OPEN ACCESS
Finance & Accounting Research Journal
P-ISSN: 2708-633X, E-ISSN: 2708-6348
Volume 5, Issue 3, P.No. 44-56, March 2023
DOI:10.51594/farj.v5i3.452
Fair East Publishers
Journal Homepage: www.fepbl.com/index.php/farj

IMPACT OF CONCENTRATED OWNERSHIP ON INTANGIBLE EXPENSES: EXPLOITATION EFFICIENCY, POLITICAL COSTS

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Article Received: 05-02-23 **Accepted:** 25-02-23 **Published:** 09-03-23

ABSTRACT

The study aims to test Impact of Concentrated Ownership in spending on service expenses (Intangible Expenses), by testing the strength and direction of the relationship and testing the size of Impact of Concentrated Ownership in spending on service expenses in terms of exploitation efficiency and political costs for a sample of banks listed in the Iraqi Stock Exchange (the regular market amounted to (16) banks for the period (2016-2020). One of the most important conclusions reached by the study: With every increase in the percentage of Ownership by Blockholders, spending on service expenses rises without this spending being matched by achieving any returns that are reflected in the form of profits or gains, which is an indication of the inefficiency of exploiting the banks' resources or that the expenditure of these resources is done for personal gain away from the interests of the non-controlling shareholders, or this spending may be considered an indication of avoiding political costs.

Keywords: Service Expenses, Blockholders, Aggressive Tax.

INTRODUCTION

The emergence of Concentrated Ownership was a response to the problems that resulted from dispersed Ownership and the control of managers (agents) over the company this control which according to agency theory of Jensen and Meckling (1976) resulted in what is known as conflict of interest, as managers seek to achieve their personal interests away from the interests of shareholders. the shareholders sought to acquire the largest number of shares of the company to the extent that they would be able to monitor the work of the management and participate in the decision-making process. Acquisition of the largest possible amount of the shares of the company resulted in what is known as the controlling shareholders or Blockholders, which is technically known as Concentrated Ownership. Concentrated Ownership was considered an effective mechanism to protect the interests of shareholders from the possibility of opportunistic behavior of managers, which is known as the hypothesis of effective control, and succeeded in this; With this success, other problems emerged, represented by the problems of modern agency, as the agency problems moved from the classic problems that occur between managers and shareholders to problems between controlling shareholders and minority shareholders, which is known as the opportunism hypothesis. The control of the controlling shareholders over the management of the company and their control over the decision-making process makes them responsible for preserving the resources of the company through the efficient exploitation of these resources and ensuring that these resources are not used to achieve personal benefits away from the interests of minority shareholders or even the exploitation of these resources to avoid the political costs of company. The political cost hypothesis in positive accounting theory explains that the greater the political costs of the company, the greater the inclination for company managers to choose accounting methods that can decrease profits(Darsani&Sukartha,2021:16). businesses with more political costs pursue maximizing shareholder spending ratios that are not conducive to corporate growth (Najaf&Najaf,2021:186). A large part of the resources of the company is spent on service expenses These expenses do not have a clear physical presence, which makes those who control the management of the company face the responsibility of ensuring the efficient exploitation of these resources. The research aims to verify that the spending carried out by the Banks in the Iraq Stock Exchange (regular market), represented by service expenses, falls under the heading of efficient exploitation of resources, and that this spending is done to achieve the maximum possible benefit for the banks in isolation from the private benefit of the bank managements and the controlling shareholders. The research also aims to verify that this spending is not done to avoid the political costs incurred by banks towards society. The importance of the research is represented in providing useful information to the departments of the banks, the research sample, on the extent to which the financial resources available to them are efficiently used, represented by the amounts allocated for spending on service expenses; And the fact that this spending is offset by achieving financial returns represented by making profits. The research also seeks to provide useful information to the non-controlling shareholders about the efficient exploitation of the banks' of the banks' resources; And information for the regulatory authorities and the General Tax Authority on the extent to which there is avoidance of political costs.

Statement of the Problem

The analysis of the financial statements of the banks listed in the Iraqi Stock Exchange shows a high spending on service expenses, which calls for verifying that those in control of the management of these banks are keen on the efficient exploitation of these resources and not exploiting them to achieve personal interests away from the interests of shareholders who do not participate in the management of these banks Or that these expenses are spent to avoid political costs. Therefore, the study seeks to verify that Concentrated Ownership is an effective mechanism to protect the resources of the company, represented by the amounts allocated for service expenses in a way that achieves the maximum benefit from these resources away from personal interests or abuse it by controlling shareholders or avoiding political costs incurred by companies for the benefit of the parties Related. The importance of the study is to provide useful information to the managements of banks the sample of the study on the efficiency of exploiting the financial resources available to them represented by the amounts allocated to spending on service expenses; And the fact that this spending is offset by the realization of financial returns represented by the realization of profits. The study also seeks to provide useful information to the non-controlling shareholders about the efficiency of the exploitation of the banks' resources by the administrations of the banks in which they invest their money; And information to the regulators and the General Tax Authority on the extent to which there is an avoidance of political costs. From the foregoing and to achieve the objectives of the study, the researcher will test the following hypotheses:

1- There is relationship between Concentrated Ownership and service expenses.

2- There is relationship between the Income from operational processes and the service expenses.

3- There is relationship between the Tax and service expenses.

4- There is an effect of Concentrated Ownership and control variables on the service expenses.

5- There is an effect of Tax and control variables on the service expenses.

CONCEPTUAL REVIEW

Concentrated Ownership Structure

Defines Ownership structure from two perspectives; The first is from the perspective of the company it determines the extent to which the Ownership of the company is separated from its management and it expresses the shares of the company owned by the shareholders that give them the right to vote. The second perspective is from the perspective of the governance of companies, as the Ownership structure represents one of the mechanisms of governance of companies whose purpose is to protect the interests of shareholders who do not participate in managing the company by organizing a balanced relationship, addressing conflict of interests and reducing the imbalance in information sharing between the parties inside and outside the resulting company Separation of Ownership from management. Despite the fact that the Ownership structure is an effective mechanism of governance of companies the increase or decrease in the percentages of shareholders' Ownership and their identity are two important factors to control this relationship and a certain level of Ownership percentages determines the type of relationship between these parties and the results of this relationship of convergence or conflict in Interests.The Ownership structures of companies around the world are distinguished into two main models; The first model is dispersed Ownership, which is the oldest. In the dispersed Ownership model the Ownership of the shares of the company is spread in the hands of a large number of shareholders There are no clear features of the controlling shareholders. The second model is Concentrated Ownership; Under this model, the Ownership of the shares of the company is Concentrated in one shareholder or a group of shareholders (expressed by the controlling shareholders) who exercise control over the companies in proportion to the percentage of their Ownership of the shares. The company is of Concentrated Ownership in the case of the presence of controlling shareholders who own a percentage equal to %5 or more of the shares of the company (Jankensgård, 2018:14), and according to (Holderness, 2017:7) most countries of the world use a percentage of more than %5 of the shares The shares of the company to disclose the controlling shareholders, provided that they are linked to the right to vote. The theoretical debate about the beneficial effects of Concentrated Ownership as a mechanism of company governance on the performance of the company has generated two competing hypotheses: the opportunism hypothesis and Impactive control hypothesis. The level and effectiveness of the performance of companies is the outcome of the level of conflict of interests between management and shareholders, or between the majority and the minority. With the ability to control, which can help large shareholders control the resources of the company to achieve their personal interests, the (opportunistic hypothesis), is generated or the ability of the large shareholders to control may enable the role of effective observers to encourage managers to raise the level of performance of the company and the efficiency of resource exploitation (Effective Control Hypothesis).

Service Expenses

Expenses are outflows or any use of assets or incurring liabilities or a combination of both during a certain period of time as a result of delivering or producing goods, providing services or performing other activities that are part of the basic continuing operational processes of company (Kieso et al, 2019:13). Expenses are divided into two parts: capital expenditures, which are the expenses that the company benefits from for more than one year such as the purchase of fixed assets, and the revenue expenditures that are spend it during the year. Service expenses are intangible revenue expenses that fall as part of administrative and general expenses, and they are represented in professional services, consulting, communications, the Internet, subscriptions, fees, advertisements, celebrations, donations to others, and other intangible service expenses that are not directly related to operational processes of companies and are not productive in nature. For companies spending on general and administrative expenses, including service expenses, constitutes a large part of spending in general The purpose of this spending is to ensure the continuity of the main activities of the banks and to generate profits and achieve a competitive advantage. Spending on service expenses opens a long discussion about the efficiency of the exploitation of these resources, especially in the business environment that is characterized by weak law enforcement and fears of exploiting these resources to achieve personal gains in the interest of the parties controlling the management of company. According to study (Pandey & Sahu, 2021:6) general and administrative expenses, including service expenses are inherently unproductive and managers tend to obtain excessive benefits by increasing spending on these expenses. Managers use these expenses to disguise their spending on their own privileges and so the high spending on these expenses reflects a conflict of interest and a weakness in the control of managerial opportunism. In the banks listed in the Iraq Stock Exchange it is noted that spending on administrative and general expenses in general and service expenses in particular takes a large part of the resources of these banks.

Impact of Concentrated Ownership on Service Expenses

Concentrated Ownership is a means of compatibility between Ownership and management however, resulting in challenges such as the exploitation of resources to achieve personal interests at the expense of minority shareholders, or a conflict of interest between controlling shareholders and the government, resulting in managers trying to avoid political costs represented by Taxes, subsidies, labor requirements and other contributions imposed on the company towards society. I discuss at the impact of Concentrated Ownership on service expenses from two internal and external perspective, which are respectively, the efficiency of resource exploitation and political costs.

Impact of Concentrated Ownership on the Efficiency of Exploitation of Service Expenses

Concentrated Ownership provides an incentive for controlling shareholders to monitor management and thus ensure that management operates in line with the interests of controlling shareholders, but it may create conflict between controlling shareholders and minority shareholders. According to the agency theory of Jensen and Meckling (1976) large shareholders have greater power that allows them to influence decisions and actions of senior management compared to non-controlling shareholders. controlling shareholders can elect their own representatives to the Board of Directors who will appoint a director who will act to protect the interests of the controlling shareholders. So large shareholders can use their power for personal gain and exploit the value of the company at the expense of minority shareholders. The resources of the company may be lost and productivity levels decline when controlling shareholders use their authority irresponsibly and in collusion with the management of the company to acquire its assets at the expense of minority shareholders. This opinion is consistent with the study conducted by (Li&Deng, 2008:627) on a group of Chinese companies, as they noted that in these companies with Concentrated Ownership it is common for managers to squander administrative expenses in the purchase of cars, banquets, travel, establishment of luxurious official facilities, and even obtaining on entertainment. The results of their study showed that the high percentage of administrative expenses as a measure of agency costs is positively related to the possibility of financial hardship, which will harm the financial position of the company (Li & Deng, 2008: 633). According to (Ozili & Uadiale.2017:161), the controlling shareholders of Nigerian banks own a large percentage of the shares of these banks and exercise a great influence on the actions of the top management in the banks. This control of the controlling shareholders of Nigerian banks influences the production of the bank's accounting information and gives them the ability to pass on the profits of the banks to themselves as control benefits while the minority shareholders suffer the decline in the value of the banks. In the same context the results of the study (Melado & Saona, 2020: 2258) which analyzed Impact of the Ownership structure in restricting the discretionary power of the managers of the company on the false disclosure of profits in a sample of the companies of Latin America from Argentina, Brazil, Chile, Colombia, Mexico and Peru Who controls the management of the company they obtain special benefits at the expense of the minority of less protected shareholders by opportunistically managing profits for their own benefit. This opportunism in the manipulation of financial data is more effective in countries with weaker institutional and regulatory systems than in countries with a strong legal framework. Pandey&Sahu,2021:12) tested the role of shareholders who own the majority of the shares of the companies in the profitability of the latter on a sample of 91 Indian companies for the period (2011-2018); The results of their study found evidence of significant negative effects of Ownership concentration on the profitability of Indian companies. (Habuš&Prašnikar, 2021:166) sees that the term Concentrated Ownership has become a buzzword in the literature on the governance of companies, as Concentrated Ownership has always been associated with weakening the value of the company by self-interested people. In general, in countries characterized by weak law enforcement, controlling shareholders seek to achieve their personal interests and opportunistically away from the interests of minority shareholders, especially in companies characterized by a Concentrated Ownership structure. This pursuit greatly and effectively affects the devaluation of companies. The banks listed in the Iraq Stock Exchange are characterized by their declining value and the continuous decline of their profits; With reference to the financial statements of these banks, a large part of the profits realized by these banks result from unusual operational processes represented in the profits realized from buying and selling currency within the currency sale window. The tracker of the performance of these banks notes the continuous decline in the value of these banks.

Impact of Concentrated Ownership on Political Costs

Political costs are the obligations imposed by the government on the company as a result of the profits achieved by the latter The Taxes imposed on the profits achieved by the companies are the clearest example of them. According to the positive accounting theory of Watts and Zimmerman (1978), political costs arise from a conflict of interest between managers and the government, where companies are responsible for the social benefits of society and must pay a part of their profits for these benefits, so the companies that will have high political costs will try to reduce its profits in an effort to avoid or reduce the political costs imposed on it. According to (Nuraeni & Tama, 2019:265) The high and continuous profits achieved by large companies will increase the government’s interest in these companies and will encourage the government to raise Taxes and request more public services from these units. According to (Deegan&Unerman,2011:281) to reduce the possibility of political attention and the political costs associated with that attention(eg costs associated with increased Taxes or increased wage claims) companies adopt accounting methods that reduce reported profits. That is, managers can somehow deceive those who participate in the political process simply by adopting accounting methods that reduce profits. Inflating expenses is one of the methods used to avoid political costs, and service expenses are an effective way to maximize fictitious spending. spending on this type of intangible expenses because they cannot be tracked because they do not have a material asset, in addition to the possibility that these spending will not occur on the ground, may be considered one of the means that may be followed to avoid political costs. According to (Solikin & Salamet, 2022: 281) the Concentrated Ownership structure has a significant positive effect on Tax aggressiveness. The controlling shareholder exercises his right to control the company to act freely in order to influence political relations and the policy of dividend distribution and personal gain. Tax aggressiveness is the Taxpayer's reduction of their Tax burden without any restrictions or questioning the legitimacy of the procedures followed in light of the standards imposed on Tax calculation (Martinez, 2017: 114). All indicators go in the direction that spending on service expenses at a time when this spending does not correspond to an increase in profits does not exceed that it is either a misuse of the resources of the company or the allocation of the resources of the company to achieve personal interests for the controlling shareholders or a kind of aggressiveness or Tax avoidance.

MATERIALS AND METHODS

Study Community and Sample

The study community consists of all the banks listed in the Iraq Stock Exchange (the regular market), which numbered (19) banks for the period (2020-2016). The researcher choice of the banking sector comes from the fact that this sector represents the core of the financial system of any country and the clear importance of banks in influencing the national economy. Any crisis faced by banks will negatively affect the entire national economy. The study sample was represented by (16) banks that were selected after excluding the two banks that stopped trading, and one bank did not disclose the Ownership percentages of the controlling shareholders, so the sample size constitutes (%84) of the study community.

RESULTS AND DISCUSSION

Measurement of Concentrated Ownership.

he Concentrated Ownership(Conc) is measured based on the following equation: -

$$\text{Percentage of ownership Conc} = \frac{\text{Total shares held by Blockholder}}{\text{Total shares of the economic unit}} * 100$$

Table (1)

Measurement of Concentrated Ownership of Banks Research Sample/%

No.	Bank	The year 2016	2017	2018	2019	2020
1	The National Bank of Iraq	82	82	82	82	82
2	Commercial Bank of Iraq	65	75	75	75	75
3	The United Bank for Investment	78	78	78	78	78
4	Investment Bank of Iraq	45	45	40	40	40
5	Ashur International Investment Bank	85	85	85	85	85
6	Al-Mansour Investment Bank	59	60	60	60	60
7	Mosul Bank for Development and Investment	27	27	27	27	27
8	Baghdad Bank	52	52	52	55	55
9	Sumer Commercial Bank	70	70	70	70	70
10	Trans Iraq Bank	61	65	65	76	76
11	Iraqi Middle East Investment Bank	55	49	49	49	49
12	Elaf Islamic Bank	61	61	74	74	74
13	Kurdistan Islamic Bank	76	76	78	78	79
14	Iraqi Islamic Bank	59	68	74	74	80
15	Cihan Islamic Bank	71	71	71	71	71
16	Islamic National Bank	78	78	79	79	79
Average Ownership percentage per year		64	65	66	67	67.5
The general average of the Ownership percentage		66				
Source / prepared by the researcher based on financial reports study sample						

Table (1) shows the percentages of controlling shareholders owning the shares of the sample banks. The general average of the percentage of Ownership by controlling shareholders reached (66%) of the banks' shares. The average Ownership percentage for each year of the study sample banks shows an ongoing increase over the five years.

Measurement of Service Expenses

The service expenses (serv) of the study sample banks were measured by collecting all the items that fall under the title of service expenses of the study sample banks at the end of each year.

Table (2)

Service Expenses of Banks, Study Sample / Thousand

No.	Bank	The year				
		2016	2017	2018	2019	2020
1	The National Bank of Iraq	7,288,563	8,710,864	12,316,154	12,077,006	11,807,884
2	Commercial Bank of Iraq	4,173,871	5,253,098	4,769,157	4,625,376	11,873,215
3	The United Bank for Investment	6,534,437	7,133,588	10,758,328	4,758,124	8,034,856
4	Investment Bank of Iraq	2,483,392	2,897,530	2,252,615	1,488,949	1,560,938
5	Ashur International Investment Bank	3,631,229	4,586,299	5,167,330	4,083,726	3,865,687
6	Al-Mansour Investment Bank	2,607,767	2,793,494	3,024,886	2,749,363	2,716,610
7	Mosul Bank for Investment	1,997,381	2,567,167	3,731,859	2,006,631	2,418,947
8	Baghdad Bank	18,237,228	11,820,965	9,801,311	7,748,208	7,868,170
9	Sumer Commercial Bank	3,554,509	8,691,756	2,179,452	1,906,982	3,366,698
10	Trans Iraq Bank	3,475,250	2,543,821	2,259,967	1,726,200	2,024,020
11	Iraqi Middle East Investment Bank	5,041,989	4,736,518	3,615,752	3,139,775	5,798,960
12	Elaf Islamic Bank	1,935,012	3,361,586	4,830,940	2,647,100	3,457,129
13	Kurdistan Islamic Bank	3,166,752	8,933,383	7,826,330	10,431,412	6,708,242
14	Iraqi Islamic Bank	2,912,515	6,309,147	4,812,422	4,133,275	4,325,805
15	Cihan Islamic Bank	8,753,719	5,349,133	10,211,206	5,318,575	7,086,254
16	Islamic National Bank	2,202,583	2,277,988	2,012,323	1,197,560	1,519,777
The Total		77,998,213	87,968,354	89,572,050	70,040,281	84,435,212

Source / prepared by the researcher based on financial reports study sample

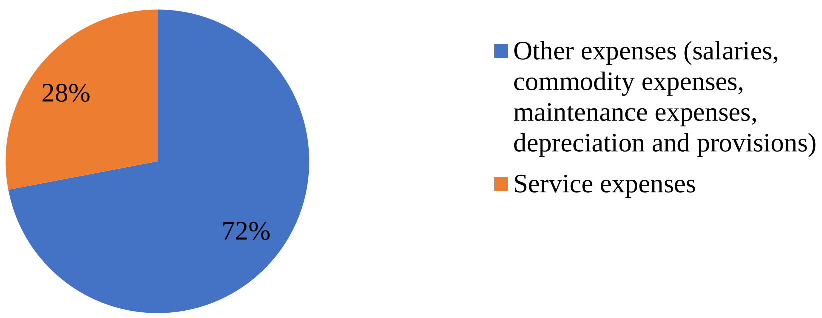


Figure (1) Expenditure on Service Expenses to Total Expenditures

Table (2) shows the volume of expenditure on service expenses of the study sample banks. The year (2019) recorded the lowest level of spending on service expenses. The political situation for that year may have a significant reason to reduce spending. The thing that gets attention is that spending on service expenses in the year (2020) has clearly increased from the previous year, despite the extension of the same tense political conditions, in addition to the closure resulting from the outbreak of Covid 19. On the other hand, the spending of banks on service expenses constitutes a large proportion of the volume of spending The year if the total spending of the banks constituted the study sample (30%) of the total public spending of the banks, which amounted to (1,349,178,999,665) and for the period of the study period, as shown in Figure (1).

Profit Measurement

The profit for the study sample banks was measured through the equation below after excluding the gains from buying and selling foreign currency because they do not reflect the bank's ability to generate profits using the
available resources, but rather they are profits realized as a result of a special case that allows banks to buy and sell this currency.

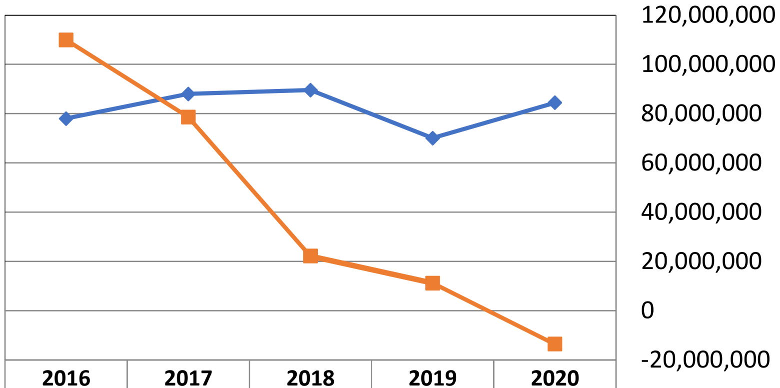
Table 3

The Size of the Income from Operational Processes of the Banks, the Study Sample / Thousand

N	Bank	The year				
		2016	2017	2018	2019	2020
1	The National Bank of Iraq	15,553,875	3,536,454	3,620,541	8,579,524	17,642,759
2	Commercial Bank of Iraq	8,194,520	9,608,692	11,182,189	6,214,415	519,509-
3	The United Bank for Investment	330,392	3,723,004-	16,831,272-	2,057,722-	846,616
4	Investment Bank of Iraq	7,762,783	1,302,373	411,013-	1,260,784-	4,080,114
5	Ashur International Investment Bank	13,684,122	12,317,185	3,819,828	4,725,930	29,474,160-
6	Al-Mansour Investment Bank	16,422,699	17,211,992	24,133,109	9,673,031	7,581,371
7	Mosul Bank for Investment	4,013,536	5,657,864	2,776,328	3,845,512	1,679,522
8	Baghdad Bank	8,198,594-	11,052,936-	2,721,129-	511,213	7,831,353
9	Sumer Commercial Bank	3,292,595	1,078,302-	421	96,710-	2,020,472-
10	Trans Iraq Bank	17,531,044	11,571,343	6,936,694	1,465,786-	1,663,046
11	Iraqi Middle East Investment Bank	11,379,234	2,774,761-	4,846,011-	13,521,959-	20,591,618-
12	Elaf Islamic Bank	6,229,855-	10,217,175-	9,496,511-	6,968,056-	3,339,816-
13	Kurdistan Islamic Bank	436,621	19,226,458	6,920,988-	6,414,436-	5,691,931-
14	Iraqi Islamic Bank	7,098,316	6,911,537	3,982,093	11,797,835	12,425,466
15	Cihan Islamic Bank	2,896,747	5,393,863	3,370,561	3,984,336-	3,759,068-
16	Islamic National Bank	15,798,752	14,731,664	3,572,399	1,618,586	1,914,077-
The Total		109,966,788	78,623,247	22,167,238	11,196,257	13,560,405-

Source / prepared by the researcher based on financial reports study sample

Table (3) clearly shows a continuous decrease in the total profits from operational processes of the study sample banks. The year (2016) recorded the highest Income from operational processes with an amount of (109,966,788,000) dinars, while the year (2020) recorded the lowest Income from operational processes with an amount of (13,560,405,000) dinars. The political and health conditions for the last two years (2019-2020) have clearly affected the performance of banks in general, which was reflected in the low level of profits achieved from operational processes. Referring to Tables (2) and (3) and comparing the volume of expenditure on service expenses with the profits from operational processes of the banks in the study sample; Figure (2) shows that spending on service expenses takes an upward trend for the years (2016, 2017, 2018) to decrease in the year (2019). As Figure (2) shows, the volume of profits from operational processes of the study sample banks is in a continuous decline, to record losses in the year (2020) despite this continuous decrease in Income from operational processes the study sample banks did not take steps to reduce their spending on service expenses.



	2016	2017	2018	2019	2020
service expenses	77,998,213	87,968,354	89,572,050	70,040,281	84,435,212
Income from operations	109,966,788	78,623,247	22,167,238	11,196,257	-13,560,405

Figure (2) Service expenses and Income from operations of the banks, the research sample - Source / prepared by the researcher

First / testing the first hypothesis "there is relationship between Concentrated Ownership and service expenses".

Table 4

Pearson Correlation Test for the First hypothesis

	Concentrated Ownership	Service Expenses
Concentrated Ownership	1	0.247 (0.027)
Service Expenses	0.247 (0.027)	1

The results of the test results for the Pearson Correlation coefficient show that there is a direct relationship between Concentrated Ownership and service expenses with a correlation coefficient of (0.247) and a significant significance of (0.027) less than (0.05), meaning that the high percentages of Ownership by controlling shareholders are offset by a rise in the volume of spending on service expenses.

Second / Testing the second hypothesis: “There is relationship between

Table 5

Pearson Correlation Test for the Second hypothesis

	Service Expenses	Profit from Operational Processes
Service Expenses	1	0.156 (0.167)
Profit from Operational Processes	0.156 (0.167)	1

The results of the test results for the Pearson Correlation coefficient show that there is a very weak inverse relationship between service expenses and profit from operational processes with a correlation coefficient of -0.156 and without significant significance; that is, there is no relationship between spending on service expenses and achieving returns from this spending.

Third / Testing the third hypothesis "there is relationship between the Tax and service expenses”.

Table 6

Pearson Correlation Test for the Third Hypothesis

	Tax	Service Expenses
Tax	1	.352 (0.001)
Service Expenses	0.352 (0.001)	1

The results of the test results for the Pearson Correlation coefficient show that there is a direct relationship between Tax and service expenses with a correlation coefficient of (0.352) and a significant significance of (0.001) less than (0.05), meaning that the increase in the Tax calculated on the realized profits is offset by a rise in the volume of spending on service expenses.

Fourth / testing the fourth hypothesis "there is effect of Concentrated Ownership and control variables on the service expenses".

Table 7

Multiple Linear Regression Test for the Fourth Hypothesis

Model	**B**	**T**	**Sig.**
Constant	6.258	1.746	.085
Conc	1.514	4.104	0.000
Size	0.526	3.989	0.000
Age	0.034	3.733	0.000
R=0.60			
RSquare=0.36			
Fstat=14.175 (0.000)			

Table (7) shows the value of the correlation coefficient (R) between the independent variable the Concentrated Ownership and the control variables and the dependent variable service expenses, which is (0.60), a value that shows the strong relationship between the independent variable and the control variables, and between the dependent variable. As the table shows, (R Square) equals (0.36), meaning that the independent variables explain (36%) of the variance or the variables that affect the dependent variable (service expenses), and the remaining percentage is due to other reasons, including random error. The table above shows the results of the analysis of variance for the multiple linear regression and confirms that the regression has a statistical significance and a significant level of (0.00) less than (0.05), so the study hypothesis is accepted, which states "there is a statistically significant effect of Concentrated Ownership and control variables in the service expenses. Table (7) also shows that the independent variable (Concentrated Ownership) has a positive effect on the dependent variable, service expenses, with a regression coefficient of (1.514) and insignificant significance, as it amounted to (0.000) less than (0.05), i.e. an increase in the percentages of owners' Ownership by one degree, corresponding to a rise in In the volume of spending on service expenses by (1.514). The size of the bank has a positive effect with a regression coefficient of (0.526) and a significant significance of (.0000) less than (0.05). The age of the bank has a positive effect on the dependent variable, service expenses, with a regression coefficient of (0.034) and significant significance, as it reached (.0000) less than (0.05).

Fifth / Testing the fifth hypothesis "there is effect of the Tax and the control variables on the service expenses".

Table 8

Multiple Linear Regression Test for the Fifth Hypothesis

Model	**B**	**T**	**Sig.**
Constant	-6.523	-0.521	0.604
Tax	.5460	2.744	0.008
Size	0.001	1.920	0.059
Age	5.1	3.400	0.001
R=0.53			
RSquare=0.26			
Fstat=9.639 (0.000)			

Table (8) shows the value of the correlation coefficient (R) between the independent variable, the Concentrated Ownership and the control variables, and the dependent variable, service expenses, amounting to (0.53), a value that shows the average strength of the relationship between the independent variable and the control variables, and between the dependent variable; As the table shows, (R Square) equals (0.28), meaning that the independent variables explain (28%) of the variance or the variables that affect the dependent variable (service expenses), and the remaining percentage is due to other reasons, including random error. The table (8) shows the results of the analysis of variance for the multiple linear regression and confirms that the regression has a statistical significance and a significant level of (00.00) less than (0.05), so the study hypothesis is accepted, which states that "there is a statistically significant effect of Tax and control variables in the service expenses of the banks, the study sample ". The table above shows that the independent variable (Tax) has a positive effect on the dependent variable, service expenses, with a regression coefficient of (0.546) and a significant significance (.0080) less than (0.05). The increase in the value of the calculated Tax by one degree corresponds to a rise in the volume of expenditures. On service expenses by one degree. The size of the company has a positive effect with a regression coefficient of (0.001) and without significant significance. The age of the company has a positive effect on the dependent variable, service expenses, with a regression coefficient of (5.1) and a significant significance, as it reached (.0010) less than (0.05).

CONCLUSIONS

The banks listed in the Iraq Stock Exchange are characterized by a Concentrated Ownership structure and high Ownership rates. Banks listed in the Iraq Stock Exchange suffer from the continuous decline in profits from operational processes after excluding profits from foreign currency sales; On the other hand, the volume of spending on service expenses increased. There is no relationship between spending on service expenses and Income from operational processes, which is an indication of the inefficiency of the exploitation of these resources, if the increase in spending on these service expenses is not matched by the achievement of returns that are reflected in the form of profits or gains. The study found that there is an effect of the amount of Tax calculated on the profits on the amount of spending on service expenses; With every increase in the amount of Tax, the amount of spending on service expenses increases without these spending being matched by the realization of returns, which is an indication of avoiding political costs. With every rise in the percentage of Ownership by controlling shareholders, spending on service expenses rises without this spending being matched by achieving any returns that are reflected in the form of profits or gains, which is an indication of the inefficiency of exploiting banks' resources or that the disposal of these resources is done to achieve personal gains away from the interests of the shareholders. This spending may be seen as an indication of avoiding political costs.

Recommendations

1- The necessity for the banks listed in the Iraq Stock Exchange to rationalize spending on service expenses, especially since this spending is not matched by achieving financial returns.

2- The necessity for the banks listed in the Iraqi Stock Exchange to raise the efficiency of financial performance and diversify forms of investment and not to make the gains realized from the profits from the sale of currency the main source for achieving gains.

3- The need for the competent authorities and bodies, especially the General Authority for Taxes, to enact instructions that regulate spending on service expenses in companies that achieve continuous losses.

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