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The Impact of Financial Information Quality on Investment Decisions: An Applied Study of Private Banks Listed on the Iraqi Stock Exchange

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Abstract

This study aims to investigate and analyze the impact of quality of financial statement on investment decisions in private banks listed on the Iraq Stock Exchange from 2009 to 2018. The study examines the influence of financial statement comparability, understandability, and timeliness on return on equity. The research design used in this study was ex post facto, and data collection involved acquiring secondary data from the financial statements of 18 private banks in Iraq. To analyze the data, multiple linear regression techniques were employed. The study results indicate that financial statement comparability, understandability, and timeliness had a statistically significant and positive impact on the return on equity of private banks listed on the Iraq Stock Exchange, each at a significance level of 5%. The practical application of the research findings is noteworthy. The insights gleaned from the study can guide private banks in improving the quality of their financial statements. The implications of the study suggest that enhancing the quality of financial statements can result in higher investor trust and greater transparency in the field of investment. It is important to prioritize efforts to elevate the quality of financial statements. This entails a dedicated emphasis on transparency, a key factor that not only enhances the clarity of financial information but also plays a pivotal role in fostering improved investor confidence and facilitating more informed decision-making processes.

Keywords: financial statement, understandability, timeline, investment decision, return on equity.

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Introduction

The main objective of the financial statement is to provide crucial accounting and financial information that relates to the organization. Accountants are always trying to prepare high-quality financial reporting information that is useful for investors to use for best investment decision-making or any users of accounting information. The quality of an organization's financial statement may affect investment decisions made by various stakeholders, such as investors, analysts, lenders, and regulators. The concept is based on the premise that the reliability, accuracy, and understandability of financial information play a crucial role in guiding investors in their decision-making processes. The independent variables of the research are financial statement comparability, understandability and timeline, which may affect the dependent variable measured by return on equity. According to Lunt (1999), as cited in Ekwe, M. C. (2013), the satisfaction of the needs of various users of accounting information as contained in the annual report can be acceptable as the objective of financial statements. According to Williams, Haka, Bettner, and Carcello (2015), the primary objective of financial statements is to provide investors with essential information regarding the company's financial health and status. The benefit of a financial statement to investors is to support them in evaluating the ability of the organization to pay dividends and interest when due, while for potential investors, a published financial statement is used to decide on the type of investment decision the investor will make and which company to invest in. The financial statement benefits investors by assisting them in assessing the organization's capacity to meet dividend and interest obligations. For potential investors, a published financial statement helps in making informed investment decisions, guiding them in choosing the type of investment and the company in which to invest. As such, the financial statements of organizations should provide detailed information about the economic resources of the organization, which are the source of prospective cash inflows to the firm. Gentry & Fernandez (2008) also find that "annual reports and interviews with company officials were the most important sources of financial information in assessing the firm's value and therefore informing investment decisions or the equity selection process." Investment decision-makers utilize the financial statements of several firms to make the best financial decisions. In this situation, financial analysts and accountants analyze and interpret the results for investors to use in making investment decisions. Disclosures of financial statements provide an approach for banks or enterprises to offer financial health to stakeholders, including potential investors. Most organizations have a responsibility to disclose and publish their financial reports for investors or other users. The timeline may influence investment decision-making. Corporate organizations must present financial reports clearly to ensure the understandability of investors. Every investor needs to have a thorough knowledge and understanding of the elements of the cash flow statement, value-added statement, income statement, price, earnings, value and dividend per share, and other relevant financial statements to avoid illogical investment decision-making.

Problem Statement and Research Questions:

Financial statements are the most important tool for making the best investment decisions. Low- or high-quality financial statements can lead investors to bad or good investment decisions. The effect of financial statement quality on investor decision-making is to inform them of potential risks and losses, as well as profits if they provide you with capital. This study investigates the factors of financial statement comparability, understandability, and timeline that may affect investment decisions measured by return on equity.

This study seeks to address this gap by investigating the following research questions:

To what level is the relationship between investment decisions (ROE) and financial statement comparability and consistency?

To what level is the relationship between investment decisions (ROE) and financial statement understandability?

To what level is the relationship between investment decisions (ROE) and the financial statement timeline?

Research Objectives

The research objectives aim to gain a comprehensive understanding of the relationships between key financial statement attributes and their impact on investment decisions, particularly in terms of return on equity (ROE). The study focuses on examining three main factors that shape investment decision-making, which are as follows:

To determine the impact of financial statement comparability and consistency on return on equity (ROE).

To determine the impact of financial statement understandability on return on investment (ROE).

To determine the impact of financial statement timeliness on return on investment (ROE).

By achieving these objectives, the study aims to provide insights into the factors influencing investment decisions and their overall impact on return on equity (ROE).

Null Hypothesis

Ho1: Financial statement comparability and consistency have no significant effect on return on equity.

Ho2: Financial statement understandability has no significant effect on return on equity.

Ho3: Financial statement timeliness has no significant effect on return on equity.

Importance of the Research

The financial statement can be a crucial factor in investment decision-making as it provides investors with valuable insights into the financial performance and health of a company. High-quality financial statements can help investors make informed decisions about whether to invest in a particular company or not. The scientific perspective focuses on theoretical contributions, empirical research possibilities, and the advancement of financial knowledge. On the other hand, the practical perspective emphasizes real-world applications such as investor confidence, risk mitigation, regulatory compliance, and the development of tools for informed decision-making. The synergy between these perspectives ensures that research not only contributes to academic knowledge but also has tangible impacts on industry practices. By analyzing financial statements and other accounting information, investors can assess the company's profitability, liquidity, solvency, and overall financial health. This information can help investors evaluate the risks associated with investing in a particular company and make more informed investment decisions. However, the quality of financial statements can vary across different companies and industries, which may affect their impact on investment decision-making. Additionally, other factors, such as market conditions and investor preferences can also influence investment decisions.

Conceptual Framework:

Concept of Financial Statement Quality

The quality of Financial statement pertains to the accuracy, reliability, and usefulness of the information in an organization. Exceptional financial statements offer a clear and comprehensive overview of the company's financial position, performance, and cash flows, enabling investors, creditors, and other stakeholders to make well-informed decisions about the business. According to Kewo and Afiah (2017), a well-crafted financial statement should effectively communicate relevant and trustworthy financial data. Wood and Horner (2010), as cited in Aswar (2020), define the quality of financial statements as ensuring fair representation of entities and activities while providing useful information to users of financial statements. Brookson (2009) defines financial statement quality as per the accounting guidelines for financial reporting agreements, displaying the financial position and results of operations with a focus on accrual quality. The financial statement's quality is influenced by internal control evidence. In essence, it ensures that the financial information is relevant, comparable, and faithfully represents the company's financial position and performance. High-quality financial statements are crucial for making well-informed business decisions.

Comparability and Consistency of Financial Statements

Comparability and consistency involve the ability to compare and interpret financial information across different companies, ensuring that financial statements are prepared using consistent accounting methods and principles. From the viewpoint of analysts, accounting information's crucial attributes include comparability and consistency. Consistency refers to the utilization of similar accounting and principles over time. A more extensive concept, comparability encompasses the ability to make meaningful comparisons among different companies (White, Sondhi, & Fried 2002). High-quality statements refer to the utilization of standardized and guideline accounting to uniformize the methods and practices to evaluate, recognize, and disclose similar economic transactions. The financial data disclosed by a specific company becomes valuable for making informed choices when the individual is responsible for making those decisions. Chen, A., & Gong, J. J. (2019) indicate that enhanced accounting comparability is beneficial to both preparers and users of financial statements. Finally, due to the differences in institutional and economic factors across countries, accounting standards alone may not necessarily result in comparable accounting outcomes (Cascino & Gassen, 2015). One can say financial statements are important for understanding a company's performance. Comparability allows for the comparison of financial statements over time, while consistency ensures the uniform application of accounting methods. It helps stakeholders make informed decisions.

Understandability of Financial Statements

Making financial statements easy to understand is crucial, which is the responsibility of any accountant and organization. The main purpose of achieving high-quality financial reports is to communicate clear information to users of accounting information, such as investors and creditors. Thus, the more comprehensible the information is to users, the higher the quality of their investment decisions (Cheung, Evans, & Wright, 2010). Clear presentation and classification enhance the report's quality and comprehensibility for users. And when annual reports are well organized, users can easily find what they need (Beest, Braam, & Boelens, 2009). Utilizing graphs and charts in easy language will be helpful to present the financial report to users.

Timeline of Financial Statements

Timeliness is a crucial qualitative factor in accounting information, affecting the helpfulness of information for external users (Almosa & Alabbas, 2007). The timeliness of financial statements has been defined from different viewpoints. "The term 'timeliness' refers to the interval between a company's cut-off point and the release of reports to the public (Van Horne, 1995, as cited in Zandi, G., & Abdullah, N. A., 2019). Timeliness means making information available for decision-makers before it loses its capacity to influence decisions (International Accounting Standard Board (IASB), 2008). "Timeliness refers to the time it takes to disclose information and is related to decision usefulness in general" (International Accounting Standards Board (IASB), 2008). The timing of financial statement submissions can directly impact the decisions of users in the investment process. (Vestine, Kule, and Mbabazi, 2016, as cited in LODIKERO, O., 2023) observed that the timeliness of financial reports involves audit delay, which is the number of days between the balance sheet date and the date of the external report that the auditor signed. The balance sheet date is separated from the Annual General Meeting (AGM) notice date by a certain number of days, known as the AGM notice delay, and the interval between the financial year-end and the AGM is termed the AGM delay. Timeliness means the accessibility of information for users to make the best decisions at the right time so that it can impact their decisions (Natonis, S. A., & Tjahjadi, B., 2019). The timeline of financial statement submission can have a direct effect on the investment decisions of users. If a company publishes its financial statements on time, it preserves the dependability and relevance of the information. In contrast, if the company is late in publishing its financial statements, the dependability and relevance of the information in its financial statements will decrease.

Investment Decision:

An investment decision involves the process of assessing and selecting various financial assets or opportunities to earn potential returns and achieve specific financial goals. This process includes evaluating the potential risks, benefits, and appropriateness of different investment options based on a person's or organization's financial situation, goals, and willingness to accept risk. Decisions related to investments across borders require a fusion of financial expertise, awareness of geopolitical dynamics, cultural acumen, and a deep understanding of the global economic environment. The decision-making process is a complex mental activity influenced by external auditor reports aimed at evaluating opportunities to select suitable options (Sattar, Toseef, and Sattar, 2020). The efficiency of investment decision-making may rely on financial reporting audited by an external auditor (Kapellas & Siougle 2017). Ratio analysis is a crucial instrument for measuring investment decisions (Abiahu & Amahalu, 2017). It serves as a determining factor for analyzing and evaluating the performance of any organization, with the primary goal of making the most accurate predictions about future conditions and outcomes (Ekwe, 2013). Financial statements provide historical data, emphasizing the importance for investors to avoid relying solely on one statistic or measure when making investment choices. For instance, both current and prospective investors need to evaluate the balance sheet to appraise a company's assets, debts, and owner's equity (net value) at a specific moment. Investment decision-making involves assessing diverse financial options based on risk, benefits, and alignment with specific goals. External auditor reports and financial statements play pivotal roles, with ratio analysis serving as a crucial tool for evaluating performance and predicting future outcomes. A comprehensive approach is essential for informed decision-making in the dynamic landscape of investments.

Return on equity:

Return on equity (ROE) is a crucial metric for assessing investment decisions, involving the comparison of net income to shareholders' equity to measure profitability. In essence, ROE serves as a gauge that evaluates the effectiveness of an investment decision by assessing its profitability in relation to the invested amount and ownership stake in the company. It demonstrates how companies manage their capital (net worth) and effectively measure investment profitability for shareholders (Heikal, Khaddafi, & Ummah, 2014). The return on equity ratio, commonly referred to as ROE, evaluates how efficiently a company utilizes its assets to generate profits for its shareholders (Amelia & Sunarsi, 2020). Return on assets (ROA) and return on equity (ROE) are two analytical measures used to assess the financial performance of banks. According to Hannagan (2008, as cited in Pointer & Khoi, 2019), "while ROA is still in use, ROE is a better tool due to its applicability across industries and firms of varying sizes within industries."

In summary, return on equity stands out as a paramount instrument for measuring investment decisions and enhancing the prospects for wise investor choices. Several key points underscore the significance of using ROE to measure investment decisions:

ROE measures how effectively a company utilizes shareholders' investments to generate profits.

It assists investors in evaluating the profitability and efficiency of a company's operations.

ROE is calculated by dividing net income by shareholders' equity and is expressed as a percentage.

A higher ROE generally indicates better financial performance.

Financial Statements comparability and Investment Decisions

Financial organizations bear a significant responsibility for ensuring that financial statements are both comparable and understandable for investors. The comparability and consistency of financial statements are crucial factors that enable investors to make informed decisions by effectively comparing various companies. Banking laws should mandate the implementation of a uniform system to mitigate the complexity of investors' views on investment decisions. Facilitating investor understanding of firm disclosures is crucial, as it reduces the need for adjustments to the information in financial statements (Kim, 2014, as cited in Kim, 2021; Kim et al., 2013). Improved insight into a company's performance is achievable through comparability, allowing investors to comprehend and distinguish economic resemblances and variations among comparable firms. High-quality financial reporting provides necessary information that may significantly impact investors' investment decisions. In summary, consistent and comparable financial information is essential for investors to assess the performance and financial health of different companies. It facilitates informed investment decisions by allowing a comparison of the financial statements of various companies within the same industry. This approach empowers investors to evaluate the potential risks and rewards associated with their investment choices. Therefore, the comparability of financial statements plays a vital role in the realm of investment decisions.

Financial Statements understandability and Investment Decisions

Understanding financial statements is a primary consideration for investors and creditors when making investment decisions in any bank. It is the responsibility of financial institutions to provide standards and guidelines that are easily understandable. The endorsement of International Financial Reporting Standards (IFRS) implementation has largely been driven by the increasing globalization of economies and the integration of financial markets. This rationale emphasizes the need for investors and financial analysts to comprehend the financial statements of foreign companies, especially when considering purchasing their shares (Stoian & Crecana, 2009). If Iraqi financial institutions adopt International Financial Reporting Standards (IFRS), it could also be useful to attract foreign investors and creditors to do business in Iraq. Furthermore, implementing the same standard will enable local investors and creditors to make wise investment decisions. However, IFRS adoption in Iraq may face challenges as it is a new system for users to abide by. Accounting standards are often written in a language not easily understood by non-accountants (Palmer & Randall, 2002, as cited in Sinclair, 2010). The financial report should be presented to investors and creditors, especially to users who may not fully comprehend the financial information. Sun, M. (2007), indicates that the understandability of financial reports impacts users' views rather than their investment decision-making. It can be said that investor's understanding of financial statements helps evaluate the investment's potential rewards and aligns it with the investor's investment goals. Therefore, prioritizing the understandability of financial statements is essential for successful investment decisions.

Financial Statement Timeline and Investment Decisions

The significance of a timeline in financial statement analysis for investment decisions lies in its ability to offer a structured method for comprehending a company's fiscal well-being and operational performance. External users of financial reporting can choose the best investments when the annual report is in their hands on time. The promptness of financial reporting improves the value of financial information. The timeliness of audited financial reports is a crucial factor affecting the usefulness of financial information for external stakeholders (Khasharmeh & Aljifri, 2010). Postponing the disclosure of an external auditor's report on the true and fair opinion of financial knowledge created by the management exacerbates information imbalances and increases uncertainty in making investment choices (Mohamad & Saad, 2010). The timeline of audited financial reports significantly impacts external users of financial reporting (Khasharmeh, 2010, as cited in Emeh & Appah, 2013). One can say that the timeline of financial statement submissions significantly influences investment decisions. Timely and accurate financial reporting allows investors to assess a company's financial health, make informed decisions, and adapt strategies based on the most recent data.

Empirical Review

Muhamed & Essa (2023) investigated the impact of financial report quality on the financial performance of companies listed on the Iraq Stock Exchange. The findings revealed that 62% of the variation in non-financial performance can be attributed to the degree of financial reporting quality. The study indicated a significant influence of the components of financial report quality on the performance of non-financial companies. Furthermore, variations in the quality of reports were identified.

(Blessing & Onoja, 2015) investigated the role of financial statements in investment decision-making at the United Bank for Africa Plc. in Nigeria. The study utilized ten years of secondary data from the financial statements of banks. The results suggest that one of management's responsibilities is to present standardized financial statements to investors, which are analyzed by external auditors. It also reveals that investors make decisions based on a clear understanding of financial statements. The analysis further demonstrates that investors heavily rely on the trustworthiness of auditors and seek approval from financial experts when making investment decisions. Thus, disclosed financial statements play a crucial role in investors' decision-making.

Fayo ADE (2012) investigated the role of financial statement decision-making. The study utilized primary and secondary resources, collecting knowledge through a questionnaire. The study involves a total population of 70 people, with a sample size of 60 determined using Taro Yamane's formula. The analysis methods employed in this research encompass simple percentage calculations, and the utilization of the chi-square statistical technique from the secondary data was based on the findings that financial statements play a crucial role in investment decision-making. This suggests that making any investment choice should not occur without taking into account a company's financial statements. A demonstrated financial statement is necessary for investment decision-making, and financial statements are beneficial for predicting an organization's performance.

(CHINENYE, E. J. 2013) investigated the relationship between financial statements and investment decisions, the influence of financial statements in investment decision-making, and whether investment decisions rely only on financial statements. The research comprises a study population of 125 individuals, all of whom are staff members from the five prominently chosen banks. Employing the Yaro Yamani formula, the calculated sample size amounted to 95. The formulated hypotheses were tested using a Z test at a 5% significance level. The researcher additionally utilized primary techniques for gathering data, which included questionnaires and conducting individual interviews. The banks in Enugu metropolis should review the financial statements before making investment decisions. Additionally, all financial statement users need to utilize financial ratio analysis for decision-making.

Methodology

Research Design

The research employed an ex-post facto research design to establish the causal relationship between the variables under investigation. A Retrospective Analysis of Private Banks Listed on the Iraq Stock Exchange (2009–2018) adopted an ex-post facto research design to investigate the influence of quality of financial statement on investment decisions. The research used secondary data from the annual reports of 18 private banks listed on the Iraq Stock Exchange and will apply a comprehensive framework to evaluate financial statement quality, considering aspects like consistency, accuracy, transparency, and completeness. Statistical analysis based on regression analysis and descriptive statistics using SPSS, will be employed to identify significant predictors of investment decisions and summarize key financial metrics. Variables include investment decisions as the dependent variable and financial statement quality as the independent variable, which will include comparability, understandability, and timeline, with potential control variables accounting for external factors. Ethical considerations will be prioritized, ensuring confidentiality and adherence to ethical standards. The research aims to provide valuable insights into the dynamics between financial statement quality and investment decisions, contributing to the existing literature and informing future research directions.

The research study's population comprises eighteen difference private banks in Iraq as at 31st December, 2018 which listed at the following table:

Al-Mansour Bank	Investment Bank of Iraq
Babylon Bank	Iraqi Islamic Bank
Commercial Bank of Iraqi	Iraqi Middle East Investment Bank
Dar Es Salaam Investment Bank	Kurdistan International Bank
Credit Bank Of Iraq	Mousil Bank For Development & Investment
Economy Bank For Investment	National Bank Of Iraq
Dijlah & Furat bank for development and investment	North Bank for Finance and Investment
Elaf Islamic Bank	Sumer Commercial Bank
Gulf Commercial Bank	Union Bank Of Iraq, and United Bank

Specification of the model

To assess the impact of financial statement quality on the investment choices of banks in Iraq, the following model was formulated

$$ROEit = \beta 0 + \beta 1 \; FSCit + \beta 2 \; FSUit + \beta 3 \; FSTit + \mu it$$

Where:

$\beta 0$ = Constant term (intercepts)

$\beta 1, \beta 2, \beta 3$: Coefficients to be estimated for bank i in period t corresponding to Financial Statement Comparability, Financial Statement Understandability, and Financial Statement Timeliness, respectively.

$\mu \acute{\iota} t$ = Error term/Stochastic term

ROE$\acute{\iota}$t = Return on Equity (dependent variable) of bank $\acute{\iota}$ in period t

FSC$\acute{\iota}$t = Financial Statement Comparability (independent/explanatory variable) of bank $\acute{\iota}$ in period t

FSU$\acute{\iota}$t = Financial Statement Understandability (independent/explanatory variable) of bank $\acute{\iota}$ in period t

FST$\acute{\iota}$t = Financial Statement Timeliness (independent/explanatory variable) of bank $\acute{\iota}$ in period t

Measurement of Variables

Investment Decision (Dependent Variable)

Investment Decision was measured using:

i. Return on Equity (ROE):

Return on Equity (ROE) is a financial metric that measures the profitability and efficiency of a company's equity investments. It indicates how effectively a company is utilizing its shareholders' equity to generate profits. ROE is expressed as a percentage and is calculated using the following formula:

ROE = (Net Income / Shareholders' Equity) × 100

Where:

Net Income: This is the company's total earnings after all expenses, taxes, and interest payments.

Shareholders' Equity: This represents the total value of the company's assets minus its liabilities. It's essentially the net worth of the company attributable to its shareholders.

Here's a step-by-step guide on how to calculate ROE:

Step 1: Calculate Net Income

Determine the company's net income for the period you're analyzing. You can find this information on the company's income statement.

Step 2: Calculate Shareholders' Equity

Calculate the shareholders' equity at the beginning and end of the period you're analyzing. Shareholders' equity can be found on the company's balance sheet. The formula for shareholders' equity is:

Shareholders' Equity = Total Assets - Total Liabilities

Step 3: Calculate ROE

Plug the values you calculated into the ROE formula:

ROE = (Net Income / Shareholders' Equity) × 100

Financial Statement Quality (Independent Variables):

The breakdown of financial statement quality involved:

Financial statement comparability and consistency (FSCC) was measured by relying on both internal auditor's reports and external auditor's reports, which provide the necessary information to evaluate the financial reporting using 0 and 1 dichotomies. If the internal and external auditors placed assurance on the bank's financial reports as included in the auditors' reports, ASIC was coded 1, otherwise 0.

Financial Statement Understandability (FSU) was assigned a value of 1 when the financial statement adhered to the International Financial Reporting Standard (IFRS) as presented in the auditor's report; otherwise, a value of 0 was assigned.

Financial Statement Timeline: The measurement of timeliness begins after the fiscal year and continues until the external auditors finalize their reports. A value of 1 is assigned if the financial statement was submitted promptly; otherwise, a value of 0 is allocated.

Presentation and Analysis of Data

Table 1 Pearson Correlation Analysis

Correlations

		ROE	FSCC	FSU	FST
Pearson Correlation	ROE	1.000	.763	.791	.605
	FSCC	.763	1.000	.646	.435
	FSU	.791	.646	1.000	.511
	FST	.605	.435	.511	1.000

Table 1 revealed the existence of a positive relationship between FSV (0.439), FST (0.368), FSU (0.368) and ROE.

Table 1 displays the presence of those variables that have a strong and positive relationship between FSCC (0.763), FSU (0.791), FST (0.605), and ROE. Changes in one variable are associated with consistent changes in other variables. The statement also emphasizes that changes in one variable are consistently associated with concurrent changes in the other variables. This implies that as factors such as financial statement comparability, understandability, and timeliness vary, there is a corresponding and consistent impact on return on equity. The statement hints at the coherence and reliability of these relationships, reinforcing the idea that improvements in financial statement quality factors contribute positively to the financial performance, as measured by ROE, of the entities studied.

Test of Hypotheses

Test of Hypothesis

Ho: Financial statement quality has no significant effect on the return on equity of private bank sectors in Iraq.

Alternative hypotheses

H1: Financial statement quality has a significant effect on the return on equity of private bank sectors in Iraq.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.876[a]	.768	.764	.241

a. Predictors: (Constant), X1, X2, X3
b. Dependent Variable: ROE

The analysis of the model summary indicates an adjusted R-squared of 0.764, suggesting that approximately 76.4% of the variation in 'number' (return on equity) is influenced by the independent variables. This highlights a significant effect of the independent variables on changes in return on equity. The R-squared value of 0.768 shows that the model aligns well with the data, as it accounts for a significant portion of the variability. The high correlation coefficient (R) of 0.876 indicates a strong positive relationship between the independent and dependent variables, further supporting the model's validity. The quality of the financial statements is not the only factor that affects the increase in bank profits. There are many factors that impact the profitability of banks. Therefore, the quality of financial statements is a factor that affects performance and contributes to increased profits in banks.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.096	3	11.365	195.479	.000[b]
	Residual	10.291	177	.058		
	Total	44.387	180			

a. Dependent Variable: ROE

b. Predictors: (Constant), FSCC, FSU, FST

The results of the ANOVA test presented in the table above show that the obtained F-statistic is 195.479, and the associated p-value is 0.000 (0.000 < 0.05). This suggests a significant difference between the groups under comparison. A low p-value, such as 0.000, leads to rejecting the null hypotheses (H01, H02, and H03) in favor of the alternative hypotheses (H1, H2, and H3). Thus, we conclude that the independent variables—financial statement comparability, understandability, and timeline—substantially impact the dependent variable (ROE). The high F-statistic, along with the low p-value, strongly supports the close association between the independent variables and the dependent variable in the analysis. This pairing of a high F-statistic and a low p-value presents compelling evidence that the independent variables collectively contribute to explaining the variability observed in the dependent variable (ROE) in the analysis. In simpler terms, it supports the conclusion that the quality factors of financial statements (FSCC, FSU, and FST) have a substantial influence on the financial performance of the entities studied, as measured by ROE.

Coefficients[a]

		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	
1	(Constant)	-.006	.031		-.202	.459		
	Comparability (X1)	.395	.048	.394	8.213	.000	.568	1.760
	Understandability (X2)	.422	.050	.426	8.458	.000	.517	1.933
	Timeline (X3)	.216	.043	.216	5.063	.000	.720	1.390

a. Dependent Variable: Return on equity

The value for financial statement comparability (FSCC) is 0.395, suggesting that a 1% increase in FSCC is associated with a 39.5% increase in the dependent variable (ROE), holding all other variables constant.

The quality of the financial statement understandability value is 0.422, showing a positive direction of the relationship. This suggests that a higher financial statement understandability is associated with a 42.2% increase in return on equity, assuming the other independent variables remain constant.

The result for the quality of the financial statement timeline is 0.216, indicating that an increase in this independent variable (FST) increases the dependent variable (ROE), keeping all other factors unchanged.

Additionally, the results suggest that enhancing the quality of financial statement comparability, understandability, and timeliness can have a positive impact on a company's return on equity. This information is valuable for investors and analysts as they evaluate financial performance and make decisions. It highlights the significance of transparent, comparable, and timely financial reporting for companies striving to improve their return on equity. By focusing on these factors, companies can provide stakeholders with a clearer picture of their financial health and potentially attract more investment.

The interpretation of the statistical test results (t-test) presented in the aforementioned table is as follows:

The T-test results for the independent variables (FSCC), (FSU), and (FST) on return on equity (ROE) are 8.213, 8.458, and 5.063, respectively, with a significance value of 0.000, which is lower than 0.05. This implies rejection of the null hypotheses (H01, H02, and H03) and acceptance of the alternative hypotheses (H1, H2, and H3). Therefore, it can be inferred that all three independent variables (FSCC, FSU, and FST) have a significant impact on return on equity (ROE). With tolerance values of 0.568, 0.517, and 0.720 (all below 0.10) and corresponding VIF values of 1.760, 1.933, and 1.390 (all below 10), it appears that multicollinearity in our analysis is within acceptable levels. These VIF values indicate that there is no significant issue of multicollinearity among the independent variables. Therefore, we can proceed with the analysis without major concerns about the impact of multicollinearity on the results. In summary, the statistical results indicate a strong and significant relationship between the quality of financial statements (comparability, understandability, and timeliness) and return on equity. The absence of significant multicollinearity concerns enhances the credibility of these findings, providing a solid foundation for informed decision-making in financial analysis.

Findings, Conclusion and Recommendations

Findings

Based on the analysis of data, the following findings emerged:

Financial statement comparability and consistency have a significant positive effect on the return on equity of quoted private banks in Iraq at a 5% level of significance.

Financial Statement Understandability has a significant positive effect on the return on equity of quoted private banks in Iraq at a 5% level.

The financial statement timeline has a significant positive effect on the return on equity of quoted private banks in Iraq at a 5% level of significance.

The positive effects observed in financial statement comparability, understandability, and timeliness on return on equity align with fundamental accounting principles. Consistent and comparable financial statements enhance transparency, aiding investors in making informed decisions. Clear and understandable financial statements contribute to investor confidence and comprehension, fostering a positive impact on return on equity. Additionally, timely financial reporting enables stakeholders to assess a company's current financial health accurately, positively influencing the return on equity.

Conclusion

This research investigated how the quality of financial statements influences the investment choices made by private banks in Iraq from 2009 to 2018. Information for the study was gathered from the annual reports and financial records of the selected banks. Inferential statistical techniques, including correlation analysis and model summary, ANOVA, and coefficient, were applied using SPSS statistical software. The research findings indicate a significant and positive influence of financial statement comparability and consistency, understandability, and timeliness on return on equity (ROE) with a significance level of 5% each for private banks in Iraq. Private banks in Iraq should prioritize adherence to financial accounting guidelines and standards in their reporting processes. Ensuring financial records are comparable, accurate, understandable, and timely is crucial for making informed decisions, particularly in investment and purchasing activities. In essence, the quality of financial statements, characterized by comparability, consistency, understandability, and timeliness, emerges as a cornerstone for informed and effective investment decisions. The positive associations observed between these key variables and ROE underscore their tangible impact on the success and strategic positioning of private banks in Iraq, particularly in the realm of investment decision-making.

Recommendation

Adherence to Financial Standards: Organizations should consistently ensure that their financial reporting processes align with financial accounting guidelines and standard practices. This includes maintaining comparability and consistency in financial records.

Investment in Robust Accounting Systems: Banks and companies should guarantee the implementation of sufficient accounting systems that control financial records in accordance with accounting standards and guidelines.

Improvement of Financial Statement Quality: Companies, especially banks, should prioritize efforts to enhance the quality of their financial statements. This involves improving comparability, accuracy, understandability, and timeliness in financial reporting.

Transparency for Investors: Companies should focus on making their financial statements more understandable for both current and potential investors. Transparency and adherence to financial reporting standards can positively impact investor confidence and decision-making.

پوختە

مەبەست لەم توێژینەوەیە لێکۆڵینەوە و شیکردنەوەی کاریگەری کوالیتی بەیاننامە داراییەکانە لەسەر بڕیارەکانی وەبەرهێنان لە بانکە ئەهلییەکان کە لە بۆرسەی عێراقدا لەساڵی ٢٠٠٩ تا ٢٠١٨ ڕیزکراون بەیاننامەی دارایی لە کاتی خۆیدا لەسەر گەڕانەوەی پشکەکان. دیزاینی توێژینەوەکە کە لەم لێکۆڵینەوەیەدا بەکارهێنراوە، Ex-Post Facto بووە، و کۆکردنەوەی زانیارییەکان بریتی بووە لە بەدەستهێنانی زانیاری لاوەکی لە بەیاننامە داراییەکانی ١٨ بانکی تایبەت لە عێراق. بۆ شیکاری داتاکان، تەکنیکەکانی Multiple Linear Regression بەکارهێنران. دەرەنجامەکانی توێژینەوەکە دەریانخستووە کە بەراوردکردنی بەیاننامە داراییەکان، تێگەیشتن لە بەیاننامە داراییەکان، و گونجاویی کاتی بەیاننامە داراییەکان کاریگەرییەکی ئاماریی بەرچاو و ئەرێنییان لەسەر گەڕانەوەی پشکی بانکە ئەهلییەکان هەبووە کە لە بۆرسەی عێراقدا ڕیزکراون، هەریەکەیان لە ئاستی گرنگیدا بە ڕێژەی ٥٪. بەکارهێنانی پراکتیکی دۆزینەوەکانی توێژینەوەکە جێگەی سەرنجە. دەتوانرێت جەخت لەوە بکرێتەوە کە ئەو تێڕوانینانەی لە توێژینەوەکەدا کۆکراونەتەوە دەتوانن بانکە ئەهلییەکان ڕێنمایی بکەن لە باشترکردنی کوالیتی بەیاننامە داراییەکانیان. کاریگەرییەکانی توێژینەوەکە ئەوە پیشان دەدەن کە بەرزکردنەوەی کوالیتی بەیاننامە داراییەکان دەتوانێت ببێتە هۆی متمانەی زیاتری وەبەرهێنەران و شەفافیەتێکی زیاتر لە بواری وەبەرهێناندا. پێویستە گرنگییەکی چارەنووسساز بدرێت بە یەکەمایەتیدان بە هەوڵەکان بۆ بەرزکردنەوەی کوالیتی بەیاننامە داراییەکان. ئەمەش جەختکردنەوەیەکی تایبەت بە شەفافیەت بەدوای خۆیدا دەهێنێت، کە هۆکارێکی سەرەکییە کە نەک تەنها ڕوونی زانیارییە داراییەکان بەرز دەکاتەوە بەڵکو ڕۆڵێکی سەرەکی دەگێڕێت لە پەروەردەکردنی باشترکردنی متمانەی وەبەرهێنەران و ئاسانکاریکردنی پرۆسەی بڕیاردانی ئاگادارتر.

وشەی سەرەکی: بەیاننامەی دارایی، ئاسانیی تێگەیشتن، هێڵی کاتی، بڕیاری وەبەرهێنان، قازانج لە پشکەوە.

الملخص

الغرض من هذه الدراسة هو دراسة وتحليل تأثير جودة البيانات المالية على قرارات الاستثمار في البنوك الخاصة المدرجة في سوق العراق للأوراق المالية من عام ٢٠٠٩ إلى عام ٢٠١٨. وعلى وجه التحديد، تبحث الدراسة في تأثير مقارنة البيانات المالية، وفهم البيانات المالية، و توقيت البيانات المالية على العائد على حقوق الملكية. كان تصميم البحث المستخدم في هذه الدراسة بأثر رجعي، وتضمن جمع البيانات الحصول على بيانات ثانوية من البيانات المالية لـ ١٨ مصرفًا خاصًا في العراق. لتحليل البيانات، تم استخدام تقنيات الانحدار الخطي المتعددة. كشفت نتائج الدراسة أن مقارنة البيانات المالية، وفهم البيانات المالية، وتوقيت البيانات المالية كان لها تأثير ذو دلالة إحصائية وإيجابية على العائد على حقوق الملكية للمصارف الخاصة المدرجة في سوق العراق للأوراق المالية، كل منها عند مستوى دلالة ٥٪. والتطبيق العملي لنتائج البحث جدير بالملاحظة. ويمكن التأكيد على أن الأفكار المستمدة من الدراسة يمكن أن توجه البنوك الخاصة في تحسين جودة بياناتها المالية. وتشير مضامين الدراسة إلى أن تعزيز جودة البيانات المالية يمكن أن يؤدي إلى زيادة ثقة المستثمرين وزيادة الشفافية في مجال الاستثمار. وينبغي التركيز بشكل حاسم على تحديد أولويات الجهود الرامية إلى رفع جودة البيانات المالية. ويستلزم ذلك التركيز بشكل خاص على الشفافية، وهي عامل رئيسي لا يعزز وضوح المعلومات المالية فحسب، بل يلعب أيضًا دورًا محوريًا في تعزيز ثقة المستثمرين المحسنة وتسهيل عمليات صنع القرار الأكثر استنارة.

الكلمات المفتاحية: القوائم المالية، سهولة الفهم، الجدول الزمني، قرار الاستثمار، العائد على حقوق الملكية.

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