

THE ROLE OF FINANCIAL REPORTING QUALITY IN THE EFFICIENCY OF INVESTMENT DECISIONS

An empirical study on a sample of banks listed on the Iraq Stock Exchange for the period (2012-2020).

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Abstract

This study aims to examine the relationship between financial reporting quality and investment decision efficiency in banks listed on the Iraq Stock Exchange, as well as to assess the level of each variable before and after the adoption of International Financial Reporting Standards (IFRSs). Furthermore, it investigates the impact of IFRS adoption on the nature of the correlation and effect between these variables. To achieve the study objectives, an empirical approach was adopted based on the financial data of banks listed on the Iraq Stock Exchange during the period 2012–2020. The study employed the Discretionary Loan Loss Provision (DLLP) measure to assess financial reporting quality, while investment decision efficiency was measured using the Biddle (2009) model. Statistical analyses and hypothesis testing were conducted using the STATA statistic software. The findings indicate that the adoption of IFRSs contributed to improving financial reporting quality and reducing earnings management practices among the sampled banks. The results also reveal that IFRS adoption enhanced investment decision efficiency. Moreover, the relationship between financial reporting quality and investment decision efficiency was not statistically significant before the adoption of IFRSs; however, it became positive and statistically significant after adoption. Similarly, financial reporting quality did not have a significant effect on investment decision efficiency before IFRS implementation, whereas its effect became positive and significant following adoption. These findings highlight the role of IFRSs in enhancing the usefulness of financial information and supporting more efficiency of investment decisions. Based on these findings, the study recommends strengthening compliance with IFRS requirements and continuously improving the financial reporting quality to provide more relevant and reliable information for decision-makers. It also recommends encouraging banks to utilize high-quality accounting information to rationalize investment decisions and improve investment efficiency.

Keywords: financial reporting quality, efficiency of investment decisions, International Financial Reporting Standards (IFRSs).

Contribution/ Originality: This study aims to enhance awareness among companies operating in and listed on the Iraq Stock Exchange regarding cash holding and its impact on their financial reporting quality.

1. INTRODUCTION

Global trade and the international business environment have witnessed rapid developments in recent decades as a result of economic globalization, the expansion of international financial markets, and the increased activity of multinational corporations. This has directly impacted on accounting practices and the financial reporting quality, creating an urgent need for high-quality financial information to assist investors and stakeholders in making sound economic decisions (Chouaibi & Mutar, 2024). In response to these developments, International Financial Reporting Standards (IFRSs) emerged as a global framework aimed at unifying accounting practices and reducing discrepancies between accounting systems in different countries. This contributes to improving the financial reporting quality, increasing information transparency and comparability, which positively impacts investors' investment decisions (Al-Saffar, 2022).

The Iraqi environment has been affected by these changes, particularly after economic transformations and opening to global markets. The need to attract local and foreign investments to support development and reconstruction efforts has become increasingly critical. Given the weaknesses in transparency, limited comparability, and information asymmetry in the financial reports of Iraqi banks listed on the Iraq Stock Exchange, the Central Bank of Iraq mandated that these banks adopt International Financial Reporting Standards (IFRSs) starting in 2016. The aim was to improve the financial reporting quality and enhance the usefulness of accounting information provided to investors (Taher & Al-Ani, 2022).

Accounting literature indicates that investors prefer to invest in environments where high-quality financial information is available, as this reduces uncertainty, lowers information acquisition costs, and improves the efficiency of investment decisions (Ozer et al., 2024). Therefore, the research problem aims to reveal the level of financial reporting quality and investment decision efficiency in banks listed on the Iraq Stock Exchange before and after adopting International Financial Reporting Standards (IFRSs). It also seeks to clarify the nature of the relationship between financial reporting quality and investment decision efficiency, and the extent to which financial reporting quality contributes to enhancing the efficiency of these decisions.

Based on the above, The study aims to measure the level of financial reporting quality and the level of efficiency of investment decisions in banks listed on the Iraq Stock Exchange, and to compare these two levels before and after the adoption of International Financial Reporting Standards (IFRSs), as well as to analyze the nature and strength of the relationship between the financial reporting quality and the efficiency of investment decisions and to test the impact of the financial reporting quality on the efficiency of investment decisions during the pre- and post-adoption phases of International Financial Reporting Standards, in order to demonstrate the role of these standards in enhancing the quality of financial information and the reflection of this on the efficiency of investment decisions in the banks under study.

Following that, studies have addressed the concept of financial reporting quality from multiple angles, leading to differing views on a specific definition of this concept. According to CFA (2019: 238), the financial reporting quality is defined as "the qualitative characteristics of financial information," with adherence to Generally Accepted Accounting Principles (GAAP) being the primary criterion for assessing this quality. While GAAP offers options for

methods and procedures related to many elements, compliance with these principles does not necessarily guarantee high-quality financial reporting. High-quality financial reports must be useful for decision-making, and a good financial report is characterized by two essential attributes: relevance and truthful presentation. Similarly, Alinejad et al. (2021: 2) defined the financial reporting quality as "the ability of financial reports to convey information about the operations of an economic entity, particularly their ability to predict future cash flows for investors.". also, Numerous academic studies have addressed the concept of investment decision efficiency from multiple perspectives. For example, Ahmed et al. (2021: 3) define it as "a function that combines risk, return, and total cost of investment management structures, subject to credit and non-credit constraints that investors must comply with." Similarly, Al-Sayigh and Abdulmajid (2015: 6) define investment decision efficiency as "the extent to which decisions can be made regarding the implementation of investment projects that achieve a positive net present value, such that the actual investment equals the expected amount. The optimal investment size refers to the amount of investment at which the marginal utility of the investment equals its marginal cost." Biddle et al. (2009: 3) also define investment decision efficiency as "economic units undertaking all projects that achieve a positive net present value, assuming the absence of market problems such as poor selection or agency problems."

The study organizes the remaining sections as follows: Section 2 presents an analysis of previous research relevant to the current study. The researchers talk about the hypothesis in Section 3. Section 4 outlines the study methodology, while Part 5 details the descriptive statistics and results of hypothesis testing, accompanied by a discussion of these results. Finally, Section 6 concludes the study by summarizing the key findings.

2. LITERATURE REVIEW

There have been many studies presented by accounting thinkers about Financial Reporting Quality and efficiency of investment decisions, Considering the rapid changes in financial markets and the increasing demands for transparency and disclosure, the financial reporting quality has become a fundamental pillar for banks in supporting their planning and investment decision-making processes. High-quality financial information contributes to reducing information asymmetry and uncertainty, which positively impacts the efficiency of investment resource allocation and improves the effectiveness of decisions. Given the growing importance of this topic, several researchers have published studies linking the financial reporting quality to the efficiency of investment decisions. One such study, titled "The Impact of Financial Reporting Quality on the Implementation of Sustainable Taxation and its Implications for the Market Value of Enterprises," aims to measure and evaluate the level of financial reporting quality in the Iraq Stock Exchange, as well as to measure and evaluate the level of tax sustainability. The study also seeks to assess and analyze the value of companies listed on the exchange and examine the relationship between the financial reporting quality and enterprise value under sustainable taxation. A quantitative and analytical mathematical evaluation approach was employed, utilizing the annual financial statements of companies listed on the Iraq Stock Exchange and the exchange's official publications for the period 2017-2021. Thirty companies were selected as a sample for the study, including 19 companies that do not comply with International Financial Reporting Standards (IFRS) and 11 banks that do. The study's most significant finding indicates no significant relationship or impact of the financial reporting

quality on the market value of a company through sustainable taxation, for either type of company. The study also offered several recommendations, the most important of which was the need for the Iraq Stock Exchange to raise awareness among companies about the importance of quality financial reporting and to encourage them to implement sustainability initiatives by fulfilling their ethical obligations to society, with the aim of increasing the value of listed companies and supporting the national economy (Abdulkarim, 2024). The study also addressed "The Role of Financial Reporting Quality in Attracting Foreign Direct Investment: An Exploratory Study of the Opinions of a Sample of Employees of the Muthanna Investment Authority." The study aimed to examine the relationship between financial reporting quality, with its dimensions (credibility, timeliness, and relevance), and foreign direct investment. The inductive method was used to present, study, and analyze the study variables. The study relied on the employees of the Muthanna Investment Authority as a sample, represented by the 45 employees of the Muthanna Investment Authority. The questionnaire, which included 25 items, was used, and the results were extracted using the SPSS statistical program. The study reached a number of conclusions, including the existence of a statistically significant correlation and effect between the financial reporting quality and attracting foreign investment. The results of the study also confirmed that indicators of the financial reporting quality helped to rationalize the trading decisions of foreign investors and increase the volume of investment in the country (Al-Sheikh, 2019). The study also addressed "The Impact of Financial Reporting Quality on Enterprise Performance." The study aimed to demonstrate the impact of financial reporting quality on the performance of companies listed on the Sri Lanka Stock Exchange. The study adopted a descriptive quantitative analytical approach in the practical aspect. The study sample consisted of secondary data from the published annual financial statements of 30 companies listed in Sri Lanka from all sectors except the banking, finance, and insurance sector for the period between (2013-2018). The total number of observations was 180. The multi-layered random sampling method was used to select the sample, and the hypotheses were tested using the random effects model with STATA. Financial reporting quality was measured through financial ratios. The study reached several conclusions, including that there is a generally significant relationship between financial reporting quality and the performance of companies listed on the Sri Lanka Stock Exchange, as measured by financial ratios such as return on assets, return on equity, and market-to-book ratio, versus financial reporting quality. However, the relationship between financial reporting quality and individual financial performance indicators was not significant. Despite theoretical arguments and empirical findings regarding the impact of financial reporting quality on financial performance, this study recommends using additional indicators, such as accrual quality and accounting conservatives, as a measure of financial reporting quality to evaluate it from different perspectives (Rathnayake et al., 2021). The study also addressed "The Impact of Financial Reporting Quality on Corporate Investment Efficiency: Evidence from the Tunisian Stock Market," which aimed to examine the impact of financial reporting quality on corporate investment efficiency using a sample of 25 Tunisian companies listed between 1997 and 2013. The results showed that some characteristics of financial information, such as reliability and accessibility, increase investment inefficiency, while other characteristics, such as conservatism and relevance, did not significantly affect investment decisions. These results are mainly attributed to the

specificities of the Tunisian environment, including frameworks and institutions, cultural values, and certain characteristics of the corporate governance system (Houcine & Kolsi, 2017). The study also addressed "Financial Reporting Quality and Investment Efficiency in Emerging Market Private Companies," aiming to examine the role of financial reporting quality in emerging market private companies, an environment where the current study suggests that financial reporting quality may have less of an impact on reducing investment inefficiencies. The study data was obtained from the World Bank's Business Survey (WBES), conducted between 2002 and 2005 in 79 countries, including many low-income countries. The study concluded that financial reporting quality positively affects investment efficiency. It also showed that the relationship between financial reporting quality and investment efficiency increases with reliance on bank financing and decreases with incentives to reduce profits for tax purposes (Chen et al., 2010). The study further explored "How Financial Reporting Quality Affects Investment Decision Efficiency," aiming to measure the impact of financial reporting quality on the efficiency of investment decisions by analyzing its reflection on overinvestment and underinvestment, which are considered forms of investment inefficiency. The study sample consisted of a group of American companies. Investment decision efficiency was measured by comparing the expected optimal level of investment expenditure with the actual level, with deviation indicating lower investment decision efficiency. Financial reporting quality was measured using four indicators: current account quality, receivable quality, financial statement readability, and a standardized index combining these measures (FRQ Index). The results showed that companies providing high-quality financial reports reduce information asymmetry in the market, leading to improved investment decision efficiency. The deviation between the actual and optimal investment levels decreases as the quality of financial reports increases. These companies also tend to invest more when overall investment levels are low and less when they are high. The study recommends that future research focus on the relationship between financial reporting quality and investment efficiency, particularly regarding over- and under-investment, as this area remains largely unexplored in the current literature (Biddle et al., 2009).

Based on the foregoing, researchers conclude that the financial reporting quality is a pivotal factor in guiding investor decisions. It contributes to bridging the information gap between stakeholders and enhances the ability of economic entities to access financing on better terms, whether from banks or through financial markets, thus supporting their capacity to execute more efficient investments. Furthermore, the financial reporting quality limits behaviors that may arise from tax motives or earnings management practices that negatively impact the credibility of financial information. This ensures that investors have a clearer and more accurate picture of the economic entity's actual performance. In addition, it influences liquidity and leverage management, achieving a balance between meeting financing needs and avoiding agency problems or overinvestment. Ultimately, this translates into increased reliability of investment decisions and directs them towards the optimal use of resources.

3. HYPOTHESES DEVELOPMENT

Investment is a fundamental element of the economic environment, necessitating the availability of sufficient and relevant information for decision-makers to ensure efficiency of investment decisions that serve the interests of the economic entity. Financial reporting is a key

output of the accounting system, given its essential data that supports decision-making. It summarizes the vast number of financial events and transactions experienced by the economic entity over a specific period, serving as a primary reference for administrative and investment decisions. This information gains its value and effectiveness when obtained from high-quality financial reporting (Nurcholisah, 2016: 838). Studies have indicated that economic entities with high-quality financial reporting tend to deviate less from expected investment levels, and their financial reports demonstrate less sensitivity to macroeconomic fluctuations. This suggests that the financial reporting quality plays a crucial role in supporting investors to make efficiency of investment decisions characterized by greater consistency and stability. The financial reporting quality contributes to reducing financial friction, such as moral hazard and adverse selection, factors that can lead to inefficiency of investment decisions. Therefore, improving the financial reporting quality effectively reduces the degree of deviation in the efficiency of investment decisions and enhances the efficiency of resource allocation within the economic unit (Biddle et al., 2019). Previous studies indicate that high-quality financial reporting can effectively mitigate the problems of overinvestment and underinvestment, positively impacting the efficiency of investment decisions (Li & Wang, 2011: 1255-1288). The financial reporting quality helps reduce the information asymmetry gap between investors and management, thus mitigating problems such as managerial ethical breakdown and adverse selection. On the other hand, the financial reporting quality enhances the efficiency of the capital market by improving liquidity, thereby reducing financing costs resulting from reverse selection and facilitating the financing of long-term, high-return investment projects (Zhang et al., 2013: 251-266; Beatty et al., 2010: 1215-1238; Li & Wang, 2011: 1255-1288; Biddle et al., 2009; Verrecchia, 2001: 91-180). Furthermore, the financial reporting quality provides shareholders with an important source of information that they can use to monitor the management of the economic unit. This helps establish a supervisory role in the securities market, contributing to reducing agency issues between managers and shareholders, increasing shareholders' oversight of managers, improving the quality of management decisions when choosing between investment projects, and reducing external financing costs, ultimately leading to increased efficiency. Investment decisions (Boubaker et al., 2014: 80-96), (Li & Wang, 2011: 1255-1288), (Hewitt et al., 2014). A study by (Chen et al., 2011) also examined the relationship between the financial reporting quality and the efficiency of investment decisions across countries, but with a focus on private economic units in emerging markets. This study concluded that private economic units have a lower level of financial reporting quality than public economic units (whose shares are publicly traded). The study also focused on how tax incentives affect the strength of the relationship between financial reporting and investment decisions and concluded that economic units facing significant income tax pressures have a lower relationship between the financial reporting quality and the efficiency of investment decisions. In light of the research questions and objectives, this study tests the following hypothesis:

1. There are statistically significant differences in the financial reporting quality in banks listed on the Iraq Stock Exchange between the periods before and after the adoption of International Financial Reporting Standards (IFRSs).

2. There are statistically significant differences in the efficiency of investment decisions in banks listed on the Iraq Stock Exchange between the periods before and after the adoption of IFRSs.
3. There is a statistically significant correlation between the financial reporting quality and the efficiency of investment decisions in the Iraqi banking sector before the adoption of IFRSs.
4. There is a statistically significant impact of the financial reporting quality on the efficiency of investment decisions in the Iraqi banking sector before the adoption of IFRSs.
5. There is a statistically significant correlation between the financial reporting quality and the efficiency of investment decisions in the Iraqi banking sector after the adoption of IFRSs.
6. There is a statistically significant relationship of influence between the financial reporting quality and the efficiency of investment decisions in the Iraqi environment at the banking sector level after the adoption of IFRSs standards.

The theoretical Framework in this study is presented in figure 1.

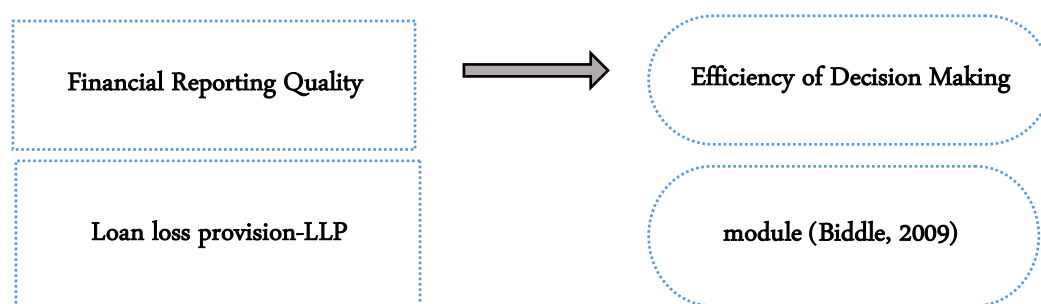


Figure 1.

Theoretical framework

4. METHODOLOGY

4.1 Research Approach:

To address the research problem and achieve its objectives, a descriptive-analytical theoretical approach was adopted to study and analyze the study variables within their theoretical framework, namely the concept and nature of financial reporting quality and decision efficiency. Within this framework, various theoretical sources, including books, journals, publications, theses, and reputable websites, were used as data collection sources for this aspect of the analysis. Additionally, an applied experimental approach was employed in the practical aspect of the study to evaluate and test the lasting relationships between the study variables. In this context, published financial data from a sample of Iraqi banks listed on the Iraq Stock Exchange were used. and To test the direct effect hypotheses, the STATA program was used. It is the most common program in this regard to measure the direct and indirect effects of the variables under study by testing the Panel Data to show the direct effect relationships between the study variables. By Panel Data we mean cross-sectional time series data or panel data, a set of observations that are repeated among a group of individuals over several periods of time.

4.2 Sample Selection

The study population consisted of banks listed on the Iraq Stock Exchange. The sample comprised (9) out of a total of (21) banks, representing a sampling rate of approximately (43%), as shown in the table below. The number of variables studied was (2), with a sample size of (9) banks. The research period was (9) years, from 2012 to 2020, resulting in a total of (81) observations, deemed sufficient. This sample was selected based on three key conditions: first, the availability of financial data up to 2011 as the base year for 2020; second, the banks' continuous and uninterrupted disclosure of their financial data for the specified years; and third, the availability of the necessary data to measure the variables. The final sample, consisting of banks listed on the Iraq Stock Exchange, is shown in the table below.

Table 1: Sample

#	Bank Name
1	National Bank of Iraq
2	Commercial Bank of Iraq
3	Economy Bank for Investment and Finance
4	Union Bank of Iraq
5	Investment Bank of Iraq
6	Middle East Iraqi Investment Bank
7	Al Mansour Investment Bank
8	Mosul Development Bank
9	Baghdad Bank

5. DESCRIPTIVE ANALYSIS OF THE STUDY AND TESTING OF HYPOTHESES

5.1 Description of Variables

The study's dependent variable is represented by one variable, which is "Efficiency of Decision Making" and a main independent variable, which is "Financial Reporting Quality" the following shows the study variables and how to measure them. Here are my agencies:

5.1.1 Independent Variable: Financial Reporting Quality (Loan loss provision-LLP):

Many researchers have used a variety of approaches to measure earnings quality, with the accrual approach being one of the most prominent and widely used. This approach is directly linked to the accrual basis of accounting, the basis used in financial accounting, which relies on the principle of matching revenues with expenses related to the current financial period. However, this basis has been criticized for its reliance on accountants' judgment and personal interpretations, particularly in areas such as calculating depreciation, estimating provisions, and choosing inventory valuation methods. This reliance allows management to exercise personal judgment and exploit it to manage earnings and influence the actual profit. Gross accruals are defined as the difference between accounting income and the cash flow generated from operating activities, or the sum of discretionary and non-discretionary accruals (Al-Mashhadani & Muhammad, 2019: 12-13). According to Oosterbosch (2010: 32), the loan loss provision (LLP) represents a relatively large accumulation for economic banks and has a

significant impact on income and organizational capital. This provision aims to control expected loan losses and protect bank funds by reversing potential future losses on credit bonds.

The loan loss provision is a counter-account for loans listed on the balance sheet, and it is linked to the loan impairment loss account on the income statement. This provision reflects managers' estimation of potential future losses; a higher loan loss provision reduces net income, while a lower provision increases net income. This is because these losses arise from managers' assessment of the potential losses the economic entity might incur if the borrower defaults on its obligations when due (Ahmed et al., 2014: 52). The importance of the loan loss provision lies in its role in recognizing impairment losses as an expense on the income statement and its corresponding provision account on the balance sheet. This importance stems from two main aspects: first, the provision's impact on the value and timing of reported income, and second, its reflection of managers' subjective judgments in estimating future loan losses. Managers use this provision as a tool to smooth income and reduce volatility in reported earnings by allocating a variety of revenues and expenses, thus making profits less volatile over the years. The loan loss provision is interpreted as a means of smoothing income by using managers' estimates to determine the value of loans that may not be collected. This is achieved by allocating sufficient operating expenses to maintain the provision and reclassifying account balances when uncollectible loans are collected. The discretionary nature of the provision provides bank managers with an opportunity to manage profits by manipulating the amount and timing of loan impairment losses, such as charging additional amounts in years of good profitability or reducing the provision in years of low profitability. They can also postpone or accelerate the recognition of non-performing loan losses to adjust reported income, thus either reducing or maximizing income volatility as needed (Al-Mashhadani & Muhammad, 2019: 15). This study relied on measuring the financial reporting quality through the loan loss provision, and the model below represents the non-discretionary estimation of accruals as follows (Shehu, 2019: 96), (Al-Hindi, 2015: 58), (Al-Mashhadani & Muhammad, 2019: 13):

$$\text{NDLLP}_{it} = \alpha_0 + \alpha_1 \text{NPL}_{it-1} + \alpha_2 \Delta \text{NPL}_{it} + \alpha_3 \Delta \text{TL}_{it} + \varepsilon_{it}$$

Whereas:

- **Non-Discretionary Loan Loss Provisions (NDLLP_{it}):** calculated by dividing the loan loss provision at the end of the fiscal year by the total loans at the beginning of the fiscal year.
- **Non-Performing Loan (NPL_{it}):** calculated by dividing the non-performing loans at the beginning of the fiscal year by the total loans at the beginning of the fiscal year.
- **ΔNPL_{it}:** Change in non-performing loans, calculated by dividing the difference between the non-performing loans at the end of the fiscal year and the non-performing loans at the beginning of the fiscal year by the total loan balance at the beginning of the current fiscal year.
- **ΔTL_{it}:** Change in total loans, calculated by dividing the difference between the total loans at the end of the fiscal year and the total loans at the beginning of the fiscal year by the loan balance at the beginning of the fiscal year.
- **E_{it}:** Random error of the regression function.

The model generally includes both discretionary and non-discretionary components of loan loss provisions. The non-discretionary components are attributed to the explanatory variables included in the model, while the non-discretionary variables, as seen in the regression equation residuals, represent the discretionary components. A high DLLP value suggests an increase in earnings management practices, as loss provisions are determined based on managers' estimates of the likelihood of borrowers defaulting on their obligations at maturity. The non-discretionary components represent losses from non-performing or delinquent loans with a maturity exceeding 90 days. In contrast, the discretionary components reflect estimates that rely heavily on managers' decisions and personal assessments (Al-Kikani, 2024: 121).

5.1.2 Dependent Variable: Efficiency of Decision Making (Biddle et al., 2009):

The efficiency of investment decisions has been the focus of several recent academic studies, such as Lee (2020: 5), Biddle et al. (2009: 17), and Emawati (2020: 28) & Budiasih. These studies employ a simple linear regression equation, considering total investments for the future period, expressed as total assets for the future period, as the dependent variable. The model relies on the sales growth rate as the independent variable. Since the banks in question do not have sales figures, operating income is used instead. The standard residuals of the model represent all factors affecting the bank's investments that are not included in the model, and thus can be considered a measure of the efficiency of the investment decisions made by the bank's management. The revenue growth rate is calculated using the following equation:

$$IV_{it} = a + b_1 NEG_{it-1} + b_2 \%RevGrowth_{it-1} + b_3 NEG * \%RevGrowth_{it-1} + E_{it}$$

Whereas:

- **IV_{it}**: The company's actual investment in a given year, which is the sum of new investments in fixed assets, long-term investments, and research and development expenditures, less sales of fixed assets and long-term investments.
- **NEG**: A dummy variable that takes a value of 1 if revenue growth is negative, and a value of 0 if revenue growth is positive.
- **RevGrowth I,t**: Represents the annual sales growth rate using the following equation: (Current year's revenue - Previous year's revenue) / Previous year's revenue.
- **E_{it}**: Random estimation error, representing the value of residuals for each financial period t.

The deviation reflects the optimal level of investment; the lower the error values, the more efficient the investment (Biddle et al., 2009). Positive residual values indicate that the economic unit is investing at a higher rate than expected from sales growth, and therefore will overinvest. Conversely, negative residuals indicate that the actual investment is less than the expected or estimated investment, indicating underinvestment (Biddle et al., 2009; Gomariz & Ballesta, 2014: 494-506).

5.2 Results and Discussions

5.2.1 Determining the components of the discretionary credit loss provision (DLLP)

The discretionary credit loss provision (DLLP) is estimated using the model PLLs, which relies on both non-discretionary (NDLLP) and discretionary (DLLP) components when calculating the provision. The explanatory variables in the model represent the non-

discretionary components, while the unexplained variables and residuals from the regression function represent the discretionary components. Therefore, a higher absolute value of the DLLP indicates a greater degree of earnings management by the bank. Tables (2 and 3) illustrate the results for the discretionary components of the loan loss provision.

Table (2) Values of the optional components of the allocation (DLLP) (regression equation residuals) for the banks in the study sample before adopting IFRS standards

#	Year	2012	2013	2014	2015	Mean	Std. D
	Bank						
1	National Bank of Iraq	- 0.0206 1	0.0268 9	0.0542 8	- 0.0228 4	0.0311 6	0.0156 3
2	Commercial Bank of Iraq	0.0275 9	- 0.0785 4	0.0000 6	0.0008	0.0267 5	0.0368 3
3	Economy Bank for Investment and Finance	0.0672 8	0.0954 7	0.0919 9	0.0596 2	0.0785 9	0.0178 2
4	Union Bank of Iraq	1.6156 7	- 1.7421 3	0.0032 4	0.0121 8	0.8433 1	0.9662 5
5	Investment Bank of Iraq	0.0599 6	- 0.0180 8	- 0.0032 3	0.0278 9	0.0272 9	0.0240 2
6	Middle East Iraqi Investment Bank	- 0.0116 5	- 0.0022 9	- 0.0024 1	0.0050 8	0.0053 6	0.0043 9
7	Al Mansour Investment Bank	0.0388 6	0.0113 6	0.0242 7	0.0236 2	0.0245 3	0.0112 5
8	Mosul Development Bank	0.0001 5	- 0.0299 3	0.0151	- 0.0042 4	0.0123 6	0.0133 1
9	Baghdad Bank	0.0226 8	0.0071 5	-0.0422	0.0506 8	0.0306 8	0.0195 8

Table (2) shows that the residuals in the PLL model represent the components of the discretionary loan loss provision for the banks in the study sample during the period (2012–2015). The Iraqi Union Bank recorded the highest arithmetic mean of (0.84331) as an absolute value, but it was associated with a relatively high standard deviation of (0.96625), indicating significant fluctuation and instability in the values. In contrast, the Middle East Iraqi Investment Bank had the lowest arithmetic mean of (0.00536) and a relatively low standard deviation of (0.00439), reflecting clear stability in the values and their proximity to the arithmetic mean. The statistical characteristics of the model residuals demonstrate that the elements of the PLL model used contribute effectively to shaping the model, as evidenced by

the low standard deviation values, which indicate that the values are close to their arithmetic mean.

Table (3) Values of the optional components of the allocation (DLLP) (regression equation residuals) for the banks in the study sample after adopting IFRS standards

#	Year	2017	2018	2019	2020	Mean	Std. D
	Bank						
1	National Bank of Iraq	0.0940 ₈	-0.1164	0.1233 ₁	- 0.0782 ₃	0.1030 ₁	0.0207
2	Commercial Bank of Iraq	0.1401 ₄	- 0.0427 ₆	0.0042 ₇	- 0.0610 ₆	0.0620 ₆	0.0571 ₈
3	Economy Bank for Investment and Finance	- 0.2384 ₂	0.0542 ₄	- 0.0014 ₇	0.1965 ₆	0.1226 ₇	0.1128 ₉
4	Union Bank of Iraq	- 0.0006 ₂	0.0031 ₅	0.0122 ₉	- 0.1131 ₉	0.0323 ₁	0.0541 ₅
5	Investment Bank of Iraq	0.0152 ₄	- 0.0119 ₃	0.1450 ₂	0.0198 ₆	0.0480 ₁	0.0647 ₅
6	Middle East Iraqi Investment Bank	- 0.0182 ₈	0.0082 ₆	0.0069 ₂	0.0729 ₈	0.0266 ₁	0.0313 ₃
7	Al Mansour Investment Bank	- 0.0224 ₈	- 0.0252 ₅	0.029	- 0.0001 ₄	0.0192 ₂	0.013
8	Mosul Development Bank	- 0.0091 ₆	0.0887 ₅	0.1356 ₉	0.1527 ₁	0.0965 ₈	0.0642 ₅
9	Baghdad Bank	0.0304 ₇	0.0342 ₇	- 0.0108 ₃	0.0763 ₆	0.0379 ₈	0.0275 ₇

Table (3) shows that the residuals in the PLL model represent the components of discretionary loan loss provisions for the banks in the study sample during the period (2017–2020). The Economy for Investment and Finance Bank recorded the highest arithmetic mean of (0.12267) as an absolute value, coupled with a relatively high standard deviation of (0.11289), indicating clear fluctuations and instability in the values. In contrast, Al-Mansour Investment Bank had the lowest arithmetic mean of (0.01922) and a relatively low standard

deviation of (0.013), reflecting significant stability and closeness of the values to their arithmetic mean. The remaining banks, such as the National Bank of Iraq, Mosul Development Bank, and Baghdad Bank, showed positive arithmetic means with varying levels of standard deviation. The relatively low standard deviations indicate a degree of homogeneity and stability, while the relatively high values reflect variations in provision behavior. In general, the statistical characteristics of the model residuals show that the elements of the PLLs model contribute to the explanation of loan loss provisions to varying degrees, with different levels of stability among banks.

The following table shows the extent to which the adoption of International Financial Reporting Standards (IFRS) contributed to influencing the earnings management practices of the banks in the study sample during the periods before and after the adoption of these standards, by comparing the arithmetic mean and standard deviation of the levels of earnings management practices before and after adoption, as follows:

Table (4) Results of Earnings Management Practices for the Banking Sector in the Study Sample

Earning Management practices	Mean	Std. D
Before IFRS	0.120003	0.123231
After IFRS	0.060939	0.049536

Comparing the earnings management practices measured by the discretionary components of the loan loss provision (DLLP) before and after the adoption of International Financial Reporting Standards (IFRS) for the banks in the study sample reveals a significant decrease in the level of earnings management practices after IFRS adoption. The mean decreased from 0.120003 to 0.060939 after IFRS adoption, indicating a reduced use of discretionary provisions by management to influence reported profits. Similarly, the standard deviation decreased from 0.123231 to 0.049536 after IFRS adoption, reflecting improved data homogeneity and convergence of values around their averages. These results indicate that adopting IFRS has contributed to reducing variability and fluctuation in loan loss provision estimates, thereby enhancing transparency and consistency in banks' financial reports. Despite this overall improvement, some differences may persist among banks due to variations in policies and procedures for provisioning and credit risk management. Based on the above results, the null hypothesis is rejected and the alternative hypothesis is accepted, which states that there are statistically significant differences in the level of financial reporting quality in banks listed on the Iraq Stock Exchange between the period before and after the adoption of International Financial Reporting Standards (IFRSs), i.e., the adoption of IFRSs led to an improvement in the financial reporting quality.

5.2.2 Estimated value of the investment decision efficiency coefficient

The estimated value of the investment efficiency coefficient, expressed through the residuals of the regression equation, was obtained, which represents the deviation from the optimal level of investment. The results were as shown in the following tables (5) and (6).

Table (5) Estimated value of the investment decision efficiency coefficient for the banks in the study sample before adopting IFRS standards

#	Year	2012	2013	2014	2015	Mean	Std. D
	Bank						
1	National Bank of Iraq	0.0522 9	0.0477 9	0.0478 3	0.0677 8	0.0539 2	0.0094 8
2	Commercial Bank of Iraq	0.0482 7	0.0481 9	0.0537 3	0.0472 7	0.0493 7	0.0029 5
3	Economy Bank for Investment and Finance	0.0617 6	0.0534 5	0.0412 5	0.0481 8	0.0511 6	0.0086 5
4	Union Bank of Iraq	0.0480 9	0.0502 8	0.0480 2	0.0193 8	0.0414 4	0.0147 5
5	Investment Bank of Iraq	0.0520 1	0.0649 6	0.0165	0.0191 4	0.0381 5	0.0240 9
6	Middle East Iraqi Investment Bank	0.0481 9	0.0637 2	0.0128 6	0.0480 8	0.0432 1	0.0215 3
7	Al Mansour Investment Bank	0.0478 7	0.0502 8	0.0493 4	0.0477 6	0.0488 1	0.0012 1
8	Mosul Development Bank	0.0486	0.0522 1	- 0.0590 4	0.0112 4	0.0132 5	0.0516 3
9	Baghdad Bank	0.0477 7	0.1373 5	- 0.0812 9	0.0474 4	0.0378 2	0.0899 7

The table above shows the estimated value of the investment decision efficiency coefficient for the banks in the study sample before adopting IFRS standards. The highest mean was recorded for the National Bank of Iraq, with an absolute mean of 0.05392 and a low standard deviation of 0.00948. Conversely, the lowest mean was recorded for the Mosul Development Bank, with an absolute mean of 0.01325 and a low standard deviation of 0.05163. The statistical characteristics of the residuals indicate that the variables in the investment decision efficiency measurement model constitute an effective model, as evidenced by the low standard deviation values, which suggest that the data are close to their arithmetic mean.

Table (6) Estimated value of the investment decision efficiency coefficient for the banks in the study sample after adopting IFRS standards

#	Year	2017	2018	2019	2020	Mean	Std. D
	Bank						
1	National Bank of Iraq	0.0451 3	- 0.0271 5	0.0528 3	0.0495 9	0.0301	0.0383
2	Commercial Bank of Iraq	0.0484 4	0.0435 4	0.0646 8	0.0548 4	0.0528 8	0.0091 3
3	Economy Bank for Investment and Finance	0.0044 8	0.0473 3	0.0435 7	0.0571 1	0.0381 2	0.0231 4

4	Union Bank of Iraq	0.0312 2	0.0112 9	0.0461	0.0488 4	0.0343 6	0.0172 2
5	Investment Bank of Iraq	0.0641 5	0.0490 6	0.0480 8	0.0432 2	0.0511 3	0.0090 5
6	Middle East Iraqi Investment Bank	0.0374 5	0.0095 9	0.0691 6	0.0484 9	0.0411 7	0.0248 2
7	Al Mansour Investment Bank	0.0473 8	0.0477 8	0.0104 9	0.0530 6	0.0396 8	0.0196 3
8	Mosul Development Bank	0.0482 2	0.0629 3	0.0463 8	0.0270 7	0.0461 5	0.0147 2
9	Baghdad Bank	0.0309 6	0.0176 9	0.0476	0.0490 5	0.0363 3	0.0148 9

The table above shows the estimated value of the investment decision efficiency coefficient for the banks in the study sample after adopting IFRS standards. The highest mean was for the Commercial Bank of Iraq, with an absolute mean of (0.05288) and a low standard deviation of (0.00913), while the lowest mean was (0.0301) and a low standard deviation of (0.0383) for the National Bank of Iraq. The statistical characteristics of the residuals indicate that the variables of the investment decision efficiency measurement model constitute an effective model, as evidenced by the low standard deviation values, which mean that the data are close to their arithmetic meaning.

Comparing the estimated values of the investment decision efficiency coefficient before and after the adoption of International Financial Reporting Standards (IFRS) reveals significant changes in efficiency levels and dispersion among banks. In the pre-IFRS period (2012-2015), the National Bank of Iraq recorded the highest average at 0.05392 with a low standard deviation of 0.00948, indicating relative stability in the efficiency of its investment decisions. Conversely, the Mosul Development Bank had the lowest average at 0.01325 with a relatively high standard deviation of 0.05163, reflecting weak efficiency and significant volatility. High levels of disparity were also observed among some banks, such as the Bank of Baghdad, with a standard deviation of 0.08997, resulting from both positive and negative values recorded during the period. Following the adoption of IFRS standards for the period (2017-2020), the ranking of banks changed. The Commercial Bank of Iraq became the highest with an average of (0.05288) and a low standard deviation of (0.00913), indicating an improvement and stability in the efficiency of its investment decisions. Conversely, the National Bank of Iraq recorded the lowest average of (0.0301) with a standard deviation of (0.0383), reflecting a relative decline in its efficiency compared to the previous period. Overall, the results show that standard deviations became more moderate for most banks after adopting IFRS standards, such as the Mosul Development Bank and the Iraqi Union Bank (0.01472 and 0.01722, respectively), compared to some high values before the adoption of IFRS standards. This indicates a decrease in variability and improved stability in the efficiency of investment decisions. Therefore, it can be concluded that the application of IFRS standards contributed to improving the consistency and reliability of investment decisions and reducing volatility among the banks in the study sample.

The following table shows the extent to which the adoption of International Financial Reporting Standards (IFRS) contributed to influencing the efficiency of investment decisions of the banks in the study sample during the periods before and after the adoption of these standards, by comparing the arithmetic mean and standard deviation of the levels of efficiency of investment decisions before and after adoption, as follows:

Table (7) Results of the efficiency of investment decisions for the banking sector, study sample

efficiency of investment decisions	Mean	Std. D
Before IFRS	0.041903333	0.0249178
After IFRS	0.041102222	0.0189889

Comparing the results of investment decision efficiency before and after the adoption of International Financial Reporting Standards (IFRS) for the banks in the study sample reveals a relative stability in the level of investment decision efficiency after the adoption of these standards. The arithmetic mean decreased slightly from (0.041903) before the adoption of IFRS to (0.041102) after adoption, indicating limited change in the level of investment decision efficiency during the two study periods. Similarly, the standard deviation decreased from (0.024918) to (0.018989) after the application of IFRS, reflecting an improvement in data homogeneity and a convergence of values around the arithmetic mean. This indicates a decrease in the variance among the banks in the study sample regarding investment decision efficiency. These results suggest that the adoption of IFRS has contributed to enhancing the level of consistency and clarity in financial information, which helps in rationalizing investment decisions and reducing differences between banks, despite the continued existence of limited differences due to variations in administrative policies and the operating environment of each bank. Based on the above results, the null hypothesis is rejected and the alternative hypothesis is accepted, which states that there are statistically significant differences in the level of efficiency of investment decisions in banks listed on the Iraq Stock Exchange between the period before and after the adoption of International Financial Reporting Standards (IFRSs), i.e., the adoption of IFRSs has led to an improvement in the efficiency of investment decisions.

5.2.3 Testing the relationship between the financial reporting quality and the efficiency of investment decisions

5.2.3.1 Testing the relationship between the financial reporting quality and the efficiency of investment decisions before adopting IFRSs standards.

1) **Correlation analysis:** Pearson's Correlation Coefficient was used to test the relationship between the two variables, and the results of the correlation coefficients are shown in Table (8):

Table (8) Correlation coefficient between the financial reporting quality and the efficiency of investment decisions of the banks in the study sample before adopting IFRS standards

Variables		Financial reporting quality	investment decision efficiency
Financial reporting quality	correlation coefficient	1	0.004

	Probability	-	0.98
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The results of the correlation test showed that the correlation coefficient value was (0.0044) between the financial reporting quality and the efficiency of investment decisions of the banks in the study sample before adopting IFRSs standards. This is a very weak value and close to zero, indicating the absence of a linear relationship between the financial reporting quality and the efficiency of investment decisions. The probability value was (0.9799), which is greater than the adopted significance level (0.05), indicating that the relationship is not statistically significant. That is, there is no statistically significant relationship between the financial reporting quality and the efficiency of investment decisions of the banks in the study sample before adopting IFRSs standards. Therefore, the null hypothesis is accepted, and the alternative hypothesis, which states that "there is a statistically significant correlation between the financial reporting quality and the efficiency of investment decisions in the Iraqi environment at the level of the banking sector before adopting IFRSs standards," is rejected.

2) Regression Analysis: The results of applying the simple linear regression equation between the q financial reporting quality and the efficiency of investment decisions of the banks in the study sample before adopting the IFRSs standards shown in Table (9) are as follows:

Table (9) Regression equation coefficients between the financial reporting quality and the efficiency of investment decisions of the banks in the study sample before adopting IFRS standards

Variable	investment decision efficiency	Calculated t values	Significant value t	Calculated F value	Significant value F	R2
α	0.0121			0	0.9847	0
Financial reporting quality	-0.0472	-0.02	0.985			

- There is no direct effect of the financial reporting quality on the efficiency of investment decisions in the banks included in the study sample before the adoption of IFRS standards. The effect value for financial reporting quality was -0.0472, with a calculated t-value of -0.02, which is lower than the critical t-value of 2.056 at 36 degrees of freedom. This is further supported by the calculated significance level of 0.985, which is greater than the study's default significance level of 0.05.
- The calculated F-value of 0.00 indicates that the regression model is not statistically significant for the effect of financial reporting quality on the efficiency of investment decisions, as it is lower than the critical F-value. This is further supported by the calculated significance level of 0.9847, which is greater than the study's default significance level of 0.05.
- The R2 value (explanatory value) indicates that the independent variable, namely the financial reporting quality, explains only 0.0000 of the change in the efficiency of investment decisions. This is a very low percentage, demonstrating that the financial reporting quality has no explanatory effect that can be relied upon to clarify the causal relationship, and that other factors have a greater influence on the efficiency of investment decisions in the banks included in the study.

- There is no statistically significant relationship between the financial reporting quality and the efficiency of investment decisions in the banks included in the study before the adoption of IFRS standards. This indicates the weak impact of the financial reporting quality on enhancing the efficiency of investment decisions during the study period, and that investment decisions may be influenced more by other financial, administrative, and economic factors than by the level of financial reporting quality. Based on the above results, the alternative hypothesis is rejected, and the null hypothesis is accepted, which states: "There is a statistically significant relationship between the financial reporting quality and the efficiency of investment decisions in the Iraqi environment at the banking sector level before the adoption of IFRS standards."

5.2.3.2 Testing the correlation between the financial reporting quality and the efficiency of investment decisions after adopting IFRS standards

1) Correlation analysis: Pearson's Correlation Coefficient was used to test the relationship between the two variables, and the results of the correlation coefficients are shown in Table (10):

Table (10) Correlation coefficient between the financial reporting quality and the efficiency of investment decisions of the banks in the study sample after adopting IFRS standards

Variables		Financial reporting quality	investment decision efficiency
Financial reporting quality	correlation coefficient	1	0.36
	Probability	-	0.031

The correlation test results showed a correlation coefficient of (0.3596) between the financial reporting quality and the efficiency of investment decisions in the banks sampled after adopting IFRS standards. This is a weak to moderate positive value, indicating a direct relationship between the two variables; that is, as the financial reporting quality increases, the efficiency of investment decisions increases proportionally. The probability value was (0.0313), which is less than the accepted significance level (0.05), indicating that the relationship is statistically significant. Therefore, there is a statistically significant relationship between the financial reporting quality and the efficiency of investment decisions in the banks sampled after adopting IFRS standards. Consequently, the null hypothesis is rejected, and the alternative hypothesis is accepted: "There is a statistically significant correlation between the financial reporting quality and the efficiency of investment decisions in the Iraqi banking sector after adopting IFRS standards."

A comparison of correlation results before and after the adoption of IFRS standards indicates a clear impact of these standards on the relationship between the financial reporting quality and the efficiency of investment decisions. Before adoption, the results showed no significant relationship between the two variables, with a very weak and statistically insignificant correlation coefficient, reflecting the limited effectiveness of accounting information in supporting investment decisions at that time. In contrast, after the adoption of IFRS standards, the relationship became positive and statistically significant, indicating an improvement in the quality and reliability of financial information resulting from the application of these standards,

and consequently, an increased ability to influence the efficiency of investment decisions. Therefore, it can be concluded that the adoption of IFRS standards contributed to enhancing the transparency and financial reporting quality, which positively impacted the strength of the relationship between the study variables and supported the study's hypothesis regarding the importance of these standards.

2) Regression Analysis: The results of applying the simple linear regression equation between the financial reporting quality and the efficiency of investment decisions of the banks in the study sample after adopting the IFRSs standards shown in Table (11) are as follows:

Table (11) Regression equation coefficients between the financial reporting quality and the efficiency of investment decisions of the banks in the study sample after adopting IFRS standards

Variable	investment decision efficiency	Calculate d t values	Significan t value t	Calculate d F value	Significan t value F	R2
β_0	-0.0589	-1.6	0.123	4.36	0.0466	0.1437
Financial reporting quality	1.8037	2.09	0.047			

- The results of the linear regression model for fixed effects, after adopting the IFRSs criteria, indicate a positive effect of the financial reporting quality on the efficiency of investment decisions in the banks included in the study. The regression coefficient was 1.8037, and the calculated t-value of 2.09 is greater than the critical value at a significance level of 0.05, indicating that this effect is statistically significant. This is further confirmed by the calculated significance value of 0.047, which is less than the significance level of 0.05. This means rejecting the null hypothesis and accepting the alternative hypothesis, which states that there is a significant positive effect of the financial reporting quality on the efficiency of investment decisions.
- The calculated F-value of 4.36 also indicates that the regression model as a whole is statistically significant at the 0.05 level, with a probability value of 0.0466, which is less than 0.05. The coefficient of determination (R^2) was 0.1437. This means that the financial reporting quality explains 14.37% of the changes in the efficiency of investment decisions, while the remaining percentage is attributed to other factors not included in the model.
- Based on the above results, the null hypothesis is rejected, and the alternative hypothesis is accepted, stating that "there is a statistically significant relationship between the financial reporting quality and the efficiency of investment decisions in the Iraqi banking sector after the adoption of IFRS standards." This result indicates that improved financial reporting quality contributes to enhancing the efficiency of investment decisions in the banks included in the study sample, as high-quality reports help improve these decisions more effectively. However, the relatively low value of the coefficient of determination indicates that the efficiency of investment decisions is not affected by the financial reporting quality alone, but is also influenced by other economic, financial, and institutional factors not included in the model.

A comparison of the results of financial reporting quality and investment decision efficiency before and after the adoption of IFRS standards reveals a clear shift in the nature of the relationship between the two in the banks included in the study sample. Pre-adoption results showed no significant impact of financial reporting quality on investment decision efficiency, with a very weak negative regression coefficient (-0.0472). Furthermore, the F-test indicated the model's complete lack of significance, with a p-value of 0.9847 and an explanatory power (R^2) of almost zero (0.0000), reflecting the absence of any explanatory relationship between the two variables during that period. In contrast, after the adoption of IFRS standards, the relationship improved significantly. Financial reporting quality began to have a positive impact on investment decision efficiency, with significant indicators emerging and an increased explanatory power (R^2) of the model (0.1173). This suggests that the adoption of the standards contributed to improving the quality of accounting information and had a positive, albeit limited, impact on investment decision efficiency. Accordingly, it can be concluded that the application of (IFRSs) standards contributed to strengthening it and transforming it from a relationship with no effect to a positive relationship with statistical significance.

6. CONCLUSION

The study reached a number of conclusions, including:

1. The financial reporting quality is a fundamental pillar upon which financial markets rely provide relevant and reliable information that assists various stakeholders in making sound economic and investment decisions.
2. The efficiency of investment decisions is a key indicator for measuring management's ability to allocate financial resources in a way that achieves the highest possible value for the organization and minimizes instances of over- or under-investment.
3. No statistically significant correlation was found between the financial reporting quality and the efficiency of investment decisions before the adoption of International Financial Reporting Standards (IFRS), indicating the limited role of financial information in supporting investment decisions during that period.
4. The results showed a positive and significant correlation between the financial reporting quality and the efficiency of investment decisions after the adoption of IFRS, reflecting the improved effectiveness of financial information in supporting the decision-making process.
5. The integration of the financial reporting quality, the efficiency of investment decisions, and the performance of the financial market represents a comprehensive theoretical framework that explains how the impact of financial information is transferred from the level of accounting disclosure to the level of market performance of institutions.
6. The financial reporting quality did not have a significant impact on the efficiency of investment decisions before the adoption of International Financial Reporting Standards (IFRSs), indicating that investment decisions were influenced more by other factors than by the quality of financial information.
6. The financial reporting quality acquired a positive and significant impact on the efficiency of investment decisions after the adoption of IFRSs, confirming that improving the quality of financial reports contributes to rationalizing and enhancing the efficiency of investment decisions within banks.

7. The results showed that the relationship between the financial reporting quality and the efficiency of investment decisions underwent a fundamental transformation after the adoption of IFRSs. Before adoption, no relationship or significant impact was observed between the two variables, while after adoption, the relationship became positive and statistically significant, and a significant positive impact of the financial reporting quality on the efficiency of investment decisions was demonstrated.

7. RECOMMENDATIONS

In light of the study's findings, the following recommendations can be made:

1. The need to enhance the financial reporting quality in Iraqi banks through full compliance with International Financial Reporting Standards (IFRSs), given its role in improving the quality of accounting information and increasing its ability to support investment decisions. Banks should be encouraged to adopt more comprehensive and transparent disclosure policies, enabling investors and stakeholders to obtain more relevant financial and non-financial information for making economic and investment decisions.
2. Attention should be given to developing investment decision-making mechanisms within banks by relying more heavily on high-quality financial information and modern analytical methods when evaluating investment opportunities.
3. Investors and financial institutions should be encouraged not to rely solely on accounting information when making investment decisions, but rather to integrate it with other economic, financial, and market variables to ensure more efficient decision-making. Furthermore, it is essential to enhance confidence in the Iraqi financial market by developing legislation and regulatory frameworks that reduce information asymmetry and improve the efficiency of securities pricing.
4. The study recommends continuing to promote and develop the application of International Financial Reporting Standards (IFRSs) in Iraqi banks, with a focus on improving the financial reporting quality and the information environment of banks, because the results have proven that this improvement is reflected positively on the efficiency of investment decisions.

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