

# The role of electronic governance in improving the financial performance of companies a field study on a sample of private companies Iraqi

By

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## Abstract

The study aimed to identify the role of electronic governance in improving the financial performance of Iraqi private companies from the point of view of employees at all administrative levels in these companies.

**Keywords:** electronic governance; Iraq; private companies.

## Introduction

### *The study Problem*

Governance has received a great deal of attention from the supervisory and oversight authorities and international organizations as one of the main pillars of financial and administrative stability, especially after the financial crisis that afflicted some economic entities and shed more light on financial and administrative practices within institutions, and e-governance plays a positive and vital role in implementing Laws and standards of excellence in business performance.

### *Study population and sample*

The research sample will include a study of some (3) private companies in Iraq.

## Study hypotheses

### *The hypotheses of the study*

#### *The first hypothesis*

There are no statistically significant differences at the level of significance (0.05) about the importance of an effective governance framework as one of the dimensions of corporate electronic governance application.

#### *The second hypothesis*

There are no statistically significant differences at the level of significance (0.05) about the importance of stakeholders' contribution as one of the dimensions of corporate electronic governance application.

### ***The third hypothesis***

There are no statistically significant differences at the level of significance (0.05) about the importance of the board of directors as one of the dimensions of the application of electronic corporate governance.

### ***Study methodology***

The study relies on the theoretical aspect that uses the analytical descriptive approach, as it is the most widely used in studies, with the aim of reaching logical results that support the hypotheses contained in the study, which relies in its study on scientific studies and research that dealt with this topic and the articles that have been published in specialized periodicals related to the subject. The applied side of the field study was also relied on a number of private Iraqi companies.

## **Previous studie**

### ***Arabic studies:***

1- A study (Dijla Abdul Hussein Abdo, 2021), entitled: “The role of e-government strategies in developing the performance of oversight agencies to reduce financial and administrative corruption.

This study aimed to identify the concept of e-government and its strategies in developing government performance, to clarify the concept of corruption and its causes, and to benefit from international experiences in combating corruption and linking them to the Iraqi situation. The study relied on the descriptive analytical approach.

2- A study (Khaled Muhammad Ahmed Al-Jabri, 2020), entitled: “The Impact of Compliance with Electronic Governance Standards on the Operational Performance of Yemeni Banks: A Field Study in Banks Operating in the Coast of Hadramout Region.”

This study aimed to know the impact of compliance with electronic governance standards on the operational performance of banks operating in the coast of Hadramout Governorate.

### ***Foreign studies:***

***1- A study (2018, Hassnain Raghieb Talab et al), entitled:***

“The Role of e-Government on Corruption and its Impact on the Financial Performance of the Government: An Empirical Analysis on the Iraqi Government”

This study aimed to provide a theoretical framework for the concept of electronic government, fraud, and administrative and financial corruption, and to reveal the importance and role of electronic government in reducing fraud, administrative and financial corruption, and its impact on financial performance. The study also dealt with its concepts, forms, dimensions, types, and the role of e-government in reducing fraud and corruption in administration and finance, and its impact on government performance.

## **2 -Study (2021, Raksha Prasad Vashist et al), entitled:**

**“An Analysis of e-Governance and Its Impact on the Profitability of MSMEs”: A Structural Equation Modelling Approach**

This study aimed to address e-governance and its impact on the performance of MSMEs in India using a structural model. The model contains three main variables: Use of e-governance by MSMEs.

## **Theoretical framework for the variables of the study**

### ***Section One: Governance***

Corporate governance is an important mechanism over the past decades, and the global financial crisis of 2008 reinforced the importance of good corporate governance practices and structures, given that corporate governance structures play an important role in enhancing company performance and long-term sustainability (Kumar, Nihalani, 2014).

Good corporate governance is vital in many business sectors as it enhances corporate image, enhances shareholder confidence and reduces the risk of fraudulent practices (OECD, 2004).

### ***1- The concept of governance***

Recently, corporate governance has received a lot of attention from local, regional and global companies and companies all over the world. There are several definitions of corporate governance, according to the articles and writings of researchers and the reports of various bodies and companies. This multiplicity is due to the different points of view adopted by researchers.

According to the Organization for Economic Co-operation and Development, corporate governance is defined as “the system by which business firms are directed and controlled.

### ***2 characteristics of governance***

There are a number of characteristics that characterize corporate governance, as follows:

**Participation:** It means that the management style is democratic and encourages initiative, and not authoritarian that spreads inaction and indifference. It is everyone’s right to participate in decision-making, either directly or through legitimate mediating companies that represent their interests. Broad participation focuses on freedom of assembly, freedom of speech, and the availability of capabilities for constructive participation.

**Urges respect and trust:** for others and for the constituent parties of governance, whether by the private sector, civil societies, or governance, and tolerating different points of view.

### ***What is electronic governance?***

There are many commonly used terms for e-governance such as e-business, e-governance, digital governance, etc.

E-governance is defined as a form of electronic business that refers to the processes and structures that correspond to the provision of services to both customers and companies (Hall), (2012).

Electronic governance is defined as the completion of official information between companies or between them and their customers with modern information technology that relies on the use of computers to exchange certain information required by official procedures according to specific security measures.

It is noted that the application of the e-governance system provides many advantages, as follows:

***Speed of performing services:***

Whereas, by replacing the traditional manual system with the computer, there has been a development in providing the service to the public, as the required time period has decreased

***Reduce costs:***

It is noted that the performance of administrative work in the traditional way consumes very large quantities of papers, documents and clerical tools.

***Abbreviation of administrative procedures:***

There is no doubt that the traditional administrative work prevalent now is characterized by many administrative complexities, because it most of the time requires the approval of more than one administrative authority on the required work, in addition to the features attached to the employee performing the service, who may obtain leave or not be present at his place of work and who Then the performance of the service is disrupted from one day to the next.

This study is based on a set of hypotheses aimed at examining the nature of the impact of the independent variable "e-governance" in its dimensions (an effective governance framework - stakeholders - the board of directors)

Test hypotheses about the relative importance of sub-components of corporate e-governance

***(a) Testing the first hypothesis:***

The first hypothesis: There are no statistically significant differences at the level of (0.05) on the importance of an effective governance framework as one of the dimensions of corporate electronic governance application.

To find out the importance of an effective governance framework as one of the dimensions of corporate electronic governance application, the arithmetic mean and standard deviation of the respondents' opinions were calculated, and the following table shows this.

**Table (3.11)** *The arithmetic mean and standard deviation about the importance of an effective governance framework as one of the dimensions of corporate electronic governance application.*

Sort according to the arithmetic mean	Significance level	Value of T	Standard deviation	Standard Mean	Dimensions of an effective governance framework
Seventh	0.053	-1.952	0.613	1.85	There are enough computers in the company
Second	0.230	1.205	0.601	2.00	There are computers and departments for the software used in the company
Sixth	0.205	-1.273	0.626	1.88	Work on the introduction of advanced applications of electronic governance
First	0.236	1.189	0.677	2.01	The transactions of the beneficiaries of the company's activity and the data it publishes are dealt with electronically
Fourth	0.695	0.393	0.621	1.96	There is continuous monitoring by the administration to ensure the electronic progress of business
Fifth	0.552	-0.595	0.666	1.91	E-governance obligates the application of the law and the provision of sufficient protection for the company's and shareholders' data
Thrid	0.412	0.823	0.783	1.99	Staff passwords are changed periodically to protect data

By looking at table (3.11), it was found that there were no statistically significant differences in the degree of application of electronic governance in Iraqi private companies with regard to the dimensions related to the importance of an effective framework for governance in the application of electronic governance. As the value of the significance level for conducting the T-test for the dimensions is greater than 0.05, which means accepting the null hypothesis, as well as the arithmetic mean for the dimensions ranged from 2.01 to 1.85, which indicates the importance of a framework.

***Commenting on the results of the first hypothesis test:***

The results reached can be explained in relation to the first hypothesis of dimensions related to the importance of an effective governance framework as one of the components of electronic governance. Where it was found that the importance of an effective framework falls within the perceptions of employees as an effective administrative element within the various

components of e-governance (an effective governance framework - stakeholders - the board of directors - transparency - shareholder rights - equal treatment).

The results showed in Table (3.11) that there were no statistically significant differences at the level of (0.05) between the opinions of the study sample individuals on all dimensions of the impact of the components of e-governance for companies related to the importance of an effective framework for governance as one of the components of e-governance. These results reveal the effectiveness of the administrative measure used in the current study, which appears in the significance of the differences between the various components of e-governance (an effective governance framework - stakeholders - the board of directors - transparency - shareholder rights - equal treatment), which shows the efficiency of the measure in achieving its objectives. .

**(b) Second Hypothesis Test:**

The second hypothesis: There are no statistically significant differences at the level of significance (0.05) about the importance of stakeholders' contribution as one of the dimensions of corporate electronic governance application.

To find out the degree of inclination towards the importance of stakeholders' contribution within the components of electronic corporate governance, the arithmetic mean and standard deviation of the opinions of the sample members were calculated, and the following table shows this.

**Table (3.12)** *The arithmetic mean and standard deviation of the dimensions of the importance of the stakeholder's contribution and the total score in the measurement of the dimensions related to the stakeholder's contribution to the application of electronic governance in Iraqi private companies.*

Sort according to the arithmetic mean	Significance level	Value of T	Standard deviation	Standard Mean	Dimensions of stakeholder participation
Third	0.669	-0.429	0.668	1.92	Ensure respect for the rights of interests protected by law within the community
First	0.519	-0.651	0.667	1.98	The company's internal law guarantees the right to compensation for stakeholders
Second	0.848	0.192	0.594	1.96	Contribute to the completion and follow-up of electronic financial reports and tax payment reports
Third	0.664	-0.435	0.658	1.92	The existence of an effective working mechanism between the stakeholders and the Board of Directors in order to ensure the continuity of the company

By looking at table (3.12), it was found that there were no statistically significant differences about the stakeholder's contribution in the companies, with regard to the dimensions related to the stakeholder's contribution as one of the components of e-governance. Whereas, the value of the level of significance of the T-test is greater than 0.05, and the value of the arithmetic mean ranged from 1.98 to 1.92, which indicates the extent to which employees' perceptions tend to be important after the stakeholders' contribution to enhancing electronic governance, and this is an indication of the effectiveness of stakeholders' contribution to enhancing employees' perceptions. Towards electronic corporate governance in the study sample.

#### ***Commenting on the results of the second hypothesis test:***

The results reached can be explained in relation to the second hypothesis of dimensions related to the importance of stakeholder participation as one of the components of e-governance. Where it was found that the stakeholder's contribution falls within the employees' perceptions as an effective administrative element within the various electronic governance components (an effective governance framework - stakeholders - the board of directors - transparency - shareholder rights - equal treatment).

The results showed in Table (3.12) that there were statistically significant differences at the level of (0.05) between the opinions of the study sample individuals on all dimensions of the impact of the components of electronic governance for companies that relate to the importance of stakeholder participation as one of the components of electronic governance. These results reveal the effectiveness of the administrative scale used in the current study, which appears in the significance of the differences between the measurement of the various components of e-governance (an effective governance framework - stakeholders - the board of directors - transparency - shareholder rights - equal treatment), which shows the efficiency of the scale in achieving his goals.

### **Third Hypothesis Test**

The third hypothesis: There are no statistically significant differences at the level of significance (0.05) about the importance of the board of directors as one of the dimensions of the application of corporate electronic governance.

To find out the degree of inclination towards the importance of the board of directors within the components of corporate electronic governance, the arithmetic mean and standard deviation of the respondents' opinions were calculated, and the following table shows this.

By looking at table (3.13), it was found that there were no statistically significant differences in the importance of the board of directors as an effective administrative component in electronic governance, with regard to the dimensions related to the board of directors, as one of the components of electronic governance. Whereas, the arithmetic mean was from 2.02 to 1.90, and the value of the level of significance for the T-test of the averages of the dimensions was not significant for measuring, which indicates the extent of the employees' perceptions of the importance of the board of directors in e-governance, and this is an indication of the extent of the effectiveness of the importance of the board of directors in enhancing employees' perceptions towards e-governance. companies in the study sample.

**Table (3.13)** *The arithmetic mean and standard deviation of the dimensions of the board of directors and the total score in the measurement of the dimensions related to the importance of the board of directors as part of the application of electronic governance in Iraqi private companies.*

Sort according to the arithmetic mean	Significance level	Value of T	Standard deviation	Standard Mean	Dimensions of the board of directors
Sixth	0.201	-1.283	0.570	1.90	With the existence of electronic governance, effective control over the executive management is achieved by the Board of Directors
First	0.217	1.239	0.637	2.02	With the existence of electronic governance, the Board of Directors selects its members and its basic tasks electronically
Third	0.551	0.597	0.652	1.99	The electronic audit committee represents one of the main pillars of the company's electronic governance
Fourth	0.740	0.332	0.690	1.97	Electronic governance is relied upon to reduce data fraud
Sixth	0.260	-1.129	0.577	1.90	The application of electronic governance in the company ensures the quality of financial reports and increases the importance of accounting information
Fifth	0.242	-1.173	0.487	1.91	With the presence of electronic governance, interaction takes place between the board of directors and senior management and the technology used to ensure sound governance
Second	0.370	0.898	0.612	2.00	With the presence of electronic governance in the company, the Board of Directors ensures the strategic direction and direction of the company



### ***Commenting on the results of the third hypothesis test:***

The results reached can be explained in relation to the hypothesis of the three dimensions that relate to the importance of the board of directors as one of the components of electronic governance. Where it was found that the board of directors falls within the perceptions of employees as an effective administrative element within the various components of e-governance (an effective framework for governance - stakeholders - the board of directors - transparency - shareholder rights - equal treatment).

The results showed in Table (3.13) that there were no statistically significant differences at the level of (0.05) between the opinions of the study sample individuals for all dimensions of the impact of the components of electronic corporate governance related to the board of directors. These results reveal the effectiveness of the administrative measure used in the current study, which appears in the significance of the differences between the various components of e-governance (an effective governance framework - stakeholders - the board of directors - transparency - shareholder rights - equal treatment), which shows the efficiency of the measure in achieving its objectives.

## **The results**

The presence of programs to develop the aspects of electronic governance and is binding in private companies in Baghdad, makes the financial performance of these companies in continuous development, as a result of the existence of laws or conditions that force workers to accomplish a number of administrative points in order to improve the financial performance of the company.

Existence of great interest and keenness on the part of workers in Iraqi private companies in the importance of applying the dimensions of electronic governance in the field of administrative work, as well as sufficient knowledge of the prevailing legal systems and legislation in governance, which in turn increases the amount of knowledge and scientific knowledge.

The interest of private companies in Iraq to try to reach a supervisory performance based on electronic governance in order to acquire various experiences and knowledge in the administrative work that aims to improve the financial performance of companies.

It was found that there were no statistically significant differences in the degree of application of electronic governance in Iraqi private companies with regard to the dimensions related to the importance of an effective framework for governance in the application of electronic governance. Whereas, the value of the significance level for conducting a T-test for dimensions is greater than 0.05, which means accepting the null hypothesis, as well as the arithmetic mean for the dimensions ranged from 2.01 to 1.85, which indicates the importance of an effective governance framework as one of the dimensions of the application of corporate electronic governance

It was found that there were no statistically significant differences at the level (0.05) between the opinions of the study sample individuals for all dimensions of the impact of the components of electronic governance for companies that relate to the importance of an effective framework for governance as one of the components of electronic governance. These results reveal the effectiveness of the administrative measure used in the current study, which appears in the significance of the differences between the various components of electronic governance (an effective governance framework - stakeholders - the board of directors -

It was found that there were no statistically significant differences about the stakeholder's contribution in companies, with regard to the dimensions related to the stakeholder's contribution as one of the components of e-governance. The value of the significance level of the T-test is greater than 0.05 and the arithmetic mean value ranged between 1.98 to 1.92, which indicates The extent to which workers' perceptions tend towards the importance of stakeholders' contribution to the promotion of electronic governance, and this is an indication of the effectiveness of stakeholders' contribution to enhancing employees' perceptions of corporate electronic governance in the study sample.

It was found that there were no statistically significant differences in the importance of the board of directors as an effective administrative component in electronic governance, with regard to the dimensions related to the board of directors, as one of the components of electronic governance. Whereas, the arithmetic mean was from 2.02 to 1.90, and the value of the significance level of the T-test for the averages of the dimensions was not significant for measuring, which indicates the extent of the employees' perceptions of the importance of the board of directors in electronic governance, and this is an indication of the effectiveness of the importance of the board of directors in enhancing employees' perceptions of governance. electronic companies in the study sample.

It was found that there were no statistically significant differences at the level (0.05) between the opinions of the study sample individuals on all dimensions of the impact of the components of electronic governance for companies related to the board of directors. These results reveal the effectiveness of the administrative measure used in the current study, which appears in the significance of the differences between the various components of e-governance (an effective governance framework - stakeholders - the board of directors), which shows the efficiency of the measure in achieving its objectives.

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