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INVESTIGATING THE IMPACT OF THE FAILURE OF CORPORATE GOVERNANCE MECHANISMS ON THE FINANCIAL HELPLESSNESS OF COMPANIES LISTED ON THE STOCK EXCHANGE OF IRAQ

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Abstract:

The present research has investigated the effect of the failure of corporate governance mechanisms on the financial distress of companies listed on the stock exchange of Iraq. This research is of an applied type, the purpose of which is to answer the question that what is the effect of failure of corporate governance mechanisms on the financial helplessness of companies admitted to the stock exchange of Iraq?
The research community is all the companies that are members of the Iraq Stock Exchange, which were selected by using sampling with the method of systematic exclusion of 35 companies from the companies accepted in the Tehran Stock Exchange during the period of 2020-214 and using The combined data and generalized least squares regression method of the .desired hypotheses were tested in the research

Keywords: corporate governance mechanisms, financial helplessness, managers' compensation, managers' tenure

FIRST CHAPTER
General research
Introduction

One of the topics that has been raised in recent years is corporate governance. The concept of corporate governance and its broad dimensions occupy an important part of the studies of experts and business experts. A corporate strategic system is a set of relations between managers, board of directors, owners and other related parties in a company, which aims to create a suitable structure, sets the company's goals, and determines the ways to achieve those goals and monitor performance. . Therefore, corporate governance by targeting the first group of stakeholders in companies, i.e. the board of directors and the institutional owners of the company, seeks to ensure that the board of directors and shareholders gain confidence in achieving the return on their investment. Considering the high importance of determining the financial helplessness and bankruptcy of companies in making economic decisions of the beneficiaries and in order to use and optimally allocate resources and also due to the issue of corporate governance in recent years in Iran and since There is an expectation that the corporate governance mechanisms can prevent the helplessness and bankruptcy of companies to some extent (Sataish et al., 2013). In order to investigate the effect of some corporate governance mechanisms in preventing financial distress of companies listed in the Tehran Stock Exchange, this research intends to investigate the effect of the failure of corporate governance mechanisms on financial distress.

On the other hand, a retrospective analysis of the economic and financial crisis in the period from 2007 to 2013 shows the important consequences of the financial helplessness of businesses on the shareholders (i.e. financial creditors, managers, shareholders, investors, employees of government regulations and society in general). Therefore, more than ever, it is necessary to review the financial helplessness prediction models and develop models adapted to the specific characteristics of the countries that play an important role in preventing and

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managing these situations. In this regard, two very important issues have been highlighted in the aforementioned crisis. a) the inability of credit rating agencies, governments and financial creditors to predict and prevent financial helplessness of companies and b) the importance of the effectiveness of corporate strategic mechanisms in crisis contexts (Musen-Traore, 2009.(

In particular, the analysis of the relationship between corporate governance and financial helplessness of companies faces a research gap that has been addressed in this research.

Statement of the problem

In recent years, the business world has seen an upward trend in executive pay, especially in large companies. There are many differences between executive and employee rewards (Teti et al., 2017). On the other hand, meddling managers (power-seekers) in the company can lead to a reduction in the authority of the board of directors. In fact, if the CEO has been in this position for more years, the power of the company's board of directors will decrease. Increase the salaries and benefits of managers and increase The tenure of the CEO of the company is one of the examples of the failure of the corporate governance mechanisms in the business unit, which can also affect the financial helplessness (Apieh et al., 2015). Currently, the amount of remuneration paid to managers has attracted the attention of researchers, media and even the general public. It is argued that the excessive increase in the remuneration of managers and the increase in the tenure of the CEO in the company indicate the failure of the monitoring mechanisms (Hazmi-Ammar et al., 2021). In financial literature, a good company is a company that fulfills its obligations on time. Financial helplessness refers to a situation where the company does not have enough resources to pay its obligations (Work, 1999). The first signs of a distressed situation are non-payment of debts and reduced or non-distribution of dividends to shareholders (Beaver, 2018). Default is a situation in which the cash flows generated by the company are not sufficient to settle the obligations towards creditors and debt partners. Baldwin et al. (1983) state that when a company's condition becomes so bad that it cannot meet its financial obligations, it enters a state of financial distress. In such a situation, managers try to get their company out of financial helplessness.

According to agency theory, managers are employees who seek to maximize their personal interests and not the interests of corporate stakeholders. Therefore, by giving bonuses to managers, shareholders try to reduce the conflict of interests between managers and stakeholders and ultimately improve the company's performance (Hazmi-Amar et al., 2017). However, the disclosure of managers' bonus values, despite the fact that it can lead to the reduction of information asymmetry, can affect the performance of company managers, because if the level of remuneration paid to managers is not proportional to the customary values in the capital market and other companies, managers They may take self-interested actions, which ultimately lead to the aggravation of financial helplessness problems (Hazmi-Amar et al., 2021). On the other hand, the tenure of managers is another example of the failure of corporate governance mechanisms. If managers are employed as CEOs in the company for a consecutive period, they can influence the supervisory role of the board of directors on their performance (Babchuk et al., 2004). This issue is aggravated when the board of directors does not have enough power to reduce the salary or dismiss the CEO in case of poor performance. Shilfer et al. (1989) state that increasing the tenure of the CEO in the company leads to a decrease in performance and an increase in the probability of financial distress, because the increase in the power of the CEO actually increases agency costs. Powerful managers tend to adopt a corporate governance structure that is not effective on the company's performance and financial helplessness, so that they can take more opportunistic actions.

Therefore, according to the mentioned materials, it can be said that it is expected that the remuneration of managers and the tenure of the CEO, as examples of the failure of corporate governance mechanisms, have a significant effect on the financial helplessness of companies in companies admitted to the stock exchange of Iraq. Therefore, the main problem of the current research is to answer the following questions:

- Do the high salaries and benefits of managers have a significant effect on the possibility of financial helplessness in companies listed on the Iraqi stock exchange?
- Does the tenure of the CEO (power-seeking managers) have a significant effect on the possibility of financial helplessness in companies listed on the Iraqi stock exchange?

The importance and necessity of conducting research

The issue of governance has always been raised as a fundamental issue since ancient times, that is, ensuring that the power of the organization is equipped for the agreed goals and not for other goals. Since the term corporate governance has been used

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recently, there are many views about it. Financial scandals in the late 90's and early 2000's have caused hundreds of billions of dollars in market value to decrease and investors' confidence in the capital markets to disappear.

The subsequent reactions of legislative institutions such as the United States Congress or the approval of the Sarbanes-Oxley Act, the regulations published by the Securities Commission, or the increasing requirements of accountability in the rules and regulations of the stock exchange caused the increasing importance of the issue of corporate governance. Considering the significant growth of corporate governance topics in the literature of management, financial management, economics, accounting and company strategy, we can understand the importance of this issue (Yegane and Salimi, 2013). The subject of corporate governance in the 21st century has turned from a compliance requirement to a strategic business requirement. In the capital markets and economy of today's world, which has diverse shareholders and extensive ownership, proper corporate governance is important in increasing and supporting the portfolio of shareholders. Therefore, the need for a model to evaluate corporate governance in capital markets was created so that shareholders can use it as one of the decision-making factors in investment decisions. In this research, an attempt was made to provide a model for examining the relationship between the failure of this mechanism in Iran by examining the mechanism of corporate governance failure in numerous researches and theoretical literature on this issue and according to the sources of corporate governance in Iran.

Considering the consequences and costs that the problem of financial helplessness can create for companies, the country's economy, and other individuals and institutions, it is necessary to conduct research that can help solve this problem, especially that so far, comprehensive research in the country In this field, we have not been able to use a model that is a good guide for decision makers.

The specific objectives of the research

The main objective

The first objective: to explain the effect of high salaries and benefits of managers on the possibility of financial helplessness in companies listed on the stock exchange of Iraq.

The second goal: to explain the effect of the tenure of the CEO (power-seeking managers) on the possibility of financial helplessness of the company in the companies admitted to the stock exchange of Iraq.

Ideal goal

The ideal goal of this research is to expand the theoretical foundations related to the factors affecting financial helplessness.

functional goal:

Providing suggestions based on the research results to the managers regarding the impact of the failure of corporate governance mechanisms and the financial helplessness of companies.

Research hypotheses

The first hypothesis: high salaries and benefits of managers have a positive and significant effect on the possibility of financial helplessness of the company in the companies admitted to the stock exchange of Iraq.

The second hypothesis: the tenure of the CEO (power-seeking managers) has a negative and significant effect on the probability of financial helplessness of the company in the companies admitted to the stock exchange of Iraq.

second chapter

Theoretical foundations and research background

Corporate governance

In the organizational literature, two major, different and complementary concepts are examined for the survival and progress of organizations. The first concept is the concept of organization management and the other concept is the concept of corporate governance. In the concept of organization management, the main emphasis is on the methods of achieving organizational goals; While the concept of corporate governance is a regulatory concept. In corporate governance, the main attention is paid to the mechanisms and dynamics, facilitators and life enablers of organizations through supervision. Corporate governance in its broader sense seeks to create a balance between economic-social goals and personal-group goals. The corporate governance framework not only leads to the optimal allocation of resources, but also requires accountability for those resources. In this regard, one of the main factors for improving economic efficiency is the corporate governance system (corporate governance), which includes a set of relationships between the company's management, board of directors, shareholders and other interested groups (Pascal, 2004). The corporate governance system provides a structure through which the goals of the company are set and the means of achieving the goals and monitoring the performance are determined. This system provides the necessary motivation to achieve the goals of the company in the

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management of creation and the field of effective supervision. In this way, companies use resources more effectively. In general, corporate governance, first of all, targets the life of the economic enterprise in the long term and tries to protect the interests of the shareholders in front of the management of the organization (Selgi, 2017.(

In this regard, reducing the risk of an economic enterprise through improving and promoting transparency and accountability, as well as improving the long-term efficiency of the organization, through preventing the arbitrariness and inflexibility of the executive management, are the two goals of corporate governance. On the other hand, the conflict of interests of the participants Stakeholders) in the corporate structure shows the necessity of corporate governance. The conflict of interest, which is interpreted as a representation problem, is caused by two main reasons: firstly, each participant has different goals and preferences, and secondly, each participant has complete information about the actions. They do not have other knowledge and preferences. It is obvious This separation, assuming the absence of effective executive mechanisms of corporate governance, will create grounds for managers to act in line with their own interests and not the interests of shareholders (Seif, 2013). In general, the principles of corporate governance are the examination of the structure and performance of the board of directors along with the structure and concentration of ownership and its impact on various dimensions of companies.

Corporate governance criteria

- Board of Directors and its structure

The board of directors is considered the most important factor in controlling and monitoring the management of the company and protecting the shareholders' resources (Aibi et al., 2012). It plays an important role.

- The size of the board of directors

The theoretical literature has presented two opposing views on the role of the size of the board of directors on the company's performance. The first point of view states that a smaller board of directors improves the performance of the company. When the board of directors consists of a large number of members, representation problems increase; Because some members of the board of directors may act as unprofitable people (Hermalin and Visbek, 2017.(

- Composition and structure of the board of directors

According to agency theory, company managers may maximize their utility function at the cost of undermining the interests of shareholders. Therefore, the shareholders have entrusted the control and supervision of the company's management to the board of directors (Fama and Jensen, 1983). One of the topics proposed in the field of the board of directors focuses on the composition of the board of directors. The composition of the board of directors is considered as the ratio of non-executive members of the board of directors to the total number of members of the board of directors.

- Board meetings

Board meetings are a place where executives and board members present and share their information about the company's performance, policies and plans. Multiple meetings help establish better communication between managers and board members. The research results of Adams and Ferreira (2004) also show that when the board of directors holds more meetings, the value of the company increases.

- Characteristics of the CEO

In today's world, management plays a decisive role in increasing the efficiency and productivity of companies. Among the four key success factors in organizations, including labor force, capital, raw materials and management, the role of management has become more important than ever before (Dianti Dilmi et al., 2013). The personal characteristics of the CEO affect the company's financial reporting.

- CEO tenure

One of the contradictions between the manager and the stakeholders of the company is that the managers' decision-making horizon for the company is shorter than the shareholders' investment horizon. Managers' claims against the company are limited only to their tenure, and this issue may reduce the interests of shareholders and the value of the company (Dianti et al., 2013.(

Agency theorists state that CEOs with long-term tenure are fixed for three reasons. First, the effectiveness of the CEO increases with the extension of the tenure due to good performance. Second, it is possible that managers who have a long-term tenure may influence the composition of the board of directors and major shareholders of the company. The CEO with a long tenure plays a role in appointing new members of the board of directors and attracting major shareholders. In the third stage, managers may increase their relative power at the same time by taking control of internal information systems and processes (Shen, 2003.(

- CEO's financial knowledge

The financial knowledge of CEOs is the education related to financial fields such as accounting,

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management, and economics, and CEOs who have studied in these fields have the ability to analyze financial information, familiarity with accounting standards and policies. , better monitoring of financial information disclosure and follow the assumption of prudence in accounting (Matsunaga et al., 2013.(

Financial Distress

The rapid development of technology and extensive environmental changes have given increasing momentum to the economy, and the ever-increasing competition of institutions has limited the achievement of profit and increased the probability of bankruptcy. Owners, managers, investors, business partners and creditors are as interested in evaluating a company's financial position and its tendency to bankruptcy as government institutions (Qadri et al., 2018). Also, the financial helplessness of large international companies has caused the issue of financial helplessness to be raised as a very important category in financial management; Because in case of bankruptcy, many costs are imposed on them, besides, the bankruptcy of companies usually affects the liquidity of the capital market and the development of the economy. Also, financial helplessness and bankruptcy of companies leads to waste of resources and failure to take advantage of investment opportunities. At the time of bankruptcy, banks usually reduce lending to bankrupt companies and ask for a higher interest rate for the loans they give to companies to compensate for the additional risk.

Reasons for financial helplessness

Determining the exact reason or reasons for financial helplessness and financial problems in each specific case is not an easy task. In most cases, several reasons together lead to the phenomenon of financial helplessness, but according to Dan and Bradstreet's research, the main reasons for financial helplessness are financial and economic problems. In some cases, the reasons for financial helplessness are determined by examining financial statements and records. Accountants who have experience in analyzing the financial situation of declining companies can easily identify and determine the reasons for financial helplessness; but sometimesSome issues support proper turnover in a business unit in a relatively short period and hide financial helplessness from the eyes of accountants (Tinoco et al., 2013.(

Stages of financial helplessness

Financial helplessness precedes bankruptcy and is divided into three stages: period of inactivity, period of cash deficit and inability to pay financial or commercial debt, period of inability to pay full debt. In the latent stage, one or more adverse conditions may exist secretly for the business entity without being immediately identifiable. For example, changes in production demand, continuous increase in slag costs, obsolescence of production methods, etc. are among these factors. It is often during the incubation period that economic losses occur and asset returns fall. The best situation for the company is to discover the problem at this stage. The second issue is that the easier solutions that are effective at this stage will not be responsive in the next stage, and the third point is that if the problem is discovered and fixed at this stage, public trust will not be shaken. Solving the problem in the later stages reduces public trust in the company and as a result access to funds becomes more difficult and the company may be forced to invest in profitable projects (Danilo, 2014).

Financial helplessness and bankruptcy

In the financial literature, there are non-differentiated words for bankruptcy. Some of these words include: financial distress; Failure, financial helplessness and bankruptcy. The important point is that bankruptcy is the last stage of a company's life, and the company first experiences financial distress, then failure, and then financial helplessness and finally bankruptcy.

The concept of financial distress is often used in the asset pricing literature to explain abnormal patterns in stock returns. Financially distressed companies face risk in fulfilling their obligations, and investors must pay for this risk (Kampel et al., 2008)

Criteria for determining helplessness

There are different criteria to determine financial helplessness. Beaver (1966) chose the double classification test to create a univariate prediction model of bankruptcy. He used six ratios that could be used alone to classify bankrupt and non-bankrupt companies (Piri and Khodakarimi, 2016).

The relationship between corporate governance and predicting financial distress

A study on bankrupt companies shows that the lack of policies, control methods and mechanisms and guidelines that accurately determine responsibilities and duties is a major part of the reasons for bankruptcy. Weak corporate governance increases the probability of bankruptcy, even if the company has good financial performance (Lakshan, 2012).

Financial helplessness and bankruptcy of companies leads to waste of resources and failure to take advantage of investment opportunities. Considering that in the current economic conditions, the number of bankrupt companies is increasing (Saeidi and Aghaei, 2008).

RESEARCH BACKGROUND

Internal research background

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Ahmad Talib Naseri (1401) in his research analyzed the relationship between management system and financial helplessness of Iraqi stock market companies and stated that the analysis of financial helplessness is an important issue for investors, creditors and other users of financial information. Determining the factors affecting the probability of a company becoming helpless before the occurrence of helplessness is considered a very interesting and attractive topic and can be useful for both managers and investors and creditors. The present study seeks to analyze the relationship between the governance system and the financial helplessness of Iraqi stock market companies. This research is applied in terms of purpose and correlational in terms of the type of descriptive research method. In other words, this research seeks to find an answer to the question that which of the mechanisms of the company's management system affect the prevention of financial helplessness of companies admitted to the Iraqi Stock Exchange? The hypotheses of the research were also tested using a sample of 35 companies from the Iraqi Stock Exchange in the 6-year period of research from 2014 to 2019. The statistical analysis was carried out to estimate the research model using multiple regression, in this regard, Stata software was used. The findings of the research show that there is a significant and negative relationship between the size, independence of the board of directors and the dual role of the CEO with financial helplessness, and there is a significant and positive relationship between management ownership and financial helplessness. Also, the results indicate that there is no significant relationship between the ratio of institutional owners and financial helplessness in Iraqi stock companies.

After reviewing the theoretical literature related to the financial crisis, Fakher et al. (1400) investigated a model for predicting financial distress. Based on the developed conceptual model, three categories of accounting variables with 49 measures, market with 10 measures and company life variable were selected as model dimensions. Information related to these variables was extracted for 219 manufacturing companies during 11 years (1387-1398) and 23 significant variables were identified using the Cox model. These companies were selected by systematic elimination method. In this way, the conditions for entering the companies into the statistical sample were considered and only the companies that had those conditions were included in the sample. Due to the large volume of variables and the possibility of co-linearity phenomenon, the volume of variables was reduced to 6 factors using factor analysis. Then, the final prediction model for 10 industries that had the highest average market value was extracted with the help of Cox regression. The accuracy and precision of the final prediction model was tested and confirmed using the ROC curve.

The purpose of Dabbagh et al.'s research (2019) is to predict bankruptcy and profitability of companies to evaluate performance and financial status using logistic regression and financial ratios with artificial neural network and Fulmer models based on the period from 2011 to 2017. EViews software was used to fit the Fulmer model and Spss26 software was used to fit the neural network model. The indicators used in the models include debt-to-equity ratio, profit before interest and tax, total liabilities to total assets, accounts receivable for sale, net profit on assets, long-term debt to assets, working capital, net profit on sales. . By using the results and models presented in the research, it is possible to properly prevent companies from suffering from financial crisis, bankruptcy and its consequences. Of course, it is also necessary to pay attention to the fact that after forecasting, it is necessary to find the root of the problem and follow up the causes.

Zinali (2018) investigates the relationship between the independence of the board of directors and the sensitivity of cash investment with an emphasis on the financial helplessness of companies listed on the Tehran Stock Exchange. One of the most important and main factors of the corporate governance system is the independence of the board of directors. The responsibility of the board of directors, independent supervision of the performance of executive directors and the requirement of directors to Accountability to shareholders and stakeholders. The general belief is that the board of directors has more independence when it has more effective supervision over the executives. Internal managers and those who have a financial relationship with the company may not have enough independence. The statistical sample of this research includes 130 companies for the financial years of 2010 to 2016. Multivariate regression has been used to test the research hypotheses. Also, in order to check and detect the significance of the data distribution, the methods of the Jarek-Ber test and the Levin, Lin and Chu test have been used respectively, and for processing and categorizing the data, Eviews and Excel software have been used for the results and conclusions. The results of the research showed that there is an inverse relationship between the independence of the board of directors and the sensitivity of cash investment, and financial helplessness has a negative effect on the relationship

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between the independence of the auditor and the sensitivity of cash investment of companies listed on the Tehran Stock Exchange.

The aim of Ramzanzadeh Zaidi et al.'s article (2018) is to develop the financial helplessness forecasting model using corporate profit management. Therefore, while redesigning Altman's financial distress forecasting model (1983) with the variable of real profit management as a predictor variable, the performance of the initial model and the adjusted model in predicting the financial distress of companies listed on the Tehran Stock Exchange were studied comparatively. took The statistical sample of the research consists of 179 companies during the years 1387-1396. Data analysis and hypothesis testing were done using multiple logistic regression. The findings showed that the overall accuracy of the modified model is higher than the original model. Therefore, in financial distress analysis, including real earnings management improves the accuracy of Altman's model (1983) in predicting financial distress of companies.

Asghari Ahranjani and Sadeghi (2017) have conducted a research titled investigating the relationship between corporate governance mechanisms in the bankruptcy of companies listed on the Tehran Stock Exchange, the variables of corporate governance include institutional ownership, board ownership, board size. , the dichotomy of the CEO and independent directors and the bankruptcy prediction model is based on the Altman model. Logistic regression model, Jock Brah test and Wald's statistic were used to test the hypotheses. The statistical population of the research includes 86 companies in the years 1388 to 1393. The results of the research showed that the relationship between institutional ownership, the size of the board of directors and independent directors with bankruptcy is significant. Also, the results of the research showed that there is no significant relationship between the ownership of the board of directors, the duality of the CEO and bankruptcy. Also, the research findings show that there is a significant and meaningful relationship between corporate governance mechanisms and bankruptcy.

The aim of Ramoz et al.'s research (2016) is to predict financial bankruptcy risk using a hybrid model in the Tehran Stock Exchange. In their research, forecasting was done using a combined model (using accounting and market variables) and the neural network technique of the multilayer perceptron (MLP) model. The research sample includes 90 companies admitted to the Tehran Stock Exchange (31 bankrupt companies according to Article 141 of the Iranian Commercial Law and 59 non-bankrupt companies) during the years 1386-1393. The results of their research show that the hybrid model (combination of accounting and market variables) using the neural network technique has a higher accuracy in predicting financial bankruptcy risk than each of the two accounting and market models. Also, the market model is more accurate than the accounting model.

In a research, Ammar et al. (2021) investigated the effect of the failure of corporate governance mechanisms on the financial helplessness of companies. Their statistical sample includes the companies present in the Tunisian Stock Exchange in the period of 2015 to 2017. Their findings show that managers' remuneration and CEO's tenure as measures of failure of corporate governance mechanisms have a negative and significant effect on financial distress.

Lee et al. (2020) investigated the relationship between financial problems and earnings management with regard to the moderating role of internal controls in companies listed on the Chinese stock exchange. Their period is from 2007 to 2015. Their findings show that companies with financial problems are more inclined to use accrual profit management than real profit management and the quality of internal controls limits the use of both methods of profit management in these companies.

Augustia et al. (2020) investigated the impact of earnings management and business strategies on bankruptcy risk. Their statistical population includes companies admitted to the Indonesian Stock Exchange. Their findings show that there is no significant relationship between profit management and company bankruptcy, but companies that choose one of the two business strategies of cost management or differentiation significantly reduce the risk of bankruptcy.

Chapter III
Methodology
Research method

In terms of the purpose of the research, since the current research investigates the effect of several variables on the companies admitted to the Iraqi Stock Exchange and its results will be applicable in the field of practice, it is classified under the group of applied research. This research project examines the effect of the failure of corporate governance mechanisms on the financial distress of companies listed on the stock exchange of Iraq by using a multivariable regression model of descriptive correlational type and because of the use of information In terms of time, history is retrospective and post-event research, .

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Statistical population and research sample

Society is a group of people who have one or more common traits and these traits are of interest. The society may include all people, a specific type or a more limited number of the same group. (Zahuri, 2017) according to the topic of this research, the statistical population of the research includes all member companies of the Iraqi Stock Exchange (Financial Board) except (brokerage companies, insurance companies and banking companies) because the type The financial activities of these companies are fundamentally different from other companies.

Sampling method and sample size

All the data and information needed for the research are collected by observational method. For this purpose, the financial statements of the companies admitted to the Iraqi Stock Exchange during the years 2014 to 2020 were reviewed and collected by industry, considering the following standards.

.1Not changing the financial year and activity during the activity period

.2The activeness of the company's symbol so that it is traded at least once a year

.3The company's financial information is available for the study period

By trusting and relying on the Internet (the official website of the Iraqi Stock Exchange and Securities Organization, which was updated on 26/04/2022) and also their authenticity through the collection of documentary data, the companies included in the research sample and The aforementioned criteria have been identified, and their number is 35 companies for 7 years in the industries (communications, industry, investments, agricultural services, hospitality and tourism). Therefore, the sample size is equal to 245 company-year data.

Data collection method

Research tools include libraries and reliable internet sites, including the website of the Iraqi Stock Exchange.

A- In this research, the library method is used to compile literature related to the subject.

The library method is used in all scientific researches, but in some of them, this method is used in part of the research process, and in some of them, the research subject is library in nature, and from the beginning to the end, it is based on The findings of library research.

b- In this research, to collect some required information, model data and its analysis have been used in the field method and in a combined way.

Field methods are methods in which the researcher inevitably goes out to the environment to collect information and by referring to people or the environment and establishing direct communication with the unit of analysis, i.e. people, institutions, settlements, cases, etc., obtains the desired information. to collect Questionnaire, observation, interview, test, imaging, and combined methods are common field methods (Hafiznia, 2017). In this research, the information of the Iraqi Stock Exchange Organization and the data extracted from the stock exchange website of this country have been used.

The tools of this research method are the complete set of financial statements and reliable libraries and internet sites.

Research model and variables

In order to test the first hypothesis of the research, model (1) is developed as follows following Ammar et al. (2021):

model (1)

$$DETR_{it}=\beta_0+\beta_1 COMP_{it}+\beta_2 ROA_{it}+\beta_3 LnASSET_{it}+\beta_4 DUAL_{it}+\beta_5 LEV_{it}+\beta_6 BDSize_{it}+\beta_7 INDEP_{it}+\epsilon_{it}$$

In the above model:

DETR: corporate financial distress

In order to measure financial helplessness, according to Ammar et al. (2021), the ZFC index is used as described in model (2):

model (2)

$$ZFC_{it}=-4.336-4.513(ROA)+5.679(LEVEAGE)+0.004(LIQUIDITY)$$

In the above model:

ROA: return on assets (operating profit divided by total assets(

LEVERAGE: Financial leverage (the ratio of total debt to equity(

LIQUIDITY: Liquidity (ratio of current assets to current liabilities(

Also in model (1):

COMP: Managers' bonus is equal to the logarithm of the company's managers' bonus

ROA: return on assets (operating profit divided by total assets)

LEV: financial leverage (total debt to equity ratio)

LnASSET: Firm size, the natural logarithm of total firm assets

DUAL: The duality of the duties of the CEO, if the CEO of the company is also the vice-chairman of the board of directors, the number one and otherwise the number zero is assigned to this variable.

BDSize: The board size is equal to the number of board members

INDEP: The independence of the board of directors is equal to the ratio of independent members to the total number of board members

In order to test the second hypothesis of the research, model (3) is developed as follows following Ammar et al. (2021):
model (3)
〗DETR〗 _it=β_0+ 〖β_1 ENT〗 _it+ 〖β_2 ROA〗 _it+ 〖β_3 LnASSET〗 _it + 〖β_4 DUAL〗 _it+ 〖β_5 LEV〗 _it + 〖β_6 BDSize〗 _it+ 〖β_7 INDEP〗 _it 〖+ϵ〗 _it
in model (3)
ENT: the tenure of the CEO and is equal to the number of years that person is the CEO of the company (Amar et al., 2021)
Other variables have been explained in the previous sections.

DATA ANALYSIS METHOD FOR HYPOTHESIS TESTING

Descriptive Statistics:

First, we obtain and interpret the descriptive statistics of the research variables, including the range of changes, mean, minimum, maximum, median, standard deviation, dispersion coefficient, skewness, and tension.
Range of changes: One of the simplest indicators of dispersion is the range of changes. This index is obtained by the difference of the smallest observation from the largest observation.
(Relation 3-1: scope of changes)
Average: The main and most used central indicator is the average. If the data are lined up regularly on an axis, the average value will be exactly at the equilibrium point or center of gravity of the distribution. This statistic is calculated with the following relationship:
(Relation 2-3: Mean)
Standard deviation: The unit of measurement of variance is the square of the main unit of the variable, and for this reason, its interpretation is not easy. This problem is solved by taking the square root of the variance. The index obtained from the root of the variance is the standard deviation, which is a measure of dispersion and is expressed with the same unit as the original observations.
(Relation 3-3: standard deviation)
Skewness (deviation from normality): "Skewedness" shows the asymmetry of the distribution with respect to a certain index (usually with respect to the mean). The distribution of data is skewed to the right when the mode of the statistical population is below the median and the tail of the distribution is to the right of it, and it is skewed to the left when the mode of the population is greater than the median and the tail of the population is to the left of it. The most important skewness index is the skewness coefficient. If the skewness coefficient is negative, the distribution is skewed to the left, and if the skewness coefficient is positive, the distribution is skewed to the right. If the distribution is symmetrical, the coefficient of skewness will be equal to zero. It is obvious that the higher the absolute value of the skewness coefficient, the greater the difference between the society in terms of skewness and the symmetrical distribution. If the absolute value of the skewness coefficient is greater than 0.5, the skewness of the distribution is high.
(Relationship 3-4: Skewness)
Elasticity: The index for measuring the dispersion of the society compared to the normal distribution is called "elasticity coefficient". Distributions are divided into three groups according to the value of the stretching coefficient:
.1Those distributions that have more dispersion than the normal distribution, that is, the distribution curve is shorter than the normal distribution. This category of distributions will have a negative coefficient of elasticity.
.2Distributions that are higher than the normal distribution. The reason for the peaks of these distributions is that the data are centered around the mean; In other words, data dispersion has been reduced. The stretch coefficient of this group of distributions will be positive.
.3Distributions whose elasticity is the same as the elasticity of the normal distribution. These distributions are distributions with medium elasticity. The coefficient of elasticity in these distributions is equal to zero (Momini and Active Qayyomi, 2019)
(Relationship 5-3: tension)
In the fourth chapter
Data analysis
Descriptive indices of variables
Before testing the research hypotheses, the research variables are briefly examined. This summary contains indicators to describe the research variables. These indicators include central indicators,
Examining research hypotheses
First hypothesis: the high salaries and benefits of managers have a positive and significant effect on the probability of financial helplessness of the company in the companies admitted to the stock exchange of Iraq.
Table 10-4, regression equation coefficients for the first main hypothesis

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〗DETR〗 _it=β_0+ 〖β_1 COMP〗 _it+ 〖β_2 ROA〗 _it+ 〖β_3 LnASSET〗 _it + 〖β_4 DUAL〗 _it+ 〖β_5 LEV〗 _it + 〖β_6 BDSize〗 _it+ 〖β_7 INDEP〗 _it 〖+ϵ〗 _it

The significance level (Prob)	T	standard error	B	independent variable	The dependent variable
0.0002	-3.76	0.022	-0.084	Managers' bonus	Financial Distress
0.000	-92.76	0.048	-4.52	return on assets	
0.0008	3.39	0.009	0.032	size of the company	
0.044	2.022	0.025	0.051	The dual role of the CEO	
0.000	11160.6	0.0005	5.67	Financial Leverage	
0.22	-1.2	0.011	-0.013	Board size	
0.74	0.32	0.14	0.048	Independence of the board of directors	
0.0000	-21.22	0.20	-4.40	Fixed coefficient	
237				Fisher's statistics	
0.000				The significance level	
0.77				The coefficient of determination	
0.76				Adjusted coefficient of determination	
0.15				standard deviation of the dependent variable	
0.11				Standard error of regression	

The coefficient of determination obtained in this estimate shows that 77% of the changes in the dependent variable are explained by the independent variables.

The standard error of the estimate or the standard error of the regression shows the amount of dispersion of the observations around the regression line. When the regression line is closer to the actual observations, there will be less error and therefore the standard deviation is smaller (Suri, 2011). In general, the standard deviation of the regression equations represents the average error of the regression equation. In this estimated equation, considering that the regression error is equal to 0.11, it can be concluded that the error of the estimated equation was low and the regression line was close to the real observations.

The standard deviation of the dependent variable indicates that the estimated coefficients of the dependent variable are very close to the actual observations, because its value is very close to the average value of the estimated coefficients of the dependent variable.

In the above table, the significance level of the t-test and the significance level obtained for the manager's bonus variable is less than 0.05, it can be said that the

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managers' bonus has a negative and significant effect on the financial helplessness of companies listed on the Iraqi Stock Exchange. This means that the financial helplessness of these companies will decrease with the increase of managers' bonuses.
The second hypothesis: the tenure of the CEO (power-seeking managers) has a negative and significant effect on the possibility of financial helplessness of the company in the companies admitted to the stock exchange of Iraq.
The coefficient of determination obtained in this estimate shows that 0.68% of the changes in the dependent variable are explained by the independent variables.
The standard error of the estimate or the standard error of the regression shows the amount of dispersion of the observations around the regression line. When the regression line is closer to the actual observations, there will be less error and therefore the standard deviation is smaller (Suri, 2011). In general, the standard deviation of the regression equations represents the average error of the regression equation. In this estimated equation, considering that the regression error is equal to 0.10, it can be concluded that the error of the estimated equation was low and the regression line was close to the real observations.
The standard deviation of the dependent variable indicates that the estimated coefficients of the dependent variable are very close to the actual observations, because its value is very close to the average value of the estimated coefficients of the dependent variable.
In the above table, the significance level of the t-test for the CEO's tenure variable is greater than 0.05 at the 95% confidence level, so it can be said that the CEO's tenure has no significant effect on the financial distress of companies listed on the Iraqi Stock Exchange.
Among the control variables, asset yield has a negative and significant effect and financial leverage has a positive and significant effect on financial helplessness.

Table 12-4 Hypothesis results

Assumptions results	Assumptions
Reject the null hypothesis	The first hypothesis: high salaries and benefits of managers have a significant effect on the possibility of financial helplessness of the company in companies admitted to the stock exchange of Iraq.
Accepting the null hypothesis	The second hypothesis: the tenure of the CEO (power-seeking managers) has a significant effect on the probability of financial helplessness of the company in the companies admitted to the stock exchange of Iraq.

THE FIFTH CHAPTER: CONCLUSION AND RECOMMENDATIONS

Discussion and conclusion

Investors tend to invest if there is an executive guarantee for the return of capital in case of problems. Financial helplessness is an issue that can make investors worry about investing. Helplessness is one of the factors that none of the users of financial statements expected, but they are always worried about it. Financial helplessness is an event that has a great impact on management, shareholders, employees, creditors, customers and other stakeholders.
On the other hand, one of the main factors to improve economic efficiency is the corporate governance system, which includes a set of relationships between the company's management, board of directors, shareholders and other interested groups. The company's management system provides a structure through which the company's goals are set and the means of achieving the goals and performance monitoring are determined. Corporate governance standards are a tool to protect the interests of shareholders and creditors against financial fluctuations and crises. One of the ways to help investors is to provide predictive models about the overall outlook of the company, the closer the forecasts are to reality, the more correct decisions will be based on. By predicting financial helplessness or bankruptcy, companies can be alerted to its occurrence by providing necessary warnings so that they take appropriate actions according to these

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warnings. Also, in this way, investors and creditors distinguish favorable investment opportunities from unfavorable ones and invest their resources in suitable opportunities. Based on this, the present study was conducted with the aim of investigating the effect of the failure of corporate governance mechanisms on the financial distress of companies admitted to the stock exchange of Iraq.

In the following, research hypotheses will be examined:

Examining the results of the hypotheses

The result of the first research hypothesis

To test the first hypothesis of the research that "high salaries and benefits of managers have a significant effect on the probability of financial helplessness of the company in the companies admitted to the stock exchange of Iraq." The generalized least squares regression test was used and the final model of the research was examined. The results of the test indicate that at the 95% level of confidence, the high salaries and benefits of the managers are related to the possibility of financial helplessness of the company in the companies admitted to the country's stock exchange. Iraq has a negative and significant impact.

Based on the obtained results, it can be said that the reward policy can play an effective role in reducing the information asymmetry and also reducing the conflict of interests between the manager and the owner. And this increase in managers' bonuses increases the company's success and reduces the occurrence of bankruptcy.

Ammar et al. (2021) in a research show that managers' rewards as a measure of the failure of corporate governance mechanisms have a negative and significant effect on financial distress. These results are in line with the results of the present study. Also, in their research, Mashki Miaoghi and Mahdharani (2014) reached the conclusion that managers' bonuses had a negative and significant effect on the probability of company bankruptcy, and these results are also in line with the results of the present study.

The result of the second research hypothesis

In order to test the second hypothesis that "the tenure of the CEO (power-seeking managers) has a significant effect on the probability of financial helplessness of the company in the companies admitted to the stock exchange of Iraq." » The generalized least squares regression test was used and the final model of the research was examined. The results of the test indicate that the tenure of the CEO (power-seeking managers) has an effect on the probability of financial distress in companies listed on the Iraqi Stock Exchange. It has no meaning. One of the contradictions between the manager and the stakeholders of the company is that the decision-making horizon of the managers for the company is shorter than the investment horizon of the shareholders. Managers' claim to the company is limited only to their tenure and this issue may reduce the interests of shareholders and the value of the company. Kraslanduchen (2013) showed that there is a direct relationship between the poor performance of the company and the change of the CEO. Hiloj et al. (2012) found that CEOs are often forced to fire during their poor performance. Ammar et al. (2021) also stated in a research that the tenure of the CEO as a measure of the failure of corporate governance mechanisms has a negative and significant effect on financial helplessness. As a result, a high tenure may lead the company to financial helplessness, which these results contradict with The research is present.

Research proposals

According to the results obtained from research and hypothesis testing, these proposals are divided into practical proposals and research proposals:

Practical suggestions

1-Considering the negative and significant effect of managers' bonuses on the possibility of financial helplessness of companies, it is suggested to the users of financial information of companies and also to the Iraqi Stock Exchange Organization that in making their economic decisions and Pay attention to this issue in evaluating the financial health of companies.

2-According to the results of this research, it is suggested to the lenders and institutional investors to consider the possibility of stopping and continuing the activities of the companies by considering the factors of corporate governance and also by using the financial helplessness prediction models. examine and analyze, so that they can make the best decision for their resources.

3-In forecasting and making strategic decisions, financial managers are suggested to analyze the financial health of their company before the occurrence of financial crisis and bankruptcy by analyzing their corporate governance variables.

Suggestions for future research

1-In order to continue the current research, it is suggested that in future researches, the effect of other variables of corporate governance, including the life of the company, the percentage of collateral shares of executive and non-executive directors, the characteristics of the board of directors, including gender, age of members, level of education, etc. To examine the forecast of financial helplessness of Iraqi companies. Due to the time limit and the discussion of importance, the researcher in this research was required to select a number of variables according to the background and discretion of the situation.

2-It is also suggested to use other methods of predicting financial helplessness in order to check the most compatibility with the environmental conditions governing the country of Iraq.

Considering the relatively large fluctuations in the economic, cultural and political factors governing the companies in the Iraqi capital market, it is suggested in future researches to use non-linear regression models to determine the relationship between the mechanisms of corporate governance and financial helplessness of companies. to be used.

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