MESR
منار الشرق للدراسات والأبحاث
Manar Elsharq for Studies & Research

Manar Elsharq Journal
For Management and Commerce Studies
ISSN: 2959-0655 (Print)
http://meijournals.com/ara/index.php/mejcms/index

The role of managerial capacity and its impact on the sustainability of accounting profits in Iraqi banks

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ARTICLE INFO

Received: 15 Sep
Accepted: 05 Nov
Volume: 4
Issue: 4

Abstract

The aim of the research is to test the impact of the managerial ability of executive managers on the continuity of accounting profits. To achieve this goal, an applied study was conducted on a sample of banks within the banking sector of banks listed on the Iraq Stock Exchange during the period (2016-2019). For collecting data, the researcher relied on the financial statements published on the Iraq Stock Exchange website to measure the variables based on quantitative measures. The research found a significant positive relationship between managerial ability and profit continuity. The research concluded that good and efficient management works to harness the available and limited capabilities of the bank to obtain the maximum profit that can be achieved, and thus increases the continuity of profits. The research recommended the need to improve the information environment of economic units and increase its transparency in a way that ensures that there are no activities that affect the quality and continuity of their profits

Keywords: Managerial Ability, Earnings Persistence, Accounting Profits, Profit Quality, Iraqi Banks.

Introduction:

Economic units strive to achieve economic growth and development through investment activities and their benefits, and by diversifying their investments to generate varied returns that support their financial sustainability. They also aim to provide economic and social benefits by supporting the economy, contributing to job creation, and fostering innovation and sustainable development. However, companies face a range of risks that can impact their performance and hinder the achievement of their objectives. Therefore, companies need to carefully balance profit generation with risk management to ensure the continuity of their operations and the long-term success of their investments. The managerial capabilities of executives are among the most important factors that directly and indirectly affect the performance of economic units, particularly in the banking sector. In light of economic challenges and market volatility, the need arises for managerial leadership capable of making strategic decisions that enhance the continuity of accounting profits. This is a key indicator of strong financial performance and economic stability. The efficiency of executives in optimally utilizing the company's available economic resources and converting them into revenue is a key factor. The personal characteristics of managers also play a significant role in improving current financial performance and mitigating anticipated risks that may affect the company. Its future, as managers with high managerial capabilities can achieve success in a more complex environment, maintaining the company's financial and operational performance and ensuring the continuity of its accounting profits for a longer period. The first section included the research methodology and previous studies related to the research

topic. The second section reviewed the conceptual framework of managerial capability, approaches to measuring it, and the continuity of accounting profits. The third section included the applied aspect of the research, which addresses testing the impact of executive managers' managerial capability on profit continuity. Finally, the fourth section reviewed the most important conclusions and recommendations reached by the research.

1.Research Methodology and Previous Studies

1.1 Research Methodology

1.1.1 Research Problem

The research problem lies in the fact that the more consistent accounting profits are, the greater their ability to provide valuable and influential information on stock prices. This is largely linked to management efficiency and the ability to manage the company's assets and economic resources. Managerial competence is a key factor in the success of an economic unit and in enhancing the continuity of its profits in the long term. This requires managers to utilize the available resources of the economic unit and create opportunities to increase the sustainability and continuity of profits. This raises the question of the nature of the relationship between profit continuity and the role of managerial competence in strengthening or undermining this relationship. Therefore, the research problem can be formulated as the following question:
Does the managerial competence of executive managers affect the continuity of accounting profits?
The following sub-questions stem from the above question.
1. Do executive managers possess managerial competence, and if so, what is its nature?
2. Are accounting profits consistent?
3. What is the impact of executive managers' managerial competence on profit consistency?

1.1.2 Research Objectives

This study aims to demonstrate the impact of managerial competence on the sustainability of accounting profits in the Iraqi environment for companies listed on the Iraq Stock Exchange. It also aims to clarify the concepts of managerial competence and methods for measuring it, and to identify the concept, measures, and importance of the sustainability of accounting profits. Furthermore, it examines the relationship between managerial competence and profit sustainability, and measures the managerial competence of executive managers and the extent of the sustainability of accounting profits in banks.

1.1.3 Importance of the Research

The importance of the topic of managerial capabilities lies in the significant attention it has received in accounting research recently. Companies in the global environment strive to possess managerial capabilities that contribute to competitiveness and market survival, distinguishing them from other companies. The importance of this study stems from highlighting the significance and sustainability of accounting profits by showcasing the role of these capabilities in enhancing the positive aspects of companies, such as the quality and continuity of their profits. The study derives its academic importance from being an extension of previous studies on human capital, specifically the managerial capabilities of bank managers.

1.1.4 Research Hypothesis

This research is based on the following main hypothesis:
(The managerial competence of executive managers has an impact on the continuity of accounting profits)
Sub-hypothesis 1: This study examines the level of managerial competence of executive managers.
1. H0: Executive managers do not possess a certain level of managerial competence.
2. H1: Executive managers possess a certain level of managerial competence.

Sub-hypothesis 2: This study examines the level of profit continuity.
1. H0: Accounting profits are not characterized by continuity.
2. H1: Accounting profits are characterized by continuity.

Sub-hypothesis 3: This study examines the relationship between the managerial competence of executive managers and the continuity of accounting profits.
1. H0: There is no statistically significant correlation or impact of the managerial competence of executive managers on the continuity of accounting profits.
2. H1: There is a statistically significant correlation and influence relationship between the managerial ability of executive managers and the continuity of accounting profits.

1.1.5 Research Population and Sample.

The research population consists of banks listed on the Iraq Stock Exchange within the banking sector. The research sample was defined as a group of 20 banks drawn from this population, covering a four-year period (2016-2019).

1.1.6 Data Collection Methods and Techniques

To fulfill the requirements of this study, information and data were collected as follows:

For the theoretical framework, the researcher relied on a range of Arabic and foreign sources, including books, dissertations, theses, newspapers, professional journals, and websites, in accordance with Iraqi laws and regulations. The researcher used a set of established research scales to measure the variables, aiming to enhance the research's reliability. Data was collected based on the financial statements and stock prices published on the Iraq Stock Exchange website for the economic units included in the research sample for the period (2016-2019).

1.1.7 Scope of the Research

The study will be conducted on all banks listed on the Iraq Stock Exchange, specifically the banking sector, as the sample included 20 banks, and for the period between 2016-2019, to the extent that data for the research sample was available and disclosed by the banks listed on the Iraq Stock Exchange.

1.1.8 Research Methodology

The researcher adopted the inductive method and reviewed and examined the scientific literature and publications, including books, university theses, articles and research from Arab and foreign journals, with the aim of analyzing them and building the theoretical aspect. In addition, the deductive method was adopted to deduce and interpret the relationship between the research variables. The relationship between the three variables was then tested

after analyzing the content of the financial reports by collecting the data necessary to measure the variables.

1.2 Previous studies

1.2.1 Arabic Studies

1. Ibrahim's study (2017) "Measuring the Impact of Managerial Capability on the Quality of Accounting Profits in the Egyptian Business Environment: An Applied Study" (Egypt). The study aimed to demonstrate the impact of managerial capabilities of executive managers on the quality of accounting profits in the Egyptian business environment. The study included an applied study on a sample of (129) non-financial companies listed on the Egyptian Stock Exchange during the period from 2012 to 2013. The study relied on the model of Erjian et al. (2012) to measure managerial capability and income smoothing to measure the quality of profits. The results of the study showed a positive impact of managerial capability on the absolute value of estimated accruals and accounting profit smoothing activities, which is reflected in a decline in the quality of accounting profits.
2. A study by (Shanshul, 2018) “Measuring the impact of managerial ability on the suitability of the value of accounting information by applying it to a sample of companies listed on the Iraq Stock Exchange” (Iraq). This study aims to present and analyze the concepts of managerial ability and the relevance of accounting information, as well as the models used to measure them. It also aims to present and analyze the impact of managerial ability on the relevance of accounting information in the research sample. The study examined the Demerjian et al. (2012) model for measuring managerial ability and the price-return model for measuring the relevance of accounting information. Additionally, several estimation models were used to determine the impact of managerial ability on the relevance of accounting information. This was applied to a sample of 21 companies in the industrial sector listed on the Iraq Stock Exchange. The study reached several conclusions, the most important of which is that managerial ability did not play a role in increasing the explanatory power resulting from the price-return model. Furthermore, managerial ability did not affect the share price when considered as an independent variable or when interacting with accounting information. However, in the return model, managerial ability did affect the share return when considered as an independent variable, while it had no effect when interacting with accounting information. The weakness of managerial ability among the executive managers in the companies in the research sample led to a weak impact of managerial ability on the relevance of accounting information. Issued by those companies, and thus there is a relationship between weak managerial ability and weak suitability of the value of accounting information. In other words, if the executive managers in the companies in the research sample had managerial ability, this would have been clearly embodied in enhancing the suitability of the value of the accounting information issued by them.
3. A study by Hamidi et al. (2022) titled "The Impact of the COVID-19 Pandemic on the Sustainability of Profits and Market Returns for Investors: An Applied Study in Iraqi Commercial Banks Listed on the Iraq Stock Exchange" (Iraq)

This study aimed to demonstrate the impact of the COVID-19 pandemic on both the continuity of profits and market returns for investors. It examined the quarterly reports of sixteen Iraqi banks listed on the Iraq Stock Exchange for the years 2018 and 2019 (before the outbreak) and 2020 and 2021 (after the outbreak). The research variables were measured quantitatively using models developed in relevant literature. Sustainability was measured using the Francis et al. (2004) model, and market returns for investors were measured by share price growth. The impact of the coronavirus was measured by testing the difference between the means of the two variables before and after the outbreak. The study concluded that there was an impact.

1.2.2 Foreign Studies

1. study Demerjian et al, 2013"(Managerial Ability and Earnings Quality"

This study aimed to examine the relationship between managerial competence and earnings quality. It addressed three variables: managerial competence as the independent variable, earnings quality as the dependent variable, and company-specific governing variables such as size, sales volatility, cash flow volatility, operating cycle, and the external auditor (local or international). Data was collected through content analysis of financial reports from a group of international companies for the period 1986-2009, totaling 78,423 views. Managerial competence was measured using the Data Envelopment Analysis (DEA), consistent with the previous study by Demerjian et al. (2012), which assessed the efficiency with which managers utilize their companies' resources. Earnings quality was measured using four metrics: income statement restatement, earnings persistence, errors in the provision for doubtful debts, and accrual planning in cash flows. The study concluded that earnings quality has a positive correlation with managerial competence, with more competent managers engaging in less effective practices. It affects the quality of earnings, as well as their ability to consistently generate high earnings and high-quality earnings estimates. Therefore, high managerial capabilities result in high-quality earnings, since the higher the executive's capabilities, the better able they are to assess entitlements.

2. Study Baik et al., 2020.

"Managerial Ability and Income Smoothing: The Accounting Review"

This study aimed to measure the impact of managerial ability on the information content of accounting information related to income smoothing practices. The study was based on a sample of publicly traded US companies over the period from 1991 to 2011. Managerial ability was measured using the Demerjian et al. (2012) and Lang et al. (2012) models for measuring income smoothing. The study concluded that managerial ability has a positive impact on income smoothing practices. Furthermore, the study found that managers with high managerial ability experience improved information content regarding accounting earnings and stock prices as a result of these practices.

2. The Conceptual Framework

2.1 The conceptual framework of managerial capability and approaches to measuring it

2.1.1 Definition of Managerial Capability

An assessment of how efficiently managers use their companies' resources (including capital, labor and innovative assets) to generate revenue in the most optimal ways. (Demerjian et al., 2012:1229) "The ability of managers to understand the company's economic situation and industry structure in order to accurately assess future opportunities and company performance" (Arora et al., 2017:1). It is a reflection of human capital that contributes to the optimal use of the company's available resources (Francis et al., 2019:3). "The ability of the company's executive management to use economic resources effectively" (Buts, 2020:21). "Management efficiency compared to competitors in the same industry in converting the company's resources into revenue" (Valizadeh et al., 2020:3). "The relative efficiency and ability of managers in converting resources into revenue" (Hasan, 2020:3)The concept of managerial ability, as presented by (Demerjian et al., 2012:1229), is a reflection of the ability of managers to understand the company's economics, make sound economic decisions in a timely manner, and enable them to convert resources into revenue with high efficiency.

2.1.2 Dimensions of the concept of managerial capability.

Managerial Efficiency: Managerial efficiency refers to the knowledge, skills, and abilities in planning, monitoring, and controlling the operations of an economic unit (Orobia et al., 2021:384). Managerial efficiency has been measured using the Managerial Efficiency Scale (ME), developed by Demerjian et al. (2012), to assess important managerial attributes using Data Envelopment Analysis (DEA), which is used to evaluate the relative efficiency of businesses (Cho & Lee, 2019:22). Managerial Effectiveness: This is the process of managing resources appropriately under various and challenging circumstances and selecting the correct approach capable of achieving the desired goals of the economic unit (Chadha, 2015:183). Managerial Reputation: This is the result of the cumulative effect of results achieved by the economic unit, both internally and externally, in a way that fosters loyalty among the unit's customers (Khalaf, 2021:109). The study presented by Mohammed (2022:16) adopted the Data Envelopment Analysis (DEA) scale as a measure of reputation. Administrative.

2.1.3 The Importance of Managerial Capability:

Utilizing company resources efficiently and selecting the best projects that achieve the highest net present value leads to increased shareholder wealth. Furthermore, managerial capability contributes to reducing financial pressures on the company. (Aldoseri and Albaz, 2023:17) According to higher-level theory, which is based on the premise that managerial ability has an impact on strategic choices and outputs, ability may reduce the risk of a stock market crash by utilizing company resources, enhancing the transparency of financial reports, improving financial performance and the quality of internal control, and preventing executives from concealing bad news (Aldoseri and Albaz, 2023:17). Managers' ability to gather information that can be used to form future estimates is reflected in the quality of financial reports. This indicates that company transparency increases with the manager's managerial ability. From the investors' point of view, the value of the company comes from the manager's managerial ability, thus reducing the problem of information asymmetry

between the company's internal and external parties. This means that managerial ability helps investors by providing more predictive earnings (Ibrahim, 2017: 48)

2.1.4 Theories explaining the concept of managerial capability:

1. Agency Theory:

This theory explains the agency relationship between one or more principals and other parties, i.e., agents who perform a series of tasks on behalf of others, which can lead to a conflict of interest. A strong managerial reputation contributes to reducing agency costs because reputable executives are more likely to act in the best interests of investors by selecting the best projects that yield the highest net positive value, thus increasing future profits for investors. This, in turn, reduces the risk of stock market crashes (Kusuma & Romadhon, 2020:107)

2. Higher-Level Theory

Higher-Level Theory was introduced by Hambrick and Mason in 1984. It is based on the fundamental premise that the experiences, beliefs, and values of executive managers are essential determinants in their evaluation of the situations they face. These influence their decisions and strategic choices. Consequently, the characteristics of managers can provide suitable explanations for the nature of performance in both the short and long term. Since then, many studies, particularly in the fields of management and finance, have focused on researching and examining the determinants of managerial characteristics and their impact on strategic orientations, choices, and business results. Managerial characteristics have also garnered the attention of researchers in the field of accounting, as they represent the accounting policies followed by the economic unit (whether related to measurement or disclosure considerations) as one of the strategic choices of management (Abdel-Aal, 2021:6)**.(**

2.1.5 Key Factors that Actively Contribute to Building and Developing Managerial Capabilities

1. Innovation: Innovation is a crucial factor in developing managerial capabilities. No company can achieve a competitive advantage and ensure the success of its operations without innovation. Innovation is sometimes used synonymously with creativity (Asbari et al., 2021:67)
2. Competitive Advantage: Competitive advantage is a vital element due to its role in building and developing managerial capabilities. It has been defined as "a company's exploitation of its internal strengths in performing its activities, particularly in a way that competitors cannot achieve in performing their activities".
3. Training: In light of rapid development and technological advancements, training has become an urgent necessity to enhance the managerial capabilities of executives. While personal skills can be taught, they can only be developed through training. Training is defined as "a planned process used to change attitudes, knowledge, skills, and behavior through learning experiences to achieve effective performance in various areas or activities" (Lahope et al., 2020:470-471)
4. Learning from past experiences: - Smart management considers building and developing administrative capabilities essential and fundamental to technical support, which involves enhancing and attracting expertise and consultants, reviewing studies and research that have addressed capacity building, and benefiting from the experiences of others. This will

enhance investment, assess needs, and prepare, design, and then plan within joint work plans (Abdul Wahab, 2022: 23)

2.2 Continuity of accounting profits

2.2.1 The Nature of Accounting Profits

Accounting profits, as presented in financial statements, are among the most important pieces of information for decision-makers. Many users of financial and non-financial information focus on accounting profits due to their role in all investment, financing, and operational decisions. They are also used as a tool to evaluate and forecast current and future bank performance. Profit is considered one of the most important items in financial statements and is also used to measure the efficiency and effectiveness of bank management in optimizing the use of available and limited resources. In order for users of financial information and stakeholders to evaluate the financial and non-financial performance of banks and make sound and appropriate decisions, these profits must accurately and clearly reflect the company's economic reality. Furthermore, management practices involving fraudulent accounting have led to an increased focus on the quality of profits as a benchmark for the quality of disclosed information (Fawzi, 2022: 134). Earnings continuity is a defining characteristic of accounting earnings quality and is considered one of the most important metrics used in many studies. The focus on earnings continuity, as a key indicator of reported earnings quality, stems from its crucial role in maintaining the stability of the financial system in banks. More consistent and profitable earnings are more sustainable and of higher quality, making them more useful in stock valuation models. Consequently, earnings naturally lead to higher valuations in stock markets because they are a strong indicator of the quality and sustainability of accounting earnings (Shehata et al., 2023: 10).

2.2.2 The Concept of Continuity of Accounting Profits

Profits are an indicator of a bank's success; the higher the profits, the greater the bank's success. To achieve high profits, bank managers must reduce costs and optimize the use of available resources to maximize revenue. This, in turn, depends on the managerial capabilities of executives and the policies and procedures adopted to leverage those capabilities. Profits are generally categorized into two groups: recurring profits and exceptional (non-recurring) profits. Recurring profits represent high-quality earnings, while non-recurring profits represent lower-quality earnings. Sustainable profits indicate the future (long-term) profits that banks will achieve, while exceptional or temporary profits are temporary (non-recurring) and therefore cannot be used as a predictive indicator of future profits (Malao, 2019: 88).

2.2.3 Definition of Earnings Continuity

Earnings sustainability is defined as the profit that can be used as an indicator of the profit itself; that is, current profits can be used as an indicator of a bank's future profits. More consistent and continuous profits indicate more profitable returns, and conversely, if profits are less consistent and discontinuous, they become less profitable (Malawi, 2019: 88).

Mashkour (2020) defined earnings sustainability as "the ability of current profits to continue and be repeated in the future financial period."Therefore, earnings continuity helps decision-makers in predicting future profits. Earnings continuity is an important factor because it increases the accuracy of future earnings forecasting (Mashkour, 2020:5032). For their part, Moradi et al. (2020) defined profit sustainability as "the ability of an economic unit to maintain its current level of profit over the long term." In other words, the current level of profit is a good indicator of the economic unit's future profitability. Profit stability and sustainability mean the recurrence of current profit. If profit stability is greater, it means the economic unit has a greater The ability to maintain future and current profits is assumed to indicate higher quality in a bank's earnings. Profit stability is one of the most important qualitative characteristics of accounting profit, upon which accounting information depends. Profit sustainability is an indicator that helps investors evaluate a unit's earnings and cash flows (Moradi et al., 2020: 82). Francis et al. (2004) explained that"sustainability is a measure of profit quality based on the view that more sustainable profit is of higher quality." Prasetyo et al. (2021:130) defines earnings sustainability as "earnings that can reflect the continuity of sustainable future earnings determined by accrual and cash flow components." Sustainability can be observed based on overall financial statements or measured based on the components of financial statements. The quality of a company's earnings is often linked to earnings sustainability, as earnings sustainability is a component of earnings predictive value (Suwandika and Astika, 2013(

2.2.4 The Nature of the Relationship Between Executive Managerial Capabilities and the Sustainability of Accounting Profits

Managerial capability is one of the most important factors affecting the sustainability of profits. This is due to its impact on the application of accounting principles, internal control systems, and the preparation of financial statements, as well as its influence on the level of information disclosure in financial reports. Several previous studies have addressed the nature of the relationship between managerial capability and the sustainability of accounting profits, noting a difference in the results of these studies regarding the nature of this relationship. The study by Hapsoro & Shufia (2018: 640) found that high managerial capabilities increase managers' ability to improve the efficiency of managing the economic unit and to identify economic and environmental changes in a way that leads to more sustainable and stable profits, thus ensuring profit

growth. High managerial capability is characterized by the ability to utilize the company's resources to achieve high sales revenues and create investment opportunities to increase current and future profits, thereby leading to profit sustainability. (Al-Sayed, 2023: 155)

2.2.5 Factors Affecting the Relationship Between Managerial Capability and the Continuity of Accounting Profits

Many studies have addressed some factors that the researcher believes influence the relationship between managerial capability and the continuity of accounting profits. Financial leverage expresses the extent to which an economic unit can meet its financial obligations at

maturity. It helps determine the financial resources necessary to form the capital structure for the purpose of stabilizing and sustaining profits and increasing shareholder wealth (Al-Sayed, 2020: 162). The supervisory mechanism of corporate governance is one of the most important factors that can affect the relationship between managerial capability and the quality of profits, and consequently the continuity of profits. This is manifested in the supervisory mechanism of corporate governance, which refers to the role of the board of directors and the functions of commissioners in supervising executive managers (Romadhon & Kusuma, 2020: 114). The authority granted to executive managers represents another factor affecting the relationship between managerial ability and profit continuity. According to Romadhon & Kusuma (2020), the impact of managers on the economic unit depends on the authority they possess. This authority can be affected by organizational factors, such as the strength or weakness of governance. According to the powers granted to managers, they enable them to monitor financial reports, determine accounting methods, and use estimates and personal judgment. This would open the door for management to carry out some earnings management practices, thus affecting the quality and continuity of accounting profits (Romadhon & Kusuma, 2020:115)

3. The practical aspect

3.1 Measuring and interpreting variables.

1. Measuring and Analyzing Managerial Capacity

Phase One: Measuring the Overall Efficiency of Banks: In this phase, the overall efficiency of banks is estimated according to the Data Envelopment Analysis (DEA) technique. This technique compares units operating in the same sector by combining the various resources available and defined to the economic unit to obtain outputs and estimate the overall efficiency of the economic units. Accordingly, the inputs and outputs within the banking sector were defined as follows: (Net Fixed Assets, Intangible Assets, Wages, and Rent Expenses). These inputs are then compared with the outputs, which are (Deposits, Loans, Investments, and Interest Income). This is done according to the model developed by (García-Meca and Garcí-Sanchez, 2018) to suit the nature of banks' financial reports. The measurement model is consistent with the model used by (Demerjian et al., 2012) in many accounting studies and literature. The developed model takes into account the decisions necessary for allocating resources (inputs) and the product mix used to attract deposits. Loans and the collection of returns enhance the reliability of the results, measuring the overall efficiency of banks.

$\boldsymbol{max\ \theta\ \frac{u\ 1Deposits + u2\ Loans\ + u3\ Investment + u4\ IntInco}{v1PPE + v2Int + v3Labor + v4RentalExp}}$	
Whereas	
Deposits	Total deposits at the end of the period.
Loans	Loans or credit represent and include both loans and customer financing, as well as credit facilities, and are listed in the balance sheet.
Investment	Total investments at the end of the period.
IntInco	The income shown at the end of the period and included in the income statement is the result of subtracting (Total interest income + Other income

	from commissions and foreign exchange window commissions - Interest expenses)
PPE	Net fixed assets of property and equipment at the beginning of the period.
Int	Tangible assets.
Labor	Labor costs (employee wages and salaries)
RentalExp	Rental expenses may not be disclosed directly in the financial statements but are included under other expenses or administrative expenses.
u،v	It expresses the output and input weights obtained when analyzing (DEA)

The DEA score represents the bank's efficiency level, ranging from 0 to 1. A score close to zero indicates low efficiency, meaning the bank needs to reduce costs or increase revenue.

The second stage involves measuring managerial capability through overall efficiency. The overall efficiency score, estimated using the Data Envelopment Analysis (DEA) technique, reflects both the bank and its management. Therefore, key bank characteristics such as size, free cash flow, and market share are excluded from the overall efficiency score of the **economic unit. The following model is applied to obtain only managerial capability.**

DEA-Score = β0 + β1 Lon (Firm Size) +β2 *Market Share* + β3 Free Cash flow Indicator + ε	
DEA-Score	It represents the overall efficiency rating of the bank.
Lon (Firm Size)	The natural logarithm represents the bank's total assets at the end of the year.
Market Share	The bank's market share is represented by (the bank's total assets divided by the total assets of all banks listed on the Iraq Stock Exchange for the year t)
Cash flow Indicator	Free cash flow is calculated using the following equation: (Free cash flow = Net operating cash flows – Capital expenditures(
E	:.The residuals represent the unexplained ratio in the model and express the part attributed to management, or the degree of managerial ability. The value of the residuals from the regression of the bank's managerial efficiency level (DEA-Score) determines the amount of increase or decrease in the bank's performance compared to other banks. Positive residuals indicate banks with high managerial ability (high managerial efficiency), while negative residuals indicate banks with low managerial ability (less efficient)

Table of Banks' Administrative Capacity Results

Administrative capacity	Cv	Sd	Av	2019	2018	2017	2016	Year / Bank
There is	5%	0.1943612	3.572605	3.66274	3.28397	3.63874	3.70497	Ashur
There is	18%	0.2182189	1.243855	1.2205	1.54059	1.01526	1.19907	Al-Mansour
There is	52%	0.4466843	0.8526075	0.48312	0.52401	0.96668	1.43662	Baghdad
There is	54%	0.3914024	0.722385	1.20475	0.87567	0.43092	0.3782	Kurdistan
There is n0	221%	0.1743908	-0.07891	-0.2391	-0.06076	-0.17396	0.15818	National
There is n0	78%	0.1444542	-0.185843	-0.00609	-0.14973	-0.24045	-0.3471	Middle East
There is no	87%	0.1823828	-0.208908	-0.22536	-0.0516	-0.09926	-0.45941	Ethnic Investment
There is no	169%	0.3551365	-0.210343	-0.52491	0.04566	-0.50676	0.14464	Cihan Investment
There is no	59%	0.131237	-0.220985	-0.30245	-0.15446	-0.07122	-0.35581	Union
There is no	22%	0.055442	-0.257473	-0.32203	-0.28531	-0.21356	-0.20899	Economy
There is no	107%	0.2812674	-0.263093	-0.2479	-0.0566	-0.66539	-0.08248	United
There is no	111%	0.3526829	-0.31834	-0.66696	-0.57561	-0.04606	0.01527	Gulf Commercial
There is no	107%	0.3923126	-0.365968	-0.88512	-0.35982	-0.28351	0.06458	North
There is no	42%	0.220332	-0.523965	-0.37583	-0.41198	-0.4574	-0.85065	Babylon
There is no	16%	0.0886055	-0.540865	-0.52434	-0.66552	-0.51758	-0.45602	National Iraqi Bank
There is no	42%	0.2453726	-0.589355	-0.39825	-0.8411	-0.36043	-0.75764	Mosul
There is no	39%	0.2354465	-0.597228	-0.24557	-0.7002	-0.7452	-0.69794	Iraqi Islamic Bank
There is no	35%	0.2141737	-0.619623	-0.46955	-0.83615	-0.40474	-0.76805	Elaf
There is no	40%	0.2528475	-0.63399	-0.46733	-0.84145	-0.85869	-0.36849	Sumer Commercial
There is no	5%	0.0362351	-0.776575	-0.81811	-0.79296	-0.75919	-0.73604	Iraqi Commercial Bank

Source: Prepared by the researcher using Vr 24 SPSS and Excel software.

Based on the data presented in the table above regarding the managerial capacity of a sample of 20 banks, the managerial capacity of each bank can be analyzed using the arithmetic mean and then compared with each other for the four years (2016-2019). All results in the table are interpreted based on the data above. Accordingly, the banks were divided into two sections. The first section included banks with high administrative performance. Ashur Bank is considered one of the best banks in terms of administrative ability, as it achieves a high positive average of (3.57). This high average indicates the presence of strong and sustainable administrative ability among the bank's executive managers. The bank's coefficient of variation is (5%), which is very low, reflecting great stability and consistency in administrative ability over the years of the research sample. This means that the bank's management is characterized by efficiency and effectiveness without significant fluctuation. Al-Mansour Bank comes in second place in terms of administrative ability, with a positive average of (1.24), which indicates relatively good administrative ability with a coefficient of dispersion of (18%), which shows that the administrative ability is somewhat stable, although there is some acceptable fluctuation, reflecting good administrative ability but with few fluctuations compared to Ashur Bank. Furthermore, Bank of Baghdad shows a positive average of (0.85), indicating good managerial capacity, though lower than the previous two banks. The coefficient of variation of 52% indicates significant managerial fluctuations and may suggest that management generally achieves positive results, but there is relative instability in managerial performance over the years, which is indeed what the results showed. Similarly, Bank of Kurdistan showed a positive average of (0.72), meaning that management has a reasonable capacity to achieve good performance, but not as strong as that demonstrated by Ashur and Mansour banks. Moreover, the relatively high coefficient of variation of 54% indicates significant fluctuations in managerial performance, meaning that managerial capacity exists, but is not entirely stable.

Therefore, the researcher concludes that Bank of Ashur is the most efficient bank compared to the other banks in terms of efficiency and maintaining the bank's level of managerial performance over the four years. The second section included banks with weak management performance (such as the National Bank, the Iraqi Investment Bank, Cihan Investment Bank, Middle East Bank, Union Bank, Economy Bank, United Bank, Gulf Commercial Bank, North Bank, Babylon Bank, National Bank of Iraq, Mosul Bank, Iraqi Islamic Bank, Elaf Bank, Sumer Commercial Bank, and Iraqi Commercial Bank). All these banks suffer from weak management capabilities, as indicated by negative averages, which reflect a lack or weakness in management capacity.

In conclusion, banks with good management capabilities are characterized by a positive average and a relatively low coefficient of variation, reflecting strong and stable management capacity, as is the case with some banks, including Ashur Bank, Baghdad Bank, Al-Mansour Bank, and Kurdistan Bank, in terms of positive values and relative stability. Banks with weak management capabilities, on the other hand, tend to show negative averages, indicating a lack of management capacity, with a noticeable variation in the degree of stability. Some, like the National Bank of Iraq, exhibit relative stability in their weak performance, while others suffer from sharp fluctuations.

1. Measuring the variable of profit continuity

To determine the level of profit continuity in the banking economic units of the research sample, the (Boonlert et., 2006) model, which is used in many accounting literature to measure the continuity of bank profits, was employed. It can be said through it that banks that achieve profits continuously are of course moving in the right direction, as most of the models that have been formulated to measure profit continuity link future profits to current profits, or in other words, it expresses the extent to which current profits predict future profits, as the profit of the future period is a reflection of the current profits, according to the following model (Boonlert et., 2006:332)

$\frac{NIt}{Total\ asset_{t-1}} = \beta 0 + \beta 1 \frac{NIt_{t-1}}{Total\ asset_{t-1}} + \varepsilon_{i.t}$	
Because...	
Nit	Net income of the economic unit for the current year for a period of t
NIt_{t-1}	The net income of the economic unit for the previous year t-1 is represented.
: $Total\ asset_{t-1}$	**-Total assets for the previous year t-1**.
$\beta 1$	**The responsiveness of future earnings to current earnings**.
$\varepsilon_{i.t}$	The rest.

The regression coefficient β1 is used to determine the level of profit continuity. A higher β1 value of 1 indicates a stronger relationship between current and future profits, thus confirming profit continuity. Conversely, a low β1 value, close to zero, and a negative value indicate a lack of profit continuity (An, 2017: 83)

Accordingly, the model was applied to a sample of 20 Iraqi banks listed on the Iraq Stock Exchange (ISX). The study relied on the annual financial reports published on the ISX website (www.isx-qi.net). The sample was selected because data for the study period was readily available, and the listed banks consistently disclosed their financial statements for the specified years without interruption.

A table representing banks with consistently high profits

2019	2018	2017	2016	β1	Year / Bank
0.00126	0.00914	0.021852	0.03672	0.968	Iraqi Investment
0.00143	0.0076	0.007892	0.0153	0.91	Gulf Commercial Bank
0.00699	0.02867	0.033222	0.04713	0.907	Ceyhan Bank
0.00816	0.03988	0.051229	0.04502	0.787	Kurdistan Bank
0.01177	0.02942	0.031282	0.03879	0.758	National Bank
0.00815	0.02704	0.027385	0.03484	0.663	Ashur Bank

The researcher using SPSS VR24 and Excel prepared the Table.

Based on the results shown in Table (5) above, the bank results can be interpreted as follows:

Table (5) shows the banks characterized by high profit continuity: Investment Bank demonstrated high profit continuity with a value of (β = 0.968), indicating strong profit consistency. This was followed by Gulf Commercial Bank (β = 0.91) and Cihan Bank (β = 0.907), both of which also showed high profit continuity with β values close to one.

The second section included banks with good profit continuity, namely Kurdistan Bank (β = 0.787), National Bank (β = 0.758), and Ashur Bank (β = 0.663). These banks reflected a good level of profit continuity, as indicated by β values close to one, making them suitable investment options.

A table representing banks with profits characterized by weak or temporary sustainability.

2019	2018	2017	2016	β1	Year/ Bank
0.00103	0.00048	0.00499	0.0046	0.397	Sumer Commercial
0.00149	0.00176	0.00329	0.0019	0.125	Babylon
0.00368	-0.0022	0.00029	-0.0003	0.106	North
-0.0026	0.00057	0.00022	0.0037	0.095	United
0.0003	0.00025	0.00029	0.0004	0.019	Al-Mansur
0.00009	-3E-05	0.00001	0.0001	0.013	Economy

The researcher using SPSS VR24 and Excel prepared the table.

The table above represents a group of banks with average to weak profit continuity, including Sumer Commercial Bank (β = 0.40), Babylon Bank (β = 0.125), North Bank (β = 0.106), United Bank (β = 0.095), Mansour Bank (β = 0.019), and Al-Iqtisad Bank (β = 0.013). Sumer Commercial Bank indicates relatively average profit continuity within the group due to its β = 0.40 value compared to the other banks. Babylon Bank (β = 0.125), North Bank (β = 0.106), United Bank (β = 0.095), Mansour Bank (β = 0.019), and Al-Iqtisad Bank (β = 0.013) all have very low β values, indicating that their profits are not at all continuous and are temporary, on the verge of disappearing, because their β values are so low. This means that the profits of these banks are not sustainable. It is predictable and lacks continuity, and this is what the data for this group has already revealed.

Table representing banks with profits characterized by a lack of sustainability

2019	2018	2017	2016	β1	Year / Bank
-0.0005	-0.0013	-0.0022	-0.0001	-0.176	Elaf
-0.0025	-0.0047	-0.0034	0.0005	-0.334	Mosul
-0.0055	-0.005	-0.0245	-0.0035	-0.512	Al-Ahli
0.00154	-0.0005	-0.0138	-0.0024	-0.62	Middle East
-0.017	-0.0162	-0.013	-0.0137	-0.65	Iraqi Commercial
-0.0002	-0.0005	-0.0006	-0.0003	-0.744	Al-Ittihad
-0.0078	-0.0079	-0.0053	-0.0042	-0.748	Baghdad
-0.0218	-0.0143	-0.0149	-0.0148	-0.756	Iraqi Islamic

The researcher using SPSS software prepared the table.

Banks with zero profits: These include Elaf Bank (β = -0.176), Mosul Bank (β = -0.334), National Bank of Iraq (β = -0.512), Middle East Bank (β = -0.62), Commercial Bank of Iraq (-0.65), Union Bank (-0.74), Baghdad Bank (-0.75), and Iraqi Islamic Bank (-0.75). All of these banks have a negative β coefficient, indicating the absence of consistent profits.
In conclusion, using the β coefficient, we can observe that banks with high β values tend to be more consistent and profitable, such as Iraqi Investment Bank and Gulf Commercial Bank. Conversely, banks with low or negative β values suffer from significant volatility and instability in future profits, making them less attractive for investment.

3.2 Testing hypotheses, discussing and analyzing results

This section reviews the most important results upon which the research hypotheses formulated in the study methodology were tested, in order to determine the possibility of accepting or rejecting these hypotheses. A set of statistical programs was used to obtain the results after analyzing the studied data, including SPSS version 24, AMOS version 24, and Microsoft Excel.
The researcher also used several statistical methods to obtain results regarding the direct and indirect correlations and relationships between the study variables. These methods included calculating means, standard deviations, and coefficients of variation.
To determine the nature and direction of the relationship between the variables included in the research, regression analysis was used. For indirect relationships (with the presence of a mediating variable), the researcher used the t-test to test the significance of the parameters for

a direct effect and the Bootstrap test to test the significance of the parameters for an indirect effect.

The following section examines the sub-hypotheses and the significance of the correlations. The researcher identified the correlations between the variables to determine the direction and strength of the relationship between them.

3.2.1 Testing the relationship between managerial ability and profit continuity through correlation coefficients.

The following table includes the values and significance of the correlations between managerial capability and profit sustainability in order to determine the strength and direction of the relationship between them:

Table representing the correlation coefficients between the variables (managerial capability, profit sustainability)

Correlations		
		Administrative capacity
Profit continuity	Pearson Correlation	.373**
	Sig. (2-tailed)	.001
	N	80
**. Correlation is significant at the 0.01 level (2-tailed).		

The null hypothesis to be tested here is:

H0: There is no statistically significant correlation between managerial ability and profit sustainability, as opposed to the alternative hypothesis.

H1: There is a statistically significant correlation between managerial ability and profit sustainability.

The results show that the correlation coefficient was 0.373, with a p-value of 0.001, which is less than the significance level set by the researcher (5%). This means rejecting the null hypothesis and accepting the alternative hypothesis. Therefore, we conclude that there is a statistically significant positive correlation between managerial ability and profit sustainability.

4. Conclusions and Recommendations

4.1 Conclusions

1. Efficient management influences the quality and credibility of information provided by the bank's profitability, as it needs to achieve sustainable and stable profits. In other words, profit continuity represents the link between managerial capacity and information content.
2. Good and efficient management works to utilize the bank's available and limited resources to achieve the maximum possible profit, thus increasing profit continuity. This makes profits a more reliable source of information provided by the bank. This interpretation supports the importance of profit continuity as a key mediating variable that influences information content, highlighting the role of management in creating a stable financial environment that contributes to improving information content.
3. The impact of managerial capacity is clearly evident when there is a mediating variable, as managerial capacity alone is insufficient to convey the extent of improvement in the transparency and reliability of the information provided. This was confirmed by the analysis of the impact of managerial capacity on information content in the presence of

the mediating variable (profit continuity). The researcher also suggests the factors of the different study environment, the limited sample size, and the varying levels of managerial maturity.

4. Profit sustainability is one of the most important pieces of information for all stakeholders, as it reflects the true value of the accounting profit figure. It reflects the actual performance of the economic unit, free from the opportunistic behavior of managers, by presenting the information content in a way that ensures the quality of the items disclosed by management.

5. Several influential factors intertwine between managerial capability, profit sustainability, and information content. These factors play a pivotal role in altering the course of this relationship, either positively or negatively. Controlling and managing these factors serves the economic unit and its stakeholders. These factors include market fluctuations, economic and political conditions, and competitive advantage.

4.2 Recommendations

1. The need to enhance banks' focus on the managerial capabilities of their executive managers as a crucial resource by establishing appropriate policies and conditions for manager appointments, as well as objective compensation procedures linked to profitability sustainability. This ensures higher management efficiency in the optimal utilization of available resources, thereby increasing investment opportunities to boost future profits and enhance competitive advantage. This, in turn, leads to the sustainability of accounting profits and the long-term viability of banks, as it strengthens their capacity.
2. Working to diversify banking services, innovate additional services, market them, and expand their reach through digital dominance in a way that enhances long-term profitability.
3. Improving the information environment of economic units and increasing its transparency to ensure that no activities negatively impact the quality and sustainability of their profits, capitalizing on available investment opportunities, and optimizing the use of the economic unit's resources, while mitigating the risk of share price collapse.

4. Encouraging banks to practically apply research findings to improve their financial and administrative performance. 6. Expand studies related to tangible assets in general and attempt to incorporate managerial capabilities as one of their components, given their impact on the efficiency, effectiveness, and performance of the company.

5. Increase awareness of the importance of profitability and study the factors that determine it within the Iraqi corporate environment.

6. The financial reporting system currently in place in Iraq should be reviewed to align with the requirements of the new economic system and keep pace with the latest trends and concepts in accounting thought.

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