

# THE ROLE OF THE QUALITY OF BANKING GOVERNANCE ON THE DISCLOSURE OF THE MANAGEMENT COMMENTS REPORT IN ACCORDANCE WITH INTERNATIONAL AND LOCAL REQUIREMENTS

RAGHAD H. RASHEED<sup>1</sup> , EBTEHAJ E. YAGUOB<sup>2</sup>

<sup>1</sup> Researcher at the Industrial Bank , Baghdad, Iraq (aaraghad13@gmail.com)\*.

<sup>2</sup> Professor at the Faculty of Economics Department, University of Mustansiriya, Iraq  
(hussainalaa10000@yahoo.com)

## **Abstract**

*The study aims to know the role in the application and commitment of some international indicators of institutional governance and mechanisms issued by the Central Bank of Iraq to enhance and increase disclosure in the report of management comments issued by economic units. To achieve the purpose of the study, a number of Iraqi banks listed in the Iraq Stock Exchange were selected (Al Ahli Bank of Iraq, Iraqi Trade Bank, Gulf Commercial Bank, Middle East Investment Bank, Mosul Bank for Development and Investment, Al-Mansour Bank for Investment, Baghdad's Al-Ahli Bank, Sumer Commercial Bank, Trans Iraq Investment Bank) as a research sample. The study relied on the analytical descriptive approach and designed a checklist to collect data. The data was obtained from the annual reports of the banks and for the period from (2016) to (2019), which are available in the Iraqi Stock Exchange and the official websites of the banks of the study sample. It also relied on the Corporate Governance Guide issued by the Central Bank of Iraq for the year 2018, in addition to the (GMI) index issued by the American company (Governance Metrics International), in addition to its reliance on the Administrative Comments Index (Ma.Co.I) issued by the International Accounting Standards Board (IASB) year 2020. The study reached a number of conclusions, including the existence of a discrepancy in the commitment of the study sample banks to the mechanisms of quality governance. In addition to the discrepancy in the disclosure of the information included in the reports of the management comments by the banks of the research sample.*

*Keywords: the quality of banking governance, the disclosure of the management comments report, Shareholders' equity,*

## **1. Introduction**

Economic units have realized that although sustainable financial results are the essence of progress and continuity in a competitive business environment. Society began to realize the insufficiency of controls in the organization to protect the interests of shareholders, so some reforms were needed. This is why corporate governance emerged to focus on the interests of shareholders. Increasing shareholder value has a significant impact on the persons with interests affected, directly or indirectly. Economic units have a moral obligation to the society in which they operate and therefore have social obligations to a wide range of stakeholders, which means this focus is on the persons with interests theory rather than the stakeholder theory. In the past few years, due to the instability of the world's economies, the economic units have prompted to reconsider the way they evaluate and measure their performance. As the executive managers and members of the board of directors are aware of the need for a business strategy that includes tools and mechanisms that link the performance of economic units to their strategic objectives. Economic units also work to activate communication between investors, people with interests and shareholders by submitting financial reports that clarify their current and future performance. At the present time, economic units spread information easily through the Internet and social media, which increased the need for people with interests and stakeholders to know more information about economic units regarding their activities and future strategies. Both (Zhou & Chen, 2021) indicated that the quality of

corporate governance has a strong and negative impact on financial leverage, which contributes to this effect on the internal financing of companies and equity financing. As for (Garstka, 2021), he indicated that there are links between the activities report and the general financial report of the economic units, and these links may lead to the risk of information duplication and incompatibility. The results show that there are many inconsistencies that occur, including non-financial information, which deserve to be verified, as this will affect the stakeholders' perception of the economic unit. Both (Sujoko & Barokah, 2020) indicated that the quality of voluntary disclosure represents the company's desire to provide useful information to users in accordance with international best practices. The quality of voluntary disclosure depends on voluntary information that must be sufficient to be used as a basis for decision-making for investors. The study (Said, et al., 2018) revealed that the disclosure of information by Malaysian companies was not presented in a complete and balanced manner and did not provide insight as they focus more on the description of the process. In addition, there was no clear link between corporate strategies and performance measures, which made the reports unbalanced and could not provide benefit and assistance to shareholders in understanding the opportunities and risks associated with the work. The purpose of the current study is to identify the role of the quality of governance and commitment to local and international mechanisms in enhancing the practices of disclosing information about economic units, which can be inferred through management comments reports published by these economic units.

## 2. Literature review

### 2.1. Quality of Governance

The concept of governance appeared by economists and was referred to by (Adam Smith) in 1776 in his book "The Wealth of Nations", in which he emphasized the necessary need to separate ownership from management. The essence of the problem of governance is that managers are not expected to manage and control the organization or economic unit in the same way that partners follow to monitor their interests because they manage the money of others and not their own money (Wendt, 2011). Governance is defined as an administrative system within the business community that includes procedures, activities/practices and standards that are established internally or by external parties (Apriatni et al., 2021). The quality of governance also refers to a set of basic rules and practices that determine banking governance and that affect management motives (Chong-En, et al., 2006). Governance is of high importance because it regulates the work and controls of banks in accordance with the rules and controls of special work mechanisms in line with the bank's main objective in achieving maximizing the market value (Amhalhal & Faraj, 2019). The quality of governance can be measured through the (GMI) indicator and the Corporate Governance Guide issued by the Central Bank of Iraq, which is represented by the following indicators (El-Helaly & El-Sherif, 2018):

- **Responsibility of the Board of Directors:** A set of procedures carried out by the Board of Directors to select members of the Board of Directors, draw up financial policies and strategies, prepare executive and future plans, and follow up their implementation by the executive management.
- **Financial disclosure and internal control:** The level of disclosure in the financial reports issued by the economic unit, as well as the audit and control procedures carried out by the executive management to ensure the level of disclosures in the financial reports.
- **Shareholders' equity:** It is the Shareholders' equity to disclose the voting mechanism for the last meeting. It is not permissible to vote by secret, specifying one vote for each

shareholder, and giving the shareholder the right to request the meeting with the shares he owns.

- **Rewards:** They are policies, plans, and systems set by the economic unit for incentives, wages, and promotions for its human resources, in a way that does not affect its profits.
- **Market monitoring:** It represents a set of plans to protect the rights of shareholders and the application of the law of the requirements of a fair price or price protection through a strategy set by the economic unit.
- **Protection of investors:** a set of policies to study workplace safety and ensure that there are no criminal cases against the economic unit.

## 2.2. Management Comments Report

The administration's comments report appeared in 1968 after the US Securities and Exchange Commission (SEC) required companies listed in the financial markets to disclose the results of their activities within a specific time period through a report that includes disclosure of the factors that affect net income (Carmichael et al., 2007: 151). The administration's comments report is the key to describing and analyzing the economic unit. It is a report that includes the financial and non-financial data of the economic unit. The International Accounting Standards Board (IASB) indicated that the management comments report includes two main components (narrative information and financial information). Narrative information refers to the type of information related to the analysis of the main aspects of the economic unit's vision and mission, as well as financial and strategic expectations. The importance of narrative information in the Management Comments Report has been recognized by experts and researchers. As for financial information, it is a presentation of quantitative financial information, clarification of the financial position, cash flow, and financial ratios for the economic unit (Alexandros & Augustinos, 2016:1061). International Financial Reporting Standards (IFRS, 2020:18) indicates that a management comment report is a narrative report relating to financial statements that have been prepared in accordance with International Financial Reporting Standards or International Accounting Standards. The Management Commentary Report provides users with historical interpretations of the amounts presented in the financial statements and contributes to clarifying the long-term outlook, specifically the unit's financial position, financial performance and cash flows. The report also provides an explanation of the entity's prospects and other information not presented in the financial statements. The management feedback report also serves as a basis for understanding management's goals and strategies for achieving those goals. Among the most important elements of the evaluation of management comments issued by the International Accounting Standards Board (IASB) are:

- **Business Scope:** It represents the field of the economic unit in which it operates and the scope of its business that it undertakes in order to provide its services.
- **The strategy and future prospects for achieving its objectives:** The management comments report should include the objectives of the economic unit of all kinds (long-term, medium-term, and short-term) in addition to the strategic and tactical plans that aim to achieve these goals.
- **The level of progress and performance of the economic unit:** which the administration uses to evaluate the performance of the economic unit against its achievement of the declared (set) goals. The management comments report presents the results of the works and activities accomplished by the economic unit and the justification for their implementation of those works, meaning that the works and activities should be consistent with the established and planned goals in advance.
- **Operating environment and risks:** The management comments report includes all the sources and resources that the economic unit depends on. In addition to analyzing the

potential risks and the measures taken to confront those risks if they occur. The scope of business model.

### 3. Research method

The study was conducted on a number of Iraqi banks listed in the Iraq Stock Exchange, which numbered nine (Al Ahli Bank of Iraq, Iraqi Trade Bank, Gulf Commercial Bank, Middle East Investment Bank, Mosul Bank for Development and Investment, Al-Mansour Bank for Investment, Baghdad's Al-Ahli Bank, Sumer Commercial Bank, Trans Iraq Investment Bank). A checklist was designed to collect data related to study variables and within the time period (2016-2019). Figure (1) shows the hypothetical model of the study and shows a set of correlation and influence relationships between the quality of banking governance and the management comments report. The research hypotheses are based on an attempt to answer the main problem and its sub-questions. The research hypotheses were formulated as follows:

**(H1): There is a significant correlation between the quality of banking governance and disclosure in the management comments report.**

**(H2): There is a significant effect of the quality of banking governance on disclosure in the management comments report.**

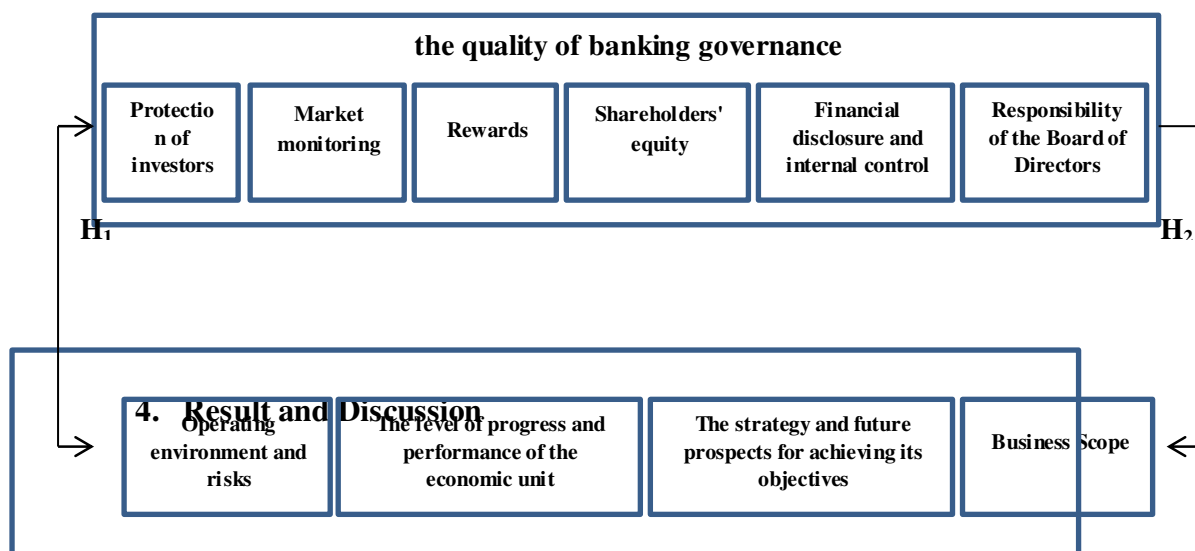


Table.1: The percentage of applying the quality of governance in a number of Iraqi banks

Banks	year	The quality of banking governance					
		Responsibility of the Board of Directors	Financial disclosure and internal control	Shareholders' equity	Rewards	Market monitoring	Protection of investors
Al Ahli Bank of Iraq	2016	56%	63%	50%	56%	56%	67%
	2017	67%	63%	67%	67%	56%	67%
	2018	72%	75%	67%	67%	67%	78%
	2019	72%	75%	67%	67%	67%	78%
Iraqi Trade Bank	2016	28%	38%	33%	33%	33%	44%
	2017	56%	63%	67%	56%	56%	67%
	2018	72%	75%	67%	67%	67%	77%
	2019	72%	75%	67%	67%	67%	77%
Gulf Commercial Bank	2016	33%	50%	33%	44%	33%	33%
	2017	33%	50%	50%	56%	33%	44%
	2018	55%	50%	50%	44%	44%	44%
	2019	67%	63%	67%	67%	67%	67%
Middle East Investment Bank	2016	27%	38%	16%	33%	33%	33%
	2017	44%	38%	33%	44%	33%	44%
	2018	55%	50%	50%	56%	56%	56%
	2019	67%	63%	67%	56%	56%	56%
Mosul Bank for Development and Investment	2016	44%	25%	33%	44%	44%	44%
	2017	44%	25%	33%	44%	44%	44%
	2018	50%	38%	50%	56%	56%	56%
	2019	67%	63%	67%	67%	56%	67%

	9						
<b>Al-Mansour Bank for Investment</b>	2016	39%	38%	17%	33%	22%	22%
	2017	67%	50%	50%	56%	56%	67%
	2018	78%	62%	83%	67%	56%	78%
	2019	78%	62%	83%	67%	56%	78%
<b>Baghdad's Al-Ahli Bank</b>	2016	50%	50%	50%	44%	50%	50%
	2017	61%	63%	50%	56%	44%	56%
	2018	78%	75%	67%	77%	67%	67%
	2019	78%	75%	67%	77%	67%	67%
<b>Sumer Commercial Bank</b>	2016	44%	38%	33%	33%	22%	22%
	2017	67%	63%	50%	56%	44%	56%
	2018	78%	75%	67%	67%	56%	67%
	2019	78%	75%	67%	67%	56%	67%
<b>Trans Iraq Investment Bank</b>	2016	33%	38%	33%	33%	33%	44%
	2017	56%	63%	67%	56%	56%	67%
	2018	72%	63%	67%	56%	56%	67%
	2019	72%	63%	67%	56%	56%	67%

From the results of Table.1 it is clear that Al Ahli Bank of Iraq was characterized by a high percentage of the application of indicators of the dimensions of the quality of banking governance. As the percentage of application of the board of directors' indicators increased from (56%) to (72%) and from (63%) to (75%) for the indicators of financial disclosure and internal control, and from (50%) to (67%) for the indicators of shareholders' equity and from (56%) To (67%) for rewards indicators and from (56%) to (67%) for market monitoring indicators and from (67%) to (78%) for investor protection indicators significantly. This indicates the bank's application of corporate governance standards in accordance with the Governance Guide of the Central Bank prepared in accordance with for GMI indicators. As for Iraqi Trade Bank, it was characterized by an increase in the percentages from (28%) to (72%) for indicators of responsibility of the board of directors, and from (38%) to (75%) for indicators of financial disclosure and internal control, and from (33%) to (67%) for indicators of shareholders' equity And from (33%) to (67%) for indicators of rewards, and from (33%) to (67%) for indicators of market monitoring and from (44%) to (77%) for indicators of investor protection significantly. which indicates the bank's management's orientations towards implementing the bank's corporate governance guide The central bank according to

the indicators and standards of the quality of banking governance, GMI. With regard to the Gulf Commercial Bank, we notice an increase in the percentages from (33%) to (67%) for indicators of board responsibility, and from (50%) to (63%) for indicators of financial disclosure and internal control, and from (33%) to (67%) for indicators of shareholders' equity And from (44%) to (67%) for rewards indicators, from (33%) to (67%) for market monitoring indicators and from (33%) to (67%) for investor protection indicators, which indicates the bank's management's orientations towards implementing the bank's corporate governance guide The central bank according to the indicators and standards of the quality of banking governance, GMI. With regard to the Middle East Investment Bank, the results showed an increase in the percentages from (27%) to (67%) for indicators of board responsibility, and from (38%) to (63%) for indicators of financial disclosure and internal control, and from (16%) to (67%) For shareholders' equity indicators and from (33%) to (56%) for rewards indicators, from (33%) to (56%) for market monitoring indicators and from (33%) to (56%) for investor protection indicators, which indicates the bank's application of the bank's corporate governance guide The central bank that is compatible with the indicators and measures of the quality of banking governance (GMI). As for the Mosul Bank for Development and Investment, the percentages increased from (44%) to (67%) for indicators of board responsibility, and from (25%) to (63%) for indicators of financial disclosure and internal control, and from (33%) to (67%) for indicators of shareholders' equity And from (44%) to (67%) for rewards indicators, from (44%) to (56%) for market monitoring indicators, and from (44%) to (67%) for investor protection indicators, which indicates that this increase means the bank's management's orientations towards implementing The Corporate Governance Guide of the Central Bank, which is aligned with the GMI Banking Governance Quality Indicators and Standards. As for Al-Mansour Bank for Development and Investment, there is an increase in the percentages from (39%) to (78%) for indicators of board responsibility, and from (38%) to (62%) for indicators of financial disclosure and internal control, and from (17%) to (83%) for indicators of rights Shareholders and from (33%) to (67%) for rewards indicators, from (22%) to (56%) for market monitoring indicators, and from (22%) to (78%) for investor protection indicators. This gradual increase indicates the bank's orientation towards implementing the governance guide The institutional framework of the central bank that is in line with the GMI quality indicators and measures of banking governance. Baghdad's Al-Ahli Bank was characterized by an increase in the percentages from (50%) to (78%) for indicators of responsibility of the board of directors, and from (50%) to (75%) for indicators of financial disclosure and internal control, and from (50%) to (67%) for indicators of shareholders' equity and from (44%) to (77%) for rewards indicators, from (50%) to (67%) for market monitoring indicators and from (50%) to (67%) for investor protection indicators. This gradual increase indicates the management's orientations in the bank towards implementing the governance guide Institutional institutions of the Central Bank that are in line with the GMI quality indicators and measures of banking governance. Sumer Commercial Bank was characterized by a noticeable increase in the percentages from (44%) to (78%) for indicators of board responsibility, and from (38%) to (75%) for indicators of financial disclosure and internal control, and from (33%) to (67%) for indicators of shareholders' equity And from (33%) to (67%) for rewards indicators, from (22%) to (56%) for market monitoring indicators, and from (22%) to (67%) for investor protection indicators. This gradual increase indicates that the bank is heading towards implementing the corporate governance guide for the central bank, which is compatible with the indicators and standards of the quality of banking governance GMI. Trans Iraq Investment Bank was characterized by a significant increase in the percentages from (33%) to (78%) for indicators of board responsibility, and from (38%) to (63%) for indicators of financial disclosure and internal control, and from (33%) to (67%) for indicators of

shareholders' equity From (33%) to (56%) for rewards indicators, from (33%) to (56%) for market monitoring indicators, and from (44%) - (67%) for investor protection indicators.

The results show a gradual increase in the percentages of applying governance quality indicators, so that the administration focused on the responsibility of the board of directors by separating the powers of the chairman of the board of directors from the managing director, electing board members every four years, and introducing new members to training courses, but this did not contribute to an increase in interest. shareholder suggestions. As for disclosure and internal control, the Audit Committee disclosed the existence of an audit system consisting of the Audit Committee, which includes independent managers. The bank management adopts a plan to protect the rights of shareholders despite that, or does the management allow the shareholder to vote cumulatively when electing managers. The bank has a policy to study the safety and security of the work site, and it discloses its environmental performance.

Table.2: The percentage of disclosure in the management comments report in a number of Iraqi banks

Banks	year	disclosure in the management comments report			
		Business Scope	The strategy and future prospects for achieving its objectives	The level of progress and performance of the economic unit	Operating environment and risks
Al Ahli Bank of Iraq	2016	56%	57%	50%	48%
	2017	56%	57%	55%	62%
	2018	64%	67%	55%	62%
	2019	72%	67%	62%	62%
Iraqi Trade Bank	2016	52%	52%	52%	48%
	2017	52%	52%	71%	57%
	2018	64%	52%	71%	62%
	2019	68%	67%	71%	62%
Gulf Commercial Bank	2016	52%	50%	38%	43%
	2017	64%	60%	43%	47%
	2018	72%	65%	57%	52%
	2019	76%	80%	71%	61%
Middle East Investment Bank	2016	24%	33%	50%	33%
	2017	28%	36%	52%	38%
	2018	36%	43%	60%	48%
	2019	44%	52%	66%	48%
Mosul Bank for Development and Investment	2016	34%	29%	48%	48%
	2017	34%	29%	48%	48%
	2018	36%	29%	48%	48%
	2019	44%	38%	57%	62%
Al-Mansour Bank for Investment	2016	60%	52%	67%	52%
	2017	60%	52%	67%	52%
	2018	60%	52%	67%	52%
	2019	72%	67%	76%	57%



<b>Baghdad's Al-Ahli Bank</b>	<b>2016</b>	38%	33%	43%	48%
	<b>2017</b>	52%	38%	47%	52%
	<b>2018</b>	56%	52%	62%	60%
	<b>2019</b>	64%	60%	62%	60%
<b>Sumer Commercial Bank</b>	<b>2016</b>	52%	52%	50%	57%
	<b>2017</b>	60%	52%	50%	57%
	<b>2018</b>	64%	66%	55%	60%
	<b>2019</b>	76%	76%	67%	71%
<b>Trans Iraq Investment Bank</b>	<b>2016</b>	60%	55%	55%	52%
	<b>2017</b>	60%	55%	55%	52%
	<b>2018</b>	68%	55%	57%	52%
	<b>2019</b>	76%	62%	62%	57%

Through the results of Table 2. It turns out that the Iraqi private bank was characterized by an increase in the percentages from (56%) to (72%) for the business scope item, and from (57%) to (67%) for the indicators of the strategy and future prospects for achieving its objectives item and from (50%) to (62%) for the indicators of the level of progress and performance item and from (48%) to (62%) for the indicators of the operating environment and risks item, and this indicates the bank's application of the criteria for disclosing the indicators of the management comments report according to (IFRS) approved by the Central Bank of Iraq. Iraqi Trade Bank was characterized by an increase in the percentages from (52%) to (68%) for the business scope item, and from (52%) to (67%) for the indicators of the strategy and future prospects for achieving its objectives item and (52%) to (71%) for the indicators of the level of progress and performance item and from (48%) to (62%) for the indicators of the operating environment and risks item. (IFRS) approved by the Central Bank of Iraq. As for the Gulf Commercial Bank, it was characterized by an increase in the percentages from (52%) to (76%) for the business scope model item, from (50%) to (80%) for the indicators of the strategy and future prospects for achieving its objectives and from (38%) to (71%) for the the level of progress and performance indicators. And from (43%) to (61%) for the indicators of the operating environment and risks item. This indicates the bank's application of the criteria for disclosing the indicators of the management comments items in accordance with (IFRS) approved by the Central Bank of Iraq. As for the Middle East Investment Bank, there is a weak increase, as the percentages increased from (24%) to (44%) for the business scope model, and from (33%) to (52%) for the indicators of the strategy and future prospects for achieving its objectives item, and from (50%) to (66%) ) for the indicators of the level of progress and performance and from (33%) to (48%) for the indicators of the operating environment and risks. This indicates a weakness in the bank in applying the disclosure standards for the indicators of the management's comments report items in accordance with the instructions of the international accounting standards IFRS approved by the Central Bank of Iraq. As for the Mosul Bank for Development and Investment, it was characterized by a small and low increase, as the percentage increased from (34%) to (44%) for the scope of business model, and from (29%) to (38%) for the indicators of the strategy and future prospects for achieving its objectives and from (48%) to (57%) for the indicators the level of progress and performance item and from (48%) to (62%) for the indicators of the operating environment and risks item. This indicates the weakness of the bank's application of the standards for disclosing the indicators of management comments items in varying ways according to (IFRS) approved by the Central Bank of Iraq. As for Al-Mansour Bank for Investment, it was characterized by an increase in the percentages from (60%) to (72%) for the scope of business model, and from (52%) to (67%) for the indicators of the strategy and future prospects for achieving its objectives and from (67%) to (76%) for the indicators of the

level of progress and performance. And from (52%) to (57%) for the indicators of the operating environment and risks item, and this indicates that the bank is heading towards applying the disclosure standards for the indicators of the management comments items, in varying manner, according to (IFRS) approved by the Central Bank of Iraq. As for the Baghdad's Al-Ahli Bank, it was characterized by an increase in the percentages from (38%) to (64%) for the scope of business model, and from (33%) to (60%) for the indicators of the strategy and future prospects for achieving its objectives, and from (43%) to (62%) for the indicators of the level of progress and performance. And from (57%) to (60%) for the indicators of the operating environment and risks item. This indicates that the bank is working on the application of the disclosure standards for the indicators of the management comments items in different ways, according to (IFRS) approved by the Central Bank of Iraq. As for Sumer Commercial Bank, it was characterized by an increase in percentages from (52%) to (76%) for the scope of business model, and from (52%) to (76%) for the indicators of the strategy and future prospects for achieving its objectives item and from (50%) to (67%) for the indicators of the level of progress and performance. And from (57%) to (61%) for the indicators of the operating environment and risks item, this indicates that the bank applies the disclosure criteria for the indicators of the management comments items in a different way according to (IFRS) approved by the Central Bank of Iraq. As for the Trans Iraq Investment Bank, it was characterized by an increase in the percentages from (60%) to (76%) for the scope of business model, and from (55%) to (62%) for the indicators of the strategy and future prospects for achieving its objectives and from (55%) to (62%) for the indicators of the level of progress and performance. And from (52%) to (57%) for the indicators of the operating environment and risks item. This indicates that the bank is working on the application of disclosure standards for the indicators of the management comments items in accordance with (IFRS) approved by the Central Bank of Iraq. Through the results, it is clear that the banks were interested in disclosing the management's comments report due to their awareness of its importance and its impact on the sustainability of their business.

Table.3: Correlation relationships between the quality of banking governance and disclosure in the management comments report

		Responsibility of the Board of Directors	Financial disclosure and internal control	Shareholders' equity	Rewards	Market monitoring	Protection of investors	The quality of banking governance
<b>Business Scope</b>	Pearson Correlation	0.558**	0.639**	0.571**	.466** 0	0.382*	.490** 0	.560** 0
	Sig. (2-tailed)	0.000	0.000	0.000	0.004	0.022	0.002	0.000
	N	36	36	36	36	36	36	36
<b>The strategy and future prospects for achieving its objectives</b>	Pearson Correlation	0.501**	0.650**	0.536**	.459** 0	0.381*	.454** 0	.533** 0
	Sig. (2-tailed)	0.002	0.000	0.001	0.005	0.022	0.005	0.001
	N	36	36	36	36	36	36	36

<b>The level of progress and performance of the economic unit</b>	Pearson Correlation	0.614**	0.487**	0.569**	.482** 0	.529** 0	.564** 0	.585** 0
	Sig. (2-tailed)	0.000	0.003	0.000	0.003	0.001	0.000	0.000
	N	36	36	36	36	36	36	36
<b>Operating environment and risks</b>	Pearson Correlation	0.739**	0.710**	0.666**	.677** 0	.594** 0	.613** 0	.714** 0
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	N	36	36	36	36	36	36	36
<b>Disclosure in the management comments report</b>	Pearson Correlation	0.669**	0.713**	0.661**	.577** 0	.513** 0	.588** 0	.668** 0
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.001	0.000	0.000
	N	36	36	36	36	36	36	36

From the results of Table 3, it was found that there are positive correlations between the quality of banking governance and its dimensions with disclosure in the management's relationships report and its dimensions because the (sig) values were less than the level of significance at (0.05). The highest correlation was between the Responsibility of the Board of Directors and Operating environment and risks, with a peak of (0.739). As for the lowest correlation value, it reached (0.381) between market monitoring and the strategy and future prospects for achieving its objectives. Figure 2 shows the correlation between the study variables.

Table. 4: The impact of the quality of banking governance and its dimensions on disclosure in the management comments report

	a	B	R square	T	F	Sig	<b>Disclosure in the management comments report</b>
<b>The quality of banking governance</b>	0.297	0.456	0.45	5.952	27.427	0.000	
<b>Responsibility of the Board of Directors</b>	0.317	0.398	0.447	6.892	27.504	0.000	
<b>Financial disclosure and internal control</b>	0.293	0.455	0.509	6.556	35.195	0.000	
<b>Shareholders' equity</b>	0.351	0.367	0.436	8.649	26.320	0.000	
<b>Rewards</b>	0.310	0.433	0.333	5.205	16.997	0.000	
<b>Market monitoring</b>	0.361	0.374	0.263	6.431	12.131	0.000	
<b>Protection of investors</b>	0.343	0.358	0.326	6.772	17.953	0.000	

From Table 4, the results show that there is an impact of the quality of banking governance and its dimensions on disclosure in the management's comments report. Therefore, we accept

the hypotheses that state that there are correlations and impacts between the quality of banking governance and disclosure in the management's comments report because the (sig) values are less than the level of significance (0.05) . Figure 2 shows the effect of the study variables.

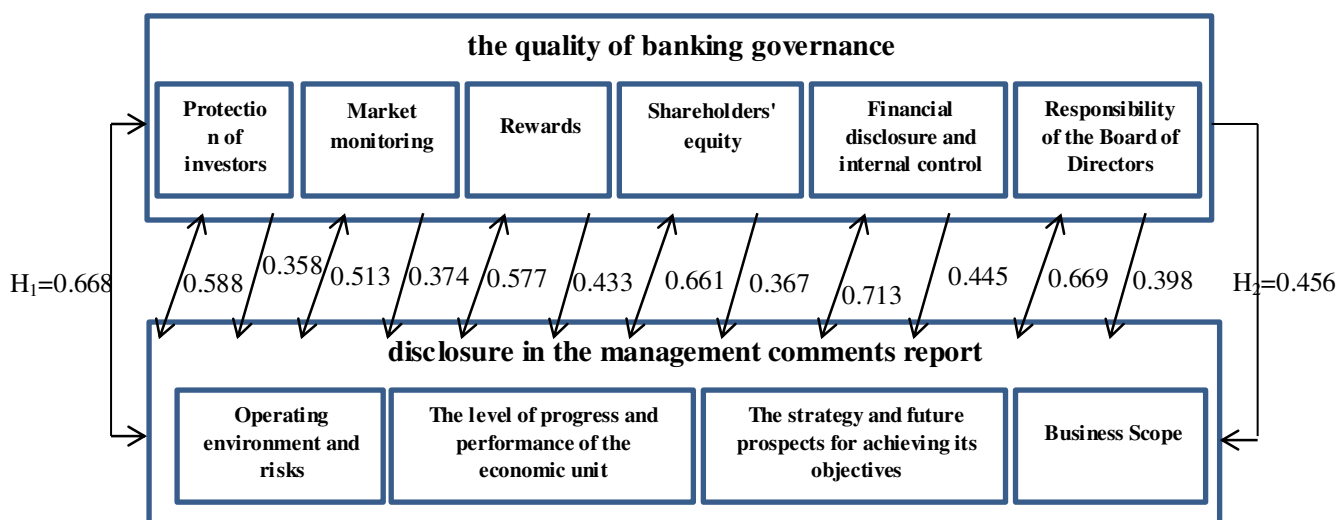


Figure.2: Correlation and influence relationships between the quality of banking governance and disclosure in the management comments report.

## 5. Conclusion

The GMI indicator, which is consistent with the governance guide issued by the Central Bank of Iraq, which banks were obligated to implement in 2017, was used to measure the quality of governance. This commitment reflected positively on the banks, as the relations between the board of directors and the executive management were defined, and the confidence of shareholders was enhanced. Ratios rose by applying the indicators of the quality of governance, which made the board of directors in the banks directed towards monitoring the activities that affect the strategies of banks, managing the risk system and the balance between commitment to responsibility towards shareholders, protecting the interests of depositors, achieving transparency, justice, fighting corruption, and granting the right to hold bank management accountable to protect shareholders and work to achieve its goals and its long-term strategies. There is a discrepancy in the application of the quality of banking governance by banks, and this is considered a reason to serve special interests, which led to the difficulty of reducing corruption, which affected the level of quality performance, disclosure, transparency, justice and equality in the banking system. The International Financial Reporting Standards (IFRS) was also used to measure disclosure in the management comments report, which Iraqi banks were obligated to implement and the transition in the preparation of financial reports from the unified accounting system to the International Financial Reporting Standards in 2016. As this was reflected positively in enhancing and increasing the narrative disclosure to users of the financial information provided by the management team and helped them analyze the main aspects of the banks, as it gave an explanation of cash flows and financial performance and information about management objectives and necessary future strategies. Some banks did not disclose the rates, commissions and fees that banks charge from customers. This will reduce the quality of governance as it is a set of rules and processes that guarantee disclosure, transparency and accuracy to stakeholders, and this disclosure leads to increased capital attraction.

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