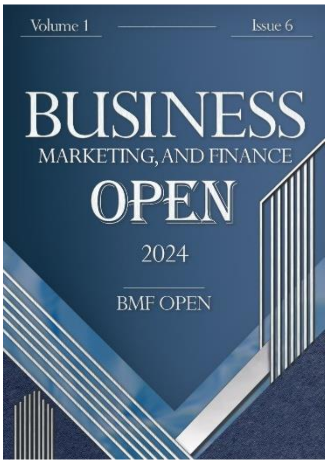
The Impact of International Financial Reporting Standards (IFRS) Adoption on Voluntary Disclosure in the Banking Sectors of Iraq and Saudi Arabia



Citation: Lafta Mohammed, H., Saedi, R., Dastgir, M., & Al-Basha, A. (2024). The Impact of International Financial Reporting Standards (IFRS) Adoption on Voluntary Disclosure in the Banking Sectors of Iraq and Saudi Arabia . Business, Marketing, and Finance Open, 1(6), 1-14.

Received: 11 August 2024
Revised: 01 October 2024
Accepted: 10 October 2024
Published: 01 November 2024

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Abstract: This study investigates the impact of International Financial Reporting Standards (IFRS) adoption on voluntary disclosure and financial reporting quality in the banking sectors of Iraq and Saudi Arabia. Using data from banks in Iraq (2015-2022) and Saudi Arabia (2013-2022), the study examines how IFRS adoption influences transparency and corporate governance practices. The findings reveal a positive and significant relationship between IFRS adoption, voluntary disclosure, and financial reporting quality. In particular, the adoption of IFRS has enhanced voluntary disclosure practices in both countries, improving the transparency of financial information and aligning with international reporting standards. The study also highlights the importance of considering IFRS adoption when evaluating the financial statements of banks, as it contributes to more informed decision-making by investors and stakeholders. While the results align with global trends, the study underscores the need for further research to address the unique contextual challenges in Iraq and Saudi Arabia's banking environments. These findings offer valuable insights for regulators, banks, and investors aiming to improve financial reporting practices and promote greater transparency in the Middle East banking sector.

Keywords: International Financial Reporting Standards, Voluntary Disclosure, Banking Sectors.

1. Introduction

The harmonization of International Financial Reporting Standards (IFRS) has become an important global issue. Initially, financial statements are prepared according to national accounting standards, which vary from country to country, largely due to differences in economic environments, political climates, and existing accounting theories. These differences make it difficult for users of financial statements who operate in different countries. Therefore, to make financial statements easier to understand, uniform accounting standards are needed. As a result, global convergence with IFRS (International Financial Reporting Standards) emerged.

More than half of the world's capital market players and investors prepare their financial statements based on IFRS. With the widespread adoption of IFRS, it has been proven that IFRS is the most prominent accounting standard, and there is hope that accounting information and financial reports will become comparable and free from bias [1]. Recently, over 140 countries have adopted or decided to soon adopt IFRS. Research in this area has shown that companies using international standards generally exhibit less earnings management, more timely recognition of losses, and more timely provision of information compared to their peers. These companies generally experience improved accounting quality between periods before and after adoption. In other words, regulatory bodies believe that mandatory adoption enhances the comparability of financial statements, increases transparency, and improves the quality of financial reports (e.g., Regulation No. 1606/2002).

Emerging markets have shown particular interest in foreign investment opportunities. Previous studies have examined environmental, macroeconomic, and microeconomic factors, concluding that factors such as political, economic, legal, educational, and religious systems are key criteria influencing IFRS adoption by emerging countries [2, 3]. The widespread mandatory and voluntary adoption of IFRS in emerging economies is the result of multiple political, economic, financial, and technological changes [4]. This research aims to examine the process of adopting IFRS in emerging markets, using Iraq as a case study.

Research findings indicate that after the adoption of IFRS, the quality of accounting information improves [5, 6], which in turn leads to enhanced earnings quality, increased shareholder demand, and greater demand for analysts. As a result of higher earnings usefulness and quality, investors may demand more disclosure regarding future earnings forecasts. Discretionary accruals are used as an inverse measure of earnings quality. The improved financial reporting quality resulting from IFRS adoption has also attracted more investments from foreign institutions [7].

Therefore, managers in IFRS-adopting countries may voluntarily disclose additional information to meet the demand for greater transparency from these sophisticated investors [8-10]. Analyst coverage in financial reports significantly increased following IFRS adoption [11]. Consequently, managers may issue more managerial forecasts to satisfy the growing demand from analysts [12, 13]. The number of analysts is often used to measure analyst demand, and their forecasts are used as proxies for various metrics, including the company's future profitability. Additionally, IFRS-adopting companies that experience greater improvements in earnings quality find that IFRS adoption increases their incentives to disclose more information. Ultimately, mandatory IFRS adoption may lead to more voluntary disclosure.

In Iraq, public companies are required to present audited annual reports at an annual general meeting, while also submitting copies to the Iraq Stock Exchange (ISE) and the Securities and Exchange Commission (SEC) for shareholders. This is part of a broader strategy to enhance disclosure levels and environmental transparency. Moreover, the ISE's listing rules provide a timeline within which annual reports must be published, and the corporate code, supported by the ISE's listing rules, mandates that listed companies disclose key information, such as board members, key executives, and any material interests of managers in transactions or contracts affecting the company [1].

The annual report is considered a reliable reference document, serving as a one-stop point for all corporate stakeholders in Iraq seeking credible information to help them make economic and other important decisions. Therefore, examining voluntary disclosures in annual reports is crucial for understanding the legitimacy, credibility, and transparency of companies and the organizational environment in which they operate.

Iraq provides a unique context for this research for several reasons. First, as a developing economy in Asia, Iraq faces low adherence to global standards, according to the World Bank ROSC [14], which is attributed to its weak institutional and regulatory framework [15]. Moreover, due to the small role of capital markets in Iraq's economy, they are often overlooked in many studies [13, 16]. Additionally, significant differences in financial structures, ownership, and governance between developing and developed economies [17, 18] provide further justification for this research. While companies in the U.S., Europe, and elsewhere have large numbers of dispersed and active minority shareholders, most Asian companies are dominated by domestic ownership blocks with very few passive foreign shareholders.

Companies in the Gulf region, especially Iraq and Saudi Arabia, tend to have high leverage, emphasizing their reliance on financial resources outside of the capital market [17]. This contrasts with European and American countries, which primarily depend on stock exchanges [19]. As a result, significant differences in the level of information disclosure can be expected.

Therefore, the main research questions are posed as follows:

Has the adoption of IFRS improved the level of voluntary financial reporting disclosure?

2. Theoretical Foundations

2.1. Voluntary Disclosure

When information disclosure is not influenced by specific regulations and is voluntarily provided by the company, it is considered voluntary disclosure (Volterra, 2023). The theory of voluntary disclosure suggests that managers will disclose company information under their control when the benefits of disclosure outweigh its costs [13]. Useful and relevant information obtained through voluntary disclosure improves investors' decision-making processes and places other users of the company's disclosures in a better position for allocating economic resources [20].

Voluntary disclosure is defined as financial and non-financial information that is beneficial for the company but not legally required. Unlike mandatory disclosure, voluntary disclosure may not be as beneficial, and making it a legal requirement could create ambiguity and difficulty in interpretation. As a result, voluntary disclosure is used to compensate for the shortcomings of mandatory disclosure, and the decision to disclose additional information is often made under the framework of benefit exceeding cost [20].

Sanchez (2023), based on research and observed evidence, states that companies are generally reluctant to increase the amount of financial information disclosed for the following reasons:

1. Disclosure may allow competitors to become aware of their unfavorable position, which is detrimental to shareholders.

2. It is said that labor unions, after gaining information about wages, can negotiate more effectively.

3. It is often claimed that investors may not understand accounting procedures and policies, and disclosing more information could mislead rather than guide them.

4. One view is that other available informational benefits may provide investors with the financial data they seek at a lower cost than information obtained from financial statements [21].

Lack of awareness of investors' needs is also a reason for limiting disclosure, leading to the release of less information. A company is influenced by the society in which it operates and discloses information in response to various economic, social, political, and environmental factors, which in turn legitimizes the company’s activities [22]. The most widely used and dominant explanatory theory for environmental and social disclosures is the **Legitimacy Theory**. According to this theory, when there is a legitimacy gap, companies adopt legitimacy strategies:

1) The company tries to educate and inform the public about changes in its social performance.

2) The company commits to aligning individual values with societal values.

3) It seeks ways to divert attention from areas of concern to other related topics [22].

Legitimacy theory suggests that a company will not continue to exist unless its values align with broader societal values. Voluntary disclosure is a tool used to ensure that the company's activities conform to socially accepted standards. Since legitimacy theory is based on societal expectations, management is compelled to disclose information that can influence the perceptions of external users regarding the company [23].

2.1.1. *International Financial Reporting Standards (IFRS):*

The expansion of globalization has exponentially increased the need for a set of high-quality financial reporting principles. The International Organization of Securities Commissions (IOSCO) strongly advocates the adoption of a standardized set of accounting principles across international borders among capital market regulators. According to their claim, the adoption of IFRS improves the information environment and enhances the comparability of financial reports. In 2005, European Union countries, along with Australia and New Zealand, began implementing IFRS. Currently, over 90% of countries worldwide have adopted these standards to comply with their principles [18, 24, 25].

Proponents of IFRS implementation offer various justifications for its use, arguing that these standards provide comprehensive benefits. Unlike national standards that are rule-based, IFRS is principle-based, emphasizing substance and economic realities. Additionally, IFRS imposes greater disclosure requirements. Furthermore, it is noteworthy that IFRS plays a crucial role in enhancing the comparability of financial reports across countries. It is anticipated that the implementation of IFRS will lead to increased transparency in financial reporting and enhanced disclosure. Consequently, expected outcomes from IFRS adoption include a reduction in agency costs and improved efficiency in business decision-making [21, 26].

However, there is potential for managerial discretion to influence financial accounting practices, which could degrade the quality of financial reporting. In such companies, management might use unauthorized discretion in selecting accounting methods and estimates. Nevertheless, most of the existing literature concludes that IFRS implementation has had a positive impact on the information environment [1, 21, 27]. In a recent study by Barth et al. (2018), it was observed that those responsible for preparing financial reports in compliance with IFRS exhibited relatively lower levels of involvement in earnings management activities [6]. A study conducted by Thi Phan and colleagues (2014) suggests that the impact of IFRS implementation depends on country-specific factors such as accounting standards and the level of economic development (for instance, whether the country is developed or developing) [11].

2.2. *Explaining the Relationship between IFRS and Voluntary Disclosure*

Companies may disclose more information following the mandatory adoption of IFRS due to the improvement in earnings quality. The goal of IFRS is to produce high-quality financial statements that reflect economic realities rather than legal form, timely capture economic profits and losses, and make earnings more informative [3]. Previous studies have documented direct and indirect evidence supporting this goal. For example, Barth et al. (2008), using a sample of voluntary adopters, found that companies using IAS have higher accounting quality, as evidenced by less earnings management, more timely loss recognition, and more value-relevant accounting figures

[5]. As accounting becomes more useful for valuation purposes for investors, they may demand more disclosure of future earnings to aid in timely decision-making. Additionally, DeFond et al. (2011) found that voluntary and mandatory IFRS adoption attracts more foreign investors [25]. Florou et al. (2012) also recorded an increase in institutional assets for mandatory IFRS adopters [7]. Sophisticated investors, particularly institutional shareholders, often demand greater transparency, leading to more voluntary disclosures [28]. Therefore, companies may disclose more information after IFRS adoption in response to increased demands for transparency from these sophisticated shareholders.

Recent literature also shows an increase in analyst coverage after IFRS adoption. For example, Adnan et al. (2011) found that mandatory IFRS adoption attracts more analysts and improves the usefulness of accounting information for financial analysts. As major users of company financial information, analysts often call for more public disclosure [4]. Thus, companies may disclose more information in response to increased demands from financial analysts following IFRS adoption.

Companies with better access to private credit are often incentivized to disclose more. However, in countries with low public disclosure demand, the mandatory adoption of IFRS may significantly impact firms. Therefore, we expect that mandatory IFRS adoption will lead to increased disclosures in countries with low disclosure demands

Thus, the main hypothesis of this research is proposed as follows:

Hypothesis: IFRS adoption has a significant impact on voluntary disclosure of information in banks in Iraq and Saudi Arabia.

3. Research Methodology

The statistical population of this research consists of banks listed in Iraq from 2015 to 2022 and banks in Saudi Arabia from 2013 to 2022. , based on the constraints outlined in Table 1.

Table 1. The number of Banks

Banks Listed on the Iraqi Stock Exchange	Number of Banks
Total number of companies	130
calling companies	(4)
insurance companies	(5)
investment companies	(9)
Financial services	(33)
Telecommunication companies	(2)
financial institutions	(31)
Non-disclosure of information	(22)
Total sample(Banks)	24

Table 2. The number of companies

Banks Listed on the Saudi Arabia Stock Exchange	Number of Banks
Total number of companies	225
Other companies	(200)
Financial services	(16)
Total sample(Banks)	9

3.1. Research Model

Based on prior studies, the models for the hypotheses of this research are as follows:

Model 1.

$Voluntary\ Disclosure = B0 + B1\text{IFRS}, + B2ROA\ +\ B3Size;\ +B4LEV\ +\ B5\ PNED\ +\ B6\ AUDTYP\ +$
$B7\ Duality\ +\ B8\ Bsize + \Sigma\ industry +\ \Sigma\ Kyeart + \varepsilon$

3.2. The Dependent Variable

Voluntary Disclosure Score (VDScore): This is determined using a weighted scoring approach where the subjective weights of different user groups are averaged (Cook, 1989). The complete audited annual report of each company is reviewed to understand the nature and complexity of its operations and to form an opinion about the company before scoring the items examined. A company receives a score of "1" for an item disclosed in the annual report and "0" for items not disclosed. The Voluntary Disclosure Score (VDScore) for each company is then calculated as the ratio of the Total Voluntary Disclosure Score (TVDScore) to the maximum possible Voluntary Disclosure Score (VDMax) for that company. The disclosure score (VDScore) is expressed as a percentage for each company. The same approach is applied to different categories of voluntary disclosure. Below is a mathematical representation of voluntary disclosure:

TVDScore = Total voluntary disclosure score of the company.

VDMax = Maximum possible score for voluntary disclosure

composed of the following categories, as outlined by Barco (2007):

1. Voluntary Disclosure of General and Strategic Information (GenStrgInfi):
   - Information about the general economic outlook
   - Company mission statement
   - Brief history of the company
   - Organizational structure/chart
   - Description of major products/services produced
   - Description of marketing networks for finished goods/services
   - Company's share in the national economy
   - Current business strategy of the company
   - Potential impact of business strategy on current performance
   - Market share analysis
   - Disclosure of industry competition
   - Discussion of major regional economic developments
   - Information about regional political stability

2. Voluntary Disclosure of Financial Data (FinDatai):
   - Summary of historical financial data for the past four or more years
   - Analysis of current financial results and discussion of key factors
   - Statement regarding wealth created, e.g., value added statement

- Financial ratios of financial statements adjusted for inflation
- Return on assets
- Return on shareholder equity
- Liquidity ratios
- Financial ratios
- Other ratios

3. Voluntary Disclosure of Forward-Looking Information (FwdLkInf):
- Factors that may impact future performance
- Potential impact of business strategy on future performance
- Development of new products/services
- Planned capital expenditures
- Planned research and development expenditures
- Planned advertising and promotional expenses
- Earnings per share forecasts
- Sales revenue forecasts
- Profit forecasts

4. Voluntary Disclosure of Social and Board Information (SocBdDisc_it):
- Number of employees over the past two or more years
- Reasons for changes in employee numbers
- Productivity per employee
- Other productivity indicators
- Employee morale indicators, e.g., turnover, strikes, and absenteeism
- Information on workplace safety for employees
- Data on workplace accidents
- Corporate social responsibility statement
- Environmental policy statement
- Completed environmental projects/activities
- Information on community involvement/participation
- Names of directors
- Age of directors
- Educational and professional qualifications of directors
- Business experience of directors
- Directors' shareholding and other relevant interests (e.g., stock options)

3.3. Independent Variable

International Financial Reporting Standards (IFRS): This variable is coded as 1 if the bank has adopted international standards, and 0 otherwise..

3.4. Control Variables

Return on Assets (ROA): This is calculated as the ratio of earnings before interest and taxes to the total assets of the company.

Leverage (LEV): This is the ratio of total debt to total assets of the company.

Board Size (Bsize): This is the logarithm of the number of board members.

CEO Duality (Duality): This dummy variable is coded as 1 if the CEO is also the chairman of the board, and 0 otherwise.

Company Size (Fsize): This is the natural logarithm of the company's total assets.

Audit Quality (AUDTYP): This variable is coded as 1 if the bank is audited by the Court of Iraq and Saudi Arabia, and 0 otherwise.

Board Independence (PNED): This is the ratio of the number of non-executive directors to the total number of board members

4. Results

4.1. Data on Descriptive Statistics

In Saudi Arabia, 80% of banks implement IFRS, with banks that did not implement IFRS limited to the years 2013 to 2015. In Iraq, 77% of banks implement IFRS. Considering the audit firm size variable, it is concluded that most banks in both Iraq and Saudi Arabia are audited by the Big Four. Among the control variables, the comparison of return on assets reveals two valuable points: first, the return on assets during the study period for both communities, Iraq and Saudi Arabia, shows less favorable conditions and is relatively low. Additionally, the return on assets in Iraqi banks is slightly higher than in Saudi banks. The financial leverage variable indicates that Iraqi banks acquire their assets through borrowing to a much lesser extent compared to Saudi banks.

Table 3. Descriptive statistics of main variables

	Saudi Arabia				*Iraq*			
Varbilae	*Mean*	*Median*	*Min*	*Max*	*Mean*	*Median*	*Min*	*Max*
VDScore	0.313	0.327	0. 144	0.530	0.283	0.297	0. 084	0.486
ROA	0.015	0.024	-0.026	0.048	0.045	0.039	-0.038	0.234
SIZE	18.674	18.717	17.402	19.964	23.514	23.537	21.776	24.693
LEV	0.841	0.891	0.789	1.285	0.471	0.491	0.029	1.395
PNED	0.631	0.661	0.402	0.855	0.631	0.661	0.259	0.855
Bsize	1.825	1.942	1.389	2.194	1.885	1.942	1.389	2.305

Table 4. Descriptive statistics of qualitative variables

		Saudi Arabia	*Iraq*
Varbilae	*Status*	*Percentage %*	*Percentage %*
Duality	0	88.90	94.00
	1	11.10	6.00
	Total	100.00	100.00
IFRS	0	80.00	23.25
	1	20.00	76.75
	Total	100.00	100.00
AUDTYP	0	47.00	35.90

1	53.00	64.10
Total	100.00	100.00

4.2. *Data Analysis and Main Results*

All variables are stable, as illustrated by the fact that the significance level is less than 0.05 in the table above.

Table 5: The results of Levin, Lin Vecho's unit root test for the analysis of stability

Variable	p-value
VDScore	0.000
IFRS	0.000
ROA	0.000
SIZE	0.000
LEV	0.000
PNED	0.000
AUDTYP	0.000
Duality	0.000
Bsize	0.000

This study employed the Durbin and Wu–Hausman test to test endogeneity. The results of this test for research equations are reported in Tables below. Since the p-value is larger than 0.05, there is no endogeneity for the all models..

Table 6. Results of Durbin–Wu–Hausman test (Saudi Arabia)

Result	p-value	χ^2	Test	Equation
H0 is rejected (there is no endogeneity)	0.423	$\chi^2 = 1.764$	Durbin	1
H0 is not rejected (there is no endogeneity)	0.512	F=0.921	Wu-Hausman	
H0 is rejected (there is no endogeneity)	0.463	$\chi^2 = 1.724$	Durbin	2
H0 is not rejected (there is no endogeneity)	0.525	F=0.906	Wu-Hausman	

Table 7. Results of Durbin–Wu–Hausman test (Iraq)

Result	p-value	χ^2	Test	Equation
H0 is rejected (there is no endogeneity)	0.487	$\chi^2 = 1.700$	Durbin	1
H0 is not rejected (there is no endogeneity)	0.549	F=0.892	Wu-Hausman	
H0 is rejected (there is no endogeneity)	0.339	$\chi^2 = 1.822$	Durbin	2
H0 is not rejected (there is no endogeneity)	0.471	F=0.961	Wu-Hausman	

In accordance with the integration test results in Tables below the null hypothesis of data integration at the 99% confidence level is rejected. Therefore, a panel data model should be utilized to estimate the coefficients of these models.

Table 8. The results of pooling (Saudi Arabia)

Equation	F Statistic	p-value
1	2.06	0.000

Table 9. The results of pooling (Iraq)

Equation	*F Statistic*	*p-value*
1	4.94	0.000

In Table 10, the Hausman test statistics are 8.17. For the research model in Saudi Arabia , since the table's is greater and the null hypothesis (i.e., the proper model is the random effect model) is not rejected, the efficient model is the random-effects model.

Table 10. The results of the Hausman test (Saudi Arabia)

Equation	χ^2 Statistic	p-value
1	8.17	0.819

In Table 11, the Hausman test statistic for first model is 15.78. For research model in Iraq, since the table's is greater and the null hypothesis (i.e., the proper model is the random effect model) is not rejected, the efficient model is the random-effects model.

Table 11. The results of the Hausman test (Iraq)

Equation	χ^2 Statistic	p-value
1	15.78	0.269

Table 12. The results of the first model

Variable (ETR)	GLS Regression					GLS Regression			
	Equation (Saudi Arabia):					Equation (Iraq):			
	Coef	Std. Err	Statistic t	Prob	VIF	Coef	Std. Err	Statistic t	Prob
IFRS	5.195***	0.007	3.708	0.000	1.183	6.891***	0.007	14.467	0.000
ROA	0.226***	0.029	7.720	0.000	1.121	0.222***	0.027	8.180	0.000
SIZE	0.026***	0.005	5.102	0.000	1.367	0.019***	0.004	3.985	0.000
LEV	0.424	0.412	1.029	0.304	1.083	-0.016	0.074	-0.220	0.824
PNED	-0.063	0.050	-1.269	0.205	1.137	-0.011	0.028	-0.390	0.696
AUDTYP	0.003	0.003	1.048	0.295	1.231	-0.001	0.005	-0.027	0.978
Duality	-0.036	0.039	-0.908	0.364	1.069	0.056	0.025	2.196	0.029
Bsize	0.052**	0.027	1.949	0.052	1.083	0.008	0.018	0.484	0.628
_cons	0.400	1.180	0.340	0.735	----	0.811	2.055	0.390	0.694
χ^2 Statistic	46.35(0.000)						18.1942(0.026)		
R^2	0.519						0.674		
Adjusted R^2	0.497						0.6420		

Durbin-Watson Statistic	2.184	2.154
AIC	861.46	792.156

Analysis of the third Hypotheses for Saudi Arabia:

As Table 12 shows and based on the VIF values, it is evident that the independent variables are not collinear. Because every VIF value is less than 5.the results of fitting the research model are presented. the results of the model estimation are presented. It is observed that IFRS adoption, with a coefficient of 5.19 and a significance level of 0.000, has a positive and significant relationship with the voluntary disclosure score in Saudi Arabian banks. Therefore, the first hypothesis of the research is accepted with 95% confidence.

Analysis of the third Hypotheses for Iraq:

As Table 12 shows and based on the VIF values, it is evident that the independent variables are not collinear. Because every VIF value is less than 5. the results of fitting the research model are presented. the results of the model estimation are presented. It is observed that IFRS adoption, with a coefficient of 6.89 and a significance level of 0.000, has a positive and significant relationship with the voluntary disclosure score in Iraqi banks. Therefore, the first hypothesis of the research is accepted with 95% confidence.

5. Discussion and Conclusion

Today, there is a growing momentum towards harmonization among organizations and countries. With the rise of global trade, international markets, foreign investments, and multinational corporations, it seems that geographical boundaries and frameworks are becoming less relevant, and the world is being viewed as a unified whole. In line with this rapid transformation, accounting has also undergone changes, from its definitions to its goals and methods. Observing the evolution of accounting, one can see that its definitions and expectations have become more specialized and improved over time. Currently, accounting is referred to as the "language of business" and an "information system." These definitions have led to the formation of the accounting environment, which is divided between accounting information users, reporting entities, and the accounting profession.

Today's international standard setters are focused on protecting the interests of information users. The theoretical frameworks provided as the foundation for the development of accounting standards place a special emphasis on users. Although users represent a wide spectrum, not all of them are directly addressed. The nature of the issue demands that the International Accounting Standards Board (IASB) aims to simplify economic decision-making for users by ensuring that financial statements in every country are prepared according to a unified set of standards. Currently, nearly 150 countries have indicated their stance on the International Financial Reporting Standards (IFRS), and this trend is expected to continue.

The research findings indicate a positive and significant relationship between IFRS adoption, voluntary disclosure, and financial reporting quality. This study provides evidence of the role IFRS adoption plays in influencing a company's incentives for voluntary disclosure and enhancing the quality of financial reporting. The researcher anticipated that IFRS adoption would have a positive impact on voluntary disclosure and financial reporting quality, and the results align with the theoretical framework.

Specifically, IFRS adoption by Iraqi banks leads to increased transparency in disclosures. The issue of transparency requires the implementation of proper mechanisms and governance practices to incentivize such transparency. IFRS adoption is positively associated with incentives provided to managers [1, 8, 22]. Furthermore, the new management philosophy of adopting IFRS involves a fair value approach, which is essential for achieving transparent disclosures. Disclosure management is a key pillar of governance. Additionally, academic literature supports the strong relationship between IFRS adoption and the financial reporting process [18, 29], making IFRS adoption an important factor. Therefore, IFRS adoption may reflect management's incentives to clarify disclosures, potentially involving greater incentives. Hence, IFRS adoption is expected to be positively associated with stronger incentives for transparency and improved financial reporting quality.

Overall, while the findings of the current study align with broader trends observed in the literature on the impact of IFRS adoption on voluntary disclosure and reporting quality, the specific context of Iraqi and Saudi banks introduces unique differences and challenges that require careful examination. A comparative analysis with existing studies helps to contextualize the findings and contributes to a more comprehensive understanding of the implications of IFRS adoption for financial reporting practices in different national settings.

The results indicate a positive and significant relationship between IFRS adoption, voluntary disclosure, and financial reporting quality in Iraq. Therefore, it is first recommended that financial statement users pay special attention to whether a company has adopted IFRS when analyzing audited companies. In both Iraq and Saudi Arabia, these findings should be considered when evaluating the effectiveness of the regulatory frameworks governing financial reporting standards. The positive impact of IFRS adoption on voluntary disclosure and reporting quality suggests that continued alignment with international standards could enhance transparency and accountability in the banking sector. Banks may also recognize the value of voluntary disclosure in boosting investor confidence and reducing information asymmetry. By adopting more transparent communication practices, they can provide stakeholders with a comprehensive insight into their financial performance and risk management practices. However, moving toward achieving goals is often accompanied by limitations that may slow down progress. In this regard, the limitations of the current study include the following:

This study may not fully capture all the unique contextual factors in the banking sector of Iraq and Saudi Arabia. Changes in regulatory environments, cultural norms, and economic conditions can influence the observed relationships between IFRS adoption, voluntary disclosure, and reporting quality.

Authors' Contributions

Authors equally contributed to this article.

Ethical Considerations

All procedures performed in this study were under the ethical standards.

Acknowledgments

Authors thank all participants who participate in this study.

Conflict of Interest

The authors report no conflict of interest.

Funding/Financial Support

According to the authors, this article has no financial support.

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