REPUBLIC OF TURKEY
FIRAT UNIVERSITY
INSTITUTE OF SOCIAL SCIENCES
DEPARTMENTOF BUSINESS ADMINISTRATION

THE ROLE OF INTELLECTUAL CAPITAL IN ACHIEVING FINANCIAL PERFORMANCE: A STUDY OF BEKHAL AND ESKAN BANKS IN ERBIL CITY

MASTER THESIS

Himdad Omar SABER

Supervisor: Dr. Öğr. Üyesi Cem AYDEN

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Prof. Dr. Ömer Osman UMAR
Sosyal Bilimler Enstitüsü Müdürü

ABSTRACT

Master's Thesis

The Role of Intellectual Capital in Achieving Financial Performance: A Study of Bekhal and Eskan Banks in Erbil City

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Elazığ, 2019; Page: XI+87

The primary purpose of this study is to examine the role of intellectual capital towards achieving the financial performance of Bekhal and Eskan banks in Erbil city. In this regard, have tested the relationship between intellectual capital and financial performance through obtaining perceptions from a survey sample of the bank managers. Accordingly, the researcher applied the effect of the VAIC model in this correlation to aid in achieving the financial performance of the banks.

The results also found efficiencies of intellectual capital have a significant relationship with the financial performance indicators in terms of Return on Assets (ROA), Return on Equity (ROE), Return on Investment (ROI), and Operating Profit Margin (OPM). Furthermore, showed a positive correlation between the three dimensions of intellectual capital (human capital, structural capital, and relational capital) and the bank's financial performance. Relational capital achieved the highest positive correlation with the bank's financial performance. On the other hand, human capital has the weakest positive correlation with bank's financial performance. The results confirmed that intellectual capital impacted on the financial performance of banks. Farther, relational capital achieved the highest statistically impact on the financial performance of the banks. In contrast, human capital has the weakest impact on the financial performance of the banks.

Keywords: Intellectual Capital, Financial Performance, Banks

ÖZET

Yüksek Lisans Tezi

Entelektüel Sermayenin Finansal Performans Elde Etmedeki Rolü
Erbil'de Bekhal ve Eskan Bankaları Çalışması

Himdad Omar SABER

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Elazığ-2019; Sayfa: XI+87

Bu çalışmanın temel amacı, Erbil kentinde Bekhal ve Eskan bankalarının finansal performansına ulaşmada entelektüel sermayenin rolünü incelemektir. Bu bağlamda, entelektüel sermaye ile finansal performans arasındaki ilişki banka yöneticilerinin anket örnekleri doğrultusunda test edilmiştir. Bu doğrultuda araştırmacı, VAIC modelini kullanarak bankaların finansal performansını ortaya koymaya çalışmıştır.

Sonuçlar ayrıca entelektüel sermaye verimliliğinin finansal performans göstergeleri ile; Aktif Getiri (ROA), Özkaynak Getirisi (ROE), Yatırım Getirisi (ROI) ve Faaliyet Kâr Marjı (OPM) açısından önemli bir ilişkiye sahip olduğunu buldu. Ayrıca, entelektüel sermayenin üç boyutu (beşeri sermaye, yapısal sermaye ve ilişkisel sermaye) ile bankanın finansal performansı arasında pozitif bir korelasyon olduğu gösterilmiştir. İlişkisel sermaye, bankanın finansal performansı ile en yüksek pozitif korelasyonu elde etmiştir. Diğer taraftan beşeri sermaye, bankanın finansal performansı ile en zayıf pozitif korelasyona sahiptir. Sonuçlar, entelektüel sermayenin bankaların finansal performansını etkilediğini doğrulamıştır. Dahası, ilişkisel sermaye bankaların finansal performansı üzerinde istatistiksel olarak en yüksek etkiyi yaratmıştır. Buna karşılık, beşeri sermaye bankaların finansal performansı üzerinde en zayıf etkiye sahiptir.

Anahtar Kelimeler: Entelektüel Sermaye, Finansal Performans, Bankalar .

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ETHICAL DECLARATION

I hereby declare that I am the solely author of this Master's Thesis entitled "***The Role of Intellectual Capital in Achieving Financial Performance: A Study of Bekhal and Eskan Banks in Erbil City***" and it is necessary to declare that all data and information in this document have been obtained and submitted in conformity with ethical demeanor and academic rules. I also mentioned that I did not submit this Thesis study to any other institution to obtain a degree.

ELAZIĞ, 2019 **Himdad Omar SABER**

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First of all, I dedicated this study to my parent, your life education, directions, and constant support always astonishing. I proudly dedicated to my dear brothers (Farhad and Sherzad), and my beloved wife (Milav), I also dedicated to my sisters, as well as to my dear children (Lanya, Anya, and Yara), you are the dearest family that I have: so, I know that this project would not have completed without your significant sustenance, support and direct help. Further, I dedicated to my lifetime and best friend, Dr. Karzan.

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ABBREVIATION AND SYMBOLS

ATO : Assets Turnover
BMR : Book to Market Ratio
DF : Degree of Freedom
HC : Human Capital
IC : Intellectual Capital
KSE : Korean Stock Exchange
r : Correlation
RC : Relational Capital
ROA : Return on Assets
ROE : Return on Equity
SC : Structural Capital
SCB : Standard Charter Bank
SSE : Stockholm Stock Exchange
St.D : Standard Deviation
TSE : Tehran Stock Exchange
VAIC : Value Added Intellectual Coefficient

CHAPTER ONE

1. AN INTRODUCTION TO THE STUDY

1.1. General Introduction

The ultimate goal of this thesis study is to examine the role of intellectual capital in achieving the financial performance of banks: a study of Bekhal and Eskan banks in Erbil city-Iraq. The current age is witnessing the transition of business organizations to an environment characterized by change and extreme dynamics, which created difficulty for banks to control. Besides banks, financial institutions, organizations, and companies currently experience the age of knowledge economy, globalization, contemporary production or services, and intense competition, the revolution in information and communication systems. As a result of the pressures imposed by these events, banks and financial institutions have had to shift to new organizational patterns that are flexible, focused on knowledge and intangible assets, or so-called intellectual capital in value creation.

While the term of intellectual capital is one of the administrative topics presented by modern administrative literature that highlighted by researchers at the beginning of the nineties of the last century, the literature has shown many topics that have changed the traditional view of the concept of capital and profitability. Capital is no longer the traditional concept. Human resources today are the real capital of organizations, including banks. Thus, the financial institution's returns are not only due to the investment in fixed and current assets, since intellectual capital returns nowadays are considered more valuable. Consequently, financial institutions understood that no longer sufficient to carry out their activities without optimal investment, especially in today's increasingly competitive business environments as well as the continuing change in the establishment's environment. Intellectual capital is the mental ability, cognitive level, and information possessed by a particular group of the organization's human resources who have highly knowledgeable, intellectual skills, experience and are capable of analysis. Besides, they generate ideas for creativity and innovation for the purpose of finding value, offering outstanding products, and achieving competitive advantage in the market.

The human resource is one of the essential resources of the banks and financial institutions as it results in the success of the organization or its failure to achieve its

objectives. However, not all human resources, in general, are considered being resources that have economic value. Human resources that can think, create, invent, and develop goods and services are responsible for adding value to the organization's products or services that can support its competitive position, which called intellectual capital. In the new economic era, intellectual capital resources, such as human capital, structural capital, and relational capital, the most critical factors of business success and the critical factor in maintaining competitive advantage besides creating value for companies. Thus, intellectual capital is the acquisition of knowledge, experience, skills, good relations, and technological capabilities, which give institutions a competitive advantage (Edvinsson and Malone, 2012).

Hence, in a highly competitive environment, organizations pursue to gain competitive advantages by adding value to the customer, or achieving an advantage in managing the intellectual and mental skills of human resources, and strengthening their human potential. Experiences, techniques, and competencies in companies are the future of commercial banks and companies that pursues long-term success. It is also a weapon in the world of development, with real strength to ensure the survival and continuity of the professional and the possession of intellectual capital is a competitive advantage through its knowledge and can invest this knowledge to improve its financial performance is unique and unavailable knowledge provides intellectual contributions help the financial institutions to increased productivity.

Further, financial performance is of great importance in all economic systems and units, as it helps stakeholders to make their decisions and helps companies compare the current performance with the previous is a process of criticism of a comprehensive analysis of plans and objectives and the use of resources and the exploitation of the best and most efficient use to achieve the goals and plans set (Streib and Poister, 2015: 46). Banks and financial institutions form an essential portion in building the economy and business in Iraq and KRI, as the KRI banking sector has a significant role in the process of economic development, because it is considered the means through which the government applies its monetary system, and financial policies. Since, the banking sector is a significant indicator of the strength of the economic situation, and this role is reflected in its various banking services, direct and indirect credit facilities that help in the process of revitalizing economic, financial, and commercial operations.

The need for the present study came from the fact that intellectual capital is represented by the intellectual capacity of a specified category of human resources represented by competencies capable of generating ideas related to the creative and strategic development of systems, activities, processes, and strategies to ensure the organization achieve its objectives and positively impact on the financial performance of the banks. In the context of determining the importance of interest in intellectual capital and given the lack of studies that dealt with intellectual capital from a business administration perspective, this study came to identify the reality of intellectual capital in banks in Erbil, KRG and its impact on the financial performance of these banks. In light of these facts and given the limited studies that dealt with the relationship between the mentioned variables in Iraq and the KRI, according to the modest knowledge of the researcher, we found it appropriate to do this study.

The results also found efficiencies of intellectual capital have a significant relationship with the financial performance indicators in terms of Return on Assets (ROA), Return on Equity (ROE), Return on Investment (ROI), and Operating Profit Margin (OPM). Furthermore, it showed a positive correlation between the three dimensions of intellectual capital (human capital, structural capital, and relational capital) and the bank's financial performance. Relational capital achieved the highest positive correlation with bank's financial performance. On the other hand, human capital has the weakest positive correlation with bank's financial performance. The results confirmed that intellectual capital impacted on the financial performance of banks. Farther, relational capital achieved the highest statistically impact on the financial performance of the banks. In contrast, human capital has the weakest impact on the financial performance of the banks.

The first chapter is devoted to an introduction to the study, which including a general introduction, definitions of basic terms, the study background, as well as statement of the problem, it is purposed, the significance of the study, research questions, conceptual model, and hypotheses. The second chapter included the theoretical aspect; thus, this chapter addresses and clarified concepts of intellectual capital and the financial performance of banks. Intellectual capital is intangible assets that have become valuable to the banks, financial institutions, and organization; hence awareness has increased the importance of this organized resource, which represents the knowledge that exists in the banks and organization, which has a significant influence in giving it real value and

highly competitive advantage. Various banks and financial institutions have realized a remarkable fact that financial performance of banks is based on something that may be more important than its financial capital, which is today called intellectual capital, which includes knowing how, the skill of working people, the culture of the organization, its organizational processes, patents, as well as its relationships with clients.

The third chapter addresses the methodology applied in this study to examine the role of intellectual capital in achieving financial performance; as a study of Bekhal and Eskan Banks in Erbil City, and then to reply to the study questions and the hypotheses. Therefore, the chapter deals with materials and methods, the study design, the study population and sampling, survey measurement, data collection instrument, and the survey scale. The study concludes in its fourth chapter, which is limited to the field side by describing and diagnosing the study variables and testing their hypotheses as well as including the conclusions and recommendations.

1.1.1. Definitions of Basic Terms

Intellectual capital is a set of unique knowledge assets based on creative human minds, business requirements and customer relationship systems that lead to the continuous production of new ideas and methods that add value to the organization and support its competitiveness

Human capital is a combination of elements of knowledge related to skills, accumulation of experience, creativity, innovation, and the ability of individuals to perform their tasks.

Structural capital is anything in the organization that supports employees in the performance of their work is represented in the infrastructure support employees and includes traditional things such as buildings, substantial parts of computers, software, processes, patents, and trademarks.

Relational capital, we may define it that includes all the relations that the organization has with its stakeholders, such as suppliers, government agencies, investors, customers, and strategic alliances established by the organization.

Financial Performance is the ability of the organization to achieve results that correspond to the plans and objectives set through the optimal utilization of the resources available to the organization and is an activity to achieve the objectives of the economic unit through the use of the best available resources including human resources.

1.1.2. The Study Background

Berglund et al. (2002), this research aimed to find out whether there is a relationship between the intellectual capital and the market value between Swedish companies, listed on the Stockholm Stock Exchange (SSE), the aim also is to enlighten if there are factors that might alter the strength of this relationship. As a result, this research found that most companies in this research showed inferior values regarding intellectual capital, leading to an erosion of the companies' human capital. However, to become more stable and lower the degree of risk, these companies must improve their intellectual capital.

Ismail and Karem (2011), this research is to examine the effect of intellectual capital on the financial performance of banks in Bahrain during the period from 2005-2007. The research found the effect of intellectual capital, such as human capital and relational on the financial performance of banks. The outcomes of the study were in line with the study's hypothesis that establishing intellectual capital has a positive effect on the financial performance of banks in Bahrain and with regard to the components of intellectual capital, the study concluded that relational capital and human capital have a positive and direct impact on the financial performance of these banks in when there was no relationship between structural capital and the financial performance of banks.

Maditinos et al. (2011), this study aimed to establish the impact of intellectual capital on firms' market value and financial performance. As mentioned by the researchers, the intellectual capital measured by using the intellectual coefficient of value-added, so, the research data collected from (96) Greek companies listed on the Athens Stock Exchange spread across four different economic sectors during the period 2006-2008. As a result, the study found a statistically significant correlation between the human capital and the structural capital represented by the efficiency of intellectual capital and financial performance for companies as well as a positive relationship between the efficiency of intellectual capital and the market value of companies.

Kamal et al. (2012), this research aimed to determine the relationship between the level of efficiency of intellectual capital in terms of human capital, relational capital and structural capital and the performance of commercial banks in Malaysia from a traditional accounting perspective. The results found that there was a relationship between intellectual capital and the performance of (18) commercial banks in Malaysia. The results also found that there was a statistically significant impact of the components of

intellectual capital, namely human, relational, and structural capitals on the financial performance of banks. The study also showed that intellectual capital is one of the most valuable assets of companies and should be linked to their productivity. The study recommended that intellectual capital should be paid not only in commercial banks but also in Islamic banks.

Rahman (2012), this research is about to examine a link of intellectual capital performance with corporate performance, as a comparative study from the banking sector in Pakistan .So, the researcher measured the intellectual capital performance through the model of the intellectual coefficient of value-added, while analyzing its impact on the financial returns of banks through predictive analysis. The descriptive approach was used to achieve the objectives of the study using the model of the intellectual coefficient of value-added. As a result, it found that approximately 70-80% of the ability to create value-added is related to human capital.

Basuki (2012), in this research, attempted to analyze the impact of the intellectual capital on financial profitability and investors, the capital gain on shares. The research sample represented in commercial banks and insurance companies. Besides, the researcher collected data from companies listed on the stock market in Thailand to calculate the value-added as a measure of intellectual capital, several models have developed to verify the impact of the gains of intellectual capital on the creation of value for companies and the establishment of a relationship between the intellectual capital of companies with their investors by increasing the value of the stock and strengthening the knowledge base of intellectual capital and its development in Thailand economy.

Rossi and Celenza (2012), attempted to examine the relationship between intellectual capital and stock market performance, empirical evidence from Italy by using the intellectual capital coefficient as a method of data analysis. The study found that intellectual capital is a buffer of value-added through companies investing new ideas over scientific and technological research in the human element and services besides that knowledge employees at every organizational level have the knowledge that allows the organization to be able to compete and deal with the complexity of the environment by creating value-added and thereby creating added value for shareholders on the dynamic foundations of corporate performance even though the value-added is unable to express the direct relationship with the return on shareholders' equity.

Khanhossini et al. (2013), in this study they attempted to increase awareness on the importance of intellectual capital and its measurement in MAPNA group companies, consisting of human, structural and relational capitals and their impact on the performance and profitability of MAPNA group companies, so, the method of value-added used. Further, the researchers used data analyzed by using linear regression. The research presented that there is a statistically significant relationship between intellectual capital and performance index (return on assets and earning capacity) in MAPNA group companies. However, structural capital useful indicators and has the role of intellectual capital in improving performance and competitive advantage in group companies.

Al-Musali and Ismail (2014), the study aimed to identify the availability of the components of intellectual capital in Saudi banks using the methodology of intellectual capital value-added as well as to identify the effect of intellectual capital on the financial performance of these banks through classifying the components of intellectual capital that can be considered as factors of success for financial performance in these banks. The results of this study, which applied to a sample of Saudi banks during the period 2008-2010, showed that there is a shortage in the components of intellectual capital in Saudi banks besides that this has a direct relationship with the financial performance in these banks. The results also presented that each component of intellectual capital has a different impact on financial performance.

Ikabel (2015), examined the impact of intellectual capital value-added (VAICTM) on the financial performance of commercial banks listed on the Nairobi Stock Exchange for the period (2010-2014). So, predictive, net profit was the dependent variable, and regression analysis used. The results presented that efficiency in the use of intellectual capital had the most significant impact on the financial performance of commercial banks as banks had to realize that human capital was critical to achieving their corporate objectives. It has concluded that Standard Charter Bank (SCB) is the most efficient in using intellectual capital and that banks should continue to maintain their structural capital through agency banking, mobile banking, and Internet banking to improve their performance.

Ameneh et al. (2015), the purpose of this paper is to explore the impact of intellectual capital and its components on the financial performance of Iranian banks in a particular Tehran Stock Exchange (TSE). However, financial performance is measured by ROA, ROA, ATO, and Book to Market Ratio (MB). The research collected data from

(14) banks listed on the TSE during the period 2004-2013 and uses the VAIC method as a measurable measure of valuation of intellectual capital and its components. The result demonstrates that structural capital and human capital efficiency have positive and significant effects on banks' financial performance. Also, physical capital efficiency has a positive and significant effect on ROA, ROE, and ATO, but its effect on MB is not significant. Lastly, estimates display that the effect of IC on the financial performance of banks is positive and significant.

Isanzu (2016), this research is about to identify the performance of intellectual capital in banks operating in Tanzania, besides identifying the relationship of its components to its financial performance through classifying the components that can be considered as indicators of their success. The study used the value-added intellectual capital methodology to measure the efficiency of intellectual capital in banks using financial statements during the period 2010-2016. As a result, the study found that banks in Tanzania have a low level of intellectual capital and are directly related to their financial performance. Further relational capital and structural capital impacted on the financial performance of banks.

Ozkan et al. (2017), in this research, the researchers aimed to analyze the relationship between intellectual capital and the financial performance of (44) operating banks in Turkey during the period 2005 and 2014. The intellectual capital of banks measured through the value-added coefficient methodology. Hence, the study used the experimental approach based on the intellectual value-added coefficient. However, the results presented that the intellectual capital performance of the banks operating in the Turkish banking sector is usually affected by human capital, while, commercial and development banks have the highest rate of intellectual value-added.

Xu and Wang (2018), this research is about to examine the impact of intellectual capital on the financial performance and sustainable growth of Korean manufacturing companies so, as the researchers mentioned that the multiple regression models applied to the data collected from (390) listed companies on the Korean Stock Exchange (KSE) during the period 2016-2012. The study also used the empirical approach using multiple regression models; besides, the results showed that intellectual capital has a positive impact on financial performance and sustainable growth of companies. The results also found a positive correlation between corporate performance and sustainable growth and between physical capital, human capital, and relational capital. The study results also

displayed a negative impact of structural capital on the financial performance of Korean manufacturers.

Poh et al. (2018), this research is about to measure the intellectual capital towards the financial performance of local banks in Malaysia. The research carried out the method of Value-Added Intellectual Coefficient (VAIC) to assess the financial performance of the ten local banks in Malaysia. The research determined how the intellectual capital influences the financial performances of banks in terms of two periods, which are the latest six years from 2011 to 2016 and the past ten years from 2007 to 2016. The regression analysis results to indicate that the components of intellectual capital have their influences on the bank's financial performance indicators. The study identified how intellectual capital affects banks' financial performance in terms of two periods, the last six years from 2011 to 2016 and the last ten years from 2007 to 2016. However, results indicate that the components of intellectual capital have an impact on the Bank's financial performance indicators. The results indicate that banks need to focus on the three components of intellectual capital, as all three competencies have implications for enhancing the best financial performance in the banking sector in Malaysia.

1.2. Statement of the Problem

The low financial performance of banks and the poor performance of human resources are problems that face commercial banks and financial institutions in general. Particularly in light of contemporary administrative trends such as the adoption of technical methods that provide products and services to meet the organization's objectives along with customer needs and beyond traditional performance to achieve high levels of human resources performance that organizations considered them as an intellectual capital in achieving banking performance excellence. The banks operating in Iraq in general and in the Erbil city, in particular, are facing the state of absence of reliance on clear standards to determine the levels of financial and human performance through intellectual capital. As well as the lack of the required level in the use of intellectual capital in providing knowledge and information that enrich the intellectual side of the human resources that have the ability to think, and invention in the field of performance of their duties, and also in the field of financial analysis and participation in the increase of profits of the bank.

The problem of the study is reflected in the significance of intellectual capital and recognize the reality of the components of intellectual capital in Bekhal and Eskan banks in Erbil city, as well as ways of measuring it and its impact on the financial performance of banks. Thus, the study problem diagnosed by the researcher by conducting a survey, despite the availability of intellectual capital in banks, these factors however not fully activated, as well as the lack of coordination between management and employees to employ the skills and experiences of the employees in order to strengthen the performance of employees which in turn leads to high and distinct the financial performance of the banks.

1.2.1. Purposes of the Study

The primary purpose of this study is examining the role of intellectual capital in achieving financial performance, a study of Bekhal and Eskan Banks in Erbil city, through the use of available resources and to identify existing obstacles. However, the study attempts to achieve the following purposes:

1. Analyzing the study variables, through reviewing the literature related to the intellectual capital and the financial performance of banks with the aim of presenting new concepts and contemporary ideas.
2. Review the willingness of the banks' management to encourage and activate the intellectual capital in the necessary activities of the managers, along with identifying the level of support provided to managers to the employees.
3. Raising awareness of the importance of intellectual capital and financial performance of banks in Erbil.
4. To identify the nature of the correlation and the impact between the intellectual capital and the financial performance of banks.
5. Present a set of suggestions and recommendations that serve the bank managers operating in Erbil city.

1.2.2. The Significance of the Study

First of all, the significance of the study stems from the importance of the topic of intellectual capital as one of the innovative topics since its role in achieving the economic value of banks. Accordingly, the significance of the current study also can be divided into academic and practical importance. While, this study derives its theoretical importance

from dealing with vital and contemporary administrative issues that have a significant effect on the organization's performance. So, this study enrichment the intellectual capital side of individuals by facilitating and presenting the various information and knowledge. As well as the role of intellectual capital along with its creative products/ services, innovative approaches, and methods of work that value-add to the banks and organization.

However, the importance of this study reflected in provides suggestions and recommendations for the bank's management. Moreover, they benefit from them in order to improve the performance of banks through the efforts of their employees and their role in achieving economic and financial savings using intellectual capital applications. Besides, the improvement of the financial level, as a result of the impact on the national economy. Further, the study has a significant role in the development of the functional and mental potential of bank employees by highlighting the weaknesses and obstacles faced employees, which prevent the rise to high levels of performance, in addition to taking advantage of the recommendations and suggestions presented to the bank's managers and employees.

1.2.3. Research Question

This study efforts to answer it is the main question that to what extent does the intellectual capital impact on the financial performance of banks in Erbil. Consequently, to answer this question, the study effort to addresses the following sub-questions:

1. What is meant intellectual capital and financial performance of banks?
2. What is the nature of the relationship between the intellectual capital and the financial performance of the banks operating in the city of Erbil?
3. What is the level of impact of intellectual capital contribution in achieving financial performance?

1.2.4. Study Conceptual Model

Based on the content of the study purposes and the trend of it is a statement of the problem, the study has designed the conceptual model. As shown in (Figure 1.1), the independent variable in this study is intellectual capital. Besides, the dependent variable is the financial performance of banks. The model assumed a correlation with the impact of intellectual capital on achieving the financial performance of banks.

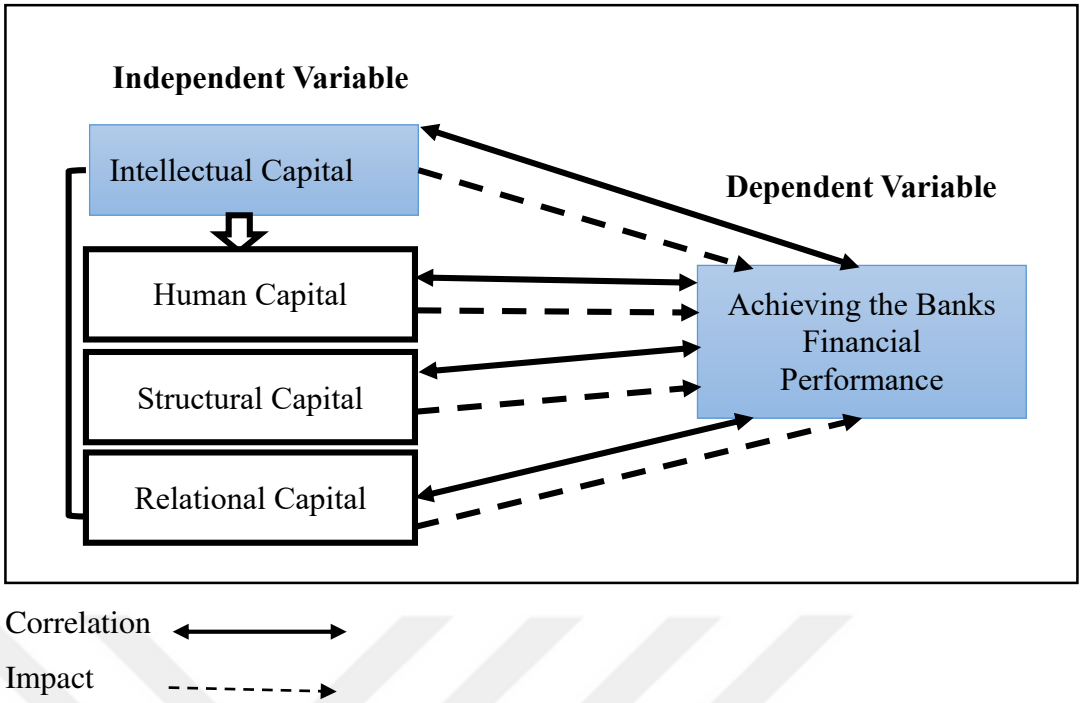

Figure 1. The Study Conceptual Model

Source: By the Researcher Based on the Literature Reviews

1.2.5. Study Hypotheses

Based on the above study conceptual model as well as obtaining the study objectives, the researcher will examine these hypotheses as follows:

H_1: There is a positive relationship between intellectual capital and achieving the financial performance of banks from the perspectives of the banks' managers in Erbil-Iraq:

- **$H_{1.1}$**: There is a positive relationship between human capital and achieving the financial performance of banks
- **$H_{1.2}$**: There is a positive relationship between structural capital and achieving the financial performance of banks.
- **$H_{1.3}$:** There is a positive relationship between relational capital and achieving the financial performance of banks.

H_2: There is a significant impact of the intellectual capital on achieving the financial performance of banks from the perspectives of the banks' managers in Erbil-Iraq

- **$H_{2.1}$**: There is a significant impact of the human capital on achieving the financial performance of banks.
- **$H_{2.2}$**: There is a significant impact of the structural capital on achieving the financial performance of banks.
- **$H_{2.3}$:** There is a significant impact of the relational capital on achieving the financial performance of banks.

CHAPTER TWO

2. THEORETICAL FRAMEWORK

This chapter aims to address and clarify concepts of intellectual capital and financial performance of banks. Intellectual capital is intangible assets that have become valuable to the banks, financial institutions, and organization; hence awareness has increased the importance of this organized resource, which represents the knowledge that exists in the banks and organization, which has a significant influence in giving it real value and highly competitive advantage. Various banks and financial institutions have realized a remarkable fact that financial performance of banks is based on something that may be more important than its financial capital, which is today called intellectual capital, which includes knowing how, the skill of working people, the culture of the organization, its organizational processes, patents, as well as its relationships with clients.

2.1. The Intellectual Capital Concept

Intellectual capital, as a new concept in the knowledge economy, has become one of the primary sources of competitive advantage for firms, including commercial banks. Given the notable shift in the essential invention factors of a business within the new knowledge economy, thus, it is critical for banks and financial institutions to be aware of the basics of intellectual capital that would lead to value creation for banking services (Nazari, 2010: 3).

Daft (2010: 257), refers to intellectual capital as a set of information resources formed in the form of two types of knowledge, visible knowledge that is easy to express or write, thus passing on to others in the form of documents, and implicit knowledge based on personal experiences and intuitive rules that used in the development of the organization. In this regard, Chatzkel (2002: 7), emphasizes that the concept of intellectual capital from an administrative point of view is the knowledge that can be converted into value or profit, i.e., the value contained in the ideas of individuals, processes, customers, and stakeholders. As indicated by Edvinsson and Mikklesen (1993: 6), intellectual capital is the assets whose value exceeds the value of other assets shown on the balance sheet. So, these intellectual assets consist of two types: human includes

knowledge, experience, skill, creativity, and innovation. Besides, the structure is to provide support, such as information systems.

While, intellectual capital is intangible but can be embodied in different descriptions such as patents or natural innovations (Berglund et al., 2002: 3), and unlike other physical assets intellectual capital contains the essential energy to renew itself by expanding invention and interest, curiosity, exploration and in the light of the calculations of intellectual capital, discoveries, inventions and simulation of human imagination besides stimulate creativity, human ambition and competitiveness find the right way to build business opportunities and in light of those neat ideas that presents about knowing what, why, how, when, and where to go in the company (Rahman, 2012: 48). Intellectual capital also defined as finding, the ability to bring something new into existence, and creativity. Also, generating and implementing a new idea by transforming it from its ideal state to reality (Ivancevich and Skinner, 1997: 545). Intellectual capital realized as a mental force, integrated includes a combination of knowledge, information, intellectual characteristics, and creative experiences of the organization's employees, which is the primary resource of today's economy (Malhotra, 2000: 6).

However, Amabile (1998: 78), defined intellectual capital as the expression of entirely authentic ideas, but originality alone is not enough to be creative, the idea must be appropriate and feasible and must affect how the works are carried out to develop a product or improve the process. Stewart (1999: 57) defined intellectual capital as the knowledge that can be employed. Knowledge becomes capital only if it is found and invested so that it can be used for the benefit of the organization. There are those who believe that intellectual capital is those intangible assets that can be used as a competitive weapon by the organization in the process of creative and strategic development that adopts innovation and renewal, which is the primary means of excellence and continuity of the organization in a rapidly changing work environment (Hansen et al., 1999: 106).

According to James and Whiting (2009: 3), intellectual capital refers to cognitive assets that are capable of generating future flows well, i.e., the difference between the market value of the product/services and the cost. Intellectual capital represents all formal and intellectual elements such as knowledge, information, intellectual assets, and expertise that can be developed to create assets and enhance the value of economic unity (Bhatti and Zaheer, 2014: 2). It is the skill set available in the organization with a comprehensive knowledge that makes it able to make the organization inclusive by

responding to customer requirements and opportunities offered by technology (Mention, 2012: 4).

Intellectual capital is one of the intangible assets to which contemporary organizations have given great importance. Also, it is the primary driver of creativity and innovation, and is one of the priorities for achieving performance excellence and continuity (Wali, 2007: 76), as the identification of the organization's assets, particularly its intellectual assets, is key to the organization's vision and strategic plan; intellectual capital is the guiding force that lies Behind competition in the knowledge economy, he is the primary mentor of creativity and innovation, and is a priority for excellence and continuity (Winarso and Park, 2015: 102).

Further, according to Obeid (2000: 17), intellectual capital is the mental capacity to generate new, appropriate, practical (actionable) ideas of high quality, and the ability to achieve parity and harmony between different components to reach the desired goals, including useful knowledge that can be employed and appropriately invested for the benefit of the organization. As Mirkhan (2002: 25), describes intellectual capital as the intangible real wealth that cannot be valued, because it is a potential mental capacity possessed by some of the workers of human capital, and is the most powerful competitive weapon because it is the primary source from which all the knowledge and creativity with which an organization can cope with all changes that occur in a complex environment. Ghasemi and Naslmosavi (2011: 430), in their definition of intellectual capital, focused on the competitive situation. As Khan (et al., 2012: 22) refers to intellectual capital, it includes all the resources of an organization that is increasing its value by increasing the efficiency and merit of its intellectual assets.

It is believed that intellectual capital is related to intangible assets that have no material substance and that depends on the creative human advancements besides the requirements of work systems and the relationship with customers that leads to creativity and the production of new methods and ideas that lead to the continuation of the process, productivity, increasing economic value and the development and prosperity of the commercial banks and financial institutions.

2.1.1. The Importance of Intellectual Capital

According to Yusuf (2005: 5), intellectual capital is an important variable that has a significant impact on the superiority or failure of the business organization, especially

knowledge, as this is reflected in the market value of the organization, besides this may have prompted those concerned to pay increasing attention to intellectual capital. So, Hansen et al. (1999: 162), indicated that intellectual capital represents competitive assets capable of maintaining a level of knowledge within the organization. However, the topic of intellectual capital is one of the subjects in the area of human resources, where it focuses on a particular category of employed individuals. Those who have specialized knowledge and information besides currently intellectual capital represent a significant subject for the researchers and the experienced. In this context, Hijan (2007:3), mentioned the importance of intellectual capital by investing in it, and it is not possible to emphasize the benefits that any organization or society can gain without interest in the intellectual capital.

According to Ghasemi and Naslmosavi (2011: 431), some organizations have realized that the real value they possess is intellectual capital, which is more important than physical capital as the main driver and director in recruiting and directing other resources of the company, which is the most powerful competitive weapon, to increase the productivity of cognitive work and that the most valuable assets are cognitive assets. Intellectual capital is an investment that has a long-term rewarding return. In order to achieve this, there must be a sacrifice or a cost to get it. It also has no problem with scarcity. It is a growing cumulative resource that can be used to generate and develop new ideas. Intellectual capital as the basis of real money on which the success of the organization depends or not (Shabani, 2011: 4).

Currently, the behaviors of companies and even countries have turned to concern the human resource as a world-class power; therefore, the human resource makes modifications to machines and production systems and develops them, which creates value-added. Thus, intellectual capital has become an essential criterion for any country in terms of wealth possession (Winarso and Park, 2015: 105). In regard, the importance of intellectual capital, Drucker (1999: 75), points out that the most valuable asset in the 21st century is intellectual capital, as it represents the real strength of the survival and continuity of organizations in the light of global challenges and developments, and (Fernstrom and Roos, 2005: 490) mentioned that intellectual capital represents a competitive advantage. Sustainable organizations work to achieve competitive excellence. (Farhan and Abadi, 2006: 23) identified the importance of intellectual capital with the following points:

1. Intellectual capital is the organization's primary weapon in today's world because intellectual assets are the bulwark force to ensure the survival of the organization.
2. Its presence in the organization is a competitive advantage, as a result of what these heads provide in useful knowledge and increasing the organization's ability to invest that knowledge for competitive advantage.
3. The knowledge provided in intellectual capital is unique, unavailable, and makes intellectual contributions that enable the organization to increase its production compared to its counterparts.
4. Intellectual capital is an essential source of information advantage, and thus, intellectual capital is responsible for the process of transforming a unique resource and knowledge into a market value.

However, Johansson (2014: 33) adds that the importance of intellectual capital can be summarized as follows:

1. Gives the organization's central capabilities and competencies that contribute to its success.
2. It allows the management of the organization to make strategic choices based on these intellectual assets and exploited well in the light of the nature of opportunities and the external environment.
3. The primary weapon of the organization, as intellectual assets, represent the invisible force that ensures the survival and continuity of the organization.
4. Intellectual capital is capable of creating imaginary wealth through its ability to record patents, and this is confirmed by research on knowledge capital.
5. Intellectual capital is the real investment of knowledge and information that can serve the integrated system.
6. It is the scientific force capable of creativity, change, and innovation.
7. Useful knowledge and skill, which can be employed and utilized in the organization, is an essential investment with a long-term return and needs attention and care.

The researcher believes that intellectual capital is of great importance to the organization, it is an excellent strength inside and outside the institution, which represents the scientific strength capable of achieving success, progress and prosperity of the

organization, through the superiority of its outputs in terms of quantity and quality, to ensure the development of the organization, and give it the lead among competitors, and maintain its position among the beneficiaries.

2.1.2. Intellectual Capital Models

Based on the literature review which related to intellectual capital in the writings, studies and research of those interested in management thought we found that there is a set of models presented by researchers on intellectual capital, these models differed in some points, while there were similarities in other points, will be clarified a number of these models are as follows:

2.1.2.1. Edvinsson Model of Intellectual Capital

The market value model of Edvinsson (1997) who served as director of intellectual capital management at Skandia and where presented that the main components of intellectual capital are synthetic capital, human capital, and represent synthesis generally represents the difference between the intellectual assets held by the employees and between the structure and the organization operations that fall within the organization's business, and organizational capital includes both creative capital and operational capital (Mouritsen and Larsen, 2001: 401).

Operational capital represents the amount of ingenuity or skill formed within the organization (first evidence), best practices, resources involved, and the organization's libraries are all part of the organization's capital, while creative capital reflects intangible assets such as patents and rights, intellectual property, secrets, and trademarks, which provide future success, as well as a source of renewal for the whole organization. So, creative capital includes intellectual assets (organized cultural environment) and intellectual property (patent and trademark), (Roos et al., 1997: 30), as shown in figure 2.1.

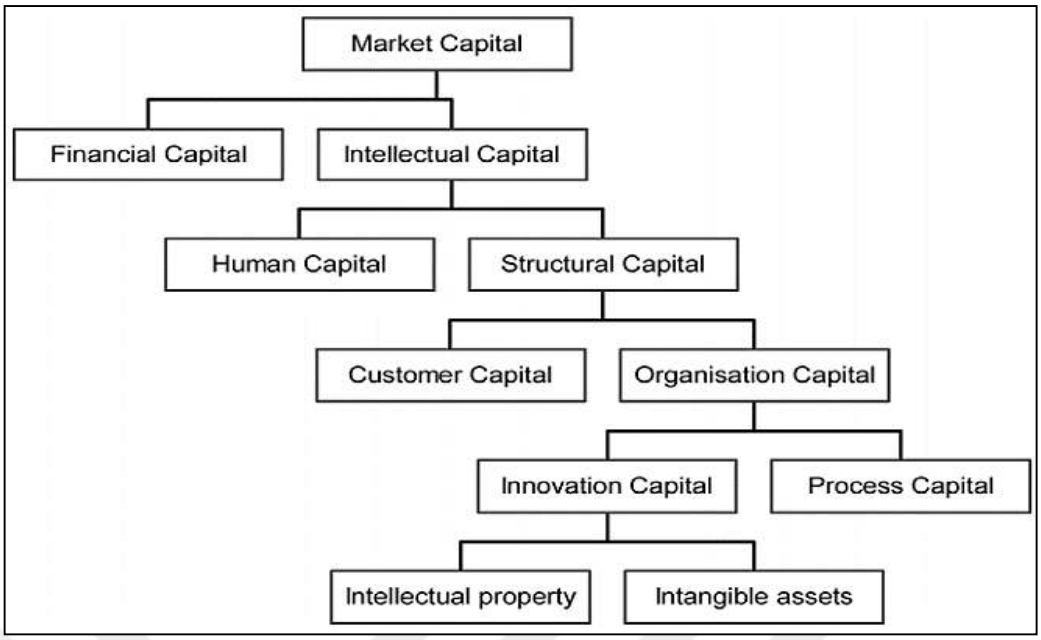

Figure 2. Skandia Forms of Capital

Source: Mouritsen, J., and Larsen, H.T. (2001). Valuing the Future: Intellectual Capital Supplements at Skandia Accounting, *Auditing & Accountability Journal*, 14 (4), pp. 405.

2.1.2.2. Ontario Model of Intellectual Capital

The Ontario model includes an analysis to study the various elements or components of intellectual capital, namely human, organizational and relational capital and how to use it, and Bontice contribution to this model was to emphasize the importance of human capital as it is the most relevant component when compared to the rest of the elements, but Bontice second contribution was to clarify the relationships between intellectual capital groups (Wali, 2007: 81).

2.1.2.3. Svieby Model of Intellectual Capital

The Svieby (1997), model comprise the main components of intellectual capital according to this model consists of three main components (Verna, 2003: 158): first, the assets of the internal structure capital which includes the legal form of the organization - management systems and culture of the organization and ready-made programs, while the second assets of the external structure capital is represented by relations such as business - customer relations - supplier relations, the third component is the assets of the human capital structure is the efficiency of employees - education - experience (Svieby, 1998) and Table 2.1 shows the components of this model.

Table 1. Components of Intellectual Capital According to the Svieby Model

Components of Intellectual Capital	Elements
The internal structure asset	Systems and processes that achieve competitive power and information technology, models of how to do business, databases, documents, copyrights, and other knowledge.
The external structure asset	Alliances and relationships with customers, partners, suppliers, investors, and strategists, most significant local community, and everything related to excellence and reputation.
The human structure asset	Capabilities, knowledge, skills, individual and group experiences, problem-solving abilities remain among the people in the organization.

Source: Verna Allee, (2003). *The Future of Knowledge, Butter worth Heinemann*, Amsterdam, p.158.

2.1.2.4. Petty and Guthrie of Intellectual Capital

According to Petty and Guthrie (2000: 155), their model of intellectual capital consists of three main components: first, the internal structure which represented by the organized (structural) capital. The second, the external structure represented by the capital of clients (relational). Moreover, the third one included the efficiency of workers and the representation of human capital .

2.1.2.5. Brooking Model of Intellectual Capital

Brooking (1999), one of the founders of the Technology broker organization, has provided a model of intellectual capital consisting of four key components, where market assets are the first component and include brands, customer relations, distribution channels, and systems of cooperation between organizations, and assets focused on human resources. The second component includes skills, accumulated experience, creativity, and problem-solving capability, as well as data on measuring the speed and accuracy of mental processes .

The third component of intellectual capital is the assets of intellectual property and includes a knowledge base - how, trade relations, copyright, patents. Besides the fourth component of intellectual capital according to the model Brooking is infrastructure assets and includes all the elements that organize or pave the way for the work of the organization, the culture of the organization and unique methods to assess the risk and methods of organizing sales forces, financial structure, databases, market and customer information (Wali, 2007: 83).

2.1.2.6. Stewart's Model of Intellectual Capital

Stewart's model has provided a detailed contribution of intellectual capital consisting of three main components: the human capital component that includes the skills, expertise, and mental ability needed to find practical solutions for customers and customers, it is a source of innovation and innovation in the organization, and capital. The second component structure is information systems, patents, copyright, and brand protection.

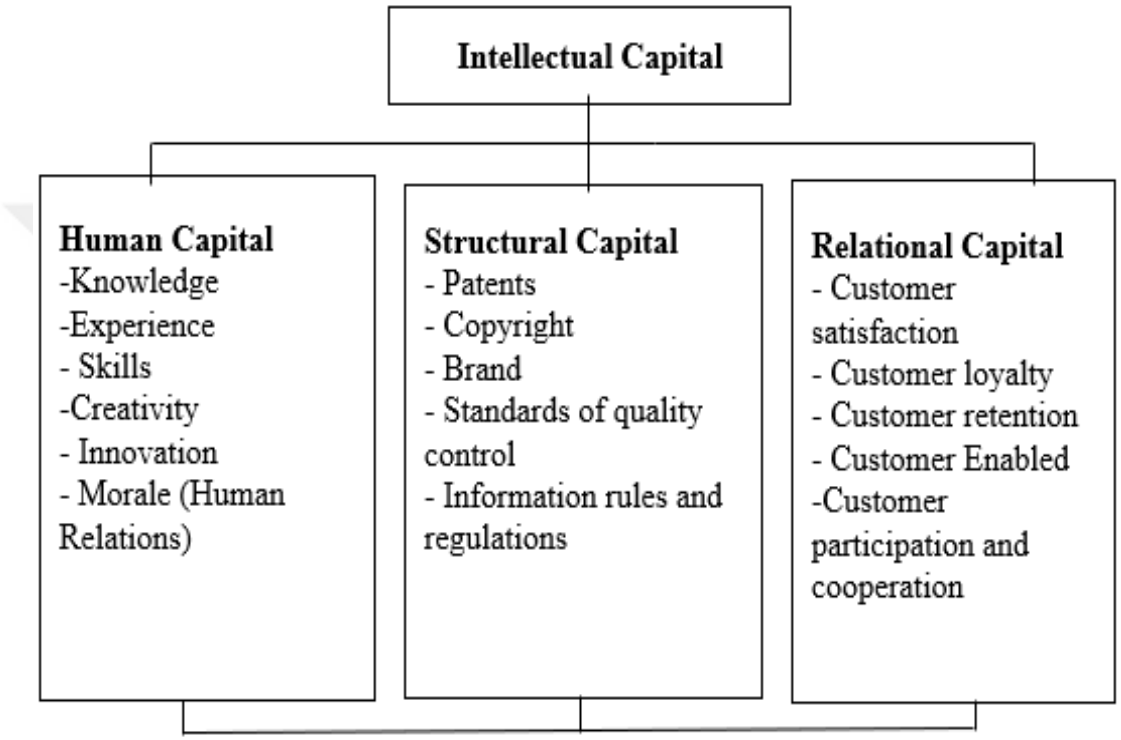

Figure 3. Stewart's Model of Intellectual Capital

Source: Stewart, T. (1999). *Intellectual Capital*: The New Wealth of Organizational, New York: Doubleday – Currency, p.75.

Besides the third component is a customer or relational capital, which is customer satisfaction, loyalty, and the extent to which the customer is retained by fulfilling their wishes, participation in the organization's work, and extending bridges of cooperation (Stewart, 1999: 75) indicates that intellectual capital is produced through the interconnection between human, structural and relational capital, as shown in Figure (1.4). Consistent with the objective and importance of the study, this study relies on the Stewart model because of its importance as well as its comprehensiveness and clarity of

elements or components of intellectual capital in it, as well as its relevance to other variables of the study, especially financial performance variable.

2.1.3. Components of Intellectual Capital

The intellectual capital components have identified by some researchers. So, similar between the researchers for the classification of intellectual capital components. In the early study, Saint-Onge (1996), stated that intellectual capital could be classified into three components included customer capital, structural capital, and human capital, where the groups also are supported by (Stewart, 1997), according to the three classifications. Sveiby (1997), also classified the intellectual capital components into three types known as human capital, structural capital, and relational capital. As mentioned that Stewart model identify the components of the intellectual capital, as an essential things that help to measure and evaluate the intellectual assets of companies and determine the actual value of these companies in the age of knowledge and information technology, and classifying the components of intellectual capital is one of the critical elements necessary to identify sources and causes of value creation in companies more specifically (Arslan and Zaman, 2014: 130).

2.1.3.1. Human Capital

The human capital is implicit knowledge, expertise, and skills within the employees' minds, and it is an income source for the organization but not a potential one. As an example, IBM's human capital adapted to software development methodologies, project management tools, development rules for Mind safe, besides software, sales management methods, product specifications, training courses, and marketing databases (Mustafa, 2016). The essential component of intellectual capital is human beings, since knowledge and experience can be implicit, Stuart has identified it as the source of innovation because of human’s mental ability, skills, and experience needed to provide appropriate practical solutions for customers (Stewart, 1999: 76).

The theory and foundations of human capital evolved in the 1960s and based on individuals in the institution as a source of wealth and exertion. Being invested in the human capital of the company, which plays a role in achieving the positive results of the company does not stop the role of financial capital and the expense of the generalization and training, but an investment if the return is not an ambiguous expense, not the return

(Xu and Wang, 2018: 11). The company's users have come to provide solutions to its customers, invention, and innovation, which is the source of innovation and improvement, but at the same time it is the most difficult to measure, and it grows by using the company's knowledge of users and by increasing this knowledge. Among the most critical indicators of human capital in organizations (Saleh, 2009: 13):

1. **Staff capabilities**: The strategic leadership of the organization includes the level of quality of staff, the ability of staff to learn, the efficiency of staff training processes, and the ability of employees to participate in decision-making.
2. **The creativity of employees**, includes the creativity and innovation capabilities of employees and the income derived from the original ideas of workers.
3. **Trends of employees**, this contains the conformity of employees with the values of the organization, the degree of satisfaction of employees, the rate of work turnover, and the average length of service of the employees of the organization.

In the same regard, Phatak (2003: 6), described human capital as the element that connects all the knowledge, capabilities, necessary capabilities, experiences, and creativity of the organization's members. Thus, (Bontis, 1999: 443), argued that human capital is represented by organizations with intelligent, skilled, and experienced workers that give the organization its advantage. (Ferreira, 2010: 125), the human resource is the essential component of intellectual capital. It is the element that works on the integration of knowledge, skills the necessary capabilities possessed by individual joins working in the organization, the decision-making processes of leadership, and the innovations in which it is based. As indicated by Daft, (2003: 408), human capital is the economic value of knowledge, accents, skills, and capabilities owned by workers. Moreover, according to Dsvsnter (2000: 4), human capital is the capabilities and competences of employees, in particular when achieving the followings:

1. Learn and train the organization's members on an ongoing basis.
2. Nurturing and guiding the potential of employees.
3. Find opportunities where employees can learn from each other.

The researcher believes that human capital is represented by abilities, capabilities, and the knowledge, skills, and experience of working individuals, learning ability (individual, group, and organizers), as well as the ability to innovate and invent.

2.1.3.2. Structural Capital

Structural capital is the second component of intellectual capital, which is the mechanisms of work and structure of the organization that enables employees to achieve a distinct level of performance, which means that organizations with substantial structural capital will have an encouraging and supportive culture of innovation and creativity through the granting of free employees. Inputting forward their opinions and the opportunity to experience, fail, succeed, and learn (Bontis, 2000: 5). Structural capital embodied in the organization's cognitive repository of databases for organizational maps strategies, and routines that give organizations high value (Salleh and Selamat, 2007: 26).

According to Stewart (1999: 75), structural capital is the organizational capacity of an organization that can share, transfers, and enhance knowledge through the structural intellectual assets of information systems, patents, copyrights, and the trademark representing the personality, value, and identity of the organization.

It is embodied in a set of subsidiary systems of the company, which may represent other forms of intellectual capital, and the best example is the operational and industrialization of the company, which is added to all the intellectual property structures it owns (Abdel-Moneim, 2009: 9). In this context, Saleh, (2009: 15), mentioned the most important indicators of structural capital in the organizations, as follows:

- **General culture** is the nature of building the culture of the organization, and the conformity of employees with the perspective of the organization and its future vision.
- **Organizational structure** is the validity of the organization's control system, and the clarity of the relationship between authority and responsibility.
- **Organizational learning** is the building and using an internal information network; operations: duration of business operations, product quality level, and operational efficiency.
- **The information system** includes mutual support and coordination among staff, availability of data, information related to the activities, work of the organization, and sharing of knowledge.

While Phatak (2003:6), described structural capital as it includes all internal operations of the organization and the infrastructure that supports these operations, also include information technology access to information and training programs. Chang and Lee (2012: 8) argued that structural capital is a comprehensive system and action procedures adopted by organizations to find solutions to complex problems and create value for them.

Rose (2000: 5), believes that structural capital dependent on the organization to meet the needs of the market and is the knowledge it acquires, which is an integral part of its organizational structure, culture, and operations. Besides structural capital consists of organization strategies, internal networks, systems databases and files, as well as legal rights to technologies, processes, inventions, trademarks, industrial secrets and concessions, so structural capital in any organization consists of the following four elements (Hubert, 1996: 10):

1. **Systems**: how the operations of the organization (information, communication, decision-making, outputs (products, services, and capital) are conducted.
2. **Structure:** the arrangement of responsibilities and accountability that define the status of the members of the organization and the relations between them.
3. **Strategy**: means the goals of the organization and the means used to achieve those organizational goals.
4. **Culture**: It includes the whole ideas, opinions, and values of the members of the organization and their principles.

The researcher believes that structural capital is the infrastructure that retained by the organization, which contributes to support and strengthen all operations, besides consists of systems, policies, information, software, databases, research, and development, as well as intellectual property.

2.1.3.3. Relational Capital

According to Poh et al. (2018), relational capital includes the value it achieves for the business, which is the source of the quality of services provided by the organization or the conviction of the clients besides the creation of this capital is entirely in any part or component of the company's external environment that contributes to the creation of value-added for the business.

Relational capital also called external capital, which refers to the organization's relationships with third parties represented by customers, suppliers, and distributors, and relational or client capital is one of the most critical sources of advantage. The competitiveness of the organizations, as it includes how to improve the views of customers towards the organization and make them feel that they are the leading partner in formulating a long-term strategy, as well as their willingness to abandon this partner (Nordby, 2005: 574). Thus, Saleh (2009: 16), revealed the most critical indicators of relations capital in organizations as follows:

1. **Basic marketing capabilities**: Build and use a customer database, provide the capabilities needed for customer services, and be able to identify customer needs.
2. **Market density** includes market share, potential market units sold to a customer number, brand reputation, and brand name of the organization, building sales, and distribution channels.
3. **Indicators of customer loyalty**: customer satisfaction, customer complaints, the volume of investment in building customer relationships, level of earning of new customers, level of loss of existing customers.

Also, relational capital is the value of the organization's concerns with the customers; it deals with, which is the satisfaction and loyalty of the customer. Hence, it is the extent to that customers retained by paying attention to their proposals and addressing the complaints made by them, meeting wishes and needs as quickly as possible, besides relational capital participate in business transactions and the extension of bridges of cooperation with customers, and third parts (Obeid, 2000: 13).

The researcher also believes that human capital is specialized in human resources and employees of the organization, and its indicators of the capabilities, creativity, experience, and trends in the organization. Besides, structural capital is the regulation, control, and follow-up work in the organization, whose indicators are the general culture, organizational structure, and organizational learning. The relational capital relates to the marketing process, and its indicators are the marketing capabilities of the employees, the intensity of the market, and its indicators of customer loyalty.

2.1.4. Investment of Intellectual Capital

Successful organizations are those that invest what they know and transmit that knowledge through the organization's channels for practice and use in production and service processes with the organization constantly renewing itself (Obeid, 2000, p. 25), and there are those who believe that intellectual capital investment is part of intellectual assets as investment. So, it made by strengthening and overcoming the mental capacities that create value-added, exonerate, and tacit knowledge of human minds and work to move and disseminate them to take advantage of them, and narrow the gap between knowledge, implementation and overcome them (Brown, 1998: 6).

According to Burgman and Roos, (2007: 9), intellectual capital investment is reflecting on the prices of equity in organizations and improves its market value and thus increases financial returns. The organization should, therefore, seek to invest intellectual capital by focusing on two primary aspects (Abbas, 2004: 140):

1. Designing flexible organizational structures: A flexible organizational structure is one that responds to environmental variables, encourages creativity, and is managed by a decentralized pattern that leads to rapid implementation. So, this type of organization characterized by the presence of groups and teams whose members have a high degree of autonomy that contributes to superiority and excellence in performance.
2. The use of the information system: The information system is a critical element in the success of organizations, contributing to the building and design of the organizational strategy through providing information within the organizational units to and from the external environment of such information that enhances the interconnection and integration of units regulatory, customers, suppliers, and processors.

2.1.5. The Management of Intellectual Capital

The superiority and secret of organizations lie in the success and strength of their management, which can invest their intellectual energies and in a way that promotes and maintains them (Winarso and Park, 2015: 108). Thus, the interest in intellectual capital management has become a prominent and priority topic in the thinking of business management, as he stressed (Green, 1998: 14), that most intellectual assets do not prefer management and control often resist attempts at containment and integration (Mustafa,

2016). The intellectual capital management is an integrated and continuous process to support the potential and human latent of those with potential expertise, skills, knowledge and to help them discover and flow their potential and maintain the environment that facilitates the investment of these energies (Ozkan et al., 2017).

In addition to the complete application of information technology, business networks, software, and expert systems. To sustain and develop structural capital, and the extensive use of databases and information, which facilitates the deepening of the customer's relationship with the organization and calculate its revenues besides analysis of the changes in this relationship and interpretation, (Wali, 2007: 91). In the same context, Quinn et al., (1996: 76) put forward an evolving model of intellectual capital management, which leads to insight in intellectual energies and high standards through the adoption of the following initiatives:

1. Pursue to enhance the returns on investments in intellectual assets that help provide logical solutions to the problems facing the organization through the shift of organization towards intellectual assets.
2. Abandoning traditional hierarchical structures, where a number of successful organizations have done so and reorganized themselves in accordance with structures that allow the management of their intellectual capital with high flexibility, this is called inverting organizations, as the nature of the organizational structure in inverted organizations allows Full freedom for intellectual capital owners to issue instructions and orders. Its senior management even makes these individuals (intellectual capital) the real heads of the organization.
3. Some organizations use a type of self-regulating network called Spider Webs, where they bring individuals together to solve a particular problem, and then resolve the group as soon as the task is done.
4. Sharing information, as the exchange of knowledge among themselves by a group of individuals, will gain information and achieve significant growth of their knowledge, and therefore the value of intellectual assets will increase when used.
5. Gaining knowledge in computer systems and software in order to enhance the capabilities of solving professional problems, as it is intellectually worthy of a large number of organizations in their experts and software systems, which

collect and analyze data related to their strategic decisions, taking advantage of computer software models and databases of Professional thinking (intellectual capital) with analysis of markets and economic trends, the creation of value is enhanced.

According to Mirkhan (2003: 32), there is a framework for managing intellectual capital, which consisting of the following steps:

1. Initiation of the strategy: Defining the role of knowledge in work and showing the importance of intellectual investments in product development.
2. Assess competitors' strategies and intellectual assets, and understand the competitive environment in which intellectual capital lives.
3. Open a file on intellectual assets: what does the organization have? Moreover, what to use?
4. Assess the intellectual assets, and what need to maximize their value.
5. Synthesize the ID file, repeat the process and classify the intellectual assets according to their value and importance.

Stewart (1997: 163) presented five basic principles for the effective management of intellectual capital:

1. Make as much use of ideas and actions as possible for the benefit of the organization and establish close relationships with its employees and customers.
2. Provide and strengthen the resources they need to build an integrated internal network between them.
3. Guide the building of information in the right place.
4. Spreading the prevailing climate of creativity and innovation and not over-managing intellectual capital.
5. Structuring intellectual capital in the direction of information to increase its efficiency and effectiveness.

Based on the previous, effective and efficient management of intellectual capital is one that can channel its intellectual assets, creativity, innovation, and excellence besides having the ability to attract and attract people with skills and knowledge to work for it.

2.2. Financial Performance

The financial performance of banks argued as the act of performing financial activity within the banks. In the broader sense, financial performance refers to the extent to which financial objectives have achieved. It is the process of measuring the results of the Bank's economic policies and operations in monetary terms. It is used to measure the overall financial health of the Bank over a given period. It can also be used to compare similar banks across the same industry or to compare industries or sectors.

2.2.1. The Concept of Performance and Financial Performance

Performance is a broad concept that reflects the bank or financial institution in investing its available resources according to criteria and considerations related to its objectives in light of a set of internal and external variables with which the bank interacts in its endeavor to achieve its efficiency and effectiveness to ensure its survival. Thus, acceptable results in fulfilling the demands of the essential groups in the bank or financial institution as it represents the extent to which it can accomplish a mission achieve a goal with excellence, in other words, it represents the final result that the financial institution aims to reach (Nahma, 2012: 53).

Brown (2006: 4), emphasized that generally, performance is a set of management practices that try to create an environment within the bank or organization where the employee feels significant belonging and responsibility. Deweall (2008: 2), realizes performance as the process of organization adaptation, activity, and flexibility in the financial institution or organization that leads to higher work performance, including financial performance. In this regard, Akdemeir et al. (2010: 150), believe that financial performance is achieved through the organization's supportive culture to make employees take responsibility for the implementation of the work assigned to them to promote lasting organizational success. They have high mental and intellectual abilities.

The financial performance represents the common interest of researchers and specialists in all branches of management, especially strategic management, since it reflects a comprehensive progress of the activities of various organizations besides it has impact on the success and continued focus on its link to the performance of a large number of different environmental variables and mutual impact among them, that performance reflects the final outcome of the efforts made by organizations during a

limited period of time and reflects their ability to achieve their goals (Kamath, 2007: 102).

According to Fawzi, (2005: 3), financial performance can be defined as a reflection of the organization's ability and capability to achieve its goals besides, how the organization uses its financial and human resources and independence in such a way that it can achieve its objectives. Thus, it is the desired results that the organization seeks to achieve. As indicated by Heremans, (2007:6), performance may be defined as the reflection of how the resources of a bank used in the form which enables it to achieve its objectives. Therefore, the financial performance of the bank is the employment of financial indicators to measure the extent of objective achievement, contribution to making available financial resources, and support of the bank with investment opportunities.

While Namisi, (2002:44), defines financial performance as to how well banks, financial institutions, or an organization is performing. Daden and Hafsi, (2014: 26), describes the financial performance as the extent to which activities contribute to the creation of value or effectiveness in the use of available financial resources, by attaining financial goals at the lowest financial costs. Essam (2012: 61), defines financial performance as the extent to which the financial institution has succeeded in exploiting all the resources available to it from the best material, reliable resources, and achieve the principal objectives of the management. Hammoud (2009: 27), defines financial performance as an integrated system that compares the actual results of the selected or elected indicators against the corresponding target indicators, those that reflect the results of past performance, or the results of performance in similar economic units, taking into account historical and structural conditions.

It is believed that financial performance is the ability of business organizations, including banks, to reduce their costs and increase revenues, in order to meet their responsibilities to others, while determining the extent of the optimal use of resources.

2.2.2. Performance Areas

According to Yusuf, (2005: 13), there are many areas on which the banks and organization pursues, on the basis that each area reflects a goal that pursues to achieve these fields may vary from one organization to another besides depending on the nature of

its activity and according to the view of the top management of them also identifies fields for financial performance, operational performance, and the organizational effectiveness:

Financial performance is defined as the narrow concept of business performance in terms of focusing on the use of financial influences to measure the achievement of objectives and is also defined as an expression of business performance and using financial influences such as profitability organizations.

Financial and operational performance, it is the middle cycle of business performance in organizations as well as financial organizations, it is relying on the scale of its operations in measuring performance if the organization measures and effects its operations that demonstrate the management a hidden image of the performance that ratios and economic influences can detect.

Organizational effectiveness the broad and inclusive field represents the business performance, which includes the foundations of both financial performance and operational, financial performance is due to the fact that this field covers the objectives of the stakeholders in the organization and works to measure these different objectives and parties and only organizations that can achieve efficiency and efficiency can grow and prosper.

2.2.3. Factors Affecting Performance

Various factors influence the performance of the organization, whether internal or external, including those that are in the control of the administration, including those that are out of control, and these factors (Jubouri, 2004: 13):

Institutional factors, first of all, the capital size is a crucial determinants which affect the organization or financial institution performance, where the size of the organization is also reflection of the available resources, and the large size of the institution reduces the impact owned by the individual workers and the more efficient in converting the input into outputs, this will reduce cost and increase financial performance.

Environmental factors: including factors affecting the performance of the sector, which operates in the framework of which depends on two variables if the higher the amount of sales rose the level of performance, which in turn led to the rise in stock prices, either focus on competition, where competition reflects the degree of dependence of the organization within the sector on environmental variables in terms of how to create or draft advertising or units of different services and make profits.

Organizational success, it refers to the relationship that concerns the performance of a particular work that may affect the performance of the organization.

Financial analysis, according to Aqeel (2006: 239), financial analysis is the process of converting the financial statements to information used as a basis for taking positive trends in the financial institution besides to address some of the wrong practices such as controlling the costs or address the expected shortage of liquidity and generally aims to achieve the following goals

- Know the reality of the financial situation of the institution
- Determining the institution's ability to service its debt and its ability to borrow.
- Evaluation of financial and operational policies.
- Refereeing the efficiency of management.
- Identify the status of the organization in its sector.
- Evaluate the feasibility of investment in the institution.
- Utilize the information available for decision-making on monitoring and evaluation. So, this can summarize the multiple goals of financial analysis above by identifying the optimal policy because the optimal political goal deviates from the possibility of financial analysis where it requires a more profound and more significant effort than the performance of a regular financial analysis.

Performance Analysis, where financial analysis tools are ideal tools to achieve performance analysis, this therefore, its ability to assess the profitability of the institution besides its efficiency in the management of its assets, financial balance, liquidity and trends taken in growth, as well as comparing its performance in other companies operating in the same field or other areas and lenders there are two main aspects of financial performance analysis (Aqeel, 2006: 234):

- Technical appearance, it is based on the use of known mathematical and financial principles.
- Explanatory appearance, this concept is the process of understanding and interpreting the practical results after the use of the information such as the successor of the institutions and the environment in which they work.

2.2.4. Banking Financial Performance

The significance of determining the financial performance of the banks stems from it is ability and role in economic development. Thus, financial performance acts as a container in which savings are collected and managed for individuals and organizations (Joshi et al., 2013: 267). So, the bank should obtain the performance valuation systems, that comprehensive for all measures of strategic performance as the importance of evaluating performance in the banking institutions. As a result, it increased in recent years that privacy is the activity of the bank and to ensure the money that the bank deals with and the speed of private capital and deposited funds, which requires decision-makers to verify the efficiency of performance. Since banking services are almost typical and not in this core, what can be distinguished (Amalendu et al., 2011).

Consequently, client service is an area that carries with it a competitive advantage that makes the bank prefers to other banks and adds to it competitive strength and superior position in the market, making customer service one of the strategic inputs in the competitiveness of banks (Naji, 2007: 272). The concept of competitiveness at the level of the organization means the ability to provide the consumer or client with more efficient and effective services than other competitors in the domestic and international markets.

Banks and companies of a particular sector in a country are continually investigating international markets without relying on the support, protection of the government and thus distinguish those countries in these (Fawzi, 2005: 6). Therefore, consideration of customer feedback in terms of improvements /quality assures the promotion through the encouraging to deal and highlight excellence, emphasizes the encouragement of the client to provide feedback on the service to the events of tangible improvement and in the banking service to achieve customer satisfaction. To allow customers to choose the exact numbers as well as allow customers to choose their symbolic numbers since the opening of accounts in the bank and the availability and development of appropriate recreational and service facilities (Dawood, 2012: 44).

However, banks and financial institution's financial management have some objectives; first of all, maximizing the present value of the financial institution. It is maximizing profits to exploit the operational performance of the bank or financial institution since the profits reflect its capital. So, keeping liquidity is the objective of financial management, which reflects the ability of the bank to meet its short-term obligations expected and unexpected through cash flow.

As indicated by Khanfar and Matarna (2006: 48), the return on investment and profitability are the primary objectives of all banks and financial institutions and is necessary for its survival and continuity and an end for investors. Financial performance is of great importance in the implementation of the plans set beside the development achieved by the bank and the strategic plans implement that contribute to the process of economic development, which helps to improve the overall performance of the bank or financial institution (Nasr and Miznan, 2009: 28).

2.2.5. The Importance of Financial Performance of Banks

As mentioned by Khanfar and Matarna (2006: 43), Ashish and Kubaisi (2010: 19), and Amalendu et al. (2011: 98), financial performance importance since it provides data and indicators at all different stages of work such as planning, follow-up and decision-making, and the importance of financial analysis of institutions can be classified to several entities due to the importance of these data to them as follows:

- ***Central Bank:*** Financial analysis is used in the process of monitoring banks, such as the existence of a minimum and a maximum of some indicators and ratios, besides the central bank directs banking institutions to develop performance to preserve the rights of owners of funds.
- ***Bank Management:*** The financial analysis contributes to the decision-making process of the management of banks, and shows the effectiveness of the exploitation of resources or not, and clarify the strengths and weaknesses, and clarify the activities that make profits for banks.
- ***Current and Potential Investors***: Shareholders look at financial data and indicators to reassure and preserve their money, identify the bank's ability to make profits, and potential investors make comparisons between the financial indicators of different banks in order to invest their money in it.
- ***Customers:*** Dealers with banks pay attention to the data and information on the financial analysis of the financial statements of banks, to compare with other banks to know the services, solutions, and benefits provided by each bank to choose what suits them, such as credit period and discount rates.
- ***Employees:*** Employees within banks and financial institutions are interested in financial analysis because of their role in the development of the financial

performance of the institution, which will contribute to enhancing the alternatives and benefits they will receive.

- ***Government:*** Financial analysis helps to clarify the real revenues of financial institutions, which in turn helps governments increase their tax resources, and therefore continually monitors these data.

According to Dawood (2012: 42), the importance of financial performance can be embodied in the following points:

1. Financial performance confirms the bank's ability to meet its obligations and debts.
2. Contribute to planning and decision-making processes that achieve the objectives.
3. Review the actual performance of banking institutions.
4. Evaluate banks' actual revenues and their ability to meet investors' ambitions.
5. Ensure that the bank can continue to provide its services in the light of competition with others.

As pointed out by Nasr and Miznan, (2009: 26), the process of measuring financial performance in banks is of great importance, besides in many aspects and different levels can be highlighted as follows

1. Measuring the financial performance of the banks demonstrate their ability to implement the planned goals and by comparing the results achieved with the target, detecting deviations, and suggesting the necessary remedies for them, which enhances the financial performance of the banks by continuing to stay and continue to work.
2. The financial performance measurement process helps to reveal the progress that the bank has made in its progress for the better or worse through the results of the actual performance.
3. The financial performance measurement displays the bank's strategic position within the environment in which it operates and then identifies priorities and change situations required to improve the bank's strategic position.
4. The financial performance measurement process supports to demonstrate the consistency between the objectives and strategies adopted and their relationship to the competitive environment of the Bank.

5. Measuring financial performance provides a full image of the various administrative levels of the bank and determines its role in the national economy and mechanisms to strengthen it.
6. The financial performance measurement demonstrates the efficiency in allocating and using the resources available to the bank.
7. Measuring financial performance will help achieve the objectives set out in the plan and effort towards a sound and effective system of communication and incentives.
8. Measuring financial performance creates a kind of competition between the various sections of the bank, which contributes to improving the level of performance in it.
9. The financial performance measurement reveals the extent to which the bank contributes to the economic and social development process by achieving the maximum possible returns at the lowest cost and eliminating the factors of loss of time, effort, and money, which will benefit the economy and society.

However, the measurement of financial performance is carried out only if there are general grounds to be taken into account, including (Sharad, 2014: 21):

1. The measurement process must be understandable and straightforward.
2. Measurement is an ongoing process, not limited to a specified period, but also for consecutive periods in order to generate comparisons and extracts that benefit companies.
3. The process of measuring financial performance is associated with the existence of assistance systems for accounting financial control.
4. The financial performance measurement process must be accompanied by a pay evaluation system so that this is a strong incentive for employees to increase their activity and increase their performance efficiency.
5. In conducting the measurement process, the different activities of the banks and companies should not be separated from each other because the bank or company is an integrated unit whose interests and activities cannot be separated into parts, but there are harmony and coherence of interests in order to achieve its goal.

6. Ensure the interdependence, balance, and complementarity between the various activities of the organizations and their interaction among them.
7. The measurement of financial performance should be guided by the incentive system, where it determines the positive and negative motivations, making it in the interest of the performers to implement them with a high degree of efficiency and effectiveness.

2.2.6. Financial Performance Measuring Indicators

The process of measuring financial performance is a longstanding and essential practice besides is a means of studying the ability of the banks, organization or economic unit to achieve its objectives and achieve what is required of them during a specific period. It follows the importance of evaluation as a process to detect and address errors or weaknesses in performance, identify strengths, and reinforce them in achieving the bank and organization goals (Hawary, 2011: 37).

Banks are keen to meet the wishes of their depositors and borrowers to withdraw and deposit, fearing that they may be surprised by waves of withdrawals that they would be unable to cope with if they expand the lending policy. Thus, banks are working to provide part of their financial resources in the form of liquid cash. Balance by deposits banks pay interest to their owners; they bear the burden of those benefits in exchange for maintaining their financial reputation. Liquidity is one of the most vital features that distinguish banks from other economic units. While the units can postpone the payment of their dues, even for some time, the mere rumor of the lack of liquidity at the bank would undermine the confidence of depositors and push them to withdraw their deposits, which may expose the bank financial risk (Fahd, 2009: 63).

Profitability is one of the most important financial indicators used to evaluate the performance of banks, as this indicator enable the measurement of the bank's ability to achieve a net final return on invested funds, which means that these indicators focus on profit, which is the active axis in the continuation and expansion of banks, which enhances its ability to stay competitive and ensure stability by enhancing the confidence of clients with the bank (Asres and Dejene, 2012: 84).

Bank activity used as an indicator to assess the efficiency and effectiveness of the bank in investing its available resources, while it is one of the essential areas of performance evaluation for the bank's management, is its excellence in the use of various

investments to generate revenues. In other words, the sound and acceptable performance of the management is to achieve that successful performance (Khanfar and Matarna, 2006). Market indicators, also called valuation ratios or reinvestment ratios. The importance of these ratios is highlighted in their form, which links the market value of the ordinary share with its expected future returns and its book value — moreover, the possibility of investing in them (Zubaidi, 2000: 22).

2.2.6.1. Return on Assets (ROA)

Return on assets is one of the best financial indicators to measure the efficiency of management in the use of its total assets in operation and is one of the most indicators of interest to credit departments, as the high ratio means the efficiency of the policies adopted by the bank. However, ROA provides a measure for assessing the overall efficiency with which bank assets are used to produce net income from operations. It also is an indicator of management's effectiveness in deploying capital, since it is certainly possible to be efficient and yet poorly positioned in terms of how capital is utilized (Miller et al., 2001: 5).

As a result, banks showing a positive performance through ROA; it indicates its achievement of prior planned high performance (Nuryanah and Islam, 2011: 26). The measurement is such that the higher the ROA, the effect is the use of assets to the advantage of shareholders (Haniffa and Huduib, 2006: 1043). Higher ROA also reflects the company's effective use of its assets in serving the economic interests of its shareholders (Ibrahim and Abdulsamad, 2011: 107).

The variable return on assets (ROA) is a net profit divided by total assets. So, this percentage is a measure of profitability commonly used and has used by many authors (Ayadi and Boujelbene, 2012). Further, it calculates by dividing a business's net income by its total assets: *Return on Assets (ROA) = (Net Income) / (Total Assets)* (Marashdeh, 2014: 100).

2.2.6.2. Return on Equity (ROE)

According to Brown and Marcus, (2009:132), return on equity (ROE) is a net profit divided by book value of equity. So, this ratio is a measure of financial profitability or the rate of return on shareholders. However, this indicator is concerned with measuring the return invested by ordinary shareholders as this measure takes the effect of both

operational and financing activities, and this return is calculated by dividing net profit after tax on shareholders' equity, which includes both the established money paid, issuance bonuses and reserves. It has used by various researchers.

ROE measures the efficiency with which the bank uses equity entrusted by shareholders. The return on equity is considered to be the most important ratio to measure firm performance because it focuses on the return of the shareholders (Haniffa and Huduib, 2006: 1044). Return on Equity measures the profit of the company by revealing how much profit the company generates regarding the amount of the money invested by the investor. ROE calculates by dividing a bank's net income by its total equity. It is also known as Return on Net Worth: *Return on Equity (ROE) = (Net Income) / (Total Equity)* (Marashdeh, 2014: 100).

Return on equity reveals how much profit a company earned in comparison to the total amount of shareholder equity found on the balance sheet. ROE calculates over the following formula: *Return on Equity = Net Income / Shareholder's Equity* (Fred, 2012: 37). Return on Equity (ROE) - measures a firm's financial performance by revealing how much profit a company generates with the money shareholders have invested. It shows how well the shareholders' funds are managed and used to generate a return. *ROE = Profit after Tax / Total Equity* (Fred, 2012: 44). Return on Equity shows how bank management effectively handles the shareholders' funds to generate profits. There is a preference for a high return on equity, for it shows the management is efficient in managing the shareholders' funds to generate revenues.

2.2.6.3. Return on Investment (ROI)

According to Botchkarev and Andru, (2011: 253), return on investment (ROI) is a measure that examines the number of additional profits obtained due to a particular investment. Thus, businesses use this calculation to compare different scenarios for investments to see, which would produce the most significant profit and benefit for the bank.

As ESRI, (2013), indicated there are many motives for exploring ROI. These motives relate not only to how a bank is perceived by others but what it knows about itself. This self – examination encourages improvements in the process that keep business profitable and government organization effective (ibid). Regarding the previous studies

ROI calculates by using the following formula: *ROI= (Gain from Investment – Cost of investment) / Cost of Investment) * 100%*

2.2.6.4. Operating Profit Margin (OPM)

OPM is a measure of profit per unit (dollar) of services or products produced or output. OPM calculates by dividing the dollar amount of return on assets by gross farm revenues. Thus, the general manager may respond to a reduced or small operating profit margin by instituting cost controls in order to increase profits per unit, (Miller et al., 2001:5). Various previous studies concern on Profit Margin (PG) as a financial measurement for organizations (Aljaboury, 2007:264). (Saeed and Jameel, 2007:98) Revealed that PC considered one of the essential financial performances for banks in Iraq. PG calculates by the following formula: PG = (income – Cost of sales) / income.

Lastly, this study uses PG, ROI, and as financial performance measurements since these measurements are the most common and also can be applicable in KRI banks, so, Paul (2001), examined evidence on mergers and acquisitions and asserts that a second approach to measuring merger effects is by evaluating the data from financial statements. So, this is done before and after the merger or acquisition in order to know what happened after the merger or acquisition. The study focuses on profit margins, cash flow statements, accounting rates of return, among others.

2.3. The Intellectual Capital and Financial Performance of Banks

The complexities and developments in the organization's business environment have led to a shift from focusing on funds as the essential asset to intellectual assets, which are the most important and most significant inputs due to the real value of the organization (Mustafa, 2016: 2). In giving it a high value and competitive advantage, as the intellectual capital is one of the essential pillars of the superiority of organizations in a world of intense competition through the increased attention to human resources and achieving financial performance (Xu and Wang, 2018: 3).

Intellectual capital is the driving force behind the competition in a knowledge-based economy, and it is the primary driver of creativity and innovation (Mustafa, 2016: 3). The distinctive human energies, help them discover and flow their potential by releasing their creative energy, so that the management of intellectual capital can contribute to achieving the financial performance of the banks (Nazari, 2010: 23).

Ameneh et al. (2015: 19), examined the intellectual capital relationship with the financial performance of Iranian banks separately. So, the results show that intellectual capital significantly impacts on financial performance indicators.

In their study, Xu and Wang, (2018: 11), found that human capital, and relational capital positively impact financial performance, although innovative capital negatively impacts financial performance. However, relational capital is found to be the most significant variable correlated to the financial performance of Korean manufacturing companies. Winarso and Park, (2015), in their study, found that all the components of intellectual capital (human capital, customer capital, and structural capital) positively impact the financial performance of banks. Arslan and Zaman (2014), examined intellectual capital and its impact on financial performance and found that there is a positive statistical relationship between the availability of the components of intellectual capital and financial performance in the gas and oil sectors.

Al-Musali and Ismail (2014) found that the intellectual capital of Saudi banks is low besides IC positively related to the financial performance of the bank. When intellectual capital divided into its components, the relationships between these components and bank financial performance indicators differ. Onyekwelu et al. (2017), in their research, examined IC and financial performance. So, the results presented that the banks are statistically diverse in both the IC and their financial performance. It also displays that banks with high IC achieved high financial performance.

CHAPTER THREE

3. THE STUDY METHODOLOGY

This chapter aims to address the methodology applied in this study to examine the role of intellectual capital in achieving financial performance; as a study of Bekhal and Eskan Banks in Erbil City, and then to reply to the study questions and the hypotheses. Therefore, the chapter deals with materials and methods, the study design, the study population and sampling, survey measurement, data collection instrument, and the survey scale.

3.1. Materials and Method

By the study problem, purpose, and it is hypotheses, the study used a quantitative method. However, a quantitative method is reflected appropriately as the purpose of the study is to examine the role of intellectual capital in achieving financial performance, from managers' and employee's viewpoint of Bekhal and Eskan Banks in Erbil City. Also, a quantitative method is regularly applied in the study when using numerical or statistical data. Further, quantitative research usually comprises facts and statistical measures that help describe, define, explore, and show likes between variables. Moreover, this kind of study offers data about the present situation and emphasis on the fundamentals that affect the financial performance of banks. Then select the questionnaires form as a method of gathering the primary data.

3.1.1. The Study Design

The design of the study measured to be more suitable to its purpose, as it allowed survey sample managers and employees at Bekhal and Eskan Banks in Erbil City to offer their related data on the questions of the study. A questionnaire, which uses a five-point Likert scale that is suitable for collecting data. As stated above, by the study design, this study applied the quantitative research method.

3.1.2. Study Sampling

As the population in this study, Bekhal and Eskan Banks operating in Erbil city selected, to collect data from their managers and bank employees. The sampling

technique was randomly selected, which comprises willingly reply sampling. Therefore, to collect data for considerate and testing intellectual capital and the financial performance of the banks, a sample of (100) from (125) employs asked to take part in questionnaires.

So, the sample this study is managers and employees of Bekhal and Eskan Banks operating in Erbil. Also, the sample study participated in the survey by answering the questionnaire questions and statements, which is self-managed and spread in the Bekhal and Eskan Banks in particular. Nevertheless, the analysis data removed was six forms only that not analyze due to some incomplete information. Thus, the sample was (94) questionnaire forms obtained for tests and analysis.

3.1.3. The Survey Measurement

3.1.3.1. Conceptualization of the Independent Variable (Intellectual Capital)

According to Brooking (1996: 8), intellectual capital is a specific term for the collection of intangible assets that enable the organization to carry out its activities. (Saeed, 2009: 69), also defined intellectual capital as the set of intangible values that are part of the organization's capital, which includes human, structural and relational components, which contribute to the production of new and innovative ideas that help to survive, improve market share and maximize the competitiveness of the organization.

Stewart (1997: 3), believes that the skills and knowledge of human resources are considered intellectual capital if they are distinguished, and in competing organizations, no one possesses these skills. Edvinsson (1997: 147), pointed out that intellectual capital includes intangible resources (assets) that the organization can use to create value by converting them into new operations, goods, and services. Hennie (2002: 613), concluded that intellectual capital is the difference between the market value and the company's net book value.

3.1.3.2. Operational Definition of the Intellectual Capital

Based on the definitions have clarified the indicators below that will measure the independent variable as intellectual capital and its dimensions, namely:

First: Human Capital

Second: Structural Capital

Third: Relational Capital

It is believed that intellectual capital is the result of the interactions between the experiences and knowledge of all human resources in organizations, which helps to improve the efficiency of these organizations. Besides, intellectual capital can be expressed in the form of knowledge acquired by human resources from training experiences or rely on personal sense in dealing with work problems and seek to solve them.

3.1.3.3. Operationalization of Independent Variable (Intellectual Capital)

As mentioned, the above indicators would measure the dimensions of intellectual capital in Banks in Erbil-Iraq. Through using statistical survey data and then using the following indicators. However, for each of the indicators measured with the five-points Likert scale, where one shows code as "strongly disagree", two as "disagree", three as "un-decided", four as " agree", and lastly, five indicates as "strongly agree".

1. **The first intellectual capital's indicator is the human capital, which measured through the following questions.**

Table 2. Human Capital Indicators of Survey Data

Human Capital	1. The bank retains managers and employees of highly skilled and accumulated experience.
	2. Bank management systematically and continuously develops the skills and abilities of the employees through the multi-purpose training programs.
	3. The bank's employees are widely considered the best in the industry.
	4. Bank management is seeking to adopt administrative empowerment, concepts, and methods-based management confidence to maintain the best employees in terms of banking services.
	5. The knowledge, skills, and competencies of the staff are sufficient to achieve established goals and objectives.
	6. Bank management senses employees that they can manage themselves and responsible for their financial performance.
	7. Bank management encourages a spirit of competition among employees at the bank.
	8. The bank's goals and objectives are fully understood by the employees, and they are focused on achieving those goals and objectives
	9. The employees provide the bank with a competitive advantage over competitors.
	10. Leadership skills are sufficient to achieve established goals and objectives

2. The second intellectual capital indicator is the structural capital measured by asking the following questions

Table 3. Structural Capital Indicators of Survey Data

Structural Capital	11. The bank applies most of its knowledge and information in processes, structures, and systems.
	12. The bank's knowledge is reserved in repositories such as manuals/ documentation, and databases.
	13. The applied bank management systems support to retain, attract expertise and knowledge.
	14. The management philosophy of the bank supports the achievement of established goals and objectives.
	15. Internal relations at the bank provide favorable conditions for the work of the employees as a team.
	16. Organize work departments in the bank assistances to provide better service to bank clients.
	17. The bank set of guidelines and written notes and publications that explain the functioning of the managers and employees.
	18. The bank management confirms that employees are an essential part of the banking services, and without them, the bank could not achieve its objectives.
	19. The bank communicates effectively from the top-down and the bottom-up
	20. The bank has a system to collect necessary data and information for the financial performance assessment process.
	21. The bank has access to general business management and specialized tools (such as facilities, information technology, and equipment) needed to achieve established goals and objectives.

3. The third intellectual capital indicator is the relational capital, which is measured by asking the following questions.

Table 4. Relational Capital Indicators of Survey Data

Relational Capital	22. The bank management pursues to promote interaction with the clients and provide them with as much information as possible to ensure the provision of appropriate service for them.
	23. The bank management has a competitive advantage in terms of banking services provided to clients, which qualifies them to differentiate from other banks.
	24. The bank management carefulness to achieve loyalty with clients, through the best deal for the services provided to them.
	25. The bank management evaluates the employee's performance based on the quality of the services they provide to the client and not on the number of clients served.
	26. The bank management is dealing with the proposals of the clients with highly relevant.
	27. The bank effectively collaborates with clients and external organizations to achieve established goals and objectives.

3.1.3.4. Conceptualization of the Dependent Variable

As defined by Talib and Mashhadani (2011: 6), financial performance is the results of outputs obtained from banking operations and services, it reflects the outcomes or objectives that the system search for to achieve, a concept that reflects both the objectives and means needed to achieve them, i.e., it links the aspects of activity and the objectives that the banks pursue to achieve.

Amalendu et al. (2011: 94), defined financial performance as the process of determining the operational and financial characteristics of the bank through the study and analysis of their financial statements, liquidity, profitability, as well as Return on Assets (ROA), Return on Equity (ROE), Return on Investment (ROI), Operating Profit Margin (OPM). However, bank and financial institutions activity used financial performance indicators to assess the efficiency and effectiveness of the bank in investing its available resources, while it is one of the essential areas of performance evaluation for

the bank's management, is its excellence in the use of various investments to generate revenues. In other words, the sound and acceptable performance of the management is to achieve that successful performance (Khanfar and Matarna, 2006).

3.1.3.5. Operational Definition of the Financial Performance

Based on the definitions have explained and revealed above the indicators below measure the dependent variable as financial performance through its indicators, namely:

First: Return on Assets (ROA)

Second: Return on Equity (ROE)

Third: Return on Investment (ROI)

Fourth: Operating Profit Margin (OPM)

3.1.3.6. Operationalization of Dependent Variable (Financial Performance)

Similar to the independent study variable, the above indicators of financial performance measure the financial performance of the banks in Bekhal and Eskan Banks in Erbil City. Through using statistical survey data and then using the following indicators. However, for each of the indicators measured with the five-points Lecrt scale, where one shows code as "strongly disagree", two as "disagree", three as "un-decided", four as " agree ", and lastly, five indicates as "strongly agree". Furthermore, the financial performance indicators measure banks' performance by asking the following questions.

Table 5. Financial Performance Indicators of Survey Data

Financial Performance	1. The bank is keen to introduce all-new means and services to excellence in financial performance in particular and organizational performance in general.
	2. The bank's management sees the increase in revenue as an indicator of success.
	3. The bank has had worthy development on return on equity in the last three years
	4. The bank has a better return on equity than other banks.
	5. The bank has had an upright development in return on assets in the last three years.
	6. The bank has a better return on equity related to the previous three years.
	7. The bank has made a positive change in return on the owner equity compared to the previous three years
	8. The rate of return on the bank's owner equity exceeds the competitive banks.
	9. The bank has made a positive change in return on investment related to the previous three years
	10. The return on investment exceeds competitive banks.
	11. The bank has made a positive change in the profit margin of operations compared to the previous three years
	12. Banks' profit margin from operations exceeds the competitive banks.
	13. The bank believes that increased market share is a tool for financial excellence among winning organizations.

3.1.4. Data Collection Method

As previously revealed, the researcher used the questionnaire as the primary data collection method. Therefore, the survey carried out by questionnaire forms due to the time frame and sample size. Thus, the questionnaire is an administratively organized set of questions and statements, which are determined by the study's purpose, and it is hypotheses. The questionnaire included three sections.

The first one covers six different personal and demographic variables, such as the respondent's gender, age, level of education, job position, overall job experience, and experience in the current job. The second section includes the study independent variable intellectual capital and its dimensions, namely; human capital, structural capital, and

relational capital. Although, the third section contains the financial performance of banks, as shown in Table 6, appendix 1, also reveals the questionnaire form.

Table 6. The Questionnaire Structure

Main Variables	Sub- Variables Components	No of Statements	Scale Symbol	Sources
First: Demographic Variables	Gender, Age, Level of Education, Job Position, Overall Job Experience, and Experience in the Current Job	6		By Researcher
Second: Intellectual Capital	Human Capital Structural Capital Relational Capital	10 11 6	HC1-HC10 SC11-SC21 RC22-RC27	Wali (2007), Santoso (2011). Mustafa (2016).
Third: Financial Performance	Thirteen Questions	13	FP1-FP13	Santoso (2011). Hassan (2017).

Sources:

3.1.5. Survey Scale

The questionnaire or survey items and questions obtained from the published researches and studies, as shown above. So, the first study variable is intellectual capital that has three components as human capital, structural capital, and relational capital, and the scale for these components adapted from Wali (2007), Santoso (2011), and Mustafa, (2016). The second variable is the financial performance of the banks, which has thirteen questions, obtained from Santoso (2011), and Hassan (2017). The items of intellectual capital and the financial performance of the banks are measured by using a five-point Likert scale extending from “strongly disagree” one to “strongly agree” five.

CHAPTER FOUR

4. DATA PRESENTATION AND ANALYSIS

This chapter aims to apply the data presentation and analysis, which starts with a reliability analysis by using Cronbach's Alpha, and internal validity. Besides the description of the survey demographic variables collected from the respondents in the surveyed banks in Erbil city. So, the demographic variables comprise frequencies of distributions and data percentages. While, the other parts of this chapter includes statistical analysis of the data attained through descriptive statistics tests. Besides correlation and regression analyses, however, the results of the data analysis shown in Tables and Figures below.

4.1. Reliability Analysis

According to Carmines and Zeller, (1979), reliability includes the degree to which a phenomenon calculation results in a stable and consistent manner. Thus, reliability testing is significant since it refers to the accuracy of the measuring instrument components (Huck, 2007). The Cronbach Alpha coefficient is the most widely used internal reliability indicator. When using Likert scales, The Cronbach Alpha coefficient is considered the most suitable test of reliability. Sekaran (2003), and Hinton et al. (2004), suggested four reliability cut-off points.

Table 7. Reliability Analysis Results

Variables of study	No of Items	Cronbach's Alpha	N	%
Intellectual Capital	27	0.782	94	100.0
Financial Performance	13	0.778	94	100.0
Overall Scale	40	0.814	94	100.0

The value of Cronbach's Alpha coefficients between 0.00 and 0.50 is poor reliability; between 0.50 and 0.70 is considered to be medium reliability, between 0.70 and 0.90, high reliability, and finally, above 0.90 is represented "excellent" reliability. However, there are no universal rules for internal consistency, but most agree on a minimum coefficient of internal consistency of (0.70). As Table 7, shows the Cronbach's

alpha coefficient for intellectual capital, financial performance, and the whole questionnaire are equal to (0.782), (0.778), and (0.814) these values represent to be high reliability.

4.1.1. Internal Validity

Validity is defined as the extent to which a concept is accurately measured in a quantitative study (Heale, and Twycross, 2015). Validity describes how well the data collected represents the actual research area (Ghauri and Gronhaug, 2005). Essentially, validity means "measures what is supposed to be measured" (Field, 2005). In the present study, the internal validity calculated in order to measure the correlation coefficients between each question in one variable and the whole variable. The tables below explain the correlation coefficient between each question, and the total score of its variable is statistically significant at the level $\alpha = 0.05$, and the P-Value equals 0.000 (less than 0.05).

4.1.2. Internal Validity of Intellectual Capital Components

4.1.2.1. Internal Validity of Human Capital

The coefficient of Spearman correlation of each of human capital questions and its total area is significant at $\alpha = 0.05$, and the P-value is equivalent to 0.000 (less than 0.05). The value of the coefficient P-value = 0.000 varies between (0.355**) to (0.525**). As a result, it can be said that the human capital questions are consistent and valid to measure what it was set for, as revealed in Table 8 below.

Table 8. Spearman Correlation of Human Capital Questions and its Total Area

No.	Scale Symbol (HC)	Spearman Correlation Coefficient	T-test Value	P-value (Sig.)
1	***HC1***	0.367**	17.884	0.000
2	***HC2***	0.367**	12.365	0.000
3	***HC3***	0.439**	10.632	0.000
4	***HC4***	0.525**	8.487	0.000
5	***HC5***	0.393**	8.413	0.000
6	***HC6***	0.486**	7.141	0.000
7	***HC7***	0.520**	8.262	0.000
8	***HC8***	0.363**	10.848	0.000
9	***HC9***	0.456**	5.297	0.000
10	***HC10***	0.355**	17.011	0.000

**. Correlation is significant at the 0.01 level (2-tailed). T-test = 3

4.1.2.2. Internal Validity of Structural Capital

The coefficient of Spearman correlation of each of the structural capital questions and its total area is significant at α = 0.05, and the P-value is equivalent to 0.000 (less than 0.05). The value of the coefficient P-value = 0.000 varies between (.348**) to (.663**). As a result, it can be said that the structural capital questions are consistent and valid to measure what it was set for, as shown in Table 9.

Table 9. Spearman Correlation of Structural Capital Questions and its Total Area

No.	Scale Symbol (SC)	Spearman Correlation Coefficient	T-test Value	P-value (Sig.)
11	***SC11***	0.361**	13.232	0.000
12	***SC12***	0.487**	10.641	0.000
13	***SC13***	0.376**	7.045	0.000
14	***SC14***	0.544**	6.825	0.000
15	***SC15***	0.456**	4.977	0.000
16	***SC16***	0.454**	7.259	0.000
17	***SC17***	0.663**	5.973	0.000
18	***SC18***	0.482**	7.002	0.000
19	***SC19***	0.475**	5.522	0.000
20	***SC20***	0.353**	8.360	0.000
21	***SC21***	0.348**	7.045	0.000

**. Correlation is significant at the 0.01 level (2-tailed). T-test value =3

4.1.2.3. Internal Validity of Relational Capital

The coefficient of Spearman correlation of each of relational capital questions and its total area is significant at α = 0.05, and the P-value is equivalent to 0.000 (less than 0.05). The value of the coefficient P-value = 0.000 varies between (.421**) to (.684**). As a result, it can be said that the relational capital questions are consistent and valid to measure what it was set for, as revealed in Table 10.

Table 10. Spearman Correlation of Relational Capital Questions and its Total Area

No.	Scale Symbol (SC)	Spearman Correlation Coefficient	T-test Value	P-value (Sig.)
22	***RC22***	0.421**	7.950	.000
23	***RC23***	0.610**	7.598	.000
24	***RC24***	0.506**	7.200	.000
25	***RC25***	0.616**	8.548	.000
26	***RC26***	0.684**	7.140	.000
27	***RC27***	0.538**	4.889	.000

**. Correlation is significant at the 0.01 level (2-tailed). T-test value = 3

4.1.3. Internal Validity of Financial Performance

The coefficient of Spearman correlation of each of financial performance questions and its total area is significant at $\alpha = 0.05$, and the P-value is equivalent to 0.000 (less than 0.05). The value of the coefficient P-value = 0.000 varies between (0.353**) to (0.517**). Therefore, it can be said that the financial performance questions are consistent and valid to measure what it was set for, as demonstrated in Table 11.

Table 11. Spearman Correlation of Financial Performance Questions and its Total Area

No.	Scale Symbol (PF)	Spearman Correlation Coefficient	T-test Value	P-value (Sig.)
1	***PF1***	0.382**	15.291	0.000
2	***PF2***	0.399**	9.193	0.000
3	***PF3***	0.385**	11.019	0.000
4	***PF4***	0.389**	9.001	0.000
5	***PF5***	0.419**	10.019	0.000
6	***PF6***	0.427**	7.572	0.000
7	***PF7***	0.353**	5.991	0.000
8	***PF8***	0.414**	9.261	0.000
9	***PF9***	0.400**	5.202	0.000
10	***PF10***	0.456**	5.516	0.000
11	***PF11***	0.413**	5.548	0.000
12	***PF12***	0.517**	6.977	0.000
13	***PF13***	.354**	5.860	0.000

**. Correlation is significant at the 0.01 level (2-tailed). T-test value = 3

4.1.4. Respondents' General Information

As previously mentioned, that the survey demographic variables in this study collected in the Bekhal and Eskan Banks in Erbil city, to provide reliable of the sample in this study. Therefore, the demographic variables below were collected as ***Gender, Age, Level of Education, Job Position, Overall Job Experience, and Experience in the Current Job***, as displayed in the Tables below:

1. Gender:

As the Table 12, displayed the frequencies distributions and percentage of gender of a survey sample contributed in the study 63.8%, or 60 managers of the total survey sample, in the Bekhal and Eskan Banks in Erbil city who willingly contributed, are male, whereas 36.2% or 34 mangers of total survey respondents are female.

Table 12. Frequencies and Percentages of the Sample's Gender

Gender	Frequency	Percent
Male	60	63.8 %
Female	34	36.2 %
Total	**94**	**100 %**

2. Age:

Table 13, demonstrates that 18.1% of the respondents their age is (18-less than 30 years) with (N=17). 59.6% of the respondents their age is between (30-39) years with (N=56) that represent the highest age categories. 16 % of the respondents their age is between (40-49) years with (N=15). Finally, 6.4% of the respondents their age is between (50-59) years that represent the lowest age categories.

Table 13. Frequencies and Percentages of Age Groups

Age Groups	Frequency	Percent
Less than 30 years	17	18.1 %
30-39 years	56	59.6 %
40-49 years	15	16.0 %
50-59 years	6	6.4 %
60 years and above	0	0.0 %
Total	**94**	**100 %**

3. Level of Education

Table 14, clarify that half of the respondents (study sample) 55.3% (N=52) are holding BSc. Degree. Comes second, the respondent that holding a diploma degree with 21.3% (N=20). Comes third, the respondent that holding MSc. Degree with 19.1% (N=18). However, the Ph.D. degree holders come at last with 4.3% (N=4).

Table 14. Frequencies and Percentages of the Levels of Education

Level of Education	Frequency	Percentage
Ph.D. Degree	4	4.3 %
MSc. Degree	18	19.1 %
BSc. Degree	52	55.3 %
Diploma degree	20	21.3 %
Total	**94**	**100 %**

4. Job Position:

Table 15, shows that the majority categories of the respondent (study sample) 75.5% or (71) managers' job position is staff administrative. Comes second, the respondent that their job position is department manager with 14.9% or (14) managers. It comes third to the respondent that their job position is the bank's general manager, with 5.3% or (5) bank managers. Finally, the middle manager represents the minority categories of respondents' job position with 4.3% or (4) managers.

Table 15. Analysis of Respondents' Job Position

Bank Managers Job Position	Frequency	Percent
Bank's General Manager	5	5.3
Middle Manager	4	4.3
Department Manager	14	14.9
Staffs Administrative	71	75.5
Total	**94**	**100 %**

5. Overall Job Experience

Table 16, shows that 38.3 % with (N= 36) of the respondents' overall job experience is less than 10 Years. However, 43.6 % means (41) of the respondents' overall years of job experience is between (10 -19) years that represent the highest overall job experience categories. While 6.4% or (6) of the respondents' overall job experience is

between (20 - 29) years that represent the lowest categories of overall years of job experience. Finally, 11.7% or (11) of the respondents' overall years of job experience is 30 years and above.

Table 16. Analysis of Respondents' Overall Job Experience

Overall Job Experience years	Frequency	Percentage
Less than 10 year	36	38.3 %
10-19 years	41	43.6 %
20-29 years	6	6.4 %
30 years and above	11	11.7 %
Total	**94**	**100%**

6. Experience years in the Current Job:

Table 17, shows that 25.5 % with (N= 24) of the respondents' experience years in the current job (study sample) are between (1 – 5) years. 40.4 % with (N= 38) of the respondents' experience years in the current job (study sample) are between (6 – 10) years that represent the highest categories of experience years in the current job. 11.4% means (11) of the respondents' experience years in the current job (study sample) is between (11 – 15) years that represent the lowest categories of experience years in the current job. Finally, 22.3% or (21) of the respondents' experience years in the current job (study sample) is over 15 years.

Table 17. Analysis of Respondents' Experience in the Current Job

Experience in the Current Job	Frequency	Percentage
1- 5 years	24	25.5
6 – 10 years	38	40.4
11 – 15 years	11	11.7
Over 15 years	21	22.3
Total	**94**	**100%**

4.1.5. Descriptive Analysis of Intellectual Capital Questions

Intellectual capital in the present study has been examined through three components, namely: human capital, structural capital, and relational capital. The (27) questions of intellectual capital (human capital 10 questions), (structural capital 11

questions), and (relational capital 6 questions) analyzed based on frequency distribution, percentages, means, and standard deviations.

4.1.5.1. Human Capital

Table 18, explains the analysis of the human capital questions (*HC1-HC10*). The means' general average of human capital questions reached (4.033) that it considers being a high level of contributions to enhance the intellectual capital of the survey banks. Depending on the percentages and mean, the essential question that contributes to enhancing the human capital based on the perspectives of the study sample is question one (*HC1*) that states: the bank retains managers and employees of highly skilled and accumulated experience.

So, a mean and standard deviation of (4.50), (0.813), respectively. Comes second, question number ten (*HC10*) that states: (Leadership skills are sufficient to achieve established goals and objectives.) that have a mean and standard deviation of (4.45), (0.825) respectively. Comes third, question number eight (*HC8*) that states: (The bank's goals and objectives are fully understood by the employees, and they are focused on achieving those goals and objectives) that have a mean and standard deviation of (4.11), (0.989) respectively. However, the lowest contribute question based on the perspectives of the study sample is question number nine is (*HC9*) that states (The employees provide the bank with a competitive advantage over competitors.) that have a mean and standard deviation of (3.68), (1.246) respectively.

Table 18. Descriptive Analysis of the Human Capital Questions.

	Strongly disagree		**Disagree**		**Neutral**		**Agree**		**Strongly agree**		**Mean**	**St D.**
	N	**%**	**N**	**%**	**N**	**%**	**N**	**%**	**N**	**%**		
HC1	2	2.1	1	1.1	4	4.3	28	29.8	59	62.8	4.50	0.813
HC 2	1	1.1	5	5.3	9	9.6	49	52.1	30	31.9	4.09	0.851
HC3	1	1.1	6	6.4	15	16.0	41	43.6	31	33.0	4.01	0.922
HC4	2	2.1	8	8.5	16	17.0	44	46.8	24	25.5	3.85	0.972
HC5	4	4.3	7	7.4	13	13.8	36	38.3	34	36.2	3.95	1.091
HC6	7	7.4	4	4.3	18	19.1	30	31.9	35	37.2	3.87	1.184
HC7	0	0.0	12	12.8	17	18.1	41	43.6	24	25.5	3.82	0.961
HC8	1	1.1	8	8.5	11	11.7	34	36.2	40	42.6	4.11	0.989
HC9	6	6.4	15	16.0	11	11.7	33	35.1	29	30.9	3.68	1.246
HC10	1	1.1	2	2.1	8	8.5	26	27.7	57	60.6	4.45	0.825
General Average of (Human Capital) Questions											**4.033**	**0.985**

4.1.5.2. Structural Capital

Table 19, explains the analysis of the structural capital questions (*SC11-SC21*). The means' general average of structural capital questions reached (3.838) that it considers being a high level of contributions to enhance the intellectual capital of banks under study. Depending on the percentages and mean, the essential question that contributes to enhancing the structural capital based on the perspectives of the study sample is question number eleven (*SC11*) that states: The bank applies most of its knowledge and information in processes, structures, and systems. That has a mean and standard deviation of (4.15), (.842), respectively.

However, question number twelve (*SC12*) comes second that states: (The bank's knowledge is reserved in repositories such as manuals/ documentation, and databases.) that have a mean and standard deviation of (3.98), (.892) respectively. Comes third, question number twenty (*SC20*) that states: (The bank has a system to collect necessary data and information for the financial performance assessment process.) that have a mean and standard deviation of (3.94), (1.086) respectively. On the other hand, the lowest contribute question based on the perspectives of the study sample is question number fifteen is (*SC15*) that states (Internal relations at the bank provide favorable conditions for the work of the employees as a team. That has a mean and standard deviation of (3.59), (1.140), respectively.

Table 19. Descriptive Analysis of the Structural Capital Questions.

	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Mean	St D.
	N	%	N	%	N	%	N	%	N	%		
SC11	2	2.1	3	3.2	6	6.4	51	54.3	32	34.0	4.15	0.842
SC12	1	1.1	5	5.3	17	18.1	43	45.7	28	29.8	3.98	0.892
SC13	5	5.3	8	8.5	16	17.0	34	36.2	31	33.0	3.83	1.142
SC14	3	3.2	13	13.8	16	17.0	28	29.8	34	36.2	3.82	1.164
SC15	6	6.4	11	11.7	19	20.2	38	40.4	20	21.3	3.59	1.140
SC16	3	3.2	12	12.8	15	16.0	29	30.9	35	37.2	3.86	1.151
SC17	7	7.4	9	9.6	14	14.9	35	37.2	29	30.9	3.74	1.209
SC18	5	5.3	6	6.4	21	22.3	32	34.0	30	31.9	3.81	1.119
SC19	6	6.4	11	11.7	16	17.0	36	38.3	25	26.6	3.67	1.177
SC20	6	6.4	3	3.2	13	13.8	41	43.6	31	33.0	3.94	1.086
SC21	5	5.3	9	9.6	13	13.8	37	39.4	30	31.9	3.83	1.142
General average of (Structural Capital) questions											**3.838**	**1.096**

4.1.5.3. Relational Capital

Table 20, clarifies the analysis of the relational capital questions (*RC22 - RC27*). The means' general average of relational capital questions reached (3.888) that it considers being a high level of contributions to enhance the intellectual capital of banks under study. Depending on the percentages and mean, the most significant question that contributes to enhance the relational capital based on the perspectives of study sample is question number twenty six (*RC26*) that states: (The bank management is dealing with the proposals of the clients with highly relevant) that have a mean and standard deviation of (3.98), (1.199) respectively.

Though, question number twenty-five (*RC25*) comes second that states: (The bank management evaluates the employee's performance based on the quality of the services they provide to the client and not on the number of clients served.) that have a mean and standard deviation of (3.93), (1.050) respectively. Comes third, question number twenty-two (*RC22*) that states: (The bank management pursues to promote interaction with the clients and provide them with as much information as possible to ensure the provision of appropriate service for them. That has a mean and standard deviation of (3.93), (1.129), respectively. In contrast, the lowest contribute question based on the perspectives of study sample is question number twenty-three is (RC23) that states (The bank management has a competitive advantage in terms of banking services provided to clients, which qualifies them to differentiate from other banks.) that have a mean and standard deviation of (3.77), (.977) respectively.

Table 20. Descriptive Analysis of the Relational Capital Questions.

	Strongly disagree		**Disagree**		**Neutral**		**Agree**		**Strongly agree**		**Mean**	**St D.**
	N	**%**	**N**	**%**	**N**	**%**	**N**	**%**	**N**	**%**		
RC22	6	6.4	4	4.3	15	16.0	35	37.2	34	36.2	3.93	1.129
RC23	3	3.2	6	6.4	22	23.4	42	44.7	21	22.3	3.77	.977
RC24	6	6.4	5	5.3	19	20.2	30	31.9	34	36.2	3.86	1.160
RC25	1	1.1	9	9.6	22	23.4	26	27.7	36	38.3	3.93	1.050
RC26	4	4.3	11	11.7	16	17.0	24	25.5	39	41.5	3.98	1.199
RC27	9	9.6	13	13.8	8	8.5	35	37.2	29	30.9	3.86	1.308
General Average of (Relational Capital) Questions											**3.888**	**1.137**

Table 21, below summarizes the ranks of intellectual capital dimensions that include (human capital, structural capital, and relational capital). Human capital was the most significant dimension of stimulating intellectual capital. On the other hand, structural capital was the least significant dimension to intellectual capital.

Table 21. Ranks of Intellectual Capital Dimensions

Intellectual Capital dimensions	Mean	StD.	The rate of Agreement	Sig. (2-tailed)	Rank	Approval degree
Human capital	4.033	.985	80.66%	0.000	1	High
Structural Capital	3.838	1.096	77.60%	0.000	3	High
Relational Capital	3.888	1.137	77.76	0.000	2	High

df= 1, 92 N=94

4.1.6. The Scale of Bank's Financial Performance

Table 22, shows the analysis of the bank's financial performance questions (*FP1 – FP13*). The means' general average of according to study sample perspectives reached (3.868) that it considers being a high level of contributions to enhance the bank's financial performance under study. Depending on the percentages and mean, the most significant question that contributes to enhance the bank's financial performance based on the perspectives of study sample is question number one (*FP1*) that states: (The bank is keen to introduce all-new means and services to excellence in financial performance in particular and organizational performance in general.) that have a mean and standard deviation of (4.44), (.911) respectively.

Nevertheless, question number three (*FP3*) comes second, which states: (The bank has had moral development on return on equity in the last three years) that have a mean and standard deviation of (4.00), (.880) respectively. Comes third, question number five (*FP5*) that states: (The bank has had an upright development in return on assets in the last three years.) that have a mean and standard deviation of (3.96), (.926) respectively. However, the lowest contribute question based on the perspectives of the study sample is question number nine (*FP9*) that states (The bank has made a positive change in return on investment related to the previous three years.) that have a mean and standard deviation of (3.60), (1.110) respectively.

Table 22. Analyzing the Bank's Financial Performance Questions.

	Strongly disagree		**Disagree**		**Neutral**		**Agree**		**Strongly agree**		**Mean**	**StD.**
	N	**%**	**N**	**%**	**N**	**%**	**N**	**%**	**N**	**%**		
FP1	3	3.2	1	1.1	6	6.4	26	27.7	58	61.7	4.44	.911
FP2	4	4.3	3	3.2	16	17.0	42	44.7	29	30.9	3.95	.999
FP3	0	0.0	6	6.4	18	19.1	40	42.6	30	31.9	4.00	.880
FP4	3	3.2	6	6.4	15	16.0	39	41.5	31	33.0	3.95	1.020
FP5	1	1.1	6	6.4	18	19.1	40	42.6	29	30.9	3.96	.926
FP6	6	6.4	7	7.4	13	13.8	29	30.9	39	41.5	3.94	1.199
FP7	2	2.1	12	12.8	24	25.5	37	39.4	19	20.2	3.63	1.016
FP8	1	1.1	8	8.5	17	18.1	40	42.6	28	29.8	3.91	.958
FP9	4	4.3	12	12.8	24	25.5	32	34.0	22	23.4	3.60	1.110
FP10	8	8.5	9	9.6	14	14.9	35	37.2	28	29.8	3.70	1.234
FP11	5	5.3	9	9.6	24	25.5	33	35.1	23	24.5	3.64	1.115
FP12	3	3.2	10	10.6	19	20.2	35	37.2	27	28.7	3.78	1.079
FP13	8	8.5	11	11.7	10	10.6	29	30.9	36	38.3	3.79	1.302
General Average Of (Bank's Financial Performance) Questions											**3.868**	**1.057**

4.2. Correlation Analysis

The coefficient of Pearson's (r) correlation administrated to discover the correlation between intellectual capital and the bank's financial performance. The table below (23) clarifies that intellectual capital positively correlated with the bank's financial performance since Pearson correlation (r) value is equal to (.511**) at the significance level (0.01) that reached the significant value of (0.000). Therefore, accepting the first main hypothesis that states, "There is a significant and positive correlation between intellectual capital and bank's financial performance in the banks under study in Erbil city."

Table 23. Correlation Results Between Intellectual Capital And Bank's Financial Performance

	Bank's Financial Performance		
Intellectual Capital	**Pearson Correlation** (r)	**Sig. (2-tailed)**	***N***
	0.511**	0.000	*94*

**. Correlation is significant at the 0.01 level (2-tailed).

Table 24, below shows that the human capital positively correlated with the bank's financial performance since the Pearson correlation (r) value is equal to (.367) at the significance level (0.01) that reached the significant value of (0.000). Therefore, accepting the first sub- the hypothesis that derived from the first main hypothesis that states, there is a significant and positive correlation between human capital and bank's financial performance in the banks under study in Erbil city.

Table 24. Results of Correlation Between IC Components and Bank's Financial Performance

IC Components	**Bank's Financial Performance**		
	Pearson Correlation (r)	**Sig. (2-tailed)**	***N***
Human capital	0.367**	0.000	*94*
Structural capital	0.391**	0.000	*94*
Relational capital	0.445**	0.000	*94*

**. Correlation is significant at the 0.01 level (2-tailed).

The same Table 24, gives details that the structural capital positively correlated with the bank's financial performance since the Pearson correlation (r) value is equal to (.391) at the significance level (0.01) that reached the significant value of (0.000). Therefore, accepting the second sub-hypothesis that derived from the first main hypothesis that states, there is a significant and positive correlation between structural capital and bank's financial performance in the banks under study in Erbil city. Table 24, also explains that the relational capital positively correlated with bank's financial performance since the Pearson correlation (r) value is equal to (.445) at the significance

level (0.01) that reached the significant value of (0.000) — as a result, accepting the third sub- the hypothesis that derived from the first main hypothesis that states, there is a significant and positive correlation between relational capital and bank's financial performance in the banks under study in Erbil city.

4.3. Regression Analysis

Tables 25, below illustrate the analysis of the second main hypothesis with the three sub-hypothesis that derives from it. The analysis of a multiple linear regression has been administrated by the researcher in order to examine the impact of intellectual capital on the bank's financial performance. This hypothesis tested according to the rule of decision that the hypothesis is acceptable if the value of F calculated is higher than the value of F tabulated along with the level of significance is lower than 0.05.

Table 25. The Impact of the Intellectual Capital on Bank's Financial Performance Regression Analysis (Model Summary)

Model	**R**	**R Square**	**Adjusted R Square**	**Std. The error of the Estimate**	
1	0.511 [a]	0.261	0.253	0.35930	
Model	**Sum of Squares**	**df**	**Mean Square**	**F-test of Significance**	**Sig.**
Regression **Residual** **Total**	4.199 11.877 16.076	1 92 93	4.199 0.129	32.528	0.000[b]
a. Dependent Variable: Bank's financial performance					
b. Predictors: (Constant): Intellectual capital					

Table 25, shows that the significance value is 0.000, which is less than 0.05. Thus, the model is statistical significance in predicting how intellectual capital impacts on bank's financial performance. At the level of significance 0.05, the value of F calculated is (32.528) that it is higher than the value of F tabulated (3.9201); these results clarify that the overall model is significant. The value of R square is (.261) that illustrates (26.1%) of the bank's financial performance variation is explained by intellectual capital. Accordingly, accepting the main second hypothesis is that states, "There is a significant

impact of the intellectual capital on bank's financial performance from the perspectives of the banks' managers in Erbil-Iraq."

Table 26, below, shows that the value of F calculated is (14.289) at the level of significance 0.05, that it is higher than the value of F tabulated (3.9201). The value of R square is (.134) illustrates that (13.4%) of the bank's financial performance variation is explained by the human capital, consequently, accepting the first sub-hypothesis that states, "There is a significant impact of human capital on bank's financial performance from the perspectives of the banks' managers in Erbil-Iraq".

Table 26. The Impact of the IC Components on Bank's Financial Performance

	Bank's financial performance		
	R Square	**F calculated**	**Sig. F Change**
Human capital	0.134	14.289	.000
Relational capital	0.198	22.672	.000
Relational capital	0.198	22.672	.000

(N=94, df= 1, 92)

Table 26, shows that the value of F calculated is (16.628) at the level of significance 0.05, that it is higher than the value of F tabulated (3.9201). The value of R square is (.153) illustrates that (15.3%) of the bank's financial performance variation is explained by the structural capital. Consequently, accepting the second sub-hypothesis that states, "There is a significant impact of structural capital on bank's financial performance from the perspectives of the banks' managers in Erbil-Iraq."

The same Table 26, also demonstrates that the value of F calculated is (22.672) at the level of significance 0.05, that it is higher than the value of F tabulated (3.9201). The value of R square is (.198) illustrates that (19.8%) of the bank's financial performance variation is explained by the relational capital. Therefore, accepting the third sub-hypothesis that states, "There is a significant impact of relational capital on bank's financial performance from the perspectives of the banks' managers in Erbil-Iraq."

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The ultimate purpose of this study was to identify the significant role of intellectual capital towards achieving the financial performance of Bekhal and Eskan banks in Erbil city. By using the VAIC model, and therefore, analyzed study purpose, however, the researcher diagnosed intellectual capital and financial performance of the banks through measuring it is indicators such as Return on Assets (ROA), Return on Equity (ROE), Return on Investment (ROI),and Operating Profit Margin (OPM).

In the same regard, it tested the relationship between intellectual capital and financial performance through obtaining perceptions from a survey sample of the bank managers. Accordingly, the researcher applied the effect of the VAIC model in this correlation to aid in achieving the financial performance while financial performance of the banks is a complex subject, in the light of which the particular image of the financial institutions determined, in the context of environmental changes affecting the banks and financial institution as a social system, at the external or internal level of a bank.

Based on the study results, it can be identified that intellectual capital is a collection of unique information resources focused on innovative human minds, business needs, and customer relationship processes that result in the ongoing production of new ideas and methods that add value to the company and enhance its competitiveness. Financial performance of the banks also is the bank or financial institution's ability to achieve results that are compatible with the goals and objectives set by maximizing the bank's resources and is an effort to achieve the bank’s objectives by using the best available resources, including human resources. So, banks' dominance and the secret lie in their management's competence and power, which can spend their intellectual resources in a way that promotes and sustains them. The interest in the management of intellectual capital has thus become a popular and important subject in business management thought.

The study found that the surveyed banks retain managers and employees of highly skilled and accumulated experience as human capital. Besides, bank management skills are sufficient to achieve established goals and objectives. The results also show that the bank's knowledge is reserved in repositories such as manuals/ documentation, and databases. Besides, the banks apply most of their knowledge and information in processes, structures, and systems. Conversely, the responses on intellectual capital

explained that the banks' management is dealing with the proposals of the clients with highly relevant. Moreover, the banks' management evaluates the employee's performance based on the quality of the services they provide to the client and not on the number of clients served as practicing relational capital.

The results on the financial performance showed that, in general, surveyed banks keen to introduce all-new means and services to excellence in financial performance in particular and organizational performance. Also, the bank's management increased revenue as an indicator of success. Besides, the surveyed banks have worthily developed on return on equity in the last three years and obtained a better return on equity than other banks. As well as achieving an upright development in return on assets in the last three years. As a result of reasonable levels of intellectual capital, the surveyed banks reached a better return on equity related to the previous three years, made a positive change in return on the owner equity compared to the previous three years. The rate of return on the bank's owner equity exceeds the competitive banks.

The results also found efficiencies of intellectual capital have a significant relationship with the financial performance indicators in terms of Return on Assets (ROA), Return on Equity (ROE), Return on Investment (ROI), and Operating Profit Margin (OPM). Furthermore, it showed a positive correlation between the three dimensions of intellectual capital (human capital, structural capital, and relational capital) and the bank's financial performance. Relational capital achieved the highest positive correlation with bank's financial performance. On the other hand, human capital has the weakest positive correlation with bank's financial performance. The results confirmed that intellectual capital impacted on the financial performance of banks. further, relational capital achieved the highest statistically impact on the financial performance of the banks. In contrast, human capital has the weakest impact on the financial performance of the banks.

Recommendations

This study recommends that Bekhal and Eskan banks in Erbil city need to preserve the high levels of intellectual capital and its components, as it exceeds the physical capital in the modern era. Besides, recruiting human resources with expertise, skills, and abilities to work within the business and hiring them for the purpose of increasing investment in entrepreneurial strategy building.

The researcher also recommends that the banks create a suitable database for their creative staff, find suitable methods of calculation, and assess their intellectual capital along with improving its available human resources by sending personnel with the expertise, productivity of research courses, missions, and engaging in communications science conferences. Bank management should obtain more attention systematically and continuously develops the skills and abilities of the staff through multi-purpose training programs in order to attain a competitive advantage over competitors.

However, Bekhal and Eskan banks in Erbil city should make attempts to understand their staff, the bank goals, objectives, and encourage them to manage themselves to be responsible for achieving the financial performance. The banks' management philosophy has to support the achievement of established goals and objectives, and banks should set guidelines and written notes and publications that explain the functioning of the managers and employees. The bank's management should pay more attention to see the increase in revenue as an indicator of success.

The surveyed banks should pay more attention to human resources in the units because it is considered as a precious intangible capital is the "intellectual capital," which is represented by three essential components are human capital, structural capital and relational capital. It is necessary to use new information and communication technologies and software to accomplish the tasks of the teams that can achieve their objectives easily, especially in achieving the effectiveness of the teams. It is the responsibility of the management of the banks to allocate the necessary funds to invest these technologies and build and develop information systems as well as the construction of a communications network to link the bank with the external environment. The managers within both banks would provide more significance on their client satisfaction in most banking services, further identify that real dependability develops from human interaction, from managers or staff to deliver best bank services to client. Further, this study recommends that future studies could re-conduct this study topic in other industries to state whether the study would produce similar findings by using correlated and specific purposes. However, it would be outstanding to find out whether public organizations staff in different departments or ministries would place related significance to contribute to a survey similar to the current study.

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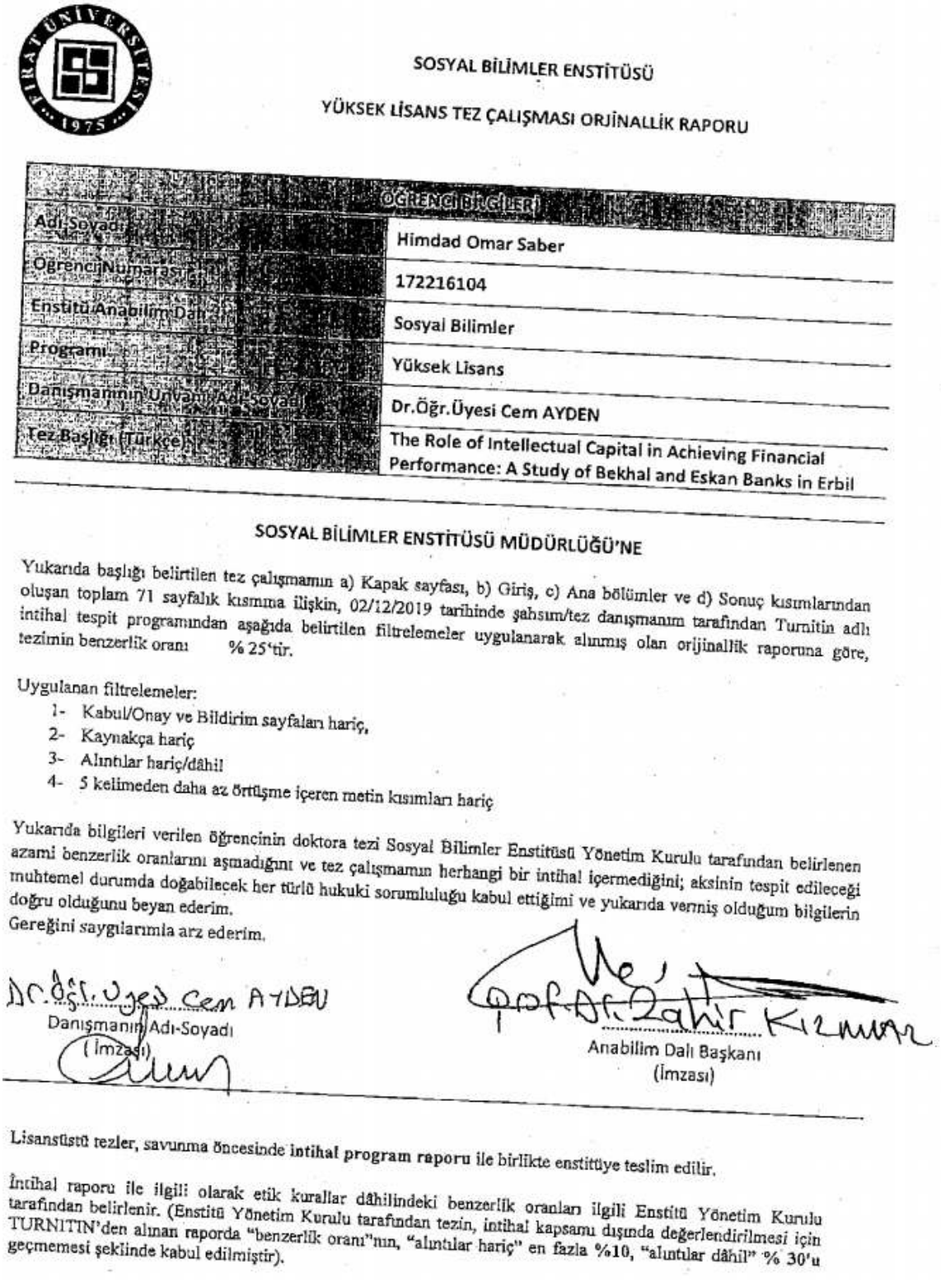
APPENDICES

Appendix 1: Originality Report



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SOSYAL BİLİMLER ENSTİTÜSÜ

YÜKSEK LİSANS TEZ ÇALIŞMASI ORJİNALLİK RAPORU

ÖĞRENCİ BİLGİLERİ	
Adı-Soyadı	Himdad Omar Saber
Öğrenci Numarası	172216104
Enstitü Anabilim Dalı	Sosyal Bilimler
Programı	Yüksek Lisans
Danışmanının Unvanı, Adı-Soyadı	Dr.Öğr.Üyesi Cem AYDEN
Tez Başlığı (Türkçe)	The Role of Intellectual Capital in Achieving Financial Performance: A Study of Bekhal and Eskan Banks in Erbil

SOSYAL BİLİMLER ENSTİTÜSÜ MÜDÜRLÜĞÜ'NE

Yukarıda başlığı belirtilen tez çalışmamın a) Kapak sayfası, b) Giriş, c) Ana bölümler ve d) Sonuç kısımlarından oluşan toplam 71 sayfalık kısmına ilişkin, 02/12/2019 tarihinde şahsım/tez danışmanım tarafından Turnitin adlı intihal tespit programından aşağıda belirtilen filtrelemeler uygulanarak alınmış olan orijinallik raporuna göre, tezimin benzerlik oranı % 25'tir.

Uygulanan filtrelemeler:

1- Kabul/Onay ve Bildirim sayfaları hariç,
2- Kaynakça hariç
3- Alıntılar hariç/dâhil
4- 5 kelimeden daha az örtüşme içeren metin kısımları hariç

Yukarıda bilgileri verilen öğrencinin doktora tezi Sosyal Bilimler Enstitüsü Yönetim Kurulu tarafından belirlenen azami benzerlik oranlarını aşmadığını ve tez çalışmamın herhangi bir intihal içermediğini; aksinin tespit edileceği muhtemel durumda doğabilecek her türlü hukuki sorumluluğu kabul ettiğimi ve yukarıda vermiş olduğum bilgilerin doğru olduğunu beyan ederim.
Gereğini saygılarımla arz ederim.

Dr.Öğr.Üyesi Cem AYDEN
Danışmanın Adı-Soyadı
(İmzası)

Prof.Dr.Zahir KIZMAZ
Anabilim Dalı Başkanı
(İmzası)

Lisansüstü tezler, savunma öncesinde intihal program raporu ile birlikte enstitüye teslim edilir.

İntihal raporu ile ilgili olarak etik kurallar dâhilindeki benzerlik oranları ilgili Enstitü Yönetim Kurulu tarafından belirlenir. (Enstitü Yönetim Kurulu tarafından tezin, intihal kapsamı dışında değerlendirilmesi için TURNITIN'den alınan raporda "benzerlik oranı"nın, "alıntılar hariç" en fazla %10, "alıntılar dâhil" % 30'u geçmemesi şeklinde kabul edilmiştir).

Appendix 2: Questionnaire Form

T.C

FIRAT UNIVERSITY

SOCIAL SCIENCE INSTITUTE

BUSINESS ADMINISTRATION DEPARTMENT

Dear Sir / Madam Respondent

(Bank Managers)

This questionnaire form is a part of a master study entitled **"The Role of Intellectual Capital in Achieving Financial Performance: A Study of Bekhal and Eskan Banks in Erbil City"** in Partial Fulfillment of the Requirements for the Degree of Master in Business Administration, Firat University Turkey.

I will be pleased if you participate in the survey by answering its questions, which reflecting on your information as it would have a positive influence on conducting this study at a significant level.

Please answer as fairly as possible to the following questions and statements through marking (√) in a suitable place that inferring your understandings and thoughts. However, all data will keep confidential and used for scientific research purposes only. Besides, information about the bank and the respondent will not be identified.

Thanks in advance for your time and cooperation with us.

Sincerely,

Researcher
Himdad Omar SABER
Master Student

Advisor
Dr. Cem AYDEN

First: General Information

1. Gender:

- Male ( ).
- Female ( ).

2. Age:

- Less than 30 years ( ).
- 30–39 ( ).
- 40–49 ( ).
- 50-59 ( ).
- 60 and above ( ).

3. Level of Education:

- Ph.D. ( ).
- Master ( ).
- Bachelor ( ).
- Diploma ( ).

4. Job Position:

- Bank's General Manager ( ).
- Middle Manager ( ).
- Department Manager ( ).
- Staffs Administrative ( ).

5. Overall Job Experience:

- Less than 10 years ( ).
- 10-19 ( ).
- 20-29 ( ).
- 30 and above ( ).

6. Experience in the Current Job:

- 1- 5 years ( ).
- 6-10 ( ).
- 11-15 ( ),
- Over 15 years ( ).

Second: The Scale of Intellectual Capital

Intellectual capital is a set of unique knowledge assets based on creative human minds, business requirements and customer relationship systems that lead to the

continuous production of new ideas and methods that add value to the organization and support its competitiveness This part of the scale is based on a broad scale that comprises a grouping of three components: ***Human capital, Structural Capital, and Relational Capital***.

A. Human capital is a combination of elements of knowledge related to skills, accumulation of experience, creativity, innovation, and the ability of individuals to perform their tasks.

Q	***Statements***	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
		5	**4**	**3**	**2**	**1**
1	The bank retains managers and employees of highly skilled and accumulated experience.					
2	Bank management systematically and continuously develops the skills and abilities of the employees through the multi-purpose training programs.					
3	The bank's employees are widely considered the best in the industry.					
4	Bank management is seeking to adopt administrative empowerment, concepts, and methods-based management confidence to maintain the best employees in terms of banking services.					
5	The knowledge, skills, and competencies of the staff are sufficient to achieve established goals and objectives.					
6	Bank management senses employees that they can manage themselves and responsible for their financial performance.					
7	Bank management encourages a spirit of competition among employees at the bank.					
8	The bank's goals and objectives are fully understood by the employees, and they are focused on achieving those goals and objectives					
9	The employees provide the bank with a competitive advantage over competitors.					
10	Leadership skills are sufficient to achieve established goals and objectives					

Source: Wali, Ahlam Ibrahim (2007) The Relationship Between Organizational Knowledge and Intellectual Capital, and its Influence in Determining the Strategic Choice, *Unpublished Doctoral Thesis*, Department of Business Administration, Salahaddin University-Erbil Iraq.

Mustafa, Hussein, A. (2016). Analysis of the Relationship of Intellectual Capital and Organizational Learning and its Impact on Achieving Business Entrepreneurship, *Unpublished Master Thesis*, in Business Administration, Salahaddin University- Erbil, Iraq.

B. Structural capital is anything in the organization that supports employees in the performance of their work is represented in the infrastructure support employees and includes traditional things such as buildings, substantial parts of computers, software, processes, patents, and trademarks.

Q	*Statements*	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		5	4	3	2	1
11	The bank applies most of its knowledge and information in processes, structures, and systems.					
12	The bank's knowledge is reserved in repositories such as manuals/ documentation, and databases.					
13	The applied bank management systems support to retain, attract expertise and knowledge.					
14	The management philosophy of the bank supports the achievement of established goals and objectives.					
15	Internal relations at the bank provide favorable conditions for the work of the employees as a team.					
16	Organize work departments in the bank assistances to provide better service to bank clients.					
17	The bank set of guidelines and written notes and publications that explain the functioning of the managers and employees.					
18	The bank management confirms that employees are an essential part of the banking services, and without them, the bank could not achieve its objectives.					
19	The bank communicates effectively from the top-down and the bottom-up					
20	The bank has a system to collect necessary data and information for the financial performance assessment process.					
21	The bank has access to general business management and specialized tools (such as facilities, information technology, and equipment) needed to achieve established goals and objectives.					

Source: Wali, Ahlam Ibrahim (2007) The Relationship Between Organizational Knowledge and Intellectual Capital, and its Influence in Determining the Strategic Choice, *Unpublished Doctoral Thesis*, Department of Business Administration, Salahaddin University-Erbil Iraq.

Santoso, Eko (2011). Intellectual Capital in Indonesia: The Influence on Financial Performance of Banking Industry, *Unpublished Ph.D. Dissertation*, University of Phoenix, Indonesia.

Mustafa, Hussein, A. (2016). Analysis of the Relationship of Intellectual Capital and Organizational Learning and its Impact on Achieving Business Entrepreneurship, *Unpublished Master Thesis*, in Business Administration, Salahaddin University- Erbil, Iraq.

C. Relational capital, we may define it that includes all the relations that the organization has with its stakeholders, such as suppliers, government agencies, investors, customers, and strategic alliances established by the organization.

Q	***Statements***	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
		5	**4**	**3**	**2**	**1**
22	The bank management pursues to promote interaction with the clients and provide them with as much information as possible to ensure the provision of appropriate service for them.					
23	The bank management has a competitive advantage in terms of banking services provided to clients, which qualifies them to differentiate from other banks.					
24	The bank management carefulness to achieve loyalty with clients, through the best deal for the services provided to them.					
25	The bank management evaluates the employee's performance based on the quality of the services they provide to the client and not on the number of clients served.					
26	The bank management is dealing with the proposals of the clients with highly relevant.					
27	The bank effectively collaborates with clients and external organizations to achieve established goals and objectives.					

Source: Wali, Ahlam Ibrahim (2007) The Relationship Between Organizational Knowledge and Intellectual Capital, and its Influence in Determining the Strategic Choice, *Unpublished Doctoral Thesis*, Department of Business Administration, Salahaddin University-Erbil Iraq.

Santoso, Eko (2011). Intellectual Capital in Indonesia: The Influence on Financial Performance of Banking Industry, *Unpublished Ph.D. Dissertation*, University of Phoenix, Indonesia.

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Third: The Scale Financial Performance of the Banks

This part of the scale is based on an inclusive scale that comprises a combination of thirteen Questions (statements).

Financial Performance is the ability of the organization to achieve results that correspond to the plans and objectives set through the optimal utilization of the resources available to the organization and is an activity to achieve the objectives of the economic unit through the use of the best available resources including human resources.

Q	***Statements***	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
		5	**4**	**3**	**2**	**1**
1	The bank is keen to introduce all-new means and services to excellence in financial performance in particular and organizational performance in general.					
2	The bank's management sees the increase in revenue as an indicator of success.					
3	The bank has had worthy development on return on equity in the last three years					
4	The bank has a better return on equity than other banks.					

5	The bank has had an upright development in return on assets in the last three years.					
6	The bank has a better return on equity related to the previous three years.					
7	The bank has made a positive change in return on the owner equity compared to the previous three years					
8	The rate of return on the bank's owner equity exceeds the competitive banks.					
9	The bank has made a positive change in return on investment related to the previous three years					
10	The return on investment exceeds competitive banks.					
11	The bank has made a positive change in the profit margin of operations compared to the previous three years					
12	Banks' profit margin from operations exceeds the competitive banks.					
13	The bank believes that increased market share is a tool for financial excellence among winning organizations.					

Source: Santoso, Eko (2011). Intellectual Capital in Indonesia: The Influence on Financial Performance of Banking Industry, *Unpublished Ph.D. Dissertation*, University of Phoenix, Indonesia.

Hassan, T. A. (2017). The Role of Corporate Governance Mechanisms in Controlling Financial Performance of Commercial Banks in Erbil-Iraq, *Unpublished Master Thesis*, Business Administration Department, Bingöl University.

CURRICULUM VITAE

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Education and Training		
Degree	**Institution**	**Time Interval**
Bachelor of Art or Science	Knowledge University, College of Administration & Economics, Business Administration Department (Iraq)	2017
Master of Art or Science	Firat University, Social Science Institute, Business Administration Department (Turkey)	2019
Personal Skills		
Languages	Kurdish, English, and Arabic	
Computer skills	MS, Word, MS, Excel, and MS PowerPoint.	