faced by banks in Iraq. The global incidence of firm failures and financial scandals has underscored the importance of efficient corporate governance in both developing and developed countries (Awolowo, Garrow, Clark, & Chan, 2018; Chinyamunjiko, Makudza, & Mandongwe, 2022; Cole, Johan, & Schweizer, 2021; Hossain, Sultan, & Ahmed, 2021; Ricardianto et al., 2023). The unethical behavior of well-known organizations such as Enron, WorldCom, and Lehman Brothers has marked the business
environment, highlighting the importance of effective corporate governance in today's international market (Almansouri, 2020). In emerging markets, pervasive corporate wrongdoing persists despite the establishment of governance systems and frameworks, making this pattern indisputable (Awolowo et al., 2018; El Mokrani & Alami, 2021; Endri, Dermawan, Abidin, Riyanto, & Manajemen, 2019; Musah & Adutwumwaa, 2021).

Not only the corporate sector, but the global financial crisis scandal of 2007-2009 demonstrates how filthy the banking sector is. Merrill Lynch, JP Morgan, Deutsche Bank, and Santander are among the well-known banks involved in making false capital gains tax declarations (Buettner, Holzmann, Kreidl, & Scholz, 2020). Many institutions have shown a need for improved corporate governance in the global market (Doğan & Ekşi, 2020). The economic robustness of a nation depends on the proficient and impactful functioning of its banking sector. The solidity of the banking system stands as a crucial component within well-functioning financial systems, as evidenced by the ongoing global economic expansions (Gafoor, Mariappan, & Thiyagarajan, 2018; Hamzah, Gozali, Annisa, & Pratiwi, 2022). Consequently, establishing effective corporate governance in banks is crucial, as it ensures the efficient performance of the banking system and enhances public trust (Fernandes, Farinha, Martins, & Mateus, 2017).

Rapani and Malim (2020) opine that, in Iraq, the banking sector has undergone significant transformation since its inception. Governments have recognized the critical role of the banking system in funding economic development (Khalaf, 2018). The Central Bank of Iraq (CBI), as in other nations, regulates and controls the country's monetary policy. The Central Bank releases risk compliance directives as part of its supervisory and monitoring responsibilities (Jadah & Adzis, 2016). To implement the policies and criteria set forth by the Basel Committee, the Central Bank created the Financial Stability Section in 2017. This section measures the degree of conformity of Iraqi banks with international norms and focuses on the application of the Basel Decision and Standard. In accordance with these obligations, the CBI has issued the "Corporate Governance Manual." This document serves as a guide for interactions between the management, shareholders, and board of directors. By maintaining the rights established by Iraqi legislation, it stresses fairness and equality among shareholders, independent of the contribution size or country.

Despite its corporate governance framework, Iraq's banking industry is badly governed. Internal controls are lacking, resulting in distorted credit risk management, excessive risk-taking, and bad loan portfolios (Rapani & Malim, 2020). Iraqi banks poorly evaluate credit and risk exposure when approving loans, and fail to categorize loans based on the level of risk involved (Rapani & Malim, 2020). Along with these issues, banks face a lack of administrative know-how and technical proficiency, particularly at the middle and lower levels of management and in some higher-level departments, resulting in a gap in the bank's performance evaluation (Al-Waeli, Hanoon, Ageeb, & Idan, 2020).

Furthermore, Iraqi capital market rules and regulations, accounting and auditing standards, and investment regulations remain unclear (Rapani & Malim, 2020). Iraq scores poorly in terms of investor protection and transparency, revealing a significant gap between the strength of legal rights and level of disclosure (Rapani & Malim, 2020). Accounting rule No. 13 fails to address "full disclosure on income tax," as required by International Accounting Standard 12 (IAS), and omits guidelines for dealing with temporary deferred taxes (Alabdollah et al., 2019). As a result, strong corporate governance practices would reduce agency issues, while increasing corporate wealth (Jadah & Adzis, 2016).

In addition, inadequate risk management may be associated with subpar performance, which may trigger financial crises and unanticipated failure of banks and large corporations globally. Thus, the main reason for bank failure was the inability to follow the proper risk-based procedure for duty separation (Petitjean, 2013). The issue also revolves around risk management, and the stability of the Iraqi banking industry and economy has consistently depended heavily on the functioning of financial institutions (Rahman, Kighir, Oyefeso, & Salam, 2013). This implies that effective management and approaches to resolving issues that crop up across the nation lead to favorable economic conditions.
This study differs from previous studies in that it focused on a relatively unstudied area. While risk management and oversight of listed businesses are critical for restoring faith in the stock market and increasing corporate value, research on this subject is limited, particularly from the perspective of emerging economies. To bridge this knowledge gap, we obtained data from Iraq, which is a developing country with a distinct environmental structure. This study provides an understanding of how the importance of setting up a risk management committee can boost the internal control of banks in Iraq. The research would provide a structure in which the government could take right policies on corporate governance and other codes of best practice in order to move the economy forward to compete with Asian counterparts and the world in general.

The following sections present the literature review, hypotheses, research methodology, data analysis, findings, discussion, contributions, and conclusions. Section goes over literature review and the creation of hypotheses. The third section discusses the study’s research methodology. The fourth section presents and discusses the findings. The contributions of this study are covered in the first section. Finally, in the fifth section, the conclusions drawn from the research findings are presented.

2. Literature review

2.1 Board Size and Financial Performance

Board size is a significant factor in shaping firm value. The board of directors is tasked with overseeing and guiding the management of an organization to enhance its overall value (Abubakar, Ado, Bambale, & Amos, 2019). Banks can leverage the size of their boards to establish connections with the environment and thereby secure access to vital resources. This association is linked to improved outcomes (Liang, Xu, & Jiraporn, 2013). Boards characterized by a larger size are noted for their diversity in skills, backgrounds, and expertise, contributing to heightened levels of performance (Abubakar, Ado, Mohamed, & Mustapha, 2018).

The size of a company's board of directors is an important aspect of its governance structure (Alabdullah et al. 2019; El Idrissi and Alami 2021; Jensen 1993). According to the agency theory, a larger board is more effective in controlling and mitigating agency difficulties. A greater number of experienced persons are said to be overseeing and examining managers' conduct. The board is responsible for reviewing and controlling management to optimize corporate value (Merendino & Melville, 2019; Siahaan, 2014).

Previous studies have investigated the relationship between board size and performance, emphasizing the board's ability to support successful decision making (Bezem et al., 2023). Latif, Shahid, Haq, Waqas, and Arshad (2013), for example, investigate the relationship between board size and performance in Pakistani enterprises. The data show a significantly positive relationship between board size and business performance. Alabdullah et al. (2019) presented a similar finding, demonstrating a favorable relationship between board size and business success.

In contrast, Bebeji et al. (2015) revealed that a larger board size resulted in lower returns on equity and return on assets. Similarly, Al-Matari, Al-Swidi, and Fadzil (2014) looked into publicly traded companies in Canada. Their findings revealed that having a larger board of directors has a detrimental effect on company success. This inverse correlation is connected to decreasing efficiency as a result of an excessive number of directors, which complicates decision making. Shakir (2008) discovered a significant inverse relationship between board size and company performance.

Alkhawaja (2022) researched the effect of corporate governance on Jordanian bank performance and investigated the influence of board size on Jordanian bank performance. The study found a negative relationship between board size and financial performance. Karayel and Doğan (2016) examined the relationship between the board size and the financial performance of the Turkish firms. The author used panel data techniques for a sample of 122 Turkish firms for the period 2004–2009. The study indicated that there is no relationship between board size and firm performance in Turkish firms. As a result, this study hypothesizes that
H1: Board size is significantly associated with Iraq Bank performance.

2.2 Board Independence and Financial Performance
Independence from management is important for a board’s monitoring ability. The Independence board is a strategic mechanism used in corporate governance (Madhani, 2017). The presence of a significant number of non-executive directors on a board is a positive indicator of the board's independence from management. Board independence is achieved when the quantity of independent non-executive directors is unrelated to the top executives or management of the firm (Mallin, Melis, & Gaia, 2015).

It is used to determine the proportion of members of the committees or board of directors in an organization that are normally classified as outside and inside directors. However, the Iraq corporate governance manual stated that the number of independent members shall not be less than (4) members or one third of the members of the Board, with a member representing the minority of shareholders, where this member may be among the Independent Members (Al-Kassar, Al-Nidawiy, Al, & Al, 2014).

Jensen and Meckling (1976) argue that more non-executive directors should be appointed to the board, as this will reduce potential conflicts of interest between agents (management) and shareholders while facilitating management effectiveness, oversight, and monitoring (Fama & Jensen, 1983). Several studies have found a link between board independence and firm performance, including Tulung and Ramdani (2018), Tornyeva and Wereko (2012), Naseem, Xiaoming, Riaz, and Rehman (2017), Fuzi, Halim, and Julizaerma (2016), Liu, Miletkov, Wei, and Yang (2015). Furthermore, Uadiale (2010) and Afza Amran and Che Ahmad (2009) discovered that board independence increased business value. These findings demonstrate the importance of independent directors for improving financial performance and value.

Wahba (2015), on the other hand, investigated the impact of board qualities on the financial performance of Egyptian listed companies. The results demonstrate that a rise in the percentage of non-executive directors in comparison to the overall number of directors has a detrimental influence on a firm's financial performance. Kumar and Singh (2012) encountered that non-executive directors had no major impact on business performance, which was consistent with their findings. According to these studies, the relationship between board quality, particularly the presence of independent non-executive directors, and corporate success is context and occasion-dependent. Based on the findings of this study:

H2: Board independence is significantly associated with Iraq Bank's performance.

2.3 Board Financial Expertise and Financial Performance
Enhanced educational qualifications contribute to improved firm management and increased openness to innovation, as emphasized by Jeanjean and Stolowy (2009). The board of directors acquires knowledge and insights that are acknowledged for their potential to enhance the quality of the conducted activities. Sarwar, Xiao, Husnain, and Naheed (2018) suggested that educational qualifications could serve as a proxy for intelligence, with the expectation that more intelligent managers would outperform their counterparts. The expertise of directors in areas such as accounting, finance, consulting, and law contributes to supporting management in decision-making.

Van Ness et al. (2010) explored the impact of corporate boards on firms’ financial performance during the post-Sarbanes-Oxley (SOX) era. These findings indicate that occupational expertise has a notable influence on firm performance. Gottesman and Morey (2010) demonstrated a positive correlation between the academic degree held by the chairman of the board and seven performance metrics, including earnings per share (EPS), return on assets, cumulative returns, cumulative abnormal returns, growth in EPS, and the market-to-book ratio. Arifina and Tazilahb (2016) clarified that individuals with educational backgrounds in accounting, finance, economics, and business should be selected and included on the board of directors. Their inclusion will contribute to ensuring effective and efficient management of financial matters within companies.

Board members with a higher level of education are thought to have a better understanding of financial concerns than those with a lower level of education (Gray & Nowland, 2017). Given that boards are
responsible for protecting shareholders' assets from misuse, shareholders must guarantee that board members are not only experienced, but also well-educated. Directors’ expertise and educational backgrounds are important factors that benefit businesses (Wang et al. 2015).

Directors’ knowledge and expertise, particularly in accounting and finance, are critical for assisting management decision-making. According to Johl, Kaur, and Cooper (2015), there is a favorable relationship between board financial acumen and corporate performance. Similarly, Darmadi (2013) found that board members with financial experience perform better when establishing internal control systems that improve business performance. As a result, we propose the following hypothesis:

**H3: Board financial expertise is significantly associated with Iraq Bank performance.**

### 2.4 Risk Management Committee and Financial Performance

The significance of risk management is underscored by the unpredictability of global economic growth, which could have a significant impact on business performance worldwide. According to Ng et al. (2012), the role of overseeing risk and internal controls within companies is assigned to the risk management committee (RMC). Having a distinct risk management committee is crucial for efficient and transparent function of oversight. The primary aim of establishing a separate risk management committee is to alleviate the workload on the audit committee and guarantee the identification, monitoring, and control of the company’s risk profile (Larasati, Ratri, Nasih, & Harymawan, 2019). There has been a push for an independent risk management committee due to the increased responsibilities placed on the audit committee by regulatory agencies, coupled with constraints in time and the essential skills required to oversee the monitoring of the firm's risk activities (Yatim, 2009).

The introduction of RMC is expected to enhance the oversight capabilities of the corporate board and serve as a deterrent to prevent management from participating in persistent unethical activities (Halim, Mustika, Sari, Anugerah, & Mohd-Sanusi, 2017). In line with agency theory, the presence of RMC as a board subcommittee is anticipated to enhance the quality of earnings and mitigate potential challenges related to agency problems (Elamer & Benyazid, 2018). Furthermore, the significance of RMC within publicly listed companies is viewed as a remedy for alleviating financial crises within these firms (Kallamu, 2015). Murphy (2011) recommended the distinct separation of the risk committee from audit committees, highlighting that the former encompasses both forward- and backward-looking aspects. Ping and Muthuveloo (2015) examined how the adoption of Enterprise Risk Management (ERM) impacts the performance of publicly listed companies (PLCs) in the primary market of Bursa Malaysia. The results reveal that the adoption of ERM has a significant impact on firm performance. Jia and Bradbury (2020) investigated the correlation between a risk management committee following ‘best practice’ and firm performance. This study analyzed a sample of 368 Australian listed companies from 2007 to 2014. The results indicate that the risk management committee plays a substantial role in enhancing firm performance.

Tao and Hutchinson (2013) established a link between performance and the presence of RMC. They reported that expanding RMC can help financial firms manage risk more efficiently and perform better overall. According to Kakanda, Salim, and Chandren (2017), RMC disclosure benefits Nigerian financial institutions. In the same line of thought, Dabari and Saidin (2014) advocated for boards to increase their monitoring function and efficiency in order to ensure effective risk practices in Nigeria. Furthermore, Ames, Hines, and Sankara (2018) discovered that organizations with RMC receive positive feedback and perform well. As a result, the study argues that

**H4: The risk management committee is substantially associated with Iraq Bank's performance.**

### 3. Research methodology

This study uses the panel data approach to analyze the complicated links between governance characteristics and financial performance in the context of the banking sector. Panel data, which combine cross-sectional and time-series information, are ideal for capturing the dynamic nature of such interactions over time. The dataset used in this study was derived from Thompson Reuters DataStream to obtain financial data, whereas annual reports were used to obtain non-financial data for the sample...
banks. The research sample consisted of 21 banks quoted on the stock exchange in Iraq from 2019 to 2021.

Islamic banks were excluded from the study because of their unique regulations and guidelines concerning financial statement preparation, which fall under Sharia and Islamic Laws. The panel format allows for the investigation of both within-entity and between-entity variances over time, resulting in a full understanding of the factors influencing financial performance. Beck and Katz (1995) established the Panel Corrected Standard Error (PCSE) approach to address potential concerns in the data, such as heteroskedasticity and autocorrelation.

This methodological approach strengthened the resilience of our statistical study and ensured the accuracy of the results. This study intends to provide nuanced insights into the governance-performance conversation within the banking sector by using panel data methodologies and taking into account the unique dynamics inherent in the chosen setting.

3.1 Dependent Variable
According to Makki and Lodhi (2014), the return on assets is computed by dividing the net income earned before interest expenses by total assets for the current year. Another commonly used metric is the ratio of net profit to total assets (NP/TA).

3.2 Independent Variable
The total number of directors holding positions on the board was used to compute board size (Shukeri et al., 2012). The number of non-executive directors is divided by the total number of directors to calculate board independence (Sanda, Mikailu, & Garba, 2010). The percentage of directors with educational backgrounds divided by the total number of directors was used to measure financial expertise (Dionne & Triki, 2005). The RMC is calculated using a dummy variable, with "1" indicating that a firm has established a risk management committee and "0" indicating that such a committee does not exist (Hoyt & Liebenberg, 2011).

3.3 Model Specification
\[ \text{ROA}_{it} = \alpha_0 + \beta_1 \text{BS}_{it} + \beta_2 \text{BI}_{it} + \beta_3 \text{BE}_{it} + \beta_4 \text{RC}_{it} + \beta_5 \text{FS}_{it} + \beta_6 \text{BA}_{it} + \beta_7 \text{LV} + \epsilon_{it} \]

4. Results and discussions
4.1 Descriptive Statistics
Table 1 reveals that the mean Return on Assets (ROA) is 1.379, with maximum t and minimum values of 2.771 and 0.169, respectively. In terms of CG variables, board size (BS) had a mean value of 13, with minimum and maximum values of 10 and 19, respectively. This suggests that listed banks in Iraq adhere to CG regulations, which state that the board should consist of at least seven members chosen using a cumulative voting system. Board independence (BI) in Iraqi banks is 61% on average, with a low of 36% and high of 92%. This suggests that Iraqi bank boards of directors comprise both executive and independent directors, representing a range of knowledge and viewpoints in decision-making.

The findings are consistent with the standards provided in Iraq corporate governance legislation, which states that at least 34% of board members must be non-executive directors. The average value of board financial expertise (BE) is 29%, with a minimum of 13% and maximum of 54%. This means that approximately 29% of Iraqi bank board members have financial competence. The average value of the risk management committee (RMC) is 57%. This means that approximately 57% of Iraq's listed banks formed a separate risk management committee, displaying their knowledge of the importance of risk management and mitigation inside the firm.

The average bank age (BAGE) for banks listed in Iraq was 21.952 years. This shows that the banks included in this study have been in operation for a long time. The average leverage (LEV) was approximately 57%. The average business size for Iraq's listed banks was 14. This represents the average size of the banks involved in the study as measured by total assets or other relevant measures.
Table 1. Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>1.378</td>
<td>0.783</td>
<td>0.165</td>
<td>2.772</td>
</tr>
<tr>
<td>BS</td>
<td>13.874</td>
<td>2.042</td>
<td>10.001</td>
<td>19.000</td>
</tr>
<tr>
<td>BI</td>
<td>0.613</td>
<td>0.122</td>
<td>0.362</td>
<td>0.920</td>
</tr>
<tr>
<td>BE</td>
<td>0.293</td>
<td>0.121</td>
<td>0.132</td>
<td>0.545</td>
</tr>
<tr>
<td>RC</td>
<td>0.570</td>
<td>0.498</td>
<td>0.000</td>
<td>1.000</td>
</tr>
<tr>
<td>FZ</td>
<td>14.011</td>
<td>1.181</td>
<td>10.352</td>
<td>15.920</td>
</tr>
<tr>
<td>BA</td>
<td>21.953</td>
<td>5.653</td>
<td>10.000</td>
<td>31.000</td>
</tr>
<tr>
<td>LV</td>
<td>0.577</td>
<td>0.244</td>
<td>0.105</td>
<td>1.089</td>
</tr>
</tbody>
</table>

ROA = return on asset; BS = Board size; BI = Board independence; BE = Board financial knowledge; RC = Risk management committee; FZ = Firm size; BA = Bank age; LV = Leverage

4.2 Correlation

The Pearson’s correlation coefficients between the research variables are presented in Table 4.2. Among the predictive factors, BS and BI had the strongest correlation (39%). This corresponds to the 90% threshold proposed by Gujarati (2004). These results demonstrate that multicollinearity does not exist. The variables BS, BI, FZ, and BA have a negative relationship with ROA. BE, RC, and LV, on the other hand, are positively correlated with ROA.

Table 2. Pearson correlation

<table>
<thead>
<tr>
<th>Variables</th>
<th>ROA</th>
<th>BS</th>
<th>BI</th>
<th>BE</th>
<th>RC</th>
<th>FZ</th>
<th>BA</th>
<th>LV</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BS</td>
<td>-0.0420</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BI</td>
<td>-0.1781</td>
<td>-0.3927*</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BE</td>
<td>0.1676</td>
<td>-0.3836*</td>
<td>0.1583</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RC</td>
<td>0.1073</td>
<td>0.3570*</td>
<td>-0.0243</td>
<td>-0.1431</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FZ</td>
<td>-0.2229</td>
<td>-0.1542</td>
<td>0.1186</td>
<td>0.0192</td>
<td>0.0353</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BA</td>
<td>-0.0393</td>
<td>0.0397</td>
<td>0.3903*</td>
<td>-0.0816</td>
<td>-0.1445</td>
<td>-0.1996</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>LV</td>
<td>0.2400</td>
<td>-0.1586</td>
<td>0.0546</td>
<td>0.1253</td>
<td>-0.0288</td>
<td>-0.1395</td>
<td>0.2937*</td>
<td>1</td>
</tr>
</tbody>
</table>

ROA = return on asset; BS = Board size; BI = Board independence; BE = Board financial knowledge; RC = Risk management committee; FZ = Firm size; BA = Bank age; LV = Leverage

4.3 Regression Result and Discussion

Table 3 presents the regression results for the study variables. We used heteroscedasticity and autocorrelation tests to guarantee that our statistical conclusions were unbiased, considering both cross-sectional and time-series data. Our data revealed heteroscedasticity and autocorrelation. To address these issues, we employed Beck and Katz’s (1995) Panel Corrected Standard Error (PCSE) method. According to Moundigbaye et al. (2018), this strategy is best for panel data with heteroskedasticity and autocorrelation. We wanted to acquire more precise and dependable estimates for our regression model using the PCSE approach.

Table 3 shows that board size has a strong negative relationship with financial performance (ROA). They suggest that increasing the size of the board is associated with a drop in financial performance and vice versa. This demonstrates that when banks have a larger board size, their profitability may suffer because of concerns with directors exploiting free-riding opportunities. These findings are comparable to those of Al-Matari et al. (2014), who reveal a negative relationship between board size and company performance.

Furthermore, the results show a considerably negative relationship between board independence and financial performance. As board independence declines, bank performance improves and vice versa. The findings support those of Wahba (2015), who discovered that increasing the number of independent directors has a negative impact on a company’s financial success.
Furthermore, the findings show that board financial knowledge has a favorable but insignificant relationship with financial performance. This finding demonstrates that enhancing a board's financial expertise has no effect on financial performance. Darmadi (2013) finds similar results and concludes that a firm's financial background has no effect on its profitability. Furthermore, the findings reveal that the risk management committee's financial performance is favorable, but insignificant. In other words, RMC has no effect on financial performance. The absence of a clear structure for the risk management committee, as well as the fact that a significant majority of banks in Iraq do not have a specific committee, can be attributed to the lack of relevance. The absence of a significant coefficient may imply that other unaccounted factors influence the link between these variables and financial success.

Table 3 also demonstrates the adverse relationship between firm size and financial performance. These findings contrast with those of Klapper and Love (2004), who identify a positive relationship between business size and firm performance. Similarly, the findings indicate that bank age has a negative, but minor, relationship with ROA. It also contradicts the findings of Talavera, Yin, and Zhang (2018), who discovered that business performance improves as bank age increases. Finally, this study discovered a positive but negligible relationship between leverage and company performance. This finding suggests that leverage has little effect on company performance.

5. Conclusions
The goal of this research was to investigate the impact of the board of directors and the risk management committee on the financial performance of Iraqi listed banks. Four independent variables (board size, board independence, board financial expertise, and risk management committee) were examined for financial performance. The outcome from the panel-corrected standard error revealed that board size and board independence have a significant negative association with bank performance in Iraq. By contrast, there is a relationship between board financial expertise and risk management committees among banks in Iraq.

5.1. Contribution of the Study
This study makes several contributions to the literature. First, we incorporate RMC as an independent variable, which has received little attention in previous literature. We also investigated the impact of board characteristics on firm performance. Consequently, our research adds to the body of information on corporate governance in Iraq. Second, our research provides useful information to the boards of directors, allowing them to examine how their banks perform in comparison to other banks. This comparative analysis can help discover areas for improvement and establish performance benchmarks. Third, managers can learn from this study about the positive impact of strong internal controls on the
performance of Iraq's banking business. This underlines the importance of developing excellent corporate governance practices in banks to improve their performance. Overall, our research serves as an instructional resource for management, illustrating how solid corporate governance improves bank financial performance.

5.2. Limitations and Future Research
Although these findings provide useful information, it is critical to recognize the limitations of this study. The cross-sectional and time-series characteristics of the data may limit the ability to establish causal correlations.

Future studies could investigate these associations over longer periods or use experimental techniques to determine causation. Given the specific peculiarities of Iraq's banking system, further research should delve deeper into the contextual factors influencing these dynamics, and policymakers should consider tailoring governance practices to the unique challenges and opportunities within the banking sector to foster sustainable financial performance.

References


