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Liquidity Management Frameworks and Their Role in Enhancing Commercial Banks' Capacity to Absorb Risk

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ABSTRACT

Objective : *the objective of this research is to analyze the role of the liquidity management framework in enhancing the ability of Iraqi commercial banks to absorb risk.* ***Method :*** *the study used a descriptive-analytical approach, using a questionnaire as the primary data collection instrument, which was applied to a sample of 160 employees of five Iraqi commercial banks: Al-Rafidin, Al-Rashid, Baghdad, Ashur and Trade Bank of Iraq.* ***Results :*** *the findings revealed a strong positive correlation between liquidity regime and risk absorption capacity (r = 0.742) indicating that the combined dimensions of liquidity regime explain 61.6% of the variation in risk absorption capacity. Furthermore the results showed that the procedural dimension had the strongest effect (β = 0.412) followed by the structural dimension (β = 0.281) and the supervisory dimension (β = 0.195).* ***Novelty :*** *based on these results, the study recommends developing internal liquidity pricing systems that integrate liquidity costs, establishing specialized liquidity risk committees, implementing advanced stress testing programs, creating independent internal liquidity control units and investing in improving liquidity information management systems.*

INTRODUCTION

Liquidity is one of the important factors that determine the ability of commercial banks to meet their financial obligations and withstand economic pressures and shocks that may threaten their stability [1]. The importance of liquidity management has increased in Iraq due to the instability of the oil-dependent economy and the challenges associated with the implementation of Basel III standards, especially the Central Bank of Iraq's efforts to strengthen the regulatory framework for the banking sector [2].

Recent global financial crises, including the banking crisis of 2023, have shown that formal compliance with liquidity conditions is insufficient unless reinforced by strong governance mechanism that ensure the practical effectiveness of these requirements in real stress situations [3]. Liquidity management concerns the establishment of an integrated framework of guidelines, procedures and regulatory accountability from determining the board's liquidity risk tolerance to the implementation of independent supervisory mechanisms across the three lines of defense [4].

Recent empirical studies indicate that banks that adopt advanced liquidity management practices are 40% more resilient to liquidity shocks than traditional banks [5]. Yet the academic literature on this topic in Iraq is limited, lacking a clear link between governance practices and risk absorption capacity.

The importance of this research lies in filling this knowledge gap by reconstructing liquidity management mechanisms and measuring their actual impact on the resilience of Iraqi commercial banks during the crisis. The Iraqi banking quarter goes through a

important transformation that require strengthening monetary resilience to hold pace with international technological and regulatory developments. For this reason this look at goals to expand a sensible framework that enables financial institution control to build proactive liquidity management talents, ensuring sustainable monetary stability that supports countrywide economic boom.

Research Problem

The primary research problem lies in the potential discrepancy between Iraqi business banks' formal compliance with the liquidity 222anagement framework imposed by way of the Central Bank of Iraq and their real ability to translate this compliance into actual monetary power allowing effective hazard absorption. Although these banks may have adopted structures guidelines and procedures that are in line with international best practice, the central question is: how effective are these frameworks in an economic environment characterized by high uncertainty, shallow financial markets and large sovereign risks?

The problem is thus not only the existence of management frameworks, but also their quality and institutional anchoring in the bank's culture, as well as their ability to provide early warning signals and effective crisis management. Briefly, the research problem concerns the ambiguity in the causal relationship between the implementation of liquidity management standards as an independent variable and the improvement of risk absorption capacity as a dependent variable, in the context of Iraq's specific environmental mediators. This ambiguity makes it difficult to assess whether current regulatory reforms are achieving the intended goals of increasing the safety of the banking sector and its role in financing the economy

based on the identified problem, the main question is formulated as follows

Main research questions:

what role does the liquidity management framework play in increasing the capacity of Iraqi commercial banks to absorb risk?

Sub questions:

1. what are the main structural components of liquidity management in Iraqi commercial banks and how do they affect the capacity to absorb financial risk?
2. how does the system of integrating liquidity cost in transfer pricing affect the effectiveness of daily cash flow management in the banks?
3. to what extent are the three lines of defense effective in improving the quality of liquidity contingency plans and stress testing in Iraqi banks?
4. what is the cumulative relationship between the three indicators of liquidity management and the overall performance of banks' ability to absorb liquidity risk?

Research objectives

1. 1.To diagnose and evaluate the structural dimension of the liquidity regime
2. To degree the effectiveness of the procedural integration mechanism for liquidity
3. To analyze the effectiveness of control structures for liquidity management
4. build a whole econometric model for chance absorption capability

Research Significance

This take a look at has vital instructional and realistic value in modern-day Iraqi context as it searching for to bridge the gap the various theoretical regulatory requirements for liquidity manage and their actual implementation in enterprise banks. Notwithstanding the Iraqi Central Bank's persevered effort to beautify its supervisory framework in step with Basel III favored, area evaluations suggest that most neighborhood banks however be troubled with the aid of susceptible obligation mechanisms and inner controls which restrict their functionality to anticipate crises therefore this research gives a diagnostic version that allows coverage makers to accurately identify governance weaknesses and link them directly to financial stability indicators. The anticipated findings may even offer financial institution control with practical proof of global first-rate exercise adapted to the nearby context. In keeping with professional data, just a 20% development in liquidity absorption capability could save the arena billions of Iraqi dinars annually underscoring the direct financial value of this study

Furthermore, the effects of the study will serve as a methodological foundation for destiny researchers to assess the fine of governance in different financial sectors. In conclusion, the research makes a distinctive contribution to the Arabic literature that explores the connection between advanced governance practices and liquidity risk management

Research Variables

- **Independent Variable:** Liquidity Governance, comprising three dimensions:
  - Structural Dimension
  - Procedural Dimension
  - Supervisory Dimension
- **Dependent Variable:** Risk Absorption Capacity, expressed through the following dimensions:
  - Liquidity Dimension
  - Financial Dimension
  - Operational Dimension

Research Hypotheses

Main Hypothesis:

There is no statistically significant relationship between the degree of liquidity governance adoption and the liquidity risk absorption capacity of Iraqi commercial banks.

Sub-Hypothesis 1:

There is no statistically significant effect of the structural dimension on the financial indicators of liquidity risk absorption capacity in Iraqi commercial banks.

Sub-Hypothesis 2:

There is no statistically significant contribution of the procedural dimension to the efficiency of cash flow management in Iraqi commercial banks.

Sub-Hypothesis 3:

There is no statistically significant improvement in the effectiveness of liquidity contingency plans attributable to the supervisory dimension of liquidity governance.

RESEARCH METHOD

This study adopts the descriptive-analytical approach, as it is the most appropriate for research that aims to describe phenomena as they exist in reality and analyze the relationships between their key variables. The descriptive component provides an accurate depiction of the current state of liquidity governance frameworks implemented in Iraqi commercial banks, while the analytical component focuses on testing the relationship and influence between the independent variables represented by the dimensions of liquidity governance and the dependent variables represented by the indicators of risk absorption capacity.

the evaluation could be based on advanced statistical strategies to draw scientifically valid and generalizable conclusions that apply to the studies population

Research Limitations

to ensure rigor and recognition, the observe is bounded by using several boundaries. the spatial vicinity includes the five most important commercial banks operating within the Republic of Iraq. the brief place covers the duration from 1 October 2024 to 15 January 2025.The thematic scope is limited to the study of liquidity management frameworks, including governance structure, policies and measurement mechanisms, and analyzing their impact on the ability to absorb credit, operational and market risks – without extending to other types of governance risks or governance risks.

Theoretical Framework

1. The Nature and Importance of Liquidity Risk

In the banking context, liquidity refers to a bank's ability to meet its short-term financial obligations as they fall due without incurring significant losses. Based on this, liquidity risk is defined as the possibility that a bank may fail to meet unexpected withdrawal requirements or meet proper obligations despite being solvent, meaning that its assets exceed its liabilities

The essence of this risk lies in the maturity mismatch between the bank's assets (which are often long-term) and its liabilities (which are predominantly short-term) known as maturity variation risk which is an inherent part of the banking business model [6].

Liquidity risk is of exceptional importance. It is not just one of many risk categories; Rather, it is a risk that could soon turn into an existential crisis. while a bank can incur losses on loans or in the market over time, a liquidity crisis can lead to collapse within days. the global financial crisis of 2008 showed that many apparently well-capitalized banks had assets in illiquid instrument that could not be sold in secondary markets without heavy discounts, leading to liquidity disruptions and eventual failure [7].

effective liquidity risk management thus represents the cornerstone for maintaining depositors' and investors' confidence and ensuring the stability of the banking system as a whole.

2. Sources and Drivers of Liquidity Risk

Liquidity risk arises from three primary sources

a. **Funding risk:** the bank's inability to renew its funding sources at a reasonable cost in the event of maturity. this risk is particularly evident when a bank is dependent on unstable sources of funding such as large corporate deposits or interbank loans.
b. **Timing threat:** incapability to liquidate property quickly enough to satisfy immediately responsibilities. belongings may additionally seem "liquid on paper" however in practice they're "illiquid" due to the absence of lively markets or the time required on the market.
c. **Purchase chance:** associated with economic instruments that supply holders the right to demand early redemption for instance certain deposit kinds or convertible bonds that placed sudden and unexpected strain on a bank's liquidity position [8].

3. The Specificity of Liquidity Risk in the Iraqi Banking Environment

Liquidity risk takes on additional dimensions in the Iraqi context due to the country's specific economic and political environment.

First. the Iraqi economy is heavily dependent on oil revenues, which makes the liquidity of the banking system very sensitive to fluctuations in global oil prices. These fluctuations often generate sudden external shocks to liquidity conditions.

Secondly. public financing of large projects is often characterized by delayed payments, which results in a significant part of the banks' asset being locked up as public claims, which reduces their real level of liquidity [9].

Third. the Iraqi foreign exchange market remains shallow and underdeveloped, limiting banks' ability to liquidate financial assets quickly when needed.

Finally. persistently low levels of public confidence in the banking sector lead individuals and companies to resort to financing outside the formal banking system. This behavior reduces the basis of fixed deposits and increases the dominance of short-term deposits, thus increasing the financing risk [10].

4. Conceptual change from liquidity management to liquidity management

There was a major change in the conceptual understanding of liquidity after the financial crisis of 2008. Before the crisis, the focus was primarily on liquidity management which refers to the set of daily operational activities aimed at balancing liquidity surpluses and deficits. however the crisis showed that such an operational focus was insufficient. This led to the emergence of a broader and more strategic framework known as liquidity management

Liquidity management is defined as an integrated system that includes structure, processes, policies and accountability mechanisms established by the bank's management and the board to ensure efficient and sustainable management of liquidity risk in line with the bank's strategic goals and shock-absorbing capacity [11]. It is not just

an administrative function but an institutional culture and the core responsibility of the highest level of management.

5. Dimensions and Components of Effective Liquidity Governance Frameworks

An effective liquidity control framework incorporates a set of interrelated and complementary dimensions that may be summarized as follows.

a. Management shape and supervision

This measurement starts with the board, which has the remaining duty for figuring out liquidity coverage and defining the bank's chance tolerance. the board delegates this obligation to the risk committee which supervises the implementation of such suggestions. Management is responsible for implementing each day liquidity strategy. This hierarchical shape guarantees the lifestyles of a clear tone at the top that emphasizes the strategic importance of liquidity manipulate [12].

b. Guidelines and procedures

Banks need to set up smooth and documented liquidity regulations that define their fashionable approach key typical performance symptoms permissible limits and crucial movements if such limits are breached. these suggestions want to be dynamic and project to everyday evaluation and updates to reflect changes within the jogging surroundings [13].

c. Measuring and tracking machine

this measurement requires the use of superior quantitative tools. Basel III standards which incorporates liquidity coverage ratio and net stable funding Ratio have superior past mere regulatory requirements to essential gear for dealing with brief and prolonged-term liquidity. Moreover, financial institution must use internal equipment including coins flow hole evaluation and funding awareness monitoring to become aware of weaknesses [8].

d. Internal manage and strain testing

Liquidity control is incomplete without strong internal manage mechanisms and regular stress testing. these exams simulate hypothetical shock scenarios which include suddenly liquidity shortages, credit-rating downgrades, or large-scale deposit withdrawals to assess the bank’s resilience. the results help management identify weaknesses and develop effective Contingency Funding Plans (CFP**)** [14].

6. The Concept of Financial Resilience and Risk Absorption Capacity

Risk absorption capacity, also known as financial flexibility, refers to a bank's ability to withstand and absorb unexpected losses arising from various types of risks credit, market, operational or liquidity without failing to meet its obligations or halting its core business. It is a broader term than just capital adequacy, which includes asset quality, profitability, solidity in management and most critically liquidity [15]. A bank with sufficient capital but severe liquidity constraints does not actually have the capacity to absorb risk effectively.

7. Key Indicators for Measuring Risk Absorption Capacity

risk absorption capacity can be assessed through a set of financial and operational indicators in line with the CAMELS assessment framework, including

a. Capital adequacy: Measured by the capital adequacy ratio (CAR) which reflects the bank's ability to absorb unexpected losses
b. Asset quality: Measured by non-performing loans (NPL) where a lower proportion indicates stronger risk absorption capacity
c. Earnings: Measured through return on property (ROA) and return on fairness (ROE) as retained profits create an extra shielding buffer
d. Liquidity: the relevant indicator in this have a look at, in addition to the Basel III necessities (LCR and NSFR), is measured via ratios which include liquidity-to-deposits, loans-to-deposits
e. Market sensitivity: It reflects how sensitive a financial institution's net income is to changes in hobby prices and exchange quotes [16].

8. Analysis of the relationship between liquidity regime and risk absorption capability

this take a look at is based totally on the easy speculation that there exists a robust and splendid dating among the first-rate of the liquidity manage framework applied in commercial enterprise banks and their ability to soak up chance. A robust governance framework characterised with the aid of using effective board oversight, easy recommendations, superior length gear and periodic strain checks serves no longer only as a compliance mechanism, however additionally as an early warning tool that will increase operational flexibilityFor example, an powerful board ensures that pre-defined chance limits aren't exceeded, at the same time as stress testing guarantees the preparation of contingency financing plans for immediate activation whilst needed. Consequently, the better the adulthood of the liquidity management framework, the stronger the financial institution's capacity to convert capability risk from existential threats to manageable risks, ultimately strengthening universal monetary resilience [17].

9. Review of Previous Studies

Several previous studies have examined the relationship between risk management and bank performance. For example, find that liquidity risk management has a positive and significant impact on the stability of European banks [18]. in the context of emerging markets, revealed that the adoption of Basel III standards in Iraq improved some liquidity indicators but showed no direct relationship with risk absorption capacity [19]. in contrast, investigated the impact of sovereign risk on the liquidity of Iraqi banks but ignored internal governance factors [9].

by reviewing previous research, a clear knowledge gap emerges. Most existing studies focus either on the regulatory dimension (such as Basel III compliance) or on the general relationship between liquidity and financial performance. If anyone has thoroughly investigated the effect of the quality of the liquidity management framework (as a composite independent variable) on the risk absorption capacity (as a composite dependent variable) in the Iraqi context, very few have investigated it.

Therefore, this study attempts to fill this gap by developing an econometric model that combines the four dimensions of liquidity management monitoring, policy, measurement instruments and controls with composite indicators of risk absorption

capacity. This contribution provides both academic and regulatory value by providing a practical analytical framework relevant to Iraq's banking sector.

RESULTS AND DISCUSSION

Practical Framework

First. Research Population and Sample

The research population includes all commercial banks operating in Iraq a total of sixty-four banks according to 2023 data from the Central Bank of Iraq. this includes employees who work in departments related to the research topic such as risk management, treasury, credit and accounting.

The sampling process was carried out in two stages

Phase one: a purposive sampling approach was used to select five banks representing different types and ownership structures within the Iraqi banking sector. These banks are.

-Al-Rafidain Bank

-Al-Rasheed Bank

-Bank of Baghdad for Investment and Finance

-Ashur International Bank

-Trade Bank of Iraq

Stage Two: the sample size of individual respondent was determined using Cochran's formula for finite populations (Cochran, 1963).

- $n = N \cdot Z2 \cdot p \cdot q(N-1) \cdot e2 + Z2 \cdot p \cdot qn = \frac{N \cdot Z^2 \cdot p \cdot q}{(N-1) \cdot e^2 + Z^2 \cdot p \cdot q}$

$$n = (N-1) \cdot e2 + Z2 \cdot p \cdot qN \cdot Z2 \cdot p \cdot q$$

$$n = 800 \times 1.962 \times 0.5 \times 0.5849 \times 0.072 + 1.962 \times 0.25 = 800 \times 0.9604849 \times 0.0049 + 0.9604 =$$

$$816.345.1601 = 158.2n = \frac{800 \times 1.96^2 \times 0.5 \times 0.5}{799 \times 0.07^2 + 1.96^2 \times 0.25} =$$

$$\frac{800 \times 0.9604}{799 \times 0.0049 + 0.9604} = \frac{816.34}{5.1601} = 158.2$$

to increase statistical power (> 0.80) and an estimated response rate of 85%, the sample size was increased to 200 respondents (+26.4%) thus ensuring sufficient reliability and representativeness across the selected banks.

Table 1. Distribution of the Research Sample by Bank.

Bank Name	Target Population (Estimated)	Selected Sample	Percentage (%)
Al-Rafidain Bank	250	62	31.0
Al-Rasheed Bank	220	55	27.5
Bank of Baghdad for Investment	120	30	15.0
Ashur International Bank	110	28	14.0
Trade Bank of Iraq	100	25	12.5

Total	**800**	**200**	**100**

Source: research compilation based on data from the Central Bank of Iraq (2023)

the table above shows the numerical and proportional distribution of the sample in the five selected banks. This proportional allocation reflects the relative length of each financial institution within the target populace and guarantees a balanced illustration of the world pattern.

Second: measuring tool

the measuring device become advanced based on Huang and Ratnowski's (2022) scale to degree liquidity management (42 gadgets) and Al-Fatalwi's (2023) scale to degree absorptive ability (35 items) with extra questions tailor-made to the Iraqi context.

the very last tool consisted of 35 items, divided into two foremost constructs and several sub-dimensions, in addition to 5 questions related to the respondents' non-public statistics.

Scale 1: Liquidity Governance: 15 items (5 items for each dimension, including MIS).

- **Scale 2: Risk Absorptive Capacity**: 15 items (5 items for each dimension).

Table 2. Distribution of Questionnaire Items by Dimension and Source.

Dimension	No. of Items	Original Source	Local Adjustments	Discrimination Coefficient
Structural	5	Huang & Ratnovski (2022)	+3 items on state ownership influence	>0.40
Procedural	5	Basel Committee (2023)	+4 items on fintech integration	>0.45
Supervisory	5	European Central Bank (2025)	+3 items on auditing challenges in Iraq	>0.42
Liquidity	5	Al-Fatlawi (2023)	+2 items on "trapped liquidity"	>0.48
Financial	5	BIS (2022)	+1 item on government receivables	>0.44
Operational	5	IMF-METAC (2024)	+3 items on digital liquidity transformation	>0.46
Total	**30**	—	**16 local items (51%)**	**Average 0.44**

Source: prepared by researcher.

The consequences confirmed that 49% of the questionnaire objects were tailored from dependable international scales, while 51% had been domestically developed

objects that had been designed after an exploratory take a look at with 12 financial institution managers to pick out local challenges. discrimination coefficients (>0.40) verify the excellent and discriminating strength of the statistics while measuring the liquidity regime levelaccording to the researcher, this tool achieves a balanced integration between global measurement standards and local contextualization, thereby increasing the validity and policy relevance of the findings for the Iraqi banking sector.

1. Verification of Reliability and Validity

before checking out the principle studies hypotheses, it turned into important to confirm that the questionnaire has the essential psychometric houses, particularly reliability and validity, which make certain the accuracy and stability of the effects received.

- Reliability Test – Cronbach's Alpha

cronbach's alpha is one of the maximum commonly used statistical indicators to evaluate the inner consistency of a measurement scale. A scale is usually time-honored if the alpha coefficient is ≥ 0.70.

Table 3. Cronbach's Alpha Values for the Research Variables and Dimensions.

Variable/Dimension	No. of Items	Cronbach's Alpha
Independent Variable (Liquidity Governance)	**21**	**0.912**
Structural Dimension	7	0.851
Procedural Dimension	7	0.833
Supervisory Dimension	7	0.809
Dependent Variable (Risk Absorptive Capacity)	**15**	**0.881**
Liquidity Dimension	5	0.825
Financial Dimension	5	0.791
Operational Dimension	5	0.814
Total Instrument	**36**	**0.934**

Source: prepared by the researcher based on SPSS.28 output.

The table shows that every one Cronbach's alpha values exceed the minimal desirable restrict (0.70) from 0.809 for the supervision dimension to 0.912 for the unbiased variables. The overall alpha coefficient for the entire tool turned into zero.934, indicating remarkable internal consistency.

this confirms that everyone devices constantly measure the supposed constructs, thus ensuring strong tool reliability.

these findings display the robustness of the research instrument. high alpha values advocate that the theoretical dimensions (structural- procedural and observational) are internally consistent and conceptually included, offering confidence that the determined relationships replicate true styles in preference to size weaknesses.

- Validity check: confirmatory factor evaluation

to affirm construct validity, a confirmatory component analysis (CFA) was conducted using AMOS to make certain that the items loaded accurately on their theoretical dimension. The fit of the model was assessed using a set of standard fit indices.

Table 4. Statistical Fit Indices for the Confirmatory Factor Analysis (CFA) Model.

Fit Index	Computed Value	Recommended Threshold	Evaluation
Chi-square/df (CMIN/DF)	2.415	< 3.00	Very Good
Goodness of Fit Index (GFI)	0.933	> 0.90	Excellent
Adjusted Goodness of Fit Index (AGFI)	0.911	> 0.90	Excellent
Comparative Fit Index (CFI)	0.956	> 0.90	Excellent
Root Mean Square Error of Approximation (RMSEA)	0.058	< 0.08	Good

Source: Prepared by the researcher using AMOS.

The outcomes show that all suit indices fall inside the endorsed statistical limits. The ratio (CMIN/DF = 2.415) is under three, and the indices (GFI, AGFI, CFI) are all above 0.90. The RMSEA price (0.058) is under zero.08, which suggests a superb fit between the theoretical model and the empirical information.

The success of the CFA take a look at serves because the cornerstone of this studies, confirming that the conceptual version is empirically legitimate and accurately reflects the constructs understood in the Iraqi banking surroundings. this strengthens the reliability of the version for next hypothesis testing.

- Test-Retest Reliability

The take a look at-retest technique became carried out to 30 items over a two-week period. The Pearson correlation coefficient was $r = 0.876$ ($p < 0.001$), confirming exceptional balance over the years.

No substantial distinction extra than 0.05 was discovered between the averages for the two take a look at rounds in all dimensions.

Third: area records series

Field information collection started out on 1 October 2024 and endured for 45 days. Each participating financial institution changed into visited three-4 instances to make certain the presence of concerned officers.

Fieldwork consisted of 15 semi-structured interviews (3 according to bank), every lasting 45–60 mins.

A general of 2 hundred questionnaires have been dispensed, and 174 had been again, which corresponds to a reaction charge of 87%.

After excluding 14 incomplete or inconsistent responses, the final legitimate sample consisted of a hundred and sixty observations suitable for statistical evaluation.

Table 5. Verification of Field Data Integrity.

Quality Criterion	Target	Achieved Result
Response Rate	>80%	87% (174/200)
Incomplete Data	<5%	8% (14/174)
Homogeneity	Item correlation >0.30	Minimum r = 0.34
Nonresponse Bias	No significant difference between early and late respondents	t-test p = 0.23
Standard Deviation Range	0.8 – 2.5	0.92 – 2.18

Source: Prepared thru the researcher primarily based on SPSS.28 outputs.

The immoderate reaction rate of 87% reflects a robust diploma of willpower and engagement amongst financial institution danger officers.

The suitable degree of homogeneity ($r > 0.30$) confirms that the information meet the assumptions for issue assessment.

The absence of big nonresponse bias ($p > 0.05$) suggests that overdue respondents did now not vary drastically from early ones.

According to the researcher, the dataset demonstrates excessive usual fantastic, even though the eight% of incomplete records highlights the need to bolster information control tradition in a few smaller banks.

Fourth: Descriptive Statistical Tests

this segment pursuit to provide a statistical precis of the sample facts to evaluate the quantity of liquidity governance implementation and to assess the scale of danger absorption potential from the contributors' perspectives.

Table 6. Descriptive Statistics of the Research Variables and Dimensions.

Variable/Dimension	Mean	Standard Deviation	Level of Application
Independent Variable (Liquidity Governance)	**3.89**	**0.71**	**High**
Structural Dimension	4.12	0.65	High
Procedural Dimension	3.95	0.68	High
Supervisory Dimension	3.61	0.77	Moderate to High
Dependent Variable (Risk Absorptive Capacity)	**3.76**	**0.74**	**High**
Liquidity Dimension	3.85	0.81	High
Financial Dimension	3.70	0.75	Moderate to High
Operational Dimension	3.73	0.69	Moderate to High

Source: Prepared through way of the researcher based totally on SPSS.28 output.

The effects show that respondents perceive the extent of liquidity governance implementation in their banks to be excessive with an commonplace imply rating of 3.89. The structural period recorded the very remarkable propose (4.12) accompanied through the procedural length (3.95) while the supervisory size had the bottom (3.61).

as for hazard absorption capability, the overall suggest reached 3.76 with the liquidity size ranking highest (38.5) accompanied through the operational (3.73) and economic (3.70) dimensions.

those findings recommend that Iraqi banks have completed huge development in strengthening their structural and procedural frameworks, reflecting growing institutional maturity. But, the quite lower rating on the supervisory size highlights the want for delivered emphasis on manipulate practices and strain sorting out to make certain sustained monetary resilience.

Fifth: Hypothesis Testing

this section represents the center of the statistical evaluation, studying correlational and causal relationships some of the have a have a look at variables to determine whether or not or now not to just accept or reject the null hypotheses.

1. Testing the Main Hypothesis

the most important hypothesis states that:

there isn't any statistically great dating among the degree of liquidity governance implementation and the liquidity threat absorption potential in Iraqi commercial banks

To verify this assumption, the Pearson Correlation Coefficient was applied.

Table 7. correlation matrix a few of the research variables.

	Liquidity Governance	**Structural**	**Procedural**	**Supervisory**	**Risk Absorptive Capacity**
Liquidity Governance	1				
Structural	.842**	1			
Procedural	.891**	.756**	1		
Supervisory	.798**	.623**	.701**	1	
Risk Absorptive Capacity	.742	.681	.712	.634	1

Source: Prepared by way of the researcher based on SPSS v.28 output.

The table suggests a strong and statistically significant correlation ($p < 0.01$) between liquidity management and risk absorption capacity, with a correlation coefficient of $r = 0.742$. Consequently, the null hypothesis is rejected and the chance hypothesis is accepted, statistically confirming the giant dating.

this finding suggests that liquidity management plays an important role in strengthening the banks' flexibility. better stage of governance implementation explains

about 55% of the variation (0.742^2) in risk-absorbing capacity, providing strong quantitative evidence of the structural impact of strong governance practices in the banking sector.

2. Testing of sub-hypotheses (multiple linear regression analysis)

to determine the relative impact of each dimension of the liquidity regime on opportunity absorptive capacity, a multiple linear regression analysis was conducted.

Table 8. Results of the Multiple Linear Regression Analysis.

Model Summary	Value
R	0.785
R^2	0.616
Adjusted R^2	0.603
F-Value	47.821
Significance (Sig.)	0.000

Coefficients	Beta (β)	t-Value	Significance (Sig.)
(Constant)	—	2.115	0.036
Structural Dimension	0.281	3.412	0.001
Procedural Dimension	0.412	4.889	0.000
Supervisory Dimension	0.195	2.654	0.009

Source: Prepared via the researcher primarily based on SPSS.28 output.

The regression version shows that the three dimensions collectively give an explanation for 61.6% of the variance in danger absorptive capability ($R^2 = 0.616$). The F-price (47.821) is statistically considerable at $p = 0.000$, confirming the version's overall validity for interpretation.

All impartial variables exert advantageous and statistically tremendous effects (Sig. < 0.05) main to the rejection of all sub-null hypotheses. The procedural size exerts the strongest influence ($\beta = 0.412$) observed with the aid of the structural ($\beta = 0.281$) and supervisory ($\beta = 0.195$) dimensions.

According to the researcher, these results display that enhancing each day liquidity management approaches which includes setting liquidity limits, pricing, and managing cash flows produces the best impact on improving banks' capacity to take in dangers. This offers practical insight for managers, as it identifies technique development because the best lever for strengthening financial resilience.

Results

a. The findings discovered a sturdy and statistically large fantastic correlation among liquidity governance and chance absorption capability in Iraqi commercial banks ($r = 0.742$, $p < 0.01$)
b. The look at determined that the blended dimensions of liquidity governance provide an explanation for 61.6% of the variance in danger absorption capability ($R^2 = 0.616$)

c. results showed that the procedural size of liquidity governance has the strongest impact on threat absorption capability ($\beta = 0.412$, $p < 0.001$) followed by the structural measurement ($\beta = 0.281$, $p < 0.01$) and the supervisory dimension ($\beta = 0.195$, $p < 0.01$)
d. The average level of liquidity governance implementation in Iraqi commercial banks become 3.89 out of five, indicating a high degree of utility
e. The structural measurement recorded the highest average score for liquidity governance (4.12), followed through the procedural size (3.95) even as the supervisory size recorded the bottom (3.61)
f. The risk absorption capacity in Iraqi commercial banks averaged three.76 out of five, with the liquidity measurement reaching the highest average (3.85)
g. The confirmatory thing evaluation consequences indicate that the theoretical model fits the empirical facts nicely (CMIN/DF = 2.415, GFI = 0.933, CFI = 0.956, RMSEA = 0.058)
h. The dimension tool achieved an normal Cronbach's alpha of 0.934, indicating awesome inner consistency.

CONCLUSION

Fundamental Finding : the results confirm that liquidity management is an important factor in strengthening Iraqi commercial banks' ability to absorb risk and emphasize the importance of the quality of management rather than just formal compliance with regulatory standards the varying effects of liquidity management dimensions indicate that improving daily liquidity management processes serves as the most effective driver for enhancing financial flexibility in Iraqi banks despite progress in the structural and procedural dimensions, the relatively low score on the supervisory dimension reflects gaps in effective control mechanisms and stress testing which may limit the banks' ability to react quickly to crises the strong link between liquidity management and risk absorption capacity confirms that the current regulatory reforms led by the Central Bank of Iraq are moving in the right direction but there is still a need to further strengthen practical supervisory implementation the findings show that Iraqi banks have made significant progress in establishing structural frameworks for liquidity management but they face challenges in translating these frameworks into effective supervisory practices. **Implication :** 1.Develop internal pricing structures in Iraqi business banks that integrate liquidity expenses into all products and services with quarterly evaluation mechanisms to ensure alignment with changing market conditions 2.Establish specialised liquidity chance committees that consist of unbiased individuals with expertise with honestly described government and accountability duties 3.Develop superior strain-checking out programs incorporating Iraq-precise eventualities, which includes a 40% decline in oil expenses or authorities charge delays exceeding ninety days 4.Create an unbiased internal liquidity manage unit that reports at once to the board's audit committee, supported via an early-warning gadget based totally on ten quantitative and qualitative indicators 5.Develop a qualitative assessment framework for liquidity governance satisfactory that goes past numerical metrics, linking assessment outcomes

to risk exposure limits and capital requirements 6.Establish a shared digital platform among Iraqi banks for records alternate on liquidity availability, in conjunction with mechanisms to assess the first-class of liquid property inside the neighborhood marketplace 7.Allocate five% of banks' annual earnings to the improvement of liquidity information management systems and provide focused training for personnel on using superior analytical gear 8.Prepare multi-situation contingency investment plans that become aware of alternative financing assets and take a look at these plans annually in cooperation with the Central Bank of Iraq 9.Develop a overall performance assessment machine that links managerial incentives to the exceptional of liquidity control, with truely defined goals geared toward enhancing liquidity signs via 20% over the next years. **Limitation :** despite progress in the structural and procedural dimensions, the relatively low score on the supervisory dimension reflects gaps in effective control mechanisms and stress testing which may limit the banks' ability to react quickly to crises. **Future Research :** But, this examine advances the discussion via identifying the particular governance mechanisms that generate such consequences in the Iraqi context this check differentiates itself from in advance work, inclusive of Al-Mamory which focused on sovereign dangers, via manner of analyzing inner governance-associated elements that banks can without delay manipulate moreover, it enriches the limited Arabic literature on this area and helps the modern-day conclusions of worldwide regulatory bodies consisting of the Basel Committee which emphasize the role of powerful liquidity governance in enhancing banking area resilience.

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