

EXTERNAL FAILURE COSTS AND THEIR ROLE IN BANKING SERVICE PRICING-AN APPLIED STUDY AT AL-RAFIDAIN BANK

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Abstract

Recent technological developments in the business environment and increased competition have prompted banks to adopt modern methods that contribute to improving the quality of banking services by providing the best banking services with a high level of quality that achieves customer satisfaction. The problem addressed in this study is the lack of an effective system for measuring costs in banking organizations, despite the the importance of quality-related costs, but the measurement and determination of these costs is not accurate, and an appropriate price for banking services has not been determined. The study aims to show the impact of the external failure costs of banking services on their pricing.

The study produced a set of conclusions and recommendations. Iraqi banks were selected as the study population, specifically Rafidain Bank (General Administration) as the study sample. The research sets out to achieve its objectives based on a basic hypothesis, which is that external failure costs affect the pricing of banking services. The study relied on an analysis of the financial statements of Rafidain Bank, the study sample, and the period analyzed was 2021-2017. One of the most important conclusions reached by the study is that measuring quality costs is essential for any bank interested in improving the quality of its services and supporting its survival and continuity in the market. Disclosing this information in separate reports helps provide detailed information on its main elements (prevention costs, evaluation costs, external failure costs, and internal failure costs) and gives the bank's management a clear picture of the role of each element in improving quality and its impact on service pricing.

The most important recommendations that emerged from the study are that banks should focus on determining quality costs, classifying them according to their categories, measuring them, and disclosing them, given their role in improving the quality of banking services provided to customers and the impact of these costs on the pricing of banking services.

Keywords: Quality costs, external failure costs, pricing of banking services.

Introduction

Quality costs are a key element in understanding the financial performance of service organizations, and include external failure costs, which are costs that arise after the service has been provided to the customer, such as compensation, complaint handling, customer loss, and reputation damage costs (Cauchick Miguel & Pontel, 2004). This category of costs is particularly important in the banking sector due to the intangible nature of services and the sensitivity of customer satisfaction and its impact on the continuity of banking operations.

Applied studies indicate that external failure costs in banks represent a significant portion of total quality costs and may negatively affect financial performance if not managed effectively (Abulaila & Aloudat, 2024). In their analysis of the impact of quality costs on the financial performance of Jordanian banks, showed that quality cost dimensions, including external failure, are related to financial performance variables such as return on assets. This reinforces the need to analyze these costs not only as an internal variable, but also as an important input in pricing decisions.

Research by (Ningsih & Indrawaty ,2017) also showed that costs related to service quality in banks also include compensation to customers for banking errors, which puts additional pressure on pricing policies and profit margin determination. In the local context, unlike studies that focused only on assessment costs at Al-Rafidain Bank this research aims to focus the analysis on external failure costs and estimate their impact on the pricing of banking services in an applied manner.

Understanding the relationship between external failure costs and banking service pricing policies is essential to enable banks to provide high-quality services at the lowest possible cost and to support competitiveness in a banking environment characterized by increasing customer expectations and market pressures. Therefore, this research relies on an analytical methodology that includes the use of detailed accounting data from Al-Rafidain Bank, analyzing how external failure costs are reflected in the pricing structure of services, with the aim of providing practical recommendations to decision-makers at the bank to improve service quality and pricing in line with market requirements.

1- Study methodology

1-1 Study Problem

The research problem is that despite the importance of quality-related costs, measuring and determining these costs is not accurate due to the absence of an effective cost measurement system in banking institutions, which leads to a weakening of management's ability to make appropriate decisions, especially with regard to modernizing banking services, reducing their costs, and achieving profits. The absence of this system negatively on the price of banking services and their arbitrary valuation. Based on this, the research problem can be formulated as follows:

Will the use of external failure costs (legal services, compensation costs, and fines) contribute to determining an appropriate price for banking services?

2-2 Study Importance

The banking sector is the lifeblood of any country's economy, so the importance of this topic lies in understanding the role of external failure costs of banking services in pricing banking services from studies that are relevant to the Iraqi economy, and that quality costs are represented by (prevention costs, assessment costs, internal failure costs, and external failure costs) and their role in determining and calculating the price of banking services and contributing to the provision of data and information that help Iraqi banking institutions achieve competitive advantages and satisfactory performance rates in the environment surrounding these banks. The importance of this study is also highlighted by the following points:

- 1- Determining and measuring the costs of external failure at Al-Rafidain Bank (General Administration), one of the largest and oldest Iraqi banks.
- 2- The importance of the study is evident in its novelty in the Iraqi banking environment, its reliance on actual data from Al-Rafidain Bank, and its attempt to establish scientific foundations for the impact of quality costs on the pricing of banking services.
- 3- Iraqi banks need such a proposed system because it can achieve accuracy in determining the cost of services and thus provide correct and accurate information that will assist management in performing its tasks.

2-3 Study Hypothesis

The commitment of banks to apply a quality cost system (prevention costs, evaluation costs, internal failure costs, external failure costs) leads to accurate calculation of service costs and, consequently, to more accurate pricing of banking services. The study hypothesis can be formulated as follows:

There is an impact of external failure costs (legal services, compensation costs, and fines) on the pricing of banking services.

2-4 Study objectives

The objectives of this research are as follows:

1. To demonstrate the importance of measuring banking service costs in making appropriate administrative decisions regarding the pricing of banking services at Al-Rafidain Bank.
2. To prepare detailed reports on the external failure costs of banking services for each year and the developments that have occurred.
3. To explain the impact of the external failure costs of banking services on their pricing at Rafidain Bank.

2-5 Study Methodology

To achieve the study's objective and test its hypothesis, the researcher adopted a descriptive approach in presenting and studying the contributions of researchers published in books, studies, and articles related to the study topic, as well as an analytical approach in studying the applied data of the study sample.

2-6 Scope of the Study

A_ Time frame: The time frame of the study was set at 2021-2017 through the analysis of financial data based on the annual financial reports of Al-Rafidain Bank, as the annual financial reports were obtained directly from the bank sample.

B_ Spatial limitations: Al-Rafidain Bank (General Administration) was selected due to the availability of financial data and annual financial reports for the period (2021-2017).

2-7 Study population and sample

Iraqi banks were selected as the study population. The research sample was selected from Rafidain Bank (General Administration), which is a purposive sample as it is one of the largest and oldest Iraqi government banks and the only one that was willing to provide the researcher with data to complete the practical aspect of the study. The researcher was provided with the bank's annual reports and service price lists. The study relied on the bank's financial data and annual financial reports for the period 2021-2017, which were obtained directly from the bank.

2-8 Previous studies

1- Jassim (2024) “Analysis of quality costs in digital banks and their impact on customer satisfaction.”

The author studied quality costs (prevention, appraisal, internal failure, external failure) in banks that have moved toward digital automation (including Al-Rafidain Bank as an example). The study found that the cost of external failure (incorrect transactions, payment complaints, re-execution) is directly linked to lower customer satisfaction and leads to long-term “hidden” costs (loss of loyalty, decline in deposits). It recommends strengthening prevention and automation mechanisms to reduce external failure costs as a gateway to improving prices and margins.

2- Faraj & Salman (2022) “Designing a Quality Costing System in Commercial Banks (Applied Research in the Investment Bank of Iraq)”.

The research presented a practical framework for classifying and measuring the components of quality costs in an Iraqi commercial bank and applied a model for measuring external failure costs (direct and indirect). The experiment showed that measuring external failure costs reveals losses that are not accounted for in standard performance reports, and that including these costs in pricing models helps to adjust profit margins and determine more accurate service fees. It is considered an applicable model in Al-Rafidain Bank with contextual modifications.

3- Zhang, S. et al. (2022).” Do banks price production-process failures? Evidence from product recalls and loan pricing”.

The study reviewed how supplier/borrower product process failures (as an illustrative model) affect loan pricing. The results show that banks include risk factors related to failure/compensation records in their pricing, meaning that exposure of the bank or its customers to technical or marketing incidents increases the cost of financing or reduces price

flexibility. The overall conclusion supports the hypothesis that the cost of failure (including external failure) translates into actual pricing decisions in financial markets. This provides a theoretical and analytical basis for linking the cost of external failure to the pricing of banking services.

4- J. Gao et al., (2022) “Recover From Failure: Examining the Impact of Service Recovery Attributes on Relationship”.

The paper examined the impact of compensation and service recovery measures on customer loyalty and relationship quality after service failure. It showed that the quality of an organization's response to external failure determines the magnitude of long-term losses (customer loss, reputation) and that a specific investment in service recovery may reduce the net cost of external failure. The conclusion is important from a bank management perspective: reducing the cost of external failure is not only achieved through prevention but also through effective compensation policies that also influence pricing decisions.

3- External Failure Costs

3-1 Concept and Definition of Quality Costs

In order for an economic organization to provide goods and services of a quality that meets the needs, desires, and expectations of customers, it incurs various types of costs related to achieving the level of quality that meets those needs, which are called quality costs. Management measures and determines the costs of the activities necessary to control quality, as well as the costs of the actions taken to correct failures in quality control as part of its efforts to manage the quality of its products and services (Al-Masoudi, 30:2008). Several definitions and explanations of quality costs have emerged, including the following:

Table (1) Concept of quality costs

Researcher	Concept	Focus on the concept
(Aniza, 2014:27)	These are costs that are not the price of creating a high-quality product or service.	Failure to create a high-quality product
(Lowe & Smith, 2022:32)	They are the cost of not creating a high-quality product or service every time work is done to increase the quality of that product.	Failure to meet customer requirements
(Fatima & Mlati, 2022:21)	They are the costs of not meeting the specific requirements of the organization's internal and external customers.	Quality assurance costs

Source: Prepared by the researcher based on the sources mentioned.

3-2 External Failure Costs

Quality costs are a modern accounting concept that aims to measure losses resulting from services or products that do not meet customer requirements. External failure costs are the most serious type of quality costs, as they arise after the service has been provided to the customer and directly affect customer confidence, the reputation of the organization, and its

profitability. In the banking sector, the importance of these costs is compounded by the sensitivity of banking services and their dependence on accuracy, speed, and reliability, making any external failure a factor that affects the pricing of banking services and the competitiveness of the bank (Heizer et al., 2017; Duarte et al., 2019).

Heizer et al. (2017) define external failure costs as: “the costs incurred by an organization as a result of a customer discovering defects in a product or service after delivery, including complaints, compensation, and loss of customers.”

Saraiva & Duarte (2019) consider external failure costs to be: “direct and indirect losses incurred when a service fails to meet customer expectations and the failure is revealed outside the organization.”

3-3 Components of external failure costs

External failure costs in banking institutions include the following components (Snieska et al., 2016 (Chen & Wang, 2020):

Customer complaint costs: The costs of receiving, investigating, and handling complaints.

Financial compensation costs: Amounts paid to customers as a result of banking errors.

Service re-delivery costs: Re-execution of erroneous banking operations.

Customer loss costs: Loss of future revenue due to customers switching to competing banks.

Reputation and trust deterioration costs: Damage to the bank's image and increased costs of attracting new customers.

Legal and regulatory costs: Fines and lawsuits resulting from banking failures.

3-4 The importance of external failure costs in the banking sector

Recent studies confirm that external failure costs directly affect the financial performance of banks and are among the factors influencing the pricing of banking services, as banks resort to passing on part of these costs to service prices or bank fees (Abulaila & Aloudat, 2024). Chen & Wang (2020) also point out that ignoring these costs leads to erosion of trust and a decline in market share, even if short-term profits are achieved.

4- Pricing banking services

4-1 The concept of pricing banking services

Price is one of the elements of the marketing mix and the only element that generates revenue. Price is also the most flexible element of the marketing mix, as prices can be changed quickly. (Armstrong et al, 2015:354) Bank pricing refers to the interest rate on deposits, fees, loans, commissions, and other expenses incurred by the bank in exchange for providing the service. When purchasing a banking service, the customer compares the price of the service with the returns or benefits that the service will provide if purchased. Therefore, the bank must set a price that reflects the true value of the service to the customer. the true value of the service to the customer. The price is defined in several ways, including:

Table(2) of Concepts Pricing of Banking Services

Researcher	Concept
(Abbas, 2018:285)	The bank rate is the interest rate on loans and deposits, fees, and other expenses incurred by the bank in exchange for providing banking services or commissions received as a result of providing services to others.
(Bashibashi &Bozgut, 2021:15)	It represents the material value of the exchange of the service or goods offered for sale, so the value paid to purchase the service must reflect the total benefits obtained by the beneficiary.
(Neka&Aziz, 2022:193)	It is the value determined by the seller as the price of the service and the benefits obtained by the recipient of the service, and this value paid by the customer may be money or in kind, as is the case in barter transactions.
(Sutaguna et al., 2023:76).	It is an indicator used as a factor in the selection of a product or service by customers, where the price is able to win the hearts of customers and potential customers in their decision-making.

Source: Prepared by the researcher based on the sources mentioned.

4-2 Types of service fees charged by banks

In exchange for providing banking services to customers, banks must set fees that reflect the value of the service. The types of fees charged by banks are as follows (Zamli et al., 2012)

- A.** Special fees for each commercial transaction, such as credit cards, debit accounts, non-automatic credit, and non-automatic debit accounts, with all ancillary services provided free of charge.
- B.** A nominal interest rate paid to the customer on balances.
- C.** A specific rate or minimum balance levels, if exceeded, all fees are waived. In recent years, there has been a trend towards greater simplification in pricing systems, such as free banking services in the case of a credit account.

4-3 The importance of pricing banking services

Pricing is defined as the decision to set prices, which is made through an integrated administrative process, taking into account a number of factors that overlap in the concept of price (Abu Awad, 59:2008). Pricing is setting prices that are high enough to cover costs and generate profits on the one hand, and low enough to attract customers on the other. Pricing policy is one of the most important marketing policies, as it has economic and social consequences, and prices are most affected by the regulations, laws, and instructions issued by the state. Pricing also plays a role in conveying an image of the quality of a product, as some believe that the low or high price of a product or service may affect its quality. The pricing of banking services is unique in that it is directly linked to disclosure and transparency, as well as the difficulty of determining the nature of the banking service. Furthermore, it is difficult to identify the value of a banking service until after it has been obtained, and it is not possible to return or abandon it.

4-4 Objectives of banking service pricing

Pricing has various objectives, including (Kotler, 2002, 216:217)

1- Continuity (staying in the market): This is a short-term objective for units suffering from excessive capacity and intense competition only. As long as the price covers some fixed and variable costs, the unit will be able to survive in the business environment.

2- Many units prefer to set high prices (market skimming), and this goal is logical under the following conditions:

- There are enough buyers with high current demand.
- The costs of small-scale production units are not so high as to negate the advantage of shipping to the customer.
- High initial prices do not attract more competitors to the market.
- A high price conveys an image of a superior product.

3- Achieving maximum market share: Higher sales volume will lead to lower unit costs, which will lead to lower prices and higher profits.

4- Product quality management: Offering high-quality products at competitive prices and providing the highest quality with innovative features that offer more benefits to consumers.

5- Maximizing current profits: Units seek to maximize current profits, taking into account revenues and costs.

4-5 Banking service pricing methods

Pricing methods have diversified, especially in light of technological developments and intense competition. We find that each period of time brings a new approach, but we will discuss the most commonly used pricing methods, which are as follows:

A. Cost-based pricing:

Here, the bank bases the pricing of its services on the cost incurred plus a certain margin representing profit, where:

Price = Profit Margin \times (Production Costs + Marketing Costs + Administrative Expenses)

By following this pricing method, the bank determines a certain level of profit that should be achieved at a certain level of sales (Kotler et al, 2018:261).

B. Competitive pricing:

This method relies on the bank setting the prices of its services based on the prices of its main competitors in the market, with little attention to its own costs.

C. Demand-based pricing:

This method focuses on the level of demand, with prices rising when demand increases.

(Bashibshi & Bozgut, 14:2021).

D. Value-based pricing:

This method is based on the value that the customer expects from the service, as the benefit of the service is only part of the value of the service. The more the bank is able to add tangible or intangible benefits to the service that the customer perceives as valuable, the more the bank is able to charge the price it wants.

4-6 The role of external failure costs in banking pricing

In banks, external failure cost components—such as legal expenses, customer compensation, and regulatory fines—are direct elements that are passed on to the overall cost structure reflected in banking prices. First, regulatory fines and warnings lead to provisions and

extraordinary expenses that reduce profit margins, prompting banks to raise fees and interest rates to offset these losses (Köster & Pelster, 2017). Second, compensation and dispute resolution costs increase transaction costs per product (lawsuits, legal counsel, court fees), leading to some of these costs being passed on to customers through higher service fees or wider interest margins (Frame et al., 2024). Third, large banks incur higher compliance and operating expenses after failures, which raises the cost of capital and operations, and with it, product prices to finance investments in internal controls and potential compensation (Okezie, 2023). Finally, declining confidence after regulatory scandals can increase the cost of external financing, forcing banks to price their portfolios in a way that compensates for reputational risks and expected legal liabilities (Crump & Santos, 2018). The costs of external failure are partially and directly passed on to the end consumer through various pricing mechanisms (fees, margins, terms), and this impact is reduced if banks adopt effective risk management policies and compliant investments to limit recurrence.

5- Practical aspects

5-1 Brief introduction to Rafidain Bank

- Establishment of the bank

Rafidain Bank is an Iraqi government bank established in Baghdad under Law No. (33) of 1941 as the first Iraqi commercial bank. It began operations with a paid-up capital of 50,000 Iraqi dinars. The bank has gone through several stages during its history, first as the first national bank to engage in commercial banking among many foreign banks, It began to expand gradually within Iraq, followed by several stages of consolidation starting in 1964, which included commercial banks operating in Iraq. In 1974, it merged with Al-Rafidain Bank, which became the only commercial bank in Iraq. In 1998, the bank underwent a new development, transforming into a public company wholly owned by the state in accordance with the provisions of Public Companies Law No. 22) with the aim of contributing to the support of the national economy in the field of commercial banking, investing funds, and providing financing to various sectors in accordance with development plans and within the framework of the state's economic, financial, and monetary policies. The bank developed and now has 146 branches inside Iraq and several other branches outside the country in Jordan, Egypt, the United Arab Emirates, Bahrain, and Yemen.

5-2 The reality of quality costs at the bank Research sample

Given the bank's interest in improving the quality of banking services provided to customers, the bank incurs numerous quality costs to achieve this, but the measurement and disclosure of quality costs is not done independently according to their classification into four categories, but rather is integrated into the rest of the costs incurred. Consequently, the bank does not have clear detailed reports on quality costs and their contribution to improving the quality of banking services in order to achieve excellence over other competitors. The researcher studied and analyzed the bank's financial statements for the period (2017-2021) and determined the costs of internal failure and its impact on the pricing of banking services.

5-3 External failure costs

These occur when the service does not meet specifications after delivery to the customer. In banking, external failure costs are the costs that occur after the service is provided to

customers as a result of their discovery of defects or flaws in the provision of banking services and their failure to meet the specifications requested by customers.

External failure costs in banks include the following:

1- Legal services: arising as a result of pursuing legal cases filed against the bank. The legal service costs for Al-Rafidain Bank for 2017-2021 amounted to (3).

Table (3) Legal service costs for the period (2017-2021) in dinars

Year	Cost/Dinar	Growth Rate
2017	264498688	
2018	187158776	-29.2%
2019	114448343	-38.8%
2020	105317953	-7.9%
2021	453437999	33.1%

Source: Prepared by the researcher based on the accounting records of Rafidain Bank.

The following table shows:

A decrease in legal service costs at Rafidain Bank compared to the base year, with the exception of 2021. The reason for the decrease in costs is the decrease in legal cases filed against the bank.

Legal service costs for 2017 amounted to (26,449,8688). Then, the cost of legal services began to decline, reaching 187,158,776 in 2018, with a growth rate of -29.2%. The decline continued, reaching 114,448,343 in 2019, with a rate of -38.8%. The decline in costs continued, reaching 105,317,953 In 2020, the decline continued, reaching 105,317,953, with a growth rate of -7.9%. Then, the cost of legal services increased in 2021, reaching 45,343,7999, with a high growth rate of 33.1% due to the increase in cases filed against the bank this year for the reasons mentioned above.

When comparing the last year with the base year (2017), we note an increase in the cost of legal services at a growth rate of 71.4%.

2- Compensation and fines: These represent the costs of compensation and fines incurred by the bank on behalf of its customers.

Table (4) Compensation and fines at Al-Rafidain Bank for 2017-2021 (in dinars)

Year	Cost/Dinar	Growth Rate
2017	1358779787	
2018	1670956668	22.9%
2019	1651178095	-1.2%
2020	1074953910	-34.9%
2021	1273885146	18.5%

Source: Prepared by the researcher based on the accounting records of Rafidain Bank.

The table above shows the following:

The cost of compensation and fines, which are fines paid by the bank to customers due to complaints filed by customers against the bank, are paid by the bank in order to protect its reputation and not affect its competitive position. The table shows that the cost of compensation and fines for 2017 amounted to 13,587,797,87, and then increased. The cost in 2018 reached 1,670,956,668, with a growth rate of 22.9%, indicating an increase in compensation and fines paid to customers. The decline continued in 2019, reaching 1,651,178,095, with a growth rate of -1.2%. The decline increased in 2020, reaching 107,495,3910 with a low growth rate of -34.9%. Costs rose again in 2021, reaching 127,388,5146 with a growth rate of 18.5%, indicating an increase in compensation and fines this year.

When comparing the last year with the base year (2017), we note a decrease in compensation and fines at a growth rate of -6.2%.

The table below shows the cost of external failure in Iraqi dinars (2017-2021).

Table (5) Cost of external failure in Iraqi dinars (2017-2021)

Details	2017	2018	2019	2020	2021
Legal services costs	264498688	187158776	114448343	105317953	105317953
Compensation and fines costs	1358779787	1670956668	1651178095	1074953910	1074953910
Total	1623278475	1858115444	1765626438	1180271863	1727323145
growth rate		14.5%	-5%	-33%	46.3%

Source: Prepared by the researcher based on the accounting records of Rafidain Bank.

Table (5) shows that in 2017, compensation and fines exceeded the cost of legal services, with compensation to customers increasing to 135,877,9787 dinars, while the cost of legal services amounted to 26,449,8688 dinars.

As shown in the table above, compensation and fines exceeded the cost of legal services in 2018, demonstrating the bank's management's concern for its customers and its willingness to compensate them in order to protect the bank's reputation. Compensation costs amounted to 1,670,956,668, while legal services costs amounted to 187,158,776.

The cost of compensation and fines was higher than the cost of legal services, amounting to 165,117,8095, while the cost of legal services amounted to 114,448,343 for 2019.

Compensation and fines also exceeded the cost of legal services, amounting to 107,495,3910, while the cost of legal services amounted to 105,317,953 for 2020.

Similarly, in 2021, compensation and fines exceeded the cost of legal services, amounting to 1,273,885,146, while the cost of legal services amounted to 453,437,999. It is clear that the cost of external failure during the research period 2017-2021) The cost of compensation is higher than the cost of legal services, which indicates Al-Rafidain Bank's concern for compensating customers.

The table above shows that Rafidain Bank's highest external failure cost was in 2018, amounting to 185,811,54444 dinars, while the lowest external failure cost was in 2020, amounting to 118,027,1863 dinars.

When comparing the last year with the base year 2017, we note an increase in external failure costs at a growth rate of 6.4%.

5-4 Banking service prices at Al-Rafidain Bank

This section focuses on analyzing the prices of services at the bank (research sample for the period 2021-2017). These services can be summarized as follows:

1. Current accounts.
2. Checks drawn on the bank.
3. Discounted bills of exchange and transfers.
4. Term and demand deposits.
5. Savings accounts.
6. Letters of guarantee.
7. Payment system fees and commissions.
8. Miscellaneous banking services.

Although the bank offers other services, these eight are the most common and in demand by customers dealing with Al-Rafidain Bank. These services are of great importance to the public dealing with this bank, as well as to the bank itself, as they are the cornerstone of the banking services provided by Al-Rafidain Bank to its customers.

5-5 Pricing of current accounts at Rafidain Bank (2017-2021)

These are accounts in which the deposited amounts are paid upon request and a checkbook is used to withdraw the deposited funds. They are called current accounts because, by their nature, they fluctuate up and down depending on the nature of the business. This fluctuation reflects the nature of the account's activity. The following table shows the current account prices for Rafidain Bank.

Table (6) Pricing of current account services at Rafidain Bank (2017-2021)

Sequence	Type of service	price (in Iraqi dinars)
1	Opening a current account	5000
2	Cost of special check	1000
3	Providing the customer with magnetic checkbooks (25 sheets)	1000
4	Certification of current account checks	3000
5	Supervision and follow-up services for inactive current accounts	5000
6	Supervision and follow-up services for active current accounts	1000
7	Cancellation of approved checks	5000
8	Approval of overdrafts in current accounts (authority of branch manager)	10000
9	Approval of overdrafts in current accounts (authority of general management)	25000
10	Activation of inactive accounts at the customer's request	10000
11	Closure of current accounts at the customer's request	25000
12	Refund of dormant amounts at the customer's request	25000
Total cost of current account services		116000

Source: Prepared by the researcher based on the accounting records of Rafidain Bank.

Table (6) shows that the prices of services provided by Rafidain Bank during the period (2017-2021) are fixed and do not fluctuate, which creates a sense of stability for customers in their dealings with the bank. These prices are not subject to significant changes over a short period of time; rather, changes are limited and occur at intervals, as the bank is state-owned and subject to the state's general policy of providing services to citizens at low prices. The stability of prices increases customer confidence in this bank and allows for broader opportunities for dealing with the bank. The total cost of current account services is 116,000 Iraqi dinars, which is an indication of the low pricing of banking services at Al-Rafidain Bank with regard to current accounts.

6 - Conclusions and Recommendations

6-1 Conclusions

- 1- By providing high-quality services, banks have laid the foundation for building loyalty among their customers.
- 2- The management of the bank (Al-Rafidain) studied in the sample relies too little on new methods and modern management accounting techniques, relying instead on traditional methods of calculating costs based on the unified accounting system for banks.
- 3- The study of Al-Rafidain Bank revealed that there is no quality department/division responsible for classifying quality costs in an appropriate manner, which is one of the problems contributing to high quality costs and their causes. This is due to the management's failure to establish a specialized quality department to perform these tasks in an appropriate manner.
- 4 - Although the bank incurs many quality costs, the bank's management does not adopt a separate measurement of quality costs or classify them according to their elements or disclose them in separate reports. Consequently, these costs and the extent to which they contribute to improving the quality of banking services provided to customers are not identified, nor is how they can help management achieve the bank's strategy.
5. The bank (study sample) did not pay attention to the importance of pricing in relation to costs, as pricing remained fixed and did not change despite increases and decreases in costs during the study period.
6. Banking service prices are not advertised in banks, and customers are often surprised by the price of the service when it is provided to them.
7. Management pays little attention to modern techniques in pricing banking services.
- 8- Through her research, the researcher found that prices at the bank under study are determined by the Central Bank, taking into account some differences in other banks, which may add additional costs to the price calculation, and the determination of prices varies from one bank to another.

6-2 Recommendations

- 1- Educate bank management and employees about the benefits of quality and work to make quality the main goal and purpose of any bank.

2- Pay attention to establishing a specialized quality department or division within the bank's organizational structure. This department will be responsible for measuring, classifying, and disclosing the costs incurred by the bank in the area of quality.

3- Preparing a specialized quality staff to draw up a sound spending policy and keep special records to monitor and control quality costs before they deviate from the plans set.

4- Banks should adopt quality cost techniques, as they contribute to spreading a new culture that leads to improving the level of banking services provided to customers and reducing costs at the same time, thereby increasing the productivity of transactions completed, which in turn increases revenues, profits, and competitive position.

5- Pricing banking services according to their variable costs each year to avoid bank losses and increase profits.

6- Move towards competitive pricing to attract future customers and achieve customer satisfaction.

7- Publish banking pricing schedules so that customers can see the pricing for each service and understand the costs involved, thereby increasing competition between banks to determine the optimal price for each service.

8-The need to conduct applied studies on the importance of using modern technologies, especially the quality cost system, for the role it can play in achieving a competitive advantage for the bank.

9-Expanding the current study to include a larger sample of banks operating in Iraq, and conducting a comparative study between Iraqi banks and foreign banks operating in Iraq.

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