The Impact of Corporate Governance Determinants on Foreign Investment Attraction: An Empirical Study in Iraqi Stock Exchange

Haider Abdulhussein Hameed AL Mustawfiy
AL-Mustansiriyah Center for Arabic and International Studies, Mustansiriyah University, Iraq.
E-mail: Dr.haider.almustawfi@uomustansiriyah.edu.iq

Received September 12, 2021; Accepted December 12, 2021
ISSN: 1735-188X
DOI: 10.14704/WEB/V19I1/WEB19169

Abstract

In recent years, financial markets have become an important subject. It is due to several factors. First, financial markets are essential in mobilizing national savings and channeling them into investment fields that support the national economy and achieve economic development through more efficient resource allocation. Second, many countries have helped the growth and development of financial markets and the pivotal role it plays in moving the economic growth of any country. Third, the evaluation of corporate governance in the Iraqi financial market varies in application and commitment to the principles and mechanisms of control. What is reflected over the exercise of management profits, especially by the shareholders and good corporate governance? The Corporate Governance Mechanism is one of the essential mechanisms of the knowledge economy. It has received significant international attention from international scientific and professional organizations and councils due to its role in preventing companies from being exposed to defaults and financial and administrative bankruptcy, as well as its role in maximizing the value of the company in the market and ensuring its survival and growth in the international business world. Regionally and locally.

Keywords

Corporate Governance, Investment Attraction, Foreign Investment, Iraqi Stock Exchange.

Introduction

The importance of the world's countries in the knowledge economy system has increased due to the rapid developments today (Al-Fatlawi, Al Farttoosi, & Almagtome, 2021). Namely, the phenomena of globalization, integration into the global economy, openness, liberalization of regional markets and blocs, the integration of companies and international institutions and the knowledge revolution in information and communication, and to activate the repercussions of the knowledge economy at the macro and partial levels of the world countries, especially developing countries, including Iraq, to provide a set of practical mechanisms or formulas capable of creating some compatibility between the structures of the world (A. Almagtome, Khaghaany, & Önce, 2020). The current confrontation between the countries and the variables of the knowledge economy within the framework of the system of reform and economic modernization in these countries, as well as activating the process of producing knowledge in these countries and the formation of knowledge capital capable of improving the rates of economic growth by converting financial and non-financial accounting information into a knowledge stock more than just transferring it and trading it between the economic sectors on the one hand and between business organizations operating in a particular financial sector on the other hand and also between the administrative levels of the single business organization (A. H. Almagtome, Al-Yasiri, Ali, Kadhim, & Bekheet, 2020). The accounting information shown in the financial reports is supposed to be the woman who reflects the accurate picture of the activities and business over time (Al-Wattar, Almagtome, & AL-Shafeay, 2019; Amagtome & Alnajjar, 2020). They also will evaluate the company's situation and judge the integrity of its financial performance so that all relevant parties can investors current. Future leaders, government agencies, and others make sound decisions regarding investment, sale, and lending. This information may be manipulated and distorted by the administration using specific methods and policies in response to many motives and pressures, which ultimately misleads users of such information. The concept of governance is also linked to basic concepts that regulate institutions' control and the relationship between management, shareholders, and multiple stakeholders (Amusawi, Almagtome, & Shaker, 2019). It aims to ensure the integrity of the institution's management, ensure its objectives, comply with ethical standards, and comply with laws and legislation. It was divided into four axes. The first axis of the methodology was allocated, the second dealt with the theoretical aspect and discussed the third after applying governance in the activation of securities.

In contrast, the fourth and final section addressed the most important conclusions and recommendations (Hameedi, Al-Fatlawi, Ali, & Almagtome, 2021). According to this quote, most rich nations should strive to implement corporate governance principles quicker than developing-country businesses. Iraq, in particular, is an example of a country that features a consistently poor level of financial and administrative openness due to the country's inability to adhere to corporate governance norms (Kbelah, Amusawi, & Almagtome, 2019). This highlights a challenge in researching companies listed on the Iraqi stock exchange because their failure to disclose all the accounting and non-accounting determinants along with their reports serves as a starting point for launching a declaration on the fairness of exercising power between competing parties (Khaghaany, Kbelah, & Almagtome, 2019). The research is more concerned with strengthening confidence incorporate work systems and how they conform to international governance principles produced by the knowledge economy system based on knowledge resources than material resources as an entry point for determining its actual value. The research also tries to transfer international best corporate governance practices to the corporate environment operating in Iraq. The topics in this article help investigate the impacts of corporate governance on mitigating investment and financial risk and exploring a range of factors that corporations consider when re-balancing the balance of power and responsibilities of management and rebalancing the rights of conflicting parties within a single company. The excellent application of corporate governance in the Iraqi stock market and various sectors leads to the emergence of the accurate and correct performance of the company.

Literature Review

Corporate governance has received significant attention in accounting, administrative, and economic thought literature. Many studies and research have identified the reasons that led to the financial collapses, including the low level of corporate governance. It has a prominent role in the fight against corruption and the promotion of justice, transparency, clarity, accountability, and the identification of responsibilities and relations between all companies to provide the atmosphere to achieve the objectives of these companies and exploit the available resources.

The Concept of Corporate Governance

Administrators, accountants, corporate evaluation experts, and financial market professionals had become increasingly fascinated with corporate governance because it emerged as a concept under uncertain conditions when there were disturbances in financial markets and several violent incidents in other parts of the world. It has provoked many questions about the validity of information and financial listings. The Organization for Economic Cooperation and Development has (a set of relationships between the institution's management and its board of directors and its shareholders and related parties) (Abu-Musa, 2010). It comprises the organizational structure through which the company's goals are defined and the instruments that aid in achieving these goals, and a follow-up strategy. Governance means good governance, which means controlling all the behavioral relations of the organization and its customers, which are, therefore (the specific laws and standards of the relationship between management on the one hand and shareholders, shareholders, stakeholders, or parties associated with the company on the other). Corporate governance was defined as a regulatory system used by companies to distribute authority and responsibility amongst the various parties involved in them to establish rules and procedures related to their activities to improve their financial performance and maintain their economic reputation while at the same time serving their shareholders, stakeholders, and the greater society (saad jebur AL-Mashhadi & Al-Fadhel, 2020).

Al-Khatib and Al-Qashi define it as a set of mechanisms, procedures, systems, and decisions that ensure discipline, transparency, and justice (Masoud, 2013). Therefore, they aim to achieve quality and excellence in performance by activating the actions of the management of the economic unit about the exploitation of the financial resources available to it and achieving the best possible benefits for all parties and the interest of society as a whole). On the other hand, the ruling of companies was defined as a strategy employed by the organization to advance their objectives with a moral perspective that stems from within it, as an independent and honest figure, and with rules and regulations that keep it going in a neutral and non-confrontational environment. We argue that corporate governance can be defined as (a system through which good governance of institutions is implemented through the implementation of control methods and the adoption of disclosure and transparency to preserve the institution's interests, shareholders, and other stakeholders). From the preceding of these definitions can be defined the objectives and importance of governance or corporate governance can be as follows:

- It is a system through which the organizations or units are directed and controlled.
- It is a structure through which the rights and responsibilities of different levels are determined.
- It establishes a structure through which the objectives of the unit and the means of achieving it and controlling it are set.
- Show how to secure and stimulate the management of efficient institutions or units using stimulation mechanisms.
- Leads to the more efficient exploitation of the resources available to the unit.

The Importance of Accounting Governance

From an accounting point of view, interest in corporate governance has increased in a serious attempt to restore the confidence of the users of financial information on the Stock

Exchange in the accuracy and integrity of the information disclosed by the company's management through published financial statements and reports and thus the quality of those reports approved by auditors appointed by the General Assembly of the company (Sloan, 2001). From an economic and accounting point of view, the importance of governance is reflected in various aspects. These aspects include fighting financial and administrative corruption in companies and not allowing it to exist or return. Ensure integrity, impartiality, and integrity for all company employees, from the Board of Directors and executives to the lowest employees. Avoid intentional errors or deliberate or unintentional deviation and prevent its continuation or work from minimizing it using advanced regulatory systems. Making the most of accounting and internal control systems, achieving the effectiveness of spending, and linking spending to production. Achieving sufficient disclosure and transparency in financial disclosures. Ensuring the highest efficacy of external auditors and ensuring that they are highly independent and not subject to any pressure from the Board of Directors or executives. In light of this, governance by Myers and Briley has been defined as an integrated system that includes a set of procedures and applications that give managers all the rights that motivate them to maximize the value of investments and financing decisions. On this basis, some see governance as:

- An integrated financial and non-financial control system through which the company is managed and controlled.
- A range of ways investors can be sure to achieve reasonable profitability for their investments.
- On the one hand, a set of laws, rules, and standards that determine the relationship between the company's management, on the one hand, shareholders, stakeholders, or parties associated with the company (such as bondholders, workers, creditors, citizens) other.

Similarly, Mashhadani defined governance as the framework through which companies, particularly joint-stock companies listed in capital markets, can be managed and controlled. Under this framework, the rights and duties are defined. The roles and responsibilities of all parties related to these companies (namely the Board of Directors, the management of the company, and shareholders) and other parties indirectly associated with the companies concerned (namely other stakeholders such as customers, processors, and lenders are identified. Based on some theoretical concepts and foundations such as justice and equity, transparency, responsibility and accountability, independence, and the formulation of all of the above in a set of general principles and detailed standards to protect the rights of shareholders and maximize their market value in the long term as well as protect and preserve the rights of other stakeholders.

Principles of Corporate Governance

Due to the continuing increase in the concept of corporate governance from the attention of the present time, many countries have been keen to address this concept by analysis, study, and the issuance of a set of principles governing its proper application. On this basis, the researcher will review the most important principles of governance brought by international organizations and significant countries as follows:

Principles of governance according to the International Monetary Fund (IMF) and the Organization for Development and Economic Cooperation (OECD):

Many entities have been interested in developing fundamental principles of corporate governance. The Organization for Development and Economic Cooperation (OECD) has been one of the organizations that have made efforts to achieve this goal. In cooperation with the International Monetary Fund, it has established a specialized working group to develop principles for corporate governance to provide guidelines for securities markets, companies, investors, and other interested parties in developing a sound approach to the application of corporate governance. As a result, governance was implemented under five criteria reached by the organization in 1999 but revised and amended in 2004, becoming six criteria instead of five as follows:

First: Guaranteeing shareholders' rights by allowing the transfer of ownership of shares, the selection of the Board of Directors, obtaining returns and profits, reviewing financial statements, and the right of these shareholders to participate in decision-making and to see the records transparently and to ensure that they exercise their full rights.
Second: Equal treatment of shareholders involves equal treatment and entitlement to receive genuine compensation when their rights are infringed.
Third: Ensuring the legal rights of stakeholders in corporate governance. The corporate governance framework must involve recognizing the rights of stakeholders as defined by law. This framework should also encourage cooperation between companies and stakeholders in wealth creation and employment opportunities and achieve sustainability projects based on sound financial foundations.
Fourth: Disclosure and transparency of important information and the auditor's role, disclosure of ownership of the vast percentage of shares, and disclosure related to board

members and executives, all of which are disclosed somewhat between all shareholders and stakeholders in a timely and without delay.

Fifth: Determining the board of directors' responsibilities is very important for the board of directors' structure and its legal duties and how to choose members and determine its essential functions and role in supervising the executive management.

Sixth: Ensuring a basis for a practical framework for corporate governance without a tight framework and specific mechanisms. The rules of action and effective control will remain merely a theory, and its effectiveness will be difficult to measure or apply as required.

Principles of Corporate Governance in the United States and Britain

In the United States of America, the problem was issued by the Consultation Council with a set of principles, the most important of which are:

First: Clarify the relations between the board of directors and the company's management, as each board of directors must establish a structure based on its circumstances. It achieves the appropriate balance between the powers of the CEO and independent directors so that the Board can carry out its function in supervision and give independent directors the abilities required to accomplish their role in the same field.

Second: Determining the responsibilities of the Board of Directors, including understanding and endorsing the company's long-term strategy and understanding the issues, forces, and risks that determine and direct the business as well as supervising the performance of the management, is an order of effectiveness and mastery of the work of the Board and the independence of the majority of its members in addition to the existence of an appropriate structure for its committees and clearly defined qualifications for its members all of the basics of fulfilling the responsibilities of the Board and reaching effective corporate governance.

Third: The board of directors' evaluation through the board's adoption of a 3D and interrelated evaluation process, which includes evaluating the performance of the board in full and evaluating the performance of each of its committees as well as assessing the performance of each director independently if required, as well as the Board, should adopt a review and evaluation process for the performance of the CEO of the company.

Fourth: Recognition of the rights of shareholders and the level of their impact on the company's activities in the long term, as the company's shareholders must have the ability to participate in the election, naming of directors, and proxy authorizations on business issues. The interests of shareholders related to corporate governance in cooperation with the governance and nomination committee of the Board of Directors and the problem is fully formed by independent directors.

In the United Kingdom, corporate governance principles were set out in the Consolidated Guide, issued in 2003 through the Financial Reporting Committee. It calls on the London Stock Exchange to abide by the need for all listed companies to take it, which is a review of the essential principles mentioned. Each company must be managed by an effective board of directors and be collectively responsible for its success. There should be a clear separation between the board of directors' responsibility and the executive management of the company's business, and no one has the power to make a decision. There should be a balance in the board of directors' membership between the executive and non-executive members (independent) so that no party controls the decision-making process and has formal, correct, and transparent procedures for appointing a new member of the Board of Directors. Accurate and timely information must also be provided to council members to carry out their duties, and members should constantly update their knowledge and develop their skills. The Board of Directors should conduct an annual evaluation of its performance, accurate and formal. This assessment should include all board committees, and there should also be a performance evaluation for each member. At the end of each legal period, all board members must be re-elected provided that they continue to perform appropriately. The board must have a renewal and replacement plan for members. The reward committee should also evaluate the level of rewards paid by the company at the level of dividends paid by other companies working in the same field, with this assessment linked to performance levels and working conditions. Procedures for developing the applicable reward policy must be transparent and be done formally and aim to stabilize the level of rewards obtained by the board member from one period to another. The member does not specify their tips. The Board of Directors should provide a balanced and understandable assessment of the company's status. The Board of Directors must maintain an internal control system to protect shareholder investments and the company's assets. The Board of Directors should also establish formal and transparent arrangements that include applying the principles for preparing financial reports and internal control systems and maintaining an appropriate relationship with the auditors. There should also be an exchange of views with shareholders based on a shared understanding of the company's objectives. The Board of Directors is responsible for confirming that there has been a fair exchange of opinions with shareholders. There are also other principles of governance, the most important of which can be summed up as follows:

- The Board of Directors must assume its supervisory responsibilities, especially risk management.

- The Board of Directors should disclose the extent of its independence and the independent percentage of non-independent.
- The Board of Directors should form an audit committee of independent members.
- The Board of Directors should adopt training, educational, and guidance programs.

Corporate Governance Objectives

Many researchers have pointed to the critical role of corporate governance in determining its value, reflecting its impact on the price of its shares in the financial markets through increased demand in those markets.

a) Achieving a good level of relations with the relevant authorities of the company.
b) Achieving financial and operational results for a company that applies corporate governance better than others by optimizing resources and achieving the best management performance level.
c) Governance is easy to apply in companies getting the necessary tilt at a reasonable cost.

Achieving a good level of corporate governance affects the level of the economy as a whole by reducing the likelihood of financial collapses in companies and issues that shake confidence in the country's economy. For example, some corporate departments' fraud and accounting manipulation practices hide their loss. It shows fictitious profits that give a picture of conflict and, contrary to the truth, has shaken confidence in their financial lists.

The application of corporate governance also stimulates performance, reduces risks, improves access to financial markets, improves the ability to market products and services, improves leadership, as well as increases transparency and social accountability, as corporate governance seeks to achieve the following objectives:

a) Develop regulations to avoid or reduce fraud, conflicts of interest, and unacceptable behaviors materially, administratively, morally, and accounting, as well as develop control systems for corporate governance and members of its board of directors.
b) Establish systems under which the company is managed under a structure that determines the distribution of duties and responsibilities among the Board of Directors and shareholders.
c) Activating the rules and procedures related to the company's conduct, including achieving the company's objectives, developing systems and controls that have the independence of the Board of Directors and audit committees. Maximizing the

performance of companies and enhancing investor confidence in the company's business and activities.

The Importance of Corporate Governance

Corporate governance has gained greater importance in countries where their companies suffer from a weak legal system (Iqbal, Nawaz, & Ehsan, 2019). It cannot conduct contract implementation and dispute resolution effectively. The poor quality of information has led to inadequate supervision and control and contributed to the spread of corruption and mistrust. Thus, establishing sound principles and mechanisms for corporate governance leads to creating the necessary reserves against corruption and mismanagement, encouraging transparency in disclosing information and financial lists, and eliminating the resistance of company managers to reform. Al Mashhadani also believes that the importance of economic governance is reflected in several levels, at the level of the company improves power of the competitive performance of the company and reduces the costs of obtaining capital and increases the market value of its shares as well as it reduces risks, while corporate governance at the level of shareholders achieves an appropriate return for them and maximizes their value and preserves their rights, and for securities increased corporate governance the ability to attract investments and enhance disclosure and transparency and reveal cases of manipulation, fraud and corruption At the level of the whole economy, corporate governance works to allocate more efficient resources, improve program management, reduce the volume of outflows of funds and increase the volume of inflows, but the importance of legal governance is reflected in ensuring that the rights of the beneficiary parties are fulfilled, overcoming the negatives about the implementation of contracts arising from improper management practices, and the importance of social governance, reflected in ensuring the protection of the rights of all stakeholders and affirming social responsibility.

Characteristics of Corporate Governance

Corporate governance characteristics are discipline, transparency, independence, accountability, responsibility, fairness, and social awareness (Burak, Erdil, & Altindag, 2017). The discipline is defined as the commitment of management to focus and commit to applying corporate governance and follow the system to implement its specific business and raise the value of its shareholders. Transparency indicates the ability of external parties to evaluate the correct position of the company. In contrast, independence refers to the autonomy of the board of directors and its committees and the freedom of the external auditor. Finally, accountability is defined as the possibility of holding accountable and evaluating the actions of the management and board of directors by shareholders and other stakeholders and the responsibility for the board of directors' effectiveness in establishing the necessary controls and procedures to prevent cases of lousy management (Clark, 2019).

Furthermore, it indicates fairness as equal treatment of the shareholders of the minority company with its majority shareholders. Finally, it emphasizes social awareness of its responsible moral and social behavior towards the various stakeholders. Many researchers also relied on corporate governance mechanisms in measuring the level of their application. The selection of measurement variables was based on the fact that the excellent application of corporate governance reduces the agency's problems and costs, particularly the conflict and difference between the majority of shareholders and the minority of them. The need for corporate governance mechanisms arises due to the failure of the treatments developed by the agency's theory to reduce the agency's problems resulting from the separation of ownership of capital from management (Pei Zhi & Ramzan, 2020). Corporate governance mechanisms are defined as practices that contribute directly or indirectly to the proper application of corporate governance and determine the nature of the relationship between shareholders and all stakeholders and ensure adequate and stable management. Several researchers also relied on variables that combine some of the characteristics and principles of corporate governance to measure their application level.

Applying Corporate Governance

The excellent application of corporate governance needs to continue the perfect and continuous follow-up of the application process, which must be clear, accurate, and strong. The application does not stop enacting the legislation, laws, and binding instructions but requires follow-up application and determining the ability to develop solutions and address existing problems (Hornuf, Schmitt, & Stenzhorn, 2018). The Center for International Private Projects points out in this context that the excellent application of corporate governance leads to reduced risks, enhanced performance, improved access to financial markets, increased marketing portability of goods and services. It leads to improved leadership, transparency, and accountability for social responsibility (Boldbaatar, Kunz, & Werker, 2019). The commitment to the excellent application of corporate governance reflects significantly on the performance of companies. The standards used in expressing it, i.e., the superb application of governance, helps to find comprehensive concepts and measures of the company's performance. It supports its ability to continue and grow and achieve the interests of the relevant parties because the idea of corporate governance carries in its content two main dimensions: compliance with legal and administrative requirements. The performing with the exploitation of the opportunities available to upgrade the whole company (Beliaeva, Ferasso, Kraus, & Damke, 2019). Thus, the application of corporate governance leads to a higher level of company performance. It reduces its motivation for for-profit management practices because companies with a high level of performance have a lower incentive for for-profit management practices than low-performing companies that suffer successive losses. They will use these practices to cover their poor performance and reduce their losses as companies perform well. Cash flows from good operating operations reduce their profit management practices. In addition, knowing cash flows is particularly important for shareholders and stakeholders of the company because their knowledge of it helps them analyze cash over a certain period. It also helps them predict the courses of its development and shows the company's success in generating money and paying commitments.

Corporate Governance Mechanisms

Corporate governance mechanisms are the main elements supported to achieve them and affect their impact and achieve their desired objectives (Brennan, Subramaniam, & van Staden, 2019). Especially the transparency of information and the quality of financial reports, including these mechanisms in two groups: internal mechanisms and external mechanisms:

1. Internal Mechanisms of Corporate Governance

The internal corporate governance mechanisms focus on the activities and activities of the company and take the necessary measures to achieve the company's objectives (Naciti, 2019). The means of internal corporate governance can be classified as follows:

a) **Board of Directors**: The Board of Directors is the best tool to monitor the administration's behavior (Association, 2020). It protects the capital invested in the company from abuse by the administration through its legal powers to appoint, exempt, and reward senior management. The wrong board of directors actively participates in the development of the company's strategy and provides appropriate incentives to the management and monitors its behavior and performs its performance and thus mix maximizes the company's value.
b) **Audit Committee**: The Audit Committee has received significant attention from international and local scientific bodies and researchers, especially after multinational companies' financial failures and turmoil (Siddiqui, McPhail, &

Rahman, 2020). This attention is due to the role that the review committee can play as a corporate governance tool in increasing confidence and transparency in the financial information disclosed by companies.

c) T- **Internal Review**: The internal audit function plays a vital role in the governance process by increasing the ability of shareholders to hold the company accountable. The internal auditors, through their activities, increase credibility, justice, improve the behavior of employees working in companies and reduce the risk of administrative and financial corruption.

2. External Mechanisms of Corporate Governance

The mechanisms of governance of external companies are represented by the controls exerted by external stakeholders on the company and the pressure exerted by international organizations interested in this subject, where this source is one of the major sources generating enormous pressure for the application of governance rules:

a) **Competition of the product market and the administrative labor market**: Competition in the product market is an essential corporate governance mechanism. It emphasizes this importance if the administration does not carry out its duties properly, will fail to compete with companies that operate in the same industry field, and are exposed to bankruptcy. Hence, competition in the product market (or services) refines the administration's behavior, especially if there is a good market for the administrative work of the senior management.

b) Mergers: There is no doubt that mergers are traditional tools for restructuring in the corporate sector around the world, and researchers point out that there are much literature and evidence that support the view that mergers are essential mechanisms of governance, and without it, the behavior of management cannot be effectively controlled as the services of low-performing departments are often dispensed with when the merger occurs.

c) **External review**: External references play an important role in helping to improve financial reports. To achieve this, should discuss the audit committee in its incoming and not only its acceptability, and with an increased focus on the role of the boards of directors and in particular the review committee in the selection of external references and continue to commission it as the independent audit committees will request a high-quality audit. Thus select reviewers for competent and specialized in the industry in which the company operates.

d) **Legislation and laws**: Some legislation has affected participants in the governance process not about their role and function but how they interact.

e) **Other external governance mechanisms**: Other external governance mechanisms affect the effectiveness of governance in essential and complementary ways to other agencies in protecting the interests of the company's stakeholders. Transparency World exerts enormous pressure on governments and countries to fight economic and administrative corruption as financial analysts and some international organizations. The Basel Committee is exerting pressure to exercise governance there in the banking sector. Therefore, because of the diversity of governance mechanisms and the multiplicity of their sources, their implementation requires developing a comprehensive framework. It considers all stakeholders in companies, whether private or state-owned. Each of these parties plays a vital role in the governance process and interacts within the governance framework. This interaction significantly reduces financial and administrative corruption cases and adds confidence to financial statements.

3. Determinants of Corporate Governance and Foreign Investment Attraction

This research attempts to transfer international best corporate governance practices to the corporate environment operating in Iraq. These practices focus on property rights in corporate finance or debt-focused financing or a mixture of them as an entry point for a trade-off between the ownership structure of companies concentrated in a small number of investors and the ownership structure of companies dispersed in a large number of investors (Ali, Frynas, & Mahmood, 2017). It also provides an entry point to highlight the impact of corporate governance determinants on stimulating emerging securities markets and how to reach them globally, avoiding investors from the severity of their risks, strengthening their confidence in their decisions, and trying to transfer international best practices of corporate governance to the corporate environment operating in Iraq. A set of corporate governance parameters has received a lot of attention from global companies in rebalancing the powers and responsibilities of management on the one hand and rebalancing the rights of opposing parties within one company on the other. The corporate governance principles have been strengthened by Transparency International and Credit Lonet bank and include seven key determinants of internationally accepted corporate governance, transparency. Accounting disclosure method, information content for accounting disclosure, audit, independence, justice, and discipline. It is difficult to assess the compliance of these companies with these determinants due to the relative weight of each specific vocabulary and the inability to set a record or model of good governance (Bhaumik, Driffield, Gaur, Mickiewicz, & Vaaler, 2019). This research was based on the seven specifics mentioned in the preparation of its proposed framework, where it dealt with several studies on the essential vocabulary contained in each of the determinants of corporate governance above and as follows:

1. **Transparency**: which includes the similarity of financial and non-financial information, non-leaking of details before the announcement, electronic dissemination of information, analysis of deviations from plans, matching reports with the international pattern, performance evaluation with international best practices, conforming practice to international accounting and auditing standards, accounting accountability of members The Board of Directors, predicting the company's future profitability, analyzing board irregularities, analyzing stock-focused ownership, analyzing the request of board members, analyzing minority rights, analyzing the rights of parties with interests, a regular meeting of the Board of Directors, regular meetings of technical committees, and analysis of the rewards and transactions of the Board of Directors.
2. **Method of accounting disclosure**: includes the vocabulary of financial and non-financial reports, sector reports, inter-reporting, environmental reports, board reports, statistical reports, and the Constitution of Business Ethics.
3. **Information content of the disclosure**: which includes the vocabulary of book information, market information, knowledge information, general information about the company, available information about the Board of Directors, information on the company's listing, stock trading information, strategy information, software and activity information, competitive advantage information, financial performance information, operational performance information, cash performance information, investment performance information, financial risk information, investment, and finance structure information, operating risk information, human asset information, and knowledge capital information.
4. **The review selector**: which includes the vocabulary of the financial, administrative, and internal review, analytical review, review for particular purposes, internal control systems, external review, and audit committees.
5. **Independence**: This includes the vocabulary of the independence of the Board of Directors, the independence of the review committees, the independence of risk management committees, and the independence of the reward committees.
6. **Justice**: which includes the vocabulary of minority representation on the Board of Directors, the freedom to register and transfer ownership of shares, the defense of the rights of the minority and the parties involved, the freedom to sue the Board of Directors, the possibility of voting by proxy, mail, and the Internet, and the approval of shareholders for the rewards of senior management.

7. **Discipline**: This includes the vocabulary of compliance with the internal environmental laws of the company (strengths - weaknesses) and the rules of the external environment under which the company operates (opportunities - threats).

Despite the importance of establishing the previous seven parameters as corporate governance principles, al-Mutairi's study indicated no agreement between researchers and practitioners on a specific definition or corporate governance translation of the term. Some see it as corporate governance, others call it good governance or wise management, and others see it as governing measures. Nevertheless, the following are the essential concepts synonymous with corporate governance as mentioned in some studies:

1. It is synonymous with the concept of (governing measures) of companies to ensure balance in the rights of opposing interests.
2. It is an alternative to the concept of (control of the establishment) to control the directors of business organizations by the providers of funds to ensure that the management of these organizations does not self-exploit their funds or invest them in projects that are not economically irrational.
3. It corresponds to the concept of (exercising good authority management) and trying to narrow it in favor of other parties to reduce risks, improve performance, stimulate financial markets, support its competitiveness, and achieve transparency and social accountability.
4. It is used as an alternative to the concept of institutional control to address the problem of the agency, protecting the rights of shareholders, protecting the rights of the owners of the affairs, and emphasizing the need to activate accounting standards. The international audit standards at the international level achieve economic development and social well-being from the perspective of the knowledge economy.

The researcher dealt with the concept of "corporate governance" due to its widespread use in the accepted translation of the reports of international organizations and institutions and its everyday use in relevant non-accounting studies. Also, there is an agreement on its origins and purpose. The concept of corporate governance emerged after the series of events, crises, scandals, and spectacular collapses of some international companies' activity in the last three decades, such as the Bank of Credit and International Trade scandal. The disaster of savings and lending banks in the United States and the crisis of some American companies such as Enron Worldcom and others. These fantastic events necessitated identifying and analyzing their causes as an entry point to prevent their recurrence in the future. Some attributed the most important reasons for these events to the administration's incompetence in acquiring and using the available resources. In contrast, others attributed it to the lack of transparency and financial lists to transparency and accounting disclosure sufficient and fair due to the failure of companies' regulatory systems and the large gap between the salaries and rewards of managers and the performance of managers the companies they manage.

As a result of the effects of these or other reasons, the shareholders of these companies lost most of their investments, thousands of employees lost their jobs. Moreover, with the sharp decline in the share prices of these companies on the stock exchange, international organizations demanded that the way companies are governed ensures that they continue on the one hand and the countries' economies in which they operate on the other. In addition, the role of the bodies and institutions charged with controlling the work of these companies should be reviewed strictly, the most important of which are the financial markets bodies and securities exchanges in different countries. Therefore, governance in Iraq is based on essential elements that shape its overall framework, enhance the availability of these elements and increase its effectiveness, the most important of which are:

The legislative and regulatory framework, the banking system, the capital market, disclosure and accounting standards and transparency in privatizations, adequate supervision of boards of directors, preservation of property rights. Regulations, laws, legislation, and control bodies supervising capital markets aim to protect investors and maintain honesty in dealing in securities trading operations. This is done through several mechanisms, perhaps the most important of which is the issuance of law for the securities market with strict rules for disclosure of information, the most important of which are the laws:

- Companies Act No. 21 of 1997.
- Central Bank Amendment Act No. 56 of 2004.
- Iraqi Banking Act No. 40 of 2004.
- Income tax law No. 113 of 1982 and its amendments.
- Registration Agency Act No. 4 of 1999.
- The law regulates the practice of the comptroller.
- Interim Securities Markets Act ordered the Coalition Provisional Authority No. 74 of 2004.
- Money laundering law.
- Iraqi Investment Law No. 13 of 2006.

It is noteworthy that Iraqi law has not yet addressed the issuance of a law or a guide in the name of corporate governance, however, there are some companies listed on the Iraqi stock exchange working to apply the rules of governance in part through laws and binding instructions for the sectors that included many regulations for the principles of corporate governance and mechanisms, i.e. there are many provisions of the governance system in the contents of laws and legislation governing the performance of companies The new companies law of 1997, amended and other Iraqi legislation, has given a role in obliging companies to activate the concept of corporate governance and mechanisms, but not based on the idea of governance, despite the new concept of corporate governance in the Iraqi environment, but notes that there is serious action by those interested in trying to explain this concept and learn about its aspects and how to apply it in the business sector through the issuance of some decisions related to supporting and promoting disclosure and transparency in the financial reports of joint stock companies and holding some Scientific seminars and conferences with the aim of introducing this concept and researching and studying the extent of its application in the Iraqi environment. Iraq has a sound banking system, and the method includes solid and competitive banks both inside and outside Iraq, and private banks are subject to the company's law as joint-stock companies. The Banking Act No. 40 of 2004, in addition to the Securities Exchange Act and the Iraqi Stock Exchange, governs a set of laws and regulations that are part of the laws governing the operation of the Iraqi stock market and a bunch of financial and professional instructions in addition to the existence of accounting and supervisory standards. Local issued by the Iraqi Accounting Standards Board and the Unified Accounting System No. 1 of 1990.

Conclusions and Discussion

Corporate governance has become a concern for many academics and practitioners as a tool for achieving reform and economic and social development in societies. The concept is based on the main pillars of several mechanisms for which proper application maximizes companies' value, activates the money market, and increases confidence in the economy. Applying governance in Iraqi companies leads to multiplying positive results and considering their adoption a necessity. Especially in the current transition period, which requires careful creation of a healthy infrastructure conducive to attracting investments, the best means is to provide a fair and effective system that invokes governance. From a legislative point of view, the Iraqi environment is valid for applying government despite the limitations of these laws in many areas, so it is done through the development of its legislation under the best international practices and the preparation of the necessary legal and regulatory frameworks for its application. There is a fundamental impact of corporate governance determinants on the revitalization of the Iraqi stock market, despite the varying relative importance of these determinants. The importance of building a record or model of the degree of governance accepted at the level of each country within the framework of its legislation and the rules of supervision and control of the financial markets bodies in particular due to the importance of this record in conducting an objective assessment of the extent to which the determinants of governance are applied to Iraqi companies. The existence of statistically significant correlations between the determinants of corporate governance, namely transparency, the information content of accounting disclosure, audit, justice and discipline, and the rate of turnover of shares of companies, means that the activation of the stock market in any country depends on the need to activate these determinants.

The application of corporate governance affects the reduction of deviant behavior of the administration through the development of systems to control the management and the development of the administrative structure that determines both the duties and responsibilities of the Board of Directors and its committees as well as achieving fair treatment of all parties stakeholders of the company and protecting the rights of shareholders and enhancing their confidence in the company's business and activities. Corporate governance is an excellent tool to judge the company's good management and ensure integrity and integrity for all company employees. It is necessary to Issue rules of evidence to apply the governance of companies listed on the Iraqi Stock Exchange to prove the impact of corporate governance to reduce the practices some departments resort to influence accounting figures and show them untrue in financial reports. The Iraqi government should abide by the determinants of corporate governance due to its role in integrating local capital markets within the international financial markets. Its commitment to preparing programs to educate company directors and boards of directors about the importance of the impact relationship of the governance determinants of these companies to stimulate the stock market. Attention should be paid to the ethical and behavioral aspects and follow up the commitment of the departments of companies concerned with the relevant standards of professional conduct. They urge the companies involved to commit to disclosing the exact and correct financial situation to them by applying the principles and mechanisms of governance and imposing sanctions in the event of a breach of that application. The need for an effective oversight body responsible for monitoring and monitoring the extent to which Iraqi companies registered on the Iraqi Stock Exchange adhere to the principles and rules of corporate governance. We need to review the current accounting practices for transparency and disclose each company in preparation for developing corporate accounting and management systems in the first place of the governance determinants announced at the international and local levels. The commitment of companies' supervisory and control bodies in each country represented in the financial market and the interest of companies to conduct a periodic assessment of the extent to which the determinants of corporate governance are applied to reality to activate securities. Finally, Further studies and research in the impact of corporate governance determinants in the activation of securities in Iraq.

References

Abu-Musa, A. (2010). Information security governance in Saudi organizations: an empirical study. *Information Management & Computer Security, 18*(4), 226-276.

Al-Fatlawi, Q. A., Al Farttoosi, D. S., & Almagtome, A.H. (2021). Accounting Information Security and IT Governance Under COBIT 5 Framework: A Case Study.

Al-Wattar, Y.M.A., Almagtome, A.H., & AL-Shafeay, K.M. (2019). The role of integrating hotel sustainability reporting practices into an Accounting Information System to enhance Hotel Financial Performance: Evidence from Iraq. *African Journal of Hospitality, Tourism and Leisure, 8*(5), 1-16.

Ali, W., Frynas, J.G., & Mahmood, Z. (2017). Determinants of corporate social responsibility (CSR) disclosure in developed and developing countries: A literature review. *Corporate Social Responsibility and Environmental Management, 24*(4), 273-294.

Almagtome, A., Khaghaany, M., & Önce, S. (2020). Corporate Governance Quality, Stakeholders' Pressure, and Sustainable Development: An Integrated Approach. *International Journal of Mathematical, Engineering and Management Sciences, 5*(6), 1077-1090.

Almagtome, A.H., Al-Yasiri, A.J., Ali, R.S., Kadhim, H.L., & Bekheet, H.N. (2020). Circular Economy Initiatives through Energy Accounting and Sustainable Energy Performance under Integrated Reporting Framework. *International Journal of Mathematical, Engineering and Management Sciences, 5*(6), 1032-1045.

Amagtome, A.H., & Alnajjar, F.A. (2020). Integration of Financial Reporting System and Financial Sustainability of Nonprofit Organizations: Evidence from Iraq. *International Journal of Business & Management Science, 10*(1).

Amusawi, E., Almagtome, A., & Shaker, A.S. (2019). Impact of Lean Accounting Information on The Financial performance of the Healthcare Institutions: A Case study. *Journal of Engineering and Applied Sciences, 14*(2), 589-399.

Association, A.D. (2020). 5. Facilitating behavior change and well-being to improve health outcomes: Standards of Medical Care in Diabetes—2020. *Diabetes Care, 43*(Supplement 1), S48-S65.

Beliaeva, T., Ferasso, M., Kraus, S., & Damke, E.J. (2019). Dynamics of digital entrepreneurship and the innovation ecosystem. *International Journal of Entrepreneurial Behavior & Research*.

Bhaumik, S., Driffield, N., Gaur, A., Mickiewicz, T., & Vaaler, P. (2019). Corporate governance and MNE strategies in emerging economies. *Journal of World Business, 54*(4), 234-243.

Boldbaatar, D., Kunz, N., & Werker, E. (2019). Improved resource governance through transparency: Evidence from Mongolia. *The Extractive Industries and Society, 6*(3), 775-787.

Brennan, N.M., Subramaniam, N., & van Staden, C.J. (2019). *Corporate governance implications of disruptive technology: An overview*. In: Elsevier.

Burak, E., Erdil, O., & Altindag, E. (2017). Effect of corporate governance principles on business performance. *Australian Journal of Business and Management Research, 5*(7), 8-21.

Clark, C.E. (2019). The board of directors' role in ensuring accountability and creating value: stakeholder and shareholder complementarity. In *Ethical Business Leadership in Troubling Times*: Edward Elgar Publishing.

Hameedi, K.S., Al-Fatlawi, Q.A., Ali, M.N., & Almagtome, A.H. (2021). Financial Performance Reporting, IFRS Implementation, and Accounting Information: Evidence from Iraqi Banking Sector. *The Journal of Asian Finance, Economics and Business, 8*(3), 1083-1094.

Hornuf, L., Schmitt, M., & Stenzhorn, E. (2018). Equity crowdfunding in Germany and the United Kingdom: Follow-up funding and firm failure. *Corporate Governance: An International Review, 26*(5), 331-354.

Iqbal, S., Nawaz, A., & Ehsan, S. (2019). Financial performance and corporate governance in microfinance: Evidence from Asia. *Journal of Asian Economics, 60*, 1-13.

Kbelah, S.I., Amusawi, E.G., & Almagtome, A.H. (2019). Using Resource Consumption Accounting for Improving the Competitive Advantage in Textile Industry. *Journal of Engineering and Applied Sciences, 14*(2), 575-382.

Khaghaany, M., Kbelah, S., & Almagtome, A. (2019). Value relevance of sustainability reporting under an accounting information system: Evidence from the tourism industry. *African Journal of Hospitality, Tourism and Leisure, 8*, 1-12.

Masoud, N.M. (2013). The impact of strengthening the judicial accountability of corporate governance in order to combat corruption in the companies listed in the financial markets. *E3 Journal of Business Management and Economics, 4*(12), 276-284.

Naciti, V. (2019). Corporate governance and board of directors: The effect of a board composition on firm sustainability performance. *Journal of Cleaner production, 237*.

PeiZhi, W., & Ramzan, M. (2020). Do corporate governance structure and capital structure matter for the performance of the firms? An empirical testing with the contemplation of outliers. *Plos one, 15*(2).

saad jebur AL-Mashhadi, A., & Al-Fadhel, M.A. (2020). The Role of Knowledge Machinery in Supporting Financial and Accounting Transparency in the Economic Unit. *PalArch's Journal of Archaeology of Egypt/Egyptology, 17*(8), 931-956.

Siddiqui, J., McPhail, K., & Rahman, S.S. (2020). Private governance responsibilisation in global supply chains: the case of Rana Plaza. *Accounting, Auditing & Accountability Journal*.

Sloan, R.G. (2001). Financial accounting and corporate governance: a discussion. *Journal of accounting and economics, 32*(1-3), 335-347.