

# The Effect of Chairman Tenure on Governance and Earnings Management: A Case Study in Iraq

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## Abstract

The study's purpose is to assess how board chairman tenure (BCT) contributes to limiting the earnings management practices (EM) in Iraqi banks. We compare the direct influence of the corporate governance mechanisms (CG) on EM practices and use BCT as a moderator that affects the influence of CG on EM. The sample of the study is the financial firms listed on the Iraqi Stock Exchange for the period 2013–2018. Using purposive sampling data was collected from annual reports and data stream. We use the random effect model in panel data regression by using Stata to analyze the data. Findings proved that CG mechanisms insignificantly influence EM, except the meeting frequency was significant. By contrast, BCT had a positive and considerable influence as the moderating variable between CG and EM. These results suggested that the Chairman's tenure on the board lead to enhanced governance mechanisms to limit the EM practice in Iraqi financial firms. Accordingly, this study is one of the few studies in the Iraq environment that examine the influence of CG mechanisms on EM practices, in addition to examining the BCT as a moderator between CG and EM, thus, filling the gap in such studies in developing countries.

**Keywords:** Board Chairman Tenure, Board Meetings Frequency, Females on Board, Board Independence, Beneish Method (M-Score)

**JEL Classification Code:** C58, G20, M21, C12, M14

## 1. Introduction

Earnings management practice (EM) leads to information asymmetry (Ali et al., 2008). According to Kamal et al. (2016), EM is defined as the violation of accounting rules by management to positively reflect the company's financial performance through illegal earnings management schemes. The probability of the practice of EM increases with deteriorating gross margin, increases in receivables, declining gross margin, sales growth, decreasing assets

quality, and rising accruals (Omar et al., 2014; Sadaa et al., 2020). Companies use earnings management to smooth out fluctuations in earnings and present more consistent profits each month, quarter, or year. Management can feel pressure to manage earnings by manipulating the company's accounting practices to meet financial expectations and keep the company's stock price up (Alquhaif et al., 2017). Earnings management, therefore, can be referred to as an act of maximizing the loopholes in the financial reporting laws, to maximize personal, group, or organizational objectives to the detriment of another group of individuals who may be directly or indirectly affected by such decisions (Obigbemi et al., 2016). EM practice often makes financial reporting less quality and reduces shareholders' confidence in their decision-making (S. U. Hassan & Ahmed, 2012). Accordingly, EM defines managerial action to decrease (or increase) earnings or revenues for aggressive accounting tactics (Bajra & Cadez, 2018).

The board of directors is responsible for setting ethical standards and values, and ensuring that they are embedded in and become part of the organization. Moreover, the board of directors that are designed to control agency conflict would demand more conservatism because it provides them with early notice of any future losses and assists them in

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controlling managers' opportunistic behavior (Baran & Forst, 2015). One of the important roles of the board of directors is to monitor and mitigate the EM (Hashim et al., 2013) because the directors' board is responsible for monitoring the managers on stakeholders' behalf and supervise the processes of financial reporting (Rafiee & Sarabdeen, 2012; Sadaa et al., 2020). The individual personality traits of the board directors impact decision processes. It is important to have different personality types on the board and still be able to manage discussions, conflicts, and general interactions in an efficient way. A diverse board allows for the group to better anticipate and consider the concerns and perspectives of all key constituencies. Boards should have a sufficient mix of relevant skills, competence, and diversity of perspectives (Veselovsky et al., 2018). From point of view of agency theory, the presence of independent non-executive directors in the boards and their supervision performance as independent individuals contribute to reducing interests' conflict between shareholders and managers in the board's sessions (Moradi et al., 2012).

However, much of the literature indicates that the effective board of directors helps reduce the practice of EM (Alquhaif et al., 2017; Bajra & Cadez, 2018). The Chairman of the board of directors establishes good corporate governance practices and procedures and promotes the highest standards of integrity, probity, and corporate governance throughout the group and particularly at the board level (Al-Matari et al., 2014; El Diri et al., 2020). Inadequate leadership and governance contributed to the underperformance and failure of major companies during the economic crisis. The role of the Chairperson has become even more important. The current environment places greater responsibility and a higher profile on the Chairman. However, still, the issues that relate to governance and EM are indecisive (Al-Matari et al., 2014). Several companies' failures around the world occurred in sophisticated countries, where there is a more developed and sounder system of CG. That because the board of directors was held responsible for the failure to control the managers' activities.

However, there is much evidence of the EM practice risk that led to financial scandals with the big corporates worldwide (Mostafa & Ibrahim, 2019). However, as various corporate scandals in recent history have shown, financial information communicated by firms is not necessarily reliable. Firms' earnings quality, understood as the congruence between the information financial reports, provide about their performance and their actual performance, arguably varies (Moratis & Van Egmond, 2018). Despite all evidence, most banks and financial companies in Iraq still suffer earnings manipulation problems (Imad et al., 2017; Yaqoob et al., 2020) to enhance their image and increase their stock price. Therefore, the bank amplified its sales, earnings, and

other indices of performance. Studies related to EM in Iraq indicated that the EM practice is a big problem in most Iraqi companies (Al-Fadhel, 2014; Fadhl & Hamad, 2015; Imad et al., 2017). Besides, most Iraqi banks have engaged in the harmful practice of EM (Al-Zabari & Al-Fatlawi, 2019; Hassan, 2018; Talab et al., 2017). Weak CG accounted for the bank failures in Iraq as only a few banks followed the recognized code of CG. There have been many instances of failure and scams, like collusion between companies and their banks, presence of weak or ineffective internal audits, lack of required skills by managers, lack of proper disclosures, non-compliance with standards, etc.

The study results could help stakeholders realize whether the study variables are useful in constraining EM's practice in Iraqi Banks. It will also enable stakeholders to make suitable decisions regarding their interests and take the appropriate procedures to monitor the board's behavior. Moreover, the study's result might be beneficial for banks to decide on the composition of an effective board of directors. The effect will also be beneficial to the Iraqi regulatory authorities such as the Securities Commission and the Iraqi stock exchange to understand whether the variables examined in this study can be enough to limit the level of EM practice in banks in Iraq. Due to the shortage of literature or empirical studies on the influence of CG (Board independence, Frequency of Board Meetings, and Female onboard) on EM by moderator role of tenure of board chairman in Iraq, the study will add to the available literature.

## **2. Literature Review and Hypotheses**

This part reviews literature related to the study problems. The reviews cover conceptual issues relevant to CG mechanism, EM, the moderator board chairman tenure, and the empirical studies on the nexus between various CG (Frequency of board meetings, female on board, and board independence) and EM and the moderating role of board chairman tenure. Besides, a theoretical framework related to this study had been discussed.

In the present time, there are a lot of criticisms by academic publications, financial on the board members for not regularly attending the board meetings, which may minimize their ability to observe the management well (Al-Abrow et al., 2019). In this regard, the level of board activities and interaction influence EM practice. Usually, boards meet often to effectively solve the company's problems. Board meetings are considered an essential resource for improving board effectiveness. The board members who have more frequent meetings are more likely to discharge their function under shareholders' interest because they can allocate more time to monitor EM, conflict of interest, and watch the management (Alnoor et al., 2019).

According to the Iraqi Stock Exchange (ISX), by looking at the annual reports of Iraqi banks listed on the stock exchange, it can be said that not all banks are following the statutory requirement for the number of board meetings to be held each year. Therefore, there is a lack in the number of meetings held where some of the banks held meetings above the minimum requirement (up to eight times), while some did not meet the criteria. Therefore, an examination needs to be carried out to assess the impact of board meeting frequency on EM's practice in Iraqi banks.

Moreover, Gulzar and Zongjun (2011) found a significantly positive association between earning management and different corporate governance characteristics such as CEO duality, board meetings, female directors, and concentrated ownership. They lacked evidence to find the relationship between board size, director's shareholdings and proportion of independent directors with discretionary accruals as well as between the presence of audit committee and discretionary accruals (Gopinath et al., 2015). Besides, Harakeh et al. (2019) indicated that the female director plays a moderating role in the relationship between the CEO's EM and compensation. Therefore, Gull et al. (2018) indicated the decision to appoint women on corporate boards should be based more on their statutory and demographic attributes than on the blind implementation of gender quotas. Gavius et al. (2012) found evidence for a negative relation between the presence of female directors and earnings management. The findings indicated that accounting aggressiveness is affected by the proportion of women on the board of directors as well as on the audit committee. Furthermore, the paper found evidence indicating that earnings management is lower when either the CEO or the CFO is a woman. Notably, in firms with a higher female representation in corporate governance and/or in top management, external monitoring by auditors and creditors seems to be weaker, yet earnings quality is higher.

However, Zalata et al. (2018), using a large sample of US firms over the 1992–2014 period, investigated the effect that the gender of a chief executive officer (CEO) has on earnings management using classification shifting. They suggested that the observable differences in financial reporting behavior between male and female CEOs seem to be because female CEOs are more risk-averse, but not necessarily more ethically sensitive than their male counterparts are. The central tenets of our findings remain unchanged after several additional checks, including controlling for alternative earnings management techniques, corporate governance mechanisms, CEO and chief financial officer characteristics, and propensity score matching. Besides, Srinidhi et al. (2011) there is little supporting empirical evidence. We fill this void by examining the relation between female board participation and the quality of reported earnings. Using a

sample of U.S. listed firms from 2001 to 2007, we show a positive relation between the presence of female directors (female nonexecutive directors, female audit committee members, using a sample of U.S. listed firms from 2001 to 2007 showed a positive relationship between the presence of female directors (female non-executive directors, female audit committee members) and earnings quality, measured by accruals quality and earnings benchmark measures (the frequency of earnings increases and the frequency of meeting or beating consensus analyst earnings estimates).

Idris et al. (2018) provided evidence of negative relationship between board independence and earnings management, proposing that higher percentage of board independence is related with more effective monitoring to reduce earnings management. Moreover, the results documented that the relationship between board independence and earnings management becomes weak when there is an interaction with family ownership control. These outcomes indicate that an increase in the percentage of independent directors to mitigate earnings management is less likely to be influential in the case of family-controlled firms. In general earnings, management has a weakly positive effect to firm value. However, after classifying those firms based on corporate governance level measured by CG-star, firms with good governance have a more positive effect on earnings management. This evidence supported the role of corporate governance to reduce negative earning management arises from managerial opportunism (Olayinka Marte, 2012). Consistent with the above theory, previous studies indicated that independent directors are negatively linked with fraudulent reporting (Klein, 2002). In this regard, Rajpal (2012) showed that independent directors should not have relationships with the firm except being board members. Therefore, Idris et al. (2018) documented a weak relationship between independent board and EM when there is interaction with family ownership control.

## **2.1. Board Meetings Frequency on Earnings Management**

Gulzar and Zongjun (2011) showed that corporate governance characteristics play a vital role in reducing the earning management. They found a significantly positive association between earning management and different corporate governance characteristics such as CEO duality, board meetings, female directors, and concentrated ownership. They lacked evidence to find relationship between board size, director's shareholdings and proportion of independent directors with DAC as well as between the presence of audit committee and DAC. These studies will broaden the scope of the relationship between earning management and corporate governance characteristics.

A board with frequent meetings is expected to solve most of the problems effectively. The active board is scheduled to meet regularly to stay informed of accounting and oversight matters to ensure that the financial reporting process is working correctly (Bjara & Cadez, 2018). Based on the above results, the proposed hypothesis is

**Ho1:** *Board meetings frequency does not have a significant effect on the practice of EM of the banks in Iraq.*

## 2.2. Female on Board on Earnings Management

Gopinath et al. (2015) examined how the presence of women directors on the corporate board influences earnings management practices. They found that firms with a higher number of female and independent female directors are adopting restrained earnings management practices in the UK. They further made a distinction between complex (high debt) and simple (low debt) companies, and the outcomes reveal that female director has a positive effect on earnings management in simple companies. Also, Alquhaif et al. (2017) explored how the presence of women directors on the corporate board influences real earnings management through accretive buyback programs. Using a sample of 601 firms' observations that engage in accretive share buyback from 2010–2015, the findings reveal that the existence of women directors on the board is associated with less engagement in accretive share buyback activities. They further found that firms with a higher number of independent directors are less likely to practice real earnings management through accretive buyback programs. Simultaneously, Akpan and Amran (2014) showed that board size and board education are positively and significantly related to company performance, whereas there is no relationship between board equity, board independence, and board age. Also, this study showed a negative significant between board women and turnover. Besides, Zalata et al. (2018) indicated that the earnings quality is positively linked to gender diversity in the company board. In contrast, Gull et al. (2018) suggested that the female's existence on the board is significantly and negatively related to EM's practice. Based on the above results, the proposed hypothesis is

**Ho2:** *Female on board does not have a significant influence on EM of the banks in Iraq.*

## 2.3. Board Independence on Earnings Management

However, Nugroho and Eko (2011) reviewed the effect of board characteristics (measured based on the independent board of directors, dual leadership/CEO duality, the board

size, managerial ownership, board composition /multiple directorships, board tenure, audit committee, and board interlock) on earning management in companies listed on the Indonesian Stock Exchange during the 2004–2008 period. The research shows that earning management takes place in companies listed on the Indonesian Stock Exchange during the 2004–2008 period, be they companies in general, manufacturers, non-manufacturers, and companies that use audit committee services. It is discovered that the independent board of directors, the board size, managerial ownership, board composition/multiple directorships, board tenure, and audit committee do not affect earning management practices in the above companies; only dual leadership/CEO duality affects the earning management practices. Gulzar and Zongjun (2011) showed there is no evidence to support the relationship between independent directors' ratio and discretionary accruals. In contrast, Alquhaif et al. (2017) found a malicious link between independent directors and EM practice. On the other hand, Olayinka Marte (2012) showed that the board of directors who are dominated by outside directors brings experience to the company, and they are in a better position to observe the practice of EM in Nigeria. Abed et al. (2012) found a positive but insignificant liked between the ratio of outsiders on the board and EM. Based on the results above, the proposed hypothesis is as follows

**Ho3:** *Board independence does not have a significant effect on the EM of the banks in Iraq.*

## 2.4. Board Chairman Tenure

Accordingly, El Diri et al. (2020) indicated that a long directors' tenure boosts the board's effectiveness because it shows more familiarity and experience with the operations of the corporates. While some research indicated that the top officials who have little experience have limited effectiveness, they need time to get a practical understanding of the firm (Cornett et al., 2008; Alnoor, 2020; Al-Abrow et al., 2019). The Chairman's long-serving on the same board is more likely to affect personal equations and camaraderie with board members significantly. Therefore, this study will examine the board chairman tenure as a moderator relation between CG mechanisms and EM.

**Ho4a:** *Moderating role of board chairman tenure has a significant effect on board independence and EM.*

**Ho4b:** *Moderating role of board chairman tenure have a significant effect on the relation between female on board and EM.*

**Ho4c:** *Moderating role of board chairman tenure have a significant effect on the relation between meeting frequency and EM.*

### 2.5. Theoretical Framework

This theory uses the agency theory as the basis for the study. Most researchers used a theoretical framework to clarify and understand the influence of governance mechanisms on the companies. Agency theory explains the management’s incentive to engage in EM (Moradi et al., 2012).

Earnings management refers to a company’s deliberate use of accounting techniques to make its financial reports look better. Earnings management can occur when a company feels pressured to manipulate earnings to match a pre-determined target. Therefore, their action as an agent of shareholders may provide better monitoring of management that, in turn, leads to transparent and quality reporting. Shareholders employ a team of board of directors to oversee the management’s adequate performance to protect and enhance their value and meet the companies’ obligation to its employees and other stakeholders. Thus, the board of directors’ specific characteristics is suggested in the literature to constrain the level of EM effectively.

Agency theory indicated that a diverse board might provide better monitoring of management. Furthermore, the board of mixed gender may better avoid the practice of EM; hence, it gives shareholders more reliable financial reporting (Gallego-Álvarez et al., 2010).

### 3. Research Methodology

The study used a correlational research design by employing both descriptive and inferential statistics using regression analysis. In addition to the correlational research design, the study also adopts “ex-post-facto or causal-comparative design.”

When data is collected after the event or phenomenon under investigation has taken place, it is called ex-post facto.

The study sample size is 28 banks listed on the Iraq stock exchange. After setting, a firm must meet the criterion of being listed on the ISE within 2013–2018 and should not have been delisted within the period and information on the variables. Panel data Multiple regression (fixed and random effect regression) was used to analyze the link between CG mechanisms on EM.

A study model is stated as follows:

$$M\text{-score}_{it} = b_0 + b_1BMF_{it} + b_2FB_{it} + b_3BI + b_4ROA_{it} + E_t$$

$$M\text{-score}_{it} = b_0 + (b_1BMF_{it} * BCT_{it}) + (b_2FB_{it} * BCT_{it}) + (b_3BI * BCT_{it}) + b_4ROA_{it} + E_t$$

Where:

$$M\text{-score} = -4.84 + (DSRI + GMI + AQI + SGI + DEPI + SGAI + TATA + LVGI);$$

$b_0$ : intercept (constant);

$b_1 - b_6$ : parameters (the slope coefficient);

BMF: Board Meetings Frequency;

FOB: Female on board;

ROA: Return on asset.

Table 1 Provides a Summary of Dependent, Independent Moderating, and Control Variables measurements

### 4. Results

Table 2 presents the study’s variables’ descriptive statistics and describes the data standard deviation, mean, maximum, and minimum.

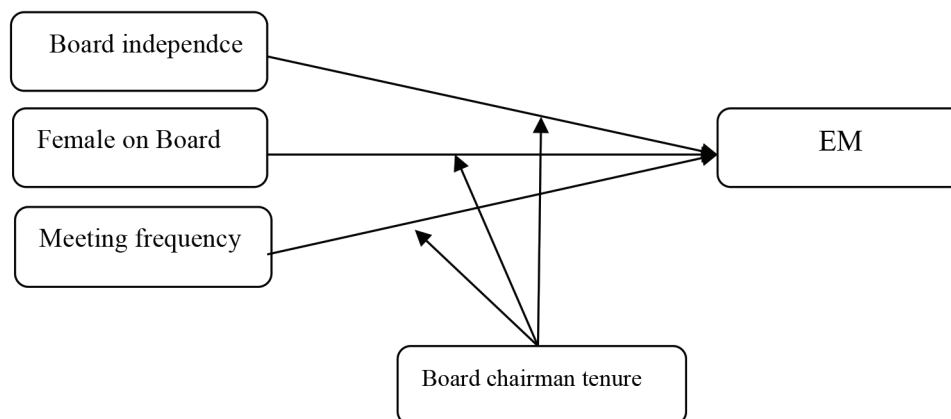


Figure 1: Research Framework

**Table 1:** Measurements of Variables

<b>Dependent Variable</b> Earning Management	<b>M-score</b>	<b><math>-4.84 + (DSRI + GMI + AQI + SGI + DEPI + SGAI + TATA + LVGI)</math></b>
Provides a summary of a Beneish method variables measurement.		
<b>M-score method Indicators</b>	<b>Code</b>	<b>Measurement</b>
Days Sales in Receivables Index	DSRI	$(\text{Net Receivables } t / \text{Sales } t) / (\text{Net Receivables } t-1 / \text{Sales } t-1)$
Gross Margin	GM	$[(\text{Sales } t-1 - \text{Goods Sold Cost } t-1) / \text{Sales } t-1] / [(\text{Sales } t - \text{Goods Sold Cost } t) / \text{Sales } t]$
Asset Quality	AQ	$[1 - (\text{Current Assets } t + \text{Plant, Property \& Equipment } t) / \text{Total Assets } t] / [1 - (\text{Current Assets } t-1 + \text{Plant, Property \& Equipment } t-1) / \text{Total Assets } t-1]$
Sales Growth	SG	$\text{Sales } t / \text{Sales } t-1$
Depreciation	DEP	$(\text{Depreciation } t-1 / (\text{Plant, Property \& Equipment } t-1 + \text{Depreciation } t-1)) / (\text{Depreciation } t / (\text{Plant, Property \& Equipment } t + \text{Depreciation } t))$
Sales General and Administrative Expenses	SGA	$(\text{Administrative Expense \& Selling General } t / \text{Sales } t) / (\text{Administrative Expense \& Selling General } t-1 / \text{Sales } t-1)$
Leverage	LVG	$\text{Leverage } t / \text{Leverage } t-1$ Leverage = Debts/Assets
Total Accruals to Total Assets	TATA	$D \text{ Current Assets} - D \text{ Cash} - (D \text{ Current liabilities} - D \text{ Current maturities of LTD} - D \text{ Income Tax payable}) - \text{Depreciation \& Amortization } t$
<b>Independent Variables</b>		
Frequency of Board Meetings	FM	The number of Board Meetings is held in a year.
Female on bord		The proportion of the female Board of Directors to the total Board of Directors.
Board Independence	BI	The proportion of independent director(s) to the total board of directors
<b>Moderator</b>		
Chairman Board Tenure	CBT	Number of the years that the Chairman on the board
<b>Control Variables</b>		
Return on Asset	ROA	EBIT/Total Asset

**Table 2:** Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
EM	198	0.9959905	0.9281802	-5.93835	6.98929
BI	198	3.385201	3.175545	0.001731	7.98601
FM	198	2.25716	1.536056	-1.35375	3.72911
MEE	198	8.510101	6.26953	0	64
ROA	198	3.15129	7.424851	-23.4721	17.8348
CPT	198	3.146465	1.867098	1	8

The absolute value of the M-score of the listed banks and financial firms in Iraq (based on the Banish model) has a minimum amount of -5.93835 (which is much far from -2.22) and a maximum of 6.98929. It shows that the

minimum percentage of M-score from the sampled firms' total M-score indicators is -5.93835. The magnitude of the M-score's absolute value in the sample firms has a mean of 0.9959905, with a standard deviation of 0.9281802.

It indicates that the variation between companies is high. The M-score values are above  $-2.22$ , which suggests EM in the listed banks and Iraq financial firms.

The meeting number held by the Board of Directors of listed banks and financial firms has a mean of 8.510101 with a standard deviation of 6.26953, and the range is from a minimum of 0 to a maximum of 64. Furthermore, the Iraq company laws state that for the board of directors to perform its oversight function and monitor managers' performance effectively, should meet at least four times in a financial year. From the preceding, we can see that some companies did not conform to the provision of the Iraq company laws (for seating four times). But some companies have gone beyond the minimum requirement (for sitting up to 64 times). However, on average, the sampled companies have conformed to following the Iraq company laws for having a mean of 8.510101.

Female onboard refers to the number of female directors divided by the total number of directors. From the table, we can see that the proportion of women on the board range from a minimum of  $-1.35375$  to a maximum of 3.72911, and the mean is 2.25716. It shows that the women's representation on the board of the sampled companies is weak. It is because the average representation is only 6.4%. The minimum of  $-1.35375$  proves that some companies did not include women in their team of board of directors during this period of study. For those that had women, the best representation is only 25%. The standard deviation of 1.536056 indicates the divergence between companies is low. It shows that representation of women on the board is down across the sampled companies. However, representations of females tend to be quiet even in developed economies (Azeez, 2015; Zangnaa et al., 2020).

The (ROA) is considered as a control variable for this study. The ROA mean is 3.15129 and a standard deviation of 7.424851, with a minimum of  $-23.4721$  and a maximum of 17.8348. It shows that the banks and financial firms' profitability vary significantly. Some banks and financial firms reported a negative ROA of  $-30.76\%$ , while some banks and financial firms reported a positive ROA - as

high as 61.17%. The variance in ROA of the listed banks and financial firms in Iraq may sometimes differ across the companies due to their total assets.

From the table, we can see that the number of years of Chairman on the board ranges from a minimum of 1 to a maximum of 8 and the mean is 3.146465. The standard deviation of 1.867098 indicates the divergence between banks is average.

This study used a correlation matrix to determine an association degree between the study's variables—the correlation matrix on the following Table 3.

The board's independence has a significant negative link with EM of listed banks and financial firms in Iraq. It is because; the correlation coefficient is  $-0.1064$  which is significant. The relationship direction indicated that more independent members might reduce the EM level of listed banks and financial firms in Iraq.

Moreover, the degree of a link between female on the board and EM is  $-0.1112$ . It shows that there is a negative link between the two. The correlation coefficient suggests that there is an inverse relationship between the two. This statistical association suggests that including women on the board may reduce the incidence of EM. The correlation coefficient as a basis for generalization will not act on the influence of governance on EM because it only gives a correlation degree between the independent and dependent variables.

Besides, the ROA introduced as the control variable has a significant relationship with EM of listed banks and financial firms. It can be confirmed from the correlation coefficient of 0.0659. However, the degree of a link between the moderating variable and EM is 0.0074. It shows that there is a positive link between the two. This statistical association suggests that an increase in the chairman's board tenure may reduce the incidence of EM (see Table 4).

Since the results of the influence of CG mechanisms on EM show unsatisfactory results, the study also tested the effect of chairman tenure as a moderator on the relationships between CG mechanisms and EM, and the result is significant. The STATA 15 results on the multiple regression analysis on

**Table 3:** Correlation Matrix

	EM	BI	FM	MEE	ROA	CPT
EM	1.0000					
BI	$-0.1064$	1.0000				
FM	$-0.1112$	$-0.1486$	1.0000			
MEE	$-0.0178$	$-0.1749$	0.1711	1.0000		
ROA	0.0659	0.0856	$-0.2466$	$-0.1252$	1.0000	
CPT	0.0074	0.0162	0.0762	0.1141	$-0.0689$	1.0000

the influence of CG mechanism on EM and the influence of the chairman tenure as a moderator on governance and EM's relationship are shown in Tables 5 and 6.

The multiple regression models were conducted with the dependent variable being the governance measured by board independence, female on board, and board meeting frequency, the dependent variables being EM measured by M-score, and the moderator variable chairman tenure

measured by the number of the years of the chairman on the board.

The first results of the direct influence of CG mechanisms on EM show goodness of fit with an R-square of 41.33%, which indicates that other factors largely explain the changes in the M-score. Among the three governance mechanisms measures, only one relationship was found to be significant, and one hypothesis test supporting while others were found to be insignificant.

The results show a positive coefficient of board independence (.04100), which was significant at a 5% level. The female on board was also found to have a positive coefficient of about .06768, significant at a 6% level. The board meeting frequency shows the causality presence in the relationship between board meeting frequency and EM (Table 5).

Besides, the results show there is a significant influence of chairman tenure as a moderator variable on the relationship between governance mechanisms and EM, and it supports all the hypothesis results of the influence of the moderating variable on the relationship between governance mechanisms and EM as shown in Table 6.

**Table 4:** Validation Tests

Modified Wald test for group-wise heteroskedasticity		
H0: $\sigma_i^2 = \sigma^2$ for all		
chi2 (33) = 214.76		
Prob > chi2 = 0.0000		
Wooldridge test for autocorrelation		
H0: no first-order autocorrelation		
F (1.18) = 16.538		
Prob > F = 0.0020		
Jarque-Bera normality test:		
21.43 Chi (2)	0.000022	
Test for Ho: normality:		
Variance Inflation Factor check for multicollinearity		
Variable	VIF	1/VIF
BI	1.43	0.310499
FM	1.23	0.352804
MEE	1.65	0.624004
EM	1.73	0.629382
ROA	1.37	0.783736
CPT	1.24	0.729462

## 5. Conclusions

Based on a research finding, the study concluded as follows:

The study's empirical findings provide evidence that governance mechanisms have a significant influence on the EM practice of listed banks and financial firms in Iraq. The empirical findings revealed that individual mechanisms of governance (Board independence, Female on Board, and Meeting frequency) have a significant reverse effect on EM of listed banks and financial firms in Iraq. In contrast, chairman tenure as a moderating variable with ROA as a control variable does not significantly influence EM.

**Table 5:** Corporate Governance Mechanisms Versus EM

SOURCE	SS	DF	MS		NUMBER OF OBS = 198	
					F(6.192)	= 2.54
MODEL	151.309209	6	25.2182015		PROB > F	= 0.0000
RESIDUAL	214.825363	192	1.1188821		R-SQUARED	= 0.4133
					ADJ R-SQUARED	= 0.3949
TOTAL	366.134573	198	1.84916451		ROOT MSE	= 1.0578
EM	COEF.	STD. ERR.	T	P >  T	[95% CONF. INTERVAL]	
BI	0.0410024	0.0385985	1.06	0.289	-0.0351292	0.1171341
FM	0.0676808	0.0661636	1.02	0.308	-0.0628201	0.1981818
MEE	0.0645963	0.0232427	2.78	0.006	0.0187525	0.1104402



**Table 6:** CG Mechanisms and Moderating Versus EM

SOURCE	SS	DF	MS		NUMBER OF OBS = 198	
					F(3, 195)	= 26.24
MODEL	105.307221	3	35.102407		PROB > F	= 0.0000
RESIDUAL	260.827352	195	1.33757616		R-SQUARED	= 0.2876
TOTAL	366.134573	198	1.84916451		ADJ R-SQUARED	= 0.2767
					ROOT MSE	= 1.1565
EM	COEF.	STD. ERR.	T	P >  T	[95% CONF. INTERVAL]	
MO1	0.0152058	0.0061122	2.49	0.014	0.0031513	0.0272604
MO2	0.0259842	0.0112117	2.32	0.022	0.0038725	0.0480959
MO3	0.0074703	0.0025214	2.96	0.003	0.0024977	0.012443

The study confirms the importance of board meetings in enhancing the monitoring function of the management. The significant negative effect of the board meetings frequency on EM was an indication that an increase in the frequency of board meetings reduce EM of listed banks in Iraq. Therefore, firms that have board meetings more frequently are associated with low EM. Moreover, the significant negative impact of females on board on EM of listed banks and financial firms in Iraq was an indication that EM reduces with an increase in the number of women on the board of directors. It is possible because women usually challenge management decisions and they always develop trust leadership than their male counterparts. Hence, more women’s participation in the affairs of the board reduces the incidence of EM.

On the other hand, the negative influence of chairman tenure as moderating variable is due to the instability of banks and financial companies over the period during which the chairman of the board of directors must remain in his position, besides, the political situation in Iraq which affect the employment of the chairman of the board.

In line with the study’s conclusions and findings, the following recommendations are offered:

the results recommend that the Exchange Commission and Securities (SEC) in Iraq encourage adherence to the minimum requirement (four times in a financial year) by making it mandatory to hold meetings at least four times a year. The SEC should encourage more frequent meetings by the board of directors because the empirical evidence indicates that board meetings are associated with low EM. The SEC should henceforth consider gender composition when designing or amending the provision of the code. It should provide a means of enforcing women’s participation on corporate boards. There is a need for the SEC to specify the proportion of women a company should maintain as directors and make it mandatory for companies to abide by it. For the chairman’s tenure, the study recommends not to allow political interference in the chairman of the board of directors’ appointment in all sectors.

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