American Journal of Economics and Business Management

Vol. 9 Issue 3 | **pp.** 164-176 | **ISSN:** 2576-5973
Available online @ https://www.globalresearchnetwork.us/index.php/ajebm

Article

The Role of Financial Knowledge in Achieving the Quality of Internal Control: An Analytical Study at Babylon Bank – Iraq

Huda Ameen Oleiwi

1. Al-Furat Al-Awsat Technical University- Technical Institute, Najaf, Iraq

* Correspondence: huda.oleiwi@atu.edu.iq

Abstract: This study analyzes how having sufficient Financial Knowledge increases internal control over the Quality of Internal Controls for Babylon Bank in Iraq. QC of internal control involves safeguarding assets, providing assurance to stakeholders regarding financial results and protecting customers. By having employees obtain financial knowledge, they can understand financial control measures better and apply them more proficiently, therefore meeting QC requirements for protecting against potential risks as well as complying with regulations. According to this research study lack of Fin. Literacy is the largest obstacle to robust Internal Control and is responsible for decreasing the effectiveness of Risk Assessment & Compliance. Therefore, in developing economies such as Iraq, where financial and structural barriers are considerable it is especially necessary to support Financial Knowledge through educational programs. The research is built upon the COSO Framework in which Internal Control is built upon the five Interrelated elements: Control Environment / Risk Assessment / Control Activities / Information & Communication / monitoring. The study demonstrates that employees with greater knowledge of Finance and practical application experience will increase overall QC by implementing the controls at a much higher level. Additionally, ongoing education in Financial Knowledge is vital for further developing employee competence and effectiveness of the internal control system. The study shows furthermore that integrating Financial Literacy into internal control mechanisms reduces the potential for financial crime, and therefore creating a solid foundation for good governance and encouraging continued growth of the institution/economy through developing further Capital Resources for economic & institutional growth. Babylon Bank showed strong positive correlations between the various aspects of Financial Knowledge and QC for Internal Control, emphasising that a dedicated investment in Financial Knowledge is Critical.

Keywords: Financial Knowledge, Financial Literacy, Internal Control Quality, COSO Framework Banking Sector Risk Management Iraq Babylon Bank.

Citation: Oleiwi, H. A. The Role of Financial Knowledge in Achieving the Quality of Internal Control: An Analytical Study at Babylon Bank – Iraq. American Journal of Economics and Business Management 2026, 9(3), 164-176

Received: 10th Dec 2025
Revised: 21th Jan 2026
Accepted: 14th Feb 2026
Published: 08th Mar 2026

Copyright: © 2026 by the authors. Submitted for open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license (https://creativecommons.org/licenses/by/4.0/)

1. Introduction

One of the most significant factors that affect the performance and stability of the banking sector is the quality of its internal controls, which play a vital role in protecting its assets and providing accurate and reliable financial reports as well as improving clients' confidence in the banking system [1] According to Financial Literacy is a prerequisite to achieve the quality of internal control mentioned. He writes, "Employees who have high levels of financial knowledge are able to more effectively comprehend and consequently support the internal control processes, thereby decreasing error and the potential for fraudulent behaviour." Financial literacy has been shown to be an impediment to successful implementation of internal control as lower levels of financial

awareness lead to less effective assessment of financial risks and lack of compliance with internal control procedures [2] Additionally, despite the increased technology used by banks, [3] state that Financial Competence and Practical Knowledge are necessary for increasing the effectiveness of banking internal controls. As indicated by [4] in Emerging Market Banks, such as Iraq, the importance of Financial Literacy is heightened because of the economic and structural challenges that these institutions must overcome [5] Improving the Financial Knowledge of banking employees, therefore, will improve banking financial stability.

2. Materials and Methods

The first part: scientific research methodology

First: Research questions: - Banking institutions are confronted with substantial challenges in attaining the quality of internal control due to the intricacies of contemporary financial and economic activities. A principal factor undermining the efficacy of such control is the deficiency in financial literacy among employees. This issue assumes greater significance in the Iraqi banking sector where banks encounter local pressures, which are related to economic changes and the imperative need to provide safety and security for financial operations.

The study problem is summarized by the main question:

What is the role of financial literacy in achieving the quality of internal control at Babylon Bank in Najaf Al-Ashraf?

Second: - Importance of study: - This study derives its importance from the very fact that internal control plays a vital role in banks for ensuring safety regarding assets belonging to financial institutions and accuracy as well as reliability concerning reports relating to finance. This, in turn, helps improve decision-making within a bank and enhances performance related to banking. The present study is an attempt to highlight the relationship between financial literacy and quality control so that practical and training programs may be developed for increasing effectiveness regarding control and reducing errors related to finance along with risks.

Furthermore, it encourages possibilities regarding enhancement in operational performance alongside financial performance at Babylon Bank which will have a positive reflection on the local economy plus assist in increasing customers' trust as well as depositors

Third: Study objectives:

1. To identify the level of financial literacy among Babylon Bank employees across its three dimensions: financial understanding, financial experience, and financial skills.
2. To measure the quality level of internal control at Babylon Bank according to the five COSO dimensions.
3. To examine the relationship between the dimensions of financial literacy and the quality of internal control.
4. To provide practical recommendations to enhance financial literacy and improve control quality in local banks.

Fourth: - Hypothetical Study model: -

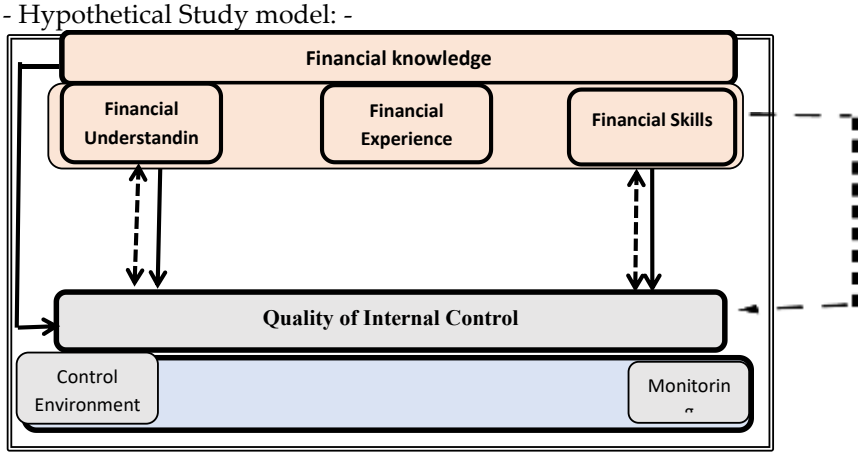

Figure 1. Hypothetical research model

Five: Hypothesis Study

1. There is a positive, statistically significant correlation between financial knowledge (i.e., what that employee knows about finance) and quality of internal controls for the employees of Babylon Bank in terms of both he/she has a slight knowledge of finance and that employee has internal controls that are very good, and those two things have some type of positive correlation, even if small.

a. There is a positive, statistically significant correlation between financial understanding (i.e., what the employee understands about finance) and quality of internal controls for the employees of Babylon Bank.

b. There is a positive, statistically significant correlation between financial experience (i.e., how much an employee has actually done in a financial sense) (related to financial experience and quality internal controls) and quality of internal controls for the employees of Babylon Bank. c. There is a positive and statistically significant correlation between financial skills (i.e., the ability of an employee to use financial information) and quality of internal controls for employees of Babylon Bank.

2. Financial knowledge has a positive and statistically significant effect on quality of internal controls for the employees of Babylon Bank.

a. Financial understanding has a positive and statistically significant effect on quality of internal control for employees of Babylon Bank.

b. Financial experience has a statistically significant positive effect on quality of internal controls for employees of Babylon Bank.

c. Financial skills are positively and significantly related to improved quality of internal controls for employees of Babylon Bank.

Six: There are the following:

1. Methodology: This study is an analysis of data based on survey findings from a representative sample of the employees of Babylon Bank in Iraq. 2. Instruments for Data: The survey instrument has 27 questions. The survey instrument has two major theme areas.

3. Methods of Analyzing Data: The data was analyzed through the use of SPSS, which provided descriptive statistics (mean, standard deviation, and coefficient of variance) and evaluated the reliability and validity of the questionnaire (using Cronbach's alpha for reliability and Guttman and Spearman methods). The analysis of inferential data consisted of conducting correlation tests to evaluate relationships between the dimensions of Financial knowledge and the Quality of Internal Control. Additionally, regression analyses will measure the impact of financial literacy dimensions on the quality of internal controls.

The second section: Theoretical Framework

The First: Financial Knowledge

A. Definition of Financial Knowledge - Financial Knowledge refers to the ability of individuals to have an understanding of basic financial concepts and absorb information

about their management of money so they can use sound judgment when making financial decisions [6] Additionally, Financial Knowledge includes a combination of skills, abilities and understanding of the various aspects of financial resources including Saving, Investing, Financial Planning, Borrowing and Risk Managing [7]) and it is also defined as the use of skills, tools and context to understand financial information as it relates to making a decision about one's own financial behavior [8].

Additionally, research has established that Financial Knowledge is not only about theory but includes how you apply your Financial Knowledge practically to make informed decisions about both your individual and your organization's financial position [9, 10] has indicated that Financial Knowledge is necessary as one of the cornerstones but is not sufficient in isolation to produce a change in financial behavior, as it interacts with behavioral and social factors that will ultimately determine how successfully you are able to achieve your desired financial outcomes.

A- Importance of Financial Knowledge The financial knowledge of employees is a key determinant of the stability of an institution's operating performance, since it allows them to understand and manage the various risks associated with their position and perform better compliance with internal controls, thereby reducing the likelihood of errors, fraud, and abuse [2, 11]. In countries such as Iraq that are considered to be developing economies, the demand for the financial knowledge of employees is especially great due to the difficulties faced by institutions regarding the structural and economic conditions of these markets. According to the [5] the financial knowledge of employees contributes to the overall financial stability of an institution and therefore increases depositor and customer confidence, which benefits the national economy. The financial knowledge of employees is required to accomplish the goals of performance improvement, financial planning, and good governance by banks [12].

B- In determining the dimension of Financial Capability, distinguish the financial capability of individuals by three dimensions:

1. Financial Knowledge is the understanding of theoretical financial concepts including compound interest (which is interest added on to the original amount), budgeting, and different types of investments (e.g. stocks, bonds) and tax [13]

2. Financial Experience includes all the real-world experiences an individual has had with financial products, including checking and savings accounts, credit cards, loans, etc. This is a key component in deciding the level of financial capacity someone has to make sound and effective financial decisions [14]

3. Financial skills are the practical skills needed to competently manage money, including developing budgets, creating financial plan and using financial tools (e.g. software) efficiently [15]

Second: Quality Internal Control

A. The concept of Quality Internal Control The term "quality internal control" is commonly used in the banking industry to describe the degree to which a bank can accomplish its goals. There are several ways in which banks use this term, but it is most often associated with the effectiveness of the systems and processes banks establish to achieve their respective objectives. Internal control quality is seen as critical for a bank to be successful. As indicated by [16] and [17], the quality of a bank's internal control is essentially a measure of the effectiveness of its systems and processes that are designed to protect a bank's assets, ensure accurate and reliable financial reporting and assist in meeting applicable laws and regulations. The quality of a bank's internal control reflects the actions taken by the bank management and staff at all levels to assist a bank in mitigating risk, preventing errors and fraud and enhancing operational efficiencies. Additionally,stated that internal controls in commercial banks validate the accuracy of the information produced by the bank, verify compliance with applicable law(s) and assist a bank in achieving its goals efficiently. The French organization of Certified Accountants (OECCA) has defined internal controls as a system of guarantees that helps managers protect their assets, maintain data integrity and improve operational efficiency. In addition to that, Basmah (no date indicated) also views internal control as the best way

for banks to identify and manage fraud risk as well as enhance their efficiency of operation.

An effective internal control system is more than establishing policies and procedures. Internal controls should be continuously improved upon through ongoing employee involvement to respond to newly identified risks in a timely fashion [15] Internal controls provide "reasonable" assurance regarding the achievement of organizational goals, and "absolute" assurance is not possible [18]

B- The importance of Quality Internal Control: an essential factor in the development and success of banking Quality Internal Control is pivotal to preserving the stability and success of the Banking Sector. Quality Internal Control protects public funds from improper use and assures a bank's adherence to Generally Accepted Accounting Principles (GAAP). They also provide quality financial statement data that aids the banking decision-making process and instills stakeholder confidence in its operations [19] Numerous empirical studies demonstrate that strong internal controls enhance the efficiency of banking operations by providing better Governance, reducing Operational Risk, and providing accurate Financial Statements [20] By providing strong Internal Controls, banks can ensure their ability to comply with regulatory requirements while detecting inconsistencies or problems early, thus maximizing their resources and providing assurance through Transparent Audit Support Quality Internal Controls will continue to support continuous improvement in the service level and the quality of banking operations, which will help create advantages for Banks over their competitors whilst satisfying their customers [21]

c- Five Components of Quality Internal Control in the COSO Framework According to the COSO framework, five components comprise the definition of quality internal controls [22].

1. Control Environment - The control environment is the 'foundation' of internal control. It includes the integrity, ethical values, and competence of personnel at all levels. [22] stated that "the control environment sets the tone for management and embodies the ethical culture of the organization," an essential element of quality corporate governance. Additionally, research[23]suggests that creating an environment with values that foster ethics and controls has a positive effect on the behavior of employees and the effectiveness of internal controls.

2. Risk Assessment - Risk assessment is the process of identifying and assessing risks that may hinder an institution from achieving its objectives. [24] how enterprise risk management increases the efficiency of an organization's operations by ensuring that risks are identified in a systematic manner. Likewise,recommend the need for an ongoing process of assessing risks to enable institutions to develop proactive responses to emerging financial risks.

3- Control Activities: Policies and procedures are intended to ensure that management directives are carried out effectively. Through their research on the control activities of organizations, [25] states that control activities can mitigate risks and support an organization's internal controls. Additionally, [26] state that control activities that are designed well, can help create a culture of accountability within the organization; by reducing the risk of fraud.

4- Information and Communication: Systems that support the identification and dissemination of the appropriate and relevant information. In order to ensure that the organization's information is relevant, timely, and appropriate, [16] the guidance from COSO.org (2024) states that processes should be in place for the collection and distribution of that information. [27] emphasize that the use of an integrated communication system can help create a culture of compliance by making people within the organization aware of their compliance obligations.

5- Monitoring: Ongoing evaluation of the quality and functioning of the internal control process. [28] indicate that monitoring plays a critical role in facilitating ongoing improvement of the controls of financial institutions. [29] show that a monitoring process can create feedback loops that facilitate the mitigation of risks and the establishment of strong governance.

3. Results and Discussion

The third section: Applied section of the study

This part includes three sections:

The first: Descriptive analysis of the research variables: This section focuses on explaining the answers of the research sample members to the questionnaire's axes, and includes the following:

Transcribing the respondents' answers and processing them based on the mean and standard deviation, then obtaining the relative importance according to the coefficient of variation.

Results of the sample members' answers to the items of the Financial Knowledge variable

Table 1. This indicates that the mean of the dimension of the estimates for of Financial Knowledge variable (n= 186)

The Dimension	Paragraph	Mean	Std. Deviation	coefficient of variation
Financial Understanding	X1	4.01	0.735	0.18
	X2	3.93	0.795	0.20
	X3	3.99	0.776	0.19
	X4	3.98	0.725	0.18
Financial Experience	X5	3.99	0.803	0.20
	X6	4.01	0.776	0.19
	X7	3.96	0.737	0.19
	X8	4.06	0.761	0.19
Financial Skills	X9	3.97	0.8	0.20
	X10	4.02	0.827	0.21
	X11	4.13	0.767	0.19
	X12	4.02	0.812	0.20

Table 2. Ranking of importance according to the coefficient of variation for the Financial knowledge variable (n= 186)

The Dimension	Mean	Std. Deviation	Coefficient of variation	Ranking
Financial Understanding	3.9758	0.73527	0.185	First
Financial Experience	4.0067	0.7459	0.186	Second
Financial Skills	4.034	0.772	0.191	Third
Financial knowledge	4.005	0.703	0.176	

Table 2 shows the ranking of the financial literacy dimensions based on the coefficient of variation, which reflects the degree of dispersion or variability in the opinions of the sample members. The dimension of financial understanding ranked first (coefficient of variation 0.185), indicating that respondents' opinions on this dimension were the most consistent and showed the least variation. This reflects a relative agreement among them regarding the importance and level of their financial understanding. It is followed by the financial experience dimension in second place (0.186), and then financial skills in third

place (0.191). Although the overall mean of financial literacy is high (around 4.005), the slight difference in ranking indicates that respondents focused more on financial understanding, followed by experience and skills. This suggests that enhancing financial understanding may have a direct impact on strengthening financial literacy in general.

Table 3. This indicates that the mean of the dimension of the estimates for of Quality Internal Control variable (n= 186)

The Dimension	Paragraph	Mean	Std. Deviation	coefficient of variation
Control Environment	Y1	4.02	0.785	0.20
	Y2	3.95	0.866	0.22
	Y3	3.98	0.908	0.23
Risk Assessment	Y4	4.08	0.844	0.21
	Y5	4.12	0.805	0.20
	Y6	4.05	0.772	0.19
Control Activities	Y7	3.97	0.894	0.23
	Y8	4.01	0.889	0.22
	Y9	4.01	0.875	0.22
Information and Communication	Y10	3.91	0.931	0.24
	Y11	3.96	0.913	0.23
	Y12	3.91	0.834	0.21
Monitoring	Y13	3.96	0.855	0.22
	Y14	3.95	0.907	0.23
	Y15	3.83	0.858	0.22

Prepared by the researcher according to the computer results

Table 4. Ranking of importance according to the coefficient of variation for the Quality Internal Control variable (n= 186)

The Dimension	Mean	Std. Deviation	Coefficient of variation	Ranking
Control Environment	3.982	0.845	0.212	Second
Independence and Objectivity	4.081	0.792	0.194	First
Quality of Audit Processes	3.996	0.89	0.223	Third
Risk Assessment	3.927	0.892	0.227	Fourth
Monitoring	3.914	0.891	0.230	Fifth
Quality Internal Control	3.978	0.776	0.2000	

Table 4 presents the ranking of the internal control quality dimensions based on the coefficient of variation. It shows that independence and objectivity ranked first (coefficient of variation 0.194) with the highest mean (4.081), indicating that this dimension is highly valued and there is relative agreement among Babylon Bank employees regarding its effectiveness and quality. It is followed by professional competence in second place (0.212), then quality of audit processes, communication and reporting, and finally continuous improvement.

The ranking indicates that employees clearly appreciate the vital role of independence and objectivity as a fundamental element of internal control quality. The slightly higher variability in some dimensions, such as continuous improvement and communication, suggests differences in opinions that may be related to opportunities for enhancement in these aspects within the bank.

The second: Validity and reliability tests

First: -The correlation of each paragraph with its dimensions is calculated as shown in Table (5).

Table 5. The degree of correlation of each paragraph of the dimensions of (Financial Knowledge) and the total score of the dimension (n= 186)

Dimensions of Financial Knowledge	Paragraph	Correlation coefficient
Financial Understanding	X1	0.839**
	X2	0.860**
	X3	0.874**
	X4	0.855**
Financial Experience	X5	0.846**
	X6	0.873**
	X7	0.864**
	X8	0.849**
Financial Skills	X9	0.861**
	X10	0.873**
	X11	0.872**
	X12	0.822**

Prepared by the researcher according to the computer results

Table 6. The degree of correlation of each paragraph of the variable (Quality Internal Control) and the total score of the variable (n= 186)

Dimensions of Quality Internal Control	Paragraph	Correlation coefficient
Control Environment	Y1	0.879**
	Y2	0.880**
	Y3	0.901**
Risk Assessment	Y4	0.905**
	Y5	0.859**
	Y6	0.853**
Control Activities	Y7	0.912**
	Y8	
	Y9	0.888**
Information and Communication	Y10	0.908**
	Y11	0.894**
	Y12	0.895**
Monitoring	Y13	0.919**
	Y14	0.902**
	Y15	0.928**

Prepared by the researcher according to the computer results

The results of Tables 5 and 6 indicate strong and statistically significant correlations at a significance level of less than 0.05 between each item of the financial knowledge and quality of internal control variables and the total scores of the dimensions of each variable. This reflects the validity of the tools used to measure each dimension and confirms the reliability of the questionnaire in collecting data related to the study. Therefore, these items can be reliably used in analyzing the relationship between financial knowledge and the quality of internal control.

Second: Reliability of the questionnaire: Cronbach's alpha method was used to calculate the stability coefficients for each dimension and then calculate the overall stability coefficient of the questionnaire as shown in the following table:

Table 7. Cronbach's alpha values for the questionnaire dimensions and the total score of the questionnaire (n= 186)

Dimensions	**Paragraphs**	**Cronbach's alpha reliability coefficient**
Financial Understanding	4	0. 928
Financial Experience	4	0. 908
Financial Skills	4	0. 927
Dimensions of Financial Knowledge	12	0 .967
Control Environment	3	0.931
Risk Assessment	3	0.922
Control Activities	3	0.943
Information and Communication	3	0.940
Monitoring	3	0.952
Dimensions of Quality Internal Control	15	0.976
The questionnaire is complete	27	0.984

The results of Table (7) indicate that the Cronbach's alpha values for all questionnaire dimensions and their variables exceed 0.9, reflecting a very high level of stability and reliability for the research tool. The sub-dimensions of financial knowledge show reliability coefficients ranging between 0.908 and 0.928, which demonstrates strong internal consistency in measuring these dimensions. Similarly, the dimensions of internal control quality exhibit high reliability coefficients ranging from 0.922 to 0.952, confirming the measurement reliability for these variables as well. As for the questionnaire as a whole, the Cronbach's alpha value is 0.984, an excellent level indicating that the items of the instrument are highly correlated and homogeneous. Based on this, it can be concluded that the questionnaire is a reliable tool suitable for collecting and analyzing data related to the study of the role of financial knowledge in the quality of internal control.

Stability using the split-half method:

The Spearman-Brown equation was used for the split-half in order to identify the degree of homogeneity of the samples, because if we know the reliability coefficient of half of it, we can predict the reliability coefficient of any scale, as shown in the table. (8).

Table 8. Represents the correlation values for the questionnaire components (n= 186)

Dimensions	Paragraphs	Spearman's coefficient	Gutman's coefficient
Financial Understanding	4	0.918	0.902
Financial Experience	4	0.949	0.923
Financial Skills	4	0.847	0.869
Dimensions of Financial Knowledge	12	0.958	0.924
Control Environment	3	0.973	0.864
Risk Assessment	3	0.945	0.936
Control Activities	3	0.944	0.907
Information and Communication	3	0.971	0.926
Monitoring	3	0.881	0.878
Dimensions of Quality Internal Control	15	0.911	0.941
The questionnaire is complete	27	0.981	0.988

The results of Table (8) indicate that the Spearman and Gutman coefficients for all dimensions and variables of the questionnaire are high, with all values exceeding 0.84.

This reflects a high degree of homogeneity and reliability in the structure of the instrument. These results demonstrate that the use of the split-half method and its adjustments, such as the Spearman-Brown formula, confirm the consistency of the items within each dimension, and that the questionnaire as a whole enjoys excellent stability (with coefficients close to 0.98). Accordingly, this tool can be confidently relied upon for data collection and analysis in the study.

The third: Testing the research hypotheses

Correlations between Study variables

Table 9. Correlation matrix between the dimensions of financial knowledge and the quality of internal control (n= 186)

Indicators / Dimensions	quality of internal control		
	Correlation coefficient value	Calculated t value	Significance level(Sig)
Financial Understanding	0.729	14.431	0.000
Financial Experience	0.770	16.372	0.000
Financial Skills	0.813	18.966	0.000
Total dimensions of financial knowledge	0.823	19.663	0.000

The results of Table (9) indicate a strong, positive, and statistically significant correlation between all dimensions of financial knowledge and the quality of internal control among employees at Babylon Bank. The correlation coefficients range from 0.729 for financial understanding to 0.813 for financial skills, with an overall correlation of 0.823 for the financial knowledge dimensions. The t-test values are all very high with a significance level of 0.000, indicating that these relationships are not random and confirming the main hypotheses of the study. Accordingly, the primary hypothesis stating the existence of a positive and statistically significant relationship between financial knowledge and the quality of internal control can be confirmed, as well as the sub-hypotheses related to the correlation of financial understanding, financial experience, and financial skills with internal control quality at the bank. This reflects the importance of enhancing financial knowledge to improve the quality of internal control.

Influence relationships between research variables

Table 10. Statistical values for the effect of financial knowledge on the performance of the internal auditor (n=186)

Indicators / Dimensions	value(F)	(R^2)	(β)	(Sig)
Financial Understanding	208.258	0.531	0.729	0.000
Financial Experience	268.034	0.593	0.770	0.000
Financial Skills	359.702	0.662	0.813	0.000
Total dimensions of financial knowledge	386.621	0.678	0.823	0.000

The results of Table (10) indicate that financial knowledge has a positive and significant effect on the performance of the internal auditor at Babylon Bank, which is consistent with the study's main hypothesis two. The high F-values and statistical significance (Sig = 0.000) show that all dimensions of financial knowledge—financial understanding, financial experience, and financial skills—have a positive and significant impact on the quality of internal control.

Financial skills stand out as the strongest dimension with a beta value ($\beta = 0.813$) and a coefficient of determination ($R^2 = 0.662$), followed by financial experience, then financial understanding. This confirms that enhancing these dimensions effectively contributes to improving internal control performance and increasing its efficiency within the bank.

Therefore, these results validate the sub-hypotheses related to the impact of financial knowledge dimensions on the quality of internal control and emphasize the importance of investing in raising the financial knowledge level of employees to achieve more effective internal control.

4. Conclusion

First: Conclusions

1. A comparison of the results of our study with those of the literature supports the hypothesis that financial knowledge greatly increases bank performance through improved internal control processes. As employees learn more about finances, they are better able to execute their jobs with more effectiveness and with fewer errors; thus reducing the risk of financial loss, and improving a bank's stability and performance.
2. A strong positive correlation has been established between the financial aspects of financial knowledge (i.e. financial understanding, financial experience, and financial skill), and the quality of internal control, thus confirming our hypothesis regarding the relationship between these two concepts. This also highlights the need for banks to continue investing in the training and development of their employees' financial knowledge and skills.
3. The results of this study suggest that improvement of internal controls at banks is not only due to improvements in technology or organisational structure but is also fundamentally dependent on an employee's financial knowledge level in order to effectively implement and utilise the latest control standards and improve upon the financial governance of an institution.
4. Results show that continuous training on the concepts and skills of finance significantly improves the performance of an organization's internal controls. Continuous training should therefore be part of every banks' development strategy, to help them reach their ongoing and sustainable goals.
5. As Iraqi banks are currently challenged economically and structurally, knowledge of finance is essential for enhancing their internal controls and building credibility with customers and depositors, providing financial stability, and helping them grow their economy.
6. Also, this research shows how implementation of financial awareness into an organisation's internal control framework with COSO enhances control quality by decreasing the amount of possible financial results manipulation in organisations and promoting dependability when making financial-related decisions.

Second: Recommendations

1. Improving the Financial Development Programs - The Babylon Bank could create and administer a series of continuous training sessions specifically for employees, focusing primarily on enhancing employees' comprehension of the overall financial control and related systems in both theory and practice, thereby preparing them to successfully use these controls appropriately in a business environment.
2. Integrating Financial Knowledge into Human Resource Policies
3. Human resource personnel should require financial knowledge as a prerequisite to hiring and promoting individuals so that employees will be equipped with the skills required to enable a higher-quality level of internal control.
4. Developing a Financial Knowledge Infrastructure Within the Bank-- An infrastructure should be created to provide employees with required financial knowledge support through continued distribution of reports, creation of

workshops, and promotion of the ability of employees to communicate internally about issues concerning financial control.

5. Focusing on All Three Dimensions of Financial Knowledge-- Companies need to develop all three areas related to financial knowledge: theoretical financial understanding, practical financial experience, and applied financial skills. By developing the three dimensions through day-to-day operation or targeted training, companies are more likely to achieve increased efficiency in the effectiveness of their internal control systems.
6. Using Integrated Internal Control Framework-- COSO is an excellent model to integrate financial knowledge into the framework for evaluating the quality of internal controls and should include the periodic review of a company's internal control system to ensure they are properly implemented and advanced according to modern-day financial definitions and concepts.
7. Developing a Culture of Control and Institutional Commitment: Promoting a positive support and commitment to both quality and transparency throughout the organization's culture is essential to establishing the foundation for advanced internal control practices. This can be accomplished by placing value on employee efforts and providing a work environment that allows employees to be innovative and continuously work to improve.
8. Normal Resources to Control Teams: The effectiveness of control teams can be improved by ensuring that all necessary technology and human resources are available and used, while encouraging employees to participate actively in evaluating risk and monitoring compliance.
9. Advances in Technology: By making use of advanced information technology to improve control systems in terms of increasing data accuracy and minimising opportunities for human error, and by developing new ways to audit and track responses, institutions can create higher integrity.
10. Creating Transparency in the Financial Reporting Process: Through better communication with regulators and clients, we can create a more secure environment for reporting financial transactions that fosters trust and confidence.
11. Collaborating with Regulatory Agencies: Collaborating with regulatory agencies will help to improve the effectiveness of new control standards and create a safer and more regulated banking environment.

REFERENCES

[1] B. Supervision, "Basel committee on banking supervision," Principles for Sound Liquidity Risk Management and Supervision (September 2008), 2011.

[2] A. Lusardi and O. S. Mitchell, "The economic importance of financial literacy: Theory and evidence," Journal of economic literature, vol. 52, no. 1, pp. 5-44, 2014.

[3] H. Abu Hussain and J. Al-Ajmi, "Risk management practices of conventional and Islamic banks in Bahrain," The Journal of Risk Finance, vol. 13, no. 3, pp. 215-239, 2012.

[4] H. A. Hamad, N. A. Fatah, and H. Abdullah, "The Effect of Internal Control on Financial Performance: Empirical Evidence of Banking Sector from an Emerging Region," Raparin Journal of Humanities (RJH), vol. 12, no. 3, pp. 632-648, 2025.

[5] F. F. Jedi, "the relationship between financial inclusion and women's Empowerment: evidence from Iraq," Journal of Business and Management Studies, vol. 4, no. 3, pp. 104-120, 2022.

[6] C. Mason and R. Wilson, "Conceptualising financial literacy (Research Series Paper 2000: 7)," London: Loughborough University, Business School. Retrieved May, vol. 8, no. 2006, pp. 2000-7, 2000.

[7] M. A. Hilgert, J. M. Hogarth, and S. G. Beverly, "Household financial management: The connection between knowledge and behavior," Fed. Res. Bull., vol. 89, p. 309, 2003.

[8] H. J. Obaid and K. N. K. Hama, "The role of financial literacy in achieving financial satisfaction through financial well-being," International Journal of Professional Business Review: Int. J. Prof. Bus. Rev., vol. 8, no. 7, p. 17, 2023.

[9] S. J. Huston, "Measuring financial literacy," Journal of consumer affairs, vol. 44, no. 2, pp. 296-316, 2010.

[10] A. L. Galapon and N. C. Bool, "Effects of financial literacy and financial behavior on the financial well-being of teachers in higher education institutions in Region 1, Philippines," International Journal of Research in Business and Social Science, vol. 11, no. 9, pp. 150-157, 2022.
[11] M. S. Oudat et al., "The effect of financial risks on the performance of Islamic and commercial banks in UAE," Frontiers in Applied Mathematics and Statistics, vol. 9, p. 1250227, 2024.
[12] F. Lorenzo and N. Noya, IMF policies for financial crises prevention in emerging markets (no. 41). UN, 2006.
[13] N. Divakara Reddy, "ENHANCING FINANCIAL LITERACY AND INVESTMENT DECISIONS AMONG STUDENTS THROUGH DIGITAL PLATFORMS AND SIMULATIONS."
[14] T. Beck, A. Demirgüç-Kunt, and M. Martinez Peria, "Banking SME around the world: Lending practices, business models, drivers and obstacles," World Bank. Mimeo, 2008.
[15] S. Parker and L. A. Johnson, "The development of internal auditing as a profession in the US during the twentieth century," Accounting Historians Journal, vol. 44, no. 2, pp. 47-67, 2017.
[16] L.-H. Huang, "Evaluating the internal control strategy in the AI industry: using the COSO framework," Applied Economics, vol. 58, no. 1, pp. 172-185, 2026.
[17] N. Mahmoud and E. Ahmed, "Risk management practices impact on Iraqi private banks financial performance," International Journal of Social Sciences and Entrepreneurship, vol. 1, no. 11, pp. 735-757, 2014.
[18] C. o. S. O. o. t. T. Commission, "Internal Control—Integrated Framework: Executive Summary, 2012."
[19] H. A. Abdullah, "Measuring the Quality of Internal Control and its Impact on the Performance of the Banking Institutions," Technium Soc. Sci. J., vol. 56, p. 221, 2024.
[20] R. N. Hanoon, A. A. Khalid, N. Hanani, A. RAPANI, T. M. ALJAJAWY, and A. J. ALWAELI, "The impact of internal control components on the financial performance, in the Iraqi banking sector," Journal of Contemporary Issues in Business and Government| Vol, vol. 27, no. 3, p. 2518, 2021.
[21] I. H. Khan, B. A. Shah, and M. K. Sohail, "Enhancing financial inclusion in Pakistan: Moderation mediation roles of financial digital literacy and consumer digital protection for mobile money adaptation and usage," Journal of Accounting and Finance Review, vol. 2, no. 1, 2025.
[22] K. Rae, J. Sands, and N. Subramaniam, "Associations among the five components within COSO internal control-integrated framework as the underpinning of quality corporate governance," Australasian Accounting, Business and Finance Journal, vol. 11, no. 1, 2017.
[23] M. M. Chaudhry, "HOW CORPORATE GOVERNANCE INFLUENCES INVESTMENT DECISIONS VIA AUDIT EFFECTIVENESS: INSIGHTS FROM PAKISTANI FIRMS," Journal of Social Research Development, vol. 6, no. 2, 2025.
[24] R. Ismail, N. Mohd-Saleh, R. Yakob, and M. S. Shukor, "Impact of Audit Committee Effectiveness, Internal Audit and Enterprise Risk Management on Financial Reporting Lag: A Threshold Analysis and Quantile Regression Approach," Sage Open, vol. 15, no. 4, p. 21582440251399723, 2025.
[25] M. R. Chowdhury and M. Leary, "Analyzing COSO Framework, Objectives, and Implementation."
[26] K. E. Davis, "The limits of evidence-based anti-bribery law," University of Toronto Law Journal, vol. 71, no. supplement 1, pp. 35-73, 2021.
[27] I. A. Essien et al., "Enforcing regulatory compliance through data engineering: An end-to-end case in fintech infrastructure," Journal of Frontiers in Multidisciplinary Research, vol. 2, no. 2, pp. 204-221, 2021.
[28] F. N. K. Otoo, G. Nti Adjei, G. A. Eduah, and E. A. Otoo, "Measuring the impact of internal control systems on performance of Ghanaian banks: the mediating role of good corporate governance," African Journal of Economic and Management Studies, pp. 1-54, 2026.
[29] J. L. B. Guerra Jr and A. V. H. Cruz, "The degree of implementation of the COSO 2013 internal control model and its effect on the profitability of non-SEC Mexican public companies," Contaduría y administración, vol. 70, no. 3, pp. 1-26, 2025.