The Role of Banking Governance in the Quality of Investment Decisions: An Applied Study on a Sample of Iraqi Banks

Abdullah Abbas Turki, Dr. Anis Al-Jarboui

Faculty of Economic and Management Sciences, Sfax, Tunisia

[1]*Date of Receiving: 12/12/2024*
Date of Acceptance:21/01/2025
Date of Publication: 01/02/2025

ABSTRACT

The economic and technological developments witnessed in the international environment have led to the enhancement of cooperation, partnerships, and the transfer of technology and modern skills to financial and banking institutions. As a result of these transformations, institutions have sought to keep pace with global financial and accounting changes by implementing fundamental reforms to improve their financial performance. With the exacerbation of financial crises, the need for adopting governance to ensure transparency and accountability became urgent, contributing to the protection of investors and stakeholders and enhancing trust and credibility. In a changing business environment, institutions that apply governance principles are more resilient in dealing with crises and more attractive to investors. When banking governance is applied, an institution has greater capacity to face crises and make high-quality investment decisions, thereby enhancing its financial position and gaining the trust of investors and stakeholders. The research found a strong and significant correlation and impact between banking governance and the quality of investment decisions based on econometric tests. It was found that the implementation of banking governance significantly contributes to making well-considered, high-quality investment decisions, as well as analyzing financial and economic information and guiding the team towards achieving investment goals in a systematic and efficient manner. The research recommends the need to strike a balance between making short-term investment decisions aimed at achieving quick results and long-term decisions that enhance the performance of banks in the long run. This balanced approach will help reduce instances of power misuse and contribute to achieving sustainability and sustainable growth, thereby enhancing investor confidence and delivering positive results for the bank and society at large.

INTRODUCTION

As a result of economic and technological developments that have shaped the international environment amid global transformations and emerging trends, new variables have contributed—directly and indirectly—to enhancing cooperation and partnership methods. These developments have also facilitated the transfer of technology and advanced management skills, which can create added value and increase production capacity. Consequently, institutions of all types, particularly financial and banking institutions, have sought to keep pace with contemporary financial and accounting changes that have emerged due to globalization and modern financial technologies. This has been achieved through a series of reforms and fundamental changes that enable them to adapt to financial shifts.

The escalation of financial crises and economic shocks has led many companies to incur significant losses, negatively impacting their shareholders and business investors. This has underscored the necessity of focusing on the concept of governance, its principles, systems, and regulations, which ensure transparency and disclosure. Governance also grants stakeholders the right to hold executive management accountable, thereby providing a degree of protection for investors and shareholders. Moreover, it limits the misuse of authority and its influence on financial statements, strengthening institutions' ability to comply with regulatory frameworks and good accounting practices. Governance also ensures financial performance reviews, administrative structure assessments, and the clear allocation of responsibilities and powers within executive management.

[1] *How to cite the article:* Turki A.A., Al-Jarboui A; (January 2025); The Role of Banking Governance in the Quality of Investment Decisions: An Applied Study on a Sample of Iraqi Banks; *International Journal of Law, Management and Social Science*, Vol 9, Issue 1, 27-39

Furthermore, governance emphasizes the importance of credit facilities, the credibility of banking services, and their transparency by enforcing supervisory and regulatory mechanisms. These measures help establish prudent and effective institutional management while curbing unethical behaviors and manipulative accounting practices that distort financial data. Such malpractices undermine the transparency and credibility of financial statements, leading to misrepresentation of financial information, which negatively impacts institutions—particularly their reputation and investors' trust in their disclosed financial reports. Ultimately, this diminishes the relevance and reliability of financial statements, particularly in terms of the quality of the information they provide.

Accordingly, there is a growing need to adopt and implement governance in financial and banking institutions to enhance quality and excellence in performance by selecting the most appropriate and effective strategies to achieve long-term policies and objectives. In this context, adherence to banking governance principles has become one of the key criteria that investors and shareholders consider when making investment decisions, especially in a dynamic business environment where financial crises can arise unexpectedly. Institutions that effectively implement governance principles tend to be more competitive, credible, and attractive to investors. Additionally, they exhibit greater flexibility in adapting to crises, mitigating their effects on the institution, its shareholders, and its investors.

Research Problem

Governance has garnered unprecedented attention across investment circles, particularly in response to the changes in the global business environment and the crises it faces. These developments have led regulatory and supervisory bodies worldwide to emphasize the necessity of implementing governance principles, especially in financial and banking institutions. Governance plays a crucial role in ensuring transparency in financial data disclosure, thereby providing key stakeholders with essential information for making investment decisions and ultimately enhancing the quality of these decisions.

Accordingly, the research problem revolves around the following key questions:

- To what extent are banking governance mechanisms and principles applied in the banks included in the study sample?
- What internal and external obstacles hinder the implementation of banking governance principles in the banks under study?
- How does the application of governance principles impact the quality of investment decisions?

Research Importance

The significance of this study stems from the crucial role of banking governance in the success and development of institutions that adhere to its principles. Banking governance contributes to establishing and strengthening an operational framework that enables institutions to thrive while balancing the interests of owners, investors, and other stakeholders. It also provides a forward-looking perspective, allowing stakeholders to understand institutional operations and make informed decisions while assuring them that the institution is managed efficiently, transparently, and with a high degree of disclosure.

Moreover, governance establishes fundamental rules that enhance relationships between the board of directors and stakeholders, ensuring proper oversight and mitigating conflicts of interest that may arise when internal decisions negatively impact institutional performance.

Research Hypothesis

This study is based on the following hypothesis:

"There is a statistically significant correlation and impact between the application of banking governance principles and the quality of investment decisions in the banks included in the research sample".

Research Objectives

This study aims to achieve the following objectives:

- Examine and analyze the concept of banking governance, investment decisions, and their quality.
- Assess the extent to which the banks in the research sample implement banking governance principles and their impact on investment decision quality.
- Determine the effect of banking governance on the quality of investment decisions.

Research Scope

- **Temporal Scope:** Covers the period from 2015 to 2022.
- **Geographical Scope:** Focuses on a sample of private Iraqi banks.
- **Sectoral Scope:** The study is limited to the banking sector.

THE CONCEPT OF BANKING GOVERNANCE

Researchers have varied in their views regarding the origin and historical emergence of the term "governance," as well as the field from which it was derived. They have raised questions about its meaning across legal, administrative, economic, and political domains. The roots of this term trace back to ancient Greek civilization in the 13th century, originating from the word **"kubernân,"** which means leadership. The captain of a warship was referred to as a **"Good Governor,"** meaning a competent or just ruler. The term later transitioned into Latin as **"GUBERARE"** in the early 14th century with the same meaning. By 1478, the term entered the French language as **"Gouvernance,"** synonymous with **"government."** In the 16th century, it was adopted into English as **"Governance"** (Bateekh, 2015, p.10).

There is no universally agreed-upon definition of governance among economists, legal experts, analysts, writers, and researchers. Instead, multiple definitions exist, each shaped by the interests and perspectives of different scholars and institutions.

- The **Institute of Internal Auditors (IIA)** defines governance as "the processes conducted through procedures used by stakeholders' representatives to oversee, manage, and monitor risks while ensuring the adequacy of control measures to achieve the company's objectives and maintain its value" (IIA, 2004, p.5).
- The **Organisation for Economic Co-operation and Development (OECD)** describes governance as "the relationship between company management, the board of directors, shareholders, and stakeholders for the purpose of setting company objectives, overseeing their achievement, and establishing appropriate incentives in a way that safeguards the interests of the company and its shareholders" (OECD, 2001, p.3).
- The **International Finance Corporation (IFC)** defines governance as "the system by which companies are managed and controlled" (De Ferranti et al., 2009: 15). The Basel Committee on Banking Supervision defines banking governance as "sound management that establishes clear relationships among bank stakeholders (such as shareholders, depositors, creditors, customers, the board of directors, and the government, among others). It aims to mitigate conflicts of interest through a well-structured organizational framework that balances the interests of all parties while ensuring effective bank management, particularly in risk oversight, to maintain the stability of the banking system" (BIS, 2004, p.22).
- From a banking industry perspective, governance refers to "the manner in which banks' affairs and operations are managed by boards of directors and senior executives. It influences how banks set their goals, plans, and policies while ensuring an appropriate economic return for founding owners and other shareholders."

THE CONCEPT OF INVESTMENT DECISION

Investment is inherently a **risk-laden activity**, largely dependent on the decisions made by investors based on the circumstances they face during the investment process. These decisions are influenced by several factors (Jasim, 2020: 223)

Price-to-Value Relationship: Investors assess the price of an asset and compare it with its potential value to determine whether it presents a lucrative investment opportunity.

- **Expected Return:** Investors weigh the risks associated with an investment against its expected return, aiming to maximize profits relative to the risks undertaken.
- **Financial and Market Risks:** These risks include fluctuations in asset prices and economic changes that may negatively impact investment returns.

- **Timing and Economic Cycles:** The timing of an investment decision is critical, as investors seek to capitalize on economic growth phases and avoid downturns.

Based on these factors, investors make decisions through a **comprehensive analysis** of potential risks and returns to achieve their investment goals optimally. The investment decision-making process is **a result of careful study** of available options and alternatives, ensuring the selection of the most beneficial choice.

Investment decisions are characterized by **caution and prudence**, as they can lead to either **significant profits or substantial losses**. The success of an investment depends on the investor's knowledge and understanding of the company being invested in, the **quality and reliability of available financial data**, and the **absence of fraud or manipulation** (Houwari et al., 2013, p.64).

Accounting information plays a fundamental role in investment decision-making, as it provides critical data on a company's performance, resource management efficiency, and profitability. This includes financial statements, annual reports, and future projections, which help investors assess company performance, analyze risks, and evaluate potential returns.

Ultimately, investors agree that transparent and reliable accounting information serves as the foundation for making well-informed investment decisions that maximize returns while minimizing risks (Jassim, 2020, p.225).

OVERVIEW OF THE IRAQI BANKING SECTOR

The Iraqi banking sector is currently facing significant challenges that are expected to persist in the near future due to continuous global financial transformations. Banking, by nature, is a dynamic industry characterized by constant innovation, with the emergence of new financial institutions offering diverse services aimed at increasing financial inclusion and facilitating better and faster access to banking services for individuals and businesses.

In response to these changes, there is a growing trend toward banking mergers, creating larger and more competitive financial entities. This consolidation enhances banks’ ability to effectively compete in the market and adapt strategically to the rapid changes in global financial markets. Furthermore, evolving banking regulations are continually being introduced to improve performance, efficiency, and transparency in banking operations.

However, the challenges confronting Iraqi banks extend beyond mergers and internal developments. In an era of accelerated global economic and financial shifts, Iraqi banks face a complex and demanding environment. These shifts include technological advancements that significantly impact all aspects of banking operations. Innovations in financial technology (FinTech), digital banking, and online financial services require Iraqi banks to be fully prepared to adopt and benefit from these changes.

The Need for Banking Development in Iraq

The urgency of developing the Iraqi banking sector has never been greater. Banks must adapt to technological and economic changes while leveraging new opportunities to enhance their capabilities and improve their services to meet growing customer demands. One of the key strategic focuses in this regard is the implementation of banking governance (corporate governance in banking), which plays a crucial role in investment decision-making.

Effective banking governance ensures the presence of a regulatory framework that defines the policies and procedures necessary for ensuring transparency and accountability. This, in turn, enhances investor confidence and facilitates well-informed investment decisions. Moreover, strong governance standards contribute to improving the quality of financial reports, which are essential for accurate investment analysis.

Banks that operate with effective governance and strong leadership are better positioned to seize investment opportunities at the right time, ultimately leading to higher returns and lower risks. Consequently, enhancing banking governance is essential for ensuring successful and well-founded investment decisions.

Selection of Study Sample

In light of these developments, the researcher has selected three prominent Iraqi banks that have demonstrated strong governance practices and adaptability to technological advancements: Gulf Bank, Al-Mansour Bank, Iraqi Commercial Bank

The selection of these banks was based on their outstanding performance in implementing banking governance principles and their strategic investment decisions. This focus underscores the importance of financial institutions that prioritize innovation and adaptation, which in turn strengthens their market position, enhances their ability to deliver high-quality services, and ensures their competitiveness in the modern financial landscape.

Research Population and Sample Description

The research population consists of employees from Baghdad, Gulf, and Mansour banks, with a total of 270 individuals, including 121 female employees and 99 male employees. Due to the difficulty of conducting the study on the entire population, the researcher decided to use a relatively large random sample to ensure the accuracy and comprehensiveness of the results. To achieve this, the researcher selected a purposive sample that includes all members of the target population, distributing 270 survey questionnaires to them. Of these, 245 valid responses were received, yielding a high response rate of 90.7%. This high response rate reflects the participants' commitment and cooperation, thus enhancing the reliability of the study’s findings.

Table (1) illustrates the demographic and professional distribution of the research sample. Looking at the gender distribution, it is notable that females made up a significantly higher proportion of the sample, comprising about two-thirds of the total at 63.3%, compared to 36.7% for males. This indicates that the sample primarily consisted of women. In terms of age groups, the most represented group was between 25 and 34 years old, comprising 54.7% of the total sample. This suggests that the majority of participants were young adults. The older age groups were less represented, with those aged 35 to 44 making up 26.9%, those between 44 and 50 years accounting for 13.5%, and those aged 51 years or older comprising only 4.9%.

Regarding job positions, most of the participants worked in customer service roles, representing 62.9% of the sample. A smaller proportion, 15.9%, held responsibilities in units and sections, while the number of managers was notably lower, with 6.9% serving as branch managers and 14.3% as department managers.

Lastly, in terms of years of experience, it is evident that the majority of the sample had work experience ranging from 1 to 10 years. Specifically, 31.8% had between 1 and 5 years of experience, and 33.9% had between 6 and 10 years. Fewer participants had longer experience, with 18.8% having 11 to 15 years of experience, 9.4% with 16 to 20 years, and only 6.1% having over 21 years of experience.

Overall, the table highlights that the sample consists mainly of a young demographic, predominantly women working in customer service roles. The data also indicates that most participants have relatively short to moderate work experience in their respective fields. This distribution showcases the dynamic nature of the studied group, contributing to a deeper understanding of the sample's composition in the study.

Table 1: Demographic Information of the Study Sample

No.	Variables	Category Distribution	Number	Percentage
1	**Gender**	Male	90	36.7%
		Female	155	63.3%
		Total	245	100%
2	**Age**	25-34 years	134	54.7%
		35-44 years	66	26.9%
		44-50 years	33	13.5%
		51 years and above	12	4.9%
		Total	245	100%
3	**Position**	Employee	154	62.9%
		Unit Head	39	15.9%
		Branch Manager	17	6.9%

		Department Manager	35	14.3%
		Total	245	100%
4	**Years of Experience**	1-5 years	78	31.8%
		6-10 years	83	33.9%
		11-15 years	46	18.8%
		16-20 years	23	9.4%
		21 years and above	15	6.1%
		Total	245	100%

Testing the Research Instrument's Face Validity

The researcher ensured the face validity of the measurement tool used in the study to confirm that it accurately covers the area it aims to measure. To achieve this, the initial version of the instrument was presented to six expert judges in the field of management, who were provided with a questionnaire to gather their opinions on the clarity of the statements in terms of content and phrasing.

The researcher asked the judges to provide feedback on any statements that needed modification, as well as their opinions on whether some items should be added or removed in various sections of the instrument. After receiving the feedback, the researcher made the necessary adjustments in line with the judges' recommendations, which included improving the phrasing to enhance clarity and accuracy.

All the modifications were documented in the final version of the measurement tool. Through this step, the researcher ensured a strong face validity of the instrument, thereby enhancing the credibility of the results and the overall reliability of the research.

Testing Internal Consistency using Cronbach's Alpha

The "Cronbach's Alpha" test is one of the most prominent methods used to measure the internal consistency of a measurement tool's components. It is used to assess the tool's ability to achieve reliability and stability when measuring the target concept. When the questions are interconnected and aim to measure the same idea or concept, it is expected that the responses will be notably consistent. Through the "Cronbach's Alpha" test, the level of correlation between the different questions within the scale is examined. When the Cronbach's Alpha coefficient is high, it indicates that the tool has a high level of reliability, meaning there is clear consistency between the responses, thus enabling the tool to measure the target concept reliably.

In this study, the Cronbach's Alpha coefficient was calculated for all dimensions and variables used in the measurement tool, as shown in Table (2). The results indicate that all values exceeded the minimum acceptable limit of 0.70, reflecting strong internal consistency within the tool. These results increase confidence in the tool's effectiveness and reliability in collecting and analyzing data. The high Cronbach's Alpha values enhance the tool's reliability in measuring its intended goal and reduce the likelihood of random variation in the results. This, in turn, makes the conclusions drawn from the data more accurate and reliable and strengthens the potential for the instrument's use in similar studies or applications in the future.

Table 2: Cronbach's Alpha Values for the Study Variables

Scale	Cronbach's Alpha
Bank Governance	0.845
Quality of Investment Decision	0.791

Source: Prepared by the researcher based on SPSS program.

Analysis of the Sample Responses on the Study Variables

Variable1 : Bank Governance

As shown in **Table 3**, regarding the respondents' answers related to bank governance, there is variation in the means and standard deviations of the different items. The item related to "The board of directors reviews all the bank's operations and approves them, and has the right to access information in a timely manner and of the required quality" achieved the highest mean of 4.12, with a standard deviation of 0.69. This reflects a significant commitment from the board of directors in ensuring the review and approval of all banking operations, with appropriate and high-quality information being readily available. This suggests that the role of the board of directors is effective and critical in overseeing the bank's operations, thus enhancing trust in the bank's management and decision-making. The high mean can likely be attributed to strong organizational systems and a management structure that supports transparency and accountability, in addition to a growing awareness of the importance of diligent oversight within the framework of bank governance.

Furthermore, the results are consistent with other related items, such as regular board meetings (mean = 4.04) and the external auditor's execution of their duties (mean = 4.09), indicating the presence of a comprehensive oversight environment that supports the board's decisions and strengthens the role of bank governance.

On the other hand, the lowest mean was for the item "The bank's objectives and values are converted into operational plans and reviewed regularly" which scored 3.34 with a standard deviation of 0.93. This relatively low mean suggests a deficiency in consistently transforming objectives and values into regular operational plans. This could reflect a gap between the strategic goal-setting and the actual implementation and periodic follow-up. The reasons behind this lower score might be linked to organizational challenges or the lack of effective mechanisms for continuous review of operational plans, which hinders the utilization of the bank's strategic goals. Additionally, the higher standard deviation (0.93) points to significant variation in the respondents' opinions on this aspect, possibly due to differing levels of implementation across the bank. This can be compared with the item on delegation of authority (mean = 3.88), where there is less variation, suggesting that the main challenge lies in converting strategies into effective operational plans.

Overall, the high mean scores in some items, such as the oversight of accounts (mean = 4.10) and the external auditor's performance (mean = 4.09), demonstrate that the bank places significant emphasis on ensuring the integrity of its financial and accounting systems and adhering to legal standards, reflecting a well-organized and governance-compliant working environment. However, some items with lower means, such as the conversion of objectives into operational plans (mean = 3.34), point to potential gaps in execution and follow-up, which could impact the quality of long-term investment decisions. These gaps could also affect the periodic evaluation of the board's performance (mean = 3.82), as the lack of continuous review of objectives and plans may hinder the comprehensive assessment of management performance. These results confirm the importance of bank governance in enhancing the quality of investment decisions, as an integrated governance system contributes to making informed decisions that support the bank's sustainability and growth.

Table 3: Respondents' Answers Regarding Bank Governance

No.	Item	Mean	Standard Deviation	Response Direction
1	There is a documented governance system supported by official documents in the bank.	3.95	0.80	Agree
2	The board of directors reviews all the bank's operations and approves them, and has the right to access information in a timely manner and of the required quality.	4.12	0.69	Strongly Agree
3	The bank's accounts are monitored and approved by authorized entities.	4.10	0.87	Strongly Agree
4	There is a clear system for delegating authority within the bank.	3.88	0.86	Agree

5	The bank’s objectives and values are converted into operational plans and reviewed regularly.	3.34	0.93	Agree
6	There are clear policies to address conflicts of interest among board members.	3.71	0.84	Agree
7	The board of directors ensures the integrity of financial and accounting systems, including financial reporting systems.	3.94	0.92	Agree
8	The external auditor performs their duties according to the directives outlined in the engagement letter.	4.09	0.99	Agree
9	Unscheduled audits can be conducted based on directives from higher authorities.	3.90	0.84	Agree
10	The board of directors holds regular meetings to discuss the bank's affairs in the interest of its stakeholders.	4.04	0.95	Strongly Agree
11	Employees are educated about banking governance principles through various means.	3.83	0.97	Agree
12	Stakeholders can communicate with the board of directors in case of illegal practices.	3.96	0.83	Agree
13	The performance of the board of directors and its members is periodically evaluated to ensure compliance with banking governance standards.	3.82	0.82	Agree
14	There is an independent internal audit committee that ensures compliance with legal regulations related to financial accounts.	3.85	0.80	Agree
15	The institution adopts transparency and disclosure practices in providing financial and administrative performance reports to stakeholders.	4.00	0.87	Strongly Agree
Total Mean		**3.90**	**0.87**	**Agree**

Variable 2: Quality of Investment Decisions

The results in Table (4) highlight the respondents' evaluations of the quality of investment decisions within the institution, showing generally high levels of agreement across most items. This indicates general satisfaction with the investment decision-making process.

The item with the highest mean (4.07) relates to making investment decisions based on long-term strategic studies. This reflects the institution's strong reliance on long-term planning, which is crucial for ensuring ongoing success and achieving future growth goals. It suggests that the institution prioritizes sustainable investment decisions supported by comprehensive, forward-looking analysis, reinforcing the importance of strategic foresight in investment decisions.

Additionally, the item regarding consideration of economic factors and risks before making any investment decision (mean = 4.05) also received high agreement. This demonstrates the investment leaders' awareness of the significance of evaluating surrounding risks, such as unstable economic conditions, before making critical decisions. This practice enhances the quality of decisions and helps protect the institution from potential risks. It indicates that the institution conducts a comprehensive assessment of the economic situation, including market changes, inflation, interest rates, and exchange rates, in addition to identifying risks that could negatively impact investment success, such as political, legal, or technological risks. By considering these factors, the institution can make more sustainable and wise investment decisions, avoiding rash or poorly considered decisions that could lead to losses. This in-depth analysis enables management to formulate investment strategies that align with the surrounding economic environment, balancing risks and returns and improving the likelihood of investment success and achieving financial goals.

The item related to making decisions based on alignment with economic and political risk analysis (mean = 4.04) emphasizes the importance of analyzing external risks and their impact on the institution's investments, enhancing its ability to adapt to economic and political changes.

On the other hand, the item with the lowest mean (3.11) pertains to the alignment of investment decisions between senior leadership and relevant departments. This suggests some difficulties or challenges in coordination between different levels of leadership, which may result in inconsistent decisions or a lack of harmony between various departments in the institution. This challenge may stem from poor communication or gaps in information exchange between senior leadership and executive departments.

When discussing the alignment of investment decisions between senior leadership and relevant departments, several challenges could arise, potentially affecting the investment process:

1. **Time Delays**: The process of reaching a final decision may take longer as each party tries to voice its opinion and participate in decision-making. This delay could be costly in fast-paced economic environments that require quick responses to changes or investment opportunities. Delays may result in missed opportunities or higher investment risks due to sudden market changes.
2. **Compromise Leading to Reduced Innovation**: The pursuit of consensus may stifle creativity and innovation. Instead of adopting bold and potentially high-return ideas, the focus may shift to finding middle-ground solutions that please all parties. This approach limits the institution’s ability to capitalize on investment opportunities that require risk-taking or out-of-the-box thinking.
3. **Indecisive or Mediocre Decisions**: The need for consensus may result in decisions that lack decisiveness or are merely average, as parties involved make concessions to reach an agreement. These middle-ground decisions may not be effective enough to achieve ambitious investment goals or may fail to meet the institution’s real needs at the time.

Thus, while alignment between senior leadership and relevant departments is essential for coordinating efforts and ensuring internal harmony, excessive focus on this can lead to a loss of flexibility, slow responses, and reduced innovation in investment decisions. Although the institution clearly seeks to achieve its investment goals through thoughtful strategies, this item highlights the need for enhanced cooperation among all involved parties to achieve greater alignment in investment decision-making.

Table 4: Responses of Respondents Regarding the Quality of Investment Decisions

No.	Statement	Mean	Standard Deviation	Response Direction
1	Investment decisions in my institution are based on a thorough analysis of the financial situation.	3.86	0.79	Agree
2	Investment decisions in the institution are based on long-term foresight studies.	4.07	0.76	Strongly Agree
3	All economic factors and risks are considered before making any investment decision.	4.05	0.85	Strongly Agree
4	The investment decision in my institution is directly influenced by the management leadership style.	3.78	0.82	Agree
5	Investment decisions are made based on consensus between senior leadership and the concerned departments.	3.11	0.83	Agree
6	The investment decision contributes to achieving the institution's long-term strategic goals.	3.56	0.79	Agree
7	The implementation of investment decisions is regularly monitored to ensure the desired results are achieved.	3.85	0.77	Agree

8	Investment decisions are made based on alignment with the analysis of economic and political risks.	4.04	0.77	Strongly Agree
9	Investment decisions in the institution rely on effective communication between all administrative levels.	3.80	0.91	Agree
10	Investment decisions align with the institution's goals for sustainable growth and economic development.	3.97	0.85	Agree
11	Financial data analysis contributes to making investment decisions in my institution.	3.71	0.84	Agree
12	A clear action plan is formulated before making investment decisions.	3.87	0.85	Agree
13	The performance of investments is periodically evaluated to ensure goals are being met.	3.69	0.87	Agree
14	Investment decisions are made based on a financial feasibility study.	3.73	0.82	Agree
15	Decision-makers in the institution consider market and competitive factors when making investment decisions.	3.92	0.83	Agree
Overall Mean		3.80	0.82	Agree

Analysis of the Correlation Between Research Variables

In this section, the focus is on the importance of measuring and testing the correlation relationships between the research variables related to the study hypotheses. The main objective is to verify the validity of these hypotheses through analyzing the relationships between the independent variable (governance) and the dependent variable (investment decision quality). To achieve this goal accurately, it is also necessary to test the sub-hypotheses related to the main hypothesis. One of the tools used in this context is the **correlation coefficient**, which helps determine the strength of the relationship between the variables as well as the nature of this relationship, whether it is positive or negative. Through this analysis, it is possible to determine the extent of **governance's impact** on **investment decision quality**, contributing to a deeper understanding of how these factors interact. This in-depth understanding of the correlation relationships between the variables can play a vital role in providing information that supports better investment decisions and may help researchers offer recommendations based on accurate data to improve administrative and investment performance in institutions.

Testing the Research Hypothesis:

There is a statistically significant correlation and impact between the principles of banking governance application and the quality of investment decisions in the banks of the research sample.

Table (5) shows the results of the correlation relationships between the two main variables in the research: **banking governance** and **investment decision quality**. The results indicate that the correlation coefficient between these two variables is **0.749**, which is a high and positive correlation. This means that there is a strong and positive relationship between **banking governance** and **investment decision quality**. Banking governance has a strong correlation with the quality of investment decisions, as improvements in banking governance are associated with improvements in the quality of the investment decisions made in the institution. In other words, when banking governance is effective and stable, investment decisions tend to be more accurate and based on sound analytical data, thus increasing their quality.

On the other hand, the **correlation coefficient of 1** between each variable and itself in the table indicates that the relationship between a variable and itself is, of course, complete and absolute. However, the focus here is on the **correlation coefficient** between **banking governance** and **investment decision quality**, which reflects the positive impact of good governance on the investment decision-making process.

Therefore, the strong correlation between **banking governance** and **investment decision quality** means that improving banking governance practices, such as **transparency**, **accountability**, and **effective risk management**, can significantly contribute to improving the quality of investment decisions. Conversely, weak or ineffective governance can lead to a decline in the quality of investment decisions, as decisions might be made based on insufficient information or an inability to effectively manage risks. These results highlight the importance of investing in the development and improvement of banking governance within institutions to ensure high-quality investment decisions are made.

Table 5: Results of Correlation Relationships Between Research Variables

Variables	**Banking Governance**	**Investment Decision Quality**
Banking Governance	1	0.749
Investment Decision Quality	0.749	1

In this context, a simple linear regression model was used to test the effect of the independent variable, banking governance, on the dependent variable, investment decision quality. The primary goal of using this model is to measure the individual impact of these factors on investment decision quality, allowing us to determine if there is an actual effect and how to direct it. The simple linear regression model is an analytical tool that links each independent variable to the dependent variable through a mathematical equation, enabling us to determine the strength of the relationship (how closely the variables are correlated) and its direction (positive or negative). The regression coefficient estimated through this model represents the impact of each independent variable on the dependent variable, indicating the change in investment decision quality relative to any change in the independent variable. If governance contributes to improving the quality of investment decisions, the regression coefficient will appear as a positive value, indicating a positive effect. The regression coefficient will also provide insights into the strength and direction of this effect. Furthermore, analyzing the results of this model helps to make informed decisions about the factors that enhance investment decision quality, as well as identifying areas that need improvement or adjustment to enhance this quality.

The analysis of Table (6) reflects a strong impact relationship between banking governance and investment decision quality, which is crucial from an economic and financial perspective. Banking governance, which refers to the controls and procedures that ensure transparency and accountability in bank management, is a key factor in ensuring the accuracy and quality of investment decisions as it provides the necessary information to make such decisions. In this context, it is clear from the marginal slope coefficient (β) of 0.634 that banking governance directly and positively contributes to improving investment decision quality. This significant effect shows that banks with effective governance practices have more accurate and transparent financial reporting, which enhances their credibility with investors and stakeholders. Additionally, the coefficient of determination (R^2) of 0.825 strengthens this understanding, as it indicates that 82.5% of the changes in investment decision quality are directly attributed to banking governance. This suggests that banking governance is one of the key factors explaining the quality of investment decisions, and improving this governance can lead to a substantial improvement in the quality of investment decisions made.

Thus, strong banking governance reduces the risks associated with inaccurate or non-transparent investment decisions. When investment decisions are accurate and reflect the bank's strategy, this increases its ability to improve performance, thereby enhancing long-term economic growth. Conversely, in the case of weak governance, misleading or inaccurate financial reports may emerge, creating a lack of trust and leading to investor reluctance or poor investment decisions. From a financial perspective, institutions that implement good governance are better able to manage risks, reducing the likelihood of facing financial crises or bankruptcy. The high quality of investment decisions resulting from effective governance practices allows financial institutions to achieve profits more efficiently and manage capital and liquidity at a higher level. This is reflected in the institution's financial performance by improving returns and reducing financing costs.

The value of the intercept (α), which stands at 0.287, indicates the level of investment decision quality in the absence of the impact of banking governance. In other words, this value represents the constant part of investment decision quality that is unaffected by banking governance. Additionally, the calculated value of (F) reached 10.18, which is significantly higher than the table value of 3.94, indicating that the statistical model used in this analysis is statistically significant.

Table 6: Analysis of Impact Relationships Between Research Variables

Independent Variable	Dependent Variable	Intercept Value (α)	Marginal Slope Coefficient (β)	Coefficient of Determination (R^2)	Calculated (F) Value	Tabular (F) Value	Sig	Significance
Banking Governance	Investment Decision Quality	0.287	0.634	0.825	10.18	3.94	0.00	Significant

CONCLUSIONS

The researcher has reached a number of important conclusions, the most significant of which are:

1. The researcher was able to prove the research hypothesis, as there was a correlation and impact between banking governance and its reflection on the quality of investment decisions within the research sample.
2. Banking governance contributes to reducing risks, improving performance, and enhancing the competitiveness of goods and services. It also enhances transparency, develops management, and leads to an increase in the number of investors in stock exchanges and financial markets. Banking governance is of great importance in financial circles, as it includes principles aimed at managing risks, ensuring transparency, and promoting integrity. This system manages the operational processes of banks and enhances economic efficiency, while poor governance may negatively affect financial stability. Therefore, central banks focus on strengthening banking governance to improve compliance with international standards.
3. The research sample showed significant commitment from the board of directors in reviewing and approving all banking activities, ensuring the availability of high-quality information. This indicates the effective and central role of the board of directors in monitoring the processes within the bank, thereby enhancing trust in the management and decisions made. This high average is likely due to strong regulatory systems and an administrative structure that supports transparency and accountability, in addition to increasing awareness of the importance of meticulous monitoring within the framework of banking governance.
4. There is general satisfaction with the investment decision-making process in the organizations of the research sample, as it relies on long-term foresight studies. This indicates that the organization places great importance on long-term strategic planning, which is considered essential to ensuring continued success and achieving future growth objectives, making these decisions of high quality.
5. There is a strong and close correlation between banking governance and investment decision quality, as shown by the correlation coefficient value of 0.749, indicating a strong and positive relationship. Banking governance has a strong connection to investment decision quality, as improvements in banking governance levels are associated with better investment decisions made within the organization. In other words, when banking governance is effective and stable, investment decisions tend to be more accurate and based on sound analytical data, thus enhancing their quality.
6. There is a direct impact of banking governance on the quality of investment decisions, based on the coefficient of determination (R^2), which was 0.825. This means that 82.5% of the changes in investment decision quality are directly attributed to banking governance. This suggests that banking governance is one of the key factors explaining the quality of investment decisions, and therefore improving this governance can lead to a significant enhancement in the quality of investment decisions made.

RECOMMENDATIONS

The researcher recommends the following key suggestions:

1. Banking institutions should adopt periodic mechanisms for evaluating investment performance, as this will contribute to learning from past mistakes and developing more effective investment strategies in the future.
2. A balance should be achieved between short-term investment decisions aimed at achieving quick results and long-term decisions that enhance the performance of banks in the long run. This balanced approach will help reduce instances of misuse of authority and contribute to achieving sustainability and sustained growth, thereby enhancing investor confidence and achieving positive results for the bank and society as a whole.
3. Banking governance should be adopted more widely and effectively, given its positive impact on improving company performance and protecting the rights of stakeholders. Implementing governance enhances fairness,

ensures transparency, and promotes accountability, thus contributing to ensuring a stable and attractive investment environment.

4. It is necessary to establish a specific transparency system that enables stakeholders, market participants, and the public to obtain sufficient information about the bank's structure and objectives. This will allow market participants to assess the soundness of their dealings with banks, as they will be able to understand capital adequacy positions in a timely manner. This will encourage them to deal with banks that apply sound governance practices and, conversely, avoid banks that take significant risks without adequate provisions. This system will enhance trust in the banking sector and strengthen financial stability.

REFERENCES

1. Bateekh, Mohammad Yasser Abdul-Raouf (2015), "A Legal Study of Governance in Economic Public Utilities in Syria," Master's Thesis, Faculty of Law, University of Aleppo.
2. de Ferranti, D. M., Jacinto, J., Ody, A., & Ramshaw, G. (2009). "How to Improve Governance: A New Framework for Analysis and Action." Washington, D.C: Brookings Institution Press.
3. Huwari, Mi'raj, et al. (2013), "Investment Decisions Under Uncertainty and the Financial Crisis" (1st edition). Jordan: Dar Knouz Al-Ma'arifa for Publishing and Distribution.
4. IIA (2004) International Standards for the Professional Practice of Internal Auditing, The latest additions and amendments to the Standards were issued in December 2003, and they will be effective, www.theiia.org.
5. Jasim Hussein Karim (2020), "The Role of Sustainability Accounting Reporting According to (SASB & GRI) Standards in Improving Financial Performance: An Applied Study," part of the requirements for obtaining a Ph.D. in Accounting, Al-Mustansiriya University.
6. OECD (2001) "Steering Group on Corporate Governance in OECD Member Countries: Recent Developments and Trends (Draft)," April.