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The Impact of Banking Governance in Reducing Bank Credit Risks: An Applied Study in the Iraqi Middle East Investment Bank

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Abstract: The study aims to measure the impact of banking governance on reducing bank credit risks, as well as present proposals that contribute to reforming the institutions of the Iraqi banking sector and directing them towards applying the principles of banking governance. To achieve the objectives of the study and prove its hypothesis, a questionnaire was designed according to a five-point Likert scale, consisting of 26 items divided into two axes: "banking governance and bank credit risks." The descriptive analytical approach was used to measure and analyze the impact of banking governance in reducing bank credit risks, and using the Statistical Package for the Social Sciences (SPSS.24) program, the questionnaire was distributed to employees at the Iraqi Middle East Investment Bank, and the number of those who filled out and returned the questionnaire reached 75. Respondents, and only 5 of them were excluded due to their invalidity. The study concluded that there are no obstacles to applying banking governance in the Iraqi banking sector. The study recommended applying the principles of banking governance in all banks, and increasing the awareness and culture of bank employees about the importance of banking governance.

Keywords: banking governance, bank credit risks, banking sector, Iraqi Middle East Investment Bank.

INTRODUCTION

The banking sector plays a major role in financing the economy and maintaining its stability, which leads to economic progress over the years. However, it can be exposed to risks within moments and economic development efforts are lost.

As a result of the financial and administrative corruption that befell the financial markets, as well as the financial scandals that affected a large number of international companies during the last two decades of the twentieth century, in addition to the regulatory weakness over various financial activities, all of this led to interest in the issue of corporate governance by business and corporate organizations. International standards, in order to establish a set of ethical controls and professional principles to protect the rights of customers (shareholders, suppliers, creditors, and investors), so the Basel Committee established basic standards for effective supervision of banks and methodologies for their application, in addition to special

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governance rules to ensure proper management of banking risks and improve management within Institutional structures, thus increasing their efficiency and ability to overcome the crises they face. Iraqi banks have sought to reconsider their credit policies and pay attention to the principles of the Basel Committee on Governance when preparing their financial reports, especially with the rise in competition, technological development, and the increase in the volume of banking transactions.

Research problem: The research problem focuses on answering the following questions:

1. What role does banking governance play in developing capital and preserving shareholders' rights in a way that reduces bank credit risks?
2. How can banking governance contribute to reducing bank credit risks in Iraqi commercial banks?

Research importance: highlighting the role of banking governance in reducing bank credit risks, as activating the principles of governance and applying its rules in Iraqi commercial banks leads to reducing bank credit risks and works to develop and reform the performance of banking management and develop the national economy.

Research aims:

1. Identify the concept of governance, its principles, and the degree of its use in the research sample bank.
2. Highlighting the nature of bank credit, its risks, and the impact of applying the decisions of the Basel Committee on the level of credit risks.
3. Analyzing the impact of applying governance principles on reducing credit risks in Iraqi banks.
4. Conduct a field study to test the validity of applying corporate governance in the Iraqi banking sector to reduce credit risks.

Research hypothesis: The research is based on the following two hypotheses:

1. There is a statistically significant correlation between banking governance and bank credit risks.
2. There is a statistically significant effect of banking governance in reducing bank credit risks.

Research Methodology: The descriptive analytical method was used to collect and analyze data, prove the study hypotheses, and draw conclusions on the basis of which recommendations were adopted.

Research borders: time borders for the manuscript were represented by the period of distribution and retrieval of the questionnaire, which is the period extending from (1-7-2023 until 9-1-2023), while location borders for the manuscript were represented by the Iraqi Middle East Investment Bank.

Research sample: The research sample was determined by Iraqi commercial banks, and the Iraqi Middle East Investment Bank was chosen.

THEORETICAL AND CONCEPTUAL FRAMEWORK OF BANKING GOVERNANCE AND BANK CREDIT RISKS

The concept of governance has appeared widely in recent years, as a result of many economic, social and regulatory factors that pushed towards the development of this concept, including modern banking technologies that generated the need for institutional governance in the banking sector, which is important to ensure the continuity and safety of banks that wish to maintain It enhances its competitiveness in a global financial sector that is characterized by vitality and innovation, by applying the best banking

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practices to meet the ongoing needs of its customers, and to avoid the risks of credit transactions to which it may be exposed.

A. BANKING GOVERNANCE

1. Definition of Banking Governance

There is no unified definition of banking governance, as researchers have defined this concept according to its orientations, but it can be defined as "a structure through which the bank's objectives are formulated and the means of achieving these objectives are monitored and actual performance is monitored and compared to the planned objectives" (Bilal: 2005, 2).

Banking governance is also defined as "a set of rules according to which the institution is managed and controlled according to a specific structure that includes the distribution of rights and duties among those participating in the company's management, the board of directors, executive directors, and shareholders." (Shehata: 2007, 19).

The Organization for Economic Co-operation and Development (OECD) defines banking governance as "the system that directs and controls the institution's work and distributes rights and duties among its various parties, such as the board of directors, shareholders, and stakeholders, and sets the necessary rules and procedures for making decisions regarding its affairs. It also sets the goals and strategies necessary to achieve them and establishes the foundations for them." Follow-up to evaluate and monitor performance." (OECD, 2004).

2. Governance Goals

The goals of governance are represented in two parts: the first: at the level of the economy, and the second: at the level of the bank, as the objectives of governance are focused on the level of the economy as follows: (Muhammad: 2019, 10-11)

1. Increasing confidence in the national economy, deepening the role of capital, increasing its ability to mobilize savings, raising investment rates, and preserving the rights of small shareholders.
2. Growth of the private sector, supporting its competitive capabilities, creating new job opportunities and achieving economic growth rates.

At the bank level, the governance objectives are as follows: (Khashaba and Saleh: 2022, 405)

1. Achieving transparency, disclosure, and fairness, and granting the right to hold company management accountable.
2. Achieving protection for shareholders and taking into account the interests of business and workers.
3. Limiting the abuse of power for purposes other than the public interest.
4. Maximizing profit, adhering to the provisions of the Labor Law, and ensuring financial performance is reviewed.
5. Forming an audit committee that does not include members of the Executive Board of Directors, which will have many tasks and powers to achieve independent and effective oversight.

3. Principles of Banking Governance

The Basel Committee issued a report on strengthening governance in banks in 1999, which included five areas. Then it issued an amended version in 2004, covering six areas. In February of 2006, it issued an updated version entitled "Strengthening the Governance Union for the Regulation of Banks," which

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included the principles of governance in banks. Those principles were also updated. The principles again in 2016, represented by the following: (Al-Azzawi and Khamis: 2010, 143-146) (Khashaba and Saleh: 2022, 415).

first principle: The members of the Board of Directors must be fully qualified for their positions and must be fully aware of governance and the ability to manage the work of the bank. They must be responsible for the bank's performance and the soundness of its financial position, for formulating the bank's business strategy and risk policy, avoiding conflicts of interest, and refraining from making decisions when there is a problem. Conflicts of interest and that they restructure the board to increase efficiency and form a committee to manage credit, market, liquidity, operational, reputation and other risks.

second principle: The Board of Directors must approve and monitor the bank's strategic objectives and work values and standards, taking into account the interests of shareholders and depositors. It must also ensure that the executive management implements the bank's strategic policies and prevents activities that weaken governance, such as lending to employees, managers, or shareholders who have control of the majority.

third principle: The Board of Directors must set clear boundaries for responsibilities and accountability in the bank for themselves, senior management, managers, and employees, and establish an administrative structure that encourages accountability and defines responsibilities.

fourth principle: The Board of Directors ensures that there are principles and concepts for executive management that are consistent with the Board's policy and that the bank's activities are carried out in accordance with the policies set by the Board of Directors and in accordance with an effective internal control system.

fifth principle: The Board of Directors acknowledges the independence of the auditors and the internal control functions, including (conformity, compliance and legal functions) as they are essential to the governance of banks for the purpose of achieving a number of oversight functions and confirming the information obtained from management about the bank's operations and performance due to the importance of effective internal audit and control functions. And the external safety of the bank in the long term.

Sixth Principle: The Board of Directors ensures that wages and rewards policies are consistent with the bank's objectives and strategy, and that the incentives of senior management and executive directors are linked to the bank's long-term goals.

Seventh Principle: The necessity of transparency for sound and effective governance, as it is difficult for shareholders and stakeholders to monitor the performance of the bank's management in light of the lack of transparency and the lack of sufficient information about the bank's ownership structure and its objectives. Therefore, public disclosure is necessary, especially for banks registered on the stock exchange, to achieve market discipline. Among the information that must be disclosed is information related to financial statements, exposure to risks, and topics related to internal audit and governance in the bank, including the structure and qualifications of board members, managers, committees, incentive structure, and wage policies for employees and managers.

Eighth Principle: The members of the Board of Directors and senior management must understand the structure of the bank's operations and the legislative environment in which it operates, as the bank may be exposed to legal risks indirectly when it provides services on behalf of its clients who exploit the bank's services and activities to engage in illegal activities, which exposes the bank's reputation. To danger.

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B. BANK CREDIT RISK

1. Definition of Bank Credit Risk

Credit risk is defined as a potential loss resulting from the customer's inability to pay the borrowed amount and its interest to the bank on the due date specified in the terms of the contract (Ananza and Othman: 2013, 8).

Credit risk is also defined as the state of uncertainty in recovering borrowed funds or collecting expected future profits (Zahra and Rabah: 2018, 297).

From this it is clear that bank credit risk occurs when the bank fails to recover its loan as a result of the customer's inability to pay on the due date.

2. Sources of Bank Credit Risk

The risks to which loans are exposed can be divided into special risks and general risks, and the following is a review of each of them: (Bin Saed and Sabour: 2021, 231)

1. Special risks: Unsystematic risks: Unsystematic risks are those internal risks that are unique to a company or industry under certain circumstances. Examples of these circumstances include weak banking management and administrative errors. This type of exceptional and non-market risk would affect the customer's ability and desire to pay. What obligations he owes to the bank within the agreed-upon terms.
2. General Risks Systemic Risks: Systematic risk means all the risks that affect all loans, regardless of the circumstances of the lending bank, due to economic, political, and social factors that are difficult to control. Examples of these risks include the risks of changes in interest rates, the risks of changes in customer tastes, the risks of inflation, and the risks of changes in currency exchange rates in foreign countries, in addition to technological changes.

3. Types of Credit Risks

The most important types of credit risks to which banking activity is exposed are: (Bashir et al.: 2021, 17-19) (Allal and Al-Tahir: 2018, 49-50) (Al-Rubaie, Hakim Mohsen and Radi, Hamad Abdel Hussein: 2011)

1. Liquidity risk: The policy of granting credit to customers is linked to the existence of compatibility with the terms of the bank's sources of funds, which provides it with sufficient liquidity to meet withdrawal requests for deposits from other customers, as the bank's inability to immediately liquidate assets at an acceptable cost affects its profitability, creating what is called the risk of failure. In matching and harmonizing customers' cash withdrawals and the customer's loan repayments.

2. Pricing risks: The bank must study the prices of the products that are charged to customers in the form of burdens and link them to the level of risks. The greater the risks, the higher the expected return from the facilities. This is related to the added margin that distinguishes between one client and another. Therefore, the basic lending rate is determined by the historical cost of funds. Or the market value plus the reserve ratio and the cost of debt management.

3. Risks associated with the facilitation period: It is important in granting the bank credit facilities that the facilitation period suits the nature of the client's activity, the objective of the financing, and the recovery period of the expected return from the financing.

4. Risks of currency fluctuation: This leads to losses as a result of changes in the currency exchange rate relative to the bank's reference to foreign currency, and includes the creation of debts in the foreign currency. Variations in gains occur due to linking revenues and expenses to exchange rates through

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indicators, or linking the values of assets and liabilities to foreign currencies, which is what why It requires hedging against currency fluctuations to avoid potential losses.

In addition to many other risks, including implementation risks, risks and notification risks, risks of irregularity in periodic credit examination, risks of rapid development of the size of facilities, risks of information exchange, market risks, and risks of collateral erosion.

From all of this, it is clear that banking risk is associated with all the bank's operations and activities, whether these operations are long-term or short-term, and that these risks may affect the achievement of the bank's objectives and its continuity.

FIELD STUDY

This part includes presenting and discussing the field research results that were obtained using the SPSS-24 statistical program, interpreting them according to the answers of the research sample members, testing the hypotheses by testing the relationship of correlation and influence, and then using the quantitative analysis method for questions related to the research variables.

A. PROCEDURES AND METHODOLOGY

1. Study methodology: The researchers used the descriptive analytical method, which is a method of describing the subject to be studied through a correct scientific methodology and depicting the results reached in expressive digital forms that can be interpreted and future policies and procedures can be developed (Al-Mahmoudi, 2019).

2. The validity and reliability of the questionnaire: The validity of the questionnaire means that the questionnaire questions measure what they were designed to measure. The validity and reliability of the tool was verified by conducting a validity test and an internal consistency validity test. The research will also address constructive validity using Cronbach's alpha coefficient. The two researchers verified the validity of the questionnaire in two ways:

A- The veracity of the arbitrators' opinions' "apparent honesty":

Content validity is one of the most important aspects that support the strength of the research tool used from a scientific standpoint. Apparent validity is linked to the ability of the tool's content to comprehensively cover the phenomenon under investigation, and to represent all its variables in their various dimensions in connection with the scientific theories that dealt with these variables and the mutual relationships between them. To achieve this aspect, it is necessary to do with an extensive scientific review of the theories and scientific foundations that established the relationship between these variables and addressed the various dimensions of the phenomenon under investigation, in order to capture all the components of those dimensions, and represent them within the framework of drafting items related to each of its dimensions. This aspect enables the researchers to verify the behavior of the phenomenon under investigation and present. The researchers submitted the questionnaire to a group of arbitrators consisting of a group of specialists in the academic, administrative, professional and statistical fields. The researchers responded to the arbitrators' opinions and made the necessary deletions and amendments to the questionnaire items in light of the proposals presented.

B- Validity of the scale:

1. Internal consistency

Internal consistency is one of the criteria for evaluating the validity of the research tool in terms of the extent to which the items agree with their dimensions, and the extent to which the contents of the

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dimensions are consistent with the main axes of the tool. The higher the degree of consistency of the items with the dimensions, the higher the level of internal consistency of the research tool. To extract the level of this consistency, the Spearman correlation coefficient is used. As a dividing criterion for judging this level, the higher the degree of correlation between the item and the dimension, the higher the degree of this consistency. The two researchers calculated the internal consistency of the questionnaire by calculating the correlation coefficients (Spearman) between each item of the axis and the total score on the axis.

The validity of the internal consistency of the research axes: The researchers used the Spearman correlation coefficient to calculate the validity of the internal consistency between each item and the dimension to which the item belongs, and the following table shows this.

Table (1): Internal consistency of the research items

Item	Correlation coefficient	Significance level	Item	Correlation coefficient	Significance level
Banking governance	0.915**		Bank credit risk	.904**0	
Item 1	0.915**	.000	Item 1	.904**0	.000
Item 2	.943**0	.000	Item 2	.946**0	.000
Item 3	.906**0	.000	Item 3	.932**0	.000
Item 4	0.911**	.000	Item 4	.956**0	.000
Item 5	.867**0	.000	Item 5	.883**0	.000
Item 6	.949**0	.000	Item 6	.920**0	.000
Item 7	.911**0	.000	Item 7	.949**0	.000
Item 8	.947**0	.000	Item 8	.953**0	.000
Item 9	.823**0	.000	Item 9	.961**0	.000
Item 10	.907**0	.000	Item 10	.936**0	.000
Item 11	.846**0	.000	Item 11	.935**0	.000
** The correlation is statistically significant at the significance level of 0.01			Item 12	.932**0	.000
			Item 13	.865**0	.000
			Item 14	.848**0	.000
			Item 15	.956**0	.000

Table (1) shows the correlation coefficient between each item of the research axes and the total score of the axis, which shows that the correlation coefficients shown are statistically significant at a significance level (0.01, ≥α), and thus the research axes are considered true to what they were designed to measure.

- **Stability of the search tool:**

The researchers relied on the Cronbach's alpha method as one of the measures used to evaluate the reliability of research tools. It was designed by the scientist Cronbach with the aim of achieving an accurate measurement of the stability of the tools. This measure is especially appropriate when using a Likert scale. The value of this factor ranges between 0 and 1, and the closer its value is to one. This indicated an increase in the stability of the tool used, and thus an increase in the homogeneity of the scale. The two researchers verified the stability of the questionnaire through Cronbach's alpha coefficient, and the results were as shown in the following table:

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Table (2): Reliability of the research tool

Dimensions	Number of items	Cronbach's alpha coefficient
Banking governance	11	0.974
Bank credit risk	15	0.987
All axes	26	0.991

The previous table shows that the value of the Cronbach's alpha coefficient for the banking governance axis is (0.974), and this means that the reliability is high and statistically significant. The previous table also shows that the value of the Cronbach's alpha coefficient for the banking credit risk axis is (0.987), and this means that the reliability is high and statistically significant, as is evident from the results. It is shown that the value of the Cronbach's alpha reliability coefficient for all research axes is (0.991). This means that the reliability is high and statistically significant. Thus, the questionnaire in its final form is distributable and the researchers have confirmed the validity and stability of the research questionnaire, which makes them completely confident of the validity of the questionnaire and its suitability for analyzing results and testing hypotheses of research.

➢ **Normal distribution test**

The Kolmogorov-Smirnov (K-S) test and the Shapiro test were used to test whether the data follows a normal distribution or not. The results showed that the probability value (Sig) is greater than the significance level of 0.05, and therefore the data follows a normal distribution. Parametric tests for analyzing data and testing research hypotheses, and the following table shows this:

Table (3): Results of the normal distribution test

Dimensions	test	test	Value
	Kolomogrov- Smirnov test	Shapiro test	الاحتمالية
Banking governance	1.31	0.966	0.157
Bank credit risk	1.27	0.935	0.202

Presentation and discussion of results

The presentation of the results will include three axes, as follows:

The first axis: Personal characteristics of the sample members

This item includes the presentation and analysis of the personal data of the research sample:

Table (4): Demographic data

Personal and functional characteristics of the research sample				
1	Gender	details	number	ratio
		male	33	47
		female	37	53
total			70	
2	Age	from 20 to 30	8	11
		From 31 to 40	30	43
		From 41 to 50	19	27
		51or more	13	19
total			70	100

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3	Academic achievement	PhD	12	17
		Master's	25	36
		Bachelor's	31	44
		diploma	2	3
total			70	100
4	Years of service	Less than 5 years	8	11
		6 to 10 years	9	13
		11 to 15 years	24	34
		16 to 20 years	11	16
		20 or more	18	26
total			70	100
5	Position	Director of the Department	8	12
		Branch Manager	3	4
		Division manager	5	7
		Unit official	6	8
		employee	48	69
total			70	100

Source: the table was prepared by the researchers based on the results of (SPSS-24).

Looking at the frequencies of the study sample, which has a total size of (70) employees, we note that (47%) represent males, while the size of females reached (37) females, with a percentage of (53%). This means that most of the answers were from female employees and males. for item (2), it was shown that most of the answers were from employees who were between 31 and 40 years old, with a number of (30) employees. It is also clear from item (3) that (12) employees had a doctorate, with a percentage of (17). %) As for those holding a master's degree, their number reached (25 employees, at a rate of (34%). As for those holding a bachelor's degree, their number reached (31) employees, at a rate of (44%). As for those holding a diploma, their number reached (2) employees, at a rate of (%) (3%), which indicates that the majority of respondents hold a bachelor's degree.

It is clear from Item No. (4) that (8) employees served from 1 to 5 years at a rate of (11%). We also note that (9) employees served from 6 to 10 years at a rate of (13%), and that (24) The percentage of employees whose career service ranged from 11 to 15 years constituted (34%), and (11) employees whose career service ranged from 16 to 20 years constituted (16%), and the percentage of employees whose career service was from 20 years or more amounted to (26%). Item (5) Through the repetitions, we notice that (8) employees are the department manager, their percentage is (12%). We also notice that (3) employees are the branch manager, the percentage is (4%), and five employees are the division manager, the percentage is (7%). 6 of the employees were unit officials (8%), and (48) of the respondents were employees (69%).

The second axis: Testing the level of importance of the research variables.

First: Testing the level of importance of the independent variable (banking governance). This item includes presenting and analyzing the responses of the research sample members on the independent variable (banking governance), relying on a five-point Likert scale, which included (11) items, as shown in the statistical table shown below:

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Table No. (5) Description and diagnosis of the research sample's opinions regarding the independent variable (banking governance)

Item	Strongly Agree	Agree	neutral	disagree	Strongly Disagree	mean	S.D.	Relative weight%	Level of importance
1	40	18	7	5	0	4.33	0.928	87	Strong
2	33	31	6	0	0	4.39	0.644	88	Strong
3	23	30	17	0	0	4.09	0.756	82	Strong
4	28	35	2	3	2	4.2	0.91	81	Strong
5	12	45	9	4	0	3.93	0.729	79	good
6	29	32	9	0	0	4.29	0.684	86	Strong
7	21	38	11	0	0	4.14	0.666	83	Strong
8	33	28	9	0	0	4.34	0.7	87	Strong
9	38	32	0	0	0	4.5	0.502	91	very strong
10	31	36	3	0	0	4.4	0.575	89	Strong
11	20	46	4	0	0	4.23	0.543	85	Strong

It became clear from Table (5) that all items of this variable were characterized by high degrees of response and support by the research sample as a result of the arithmetic mean values for those items falling within the range (3.9-4.5), as well as the convergence in the arithmetic mean values for those items, as all of those The items are close in value to their arithmetic mean, as Table (5) shows the frequency distribution, arithmetic mean, and standard deviation for all banking governance items. The highest item in terms of the value of the arithmetic mean was item (9), which states (Governance enables increased confidence in the national economy and deepens the role of the head of Money and increasing its ability to mobilize savings and raise investment rates), with an arithmetic mean of (4.5) and a strong level of importance, as its standard deviation value reached (0.502), which indicates the presence of a noticeable dispersion in the answers of the respondents in the studied sample.

As for the lowest statements in terms of the value of the arithmetic mean, it was for item (5), which states (banking governance aims to establish systems that ensure the avoidance or reduction of fraud, conflicts of interest, and unacceptable behavior financially, administratively, and morally). Its mean was equal to (3.93) and with a good level of interest, from before. The respondents responded to this item, and the value of the standard deviation for that item was (0.729), which indicates noticeable fluctuation and dispersion in the respondents' answers.

Second: Testing the level of importance of the dependent variable (bank credit risk)

1- Analysis of the respondents' answers to the items (bank credit risks)

Table (6) Description and diagnosis of the sample's opinions on questions related to bank credit risks.

Item	Strongly Agree	Agree	neutral	disagree	Strongly Disagree	mean	S.D.	Relative weight%	Level of importance
1	21	41	8	0	0	4.19	0.621	84	Strong
2	25	35	10	0	0	4.21	0.679	84	Strong
3	31	35	4	0	0	4.39	0.597	88	Strong
4	28	36	6	0	0	4.31	0.627	86	Strong
5	40	24	6	0	0	4.49	0.654	90	very strong
6	25	26	19	0	0	4.09	0.794	82	Strong

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7	33	30	7	0	0	4.37	0.663	87	Strong
8	26	35	9	0	0	4.24	0.669	85	Strong
9	28	35	7	0	0	4.3	0.645	86	Strong
10	33	32	5	0	0	4.4	0.623	88	Strong
11	34	26	10	0	0	4.34	0.72	87	Strong
12	31	35	4	0	0	4.39	0.597	88	Strong
13	17	36	17	0	0	4	0.702	80	Strong
14	14	42	12	2	0	3.97	0.701	79	good
15	28	36	6	0	0	4.31	0.627	86	Strong

It became clear from Table (6) that all items of this dimension were characterized by high levels of response and support from the research sample as a result of the arithmetic mean values for those items falling within the range (3.97-4.5), as well as the convergence in the arithmetic mean values for those items, and the standard deviation for all items. On the axis, the highest item in terms of the value of the arithmetic mean was item (5), which states (the lack of competence and experience of employees is considered a reason for the bank to fall into risk), with an arithmetic mean of (4.49) and a strong level of interest, and its standard deviation value reached (0.654), which It indicates a somewhat noticeable dispersion in the answers of respondents in the studied sample.

As for the lowest statement in terms of the value of mean, it was for item (14), which states (the bank grants the loan on the basis of the project's return to the financier). Its arithmetic mean was equal to (3.97), and there was also a good level of interest from the respondents towards this item, as was the value of the standard deviation for that item. (0.701), which indicates noticeable fluctuation and dispersion in the respondents' answers.

The third axis: statistical analysis of the relationship between banking governance and bank credit risks

First: Analyzing the correlation of the research variables from the point of view of the research sample

The relationship between the research variables will be found by calculating the Spearman correlation coefficient for the correlation of ranks between both banking governance and bank credit risk, and then testing those relationships by using the (t) test to show the significance of the correlation coefficients calculated through the ready-made statistical program (SPSS-24), and as Table (7) below shows them and the interpretation of the results is as follows:

Table (7)

Bank credit risk (Y) / (X) Banking governance	Spearman correlation coefficient (r)	Test (t)	Statistical significance
	**-0.870	27.654	significant

Note: **means that the relationship is significant with confidence (99%).

Source: Prepared by the researchers based on the results of the SPSS-24 program.

The results of Table (7) showed that the value of Spearman's rank correlation coefficient between banking governance and bank credit risk reached (-0.870), which is an inverse value with statistical significance at a significance level (0.01), due to the fact that the calculated (t) value of (27.654) is greater than its

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counterpart. The table equals (1.984), and thus the first hypothesis is accepted, which states: "There is a highly significant correlation between banking governance and bank credit.".

Second: Statistical analysis of the impact of banking governance in reducing bank credit risks

In order to make a decision on the hypothesis and after knowing the nature of the moral relationship that links banking governance to bank credit risks, it is necessary to know the nature of the effect that banking governance has on bank credit risks. Therefore, these effects will be studied by calculating a simple linear regression equation for the banking governance axis and the bank credit risk axis using The ready-made statistical program (SPSS-24) and the interpretation of the results shown in Table (8) are as follows:

Table (8) Results of the coefficient values used to measure the impact of banking governance in reducing bank credit risks

Independent variable: banking governance	Dependent variable: bank credit risk					
	Determination coefficient R^2	Regression coefficient (effect)	Calculated t value	Calculated F value	Significance level P	nature of relationship
	0.756	-0.395	*1.947	6.119	0.033	Significant

Note: *means that the value is significant with confidence (95%)

Source: Prepared by the researchers based on the results of SPSS-24

The value of the coefficient of determination (R2) of (0.765) is an indication of the contribution of banking governance at a rate of (75.6%) to the changes that occur in bank credit risks. The remaining percentage of (24.4%) is due to unknown factors that did not appear in the model, although any an increase in the value of banking governance by one unit leads to a decrease in bank credit risk, which was represented by the regression coefficient (β) by (0.395), and the calculated (t) value (1.947) was greater than the tabulated value of (1.860) at a significance level (0.05). The calculated (F) value (6.119) indicates that it is greater than the tabulated value of (5.32) at a level of significance (0.05) with a level of confidence (95%), and thus the second hypothesis is accepted which indicates (there is a significant effect of banking governance in reducing... Bank credit risk).

CONCLUSIONS

1. Banks' commitment to applying governance principles leads to improving bank management, reducing credit risks, ensuring performance development, and contributing to making decisions on sound foundations.
2. The risk that accompanies the process of granting credit facilities is greatly reduced in relation to the credit decision of economic units, which is based on the proper application of governance mechanisms.
3. Banks' increasing interest in the need for their clients to apply corporate governance mechanisms, to achieve greater credibility when making banking decisions, which in turn limits credit risks, and thus reduces the problems of default and its negative effects on the overall economy.
4. Developing training programs specifically for employees in banks is extremely important because it will contribute to training all employees on methods of controlling and ensuring credit risks in an adequate and good manner.

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5. Bad debts lead to a set of negative effects and outcomes that affect banks, the market, and customers, and subsequently extend to the national economy as a whole, affecting the investment climate, trade imbalance, and National income and the state's general budget, and low rates of economic growth.
6. The importance of expanding disclosure and transparency, as a result of the effective application of governance principles to meet the needs of users and decision makers.
7. There is an inverse correlation between banking governance and bank credit risk, and this is sufficient to confirm and explain the relationship between the independent variable banking governance and the dependent variable bank credit risk.
8. There is a statistically significant effect between banking governance and bank credit risk.

RECOMMENDATIONS

1. Working to spread awareness of the rules of banking governance in research banks, which is the basic foundation for its development and implementation.
2. Iraqi commercial banks must have an important and prominent role in establishing the rules of banking governance and encouraging them to apply these principles by various means, as well as benefiting from the experiences of leading countries in this field and framing their practices.
3. Developing the supervisory and oversight role of banks to suit modern risks in light of the extensive use of modern technology.
4. Forming a specialized unit within banks whose mission is to predict early occurrences of financial and banking crises and detect cases of financial and administrative corruption in them through financial analysis and the credit information system, in addition to confronting default after it occurs through asset management and debt securitization companies.
5. It is necessary to pay attention to bank bulletins regarding credit and banking developments by carefully applying the principles of disclosure and transparency.
6. Careful evaluation of credit risks through guarantees, mortgages, and guarantees, as well as good pricing of financial derivatives.

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