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Organizational Technology Capabilities Effecting Risk Management And Financial Performance Among Iraqi Private Banks

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Abstract

As a result, the bank's goals and objectives are in jeopardy, and any risk or uncertainty that was not anticipated has the potential to impede their progress along the road. Every single company need to spend a significant amount of emphasis on risk management. There is the potential for enhanced performance to be achieved via the use of appropriate risk management measures. This article provides a comprehensive analysis of the problem of risk management techniques that are applied by private banks in Iraq. Additionally, the article identifies the key elements that have an influence on these tactics. An examination of the impact that risk management techniques have on financial performance should be carried out after taking into account a variety of factors, including organizational features (such as top-down support and training), technological capabilities (such as system usability and utility), and other considerations. For the aim of this investigation, the sample included around 379 Iraqi bank workers who were employed by firms that were involved in the private sector. When it came to doing the analysis of the data that was gathered for the research, structural equation modeling was the method that was employed. According to the results of the research, there is a strong connection between the organizational, technological, and risk management strategies that are utilized. The company's financial performance was improved as a result of this partnership, which was a positive development. Through the use of this study, the objective is to persuade private banks to improve the overall efficiency of their operations by putting a higher emphasis on risk management. The private banking sector is the target audience for this study.

Key term: *Organizational; Technology Capabilities; Risk Management Practices*

1. Introduction

In terms of risk management, it would appear that the most efficient methods, tools, and technologies for managing risk in the banking sector are found inside the confines of risk management. This is the case since risk management is inherently restrictive. Due to the fact that risk management is a constraint, this is the situation. When it comes to the management of risks, this situation is comparable to the one already described. Both of those scenarios are in stark contrast to this one, which stands in stark opposition to the most successful processes or the past study that has been carried out. When it comes to the fact that individuals who work in the field of risk management are not venturing beyond the realm of traditional scientific research, the company is now in a state of disarray owing to the fact that this is the case. It is for this reason that the sector is currently in such a precarious state. Even in the framework of risk management, there is the chance that one may see the attitude of the employees who are participating in the process. The widespread misperception that exists regarding what risk management is and how it has to be managed will

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continually give rise to disputes regarding the degree to which risk management is not well understood. One of the reasons for this is that there is a widespread misconception about the situation. Internet banks are in a worse condition than traditional banks when it comes to risk management, according to a vast quantity of supporting data from the scientific community. This is particularly true when comparing the two types of banks. It is within the context of the banking industry that this assertion is made. According to Sahar Naser (2010), the special features, legal requirements, letters, instructions, and difficulties in law that are linked with the Iraqi Central Bank continue to bring extra dangers to the private banks of the nation. These risks are presented by the Iraqi Central Bank. Additionally, these dangers continue to have an effect on the private banks of the country. In addition to this, there are issues with the judicial system. On the other hand, in addition to being a substantial component, this is also a factor that contributes to the problem that we are currently dealing with.

According to Ronald and Richard (1996), when it comes to the implementation of risk management techniques in financial institutions, it is vital to spend a substantial amount of emphasis on the cost-benefit analysis. This is because the analysis requires a large amount of attention. This is due to the fact that the cost-benefit analysis is recognized as the most crucial component. To be more specific, this is because the cost-benefit analysis is an extremely important component that must be included in advance of the effective implementation. Oldfield and Santomero (1997) found that there are three primary approaches that may be applied to decrease the impact of some undesirable outcomes that are expected to occur. These methods are described in the following paragraphs. On the other hand, there are a few instances of these strategies, some of which include the implementation of straightforward risk management procedures, the transfer of responsibility for risk reduction to other parties, and, last but not least, the implementation of risk management legislation inside certain institutions. Therefore, in order to minimize their susceptibility to certain dangers, both public and private banks dedicate a considerable amount of time and effort to improving the efficiency of their operations. This action is taken in order to lessen their vulnerability. This is done in order to lessen the likelihood of certain dangers appearing in the future.

The techniques that may be utilized in order to lessen the negative effects that are caused by actions that are detrimental to the environment. Senior management in the banking sector is dedicated to improving the public's impression of financial operations and managing them in an efficient manner. This commitment is directed toward the banking industry. There will be a reduction in the number of influencing risks that banks are exposed to as a result of this vow, which is the goal of this commitment. Additionally, the TMS problem will be studied once again from the perspective of the banks as a result of this research, which is another way of saying that it will include a considerable shift in perspective. In order to shed light on the significance of top-level management's support, the characteristics of effective technology, the influence of risk management practices on financial performance, and the prevalence of such practices among private banks in Iraq, the purpose of this study is to investigate these topics from a variety of perspectives. Specifically, the study will investigate these topics among private banks in Iraq. More specifically, the study will look into these issues in relation to private banks in Iraq.

This is the second line of defense that we have available to us in conjunction with our efforts to assist in the reconstruction of Iraq and to offer financial assistance to the economy of Iraq. Within the sphere of commercial financial institutions, one example of a kind of institution is a bank that is privately owned and run. This type of institution is an example of its kind. It is not uncommon for individuals from the private sector to own a stake in this kind of financial organization, either directly or indirectly. It is possible for such ownership to occur. With the intention of supplying the Iraqi market with a comprehensive assortment of banking products, the National Bank of Iraq was created as a public shareholding business in the private sector. This action was taken in order to accomplish the objective that was outlined in the phrase before this one. The capital of the bank was increased by a total of fifty billion Iraqi dinars during the month of June in the year 2009, which is equivalent to forty-three million United States dollars. This was a consequence that occurred as a result of the expansion and success of the bank in spite of the economic turbulence that was going place in Iraq at the time. To the best of our knowledge, the Iraqi Central Bank (2012) has provided the information that is presented below.

The National Bank of Iraq receives a considerable amount of capital from the Capital Bank, which amounts for as much as 72.3% of the overall capital contribution. This capital contribution is a significant amount. This amounts to the most substantial quantity of capital that can be obtained. At the same time, the Capital Bank has been a member of the group from the year 2007. This membership started in the year 2004. Because of this innovative arrangement,

the National Bank of Iraq will be able to better resist economic storms and enhance its presence in the Iraqi market. This will allow the bank to compete more effectively in the Iraqi market. In addition, the cooperation will make it feasible for the bank to make improvements to the quality of service that it provides to its customers. Through the utilization of the high loan ceiling that was made available by the Central Bank of Iraq when the Capital Bank was in operation, the Capital Bank was able to maximize the amount of money that it was able to make. It was demonstrated that this was particularly correct within the context of this particular case. The National Bank of Iraq and the Bank of the Middle East Iraqi Investment both get help from this financial institution, which was established in 1993 with a capital of 400 million Iraqi dinars by the time it was established. This particular group is providing financial assistance to both of these establishments. Iraq is the location of both of these facilities, which may be located throughout the nation. As of the time that this article was published, the Central Bank of the Republic of Iraq has granted licenses to around twenty-five private banks, allowing them to begin operations in the year 2006. Currently, there are twenty-three of these banks that are still performing their functions. By the time the year 2003 came to a close, there were eighteen banks that were privately regulated and had been in business since the early 1990s. going into consideration the circumstances that were going place at that time, this is a significant departure from the scenario.

1.1 Hypotheses

Research on bank risk management techniques is extensive. Factors that affected risk management were acknowledged by most of these research. There has been a dearth of research into the relationship between risk management and the capacities of organizations in terms of technology (e.g., training and support from upper management), as well as the utility and simplicity of use of such systems. Consequently, the impact of risk management strategies on financial performance in Iraqi banks is another area that this study aims to investigate.

Refer to the first footnote of the FIQ as shown in figure 1.

First Hypothesis: Among private banks in Iraq, there is a positive correlation between the amount of assistance from upper management and financial success.

Second Hypothesis: Private banks in Iraq with higher levels of training have better risk management techniques.

Third Hypothesis: Private banks in Iraq that prioritize user-friendliness in their systems also prioritize risk management.
Fourth Hypothesis: Iraqi private banks' risk management strategies are positively correlated with their level of System Usefulness.

Fifth Hypothesis: Private banks in Iraq who use good risk management procedures also have good financial results.

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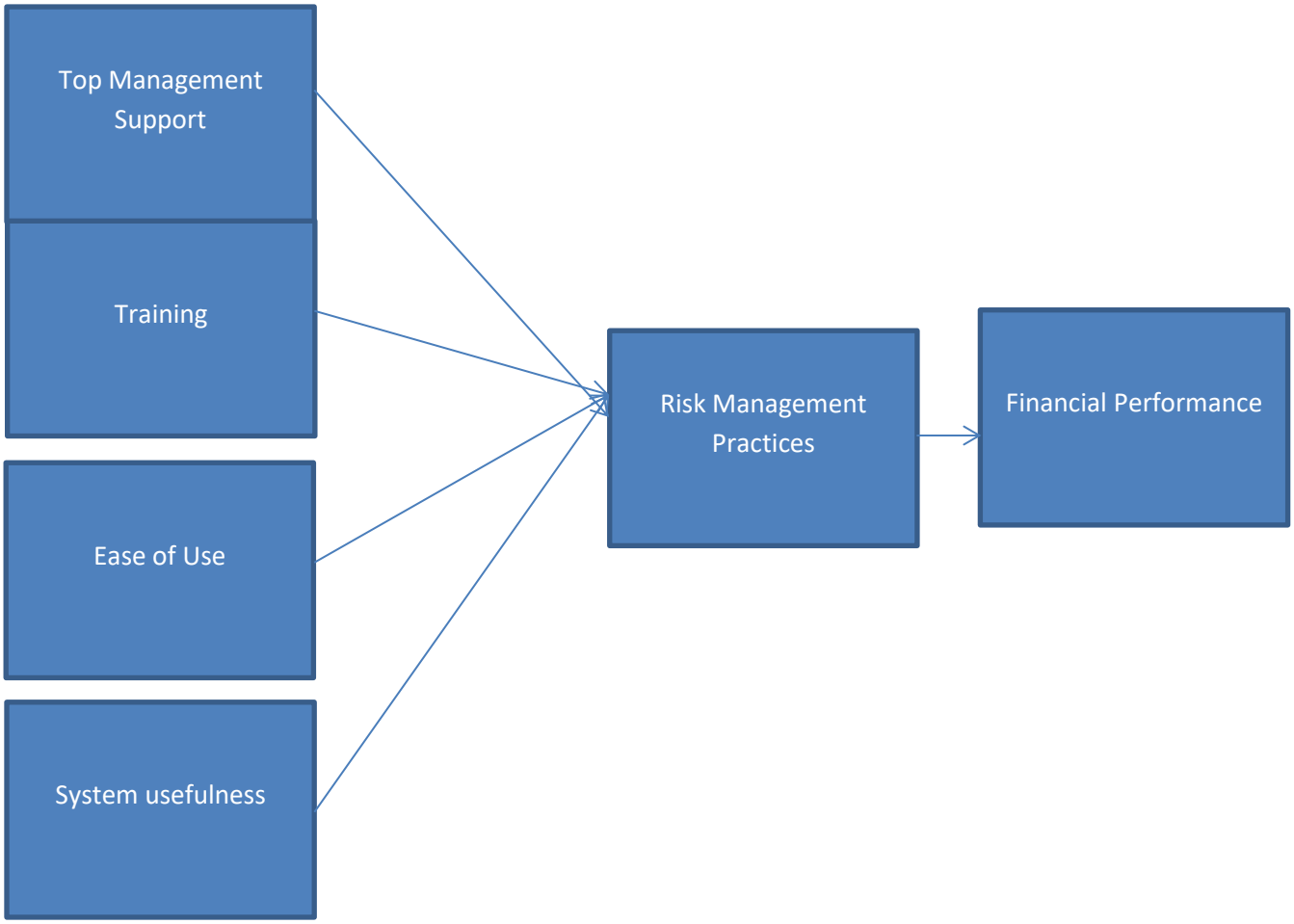

Fig 1:The proposed research model

2. Research Methodology

2.1 Data analysis

commercial banks. Surveys that had been excluded for a certain concept were analyzed by researchers, and they discovered some replies that were missing. The investigation of the missing data resulted in the removal of further items that were not answered by responding individuals. Based on the findings of Hair, Anderson, Tatham, and Black (2006), we excluded some outlier items that had a d-squared/degree of freedom value that was more than 2.5. Following all of the reductions, there were a total of 379 finished surveys that were left for the final data analysis.

The skewness score of each variable is applied, and, in accordance with the recommendations that were established by SEM researchers (Kline, 2005), this is done. refer to the paper that has been attached.

The kurtosis scores of all distributions were found to be within the normal range, which is between -7 and +7, as stated by De Carlo (1997) and Kline (2005). Additionally, the variables were found to be within the normal range, which is between -2 and +2. No irregularities were found in the data, as indicated by the findings. As an alternative to Cronbach's alpha, which is computed by the majority of SEM and Amos software, the Composite Reliability (CR) was also a criteria in SEM. This was done in order to examine the reliability of the data. According to Nunnally (1978), a score of 0.70 or more is considered to be a suitable value for composite dependability. Every single one of

the values that are presented in (Appendix B) is greater than 0.70, with an average of 0.88 per value. We could get the conclusion that the measurement apparatus used in the study is reliable.

3 Results and Discussion

3.1 Analysis and Result

Sixty-three percent of the individuals who took part in the poll were female, whereas forty percent of the individuals who replied were male. According to the age category of the participants, 45.4% of the respondents were older employees, which means that they were older than 56 years old. The remaining respondents were younger than the age group that was represented by the participants. An average age of 42.2 years and 12.4 years was found among the respondents, with young workers accounting for 42.2% of the total. However, according to the work done by the Department, 63.6% of the respondents had Bachelor's degrees, and 36.4% of them had higher academic education (degrees or anything more than that). In addition, fifty-four percent of the respondents were employed in the accounting department, twenty-nine point eight percent were employed in the marketing department, and thirty-nine point eight percent were employed in other departments. The conclusions of the study of the data collected concerning the time period found that 74.7% of the time was spent for six to ten years, 21.4% for more than ten years, and 4% for one to five years. This information was derived from the data that was obtained. The conclusion was carried out in connection to the methods that are utilized for risk management in the investing industry. Of those who participated in the survey, 53.6% have more than four years of experience, while 46.4% have never worked in the field. The data reveal that 69.9% of them were technicians, 19.8% were senior managers, and 10.3% were managers. Other job titles that they held were senior managers and managers. Before assessing the fit of the structure model, it was necessary to design a measurement model in order to guarantee that the 43 measurement variables that were built to reflect the six unobserved constructs were in agreement with the structure model. This was done in order to guarantee that the structure model was accurate. It was determined by the preliminary estimate of the full measurement model for the construct that it was an exact match (chisquare = 1440.954, p-value =.000, CMINDF = 1.705, CFI =.93, IFI =.93, TLI =.92, and RMSEA =.045). The outcomes of this estimation suggested that it was a perfect fit. Considering that this is the situation, the model reveals that each of the factor loadings is more than 0.5, and that at least all of the fit indices are satisfactory. Overall, the model is satisfactory. Sixty-three percent of the total participants were female, whereas forty percent were male (for further information, it is recommended that you go to appendix C). In terms of the age range of the people who took part in the research, 45.4% of them were senior workers. Senior workers are defined as employees who are at least 56 years old and are considered to be considered senior workers. 42.2% of the people who participated in the survey were less than 42 years old, and 12.4% of those individuals were considered to have had employment during their younger years. Fifty-four percent of respondents worked in accounting, while 19.8 percent worked in marketing, and 29.8 percent worked in some other department. Sixty-three percent of respondents had a bachelor's degree or more, and 36.4 percent had some kind of higher education. These three percentages are derived from the various sectors of employment that the respondents were employed in. 74.7% of the studies lasted between 6 and 10 years, 21.4% lasted for more than 10 years, and 4% lasted for 1 to 5 years. This was the conclusion that we came to after doing our research. The analysis of the data allowed for the discovery of this information. The outcomes of the study are connected to the numerous strategies that are utilized in the investment business for the purpose of risk management. In spite of the fact that 46.4% of respondents have never had more than four years, 53.6% of them have had more than four years. It was discovered that 69.9% of the persons who took part in the study were classed as technicians, 19.8% were senior managers, and 10.3% were deemed to be managers.

In order to ensure that the 43 measurement variables accurately reflected the six unobserved constructs, it was required to first develop a measurement model before testing the fit of the structural model. This was done in order to assure that the results of the evaluation would be accurate.

A perfect match was found to exist, as evidenced by the results of the initial estimate of the construct's whole measurement model (RMSEA=.045, CMINDF=1.705, CFI=.93, IFI=.93, TLI=.92, and chisquare=1440.954, p-value=.000). The fact that all of the estimated values were inside the permitted range served as evidence for this assertion. The fact that this is the case shows that the model is able to provide evidence that all of the fit indices are satisfactory and that the factor loadings are more than 0.5. Note that the Schedule C is included here. Figure 2 depicts the evaluation of the structural model that was carried out once it was shown that the measurement

model was effective. Taking into account 43 observable indicators in line with the CFA that is explained in section 2.6, the structural model that is being utilized in this inquiry is an example of a comprehensive disaggregation model which is being applied. Taking into account the clear findings of the structural model, it would appear that the model is an identical replication of the real thing. This conclusion is confirmed by the data that are mentioned below: RMSEA =.048, Relative CMINDF = 1.871, CFI =.913, IFI =.913, TLI =.907, and chi-square = 1590.450. All of these statistical measures are presented below. The fact that this is the case shows that the model is able to provide evidence that all of the fit indices are satisfactory and that the factor loadings are more than 0.5. Table 1 provides a summary of the hypotheses that were examined for workers of private banks in Iraq. You may observe this table by clicking on the link provided. In the workforce, there was a total variance of 46% among workers who put a high value on training, the simplicity of use of the system, and the information that was provided by top management. This variation was found among employees who placed a high importance on these factors. As a result, this illustrates that the model is able to not only foresee but also exemplify the goals that the employees who participated in this study have established for themselves.

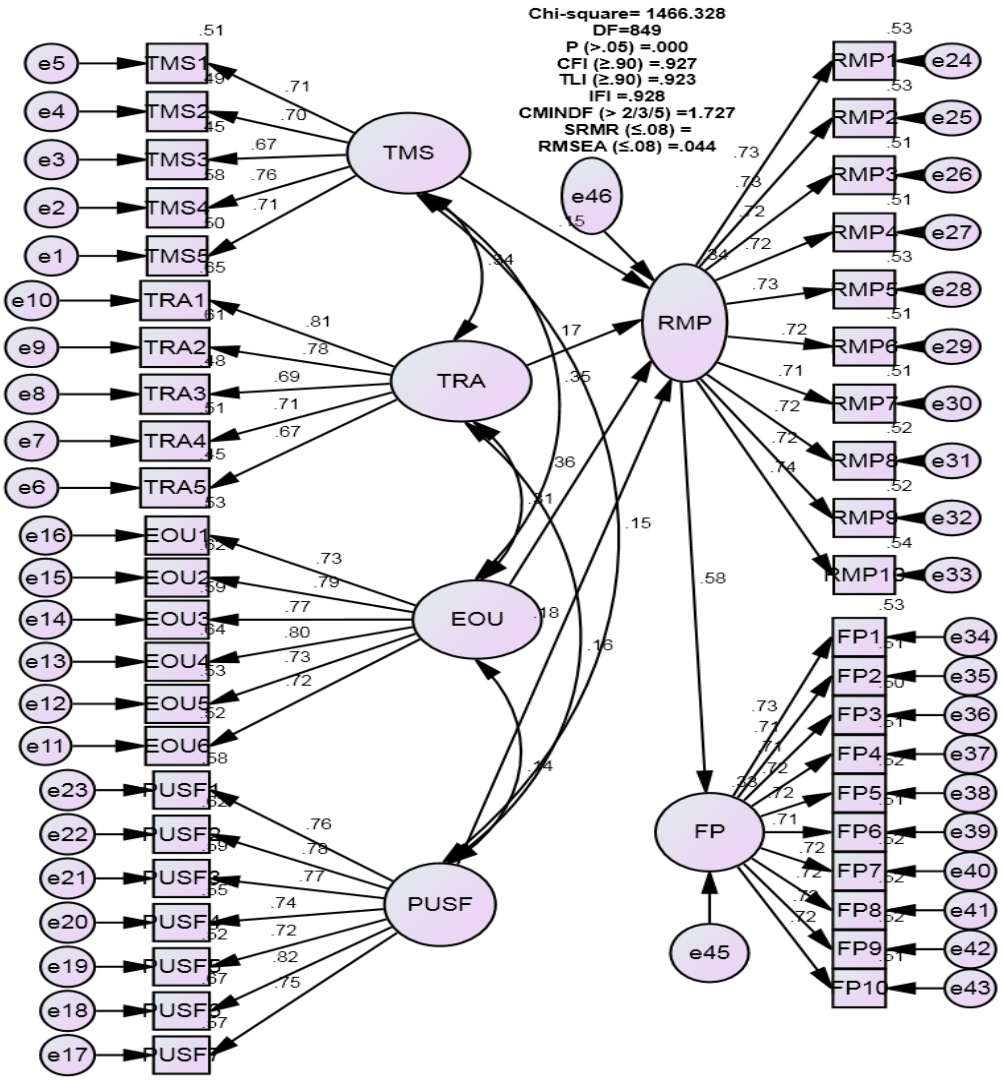

Fig 2: Structural Model

4. Discussion

The results showed that this research positively affected the support of upper management for risk management methods (β=.152, P=.008). As well as procedures for managing risks.

Consistent with the findings of Young and Jordan (2008), top-level management support—including the allocation of resources and political backing for the project—is an essential component in risk management and the authorization of changes to business processes within an organization. Their level of support should be influenced by their personal relationships with project team members, their understanding of the technology, and their tenure and experience with the banks. This study thus provides evidence for H1.

According to the second hypothesis, risk management practices were significantly affected by the sense of trust (β= 0.15, p =.008). It is reasonable to infer from these results that private banks in Iraq who invest in educating their employees to better manage risk have better results. Other research have reached similar outcomes. As a systemic possession and evolution of the information, abilities, and attitudes necessary by staff to effectively do their jobs or to increase performance in the workplace, Salas (1997) also found that this study's findings were compatible with those of Goldstein (1980) and Latham (1988).

A favorable relationship between perceived usefulness and risk management techniques is demonstrated by the data (β =.35; P = ***). How other research has shown that perceived usefulness affects risk management approaches. It is worth mentioning that PUSF increased dramatically when risk management procedures were implemented. This aligns with the findings of Han and Noah (1999), who found that people's expectations of the benefit system increased when risk management measures were considered to be implemented. When it comes to risk management measures, found comfort has a beneficial effect on PUSF as well. The study finds that PUS impacts risk management methods in a roundabout way, which in turn affects the banks' performance. In other words, the study also found that banks' risk management methods were significantly impacted by perceived usefulness in the purpose model (β=.35; P=***), Therefore, this study provided support for H3.

The study's findings corroborate the fourth hypothesis, which states that risk management procedures are positively and significantly affected by cost reduction (β=.183, P =***). (Earlier works by Adams et al., 1992; and Davis et al., 1989). Experiments conducted in a business setting have shown favorable and statistically significant results for both direct and indirect impacts. These findings are consistent with those of prior research. Similarly, the model put forth by (Janelle, 2006) suggests a connection between technology and how user-friendly it is, as well as how valuable it is. Banks' financial performance was positively impacted by risk management methods, as anticipated (β = 0.47, p< 0.001). Normani Mohod (2012) and Eric (2002), among others, have shown a similar correlation between risk management strategies and bottom-line results. High levels of risk management procedures would result in improved performance for banks, according to the substantial results and positive association found between the two variables.

5. Conclusion

In order to understand what factors specifically increase managers' intentions to utilize risk management procedures, this study's results offer important antecedents that can be applied to the setting of Iraqi banks. The primary goal of this research is to determine what variables, within organizational factors (such as training and support from upper management) and technological capabilities (such as the usability and usefulness of the system), influence the intention of private banks in Iraq to use risk management practices. The study also looks at the impact of these practices on financial performance. Many models have been suggested and built to help us better grasp this problem. However, this theory's method remains unsettling, particularly in the Iraqi context, as it offers a thorough set of antecedents that might explain the elements impacting risk management techniques. The research's usefulness is improved by this investigation. It has been determined from the findings that TMS, TRA, PUS, and EOU have a substantial impact on risk management strategies. Additionally, the study indicated that there is a favorable correlation between financial success and risk management strategies.

Promote the professional level of bank technicians and open new vistas for researchers in the field of science. Researchers can use this study as a springboard to investigate Islamic banks' risk management techniques in greater depth or to use these practices as a proxy for other variables' effects on financial performance.

6. Conflict of Interest

The authors declare that they have no conflict of interest.

7. Funding Declaration

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