

# The Impact of Corporate Governance on Financial Performance through the Company's Reputation

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## ABSTRACT

The research aims to study the effect of corporate governance on financial performance, and to explore the extent to which corporate governance mechanisms affect the company's reputation. Employing agency theory as the basis for the conceptual model, the study investigates whether company's reputation variables affect the financial performance of Iraqi financial companies. Using multiple regression analysis, the study explored nine corporate governance indicators, eight financial performance indicators, and five company reputation indicators. The data for the analysis was drawn from the test conducted on 20 banks listed in the Iraqi Stock Exchange over the period of five years (2018-2022). The results indicate the presence of positive and negative relationships, as well as the evidence of no effect of the relationship between corporate governance indicators and company reputation on financial performance. The findings suggest that the choice of adequate corporate governance indicators and sound practices enhance the company's reputation and, thereof, the bank's financial position. This study contributes towards the understanding of how governance affects a company's reputation, attracting investors and customers, and ultimately financial performance. The results bear implications for academics and policy makers in determining enhanced reputation and financial performance of company.

**Keywords:** Corporate governance, corporate reputation, financial performance, agency theory

## 1. INTRODUCTION

The concept of corporate governance was first used informally during World War II in the United States of America when it witnessed strong economic growth and companies began to prosper and develop rapidly, including their capital and employees. In the academic circle, the term was coined in the 1970s and since then it has become diverse over the years (Teixeira & Carvalho, 2023). Corporate governance has recently emerged as a distinct and systematic field of study intersecting many areas of research, including accounting, finance, management, sociology, politics, microeconomics, and organizational economics. Its purview covers a wide range of topics including corporate governance requirements and changes in the general debated on the subject (Cadbury Report in 1992, Sarbanes-Oxley Act in 2002; Pandey et al., 2023). Effective corporate governance positively correlates with effective management for the optimal utilization of financial resources, while poor decisions making debilitate companies and damage cash flows. Resultantly, the presence of strong governance mechanisms will ensure added value to the company and all stakeholders, ease access to financing, and improve financial performance. and damage study by Naz et al. (2022) discussed the role of corporate governance in financial performance, and the mediating role of working capital management. The results indicate that corporate governance and working capital management are positively related to financial performance, appropriate governance practices improve performance by enhancing reputation (El Khoury et al., 2023). Many studies, including (Sarstedt et al., 2023), have shown that good reputation is an intangible asset that reflects the expectations of the owners, and it positively influences the behavior of stakeholders in the consumers, employment, and supplier markets, which contributes to the company's financial performance significantly. According to Teixeira & Carvalho (2023) good corporate governance is important for companies, as it ensures that the company is managed efficiently, ethically, and in a way that adds value to all stakeholders. Corporate governance refers to the system of rules, practices, and processes which direct and control a company. It involves balancing the interests of multiple stakeholders in a company, such as shareholders, management, customers, suppliers, financiers, government and the wider community. Consequently, effective corporate governance is crucial since it helps align the interests of multiple stakeholders, improves investor

confidence and reduces the cost of capital. It significantly abets in building investor confidence and enhances the overall worth of the company. A study conducted by Affes&Jarboui, (2023) revealed that good corporate governance improved financial performance as measured by return on equity, where agency theory was the dominant theoretical focus of most accounting and financial research, influencing governance results (Habib et al., 2023).

Keeping the paramount importance of corporate governance in the global economy in view, a range of gaps have been identified in the extant literature that will be addressed in the current study. Conversely, the current study will seek to provide new insights by including an intermediary variable—company's reputation, which reflects the general image and reputation of the company—between corporate governance and financial performance. In the minds of shareholders, customers, consumers, local community and other concerned, the corporate governance is studied, and its significance is understood; financial performance is analyzed to observe the extent to which it is affected by corporate governance; the company's reputation is investigated to the degree to which it is affected by corporate governance, and the extent of its impact on financial performance is explored. The Agency Theory was expanded which is a basic concept of corporate governance and provides an analytical framework for understanding relationships between stakeholders in companies. The theory has developed over time and it has been used in various fields with great potential for growth and expansion. In terms of the methodological aspect, previous studies achieved their results using traditional methods such as regression analysis. In our study, this gap will be addressed using many statistical methods that contribute to capturing non-linear contributions, providing solutions for companies based on qualitative statistical methods, and providing solutions for industry and academics by predicting the determinants Financial performance. In this way, the gap in previous studies can be reduced, the understanding of the impact of corporate governance on financial performance can be expanded, and the drivers influencing this relationship can be clarified.

More specifically, the main goal of this current study is to understand the relationship between corporate governance and its financial performance, as well as how the company's reputation affects this relationship. The impact of corporate governance is known and evaluated (represented by nine indicators: the independence of the board of directors, the financial experience of the board of directors, Management, audit committees, risk management committees, government ownership, foreign ownership, administrative ownership, financial distress, and concentration of ownership) on financial performance, which is measured through (return on assets, return on equity, revenue power ratio, legal reserve ratio, the ratio of cash to total assets, the cash balance ratio, the debt ratio and the equity multiplier) through the company's reputation represented by five indicators (shareholder return, price-to-profit ratio, market value, market value-to-book value ratio, asset turnover ratio).

There are several benefits to this study, the most important of which is a closer understanding of the relationship between corporate governance and its financial performance. As this study is aimed to clarify how corporate governance can affect companies' financial performance, and to better understand the role of company's reputation, it will clarify how a company's reputation can affect the relationship of company's governance and its financial performance. The results can help improve the company's reputation and thus improve its financial performance. Improving corporate governance and financial performance is important for all companies including banks. This study provides a framework for understanding how to improve the performance of Iraqi banks by improving their governance and reputation.

The results of this study will contribute to understanding the relationship between governance mechanisms and financial performance. Studying the factors related to corporate governance that affect the company's reputation help determine the measures that have been taken to improve the company's reputation, and identify the main factors that affect the achievement of companies' financial success. The research will add to knowledge to direct policies and take appropriate decisions to enhance and improve corporate governance standards and the company's reputation in order to improve its financial performance. It will also contribute to directing economic policies related to corporate governance, and thus affect the improvement of the economic and investment environment in Iraq. In general, studying the impact of corporate governance on financial performance through company reputation in Iraqi banks is useful for understanding and improving companies' financial performance and improving the economic context in Iraq.

## 2. THEORETICAL BACKGROUND

Every research study is based on some basic theories. This study is based on agency theory. According to basic theory, the main role of the corporate governance system is to reduce the possibility of conflicts of interest (Bai et al., 2023). Agency theory is an analytical framework for understanding the relationships

between stakeholders in a company including shareholders and management. According to this theory, shareholders have different goals than managers which could lead to conflict of interest. Managers seek to maximize their power and wealth, while shareholders seek to maximize the value of their shares. To align stakeholder interests and improve a company's financial performance, agency theory necessitates the establishment of an effective governance system. Good corporate governance includes establishing control and oversight mechanisms to ensure that management acts in the interests of shareholders. This could include appointing an independent board of directors, executive compensation tied to company's performance, financial transparency, and disclosure of relevant information to shareholders. By establishing appropriate incentives and controls, corporate governance can help reduce conflicts of interest and improve a company's financial performance by increasing company value and return on investment for shareholders. (Affes&Jarboui, 2023). Agency theory allows for broad application in a variety of institutional settings, where its key elements of managerial self-interest, asymmetric information, and mechanisms that mitigate agency conflicts can vary. However, the agency theory's purely economic view of managerial behavior comes with limitations—the managers, rather than being motivated solely by their own self-interests, may act as responsible stewards of shareholders' interests (Pandey et al, 2023). The theory also explains that principals and agents have different information and that agents may be motivated to hide information or act in accordance with their interests. It holds that conflicts between principals and agents can occur because agents have different motivations to maximize profits and minimize risks for themselves. In contrast, school administrators have different long-term goals and risks. Therefore, to reduce this conflict of interest, the mechanism must align the goals between the principal and the agent. Agency costs include monitoring, bonding, and residual costs. Bonding costs are the costs that the agent must bear to prove his loyalty to the principal and provide guarantees for his actions. The remaining costs are incurred due to interest differences between principals and agents that the previous mechanism cannot resolve. Monitoring costs, on the hand, are incurred by principals to monitor and supervise an agent's actions. Agency theory also assumes that humans have general motivations to be selfish, so agents need supervision and control. . (Uzliawati et al, 2023). The agency theory approach has dominated corporate governance, which emphasizes the ways in which a shareholder's value can be maximized. Management controls and design incentives to ensure that agents act in a way that shareholders' money is not wasted on unattractive projects and that shareholders achieve a return on their investments (Shaikh & Randhawa, 2022). Finally, the theory is linked to the conflict of interests of both the principal and the agent as reflected in previous studies and it helps in the supervisory role of governance mechanisms (Khatib et al, 2022).

### 3. Literature Review and Hypotheses Development

#### 3.1. Corporate Governance and Financial Performance

Corporate governance affects the financial performance of the company, as previous studies indicated that the board of directors is a crucial element in governance (Alkaraan et al., 2022). Generally, companies are interested in increasing qualified board members to enhance the company's profitability, making rapid, rational, and effective decisions. The independence of the Board of Directors can enhance financial performance. The more strictly the audit committee controls fraud, the company's profits automatically improve. If the audit committee does not have competence, the company's financial performance is negatively affected. (Huynh et al., 2022). Companies that have an independent board of directors have a positive impact on the company's share price and financial performance. The Audit Committee's role is to ensure that the company's fair financial reports comply with corporate governance standards. It has an impact on the quality of accounting performance measures. CEO duality also leads to superior financial performance for the company, as it allows for clear direction of leadership (Kyeré & Ausloos, 2021). Governance mechanisms, especially the composition of the board of directors, can affect the company's financial performance. Large boards of directors are characterized by diversity in experiences, skills and ideas. It provides opportunities to establish relationships and resources access, which leads to improving the company's financial performance (Ben Fatma & Chouaibi, 2023). Rational corporate governance attracts investors to invest their capital. Corporate governance improves financial performance by ensuring the well-being of shareholders, building trust and protection for stakeholders. In addition, the high level of investment among investors leads to improved procedures for monitoring management performance, which will affect the company's financial performance (Pamungkas et al, 2023). Corporate governance mechanisms recognize the interests of stakeholders and their role in contributing to the long-term success of the company. Corporate governance seeks to build an environment of trust, transparency, and accountability necessary to promote long-term investment, business integrity, and financial stability (Alkaraan et al., 2022). The internal and external mechanisms that corporate governance seeks to deploy to protect the rights of capital providers and stakeholders

serve to create value for the company and improve its performance. Financial performance is a key indicator of the company's operational achievements. They can help in examining the financial conditions of the company and measure performance, which are the most specific measures of operational results. Financial indicators can reflect the achievement of the company's economic goals. (Lo & Liao, 2021). Factors such as board size and independence can play a role in the relationship between ownership structure and financial performance. Good corporate governance practices help board members deal more effectively with financial and operational matters (Teixeira & Carvalho, 2023).

### 3.2. Corporate Governance and Company Reputation

Previous research described good corporate governance practices as prerequisite to corporate's reputation (Alkaraan et al., 2022). A company's reputation is the sum of the perceptions of various stakeholders. Good corporate governance practices are expected to positively influence these perceptions. Eriqat et al. (2023) argued that good corporate governance practices are positively related to the company's reputation. Also, management accountability and audit quality have a positive impact on the company's reputation. Research indicates that company's good management and adequate presence of governance affect the company's reputation. Corporate governance provides effective monitoring functions to ensure the conduct of business (Pamungkas et al, 2023). Effective corporate governance is one of the main factors that leads to improving the value of the company. It is a system that is applied in the management of the company with the aim of taking into account the interests of stakeholders. The rational application of governance can improve the business environment and increase the confidence of stakeholders in the company. The Board of Directors is considered a central internal oversight body that monitors administratively opportunistic actions. Large boards of directors have a greater degree of control over senior management, and managers can monitor management's performance and duties, which enhance the company's reputation (Ben Fatma & Chouaibi, 2023). Failure to adhere to standards and rules by managers can create conflicts and have a negative impact on reputation. Rifts and disputes put the company's reputation at risk and negatively affect the company's financial performance. When companies use governance strategies, they mitigate the negative impact and strive to grow its reputation among various stakeholders (Nirino et al., 2021). Scientists have determined that a company's reputation is a multidimensional phenomenon. The acquisition of a good reputation by companies comes from characteristics related resources, services, and production processes that contribute significantly to improving the company's sales. It is one of the important intangible assets in the work environment ensuring organizational legitimacy as a primary goal. It depends on the perceptions and opinions of stakeholders (Baah et al, 2021).

### 3.3. Company Reputation and Financial Performance

Corporate reputation has a broader scope when companies emphasize building a good reputation through offerings (products/services), innovative solutions, workplace behaviour, governance, leadership, citizenship, and financial performance (Ahn et al., 2021). Reputation affects the company's financial performance and its improvement. It has both long and short term impact. In long-term benefits, it affects the continuity of profit over time. The negative aspects or damage to reputation are reflected in the company's performance. Therefore, related strategies must be monitored and implemented (Oncioiu et al., 2020). An increase in stock prices helps attract and retain investors and allows companies to survive during periods of economic crises or bad conditions. Research conducted by FTI Consulting in 2019 showed that investors' response to corporate crises is determined more by reputation than financial performance, i.e., investors are "driven more by reputation than by numbers" (Nawrocki & Szwajca, 2022). Many researchers and managers believe that good reputation is a company's most valuable intangible resource as it reduces stakeholders' uncertainty about their future financial performance (Batrancea et al., 2022). The reputation of the company and its management (including honesty) are the most important factors for the company to achieve success and growth. Financial performance shows companies' growth in terms of profitability and the growth rate, in turn, depicts companies' shares, sales and inventory status, net profit margin and operating profit margin (Huang et al., 2022). After reviewing the existing body of research, the following two hypotheses are established:

H1: The impact of corporate governance on financial performance

H2: The effect of the company's reputation on financial performance

## 4. METHODOLOGY

### 4.1. Sample and Data

The current study relied on data taken from various sources. Given that we seek to determine the nature of the impact of corporate governance on financial performance through company's reputation, data

related to corporate governance variables, financial performance variables, and company's reputation variables were collected manually from the annual reports of companies listed (registered) in the Iraq Stock Exchange. The date included all banks (except for the Union Bank of Iraq), which consisted of 20 banks for a period of five years from 2018-2022. The motivation behind choosing the companies registered in the Iraqi Stock Exchange concerned with the reliability of the data, as all listed companies were analyzed from their published annual reports. The available data was analyzed to investigate the impact of corporate governance on financial performance using a sample that included a wide range of banks for more than one period to reach a conclusion based on strong foundations for generating accurate and reliable results that companies can use to benefit from them.

## **4.2. Variables and their Measurement**

### **4.2.1. Corporate Governance (Independent Variable)**

Effective corporate governance comprises a set of rules and regulations which construct organizational structures that form a robust basis for operating a business (Naciti et al., 2021). Its main objective is to increase shareholder's value in the long term while taking into account the interests of stakeholders. The application of good governance can improve the business environment and increase the confidence of stakeholders, especially investors, in the company. The Board of Directors is appointed to ensure that the company's activities are consistent with its stated objectives. In this regard, the Board of Directors ensure that senior managers act in a way that create optimal value for shareholders. Ownership structure represents another important aspect of corporate governance that can be used to reduce agency conflicts within a company, especially in distributing profits to shareholders. Agency conflicts usually occur between major shareholders and minority shareholders or between shareholders and company managers. It can lead to a decline in the value of the company. In such a scenario the ownership structure will help align management interests with those of shareholders by reducing agency conflicts and increasing company value (Ben Fatma & Chouaibi, 2023). Over the past two decades, corporate governance has become crucial due to scandalous incidences (Worldcom, Satyam, Adelphia Communications, Enron, Anderson etc.) which are primarily attributed to weak corporate ethics (Effah et al, 2023). They generated an intense need of strong corporate governance practices in order to avoid the risks. Companies that follow well-defined corporate governance practices are better able to manage effective mechanisms, control, offer opportunities to thrive, and create better access to resources in order to improve overall performance and reduce risks. The structure of corporate governance and its effects on corporate performance differ significantly between developed and emerging countries. In the former countries, companies have better regulations and protection for the rights of minority shareholders (Kijkasiwat et al, 2022). The European Commission and the British government are currently discussing future corporate governance regulations, such as whistleblowing systems or risk management tools (Velte, 2023). The revised UK Corporate Governance Code (2018) has strengthened and expanded the scope of long-standing requirements for UK company law which requires Board members to understand the nature of their duties to take into account the interests of key stakeholders. The goal is to shift the focus from achieving short-term financial goals to long-term future-oriented business model and values-based approaches to corporate governance (Alkaraan et al., 2022).

### **4.2.2. Company's Reputation (Mediating Variable)**

Reputation is based on the cognitive representation of a company's past actions. Future prospects describe a company's overall attractiveness of all its key components when compared to other major competitors. Reputation is a perception that evolves over time. It reflects assessments conducted by various stakeholders, both internal (managers and employees), and external (consumers and users) of the company, established after comprehensive evaluation of companies by stakeholders based on their direct and indirect experience with the company (Dwiedienawatiet al., 2021). Reputation can be understood as a set of nuances among different stakeholder groups. Therefore, a company's reputation consists of the images it projects among the various stakeholders involved (Westermann & Forthmann, 2021). It has now become increasingly important and is considered one of the chief intangible assets. Previous research shows that a strong reputation enhances stakeholders' cooperation with companies by generating expectations about the company's future behavior. Reputation is generated as a result of long-term process, but it may disappear very quickly due to one negative event (Pérez-Cornejo & de Quevedo-Puente, 2023). The recent economic globalization and increasing competition require companies to have a strategic approach to enhance competitiveness and survival. Managers use corporate reputation as a strategy to create a sustainable competitive advantage for the company. Corporate reputation is responsible for attracting customers, employees, and investors, establishing a good relationship with the community, promoting acceptance, and improving stakeholders' perceptions about the organization.

Researchers assumed that a positive reputation is essential for a company's brand and helps it achieve superior financial performance. Reputation is the sum of stakeholders' perceptions about the company's ability to meet their interests. In this context, reputation appears as a result of stakeholders' perceptions. Therefore, it must be evaluated based on several dimensions that reflect the views of these stakeholders (Batrancea et al., 2022). Researchers in the field have developed many models that classify a company's reputation based on a set of dimensions that are believed to represent the company's reputation, such as leadership, quality of products and services, financial performance, employee behavior, and the company's appearance in the financial markets etc. Thus, exploration of the factors that may attenuate or enhance the company's reputation is of great importance in maintaining and managing reputation alongside measuring the company's reputation, (Eriqat et al., 2023).

#### 4.2.3. Financial Performance (Dependent Variable)

Financial performance is a criterion for evaluating whether a company performs well over the course of one year based on annual financial statements. Financial performance has a significant impact; Investors do not only want lower risk, but they also want increase their returns. Investment returns consist of two main components: Including returns (dividends) and profits (capital gain or loss). The company's ability to pay dividends to owners also depends on its financial condition and performance over time. Resultantly, financial performance is part of a company's financial information and a prerequisite for making investment decisions. It sends necessary signal in determining investment decisions (Pamungkas et al, 2023). It also helps evaluate the general condition of the company over a period of time and includes financial information measured by several indicators, such as profitability, liquidity, cost effectiveness, etc. Financial performance, thus, has a significant impact and plays a decisive role in choosing investment paths. Financial information is used by two categories of users, namely external and internal. External users use financial performance data in order to analyze potential investment solutions. While Internal users vet information to ensure a profitable and ever-growing business, in other words, a sustainable business (Batrancea et al., 2022). Financial performance depends largely on good governance mechanisms—an intangible assets which take a longer time to develop internally, if it is obtained externally, it takes longer to fit the organizational culture. It affects financial performance in the long term (Nawaz & Ohlrogge, 2022). The main goal of companies is to maximize profits, defend the interests of shareholders, and protect all stakeholders. Companies with good financial performance are seen more sustainable. They are more stable in the long term and face little precarity (Coelho et al., 2023).

**Table 1.** Study indicators and measurements

Variables	Indicators	References
<b>Corporate governance</b>	Board independence = total number of independent directors/total number of board members	(Kyere& Ausloos, 2021) (Sadaa et al., 2023)
	Financial experience of the board of directors = number of board members with financial experience / total number of board members	
	Audit committees (and measured as a dummy variable; if the bank has a committee, it is assigned 1; otherwise, it is 0).	
	Risk management committees (measured as a dummy variable; if the bank has a committee, it is assigned 1; otherwise, it is 0)	
	Government ownership (measured by percentage of government ownership shares/total shares)	

	<p>Foreign ownership (measured by the percentage of foreign ownership shares/total shares)</p> <p>Administrative ownership (measured by the percentage of administrative ownership shares/total shares(</p> <p>Financial distress is measured based on Z-Score = 1.2 (Net working capital / Total assets) + 1.4(Retained earnings / Total assets )+3.3(Earnings before interest and taxes / Total assets) + 0.6 (Market value of equity / Book value for debt )+1.0(sales/total assets)</p> <p>Concentration of ownership (measured by the percentage owned by the five largest investors to the total shares)</p> <p>Shareholder return = (change in stock price + dividends)/closing stock price for the previous year</p>	
<b>Company reputation</b>	<p>Market value = number of outstanding shares * market price per share</p> <p>Price to earnings ratio = closing price of the stock for the current year / dividends</p> <p>Ratio of market value to book value = market value / book value</p> <p>Asset turnover ratio = net sales/average total company assets</p>	<p>(Kaur&amp; Singh, 2018) (Baruah &amp; Panda, 2020) ( Eriqat et al., 2023)</p>
<b>Financial performance</b>	<p>Return on Equity = Net Income / Equity</p> <p>Return on assets = net income / total assets</p> <p>Revenue power ratio = net income before interest and taxes / total assets</p> <p>Cash balance ratio = (cash on hand + cash at the central bank + other liquid balances)/deposits</p> <p>Legal reserve ratio = (balances with the central bank / deposits and the like(</p>	<p>Britton&amp; Waterston, 2006)( Ramadan, , 2009)( (Batrancea et al. ,2022) (El Ghonemy et al.,2023)</p>

	Ratio of cash to total assets = cash / total assets
	Debt ratio = total liabilities / total assets
	Equity multiplier = total assets / equity

## 5. Analysis

### 5.1. Descriptive Statistics for Study Variables

Table (2) displays descriptive statistics for all variables of the study in order to show the characteristics that illustrate them at the level of the banks in the study sample. The descriptive statistics include (mean, standard deviation, maximum and minimum) as shown below:

**Table 2.** Descriptive statistics for study variables

Variable	Obs	Mean	Std. Dev.	Min	Max
Year	100	20	1.421	18	22
Bank	100	10.5	5.795	1	20
Board independence	100	.756	.097	.571	1
Financial experience	100	.809	.17	.429	1
Audit committees	100	1	0	1	1
Risk management committees	100	1	0	1	1
Government ownership	100	.049	.122	0	.5
Foreign ownership	100	.195	.294	0	.892
Administrative ownership	100	.232	.225	0	.803
Financial distress	100	1.565	1.501	.287	13.077
Concentration of ownership	100	.511	.16	.195	.895
Shareholder return	100	.227	1.525	-5.277	5.564
Market value	100	1.602e+11	1.480e+11	1.800e+10	6.758e+11
Price to earnings ratio	100	-142.504	2841.029	-28000	2800
Ratio of market value	100	.904	.112	.328	1.028
Asset turnover ratio	100	.016	.031	0	.232
Return on equity	100	.018	.029	-.031	.152
Return on assets	100	.007	.01	-.019	.057
Revenue power ratio	100	.008	.012	-.033	.065
Cash balance ratio	100	20.9	58.548	.002	418.798
Legal reserve ratio	100	16.285	50.626	0	354.666
Ratio of cash to assets	100	.393	.196	.009	.81
Debt ratio	100	.492	.179	.048	.862
Equity multiplier	100	2.318	1.166	1	7.25

Source: STATA results

The results of the independent variable (corporate governance) show that the maximum level of independence of members of the Board of Directors was 1 percent, meaning that all members of the Board of Directors are independent. The minimum level of independence of the Board of Directors is (0.571), with a standard deviation ( 0.097); and the average independence of the Board of Directors is (0.756), which indicates that the ratio of independent members to the total members of the Board of Directors in banks is good. It fulfills the requirements and recommendations contained in the Governance Guide issued by the Central Bank of Iraq, which stipulates that there should be no less than four or three independent members of the Board of Directors (Central Bank of Iraq, 2018: 8). The table shows that the maximum and minimum levels for audit committees and risk management committees are (1), denoting that all the banks in the study sample consist these committees. With regard to the financial experience of the board of directors, the Governance Guide stipulates that boards of directors need the



appropriate mix of members with skills and experience appropriate for dealing with business complexities, competition, and changes. In this study, the researcher found that the average number of board members who possess financial experience is (0.809), which makes the boards of directors of Iraqi banks more proficient for monitoring risks that affect the financial stability of companies and are capable to provide right advice to senior managers to avoid such risks. The table indicates that the average shares owned by the Iraqi government is (0.049) of the total shares, with a minimum of (0) and a maximum of (0.5) percent. With regard to foreign ownership in the ownership structure feature, previous studies in Iraq reported that the average shares owned by foreigners was 6.71% that ranges from 0 to 91% (Talab et al, 2018:349). Interestingly, this study found that foreign investors own 19.5% of Iraqi bank shares. This may be due to growing autonomy granted to banks by the Central Bank of Iraq to expand their activities and reduce entry barriers for foreign investors. Moreover, the table indicates that the average administrative ownership shares are (0.232) out of the total shares, with a minimum of (0.00002) and a maximum of (0.803), meaning that the levels of administrative ownership are low. The results of the study also indicate that the average financial distress is (1.565), standard deviation (1.501), minimum (0.287) and maximum (13.077), which means that most banks have the ability to meet their obligations. Nonetheless, there are a number of banks facing a higher level of financial distress. Finally, statistics indicate that the average stock owned by the top 5 shareholders in banks are (0.486), with a minimum of (0.129) and a maximum of (0.895). The result indicates that the shares are owned by a small number of owners. As the results show that the maximum return to shareholders is (5.564), while the minimum is (-5.277), and the average is (0.227). This means that some of the banks in the study sample achieved a high return on shareholders' equity and others incurred losses. The average market value stands at 160.2 billion dinars, and the maximum is 675.8 billion dinars. This indicates that most banks have a high market value, and these banks are considered very valuable by investors because of their profits, size, and growth expectations, and they are viewed as an investment havens and less risky. Regarding the price-to-profit ratio, the results of the study show that the maximum limit (2800) indicates that some of the banks in the study sample have very high ratios, suggesting that investors are willing to pay high prices for every dinar of profits achieved by these banks; while the minimum limit is (-28000) denoting that some banks have low or negative price-to-profit ratios, which leads investors to stay away from them. As for the indicator of the ratio of market value to book value, it is clear from the table that the average is (0.904), and this ratio is close to (1) which indicates that most banks trade their shares in the market at a value close to their book value. The maximum index for the ratio of market value to book value (1.028) indicates that some banks have a market value higher than the book value, i.e., the value of the share price is high in the financial market, suggesting that investors consider these banks have value and they are willing to pay the prices. The average asset turnover ratio is (0.016), and a minimum of 0%. This indicates that some banks do not manage their assets efficiently, unlike other banks, as the maximum asset turnover ratio reached (0.232). This indicates that it manages and invests its assets effectively, which leads to obtain a greater percentage of returns on its investments. As for the indicators of the dependent variable (financial performance), it is shown that the upper limit of the return on equity is (0.152) and the minimum is (-0.031), while the standard deviation is (0.029), implying that the differences between the values of the return on equity are relatively small, pointing to stability and the absence of large fluctuations between the different return values. The average of (0.018) indicates that the returns achieved by banks are relatively small, as the highest returns are considered the best, but it depends on the investment in different markets. The return on assets of the banks ranged between (-0.019 and 0.057) with a standard deviation of (0.01). This indicates that there is a large variation in the returns on assets among the banks in the study sample, and the average reached (0.007), which suggests that the banks in general achieved a small positive return on its assets. This information is useful to analysts and investors who evaluate the performance and potential investments of banks. The table displays the minimum and maximum revenue power ratio (-0.033 and 0.065) with an average of (0.008), indicating that there is a large difference between the revenue power ratios of the banks in the study sample, as some banks have a much higher ratio than others, owing to economic conditions or quality of assets and bank size. It also shows that there is a discrepancy between the cash balance ratios of banks, with an average of (20.9) and a range between (0.002 and 418.798). This reflects that there is a significant increase in the cash balance ratios of most banks, indicating the presence of strong cash capacity to avoid default on its debts and plan to invest or acquire. As for the legal reserve ratio, the table shows that it ranges between 0% and 354.666. The range illustrates a large variation between the banks in the study sample, averaging 16.285, which indicates that banks in general have moderate legal reserve ratios with standard deviation reaching (50.626). It explains that there is a difference between banks, suggesting that some of them have a relatively large legal reserve ratio, while others have very low percentages or may not have a legal reserve percentage at all. It also appears that the arithmetic average of the cash to assets ratio is (0.393).

This means that banks keep (39%) of their assets as cash—an evidence of the presence of good liquidity. The maximum limit reached (0.81) and the minimum limit reached (0.009). This shows that some banks possess a reasonable level of cash when compared to its assets. There is also a discrepancy in the ratios between the banks in the study sample, which may be due to the difference in strategies developed by the financial management. Therefore, banks with low ratios must review their policies in order to avoid financial problems. The average debt ratio appears at (49.2%), and this indicates the presence of balance and moderation in the use of debt in order to finance banks. There is a variation in the debt ratio, as it ranges between (0.048 and 0.862). This indicates that most banks depend on debt in order to finance them, displaying significant risks, unlike other banks that do not depend on debt nor benefit from financial leverage in order to increase their returns and abstaining from using others' strategies and policies in order to obtain returns without risk. The average equity multiplier reached (2.318) with a range between (1 and 7.25). This reflects the existence of a disparity between banks in financing policies. In general, banks need to analyze the suitability of their financial strategies and adapt them in proportion to the level of risks and profitability goals.

## 5.2. Multicollinearity (Correlation Matrix)

The correlation matrix is used to discover the strength and direction of the relationship between variables. A positive correlation between two variables indicates that an increase in one variable is offset by an increase in the other variable, while a negative correlation indicates that an increase in one of the variables is offset by a decrease in the other variable (Esterhuyzen, 2019 quoted). From Pallant, (2011). This indicates that the higher the degree of independence, the greater the cash balance ratio. On the other hand, there was a negative correlation between the independent Board of Directors and the revenue power ratio (-0.105). This indicates the existence of an inverse relationship, meaning that as independence increases, the revenue power ratio tends to decrease. This may be the result of the Board of Directors' decisions on long-term investments or that the banks have more stable commercial operations which leads to a decrease in the need to rely heavily on short-term revenues, which in turn, leads to a decrease in the cash balance ratio. While the ratios (0.190, 0.119, 0.080) show the relationship between the independence of the Board of Directors and the asset turnover ratio, shareholder return, and legal reserve ratio, indicate a weak positive correlation. As for the correlation between the independent variable (financial experience of members of the Board of Directors) and the intermediate and dependent variables, the table shows the highest correlation rate between financial experience and the revenue power ratio, which amounts to (0.304), indicating the presence of a strong positive correlation between the two variables, resulting from efficient management of cash flows by the members of the Board of Directors developing effective financial strategies and building relationships with customers. The lowest correlation ratio (-0.314) was between financial experience and the cash balance ratio, which indicates the presence of a strong negative correlation. There is a positive correlation between the independent variable (government ownership) and the mediating variable (market value) amounting to (0.234), representing that the greater the percentage of government ownership, the greater the market value. This may be due to financial stability and government support, which make banks more attractive to investors. On the other hand, there is a strong negative correlation between government ownership and market value to book value amounting to (-0.393), suggesting that there is an inverse relationship between the two variables. As the percentage of government ownership increases, the ratio of market value to book value decreases. This calls for a reconsideration of government policies and an analysis of other factors that could influence this link and the relationship of the independent variable (foreign ownership) and other variables. Table 4 shows the following ratios (0.443, 0.456, 0.473, 0.541, 0.605). These ratios show the relationship between foreign ownership and the variables (revenue power ratio, revenue power ratio debt, return on assets, equity multiplier, and return on equity) respectively, and indicate the existence of a direct relationship between the variables, denoting that higher foreign ownership leads to an increase in the aforementioned variables, and it may be due to foreign-owned banks applying accounting standards, using international and corporate governance practices, access to global markets and benefiting from experience, and applying knowledge and foreign capital. On the other hand, there is a strong negative correlation between foreign ownership and the ratio of market value to book value amounting to (-0.242), illustrating an inverse relationship between the two variables, which may be attributed to the tendency of foreign investors to buy shares with low market value to book value. The increased demand for these shares may lead to an increase in the price of shares, and thus a decrease in the ratio of market value to book value. It is also noted that there is a strong positive correlation between the independent variable (administrative ownership) and the variables (return on assets and revenue power ratio), which amounted to (0.374 and 0.365), respectively, showing the presence of strong relationships between the variables and a large difference. The return on assets ratio

and the revenue power ratio are due to the difference in the percentage of administrative ownership yielding highest negative correlation between administrative ownership and the ratio of market value to book value at a rate of (-0.190). The reason for the negative correlation may be the result of investors' unwillingness to buy shares of banks in which ownership at administrative levels is high, as they believe that it increases the possibility of mismanagement and conflicts of interest. There is a relationship between financial distress and the ratio of market value to book value at a rate of (0.237), which indicates a strong positive correlation between the two variables, illustrating when banks face financial distress, the ratio of market value to book value tends to rise—a reason why investors look at the banks facing financial distress which offer a strong investment opportunity and they are willing to pay a higher amount in order to buy shares thus increases the ratio of market value to book value. On the other hand, there is a strong negative relationship between financial distress and the debt ratio and the debt multiplier. As seen in the table 4 equity reached (-0.734 and -0.501), respectively, which means that banks suffering from financial distress may face difficulty in taking new loans and issuing shares, and as a result, the debt ratios and the equity multiplier for banks may decrease. The table also shows that there is a strong positive correlation between ownership concentration and return on equity, return on assets, revenue power ratio at a rate of (0.580, 0.518, 0.522), respectively, suggesting a direct relationship. The higher the ownership concentration ratio, the higher the aforementioned variables. If there are a small number of shareholders who own a large percentage of bank shares, they have a greater incentive to ensure that the company is managed effectively, and this leads to an increase in the return on assets and equity and a higher percentage of revenue power for banks. Also, there is a strong negative correlation between ownership concentration and the percentage The market value to the book value reached (-0.227) and indicates the existence of an inverse relationship between the two variables—the greater the concentration of ownership, the lower the ratio of the market value to the book value. This may be the result of investors' unwillingness to pay higher amounts to obtain the shares because of their trust in banks characterized by a high concentration of ownership being more vulnerable to conflicts of interest causing a lower ratio of market value to book value.

**Table 3.** Correlation matrix for the research variables

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
(1) year	1.000																							
(2) bank	0.000	1.000																						
(3) board independence	0.163	0.088	1.000																					
(4) financial experience	0.123	0.287	0.051	1.000																				
(5) audit committees	.	.	.	.	.																			
(6) risk management committees	.	.	.	.	.	.																		
(7) government ownership	0.000	0.108	0.177	0.007	.	.	1.000																	
(8) foreign ownership	0.052	0.422	0.072	0.176	.	.	0.014	1.000																
(9) administrative ownership	0.039	0.348	0.435	0.239	.	.	0.136	0.576	1.000															
(10) financial distress	0.211	0.033	0.036	0.133	.	.	0.136	0.264	0.161	1.000														
(11) concentration of ownership	0.096	0.458	0.105	0.104	.	.	0.041	0.829	0.628	0.334	1.000													
(12) shareholder return	0.208	0.044	0.119	0.065	.	.	0.112	0.031	0.067	0.045	0.137	1.000												
(13) market value	0.119	0.430	0.013	0.073	.	.	0.234	0.028	0.110	0.156	0.128	0.029	1.000											
(14) price to earnings ratio	0.001	0.045	0.042	0.147	.	.	0.031	0.042	0.085	0.021	0.151	0.002	0.086	1.000										



Ratio of market value to book value	.02	.024	3.33	.001	-.128	-.032	***
Asset turnover ratio	.028	.074	7.38	.705	-.174	.118	***
Constant	.013	.036	2.04	.045	.002	.144	**
Mean dependent var	0.018		SD dependent var		0.029		
R-squared	0.546		Number of obs		100		
F-test	8.736		Prob > F		0.000		
Akaike crit. (AIC)	-483.614		Bayesian crit. (BIC)		-452.352		

\*\*\*  $p < .01$ , \*\*  $p < .05$ , \*  $p < .1$

It is obvious from the linear regression results that the regression coefficient for the ownership concentration variable reached (0.046). This indicates that every increase in ownership concentration by (1%) leads to an increase in the return on equity by (0.046). The t value reached (4.64) and the probability value (p-value) reached (0.003), which is less than the level of statistical significance of (5%). Accordingly, it can be concluded that there is a positive effect between return on equity and ownership concentration. This suggests that banks that have a higher ownership concentration tend to achieve higher return on equity, and there is a positive and statistically significant effect between the return on equity and the independence of board members. As the regression coefficient reached (0.034) and the probability value (P-value = 0.018), this indicated that banks with independent boards of directors achieve a higher return. It may be the result of management monitoring and improving corporate governance through the regression coefficient of the financial experience variable of board members of (0.031) and (P-value = 0.023) it is revealed that there is a statistically significant effect between return on equity and financial experience which may be attributed to Banks leadings in making the best financial decisions and managing their cash flows efficiently. As for the audit committees and risk management committees, the regression coefficient was zero, and which indicates that there is no statistically significant impact relationship between them on the return on equity, where the regression coefficient for government ownership reached (0.029). The probability value (P-value = 0.003) indicates that any increase in the percentage of government ownership by 1% leads to an increase in return, which may be due to government support and the financial stability enjoyed by the banks. As for foreign ownership, it affects the return on equity with a regression coefficient ( 0.034) and the probability value (0.003), suggesting a positive and statistically significant effect between the two variables, as well as the presence of a positive, statistically significant effect between administrative ownership and return on equity. With a regression coefficient of (0.039) and (P-value = 0.006), and this effect may be because managers who own large percentages are more accountable for their performance, which leads to improved decisions, as well as their effective monitoring of management and ensuring the use of assets for the benefit of all shareholders. The table shows that there is a weak positive influence relationship between financial distress and return on equity, as the probability value reached (0.006) and a regression coefficient (0.001). As for the intermediate variables, in general, the results indicate the presence of a statistically significant effect on return on equity, as the regression coefficient of market value to book value is (0.02) and (P-value = 0.001) which indicates that banks with a high market value to book value tend to achieve a higher return on equity. The regression coefficient for the profit-to-book ratio was zero and the probability value was (0.006). This means that there is a strong positively influence relationship between the profit-to-price ratio and the return on equity, and it may be the result of the banks' ability to achieve higher profit margins. There was also a strong positive influence relationship between the market value and the return on equity with a regression coefficient of zero and (P-value=0.006), while as for the asset turnover ratio, the regression coefficient reached (0.028) and the probability value (0.005), which indicates the existence of a positive influence relationship between the two variables (the asset turnover ratio and return on equity), that may be due to the banks' ability to use their assets efficiently. When the regression coefficient for shareholders' return (0.002) and (P-value = 0.144) was the only variable among the intermediate variables that had no statistically significant impact relationship between them and the return on equity, implying that the variable shareholders' return had no effect on the return on equity ownership. The results of the regression analysis also indicate a measure of the suitability of the linear regression model (R-squared), which is equal to (0.546). This percentage means that 54.6% of the changes in the return on equity are the result of changes in the independent and intermediate indicators, while the remaining part is the result of other factors.

### 5.3.2. Statistical Analysis of The Relationship of Influence Between the Dependent Variable (Return On Assets), Corporate Governance Indicators and Company's Reputation Indicators

The results of the linear regression analysis in Table (5) are clearly delineating the relationship between return on assets and corporate governance indicators (independence of board members, financial expertise of board members, audit committees, risk management committees, government ownership, foreign ownership, administrative ownership, financial distress, Concentration of ownership) and indicators of the company's reputation (shareholder return, market value, Price to Earnings Ratio, market value-to-book value ratio, asset turnover ratio) as shown:

**Table 5.** Results of linear regression analysis of the relationship between return on assets and (independent and mediating variables)

Return on assets	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
Board independence	-.005	.01	-0.55	.587	-.025	.014	
Financial experience ~d	.014	.005	2.62	.01	.003	.024	**
Audit committees	0	.	.	.	.	.	
Risk management committees	0	.	.	.	.	.	
Government ownership	-.011	.008	-1.42	.158	-.026	.004	
Foreign ownership	.001	.005	0.19	.846	-.01	.012	
Administrative ownership	-.002	.006	-0.31	.757	-.013	.01	
Financial distress	.001	.001	0.93	.353	-.001	.002	
Concentration of ownership	.027	.011	2.44	.017	.005	.049	**
Shareholder return	.001	.001	1.38	.17	0	.002	
market value	0	0	-1.48	.143	0	0	
Price to earnings ratio	0	0	0.19	.852	0	0	
Ratio of market value to book value	-.03	.009	-3.19	.002	-.049	-.011	***
Asset turnover ratio	.007	.029	0.25	.803	-.05	.064	
Constant	.014	.014	1.03	.306	-.013	.042	

Mean dependent var	0.007	SD dependent var	0.010
R-squared	0.417	Number of obs	100
F-test	5.188	Prob > F	0.000
Akaike crit. (AIC)	-671.220	Bayesian crit. (BIC)	-639.958

\*\*\*  $p < .01$ , \*\*  $p < .05$ , \*  $p < .1$

Through this table, the variables are analyzed and the factors that have a significant impact on the dependent variable (return on assets) are identified. It is obvious that there are only two independent variables that are statistically significant, namely (financial experience of board members and concentration of ownership). As the regression coefficient for financial experience reached (0.014), it indicates that increasing financial experience by (1%) leads to an increase in the return on assets by (1.4%), and the probability value reached (0.001), which is less than (5%). Accordingly, there is a positive, statistically significant influence relationship between the return on the assets and financial experience of board members, which means that banks with significantly experienced board members on finance tend to achieve a higher return on assets. As for the regression coefficient of ownership concentration, it reached (0.027), reflecting a higher percentage than the percentage of the effect of financial experience, while the probability value was (P-value=0.007) indicates that there is a positive influence relationship between return on assets and concentration of ownership. This may be attributed to the motivation of major shareholders to achieve good financial health. The remaining indicators of corporate governance have no statistical significance, as it turns out that the independence of board members and ownership of Government and administrative ownership have a negative and statistically insignificant relationship with the return on assets, thus suggesting that this effect cannot be relied upon

in the sample. The intermediate variable (the ratio of market value to book value) shows through the analysis that the regression coefficient reached (-0.03) and the probability value and (P-value = 0.002). This means that there is a statistically significant negative influence relationship between the two variables, suggesting that banks with a higher market value to book value achieve a lower return on assets, which reached R-squared = 0.417.

### 5.3.3. Statistical Analysis of the Impact Relationship Between the Dependent Variable (Revenue Power Ratio), Corporate Governance Indicators, and Company's Reputation Indicators

The relationship between the percentage of revenue power and corporate governance indicators (independence of board members, financial expertise of board members, audit committees, risk management committees, government ownership, foreign ownership, administrative ownership, financial distress, Concentration of ownership) and indicators of the company's reputation (shareholder return, market value, Price to Earnings Ratio, market value-to-book value ratio, asset turnover ratio) is clear from the results of the linear regression analysis in Table (6) as shown,

**Table 6.** Results of linear regression analysis of the relationship between the percentage of revenue power and independent and mediating variables

Revenue power ratio	Coef.	St.Err.	t-value	p-value	[95% Conf Interval]	Sig
Board independence	-.014	.012	-1.18	.243	-.037 .009	
Financial experience ~d	.019	.006	3.01	.003	.006 .031	***
Audit committees	0	.	.	.	.	
Risk management committees	0	.	.	.	.	
Government ownership	-.017	.009	-1.92	.058	-.035 .001	*
Foreign ownership	-.003	.006	-0.43	.668	-.016 .01	
Administrative ownership	-.005	.007	-0.76	.448	-.019 .008	
Financial distress	.001	.001	1.13	.261	-.001 .002	
Concentration of ownership	.041	.013	3.14	.002	.015 .067	***
Shareholder return	.001	.001	1.72	.09	0 .002	*
market value	0	0	-1.32	.192	0 0	
Price to earnings ratio	0	0	0.02	.988	0 0	
Ratio of market value to book value	-.039	.011	-3.50	.001	-.061 -.017	***
Asset turnover ratio	.02	.034	0.57	.57	-.048 .087	
Constant	.02	.017	1.20	.235	-.013 .053	

Mean dependent var	0.008	SD dependent var	0.012
R-squared	0.449	Number of obs	100
F-test	5.920	Prob > F	0.000
Akaike crit. (AIC)	-636.727	Bayesian crit. (BIC)	-605.464

\*\*\* p<.01, \*\* p<.05, \* p<.1

The results of the linear analysis showed that the percentage of revenue power is affected by several variables. As it is noted that the financial experience of the members of the Board of Directors is positively and statistically significantly related to the percentage of revenue power of banks, with a regression coefficient of (0.019), suggesting that any variation in revenue power can be explained by the change in experience. Finance, and the probability value of financial experience reached (0.003), and it also turns out that the concentration of ownership is positively and statistically significantly related to the percentage of revenue power, and with a regression coefficient (0.041) and (P-value = 0.009), it indicates that banks in which shareholders own large proportions of stocks tend to achieve high revenue power. This indicates that it has a negative and statistically significant effect on revenue power, as increasing government ownership by (1%) leads to a decrease in the percentage of revenue power by

(1.7%), and through the results of the regression analysis it is clear that the other indicators of corporate governance (independence of board members, audit committees, risk management committees, foreign ownership, administrative ownership, financial distress) are not affected. Its statistics on revenue strength, as well as the company's reputation indicators (market value, Price to Earnings Ratio, asset turnover ratio) do not affect the dependent variable, because the regression coefficients associated with them are not statistically significant, which suggest that there is not sufficient evidence in the data to confirm the impact of these variables on the revenue strength of banks. As for (shareholder return, market value to book value), it is noted that they have an effect on the dependent variable, as the regression coefficient for shareholders' return is (0.001) and the probability value is (P-value = 0.009). It implies a positive and statistically significant influence relationship, as high-return banks tend to have strong business models that give them a competitive advantage in the market, which may lead to increased demands on the bank's services and thus increased revenue power. The regression coefficient for the ratio of market value to book value was (-0.039) and the value Probability (P-value = 0.001) which indicates the presence of a negative and statistically significant relationship between the two variables (the ratio of revenue power and the ratio of market value to book value), and the R-squared = 0.449), which measures how good the regression model is in explaining the change in the dependent variable indicates that (44.9%) of the variance in the revenue power ratio is the result of the variables (financial experience of board members, concentration of ownership, government ownership, shareholder return, ratio of market value to book value).

#### 5.3.4. Statistical Analysis of the Impact Relationship Between the Dependent Variable (Cash Balance Ratio), Corporate Governance Indicators, and Company's Reputation Indicators

Table (7) clearly delineates the relationship between the cash balance ratio and corporate governance indicators (independence of board members, financial expertise of board members, audit committees, risk management committees, government ownership, foreign ownership, administrative ownership, financial distress, Concentration of ownership) and indicators of the company's reputation (shareholder return, market value, Price to Earnings Ratio, market value-to-book value ratio, asset turnover ratio) as shown:

**Table 7.** Results of linear regression analysis of the relationship between cash balance ratio and independent and mediating variables

Cash balance ratio	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
Board independence	151.532	68.656	2.21	.003	15.071	287.993	**
Financial experience ~d	-102.9	36.345	-2.83	.006	-175.14	-30.659	***
Audit committees	0	.	.	.	.	.	
Risk management committees	0	.	.	.	.	.	
Government ownership	-49.544	53.4	-0.93	.356	-155.682	56.595	
Foreign ownership	-38.013	38.165	-1.00	.322	-113.871	37.845	
Administrative ownership	23.879	39.777	2.60	.005	-55.183	102.94	***
Financial distress	1.216	4.16	0.29	.771	-7.053	9.484	
Concentration of ownership	39.123	77.631	0.50	.006	-115.177	193.423	***
Shareholder return	.29	3.954	0.07	.942	-7.569	8.149	
market value	0	0	-0.56	.578	0	0	
Price to earnings ratio	0	.002	-0.01	.994	-.004	.004	
Ratio of market value to book value	38.795	66.154	0.59	.009	-92.694	170.283	***
Asset turnover ratio	-8.49	202.081	-0.04	.967	-410.147	393.167	
Constant	-58.785	98.009	-0.60	.55	-253.589	136.019	

Mean dependent var	20.900	SD dependent var	58.548
R-squared	0.186	Number of obs	100



F-test	1.661	Prob > F	0.090
Akaike crit. (AIC)	1100.122	Bayesian crit. (BIC)	1131.384

\*\*\* p<.01, \*\* p<.05, \* p<.1

The regression results indicate that some variables have a positive/negative and statistically significant effect on the cash balance ratio, as it is noted from Table (7) that the regression coefficient for the independence of board members reached (151.532) and (P-value = 0.003), which represents that there is a statistically significant positive influence relationship between the two variables, denoting that increasing the independence ratio by 1% leads to an increase in the cash balance ratio by (151.532), and the regression coefficient for administrative ownership is (23.879) and the probability value was (0.005) which indicates the presence of a positive and statistically significant influence. Administrative ownership on the cash balance ratio, i.e., banks in which board members have high percentages, achieve a higher cash balance; the concentration of ownership is one of the factors with a positive impact, as the regression coefficient for concentration of ownership reached (39.123) and (P-value = 0.006). This signifies that there is a positive and statistically significant relationship. As for the corporate governance indicators that have a negative impact on the cash balance ratio, it is the variable of financial experience of board members with a regression coefficient of (-102.9) and a probability value (P-value = 0.006), which is less than (5%), suggesting a negative and significant relationship between the two variables. Resultantly, banks that have financially more experienced members tend to maintain lower percentages of the cash balance, and the other independent variables have no statistical effect with no a significant impact on the cash balance, the presence of audit committees and risk management committees does not seem to affect the proportions of the cash balance held by banks, as well as foreign and government ownership and financial distress do not seem to affect the proportion of the cash balance of banks. As for the indicators of the company's reputation (The intermediate variable) the ratio of market value to book value is the only intermediate variable that has a positive and statistically significant relationship with the cash balance ratio, with a regression coefficient (38.795) and probability value (0.009), while the other intermediate variables (shareholder return, market value, price to earnings Ratio, asset turnover ratio) have no statistical effect, that is, they do not significantly affect the cash balance ratio, and these results are based on the regression model and may differ according to the company, industry, or economic conditions. In general, the variables that have a statistical effect (Independence of board members, financial experience, administrative ownership, concentration of ownership, market value to book value) explain only (18.6%) of the variation in the cash balance ratio, as it reached R-squared = 0.186) entailing the presence of other factors that influence the cash balance of banks is not included in the regression model.

### 5.3.5. Statistical Analysis of the Relationship of Influence Between the Dependent Variable (Legal Reserve Ratio), Corporate Governance Indicators, and Company's Reputation Indicators

Table (8) clearly indicates the relationship between the legal reserve ratio and corporate governance indicators (independence of board members, financial expertise of board members, audit committees, risk management committees, government ownership, foreign ownership, administrative ownership, financial distress, Concentration of ownership) and indicators of the company's reputation (shareholder return, market value, price to Earnings Ratio, market value-to-book value ratio, asset turnover ratio) as shown:

**Table 8.** Results of linear regression analysis of the relationship between the legal reserve ratio and (independent and mediating variables)

Legal reserve ratio	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
Board independence	122.954	59.803	2.06	.043	4.088	241.819	**
Financial experience ~d	-89.009	31.659	2.81	.006	151.935	-26.084	***
Audit committees	0	.	.	.	.	.	
Risk management committees	0	.	.	.	.	.	
Government ownership	-34.287	46.514	-0.74	.463	-126.739	58.165	
Foreign ownership	-34.847	33.244	-1.05	.297	-100.924	31.229	
Administrative ownership	18.534	34.648	4.53	.004	-50.333	87.401	***
Financial distress	1.137	3.624	4.31	.004	-6.065	8.339	***

Concentration of ownership	50.235	67.621	0.74	.46	-84.169	184.64	
Shareholder return	.431	3.444	4.13	.001	-6.415	7.277	***
market value	0	0	-0.48	.632	0	0	
Price to earnings ratio	0	.002	-0.16	.871	-.004	.003	
Ratio of market value to book value	30.193	57.624	4.52	.002	-84.341	144.727	***
Asset turnover ratio	-103.224	176.024	-0.59	.559	-453.091	246.642	
Constant	-50.578	85.372	-0.59	.555	-220.263	119.108	

Mean dependent var	16.285	SD dependent var	50.626
R-squared	0.174	Number of obs	100
F-test	1.531	Prob > F	0.128
Akaike crit. (AIC)	1072.512	Bayesian crit. (BIC)	1103.774

\*\*\* p<.01, \*\* p<.05, \* p<.1

As for administrative ownership and financial distress, the results show that there is a positive influence relationship with statistical significance, as the probability value was (0.004 and 0.004) and the regression coefficient reached (18.534 and 1.137), respectively. It entails that any increase in administrative ownership or financial distress of banks leads to an increase in the legal reserve ratio. It is not statistically significant on the legal reserve ratio. As for the intermediate variables, the regression coefficient for the shareholder return variable was (0.431) and (P-value = 0.001). This implies that there is a statistically significant positive effect of the shareholders' return on the legal reserve ratio, as well as the presence of a statistically significant positive effect for the variable.

### 5.3.6. Statistical Analysis of the Relationship of Influence Between the Dependent Variable (Cash To Assets Ratio), Corporate Governance Indicators, and Company's Reputation Indicators

Table (9) clearly show the relationship between the cash-to-assets ratio and corporate governance indicators (independence of board members, financial expertise of board members, audit committees, risk management committees, government ownership, foreign ownership, administrative ownership, financial distress, concentration of ownership) and indicators of the company's reputation (shareholder return, market value, Price to earnings ratio, market value-to-book value ratio, asset turnover ratio) as shown:

**Table 9.** Results of linear regression analysis of the relationship between the cash-to-assets ratio and (independent and mediating variables)

Ratio of cash to assets	Coef.	St.Err.	t-value	p-value	[95% Conf Interval]	Sig
Board independence	.036	.233	2.15	.008	-.427 .499	***
Financial experience ~d	.07	.123	2.57	.002	-.175 .315	***
Audit committees	0	.	.	.	.	
Risk management committees	0	.	.	.	.	
Government ownership	-.204	.181	-1.13	.003	-.564 .156	***
Foreign ownership	.101	.129	3.78	.009	-.157 .358	***
Administrative ownership	.199	.135	5.48	.004	-.069 .467	***
Financial distress	.017	.014	6.23	.221	-.011 .045	
Concentration of ownership	-.479	.263	2.82	.002	-1.003 .044	*
Shareholder return	-.005	.013	-0.35	.726	-.031 .022	
market value	0	0	0.44	.661	0	

Price to earnings ratio	0	0	0.99	.324	0	0	
Ratio of market value to book value	-.174	.224	-0.77	.441	-.62	.272	
Asset turnover ratio	1.202	.685	2.75	.003	-.161	2.564	*
Constant	.599	.332	2.80	.005	-.062	1.26	*
Mean dependent var	0.393		SD dependent var	0.196			
R-squared	0.163		Number of obs	100			
F-test	1.416		Prob > F	0.174			
Akaike crit. (AIC)	-37.157		Bayesian crit. (BIC)	-5.895			

\*\*\* p<.01, \*\* p<.05, \* p<.1

Table (9) explains that the statistically significant variables (p-value < 0.05) are the independence of board members, as they appeared with a regression coefficient (0.036) and a probability value (0.008). This indicates the existence of a positive, statistically significant influence relationship—the banks which enjoy more independent members maintain higher cash-to-assets ratios. It also shows that there is a statistically significant positive effect of the financial experience of board members on the cash-to-assets ratio with a regression coefficient of (0.07) and (P-value = 0.002). This shows that any increase in the financial experience of board members leads to an increase in the dependent variable (cash to assets ratio), and it is also noted that there is a statistically significant positive influence relationship for the variables (foreign ownership, administrative ownership) with a regression coefficient (0.101, 0.199) and a probability value of (0.009, 0.004) respectively. As for government ownership, its regression coefficient was (-0.204) and (P-value = 0.003). It implies the presence of a statistically significant negative effect, which suggests that any decrease in the cash-to-assets ratio is the result of the increase in the shares owned by the government, as well as the concentration of ownership. This signifies that increasing ownership concentration by 1% leads to a decrease in the cash to assets ratio by (0.479), which is a statistically significant effect. It is clear from the results of the analysis that they have a negative effect, but not statistically significant. It also appears that the coefficient of determination (R-squared) has reached (0.163) which implies that the variation in the ratio of cash to assets can be explained. As a result of the independent and intermediate variables in the table, banks that have independent members who have financial experience and high percentages of foreign and administrative ownership and suffer from a limited government ownership and an increase in the asset turnover ratio achieve high percentages of the dependent variable (cash to assets ratio).

### 5.3.7. Statistical Analysis of the Relationship of Influence Between the Dependent Variable (Debt Ratio), Corporate Governance Indicators, and Company's Reputation Indicators

The results of the linear regression analysis in (10) depicts the relationship between the debt ratio and corporate governance indicators (independence of board members, financial expertise of board members, audit committees, risk management committees, government ownership, foreign ownership, administrative ownership, financial distress, concentration Ownership) and company reputation indicators (shareholder return, market value, price to earnings ratio, market value-to-book value ratio, asset turnover ratio) as shown:

**Table 10.** Results of linear regression analysis of the relationship between debt ratio and (independent and mediating variables)

Debt ratio	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
Board independence	-.1	.135	-0.74	.462	-.369	.169	
Financial experience	-.047	.072	-0.66	.509	-.19	.095	
Audit committees	0	.	.	.	.	.	
Risk management committees	0	.	.	.	.	.	
Government ownership	-.062	.105	-0.59	.56	-.271	.148	
Foreign ownership	.341	.075	4.54	0.00	.192	.491	***
Administrative	-.106	.078	-1.36	.179	-.262	.05	

ownership							
Financial distress	-.081	.008	9.82	0.00	.097	-.064	***
Concentration of ownership	-.303	.153	-1.98	.001	-.607	.001	*
Shareholder return	.011	.008	1.42	.159	-.004	.027	
market value	0	0	1.13	.261	0	0	
Price to earnings ratio	0	0	1.18	.243	0	0	
Ratio of market value to book value	-.073	.13	-0.56	.575	-.333	.186	
Asset turnover ratio	-.786	.398	1.97	.002	1.578	.006	*
Constant	.908	.193	4.70	.000	.524	1.292	***

Mean dependent var	0.492	SD dependent var	0.179
R-squared	0.663	Number of obs	100
F-test	14.238	Prob > F	0.000
Akaike crit. (AIC)	-145.637	Bayesian crit. (BIC)	-114.375

\*\*\* p<.01, \*\* p<.05, \* p<.1

It is clear from the table above that the independent variables (foreign ownership, financial distress, concentration of ownership) are statistically significant (p-value < 0.05), as the regression coefficient for foreign ownership reached (0.341) and the probability value (0.000), which indicates the presence of a significant positive effect. Statistically, this implies that the increase in the debt ratio is related to the increase in the percentage of foreigners owning bank shares, whereas the financial distress regression coefficient reached (-0.081) and (P-value = 0.000), showing the existence of a statistically significant negative impact relationship of financial distress on the debt ratio. Debt means that banks are suffering from financial distress and they rely more on loan in order to finance their operations, as well as the ownership concentration variable, as noted from its regression coefficient, which reached (-0.303) and its probability value (P-value = 0.001), indicating that there is statistically significant and negative effect on the debt ratio. The results of the regression analysis indicate that it is not statistically significant and cannot be relied upon to explain the resulting difference in the debt ratio. That is, in general, and through (R-squared = 0.663), a percentage (0.663) of the changes in the debt ratio can be explained through Variables (foreign ownership, financial distress, concentration of ownership, asset turnover ratio), and the remaining variance in the debt ratio may be the result of other factors.

### 5.3.8. Statistical Analysis of The Impact Relationship Between The Dependent Variable (Equity Multiplier), Corporate Governance Indicators, And Company's Reputation Indicators

The results of the linear regression analysis shown in Table (11) depict the relationship between the property rights multiplier and corporate governance indicators (independence of board members, financial expertise of board members, audit committees, risk management committees, government ownership, foreign ownership, administrative ownership, financial distress, Concentration of ownership) and indicators of the company's reputation (shareholder return, market value, Price to Earnings Ratio, market value-to-book value ratio, asset turnover ratio) as shown:

**Table 11.** Results of linear regression analysis of the relationship between property rights additive and (independent and mediating variables)

Equity multiplier	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
Board independence	-.872	1.061	3.82	.004	-2.98	1.237	***
Financial experience ~d	-.093	.562	3.16	.009	-1.209	1.024	***
Audit committees	0	.	.	.	.	.	
Risk management committees	0	.	.	.	.	.	
Government ownership	-1.577	.825	4.91	.009	-3.218	.063	*
Foreign ownership	2.648	.59	4.49	.000	1.476	3.82	***

Administrative ownership	-1.464	.615	2.38	.009	-2.686	-.242	**
Financial distress	-.301	.064	4.68	.000	-.429	-.173	***
Concentration of ownership	-.754	1.2	-0.63	.531	-3.139	1.63	
Shareholder return	.041	.061	0.67	.502	-.08	.163	
market value	0	0	4.82	.001	0	0	
Price to earnings ratio	0	0	0.77	.441	0	0	
Ratio of market value to book value	-.247	1.022	4.24	.003	-2.279	1.785	***
Asset turnover ratio	-4.172	3.123	-1.34	.185	-10.379	2.035	
Constant	3.878	1.515	2.56	.000	.867	6.888	**
Mean dependent var	2.318		SD dependent var	1.166			
R-squared	0.510		Number of obs	100			
F-test	7.538		Prob > F	0.000			
Akaike crit. (AIC)	266.139		Bayesian crit. (BIC)	297.401			

\*\*\* p<.01, \*\* p<.05, \* p<.1

The results of the analysis indicate that the regression table is able to explain the variation in the equity multiplier, as most of the independent variables that were statistically significant except (audit committees, risk management committees, and ownership concentration) did not have a statistically significant effect, implying that they cannot be relied upon to explain the change. The probability of the property right multiplier was: the regression coefficient for the independence of board members was (-0.871); the probability value was (0.004); the regression coefficient for the financial experience of board members was (-0.093) and (P-value=0.002); the regression coefficient (government ownership, administrative ownership (Financial distress) reached (-1.577, -1.464, -0.301), respectively; and the probability value reached (0.009, 0.009, 0.000), respectively. This indicates that these variables have a statistically significant negative impact on the property rights multiplier. This denotes that there is a decrease in the ownership right multiplier, which may ascribe to an increase in the government's or board members' ownership of bank shares or the presence of financial distress in the banks. While the foreign ownership regression coefficient was (2.648) and (P-value = 0.000), it indicates the presence of a statistically significant positive effect. On the property rights multiplier, while the variable of the ratio of market value to book value was one of the intermediate variables that had a statistically significant negative effect, as the regression coefficient reached (-0.247) and the probability value reached (P-value = 0.003), suggesting that the ratio of market value to the book value has a negative impact on the equity multiplier, which indicates that banks with high ratios of market value to book value have lower equity multipliers. The R-squared ratio, which reached (0.510), can explain the resulting variance in property rights multiplier, as this variance may be the result of the variables mentioned in the table above at a rate of (51%).

## 6. Theoretical and Practical Implementation

This study makes some important theoretical and practical contributions. From a theoretical standpoint, this study expands knowledge of corporate governance to provide a holistic understanding of corporate governance indicators, company reputation, financial performance and their measurements, and the extent of the effects of corporate governance indicators on financial performance. The analytical framework of agency theory was used to understand stakeholder relationships, in order to explain the effectiveness of the structure board of directors and ownership configuration, and to identify and address conflicts of interest between agents and clients. This study determined how corporate governance indicators can increase a company's reputation and improve financial performance. The implications of each variable in the corporate governance allows a better understanding of the diverse effects on financial performance. This study adds another perspective of research to the current literature by explaining corporate governance policies. Moreover, the results of the current study support agency theory. The results also add to the knowledge that company's reputation as an intermediary variable between corporate governance and financial performance. The results showed that company's reputation indicators increased the impact of corporate governance and thus had a significant impact on the financial performance of banks. Therefore, the company's reputation is an essential variable in banks and needs further exploration.

In practical terms, the results of this study bear implications for practitioners and banks in using corporate governance to improve financial performance. The results determine that the independence of board members is negatively related to most financial performance indicators (return on assets, return on equity, revenue power ratio, cash-to-assets ratio, debt ratio, equity multiplier), and positively related to the remaining financial performance indicators (cash balance ratio, legal reserve ratio). Perhaps, the reason for this effect is the representation of independent members on the boards of directors of the banks in the research sample, where the average independence of board members reached 75.6%, which is considered a good percentage compared to the requirements of the Iraqi Corporate Governance Law, which stipulates that at least one third of board members should be independent members. Also, appointing members with financial experience helps reduce errors significantly, as the results showed that the financial experience of board members is positively related to financial performance indicators, averaging a very good percentage of 80.9%. Therefore, the recommendation to appoint board members with financial experience is of great importance to banks, as well as the recommendation to have audit committees and risk management committees, which means more supervision and thus reduce the risks that banks may face and improve risk management. Regarding government ownership, the results showed that it is negatively associated with some financial performance indicators. This may be due to the low government representation in banks, as shown in Table (2), where the average government ownership was (4.9%). Regarding foreign and administrative ownership, the results revealed that it has an impact on financial performance. It is recommended that the idea of expanding foreign ownership be supported through equal treatment between Iraqis and foreigners, which leads to attracting foreign investments. Increasing the ownership of managers leads to making decisions that benefit their interests and the interests of shareholders in banks. The results show that some banks suffer from financial difficulties, which means that the risk of their bankruptcy is very high. Therefore, it is recommended that government agencies, the stock market, and the Central Bank of Iraq establish legislation and laws to monitor the financial performance of banks. The results also show that the concentration of ownership is high, which means that a very small number of investors own large percentages of bank shares, and their presence supports the financial capacity of banks, but there is greater freedom for major shareholders to make decisions that benefit their personal interests instead of the interests of banks. Regarding the company's reputation indicators, after analyzing the data and comparing the results, it was concluded that the indicators that determine the level of the company's reputation affect the financial performance. As a result, this study recommends that the stock market establish laws that address the problems related to corporate governance and review the listing requirements in order to ensure that the banks that are listed have strong governance, and thus investigate and punish the violations of banks that carry out illegal activities by enhancing confidence in the Iraqi banking system, supporting economic growth and reducing the risks of future financial crises.

## 7. CONCLUSION

Corporate governance is an important factor in enhancing the company's reputation and improving financial performance by providing the necessary controls that achieve transparency and clarity and increase control processes that reduce risks and distortions. It also helps establish policies that define duties and responsibilities that are consistent with the company's performance. Corporate governance enables banks to adhere to certain principles and mechanisms to improve their reputation and thus persuade investors and suppliers in order to increase the price of shares and better in the financial performance of banks. As strong corporate governance expands the scope of current literature on its relationship with financial performance through the company's reputation, the results showed that there is a positive relationship between the study variables, suggesting that banks that have a high level of corporate governance tend to have a better reputation and performance, which is evident from the results of the analysis. In general, strong governance and reputation are essential for the success of any company in a competitive environment, and by focusing on them, the company can build relationships, enhance trust in it and build a foundation which leads to long term growth and profit.

## 8. Potential Future Directions

In line with previous literature, the current study is not without limitations, and opens opportunities for future studies. As this study relied on a sample of financial companies comprising five-year span (2018 to 2022) of data to analyze, future research may expand the time frame. Secondly, a set of indicators was used; other financial indicators can be added and verified in different aspects along with financial technology that helps corporate governance can be introduced, and the relationships between corporate governance and financial performance in emerging markets or Islamic banks can be studied. In addition, the relationships between corporate governance and financial performance in emerging markets

or Islamic banks can be studied to identify differences and similarities between traditional and Islamic banks in terms of corporate governance, corporate reputation and financial performance. This will contribute to academics to research and help decision-makers, regulators, researchers and policy makers in building a more stable and sustainable banking sector.

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