

Digital Transformation as a Gateway for Enhancing Financial Performance: A Perspective from Iraqi Banking Sector Employees

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Abstract: This study seeks to investigate the subject of digital transformation by analyzing the correlation between different aspects of digital transformation and financial performance. Additionally, it aims to assess the influence of digital transformation dimensions on financial performance, particularly in the context of the diverse digital changes observed worldwide during and following the (COVID-19) pandemic. One of the notable changes observed in these revolutions is the incorporation of technology inside the banking industry. To accomplish the research aims, a survey instrument in the form of an electronic questionnaire was developed and disseminated to a sample of (103) individuals who are employed in the banking industry of Iraq. The data collected was subjected to analysis using SPSS26 software, resulting in a compilation of theoretical and practical findings as well as recommendations.

Keywords: Digital Transformation, Digital Revolution, Financial Performance, Iraqi Banking Sector

Chapter One: The Theoretical Perspective

Introduction:

During and after the COVID-19 epidemic, the world witnessed numerous transformations. One of the most important of these revolutions is the integration of technology across diverse sectors, which has been identified as a vital success element. As the third millennium began, this trend resulted in an increased reliance on technology and digital advancements across several sectors and institutions. This move has permitted the completion of a wide range of activities and duties.

The financial services sector is also considered one of the sectors profoundly influenced by the digital revolution. This influence has been evident through the introduction of technological and

digital means that facilitate access to financial services and their utilization. This impact extends not only to countries worldwide but also holds particular significance for developing nations.

The research focuses on investigating a contemporary and significant topic, which is the phenomenon of digital transformation and its associated indicators. It aims to analyze the impact of this transformation on the financial performance of the Iraqi banking sector. This will be achieved through a survey-based approach that gathers insights from a selected sample of professionals employed within the Iraqi banking institutions. The primary objective is to empirically examine the nature of the relationship between digital transformation and financial performance, with the ultimate aim of deriving a comprehensive set of conclusions and recommendations.

The research problem:

The banking sector is widely recognized as a pivotal industry in the pursuit of economic and developmental objectives within society. The digital revolution has had a substantial impact on it. The utilization of digital tools and technologies has emerged as important determinants of success for firms operating in this particular area. Concurrently, digital tools present considerable obstacles that businesses in diverse work settings commonly face.

Therefore, the research problem revolves around the following questions:

1. Is there a relationship between dimensions of digital transformation and financial performance?
2. Does digital transformation affect financial performance?

The Significance of the Research:

The research holds significance due to its focus on the modern phenomenon of digital transformation. This topic is of significant importance as it has emerged as a crucial and contemporary area of focus. The concept of digital transformation has garnered significant attention and interest among researchers, scholars, and practitioners in the domains of finance and business. The aforementioned emphasis serves to highlight the theoretical significance of the findings.

The significance of the research becomes apparent when considering practical indicators pertaining to the subject of digital transformation and its influence on the financial performance of banks. The objective of this inquiry is to generate a series of practical conclusions and recommendations that will contribute to the advancement of the banking sector in Iraq, taking into account the digital revolution and its associated repercussions.

Aims of the study:

The research aims to achieve the following:

1. Test the relationship between dimensions of digital transformation and financial performance within the Iraqi banking sector.
2. Examine the impact of dimensions of digital transformation on the financial performance of the Iraqi banking sector.

3. Arrive at a set of theoretical and practical conclusions and recommendations.

Research Variables:

The dependent variable in this research is represented by Financial Performance, which is assessed through indicators including Financial Resources, Profitability, Market Share, and Technological Resources.

The independent variable represents Digital Transformation, encompassing indicators such as Digital Business, E-Government, Infrastructure, Innovation, and Digital Transformation Culture.

Study Subjects and Sample:

The research population is composed of the "Iraqi Banking Sector. A convenient sample of (103) individuals was drawn from this population to achieve the research objectives and derive the findings.

Research Limitations:

1. Objectivity: Pertains to Digital Transformation and Financial Performance.
2. Human Element: Encompasses individuals employed at different managerial levels within the banking sector in Iraq.
3. Spatial Scope: Iraqi banks.
4. Temporal Scope: From June 15, 2023, to August 15, 2023.

Conceptual Framework of Digital Transformation:

The term "digital transformation" refers to the process of integrating digital technologies into many aspects of an organization's operations, strategies, and culture in order to enhance efficiency, improve customer experiences, and drive innovation. Digital transformation encompasses the extensive utilization of computer technology and the internet to enhance the generation of economic value by means of improved efficiency and effectiveness. In a more expansive context, this denotes the transformations facilitated by emerging technology at large, which fundamentally reshape the manner in which tasks are performed, interactions take place, and economic prosperity is achieved within this framework. According to (Abdulghani, 2022), digital transformation refers to a series of significant modifications that occur within a company's value creation chain or internal structure. These changes can either be a result of or a requirement for the adoption and exploitation of technology.

It's also defined as the "process of companies transitioning to a business model that relies on digital technologies for innovating products and services, providing new revenue channels, and enhancing the value of their offerings.

Digital transformation refers to the application of emerging digital technologies, including mobile devices, artificial intelligence, cloud computing, block chain, and the Internet of Things, with the aim of facilitating substantial improvements in business operations, enhancing customer experiences, optimizing operational processes, or establishing novel business models.

The term "digital transformation" encompasses the incorporation of digital technology across various business domains, as well as the integration of technology into all facets of human existence and societal structures, with the objective of enhancing operational efficiency, bolstering productivity, minimizing errors, elevating product quality, fostering innovation in new products, and delivering superior customer services (Shahada, 2022).

The fundamental components of the digital transformation process include:

The digital transformation process requires a set of essential components that contribute to the success of organizations when adopting digital transformation. These components are outlined by (Brees and Jabr 2022).

1. Digital technologies: such as the Internet of Things (IoT), mobile devices, 3D printers, big data, artificial intelligence, and cloud computing are integrated into business models across various institutions and companies.
2. Digital strategy: encompasses the set of organizational processes, goals, and issues related to digital transformation.
3. Predictive and Analytical Capabilities: For an organization to be digitally mature, it needs the ability to predict environmental conditions and rapidly adapt to them.
4. Digitized Customer and Relationship Management: This dimension encompasses all aspects related to customer relationships and the extent to which digital technological advancements impact these relationships.
5. Culture and People: Dealing with the prevailing culture in society poses significant challenges for organizations undergoing digital transformation, as culture plays a crucial role in shaping attitudes and behaviors related to organizational performance.
6. Network Relationships: An organization aspiring for digital advancement must engage with various network entities including suppliers, startups, governments, investors, and universities. Digital technological advancements interact significantly with these stakeholders through high-speed, accurate, and communicative communication technologies.
7. New Digital Business Models: Digitally mature organizations can create competitive new business models, as integrated digital technologies empower these organizations to develop innovative offerings.

The Benefits of Digital Transformation:

Digital transformation contributes to achieving various benefits for both organizations adopting the digital transformation process and all the parties benefiting from it. These benefits can be summarized as follows: (Eid,2021)

1. Digital transformation significantly reduces costs and efforts.
2. Enhances operational efficiency and organizes it.
3. It works on improving quality and simplifying procedures to obtain services provided to beneficiaries.
4. Finding opportunities to offer innovative and creative services away from traditional methods of service delivery.

5. Digital transformation helps organizations and companies expand and reach a broader audience, reaching a larger segment of beneficiaries.

Previous studies on the relationship between digital transformation and the performance of banks

In a recent investigation conducted by (Rashwan and Qasim 2020), the focus was on analyzing the impact of digital transformation on enhancing the efficiency of bank performance and its ability to attract investment. The study elucidated the significance of digital transformation in augmenting the operational efficiency and fostering competitiveness of banks. Furthermore, it highlighted the potential of digital transformation to attract investments in the banking sector and attain financial stability. The research employed a survey questionnaire to evaluate the research hypotheses and utilized a sample of banks that are operational in the Gaza Strip. The findings unveiled the noteworthy impact of digital transformation on bolstering bank performance and recruiting investment. The findings of the study revealed that the Palestine Bank engages in ongoing evaluations of the caliber of its digital services, implements appropriate actions to improve these services, and embraces technological advancements in its service provision. Moreover, the study emphasized the importance of implementing quality control measures for electronic services. It also emphasized the need to build creative and novel models utilizing evolving electronic technologies. Additionally, the study highlighted the significance of performance monitoring, task execution, and preemptive problem-solving within the governance framework. The utilization of emerging electronic technologies is also employed for the purpose of monitoring performance indicators and delivering effective reports to senior management and relevant departments in order to enhance competitive advantages. (Bress and Jabr 2021) conducted a study with the objective of examining the effects of digital transformation strategies on the strategic performance of banks. This enhancement is manifested through modifications and advancements in structures, processes, governance frameworks, and the enhancement of methods for delivering banking services to customers. These improvements ultimately facilitate the enhancement of banking services and reduction of costs, thereby reinforcing and supporting strategic performance by ensuring a high degree of efficiency. A questionnaire was administered to a sample of 60 participants comprising personnel from different departments and department heads across six private banks located in the province of Karbala. One of the principal outcomes of the study revealed that the use of digital transformation strategies exerts a substantial influence on strategic performance.

In a study conducted by (Salim 2022), the objective was to evaluate the level of awareness among bank employees in the region of M'sila, Algeria, about the digital transformation of financial establishments. This study aimed to investigate the impact of digital transformation on the efficiency and performance of the banking industry. The study revealed that the implementation of digital transformation has yielded favorable outcomes in terms of enhancing the operational efficiency and overall performance of the banking industry. In a separate investigation, Alamm (2020) undertook a research to examine the role of competitive advantage as a prominent metric for assessing banks. This study aimed to examine the correlation between digital transformation and the competitive advantage of banking services. The independent variables included the implementation of a digital

transformation strategy, the cultivation of a digital transformation culture, and the fulfillment of human, technological, and procedural requirements. The dependent variable was the enhancement of competitive advantage in banking services. The survey was administered to a sample of 150 respondents, selected at random, from five banks located in the cities of Aswan and Luxor in southern Egypt. The study's findings encompassed multiple outcomes, among which one noteworthy conclusion indicated that transformation factors had a favorable impact on augmenting competitive advantage.

Furthermore, a research conducted by Hamada (2022) sought to examine the impact of digital transformation on the financial performance of banks. This study investigated the correlation between crucial components of digital transformation and the financial performance of Egyptian commercial banks that are publicly traded on the Egyptian stock exchange. For the purpose of this study, a questionnaire was devised and subsequently disseminated to a sample of 676 individuals holding managerial positions at the middle and senior levels within their respective organizations. The research revealed a statistically significant positive association between the process of digital transformation and the enhancement of financial performance. Within the same framework, Eldonon (2022) conducted a case study centered on Banque Misr, wherein the primary focus was the correlation between digital transformation and financial success. This was accomplished by conducting personal conversations with senior executives from Banque Misr, Banque du Caire, and Banque d'Alexandrie. The research substantiated the correlation between digital transformation and the financial performance of various businesses, with a particular emphasis on banks. It underscored the substantial impact of digital transformation in enhancing the financial performance of banks amidst the COVID-19 epidemic.

In contrast, the study conducted by (Ali and Khudair 2020) centered on examining the effects of digital transformation on banking operations. The authors specifically investigated dimensions such as the Real-Time Gross Settlement (RTGS) system, electronic payments, and electronic clearing, with a focus on their influence on strategic financial performance indicators. The indicators encompassed in this study comprised of profitability, liquidity, capital sufficiency, and employment. The research was carried out on Banque Baghdad, a company that is publicly traded on the Iraq Stock Exchange. The analysis encompassed the evaluation of correlation and regression relationships utilizing diverse statistical techniques, including the application of Pearson correlation to quantify the association between variables and the utilization of simple linear regression. The research utilized financial data sourced from the directory of Iraqi companies listed on the Iraq Stock Exchange, as well as data from the electronic payments section of the Central Bank. One of the primary conclusions drawn from the study was the lack of a statistically significant association and influence between the implementation of digital transformation in banking operations and the strategic financial performance.

In addition, a scholarly investigation conducted by (Morsi and Musawi 2023) has provided insights into the notion of digital transformation and its significance in generating value and improving the operational effectiveness of international financial institutions. The research investigated and evaluated three variables: the quantity of customers and the monetary value derived from their online transactions, the expenses incurred in operations, and the overall profitability. The

research revealed a positive correlation between digitalization and the three variables, resulting in enhanced profitability and income, decreased expenses, a broadened clientele, and an expansion of financial services. Furthermore, the COVID-19 epidemic has been a contributing factor to the heightened amount of digital consumption of products and financial services within the banking sector. The aforementioned outcome was attained by leveraging cutting-edge technology and developing technological advancements, such as artificial intelligence, big data, cloud computing, and other related tools. This facilitated the promotion of innovation within the banking industry and facilitated its synchronization with prevailing worldwide digital patterns.

Based on the aforementioned information, the subsequent assumptions can be inferred:

The main hypothesis

There is a positive significant relationship between digital transformation dimensions and financial performance in the Iraqi banking sector

And is divided into the following sub-hypotheses:

Sub-Hypothesis one: There is a positive significant relationship between the digital transformation dimension (digital business) and financial performance in the Iraqi banking sector.

Sub-Hypothesis two: There is a positive significant relationship between the digital transformation dimension (digital government) and financial performance in the Iraqi banking sector.

Sub-Hypothesis three: There is a positive significant relationship between the digital transformation dimension (infrastructure) and financial performance in the Iraqi banking sector.

Sub-Hypothesis four: There is a positive significant relationship between the digital transformation dimension (innovation) and financial performance in the Iraqi banking sector.

Sub-Hypothesis five: There is a positive significant relationship between the digital transformation dimension (cultivating digital transformation culture) and financial performance in the Iraqi banking sector.

The second main hypothesis

The second main hypothesis is:

Existence of a significant positive impact of digital transformation on financial performance in the Iraqi banking sector

And it is divided into the following sub-hypotheses:

Sub-Hypothesis one: There is a significant positive impact between the digital transformation dimension (digital business) and financial performance in the Iraqi banking sector.

Sub-Hypothesis two: There is a significant positive impact between the digital transformation dimension (digital government) and financial performance in the Iraqi banking sector.

Sub-Hypothesis three: There is a significant positive impact between the digital transformation dimension (infrastructure) and financial performance in the Iraqi banking sector.

Sub-Hypothesis four: There is a significant positive impact between the digital transformation dimension (innovation) and financial performance in the Iraqi banking sector.

Chapter Two The Field Aspect

An Overview of the Iraqi Banking Sector: The enactment of the Banking Law took place on September 19, 2003, in accordance with international banking norms and regulations. The primary objective of this initiative is to cultivate confidence in the financial sector through the establishment of a robust, reliable, and inclusive banking infrastructure. The foundation of the present autonomous Central Bank of Iraq was facilitated by the enactment of the Central Bank of Iraq Law on March 6, 2004. Currently, the economy of Iraq continues to be primarily reliant on cash transactions.

In relation to the banking industry, Iraq possesses a collective sum of 74 banking establishments. Nevertheless, their contribution to the national Gross Domestic Product (GDP) in 2021 amounted to a mere 1.94%. The banks under consideration maintain a network of 904 branches that are distributed over the nation, with a significant portion of these branches being located in the prominent economic hubs of Baghdad and Basra. Specifically, these two cities account for 37.1% and 9.3% of the total number of branches, respectively. Based on data provided by the World Bank, the ratio of commercial bank branches per 100,000 adults in 2020 was 5.63, indicating a notable disparity when compared to adjacent nations. As an illustration, the numerical value in question is 16.1 within the borders of Turkey, 31.1 within the confines of Iran, and 13.6 within the territorial boundaries of Kuwait.

Here are some basic data related to the financial institutions operating in the Iraqi banking sector, as shown in the table:

Table (1)

The aggregated data for the Iraqi banking sector's development by the end of (2019-2022)

The statement	2019	2020	2021	2022
One million Iraqi dinars				
Total assets	133,089,806	138,468,929	159,424,417	186,336,541
Total cash credit	42,052,511	94,817,737	52,971,508	60,102,271
For the public sector	21,010,298	32,951,085	23,393,215	26,322,203
For the private sector	21,042,213	25,866,652	29,578,293	33,780,068
Total deposits	82,106,425	84,924,168	96,071,378	118,853,115
Capital funds or capital stock	15,351,276	16,778,264	17,696,513	17,807,044

Source: Central Bank of Iraq.

Data Collection and Analysis: In order to accomplish the research objectives and evaluate the proposed hypotheses, a sample of employees in the banking industry of Iraq was conveniently

chosen. A total of 103 electronic surveys were disseminated, yielding a response rate of 100%. No questionnaires that were distributed were found to be damaged or missing.

The Cronbach's alpha test was employed to assess the reliability of the research tool. The process of data collecting in this research study is dependent upon the utilization of a meticulously crafted questionnaire, which serves as a tool for assessing the formulated hypotheses. The survey consists of three distinct aspects, namely Dimension 1: Personal Information, Dimension 2: Digital Transformation, and Dimension 3: Financial Performance. In order to evaluate the reliability and internal consistency of the questionnaire, the Cronbach's Alpha test was employed, as depicted in the subsequent table:

Table (2)
Cronbach's Alpha Test for Research Variables

Reliability Statistics		
Variable name	N of Items	Cronbach's Alpha
The dimensions of digital transformation		
Digital businesses	4	0.743
Digital government	4	0.829
Infrastructure	4	0.761
Innovation	4	0.729
Promoting a culture of digital transformation	4	0.839
The dimensions of financial performance		
Financial resources	4	0.811
Profitability	4	0.848
Market share	4	0.835
Technological resources	4	0.858
For all research variables		
	36	0.921

The source: The table was prepared by the researcher using SPSS 26.

The table presented above displays the Cronbach's alpha results for the research variables. These results range from a minimum value of 0.729 for the dimension labeled 'Promoting a culture of digital transformation' to a maximum value of 0.858 for the dimension labeled 'Technological resources'. The Cronbach's alpha coefficient for all research variables was found to be 0.921, signifying that all research variables exhibited values surpassing the minimum threshold of 0.60 necessary for Cronbach's alpha. This implies that the inclusion of study variables plays a crucial role in attaining the research aims and facilitating the generalizability of its findings.

The adequacy of the sample size and its relevance to attaining the research objectives were assessed using the (KMO and Bartlett's Test). The findings are presented as follows:

Table (3)

Sample size test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.814
Bartlett's Test of Sphericity	Approx. Chi-Square	995.958
	Df	190
	Sig.	.000

The source: Table prepared by the researcher.

The table demonstrates the appropriate representation of the sample size that aligns with the research variables and objectives.

Analysis of the correlation between study variables: In this section, the results of the analysis of the first main hypothesis test will be discussed.

There is a significant positive correlation between digital transformation and financial performance in the Iraqi banking sector.

The Pearson correlation coefficient was employed to assess the extent of association between the variables, both in a general sense and with special regard. Table (3) presents the correlation matrix among the variables, together with the specified sample size utilized. The presence of a correlation between the variables can be determined by analyzing the significance value (SIG), with a value below 0.05 indicating a statistically significant link. In addition, the presence of a (**) mark adjacent to the extracted value signifies that the computed (T) value surpasses the tabulated value. Based on the available data, it is possible to evaluate the degree of correlation between the variables in the following manner:

1. The relationship is weak if the correlation coefficient is less than (0.10).
2. Balanced relationship: If the correlation coefficient ranges between (0.10 and 0.30).
3. The relationship is strong if the correlation coefficient is greater than (0.30).

The following table illustrates the results of the (Pearson correlation) coefficient test:

Table (4)

Pearson correlation coefficients between the variables

		1	2	3	4	5
The dependent variable	The correlation value	.401	.092	.601	.574	.627
	Significance	.000	.358	.000	.000	.000

	N	103	103	103	103	102
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The source: Prepared by the researcher using SPSS 26 software.

From the above table, we can conclude the following:

1. There exists a statistically significant correlation, at a significance level of 0.05, between the adoption of digital transformation (referred to as digital business) for the purpose of enhancing financial performance. This association is quantified by a correlation coefficient value of 0.401. The observed significance level is 0.000, indicating a statistically significant result at the conventional alpha level of 0.05. This finding provides support for the initial sub-hypothesis, which posits that there exists a positive and statistically significant correlation between digital transformation (specifically digital business) and financial performance.

2. Based on the data shown in the table, there is no statistically significant association seen at the 0.05 level between the adoption of digital transformation, specifically in the context of digital government. The correlation coefficient value is 0.092, and the significance level is 0.000, indicating a statistically significant relationship between the variables at a significance level of 0.05. Consequently, the second sub-hypothesis positing a positive and statistically significant correlation between digital transformation (namely, digital government) and financial performance is refuted. The aforementioned outcome is indicative of the current state of affairs, encompassing the presence of delays in the implementation of digital government indicators across many levels and domains. The execution of this project necessitates substantial transformations inside organizations, divisions, and personnel, with the requirement for legislative modifications. The establishment of a digital government is confronted with significant real-world obstacles due to the multitude of needs involved.

3. Moreover, the findings of this study indicate a statistically significant association, at a significance level of 0.05, between the implementation of digital transformation in terms of infrastructure and the financial performance of the organization. This association is supported by a correlation coefficient value of 0.601. The observed significance level is 0.000, indicating a statistically significant result at the conventional alpha level of 0.05. Hence, the findings lend support to the third sub-hypothesis, positing a positive and statistically significant correlation between digital transformation (namely, infrastructure) and financial performance. The aforementioned statement underscores the significance of possessing digital infrastructure that effectively supports the process of digital transformation in diverse industries, such as the banking industry. The presence of such infrastructure plays a vital role in enhancing the financial performance of banks, underscoring its importance within the framework of digital transformation.

4. The findings of this study demonstrate a statistically significant relationship, at a significance level of 0.05, between the implementation of digital transformation (innovation) and financial success. The correlation coefficient value of 0.574 further supports this link. The observed significance level is 0.000, indicating a level of statistical significance below the commonly accepted threshold of 0.05. This discovery provides evidence in favor of the fourth sub-hypothesis, which posits a positive and statistically significant correlation between digital transformation (innovation) and financial performance. Banks that endeavor to achieve excellence by implementing innovative

digital technologies seek to enhance client access to their services with enhanced ease and efficiency. Consequently, this results in a decrease in costs and an increase in profit margins, thus enhancing overall financial performance metrics.

5. The findings of this study suggest a statistically significant association between the dimension of digital transformation, namely the promotion of a culture of digital transformation, and financial performance. The correlation coefficient value of 0.627 further supports this relationship. The observed significance level is 0.000, indicating statistical significance at a threshold of 0.05. This discovery is consistent with the hypothesis positing a strong and statistically significant correlation between digital transformation (namely, the cultivation of a digital transformation culture) and financial performance. The aforementioned statement highlights the need of banks implementing a well-defined strategy to enhance client knowledge and provide education regarding the utilization of digital channels for conducting financial transactions. This measure aids in guaranteeing individuals' access to financial services while also protecting them from potential digital breaches, such as hacking, which could result in the vulnerability of their financial accounts and other related hazards.

This section will undertake an analysis of the outcomes obtained from testing the second primary hypothesis, which pertains to the existence of a noteworthy positive impact of digital transformation on the financial performance within the banking sector of Iraq. The researchers employed a (F) test to examine the causal association between the variables, while the coefficient of determination (R-Square) was utilized to quantify the extent of variation accounted for by the impact of the independent variables on the dependent variable. In order to accomplish the stated purpose, it is important to evaluate the acceptability of the generated sub-hypotheses in the following manner:

Sub-hypothesis 1: There is a significant positive effect at the 0.05 significance level between the dimension of digital transformation (digital business) and financial performance.

Table 5: Analysis of the impact of digital business on financial performance

The decision	Sig	(t)	(F)	<i>adjusted R²</i>	<i>R²</i>	β	α	The independent variable	Financial performance
Acceptance of the hypothesis	0,000	4,402	19,377	0,153	0,161	0,448	2,036	Digital business	

The source: Prepared by the researcher using SPSS 26 software.

The specific simple linear regression models will be adopted as follows:

$$Y=0,036 + 0,448 (x)$$

The computed (F) test value of (19.0377) exceeds the tabulated value of (3.154) at a significance level of (0.05). Consequently, we can accept the first sub-hypothesis, which posits a significant positive relationship between digital business and financial performance.

According to the calculated modified coefficient of determination, denoted as (0.153), it is apparent that digital business accounts for roughly (15.3%) of the variability observed in financial

performance. Moreover, the beta coefficient, which signifies the slope, is equal to (0.448). This finding suggests that a single-unit rise in digital business is associated with a significant (44.8%) improvement in financial performance. In addition, the calculated (t) value for the parameter is (4.402), above the critical value of (1.964) at a significance level of (0.05). This finding demonstrates the statistical significance of the digital business dimension.

Sub-hypothesis (2): There is a significant positive effect at the (0.05) significance level between the dimension of digital transformation (digital government) and financial performance.

Table (6): Analysis of the impact of digital government on financial performance

The decision	sig	(t)	(F)	<i>adjusted R²</i>	<i>R²</i>	β	α	The independent variable	
Rejection of the assumption	0,358	0,924	0,853	0,001-	0,008	0,241	2,981	The digital government	Financial performance

The source: Prepared by the researcher using SPSS.

The models for simple linear regression will be adopted as follows:

$$Y=2,981 + 0,241 (x)$$

The computed (F) test result of (0.853) is observed to be lower than the critical value of (3.154) at a significance level of (0.05). Consequently, we shall refute the second subsidiary hypothesis positing a statistically significant positive correlation between digital governance and financial performance.

According to the coefficient of determination (R-squared) value of (-0.001), it is apparent that digital government accounts for approximately (0.1%) of the variability observed in financial performance. Furthermore, the beta coefficient of (0.241) suggests that a marginal increase of one unit in digital government is associated with a (24.1%) rise in financial performance. The t-statistic for the coefficient is (4.402), indicating that it is statistically significant at a significance level of (0.05). This is supported by the fact that the t-statistic is greater than the crucial value of 1.964. The establishment of the significance of the digital government dimension has not been demonstrated.

The third subsidiary hypothesis posits that there exists a statistically significant positive impact, at a significance level of (0.05), of the digital transformation component (namely, infrastructure) on financial performance.

Table number (7): Analysis of the impact of infrastructure on financial performance

Financial performance	The independent variable	α	β	<i>R²</i>	<i>adjust</i>	(F)	(t)	sig	The decision
									Accepta

nce	Infrastru cture	1,431	0,632	0,362	0,355	57,258	7,567	0,000	nce of the hypothe sis
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The source: Prepared by the student using SPSS.

The models for simple linear regression will be adopted as follows:

$$Y=1,431 + 0,632 (x)$$

Where the computed (F) test value is equal to (57.258), and upon comparison with the critical value, which is much lower at (3.154) at a significance level of (0.05), we will conclude by accepting the hypothesis that suggests a significant relationship between infrastructure and financial performance.

The coefficient of determination (R-squared) value of (0.355) indicates that infrastructure accounts for roughly (35.5%) of the variability observed in financial performance. Furthermore, the beta value of (0.632) suggests that there is a positive relationship between infrastructure and financial performance. Specifically, for every one-unit increase in infrastructure, there is an estimated (63.2%) increase in financial performance. The t-statistic for the coefficient is (7.567), indicating a statistically significant relationship. This is supported by the fact that the t-statistic exceeds the crucial value of (1.964) at a significance level of (0.05). This implies that the importance of the infrastructure factor has been established.

The fourth subsidiary hypothesis: The presence of a significant positive effect at a significance level of (0.05) for the digital transformation dimension (innovation) on financial performance, and the following table illustrates the results.

Table (8): Analysis of the impact of innovation on financial performance

Financial performance	The independent variable	α	β	R^2	<i>adjusted R²</i>	(F)	(t)	sig	The decision
	Innovation	1.843	0,542	0,329	0,323	49.619	7,044	0,000	Acceptance of the hypothesis

The source: Prepared by the researcher using SPSS.

The models for simple linear regression will be adopted as follows:

$$Y=1,842 + 0,542 (x)$$

Where the computed (F) test value is equal to (49.619), and upon comparison, it is found to be lower than the critical value (3.154) at a significance level of (0.05). Therefore, we will conclude by accepting the fourth subsidiary hypothesis, which suggests a significant positive relationship between innovation and financial performance.

The coefficient of determination (R-squared) value of (0.323) indicates that innovation accounts for approximately (32.3%) of the variability observed in financial performance. Furthermore, the beta value of (0.542) suggests that there is a positive relationship between innovation and financial performance. Specifically, a one-unit increase in innovation is associated with a (54.2%) rise in financial performance. The t-statistic for the coefficient is (7.044), indicating a statistically significant relationship. This is evidenced by its magnitude above the crucial value of (1.964), which is determined at a significance level of (0.05). This implies that the importance of the innovation dimension has been demonstrated.

Subsidiary Hypothesis (5): There is a significant positive impact at a significance level of (0.05) for the digital transformation dimension (propagation of digital transformation culture) on financial performance.

Table (9): Analysis of the Effect of Disseminating Digital Transformation Culture on Financial Performance

	The independent variable	α	β	R^2	<i>adjusted R²</i>	(F)	(t)	sig	The decision
Financial Performance	The dissemination of digital transformation culture	1,278	0,648	0,393	0,387	64,830	8,052	0,000	Acceptance of the hypothesis

Source: Prepared by the researcher using SPSS 26.

The simple linear regression model will be adopted as follows:

$$Y=1,278 + 0,648 (x)$$

Based on the information provided, it appears that the F-test value (64.830) is greater than the critical value (3.154) at a significance level of (0.05). This suggests that there is a significant relationship between the dissemination of digital transformation culture and financial performance. Therefore, the hypothesis stating that there is a significant positive impact of disseminating digital transformation culture on financial performance is accepted.

The coefficient of determination value has been adjusted to (0.387), indicating that the propagation of digital transformation culture accounts for about (38.7%) of the variability observed in financial performance. Moreover, the beta coefficient (0.648) signifies the slope, suggesting that a unitary increment in the propagation of digital transformation culture results in a (64.8%) augmentation in financial performance. In addition, the calculated t-value for the parameter is (8.052), above the threshold value of (1.964) at a significance level of (0.05). This indicates the statistical importance of the relationship pertaining to the diffusion of digital transformation culture.

The Future Ideas

The topic of digital transformation is one of the recent subjects that has gained increasing attention from many researchers. This field serves as a scientific material for numerous future ideas, the most important of which include:

1. A Comparative Study of Digital Transformation Dimensions between Governmental Banks and Private Banks.
2. Determinants of Digital Transformation in Islamic Banking.
3. An Evaluative Study of Digital Transformation Indicators: A Comparison between Islamic Banks and Commercial Banks.

Conclusions:

In light of what has been presented in the practical aspect of research hypothesis testing, the following conclusions can be formulated:

1. The interest of the Iraqi banking sector in moving towards digital initiatives, aligning with the requirements of digital transformation, to enhance financial performance.
2. The presence of a clear challenge in establishing a digital government that contributes to the digital transformation process.
3. The consensus among the sampled individuals on the crucial role of infrastructure, innovation, awareness, and education as critical success factors in the digital transformation process and their significance in enhancing indicators of the Iraqi banking sector.

Suggestions:

1. The necessity for the Iraqi banking sector to keep pace with digital transformation indicators by establishing a clear digital business strategy that enhances its financial performance.
2. The importance of adopting a government program to overcome the obstacles facing the digital transformation process across various sectors in the Iraqi environment, particularly in the Iraqi banking sector.
3. The focus on developing infrastructure and activating financial innovation that contributes to providing modern and innovative financial services.
4. Activating financial awareness and education activities for individuals and organizations to promote the culture and requirements of digital transformation across various levels and fields.

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