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The Role of Governance Interaction with Customer Service in Improving Banking Financial Performance

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Abstract

Customer satisfaction is one of the most important factors in business, when it comes to commercial banks, customer satisfaction level differentiates one bank from another, thus measuring customer satisfaction is exceedingly important. Profitable business cannot exist without satisfied customers, especially in service-oriented industries. Customer satisfaction is an important step to gain customer loyalty. The banking corporate governance is known to improve bank financial performance and value, by reducing the level of expropriation of the company's assets done by the management, while the satisfaction of the external customers leads to retain customers and add new customers. Banking governance regulates the mechanisms and practices of the banking service engines and oriented them towards effective customer's satisfaction investigation. This lead to wards improved banking financial performance, more of previous studies lack to concepts and tools that are used to transform the ideas and theories of improving the quality of banking performance into actual productive practices. From this point, the study attempts to bridge this gap by disclosure the interactive role of banking governance in effectively linking theory and practice in improving the quality of banking financial performance. The paper problem was summarized with the question: to what extent can be interaction of customer services with corporate governance in improving the banking overall financial performance of the Iraqi commercial banks? The study pursues in the design and synthesis and analysis methods, deductive and inductive approach. The study use the analysis and synthesis supported by theoretical evidence in its theoretical part, and used the analysis and conclusion supported by statistical techniques in its practical part, the study was conducted at the sample of commercial banks at Basra Governorate, the study followed the method of exploratory research, using two tools to collected data, the first tool, checklist to assess the overall performance of the banks in question, the size of the respondent sample was 40 individuals and the second tool is a questionnaire with sample size (60 cases), in the light of the analysis the results, conclusions and recommendations were determined.

Keywords: Customer service, customer satisfaction, banking governance, banking financial performance

1. Introduction

Political liberalization, deregulation, rapid technological progress and improvement of telecommunication systems have led to the integration of the banking industry, the evaluation and implementation of marketing strategies aimed at improving customer satisfaction, maximizing the customer's share of the market, customer satisfaction is measure of how products and services supplied by company can meet the customer expectations. The quality of banking service is reflected positively on internal and external customer satisfaction. The quality of banking service should be geared towards achieving the best possible satisfaction for the customer, and Keeping old customers and setting new customers is essential for commercial banks. This is achieved when everyone in the bank knows the concepts and practices of good banking service, and complies with the requirements of their application. These need to apply the principles and practices of banking governance, which requires from banking management to fully understand the concepts of banking governance, and the method of its application in Iraqi commercial banks, banking governance regulates the mechanisms and practices of the banking service engines and oriented them towards effective customers' satisfaction investigation. This lead to wards improved banking financial performance, The literature on the Iraqi banking industry indicates the desire of senior management to improve the overall banking performance, But the administration is still unable to turn this desire into reality, Because they lack the organization of concepts and tools that are used to transform the ideas and theories of improving the quality of banking performance into actual productive practices, From this point, the study attempts to bridge this gap by disclosure the interactive role of banking governance in effectively linking theory and practice in improving the quality of banking financial performance.

1.1 Problem Statement

Banks that master service quality can gain a competitive edge in terms of higher revenue, customer loyalty and customer retention (Kumar et al., 2010. According to (Parasuraman et al, 1985and Zeithmal et al, 1990) the provision of quality being with the help of teachings and principles guided products and services to clients is the most important to banking industry. improved outcomes from service delivery require better governance, including mechanisms for holding service providers accountable and appropriate incentives for performance. (Ariel Fiszbein et al, 2011). From the perspective of service delivery, governance can be understood as the set of incentives and accountabilities that affect the way provider organizations, The governance practice and controlling mechanisms contributed in promoting customer’s satisfaction, this in turn, improves the banking overall financial performance. The coexistence in some Iraqi banks , and what has been shown by some Iraqi banking literature have revealed, that Iraqi banking operations and performance is relatively better compared with other Iraqi productive and service organizations, as well as the desire of the banking top management to adopted techniques that contribute to improving the performance of these banks, in particular the principles of governance and it´s mechanisms, however, the reality of the Iraqi banks reveals their tendency toward theoretical orientation rather than practical practice, many of Iraqi banks are still far from the new perception about banking management and operations, it still need to use some models and techniques that contribute to the improving its performance, especially governance techniques and customer services, which in its interaction constitute driving forces for improving banking overall financial performance. The current study attempts to bridge the research gap by answering the following problem´s questions: To what extent can be interaction of customer services with corporate governance in improving the banking overall financial performance of the Iraqi commercial banks? Research was adopted in order to achieve its goals key hypothesis is that (*the interaction of banking governance with banking services that enhances the satisfaction of the internal and external customers of the Iraqi commercial banks lead to improve banking overall performance*)

Q1: To what extent can be provided the banking services that enhance the satisfaction of the internal and external customers of the Iraqi commercial banks?

Q2: To what extent can be application the principles and mechanisms of corporate governance in Iraqi commercial banks?

Q3: To what extent can be interaction of customer services with corporate governance in improving the banking overall financial performance of the Iraqi commercial banks?

1.3 Objectives

- Detection the impact of customer services on enhancing customer satisfaction of the Iraqi commercial banks.

- Detection the impact of the principles and mechanisms of corporate governance on improving banking overall financial performance of the Iraqi commercial banks.

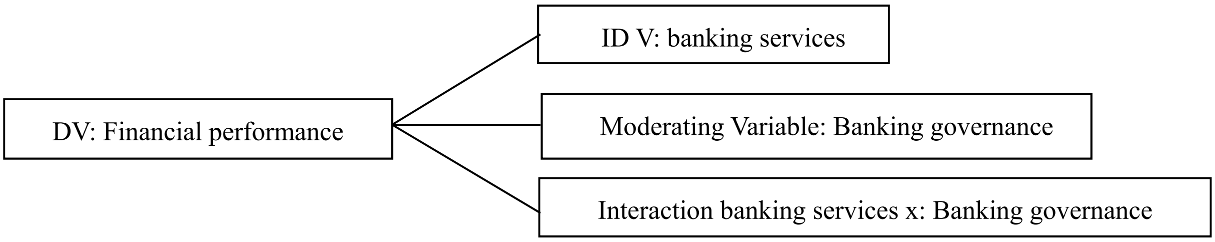
- Detection the impact of be interaction of customer services with corporate governance on improving the banking overall financial performance of the Iraqi commercial banks.

1.4 Scheme and Hypothesis

- Virtual scheme of study: the study scheme based on the relationship between three main variables (as shown in below), it shows - for the purposes of test -, the routing of (relationship and influence) between the main three variables subject of study.

- Hypothesis: There is a statistically significant impact of the interaction (banking governance with banking service that satisfies the customer) on overall banking financial performance.

1.5 Testing Model



2. Theoretical Back Ground: Banking Services (Overview)

Political liberalization, deregulation, rapid technological progress and improvement of telecommunication systems have led to the integration of the banking industry, the evaluation and implementation of marketing strategies aimed at improving customer satisfaction, maximizing the customer's share of the market, customer satisfaction is measure of how products and services supplied by company can meet the customer expectations (Tasneema, 2012) ,The customer's perspective on the quality of the product or service helps to focus on customer outcomes and motivation to improve the practices and work processes used within the company, Peter Drucker claims that customer satisfaction is the goal and aim of all activities. Increased competition, meeting customer satisfactions are new concepts that have strongly affected current world in a way that one cannot compete or even survive according old ideas in new world. This means that the response to customer satisfaction helps more toward competing successfully, and the consequent retention of the market share, or expansion, and this happen through the quality of service provided to the customer, and its ability to meet the customer needs and expectations, Customer satisfaction is one of the most important factors in business. When it comes to commercial banks, customer satisfaction level differentiates one bank from another, thus measuring customer satisfaction is exceedingly important (Zopounidis, 2012, 37). This is the reason why banks listen to customer requirements and complains. Profitable business cannot exist without satisfied customers, especially in service-oriented industries. Drawing from the presentation of (Hart l (2006), Smith, 2009, Fornell, 2007), the customer's satisfaction requires first to know his behavior, but this behavior is difficult to predict because of the customer's perspective from one person to another. This difficulty can be overcome by analyzing customer complaints and suggestions that help to understand the customer's perspective and behavior towards the quality of the product or service.

Based on what (ABORAMPAHAMOAH-MENSAH, 2010: 10 - 13) presented, customer behavior is influenced by a number of factors, the most important of which are:

- Cultural Factors: Culture has a great impact on a person’s consumption behavior, social class is the divisions in society whereby members are tied with similar values, interests and behaviors, the factors that determine social class include power, prestige, occupation, income, education, family background and wealth, the perceptions, needs and wants and the entire behavior may differ from one social class to another.

- Social Factors: the social factors that influence consumers’ buying behavior is reference groups, family and roles and status, The most significant group that exerts much pressure on the individual, according to (Kotler et al 1999) is the family, further that the position an individual occupies be it in the family, organization and society go with roles and status,

- Personal Factors: to a large extent an individual decision to buy is influenced by the characteristics he possesses. These characteristics include his age and life-cycle, occupation, economic situation, lifestyle and personality and self-concept.

- Psychological Factors: these factors include motivation, perception, learning and beliefs and attitudes, there is belief may be based on real knowledge, opinion and faith and Attitude, may be affected the evaluation, feelings and tendencies of a person about something.

This means that purchasing decisions and purchasing behavior of people are affected by many factors, and these factors are different in size and intensity of impact. Therefore, accurate knowledge of customer satisfaction requires, in part, recognition of the extent to which the customer understands the goods and services of the company, and how to act towards them.

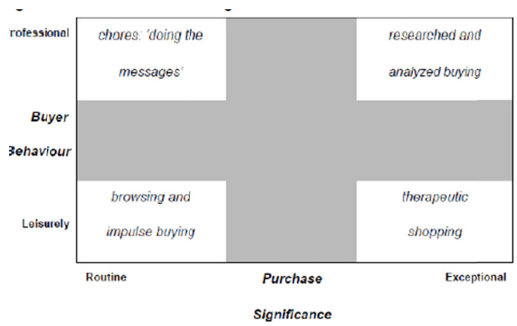


Figure 1. Consumer purchasing matrix

Source: Wilson (2000, p. 788).

Satisfaction is seen as an important factor for the bank and its clients; customer satisfaction indicates the fulfillment that customers derive from doing business with a firm. In other words, it's how happy the customers are with their transaction and overall experience with the company, Customers derive satisfaction from a product or a service based on whether their need is met effortlessly, in a convenient way that makes them loyal to the firm. Hence, customer satisfaction is an important step to gain customer loyalty. All the definitions of consumer satisfaction are sharing some common elements. When examined as a whole, three general components can be identified:

1- Consumer satisfaction is a response (emotional or cognitive)

2- The response pertains to a particular focus (expectations, product, consumption experience, etc.);

3- The response occurs at a particular time (after consumption, after choice, based on accumulated experience, etc. (Joan Giese et al, 2000), we show below some definitions quoted from (Joan Giese et al., 2000).

Source	Conceptual Definition	Response	Focus	Time
Oliver 1997	The consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under- or over fulfillment (p. 13)	Fulfillment response/judgment	Product or service	During consumption
Halstead, Hartman, and Schmidt 1994	A transaction-specific affective response resulting from the customer's comparison of product performance to some repurchase standard (e.g., Hunt 1977; Oliver 1989) (p. 122).	Affective response	Product performance compared to some repurchase standard	During or after consumption
Mano and Oliver 1993	(Product satisfaction) is an attitude - like post consumption evaluative judgment (Hunt 1977) varying along the hedonic continuum (Oliver 1989; Westbrook and Oliver 1991) (p. 454).	Attitude - evaluative judgment Varying along the hedonic continuum	Product	Post consumption

The table above shows the difference in the concept of customer satisfaction, and the gradual shift from emotional perception based on the extent to which the product or service responds to its needs and expectations, to the rational position that provides analysis and comparison before acceptance, the above shows that customer satisfaction depends greatly on the level of quality of service provided to the customer. Because the employees of the bank and its customers are today more able to know the quality of service should be provided by the bank, and that the service of high quality contribute to increase the purchasing power of customers, service quality defined as a consumer's judgment about an entity's overall excellence superiority (Zeithaml, 1987), Quality of service achieves strategic benefits for commercial banks. They contribute to improving customer retention and competitive advantage, which in turn affects the financial performance of banks. Banks that master service quality can gain a competitive edge in terms of higher revenue, customer loyalty and customer retention (Kumar et al., 2010), Quality of service reflects the Bank's reputation when it responds continuously to customer needs and expectations, the quality of a service as perceived by customers has three dimensions: functional (or process) dimension, technical (or outcome) dimension and image (Kang and James, 2004: 268). Researchers have tried to develop conceptual models to explain the service quality and to measure consumers perceived service quality in different industries (Seth et al., 2005). A good operational example of a standardized framework for understanding service quality is the SERVQUAL instrument developed by Parasuraman; the researchers discovered five general dimensions with focus group interviews which they labeled: reliability, responsiveness, tangibles, assurance and empathy (Wong and Sohal, 2002), it is clear from the above that:

- Keeping old customers and setting new customers is essential for commercial banks.
- The quality of banking service should be geared towards achieving the best possible satisfaction for the customer.
- Customer satisfaction for the purposes of research means the satisfaction of internal and external customers.
- The effective response of the customer is reflected positively on the impact of service provided to him, which improving the financial performance of the commercial bank.
- However, this cannot be achieved unless the bank has effective control mechanisms,
- These mechanisms are not available only when the work is done in accordance with the banking governance structure

2.1 Corporate Governance Frame Work

Economic scandals and the recent financial crisis made it essential to investigate the role of Corporate Governance on bank performance, fundamental principles of good Corporate Governance were breached and it is suggested that more emphasis should be given to the performance of Corporate Governance than to its regulatory compliance in order for it to be achieved (Mustafa SOBA1 et al., 2016). Corporate governance involves the way banking institution's business and affairs are managed by the board of administration and the top management (FRED, 2012), Principles of good governance have been a major component of international financial standards and are seen as essential to the stability and integrity of financial systems, Corporate governance refers to the set of rules and incentives through which the management of accompany is directed and controlled (Acharya et al, 2009), other believed that Corporate governance is to be the structure of controlling and directing corporate undertakings of a business that will increase firm's financial performance, its market value and also improve shareholders' long-term value and wealth (JOYCE WANJIKU MWAURA. 2016: 3), Corporate governance is the structure of controlling and directing corporate undertakings of a business that will increase firm's financial performance, its market value and also improve shareholders' long-term value and wealth, Adams and Mehran (2003) define corporate governance as "the mechanism through which stakeholders (shareholders, creditors, employees, clients, suppliers, the government and the society, in general) monitor the management and insiders to safeguard their own interests , Corporate Governance can be described as a system that tries to provide guidelines and appropriately and to satisfy shareholders eliminating moral hazard problems, Corporate governance frames the distribution of rights and responsibilities among management, the board of directors, controlling shareholders, minority shareholders, and other stakeholders and provides the structure for setting, implementing, and monitoring company objectives (Laura & Alexander, 2010). Most of their conclusions can be grouped into four broad areas: (Risk governance, Remuneration and alignment of incentive structures, Board independence, qualifications, and composition, Shareholder engagement). In general, banks exhibit a better understanding of the important elements of corporate governance such as effective board oversight, rigorous risk management, strong internal controls, compliance and other related areas. In addition, many banks have made progress in assessing collective board skills and qualifications, instituting standalone board risk committees, establishing and elevating the role of chief risk officer (CRO), and integrating discussions between board audit and risk committees (Basel Committee, 2015), the structure of corporate governance depends on a balance between the bank's economic and societal goals and also harmonizes individual goals to community goals, This framework is to help firms to efficiently use these resources and to also hold accountable those who are entrusted with such resources to ensure that all stakeholders' interests are fairly considered (MWAURA, 2012, The Basel II, 2006) framework consists of three pillars: first: sets out the minimum capital requirements firms will be required to meet to cover credit, market and operational risk, second: sets out a new supervisory review process. This requires financial institutions to have their own internal processes to assess their overall capital adequacy in relation to their risk profile. These are subject to review and evaluation by their supervisors, third: cements Pillar 1 and 2 and is designed to improve market discipline by requiring firms to publish certain details of their risks, capital and risk management (Manuel Chavez, 2009, pp. 8-10). The intention is that these disclosures should be in line with how senior management and the Board access and manage the institution's risks. (Hassan, Wolfe, & Maroney, 2004), so that the governance structure is based on the following principles:

1- Board’s overall responsibilities principle
2- Board qualifications and composition,
3- Board’s own structure and practices,
4- Senior management,
5- Governance of group structures,
6- Risk management function,
7- Risk identification, monitoring and controlling, principle,
8- Risk communication,
9- Compliance,
10- Internal audit,
11- Compensation,
12- Disclosure and transparency,
13- The role of supervisors.

Basel Committee, 2015, summarize from the above:

1- The governance structure is based on three pillars:

- First: sets out the minimum capital requirements firms will be required to meet to cover credit, market and operational risk,
- Second: sets out a new supervisory review process, these are subject to review and evaluation by their supervisors,
- Third: requiring firms to publish certain details of their risks, capital and risk management).

2- The governance structure works to achieve a balance between the Bank's economic and social objectives and to coordinate with the nearby goals of society.

3- Effective control over the use of the Bank's resources, and accountability of those responsible for the use of these resources, in order taking into account the interests of all stakeholders.

2.2 Corporate Governance and Firm Performance

The business’s corporate governance is known to improve firm financial performance and value, by reducing the level of expropriation of the company’s assets done by the management, and it also improves the level of expected cash flows, a firm’s financial performance remains the function of its profitability, its determined by profits, return on Investment (ROI) and Return on Asset (ROA), pathetic and poor corporate governance framework can lead to bank runs and macroeconomic crisis, the bank financial performance are strongly influenced by a bank’s ownership structure: high shareholdings of lower-level management, such as vice presidents, increase the risk that banks exposed to it , high stakes in the bank induce lower-level management, to take high risks, which may eventually result in bank performance, the probability of improving bank performance specifically increases when incentives of chief officers and lower-level management are aligned. Some accounts variables, such as capital, earnings, and non-performing loans, also effecting bank performance. However, other potential stability indicators, such as the management structure of the bank, indicators of market competition, subprime mortgage risks, state economic conditions, and regulatory influences, appear to be less decisive factors in effecting bank performance (Berger et al ,2012), Most studies divide the determinants of commercial banks’ financial performance into two categories, namely internal and external factors, Internal determinants of profitability, which are within the control of bank management, External factors are competition, regulation, concentration, market share, ownership, scarcity of capital, money supply, inflation and size (Sudin, 2004, Fred, 2012) , different mechanisms adopted that safeguard the interests of the stakeholders Such corporate governance mechanisms include board size, board gender diversity, size of audit committee, and board of directors educational qualification and experience (Sandaet al., 2005). This means that the levels of influence of the components of the governance structure and mechanisms vary in the level of financial performance of the banks, but as a result they positively affect the overall financial performance of banks, Corporate governance is viewed as an indispensable element of market discipline (Levitt1999) and this is fueling demands for strong corporate governance mechanisms by investors another financial market participants (Blue Ribbon Committee 1999; Ramsay 2001). The relationship between corporate performance and corporate governance is measured using only one of the two variables: ownership structure and board structure (Krivogorsky, 2006) , it is possible to say that efficient corporate governance practices provide several advantages in setting corporate objectives, operating the bank's business on a day-to-day basis, meeting the obligation of accountability, providing confidence in banks' operations and protecting the interests of depositors, corporate governance is of great importance for the banking sector and its impact on this sector have become like a challenging issue summarize from all above:

- The banking service is reflected positively on the satisfaction of internal and external customers.
- Internal customer's satisfaction leads to improve banking operations.
- While the satisfaction of the external customer's leads to retain customers and add new customers.
- Banking governance regulates the mechanisms and practices of the banking service engines and oriented them towards effective customers' satisfaction investigation.
- This lead to wards improved banking financial performance.

3. Methodology and Data Collection

The study pursues in the design and synthesis and analysis methods, deductive and inductive approach. The study use the analysis and synthesis supported by theoretical evidence in its theoretical part, and used the analysis and conclusion supported by statistical techniques in its practical part, the study was conducted at the sample of commercial banks at Basra Governorate , for the following reasons:

- The proximity to the researchers' work site
- The possibility of representation of the reality of Iraqi commercial banks in general
- The availability of competencies and expertise concerned with the study and diagnosis of Iraqi banks problems

The study followed the method of exploratory research, using two tools to collected data, the first tool, checklist to assess the overall performance of the banks in question, the size of the respondent sample was 40 individuals and the second tool is a Questionnaire consisting of three main dimensions: customer satisfaction, banking governance, and overall banking financial performance. The questionnaire was built by using some questionnaires developed by both (BITTA MARTHA, 2014, Laura Kalin-Paredes et al, 2016) the size of questionnaire sample = (60) cases in the light of the analysis the results, conclusions and recommendations were determined.

4. Data Analysis and Discussion

Checklist: The general assessment of commercial banks

	items	Very satisfactory	satisfactory	unsatisfactory	overall assessment	comment
1	Total value of deposits	%53	%44	%3	%49	Satisfactory, and are reflected well on the economic objectives of the banks under study
2	Current deposit	%33	%56	%11	%45	Is well suited to the objectives and directions of the banks under study
3	Net profit	%61	%36	%3	%49	the banks subject matter of the study Achieving a good level of profitability
4	Balance of current accounts	%36	%53	%11	%45	The balance of accounts tends to balance in an acceptable way
5	No, of staffs	%36	%50	%11	%43	The number of staffs Equivalent with the requirements of the banking business
6	Average monthly salaries	% 36	%56	%8	%46	Wages within the limits acceptable to work in the Iraqi Bank
7	Operating expense	%44	%48	%8	%46	Operating expenses are moderate and acceptable
8	Number of accounts	%44	%42	%14	%43	The number of customer accounts is consistent with the bank's capabilities and financial requirements
9	Total value of loans	%44	%50	%6	%47	The value of loans within acceptable limits, does not affect both liquidity and indebtedness.

10	Interest and fee	%50	%44	%6	%47	Suitable and reflected positively on the customers of banks
11	Earning operating revenue	%50	%44	%6	%47	Adequate, and bring benefits to banks and other stakeholders
12	Interest revenue	%56	%44	%0	%50	High and constitute important revenue for banks
13	Space	%36	%39	%25	%38	Suitable Somewhat for the convenience and movement of staffs in banks
14	expenditure on decoration	%47	%36	%17	%42	Appropriate Somewhat
15	Number of full-time staff	%50	%42	%8	%46	Within acceptable limits
16	Return on asset (ROA)	%56	%42	%2	%49	Good, and formed a positive indicator for the performance of banks
17	Return on equity (ROE)	%42	%50	%8	%46	Good and offers acceptable returns to owners
		100 - 67	66 – 33	32 - 1		The overall level of performance of banks surveyed , indicated a good level of performance

4.1 Display and Test Measurement Instrument and Analyzing Data View and Test the Measurement Instrument

A - Tests of Normality: (Kolmogorov-Smirnov, Shapiro-Wilk) test

The analysis is based on the null hypotheses that: the data is normality distributed. Rejecting the null hypothesis means that data are distributed normally. The results of the analysis are summarized below:

variables	df	Kolmogorov-Smirnov[a]		Shapiro-Wilk	
		Statistic	sig	Statistic	sig
47	60	. 254	0.00	798	0,00

The above table shows the significance of the test model, rejecting the null hypothesis and accepting the alternative hypothesis (the data are distributed normality.

B - Test the internal consistency of the scale (it combines the tests of validity and Reliability), by using the Alpha Cronbach test:

Reliability Statistics	
Cronbach's Alpha	N of Items
.934	47

It is clear from the table above that the value of (alpha) for each scale equals (0.934), which is greater than the value of (Alpha standard of 70%), which indicates the internal consistency of the scale items as a general.

variables	Cronbach's Alpha if Item Deleted	Standard Alpha	comment
1 - 47	0,930 - 0.933	0.70	The alpha values for each individual item in relation to all items of the scale are greater than the standard value of (0.70)

The consistency of each individual item of the scale with the other items of the scale combined is (.0.930 – 0.933), all larger than the standard Alpha value (0.70). The result indicates the internal consistency of all the scale items.

4.2 Analyzing of Descriptive Statistics Results (Variables Descriptive)

Variable code	variable Description	Mean Statistic	Std. Error	Std. Deviation Statistic	Comments
var48	The quality of the banking service received by the customer	3.9803	.13474	1.04367	Banks subject to study provide good service to their customers
var49	Satisfaction of the customer receiving the service	3.9611	.14251	1.10390	The banking service is satisfactory to its customers
var50	Quality of service that satisfies the customer	3.9707	.13844	1.07239	The quality of service that satisfies the bank's customers is good
va51	Comprehensive banking governance initiatives	3.9139	.13851	1.07290	The banks in question are well applied the principles and practices of banking governance
var52	Extent of the Board of Directors' independence	3.8667	.14068	1.08969	Boards of Directors have sufficient independence
var53	Level of interest in banking governance	3.8903	.13824	1.07079	The level of banking interest in governance is good
var54	Quality of banking assets	4.0333	.15444	1.19627	Quality of banking assets is very good
var55	Performance level of banks profitability	4.0583	.13607	1.05401	The level 0f profitability Performance of banks is very good
var56	Liquidity Performance Level	4.0167	.14842	1.14967	The level of Liquidity Performance is very good
var57	Credit performance level	3.8833	.14861	1.15115	The level of Credit performance l is good
var58	Comprehensive banking performance level	3.9979	.14309	1.10840	The level of Comprehensive banking performance l is good
Valid N (list wise)					

Notice. Virtual average = 3, Std. Deviation = the value is zero or little more, Std. Error = less than (1 value).

The results of the analysis above show the following:

- Iraqi banks subject of study provides a good banking service that satisfaction the bank's internal and external customers, this will answer the first question: (To what extent can be provided the banking services that enhances the satisfaction of the internal and external customers of the Iraqi commercial banks?).
- Iraqi banks subject of study applied the principles and practices of banking governance, by giving the board of director's sufficient independence, this will answer the second question: To what extent can be application the principles and mechanisms of corporate governance in Iraqi commercial banks?
- The compatibility between service delivery that satisfies customers and the effective role of the Board in the application of governance principles and practices has led to a clear improvement in banking overall performance, this will answer the third question: To what extent can be interaction of customer services with corporate governance in improving the banking overall financial performance of the Iraqi commercial banks?
- The good level of (of banking assets quality, profitability, Liquidity, and Credit) Led to a satisfactory level of overall financial performance.

4.3 The Test of Hypothesis

A moderator is a variable that specifies conditions under which a given predictor is related to an outcome, Moderation implied an interaction effect, where introducing a moderating variable changes, the direction or magnitude of the relationship between two variables. A moderator variable may reduce or enhance the direction of the relationship between a predictor variable and a dependent variable, (Jin-Sun Kim et al , 2011), Here the researcher assumes that the interaction of the variable banking governance enhances the impact of quality of service that satisfies the customer, in the banking overall financial performance. The interaction is conducted statistically by (multiplying the interactive variable in the independent variable), and the result is measured by the level of the new change,

1 - The impact of (the interaction of the banking customer services with the banking governance) on the performance level of the quality of banking assets.

Model Summary

					Change Statistics					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Fsig
1	.493[a]	.243	.230	1.04963	.243	18.637	1	58	.000	.000
2	.818[b]	.669	.657	.70071	.425	73.146	1	57	.000	.000

a. Predictors: (Constant), var50.

b. Predictors: (Constant), var50, var59.

- The significance of the above test model indicates a statistically significant effect of the dependent variable (quality of banking assets) on the interaction of,(the banking customer services with the banking governance) .

- The variable interaction of (banking governance with the independent variable quality of banking service) achieved a positive and significant change rate (18.2%) in improving the performance of (quality of banking assets)

Outcome1: There is an impact of (the interaction of the banking customer services with the banking governance) on the performance level of the quality of banking assets.

Outcome 2: The impact of (the interaction of the banking customer services with the banking governance) on the Performance level of banks profitability.

Model Summary

					Change Statistics					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Fsig
1	.382[a]	.146	.131	.98234	.146	9.924	1	58	.003	.003
2	.787[b]	.620	.607	.66098	.474	71.107	1	57	.000	.000

a. Predictors: (Constant), var50.

b. Predictors: (Constant), var50, var59.

- The significance of the above test model indicates a statistically significant effect on the dependent variable (bank's profitability) on the interaction of,(the banking customer services with the banking governance)

- Variable interaction of (banking governance with the independent variable quality of banking service) achieved a positive and significant change rate (32.8%) in improving the performance of (bank's profitability).

Outcome2: There is an impact of (the interaction of the banking customer services with the banking governance) on the Performance level of banks profitability.

Outcome 3: The impact of (the interaction of the banking customer services with the banking governance) on the performance level of banks Liquidity.

Model Summary

					Change Statistics					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Fsig
1	.455[a]	.207	.194	1.03234	.207	15.174	1	58	.000	0.00
2	.806[b]	.650	.638	.69167	.443	72.202	1	57	.000	0.00

a. Predictors: (Constant), var50.

b. Predictors: (Constant), var50, var59.

- Significance of the above test model indicates a statistically significant effect of the dependent variable (banks Liquidity) on the interaction of (the banking customer services with the banking governance)

- The variable interaction of (banking governance with the independent variable quality of banking service) achieved a positive and significant change rate (23.6%) in improving the performance of (banks Liquidity).

Outcome

3: There is an impact of (the interaction of the banking customer services with the banking governance) on the performance level of banks Liquidity.

4 - The impact of (the interaction of the banking customer services with the banking governance) on the performance level of banks Credit.

Model Summary

					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.459[a]	.211	.197	1.03145	.211	15.489	1	58	.000
2	.827[b]	.684	.673	.65786	.474	85.577	1	57	.000

a. Predictors: (Constant), var50.

- The significance of the above test model indicates a statistically significant effect of the dependent variable (banks Credit) on the interaction of,(the banking customer services with the banking governance)

- Variable interaction of (banking governance with the independent variable quality of banking service) achieved a positive and significant change rate (26.3%) in improving the performance of (banks Credit.)

Outcome4: The impact of (the interaction of the banking customer services with the banking governance) on the performance level of banks Credit.

5 - The impact of (the interaction of the banking customer services with the banking governance) on the performance level of banks Comprehensive financial performance.

Model Summary

					Change Statistics						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Fsig	sig
1	.461[a]	.213	.199	.99191	.213	15.671	1	58	.000	0.00	0.00
2	.831[b]	.690	.679	.62776	.477	87.804	1	57	.000	0.00	0.00

a. Predictors: (Constant), var50.

b. Predictors: (Constant), var50, var59.

- The significance of the above test model indicates a statistically significant effect of the dependent variable (banks Comprehensive financial performance) on the interaction of,(the banking customer services with the banking governance).

- Variable interaction of (banking governance with the independent variable quality of banking service) achieved a positive and significant change rate (26.1%) in improving the performance of (banks Comprehensive financial performance). indicate to validity of The main hypothesis: There is a statistically significant effect of (the interaction of the banking customer services with the banking governance) on the level of banks Comprehensive financial performance.

5. Conclusion and Recommendation

5.1 Conclusion

The banking service is reflected positively on the satisfaction of internal and external customers. The Internal customer's satisfaction leads to improve banking operations. While the satisfaction of the external customer's leads to retain customers and add new customers. Banking governance regulates the mechanisms and practices of the banking service engines and oriented them towards effective customers' satisfaction investigation. This lead to wards improved banking financial performance. The results of the field analysis showed that: The good level of Iraqi banking (assets quality, profitability, Liquidity, and Credit) led to a satisfactory level of overall financial performance. The results of hypothesis testing confirmed that the interaction of (banking governance with the independent variable quality of banking service) achieved a positive and significant change rate (26.1%) in improving the performance of (banks Comprehensive financial performance), (Banking governance) in enhancing the relationship and influence between the independent variable (quality of banking service that satisfies the customer) and the comprehensive financial performance of banks,indicating at the same time to the clear improvement in the overall financial performance of banks, These are consistent with the study of Sudin (2004). In the role played by banking governance in improving banking performance,but it differs from them, and other previous studies in dealing with the most detailed relationship between three variables (quality of banking service that satisfies the customer, banking governance, and comprehensive banking financial performance), the conclusions were summarized as follows:

1- The quality of the banking service should respond to the needs and expectations of the bank's customers.

2- There is a strategic and important role for the principles and practices of banking governance in activating the banking service that responds to the bank customers' needs and expectations.

3- The interaction of banking services that satisfy the customer with working according to the principles and practices of banking governance results in a clear improvement in the overall banking financial performance.

5.2 Recommendation

The main recommendation: To improve the overall financial banking performance of the Iraqi commercial banks subject of the study, through the following mechanisms:

1. To develop development and training courses for the dissemination and promotion of a culture of banking governance among all employees in the commercial banks targeted by the study.

2. Setting instruction and the banking guidelines that govern the role of banking governance towards strengthening the banking service that satisfies the customers of the bank.

3. Review and evaluate continuously the banking services provided to the customer, and make corrections and improvements wherever necessary.

4. Conduct regular and ongoing surveys on the needs and expectations of bank customers and assess their views on the banking service received by them.

5. Reorganize the bank's assets to ensure the best possible use of the available spaces, and allows the flow of traffic within the bank, and provide better comfort for customers.

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