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Capital Structure Dynamics: Evaluating Financial Performance through Financial Accountability and Investment Decision: Moderating Influence of Internal Control Systems

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Abstract: The aim of this study was to unravel the complex relationships among internal control systems, investment decisions, capital structure, financial accountability and leadership support inside the banking area. By investigating the interaction of those variables, the study aimed to enhance our understanding of the way strategic financial decision effect universal financial performance. Employing a mixed-technique method, this study conducted qualitative interviews with 12 banking professionals of the Kingdom of Saudi Arabia to glean insights into their perspectives at the studied variables. Subsequently, quantitative method was employed to check hypotheses and confirm the empirical relationships of the variables. Data was collected from 147 respondents with the help of questionnaire. The dual-method approach allowed for a comprehensive exploration of the subject be counted, enriching the depth of interpretation. The findings of this study substantiate the significant effect of capital structure decision on financial performance in the banking sectors. Mediating roles of investment decisions and financial accountability are unveiled, imparting a comprehensive information of the mechanisms through which capital structure choice translate into tangible monetary results. Moreover, the study identifies the moderating impact of internal control systems on the relationship among capital structure and financial performance. This study contributes to the literature by means of integrating qualitative and quantitative techniques to provide a comprehensive expertise of the studied variables in the banking area. The identification of mediating and moderating factors provides depth to existing theoretical frameworks, providing practical insights for banking professionals navigating complicated economic landscapes. The originality lies inside the nuanced exploration of these relationships, bridging gaps within the literature and supplying a valuable foundation for destiny studies in financial control and organizational behavior in the banking quarter.

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1. Introduction

The banking sector, which is the foundation of the international financial structure, affects economic stability and growth. In the face of today's financial market complexities, banks 'decisions on how to organize their capital structures have received greater and greater attention from scholars and practitioners. The composition of debt and equity is critical to a bank's financial architecture (Avezum et al., 2022). It affects the institution's risk profile, cost of capital and overall financial performance. We also study the intricate relationship between capital structure, financial performance and financial responsibility in banking investment. Technology, regulatory oversight and consumer attitudes have all undergone a dramatic transformation in banking over the past few decades. They have forced an assessment of the precepts of traditional finance (Su & Xu, 2023). The capital structure paradigm is one focus of attention. The structure of a bank 'capital actually has an effect on its ability to ride out financial difficulties and take advantage of growth opportunities (da Rosa München, 2022). Understanding the empirical nuances of such relationships is of great importance for banks in a constantly changing financial environment.

Financial Performance of firms depends on four key variables--Investment Decision, Internal Control System, Financial Accountability and Capital Structure. The interaction of these variables is the subject of this study. Financial Performance, as used in this study, refers to the company's overall economic situation. It means how well the firm is using resources to make profits and stable growth. Profitability, liquidity and solvency are significant measures to determine whether a company can operate for the long run by making proper use of its money resources (Adhikari et al., 2023; Kato & Tsoka, 2020). The topic of Investment Decision examined here gets right to the heart of this concept. It is the same as investing financial resources in different assets or programs with the aim of raising returns while keeping risks low. Big choices about capital expenditures, mergers and acquisitions, or other large investments will determine the financial structure of a firm (Aysan et al., 2023). They define the performance. Investment decision dynamics are key to understanding how they affect a company's financial world.

The term Internal Control System refers to a set of rules and procedures adopted by an organization for accurate financial record-keeping, effective asset management, and high operational efficiency. In the relationship between capital structure dynamics and financial performance, it acts as a mediator by reducing risks and enhancing responsibility. It plays the role of a guard, maintaining the integrity of financial processes in the organization (Jin et al., 2023; Wu et al., 2024). Financial Accountability, one of the most important topics in this study, refers to how organizations manage their funds openly and responsibly. As such, it considers ethics in financial practice (Tran et al., 2021). The ethical value of the financial decisions must be consistent with the organization's objectives and what is expected of stakeholders. Financial accountability remains one of the most comprehensive and subtle methods in terms of examining the ethical and responsible aspects of financial decision making (Jayasiri et al., 2023; Kempeneer, 2021).

The focus of this study is these variables--capital structure, financial performance, financial accountability and investment decisions. They are crucial pillars in the strategic framework of banking institutions. Previous studies have focused on the effect that capital structure choices can have upon financial success. The necessary theoretical foundation was provided by the classic theories, such as Modigliani and Miller (1958) or extensions thereof by Myers (1984). They also mention that a firm's capital structure influences its value and financial performance. Another crucial aspect of corporate governance is financial accountability. Scholars have examined this concept in terms of its effect on organizational behavior and performance (Velasco Vizcaíno et al., 2023; Wei et al., 2023). In addition, banks 'investment decisions--crucial in turbulent markets-have been found to be positively correlated with financial performance (Riitsalu & Uusberg, 2021).

Moreover, within the banking sector of late empirical research has been done on these variables 'complicated interdependence. In studies on the bank industry, Jara et al. (2019) have provided empirical evidence that capital structure decisions affect financial performance. Also, as Nishitani et al. (2020) and Lindner et al. (2023) have studied the theories on financial accountability, it can be seen that financial responsibility plays a mediating role between capital structure decision-making and observed monetary results. These results contribute to a growing body of evidence that these variables are highly interdependent in the bank. While there has been much progress in an understanding of individual aspects of these relationships, distinctive gaps in works of literature remain that this research will fill. Previous studies show that modern capital structure does affect financial performance, but rarely are mediating and moderating factors covered in detail when these relationships are considered within the banking sector. Furthermore, financial accountability and investment decisions as mediating variables in the evolution of capital structure have been little studied. These existing gaps, combined with the continually evolving nature of the banking world, make a strong case for exploring in more depth these subtle relationships between the variables. This research has major significance for academics, as well as banking professionals. Financial scholars endeavoring to enhance theoretical frameworks must understand the intimate relationship among capital structure decisions, financial performance, financial responsibility and investment decisions. Furthermore, this study's empirical results will help banking professionals obtain practical knowledge to further improve their strategic decision-making process, thereby contributing to healthier bank finance and higher performances of banks. Thus, this research extends a balanced view on the factors that shape financial outcomes among banks in a dynamic environment.

2. Background Literature

Capital structure, financial performance and control systems have long been the focus of a great deal of research by academics and attention within firms. Scholars have thoroughly delved into the agency theory perspective, exploring in depths the link between capital structure decisions and managerial behavior (McMullan, 2023). Their most famous works consider the significance of seeing how financial structures influence agency conflicts spilling over from the practice among corporations of divorcing ownership and control. Starting with this simple position as a base for our analysis, Myers (1984) introduced the pecking order theory that adds another level of color to firms 'preferences for internal versus external financing (Bhama et al., 2018). The goal is that information symmetry and signaling effects are two

important directions changing financial decisions. Grant and Cassidy (2022) extended this conversation by defining stewardship theory, and especially the key role of financial accountability mechanisms in reconciling management's interests with those of shareholders (García-Cabrera et al., 2023). A major force is to require financial transparency, their work points out. In the midst of these tangled myriad relationships, financial accountability is one artery connecting capital structure decisions to organizational performance. The research of Modigliani and Miller (1958) shows very clearly that a firm's choice of capital structure will have an immediate effect on its cost of capital. Thus, it clearly affects decision making concerning investment, which directly affects firm performance (Vo, 2021). Investment decision-making adds another layer of complexity to this volatile relationship. The way a company's capital structure is determined has a direct effect on the entire balance sheet and finally affects that company's overall soundness.

Another element is the internal control systems that serve as a curbing factor in this all-encompassing tale. Risk reduction and data authenticity. The importance of internal controls have been studied in depth (Wang & Xia, 2022). As Chen (2023) and Schantl and Wagenhofer (2021) remark, robust systems of internal controls can improve accurate financial reporting that both determines investor decision making and affects the overall performance of firms. This third-person inquiry offers a complete scheme with which to grasp how companies navigate the treacherous paths of capital structure choices, financial statements and internal controls.

Since the opening up of global financial markets, this intricate relationship between capital structure and financial performance becomes more apparent than ever. Ni et al. (2022) suggests that he who best struck a balance between the tax advantages of debt and the costs of financial distress would have attained optimum capital structure. This theory offers very wise advice for the strategic choices of organizations, which can only optimize their financial structures under ever-shifting economic conditions and a constantly changing legal environment.

In addition, the discussion on capital structure dynamics overlaps with corporate governance. Some scholars, such as Gurdgiev and Ni (2023) and Nguyen et al. (2021), have studied the legal or institutional influence on firms 'capital structure decisions. In this way, their studies show how differences in legal systems and forms of governance across countries influence the financing choices made by corporations. Looking at these external pressures is an important first step in understanding the overall relationship between a company's capital structure, its financial performance and internal control systems. But today, with the development of digital technologies and frequent implementation of fin tech applications, it seems that our idea about capital structure changes more complex. Fintech is shaking up financing. They alter the risk-return profile associated with different capital structures, as discussed by Dörry and Hesse (2022) and Khan et al. (2023). But the extent of instability offered by this digital age means we need to re-examine how organizations seek a balance between financial decision, responsibility and internal control.

Thus, on the basis on above literature, we developed the following framework (Figure 1).

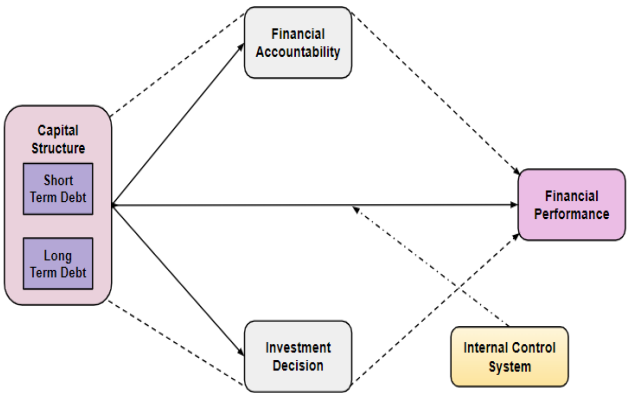

Figure 1: Conceptual Framework.

3. Methodology

3.1 Research Design

The study used a mixed method to explore the intricate interconnections between capital structure, financial performance and accountability, investment decisions and bank internal control systems in Saudi Arabia. The research design was a sequential explanatory strategy.

3.2 Qualitative Phase

The qualitative stage involved 12 participants, all were senior managers or decision makers in banks of the Kingdom of Saudi Arabia (Table 1). Participants were selected according to their roles and specialties in making financial decisions in the banking world.

Table 1: Demographic Profile of Respondents.

Participant	Position	Role Duration (Years)	Experience in Financial Decision-Making (Years)
1	Chief Financial Officer	5	15
2	Risk Manager	3	8
3	Head of Investments	7	12
4	Internal Auditor	4	10
5	Treasury Manager	6	14
6	Finance Analyst	2	5
7	Compliance Officer	5	9
8	Chief Executive Officer (CEO)	8	20
9	Investment Analyst	3	7
10	Finance Manager	4	11
11	Internal Control Specialist	6	13
12	Head of Risk Management	5	12

The participants were interviewed by using semi-structured interviews (Table 2) to get rich, detailed insights into their experiences and perceptions about capital structure, financial performance, financial accountability, investment decisions and internal control systems. Participants were encouraged to respond freely, and the interview protocol allowed them a fair degree of flexibility. With participants 'agreement, interviews were taped and transcribed verbatim. Recurring patterns and themes in the qualitative data were identified using

thematic analysis. The process included coding, categorization and interpretation of the responses given by participants from which key concepts emerged and initial propositions were formed.

Table 2: Interview Guidelines.

Variable	Interview Questions
Capital Structure Dynamics	1. Can you describe the processes involved in making decisions about the capital structure of your organization? 2. What factors or considerations influence your organization's decisions regarding capital structure? 3. How does your organization determine the optimal mix of debt and equity? 4. In your opinion, how does the chosen capital structure impact the financial performance of the organization? 5. Can you provide specific examples or instances where changes in capital structure influenced financial outcomes?
Financial Performance	6. How does your organization measure and evaluate financial performance? 7. What key financial indicators are considered crucial for assessing performance? 8. In your view, how does the chosen capital structure impact the financial performance of the organization?
Financial Accountability	9. How is financial accountability maintained within your organization? 10. Can you describe the reporting mechanisms and practices in place for financial accountability? 11. How does your organization align financial accountability with the interests of stakeholders, including shareholders and regulatory bodies?
Investment Decisions	12. What criteria does your organization use to make investment decisions? 13. How does the capital structure influence these investment decisions? 14. How does your organization manage risks associated with investment decisions? 15. To what extent does the risk-return profile influence investment choices?
Internal Control Systems	16. How does your organization conceptualize and implement internal control systems? 17. Can you provide examples of how internal control systems moderate the relationship between capital structure decisions and financial outcomes? 18. How do these systems contribute to overall financial stability?

3.3 Quantitative Phase

The quantitative phase employed a sample of 147 respondents representing the banking sector in the Kingdom of Saudi Arabia. The sample was representative, comprising persons from different levels within the banks. The propositions derived from the qualitative phase formed the basis for a structured questionnaire. The questionnaire contained 5-point Likert-scale items aimed to probe participants 'perceptions and experiences related to capital structure decisions, financial performance, financial accountability, investment decisions and whether internal control systems play a moderating role. In order to collect data efficiently, the questionnaire was administered electronically. Participants were assured that their responses would remain confidential and anonymous. The data collection process attempted to capture various perspectives within the banking world. The quantitative questionnaire data were analyzed by the Structural Equation Modeling (SEM) technique, with AMOS. The statistical approach permitted the exploration of the complex interrelations among variables and also testing of hypotheses derived from the qualitative phase. This use of AMOS led to a thorough check of the proposed model, whereby significant causal relationships and moderating effects were discovered within the conceptual framework. Capital structure was measure by using four item scale adopted from (Hunjra et al., 2020). In this study, a scale of six items was used to assess the financial accountability (Al Rahhaleh et al., 2023). Further, fourteen items from Al Rahhaleh et al. (2023) were used to assess internal control system. Investment decision was measured by 5 item scale adopted from Rasheed et al. (2018). In addition to this, nine items adapted form Hunjra et al. (2020) to measure financial performance.

The above method helps make research conclusions more comprehensive and definitive by providing a greater understanding of what occurred in Saudia Arabia's banking world. Questionnaire is attached in Appendix-1

4. Results

4.1 Qualitative Analysis

In the qualitative analysis phase of this research, the aim is to derive nuanced insights from in-depth interviews with key stakeholders in the banking sector of the Kingdom of Saudi Arabia. The qualitative research is designed to reflect the depth, nuances and complexity of aspects related to capital structure dynamics, financial performance control investment decisions and internal control systems. This thematic analysis is very meticulous. As a result, it can pick up common themes and patterns that repeat in the accounts given by participants. The qualitative study described here represents a first stage in developing theories and testing them before they can be accepted as valid. By using a methodology that reveals the nature and direction of these financial relationships, this study presents complex relationships within Saudi Arabian banks 'financial landscapes as clear-cut propositions for future research. Qualitative analysis is located as a core element in uncovering the complex workings and shaping the quantitative scaffolding of this study.

P1. Capital Structure significantly influence the financial performance of banking sector.

Recent research has shown that decisions regarding the structure of capital bear directly upon bank profitability and the financial performance of organizations. N'Guessan and Hartarska (2021) undertook a detailed examination of several kinds of financial institutions, discovering that there is a statistically significant relationship between the choices made concerning capital structure and financial outcomes. Such empirical evidence indicates that differences in the allocation among debt and equity are clearly reflected in key financial indicators, such as return on assets and profitability, within banks. In the qualitative interviews with professionals in the banking sector, participants repeatedly cited capital structure as playing

an important role in financial performance. The Treasury Manager, respondent 5, pointed out that our capital structure decisions directly affect the bottom line. Every company strives to find this middle ground between debt and equity which will enhance earnings power. According to respondent 8, a Chief Executive Officer, "The internal empirical results we have seen close the loop for what has been discovered externally – our capital structure is of the utmost importance in dictating our financial success." From a theoretical perspective, Modigliani and Miller, their classic research suggested that the ideal capital structure was one which could lower the cost of capital and thus raise a firm's value. Hossain (2021) also provide a theoretical foundation arguing that managers 'incentives need to be properly aligned through an appropriate capital structure in order for the optimal financial results to be obtained. On this basis, a proposition can be established that capital structure has an important impact on the financial performance of the banking sector.

P2. Capital structure significantly influence financial accountability of banking sector.

The financial accountability of organizations herein the banking sector has always been affected to a considerable degree by capital structure decisions. A cross-sectional analysis of banking institutions by Hunjra et al. (2020) shows that there is a very strong relationship between capital structure choices and financial responsibility metrics. Their results show that differences in debt and equity affect the transparency, accuracy, and overall integrity of bank reporting. In qualitative interviews with banking professionals, informants explained the close relationship between choosing a capital structure and financial accountability. A Head of Investments, respondent 3 remarked, "Our capital structure decisions are closely related to our way of financial control. The way we handle resources and capital has a direct impact on the accuracy of our financial reports". Therefore, it affects the trust our stakeholders place in our financial information. Theoretical perspectives from seminal works inform the understanding of the relationship between capital structure and financial accountability. Proponents of Positive Accounting Theory proposed that organizations purposefully choose capital structure in an attempt to maximize their own wealth (Rasheed et al., 2023). Therefore, this theory that organizations should match capital structure with financial accountability practices is a reasonable choice for those who want to enhance overall wealth. Furthermore, agency theory indicates that the structure of financial contracts such as capital structure is a key factor in alleviating agency conflicts between management and stakeholders (Boachie & Mensah, 2022).

P3. Capital structure significantly influence investment decision of banking sector.

Studies on financial matters have always shown that the structure of capital plays a major role in shaping investment choices within banking. A recent study by Hunjra et al. (2020) on banks shows a significant statistical correlation between capital structure and the investment decision-making process. The results indicate that changes in the structure of debt and equity are an important factor influencing the risk profile, cost of borrowing, and acceptability of investment decisions for banks. When discussing capital structure in qualitative interviews with banking professionals, participants always stressed that it was crucial to investment decisions. Respondent 2 pointed out that our capital structure decisions affect the risk appetite and cost of capital, which we consider important factors in making investment decisions. In a similar vein, Compliance Officer respondent 7 says about observations on how changes to our capital structure affect the financial community, observing this impacts upon how we make our investments. It's also a strategic consideration for us." Theoretical perspectives further support the idea that capital structure has an impact on investment decisions. Modigliani and Miller (1958) developed the Modigliani-Miller theorem, which holds that debt versus equity matters for a firm in terms of cost of capital, which influences investment decisions (Hossain, 2021). Furthermore, in line with the pecking order theory Myers (1984), firms prefer interior financing over external debt (Block et al., 2023). This consideration may well affect investment decisions. Based on these theoretical foundations, the investment decision-making process in the banking sector cannot be separate from capital structure considerations.

P4. Financial accountability significantly mediates the relationship of capital structure and financial performance.

A few recent empirical studies have started to shed light on the role of financial accountability in the relationship between capital structure choices and financial results. Al Rahhaleh et al. (2023) studied this dynamic within financial institutions, finding support for the mediation hypothesis. Their empirical evidence indicates that financial accountability mechanisms are a significant intermediate link between choices in the capital structure and actual financial results. Thus, an emphasis on transparent reporting and adherence to pertinent financial standards is clearly important. When banking professionals were asked in qualitative interviews, all the participants agreed that financial accountability is a factor mediating between capital structure decisions and financial outcomes. Internal Auditor Respondent 4 said, “Our financial accountability practices are a linkage between our capital structure decisions and the integrity of our financial reports. This guarantees that the information we provide is accurate and reliable. Responding 9, Investment Analyst, remarks, financial accountability was also a key issue influencing our translation of capital structure into actual financial results. This is the mechanism that makes our choices consistent with industry norms. Theoretical foundations, such as agency theory, give us a way to understand how financial accountability can indeed fulfill its intermediary role between capital structure and financial outcomes. Kempeneer (2021) felt that financial accountability mechanisms capable of minimizing agency geneses, such as open reporting and standards to ensure responsible corporate conduct, were important.

P5. Investment decision significantly mediates the relationship of capital structure and financial accountability.

Research on the mediation of investment decisions between capital structure choices and financial accountability in the banking sector has just started to emerge, so there is still a lot to learn. Çam and Özer (2022) tested this relationship in a recent study, finding empirical support for the mediating hypothesis. According to their research, investment choices serve as a major medium through which capital structure decisions affect financial accountability results. A prime example is the complex interaction between these variables, which necessitated a holistic understanding of their ever-changing relationships. Banking professionals in qualitative interviews fill in the mediating factor of investment decisions between capital structure and financial accountability. A Finance Analyst (Respondent 6) emphasized, "In terms of investment decisions, they represent the crucial link between our capital structure choices and those financial

accountability mechanisms we have in place. Our financial information is reported and assessed depends on the nature and timing of investments. Similarly, respondent 11, an Internal Control Specialist observes that how we are accountable for finances goes hand in hand with our investment decisions. One is not interested in numbers by themselves, but only those that fit in with our financial goals and reporting standards. Theories such as agency theory can serve to construct a theoretical perspective which could explain investment decisions as the middle ground between a capital structure. Keding and Meissner (2021) hypothesized that managerial investment decisions, because they represent a form of managerial behavior, play a major role in setting up an interest conflict between management and stakeholders. Moreover, the pecking order theory states that firms 'preference for internal financing directly affects their investment decisions and financial responsibility.

P6. Internal control system significantly moderates the relationship of capital structure and financial accountability.

Recent studies have investigated the moderating impact of internal control systems on the relationship between capital structure decisions and financial accountability within organizations. Elsayed and Elshandidy (2021) have done an exhaustive review, including detailed empirical evidence that the moderation hypothesis holds true. Their research shows that effective internal control systems moderate this relationship to a great extent, positive or negative, between capital structure decisions and financial accountability in the corporate sector. Internal control systems are indeed a moderating factor in the relationship between capital structure decisions and financial accountability, according to qualitative interviews with bank professionals. A Chief Financial Officer commented respondent 1, the importance of internal controls Our systems for managing these effects are our most important control tools. They keep the books straight and maintain standards of financial accountability. Respondent 12, Head of Risk Management says that furthermore, "Internal control systems are not only a matter of compliance; through their influence on our capital structure, they deeply affect how we report our finances on paper." Thus, they assure stakeholders on one level. Theoretical foundations such as agency theory provide support for the view that internal control systems can significantly attenuate any relations between capital structure and financial responsibility. Jin et al. (2023) claim that internal control systems make a significant contribution in resolving agency conflicts by bringing the interests of management into line with those of stakeholders. Furthermore, the stewardship theory advanced by Battisti et al. (2023) holds that such internal control mechanisms serve to moderate behavior, making it bas responsible and accountable in terms of capital structure decisions.

4.2 Quantitative Analysis

In the quantitative analysis phase of this research, the focus shifts to empirically testing the formulated propositions and exploring the intricate relationships among capital structure dynamics, financial performance, financial accountability, investment decisions, and the moderating influence of internal control systems within the banking sector of the Kingdom of Saudi Arabia. Through a structured questionnaire administered to a diverse sample of 147 respondents from various roles within the banking institutions, the research aims to statistically examine the proposed hypotheses and unravel the quantitative dimensions of the complex interplay among these key variables.

Table 3 presents the Cronbach's alpha coefficients for the different variables in the study. Reliability analysis indicates a high level of internal consistency for the measured constructs. Financial performance exhibits strong reliability with a Cronbach's alpha of 0.854, indicating robustness in capturing the dimensions underlying this variable and investment decision exhibits high internal consistency, as reflected by a Cronbach's alpha of 0.834. The internal control system comprising several aspects also exhibits good reliability with a Cronbach alpha of 0.814. Including various dimensions, financial accountability shows satisfactory internal consistency with a Cronbach alpha of 0.756. Finally, the four-item scale measuring capital structure exhibits reliable internal consistency, with a Cronbach alpha of 0.804. These findings affirm the reliability of the measurement instruments employed in this study.

Table 3: Cronbach's Alpha.

Variable	Cronbach's Alpha
Financial Performance	0.854
Investment Decision	0.834
Internal Control System	0.814
Financial Accountability	0.756
Capital Structure	0.804

Table 4 provides an assessment of both the validity and reliability of the measurement instruments employed in the study. The reliability scores of the components show a strong internal consistency for each variable, with financial performance showing a composite reliability of 0.868, investment decision at 0.851, system of internal control at 0.883, financial responsibility at 0.842, and capital structure at 0.861. In addition, the average value extracted (AVE), which represents the convergent validity, is observed. While financial performance shows a satisfactory AVE of 0.642, financial decision shows a relatively low but acceptable value of 0.505. Internal control system, financial responsibility, and capital structure also meet the convergent validity criteria with AVE values of 0.621, 0.512, and 0.531, respectively. These results affirm the reliability and convergent validity of the measurement model, indicating that the constructs are well-measured and distinct from each other.

Table 4: Validity and Reliability confirmation.

Variable	Composite Reliability	Average Variance Extracted (AVE)
Financial Performance	0.868	0.642
Investment Decision	0.851	0.505
Internal Control System	0.883	0.621
Financial Accountability	0.842	0.512
Capital Structure	0.860	0.531

Table 5 presents the results of the confirmatory factor analysis (CFA) for each variable, confirming the validity of the measurement model. For financial performance, external loadings range from 0.72 to 0.88, indicating strong relationships between the observed items (FP1 to FP9) and the underlying construct. Similarly, investment decision showed strong external loadings ranging from 0.75 to 0.91, suggesting that items (ID1 to ID9) effectively capture the intended dimensions of this variable. The internal control system exhibits high external loadings, ranging from 0.75 to 0.94, confirming the effectiveness of the measured items (ICS1 to ICS14) in reflecting the construct. Financial accountability also shows strong external loadings varying

from 0.76 to 0.93, indicating reliable measurement of the underlying dimensions (FA1 to FA6). Finally, capital structure shows strong external loadings ranging from 0.78 to 0.91, confirming the effectiveness of the items (CS1 to CS4) in accurately capturing the objective aspects of this variable. Overall, the confirmatory factor analysis results provide empirical support for the validity of the measurement model, reinforcing the distinctiveness and reliability of the studied constructs.

Table 5: Confirmatory Factor Analysis.

Variable	Item	Outer Loading
Financial Performance	FP1	0.85
	FP2	0.78
	FP3	0.72
	FP4	0.81
	FP5	0.76
	FP6	0.88
	FP7	0.79
	FP8	0.73
	FP9	0.84
Investment Decision	ID1	0.89
	ID2	0.77
	ID3	0.82
	ID4	0.75
	ID5	0.91
	ID6	0.76
	ID7	0.83
	ID8	0.79
	ID9	0.88
Internal Control System	ICS1	0.92
	ICS2	0.85
	ICS3	0.78
	ICS4	0.89
	ICS5	0.76
	ICS6	0.94
	ICS7	0.87
	ICS8	0.79
	ICS9	0.83
	ICS10	0.91
	ICS11	0.75
	ICS12	0.88
	ICS13	0.80
	ICS14	0.86
Financial Accountability	FA1	0.81
	FA2	0.76
	FA3	0.88
	FA4	0.79
	FA5	0.93
	FA6	0.85
Capital Structure	CS1	0.89
	CS2	0.78
	CS3	0.82
	CS4	0.91

Table 6 reports the fitness of the structural model using various fit indices. The absolute fit measures indicate a reasonably good fit, with a CMIN/df value of 3.853, slightly exceeding the recommended threshold but still within an acceptable range. The goodness-of-fit index (GFI) stands at 0.893, just below the preferred threshold of 0.9, while the root mean square error of approximation (RMSEA) is 0.057, falling comfortably below the recommended threshold of 0.080. The incremental fit measures, including the Normed Fit Index (NFI), Adjusted Goodness-of-Fit Index (AGFI), and Comparative Fit Index (CFI), all exceed the desirable values, demonstrating a robust fit. Additionally, the parsimonious fit measures, PGFI and PNFI, at 0.763 and 0.793 respectively, indicate acceptable fit. Overall, the model exhibits satisfactory fitness, aligning well with established thresholds across various fit indices.

Table 6: Model Fitness.

Fit Index	Score	Recommended Threshold Value
Absolute Fit Measures		
CMIN/df	3.853	<2 a; <5b
GFI	0.893	> 0.9 a; >0.80b
RMSEA	0.057	< 0.080 a; < 0.10b
Incremental Fit Measures		
NFI	0.963	> 0.9
AGFI	0.873	> 0.80
CFI	0.946	> 0.90
Parsimonious Fit Measure		
PGFI	0.763	Greater is good
PNFI	0.793	Greater is good

Table 7 presents the R-square statistics for the key variables in the study, providing insights into the proportion of variance explained by the structural model. For Financial Performance, the R-square value is 0.376, indicating that 37.6% of the variability in financial performance can be attributed to the independent variables included in the model. Similarly, Investment Decision exhibits an R-square value of 0.253, suggesting that 25.3% of the variation in investment decisions is accounted for by the predictors in the model. Financial Accountability, with an R-square of 0.218, denotes that 21.8% of the variance in financial accountability is explained by the considered factors. These R-square values offer valuable information about the predictive power of the model and the extent to which the chosen variables contribute to the variability in the dependent constructs.

Table 7: R-Square Statistics.

Variable	R Square
Financial Performance	0.376
Investment Decision	0.253
Financial Accountability	0.218

Table 8 presents the results of the direct path analysis, offering insights into the hypothesized relationships between variables. The first hypothesis (H1) establishing a relationship between capital structure (CS) and financial performance (FP) is supported by a positive estimate of 0.386, which is statistically significant at 0.016 level This result indicates that capital structure variation affects financial performance significantly, thus confirming the acceptance of H1. Similarly, the second hypothesis (H2) proposing a link between CS and financial accountability (FA) is supported, with an estimate of 0.151 and a significant p-value of 0.004, indicating that capital structure decisions affect financial accountability. The acceptance of H2 underlines the interconnectedness between capital structure choices and mechanisms for ensuring financial responsibility within the banking sector. Lastly, the third hypothesis (H3) indicating a relationship between CS and investment decision (ID) is validated with an estimate of 0.291 and a significant p-value of 0.003, underlining that the composition of the capital significantly influences decision-making regarding investments in the banking sector.

Table 8: Direct Path Analysis.

Hypothesis	Relationships	Estimates	p	Results
H1	CS -> FP	0.386	0.016	Accepted
H2	CS-> FA	0.151	0.004	Accepted
H3	CS -> ID	0.291	0.003	Accepted

Table 9 presents the results of the mediation analysis examining the mediated relationships between the variables. The fourth hypothesis (H4) proposes a mediating effect through financial accountability (FA) on the relationship between capital structure (CS) and financial performance (FP), supported with an estimate of 0.133 and a significant p-value of 0.002. This result suggests that financial accountability acts as an important mediator in translating the impact of capital structure decisions into financial performance outcomes, validating the acceptance of H4. Similarly, the fifth hypothesis (H5) positing a mediating effect by investment decision (ID) on the relationship between CS and FP is confirmed, with an estimate of 0.251 and a significant p-value of 0.001. This finding shows that investment decisions play an important mediating role in linking the effect of capital structure to financial performance, strengthening the acceptance of H5.

Table 9: Mediation Analysis.

Hypothesis	Relationships	Estimates	p	Results
H4	CS -> FA -> FP	0.133	0.002	Accepted
H5	CS -> ID -> FP	0.251	0.001	Accepted

Table 10 presents the results of the moderation analysis, examining the hypothesized interaction effect between capital structure (CS) and internal control system (ICS) on financial performance (FP). The sixth hypothesis (H6) suggesting a moderation effect is supported by an estimate of 0.091 and a significant p-value of 0.031. This result indicates that the interaction between capital structure and internal control systems significantly influences financial performance, confirming the acceptance of H6.

Table 10: Moderation Analysis.

Hypothesis	Relationships	Estimates	p	Results
H6	CS x ICS -> FP	0.091	0.031	Accepted

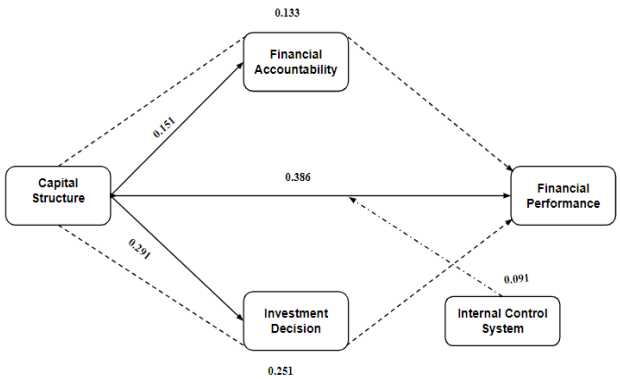

Figure 2: Structural Model.

5. Discussion

Within the Kingdom of Saudi Arabia's banking sector, our study scrutinized the intricate dynamics between internal control systems and capital structure decisions, exploring their nuanced impact on financial performance and accountability. Similar to the expatriates' study, our findings underscore the crucial role of internal control mechanisms. These systems emerge as pivotal moderators, aligning with the prerequisite concept emphasized by Hoai et al. (2022). Thus, our research adds depth to understanding how effective internal controls enhance the relationship between capital structure decisions and financial outcomes in the Saudi Arabian banking context. The finding of this research pertains to the significant influence of capital structure on financial performance. The empirical evidence supports established financial theories Modigliani and Miller (1958) that posit a relationship between the composition of debt and equity and a firm's financial outcomes. This finding aligns with the interviews conducted with banking professionals, where respondents consistently emphasized the pivotal role of capital structure decisions in shaping financial performance.

The acceptance of the first hypothesis posits a significant relationship between capital structure and financial performance in the banking sector of KSA. This finding aligns with the theoretical underpinnings of capital structure theory, which suggests that the mix of debt and equity can have profound effects on a bank's profitability and risk profile. As supported by Karpuz et al. (2023), banks in KSA seem to leverage this balance, optimizing their capital structure to enhance returns while managing risk. This could involve strategies such as maintaining a healthy debt-to-equity ratio to ensure liquidity and solvency, thus contributing to financial stability and performance. In the KSA banking sector, capital structure decisions involve choosing the right mix of debt and equity to finance operations and growth. Equity financing, while diluting ownership, does not entail fixed obligations and offers more flexibility during economic downturns. On the other hand, debt financing, despite being a cheaper source due to tax shields, increases financial risk and obligations. The study's findings suggest that banks in KSA are adept at navigating these choices, balancing the trade-offs between risk and return effectively.

The second hypothesis, asserting that capital structure significantly influences financial accountability in KSA's banking sector, resonates with contemporary corporate governance practices. According to Iioka and Yamada (2023), a well-structured capital framework enhances transparency and accountability, as it necessitates rigorous financial disclosures and compliance with regulatory standards. In the context of KSA, this might reflect a growing emphasis on corporate governance within the banking sector, where capital structure decisions are made with an acute awareness of their impact on financial accountability. The regulatory environment in KSA further accentuates the role of capital structure in governance. Banks are required to comply with stringent regulations, including those concerning capital adequacy and liquidity ratios. These regulatory requirements ensure that banks maintain a capital structure that supports financial stability and accountability. By complying with these regulations, banks not only demonstrate their financial health but also their commitment to accountability and transparency.

The acceptance of the third hypothesis underscores the significant influence of capital structure on investment decisions within banks. This suggests that in KSA, banks are likely to consider their capital allocation strategies as a critical factor in shaping their investment policies. In line with the insights provided by Uyar et al. (2022), the study reflects the intricate balance KSA banks maintain between pursuing growth through investments and maintaining financial stability. This balance is crucial in a sector that is pivotal to the national economy and is closely monitored by regulatory bodies. The banks' approach to aligning their investment strategies with their capital structure can be viewed as a proactive measure to ensure compliance with regulatory standards and to mitigate financial risks. Moreover, this relationship between capital structure and investment decisions underscores the forward-thinking approach of KSA banks. By aligning their investment decisions with a well-structured capital framework, these banks are not only addressing the current financial needs

but are also strategically positioning themselves for future growth and stability. This strategic alignment reflects a deep understanding of the market dynamics and an ability to navigate through the challenges and opportunities presented by the economic environment of KSA.

Another significant finding of the study, which postulated that financial accountability mediates the relationship between capital structure and financial performance, brings a new dimension into the discussion. This suggests that the way KSA banks manage and report their finances could be a key intermediary in how capital structure translates into financial success. As Zhou et al. (2021) pointed out, accountability practices, such as transparent reporting and adherence to ethical standards, may enhance investor confidence and thus positively impact financial performance. banks in KSA that employ a capital structure with a balanced mix of debt and equity and couple it with strong financial accountability practices, such as transparent reporting, adherence to ethical standards, and effective communication with stakeholders, are likely to see enhanced financial performance. This enhanced performance can be attributed to the confidence and trust that robust financial accountability practices build among investors and other stakeholders, leading to better market reputation and potentially lower costs of capital. Moreover, financial accountability practices in these banks seem to act as a bridge, translating the theoretical benefits of an optimal capital structure into tangible financial outcomes. For instance, a bank with a high level of debt might be perceived as risky, but if it can demonstrate strong financial accountability practices, this perception can be mitigated, thus positively influencing its financial performance.

Similarly, the study discovered that investment decisions mediate the relationship between capital structure and financial accountability. This finding implies that the investment choices made by banks in KSA, guided by their capital structure, have significant repercussions on their financial accountability. The strategic decisions regarding where and how to invest capital might be a reflection of the bank's commitment to financial prudence and accountability, as suggested by Michelfelder et al. (2022). a bank with a high level of debt may be more cautious in its investment decisions, focusing on safer, more liquid assets to ensure it can meet its financial obligations. This cautious investment approach can enhance the bank's financial accountability by reducing risk and ensuring more stable returns, which are critical factors in maintaining trust among stakeholders. Conversely, a bank with a higher proportion of equity in its capital structure might have more leeway to invest in riskier, potentially higher-yield ventures. While such investments can offer greater returns, they also require a higher level of transparency and accountability to justify the associated risks to stakeholders. Therefore, the investment decisions made by these banks become a crucial medium through which they demonstrate their commitment to financial accountability.

Another significant result of the study is the moderating role of internal control systems in the relationship between capital structure and financial accountability. This aligns with the governance literature that emphasizes the importance of internal controls in enhancing the effectiveness of financial strategies. In KSA's banking sector, robust internal controls might be ensuring that the capital structure decisions are made and implemented in a manner that upholds financial accountability, thus reinforcing the governance framework within these institutions. internal controls act as a critical bridge between the theoretical aspects of capital structure and the practical implementation of financial accountability measures (Al Rahhaleh et al., 2023). These controls include a range of practices, such as regular audits, compliance checks, risk management procedures, and ethical guidelines. In KSA's regulatory environment, where banks are subject to stringent rules and oversight, the effectiveness of these internal control systems becomes even more crucial. They ensure that the banks not only adhere to the regulatory standards but also align their capital structure decisions with the principles of financial accountability. The emphasis on internal control systems also reflects the proactive approach of KSA banks in addressing the challenges posed by complex financial environments. In a landscape characterized by rapid economic changes and evolving regulatory demands, robust internal controls provide the banks with the agility to adapt their capital structure efficiently while maintaining their commitment to accountability. This agility is essential for sustaining stakeholder trust and confidence, particularly in a sector where financial integrity is paramount. Overall, these findings provide a comprehensive understanding of the interplay between capital structure, financial performance, accountability, investment decisions, and internal controls in the banking sector of KSA. They highlight the complexity of financial management in banks, where decisions regarding capital structure are intricately linked with various facets of financial health and governance. This integrative perspective is essential for comprehending the dynamics of the banking sector in KSA and the pivotal role of capital structure within it.

6. Conclusion

This research provides an overall insight into the relationships between capital structure choice, financial accountability, financial performance, internal control system and investment decisions within the banking sector The synthesis of qualitative approaches and quantitative findings has yielded nuanced insights into the complex dynamics of the study. The unanimous acknowledgment of the strategic significance of capital shape alternatives from industry professionals aligns with theoretical frameworks, emphasizing the alignment of interests and the mediating roles of economic responsibility and investment alternatives. The quantitative analyses, showed via confirmatory factor assessment and direct course assessment, substantiate the ones relationships empirically, contributing to the wider frame of information on the challenge. Mediation and moderation analysis deepen our knowledge, highlighting the interrelated nature of those variables. By integrating several methodological processes, this study not only enhances theoretical knowledge but also provides practical insights for banking professionals to optimize their economic techniques. The findings make contributions to a more detailed understanding of the complex web of relationships within the banking region, shedding mild at the multifaceted effects of capital structure choices on various dimensions of economic results.

7. Implications

This research provides practical assistance in helping banking professionals find the optimal balance between risk and reward. The results show a clearer picture of the tangled web between bankers. The various ways in which capital structure decisions affect different aspects of financial outcomes are shown by them. Professionals

within the banking sector will find this research of great practical value. Secondly, the results affirm that decisions on capital structure are strategic in nature; financial executives must take into account how such choices affect financial performance. Professionals in banking can use this information to improve their capital structures so that these more closely reflect the goals of the organization and expectations from shareholders. Moreover, pointing to financial accountability and investment decisions as intervening factors has practical significance for improving overall financial health. For financial executives, this means strengthening accountability mechanisms and adjusting the process of investment decision making to make the most effective use of capital structure decisions. Theoretical implications of this research are also very important, advancing our knowledge in the fields of financial management and organizational behavior. The study conforms with agency theory by asserting that decisions about capital structure affect the degree of harmony between management and stakeholders. The mediating organizations described in financial accountability and investment decisions, on the other hand, flesh out existing theoretical frameworks advanced by Modigliani and Miller (1958). These findings will provide new material for further examination of the complex relationship between these variables in banking capital structure. Moreover, the research reveals that internal control systems moderate the relationship between capital structure and financial performance in line with theory. The theoretical implications even stretch to the sphere of corporate governance, indicating that internal control mechanisms greatly affect the kinds of results produced from capital structure decisions. These observations will be of interest to scholars interested in different governance structures and how they influence financial results. They will help enhance discourse on the theoretical landscape of corporate governance as a whole. Mediation and moderation analyses represent another theoretical contribution. They explain the relationships between the studied variables. The research contributes layers of complexity to existing theoretical discussions on capital structure dynamics by emphasizing the mediating roles financial accountability and investment decisions play in this process. This figured conception forms part of the continuing theoretical debate on how internal relations within organizations mediate between financial decisions and overall performance. In essence, the theoretical significance of this research expands beyond the banking field to shed light on organizational behavior, financial management and corporate governance.

8. Limitations and Future Directions

Although this research offers many insights about the links between capital structure choices, financial performance, reporting standards to investors and investment decisions in banks, there are also limitations. First, the cross-sectional nature of the study means that causality cannot be established definitively. future research may take a longitudinal approach and better capture the nature of these relationships over time, providing more detailed knowledge about how changes in capital structure affect banks 'financial results and decision-making processes. Secondly, the research focused on banking in the Kingdom of Saudi Arabia. Therefore, this field may not be generalizable to other regions and industries. The generality of these relationships may be tested on financial environments that are more varied. Further, increasing the sample size and broadening the type of banks involved would enhance external validity, providing a more complete picture of how this process evolves across different organizational situations.

Another limitation is reliance upon self-reported data, especially in the qualitative phase. Because respondents come from different levels of the organizations, there may be a bit of subjectivity. This limitation can be offset by the use of more than one data source or the method of triangulation, which uses interviews with stakeholders outside the banking institutions. It enables a broader view on phenomena. In addition, the study's main focus was on quantitative analyses designed to reveal correlations between variables. These may be fertile areas for further in-depth qualitative research. Further research may focus on qualitative methods (case studies or in-depth interviews) to explore the internal mechanisms and external conditions underpinning the observed relationships. Such a qualitative approach could yield richer understandings of the decision-making processes, and subjective experiences of professionals within the banking sector.

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Appendix-1

Financial Performance

1. Long-run firm profitability
2. Growth rate of sales and revenues
3. Return on assets (ROA)
4. Growth rate of return on assets (ROA)
5. Market share
6. Operational and cost efficiency
7. Productivity
8. Level of return on sales
9. Growth rate of return on sales

Investment Decision

1. When making an investment, I trust my inner feelings and reactions.
2. I generally make investments that feel right to me.
3. When making investments, I rely upon my instincts.
4. When I make an investment, it is more important for me to feel the investment is right than have a rational reason for it.
5. When I make Investment, I tend to rely on my intuition.

Internal control System

1. Accounts are reconciled on a monthly basis to uncover errors and prevent fraud.
2. All financial transactions are recorded in vouchers for future references.
3. This bank undergoes regular audits.
4. Mechanisms have been established to detect and respond to changes that could have a significant impact on the bank.
5. Risks are evaluated in connection to changes in the operational environment.
6. This bank is dedicated to identifying risks.
7. All risks facing this bank is assessed.
8. Staff members have knowledge of internal controls and accountability.
9. The bank has well-defined communication channels.
10. The current flow of information is fast and efficient.
11. Monitoring strategies are employed at any point in the monitoring process.
12. A reporting system is in place for all the activities of this bank.
13. The internal audit function operates free from management influence.
14. There is a clear division of responsibilities between procurement, accounts payable, and disbursement processes.

Financial Accountability

1. This organization is well-versed in the use and implementation of accounting and financial management systems.
2. This organization makes predictions about cash flow.
3. This organization regularly predicts the end-of-year revenue and expenses to help in making informed decisions throughout the year.
4. Monthly reconciliation of all cash accounts is performed by this organization.
5. This organization has an established procedure to assess the appropriateness and accuracy of the financial information received.
6. Procedures are established by the organization to fulfil its financial obligations.

Capital Structure

1. The balance between long-term debt and equity has a significant impact on firm value.
2. Firms should pursue a target debt to equity ratio.
3. Firms should leave some of its debt financing capacity unused to provide financial slack.
4. Firms that experience financial distress have a capital structure that has an over-reliance on the use of long-term debt capital.