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The Role of Corporate Governance in Improving the Quality of Financial Reports An Empirical Study on a Group of Commercial Banks Listed on the Iraq Stock Exchange

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Summary:
Corporate governance is a modern management concept that can be applied in financial markets to enhance transparency, thereby assisting investors in making informed decisions based on the financial and non-financial information published in financial reports. The primary objective of this research is to demonstrate the impact of applying corporate governance principles on the quality of financial reports of commercial banks listed on the Iraq Stock Exchange. To address the research questions and test the study hypotheses, the researcher employed a descriptive analytical approach to elucidate the theoretical aspect through previous studies, journals, and academic theses, as well as to analyze the results of the field study and test the hypotheses using the Eviews-12 software. The study population consists of commercial banks in the Iraq Stock Exchange for the period from 2015 to 2021, with a total of 15 selected commercial banks whose shares continue to be traded in the Iraq Stock Exchange.

The research has reached the following conclusions: there is an impact of corporate governance and its mechanisms on the quality of financial reporting, primarily through the board of directors. It is imperative for the board to play an effective role in the proper practices of governance and in establishing policies for its implementation. Furthermore, the independence of the board and management ownership play a significant role in reducing manipulation of financial information, as they contribute to providing appropriate financial and non-financial information for making investment decisions in commercial banks operating in the Iraq Stock Exchange. The research recommends the necessity of raising awareness among employees about the importance of implementing corporate governance mechanisms and assisting them in effectively utilizing these mechanisms to rationalize investment decisions. It also emphasizes understanding the impact of internal governance mechanisms, such as the size of the board, the degree of board independence, and management ownership, on the quality of financial reports. Additionally, it advocates for training and enhancing the efficiency of financial analysts and auditors in their advisory roles and in writing analytical reports on expected profits.

Keywords: Corporate Governance – Financial Reports, Quality of Financial Reports.

1. Introduction :

The need for governance has emerged in various economic entities, both advanced and modest, particularly following the financial and economic crisis that culminated in the collapse of the American economy in 2002. The importance of governance has increased due to the global shift towards a capitalist system, which relies on private companies to achieve growth, coupled with a widening separation between ownership and management. This separation has led to the pursuit of lower-cost financing sources compared to banking options, thereby weakening oversight mechanisms over managerial actions. Additionally, the poor quality of information hampers supervision and control, contributing to the spread of corruption and a lack of trust. Adhering to sound governance principles can create necessary safeguards against corruption and mismanagement, while promoting transparency in economic life and combating institutional resistance to reform.

The accounting and management methods employed by companies have failed to address any financial issues or shocks that financial markets may encounter, as evidenced by the challenges faced by major global corporations in the world's stock exchanges in 2008, particularly in the United States. This led to numerous financial collapses and disruptions in stock markets, highlighting the inadequacy of traditional measures in confronting financial crises and corruption, which prompted an investigation into the causes of this phenomenon and financial collapses. It aimed to identify the primary reasons behind these issues and collapses, which stem from the scientific problems that have been recognized, along with efforts to propose solutions for their resolution (Kafi, 2013).

The implementation of governance and its principles, along with adherence to its elements, is one of the measures to prevent global financial crises or one of the solutions to address them by applying a set of governance-related procedures, items, and principles. This includes the disclosure of all financial and accounting information, as well as non-financial information, prepared according to the provisions and rules of international accounting standards relevant to governance. This encompasses aspects related to internal and external auditing functions, and the formation of audit committees approved by boards of directors to monitor matters concerning the present and future of the company and its performance (Al-Mashhadani and Taleb, 2011). The application of governance is considered one of the essential requirements for implementing privatization, as it encourages stakeholders to engage in profitable investments in the activities of these companies, which yield high returns and thus distance themselves from the financial and administrative corruption associated with it (Jawhar, 2014) . Governance is thus considered one of the modern organizational methods in management that ensures the development and continuity of companies and institutions, whether in the private or public sectors. All active parties within these institutions strive for good stewardship in addressing conflicts of interest. In light of the collapses and financial scandals that major companies around the world have faced, there is a consensus among various organizations and specialized researchers that corporate governance is the most effective system for achieving institutional stability in companies, especially given the increasing demand from users of financial reports for reliable and high-quality accounting information. Given the relationship between the implementation of governance mechanisms and the quality of financial reports, questions have been raised about the role that governance mechanisms can play in ensuring the quality of financial reports for participating banks. This is what we will attempt to address through this study, and thus the problem of the study can be summarized through the following main question:

-Main Question: What is the impact of implementing corporate governance mechanisms on the quality of financial reporting in publicly traded commercial banks listed on the Iraq Stock Exchange? This issue encompasses a series of subsidiary questions:

•To what extent are companies committed to and keen on applying corporate governance mechanisms?

•How diligent are companies in providing qualitative characteristics of accounting information in their financial reports?

•What is the effect of corporate governance (managerial ownership ratio) on the quality of financial reports?

•What is the effect of corporate governance (board size) on the quality of financial reports?

• What is the effect of corporate governance (board independence) on the quality of financial reports? .

The importance of the study is highlighted by the increasing focus on governance within corporate perspectives, which involves establishing a set of laws, regulations, and decisions aimed at controlling and monitoring operations to protect assets on one hand, and to achieve quality and excellence in performance on the other. This is accomplished through the selection of methods that organize the relationships among key parties that influence performance. Governance promotes the optimal use of resources, sustainable growth, and encourages productivity. Consequently, these laws and regulations emphasize transparency, integrity, accountability, and oversight, thereby facilitating the monitoring and supervision of performance. Therefore, the significance of the study is underscored by the following:

•The importance of the study lies in its examination of the impact of implementing governance, its principles, and rules on improving the quality of financial reports in publicly traded commercial banks listed on the Iraq Stock Exchange .

•The study provides essential information that assists financial decision-makers, stakeholders, and board members in monitoring the application of governance principles, contributing to the identification of strengths and weaknesses, and determining opportunities, challenges, and priorities that require focus .

•The significance of tracking the key features of governance and the ability of publicly traded commercial banks to apply its rules, principles, and foundations .

•Shedding light on the issues that hinder the application of governance, which contribute to enhancing the quality of financial reports, and proposing solutions that increase understanding of the rules and principles of governance implementation in Iraq .

This study also aims to understand the impact of applying corporate governance principles on the quality of financial reports in banks listed on the Iraq Stock Exchange, which can be achieved through the following objectives:

• Understanding the principles of governance and their significance in joint-stock commercial banks .

• Demonstrating the impact of governance implementation on enhancing the quality and transparency of financial reports in banks listed on the Iraq Stock Exchange.

.2Study Terminology

.2.1Concept of Governance

The term governance has emerged in recent decades and is expected to gain widespread usage across many countries, whether developing, advanced, or in the process of economic transformation. It has begun to take on multiple dimensions similar to globalization, such as political governance, environmental governance, social governance, corporate governance, and banking governance. Governance is increasingly associated with the concept of transparency in most studies, forming two sides of the same coin. The definitions of governance have varied according to the interests of those concerned with the term and their political, cultural, economic, and social affiliations, as well as the overlapping interests related to the term itself. The definitions we will present are merely illustrative and not exhaustive, closely aligning with the concept of corporate governance, which is the most relevant to the economic and banking dimensions in our brief overview of institutional governance. It represents an integrated system. Financial and non-financial oversight is a means through which institutions are managed and monitored (Attallah, 2005: 15). Some view it as a collection of laws, regulations, and decisions aimed at achieving quality and excellence in performance by selecting appropriate and effective methods to accomplish the plans and objectives of institutions. In other words, governance refers to the system, meaning the existence of frameworks that govern the relationships between the key parties that influence performance. It also encompasses the elements that strengthen the institution in the long term and define responsibility and accountability (Najjar, 2006: 30.(

The term corporate governance refers to the following characteristics (Hamad, 2005: 5:(

-Discipline: Adhering to appropriate and ethical conduct.

-Transparency: Providing a true picture of all that occurs.

-Independence: Ensuring there are no undue influences or pressures on operations.

-Accountability: The ability to evaluate and appraise the actions of the Board of Directors and executive management.

-Responsibility: Being accountable to all stakeholders in the institution.

-Fairness: Respecting the rights of various stakeholder groups within the institution.
- Social Responsibility: Viewing the institution as a new citizen.
.2.2**Importance of Governance**
The importance of governance has increased recently, aimed at achieving several economic objectives, as evidenced by (Abu Hammam, 2009: 36:(
-Preserving the rights of stakeholders, particularly minority shareholders, and ensuring the sound financial performance of both financial and non-financial investment instruments that yield an appropriate return on their investments.
-Increasing and maximizing the market value of the utilized financial instruments, and enhancing competition among companies in global financial markets amid the introduction of modern tools and mechanisms.
-Supporting the implementation of privatization programs and effectively directing companies towards optimal use, thereby preventing any associated corruption.
-Working to provide local or international funding sources for institutions, whether through the banking system or capital markets, in light of the increasing speed of capital flow movements.
- Avoiding accounting or financial problems and achieving support and stability for economic activities, while working to prevent the occurrence of collapses or financial shocks in financial and banking institutions to ensure economic stability.
.2.2Governance Objectives
Corporate governance aims to achieve a broad set of objectives, which include the following: (Greet, 2004: 292)
•Maximizing corporate performance. Establishing systems that prevent or minimize fraud, conflicts of interest, and all materially, administratively, and ethically unacceptable behaviors .
•Implementing control systems over the company's management and board members .
•Establishing frameworks for managing the company according to structures that define and distribute both rights and responsibilities (Board of Directors and shareholders .(
•Developing necessary rules and procedures related to the workflow within the company that align with the objectives of corporate governance .
• Good governance can facilitate financial and administrative reform and reduce corruption, as well as enhance the confidence of stakeholders, such as current or potential investors, in the outputs of the accounting system and the reports issued by company management in accordance with international accounting and auditing standards, complemented by principles of corporate governance.
2.3. The Concept of Financial Reporting Quality
Quality is a prevalent concept in our current era, with institutions—whether governmental or private organizations—competing to adopt various methods and approaches to quality in order to gain customer satisfaction. It is often observed that the concept of quality is associated with industrial organizations, as they were the first to focus on quality applications and methodologies from the time of the Industrial Revolution to the present day. The concept of quality has undergone numerous developments, starting from inspection, moving through quality assurance, and culminating in total quality management. In subsequent periods, and as a result of the evolution of the quality concept, the focus has expanded to include the application of quality in various service organizations, such as insurance companies, financial institutions, public administration units, local administration units, and others (Al-Shukri and Jassim, 2006). The concept of quality is derived from beneficial and good work, as stated in the holy verse: "And say, 'Work, for Allah will see your work and [so will] His Messenger and the believers'" (Surah At-Tawbah, verse 105).
Definitions of quality vary, as it is a broad concept that continues to be the subject of ongoing studies and research. It is defined as the philosophy adopted by an organization's management, based on processes of continuous change, improvement, and renewal across all activities, policies, events, and personnel that the organization employs in managing its internal affairs, as well as its interactions with

all stakeholders. This approach ensures customer satisfaction and enables the organization to face the challenges present in the markets (Ismail, 2010). It is also recognized as the necessary method for conducting business to enhance the organization's competitive capacity through the continuous improvement of the quality of its products, services, personnel, processes, and environment. This is achieved by integrating fundamental management practices, existing improvement efforts, and technical tools into a disciplined approach that focuses on the continuous improvement of the process aimed at achieving customer satisfaction through a comprehensive system of tools, methods, and training (Al-Rashed, 2011.(Regarding the quality of financial reports, there are various concepts and opinions on providing a unified definition. The main objective of preparing financial reports is to provide high-quality information related to the activities of economic and financial institutions, which is essential for economic decision-making. The availability of high-quality information in financial reports will positively impact capital providers and other stakeholders, facilitating investment, credit, and resource allocation decisions, thereby enhancing market efficiency (Braam & Boelens, 2019). High-quality accounting information plays a crucial role in achieving credibility in financial reports and assists users in making their investment decisions (Bagaeva, 2010). Accounting data is the primary source of information regarding company performance for external investors, and the inadequacy of such information heightens investors' concerns about the accuracy of the company's financial statements and its past performance, thus complicating the selection of the target company for making appropriate investment decisions (Lee & Chang, 2015.(The opinions have not provided a unified concept of the quality of financial reports, as there are multiple definitions of quality reports. They have been defined as the accuracy in conveying information related to the institution's operations, represented by the expected cash flows from those operations and the extent to which investors benefit from that information (Biddle, Hilary & Verdi, 2009). They have also been described as financial reports that fully and transparently reflect the quality of financial information, with the aim of not misleading or distorting the information presented to investors, which aids them in decision-making (Achim, Chiş: 2014). Others have defined it as the transparent face of reports or financial statements that reflects the nature of the organization's operations, enabling investors to make informed decisions (Hamada: 2014). It has also been characterized as the main attributes that accounting information must possess to be beneficial to all parties using the information, and identifying these attributes is considered a necessary link between the goal-setting phase and the other components of the accounting conceptual framework. (Abu Bakr: 2012).

The researcher, based on the aforementioned concepts, views the quality of financial reports as "the financial reports issued by joint-stock companies that reflect the accuracy of the information pertaining to all activities undertaken by the companies in the items presented in those reports, as well as their freedom from bias and misleading content, making them more useful for investment decision-makers and a measure of the nature of the organized work carried out by the entity and the efficiency and professionalism of those responsible for preparing those reports."

2.4. Characteristics of Financial Report Quality

Six qualitative characteristics of useful financial information have been identified in the conceptual framework of the International Accounting Standards Board (Melville, 2011), comprising two fundamental characteristics (relevance and faithful representation) and four secondary characteristics aimed at enhancing the two fundamental characteristics (comparability, verifiability, timeliness, and understandability), as outlined below: (Tang, Chen, & Lin, 2008; Best, 2009).

- Relevance: Financial information must be pertinent to the decision-making needs of users.

True Presentation: Indicates that financial information should truly represent the transactions or other events that it purports to represent and indicates that the financial information should be neutral, complete and free from error.

- Comparability - means that users of financial information should be able to compare information about an entity with similar information about other entities for the same period on a like-for-like basis.

- Verifiability: Means that the financial information can be subject to verification by different and independent observers.
-Timeliness: It means that financial information is available at the time necessary for it to be able to influence the economic decisions of users.
-Understandability: It means that financial reports should be understandable by users, because information that is not understood by users will have no value.

3. Previous studies, theoretical frameworks and hypothesis development.

1,3 Arab and foreign studies.

There have been a variety of studies that dealt with the topic of corporate governance, locally, internationally and internationally in recent years, which confirms the importance of this topic, and these studies can be classified into descriptive studies, in which the impact of corporate governance in improving the quality of accounting information is explained, so the researcher has reviewed some of these Arab and foreign studies that complement the theoretical framework of the study, and on this basis the previous studies that will be presented according to the chronological criterion, that is, chronologically from the oldest to the most recent:

-A study (Haniffaa, et.al; 2005) entitled 'Studying the impact of culture and governance on corporate social reporting by examining the potential effects of social responsibility and corporate governance on social disclosures.

Where this study was conducted through the study of disclosure in annual reports from the study sample selected from Malaysian companies came clear in the existence of a statistically significant relationship between CSR disclosure and corporate governance magazine on the other hand, and depended on a number of variables, such as size, profitability, multimedia industry and type of industry associated with CSR disclosure.

-A study (Akl, 2005) entitled : Evaluating the role of the Capital Market Authority in improving the effectiveness of the financial report in light of the international principles of corporate governance.

This study aimed to analyse and evaluate the role of the CMA in disclosure and transparency as one of the basic principles of corporate governance, and provide some proposals that can lead to increasing the effectiveness of the financial report in the light of Egyptian and international accounting standards and the study reached results, the most important of which is that corporate governance is a comprehensive system to enable the CMA to ensure the proper management of companies in a way that protects investors' funds.

-A study (Faisal, 2009) entitled: Governance rules and assessing their role in combating and preventing corruption in Jordanian public shareholding companies.

This research addressed the importance of applying the rules of governance because of its impact on combating the phenomenon of corruption and favouritism, which leads to attracting Arab and foreign investments, as it confirmed that the concept of combating corruption falls within the broader framework of the concept of good governance, and also proved in his research that the application of governance rules is not an intellectual or administrative luxury, but an economic and social requirement, as it determines the level and nature of the relationship between it and combating the phenomenon of corruption.

- A study (Boulrabah and Bediaf, 2013) titled: The Role of Corporate Governance Mechanisms in Achieving Sustainable Development'

The study aimed to investigate the role of corporate governance mechanisms in achieving sustainable development by tightening the control of companies, and used the inductive method, and the sample consisted of Algerian joint stock companies, and the study found that companies lack a clear law governing the relationship between shareholders, management and board chairmen, which are the parties concerned with corporate governance.

-A study (Htay.Al al al. et, 2013) titled: The impact of corporate governance on disclosure quality: Empirical evidence from listed banks in Malaysia'

The study aimed to identify the impact of corporate governance on disclosure quality. To achieve the objective of the study, the descriptive-analytical approach was used, where the size of the study population was (45) banks, and a sample of (12) banks was selected. The study reached several results, the most important of which is that the best disclosure for annual reports can be obtained by separating board structures, increasing the proportion of independent and non-executive directors, increasing the size of the board of directors, reducing the ownership of directors, institutions and shareholders' bonds, the study recommended that the scope of the study should be expanded, and that non-listed banks should use disclosure quality more widely in their annual reports.

-A study (Ramahi et al., 2014) titled: The results of applying corporate governance principles in Jordanian companies listed on the Amman Stock Exchange'

The study aims to identify the results associated with the application of corporate governance principles in Jordanian companies listed on the Amman Stock Exchange. To achieve the objective of the study, the descriptive-analytical approach was used and the questionnaire was adopted, and a sample of (55) companies was selected from the major Jordanian companies. The study reached several findings, the most important of which is the continuation of public shareholding companies to apply corporate governance and the various principles and raise awareness of their employees about the importance of corporate governance. The study also reached several recommendations, the most important of which is that public shareholding companies listed on the first market of the Amman Stock Exchange should increase the disclosure of financial or non-financial data to their shareholders, and increase their awareness and ability to make decisions.

- A study (maryani-Al, 2015) titled:

'Testing the availability of disclosure and transparency requirements in the financial reports of corporate governance in emerging market economies:"

The study aimed to test the disclosure and transparency in the framework of the international principles of corporate governance, and their accounting implications in the financial reports of companies in emerging market economies, and to achieve the objective of the study used the descriptive and analytical method and relied on the questionnaire, and the study population represented (152) companies, while the study sample represented (62) companies listed in the Iraqi market. The study came up with a number of findings, the most important of which is the necessity of the availability of the material requirements of disclosure and transparency in the financial reports of companies listed on the Iraqi Stock Exchange is low, and there was a significant impact of the type of companies' activities on the availability of the requirements of disclosure and transparency, and there was no impact of the sizes of companies on the availability of these requirements. The study came up with several recommendations, the most important of which is to urge all organisations to apply corporate governance rules to control accounting information.

-The study (Al-Ajeel, 2022) titled:

The impact of applying corporate governance on improving the quality of accounting information and rationalising decisions in light of digitisation Applied study on the Kuwaiti stock market

This study aims to identify the nature of the relationship between corporate governance and rationalising decisions in the Kuwaiti stock market. The research reached the following findings: the impact of corporate governance and the mechanisms that operate through the board of review and internal audit on investors' decisions; the inevitability of an effective role of the board of directors in the proper practices of applying corporate governance and setting policies for its practices; the research recommended the need to spread awareness among employees of the importance of applying corporate governance mechanisms and helping them to make good use of them to rationalise investment decisions; introducing the role of applying corporate governance mechanisms as they play a role in helping the quality of accounting information and thus rationalising investors' decisions.

.2.3Theories explaining corporate governance.

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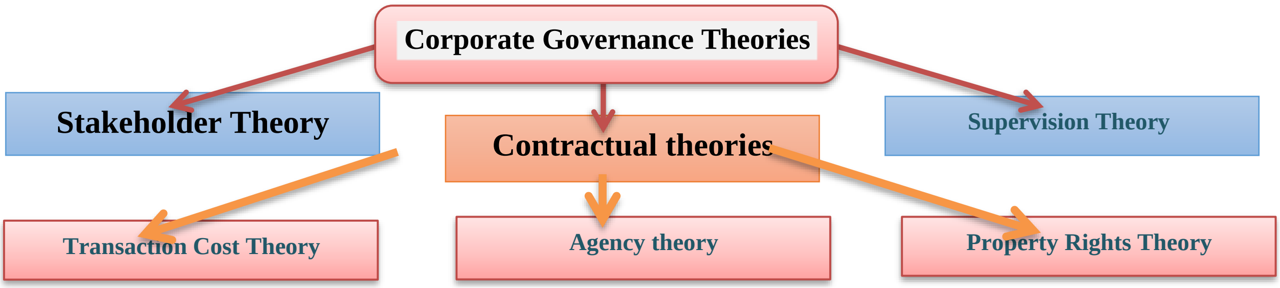
The set of theories that present the concept of corporate governance is multiple due to the many studies carried out by researchers from various legal, economic, financial and social disciplines, and to better understand the development that accompanied the various theories, we will try to focus on the most important of them, represented in the following figure:

Figure 2 shows the most important corporate governance theories



Source: Prepared by the researcher after reviewing various sources

1,2,3 Stewardship theory.

Known by several names in the literature such as 'Stewardship Theory' and 'Stewardship Theory', this theory shows the relationship between the managers of the company and its owners, but it offers opposite explanations to its predecessor as the agency theory interferes with the motivations of the contractor in a way that can lead to reduced productivity and incite opportunistic behaviour. (Marco, 2011: 103) From this perspective, contractors are the company's executives and managers who work for the benefit of shareholders, collect their rights, and strive to achieve profits for their benefit, by integrating their personal goals as part of the goals of the organisation as a whole. (Khalid, 2011: 3) The theory also acknowledges that 'managers should be given maximum autonomy based on trust in managing the affairs of the company, which reduces the costs of monitoring and control over managers' behaviour.' (Josiah.et.al., 2013: 112).

2,2,2,3 Contractual theories.

These theories are based on disciplinary arguments and according to the administrative rules that govern the conduct and behaviour of those responsible for managing the company, i.e. all the mechanisms that work to determine the authority and have effects on the decisions of those responsible for managing the company, meaning the mechanisms that govern their behavioural path and the field of his freedom, so that the government forms what is called management administration (Khanshour, 2009: 8), where the company is represented as a node of deals, which makes it a decision-making centre responsible for negotiating and managing all contracts necessary for its activity (Gérard, 2004: 4), and the following is a presentation of the most important contractual theories:

- The theory of property rights: The goal of this theory is to understand how property rights affect the economic system, and despite the many thinkers who contributed to the development of the theory, they did not provide a stable and final definition of property rights, as this theory is considered a tool of society, as it derives its importance from the fact that it helps the individual to form his expectations in advance, which enables him to determine his dealings with others. (Harold, 1967: 347) Property rights within companies have been categorised into three groups: the right to use, the right to optimise the use of what one owns, the right to reap the benefits and profits, and the right to sell, i.e. to decide the fate of the thing owned. (Parat, 2000: 12).

- Agency theory: One of the most basic explanations of the relationship between the investor and institutional relationships is the separation of ownership of companies from their management. The separation between the company's capital and control and supervision processes has an impact on the level of the company's performance, as the better the control and supervision systems work, the more efficient the company will be and vice versa (Gérard, 2004). (Gérard, 2004: 1) The theory of agency is based on the contractual relations that govern the parties to the agency contract, where the agent is obliged to represent and look after the interests of the principal. Thus, the agency relationship is a contract through which one person or several people authorise another person to perform some services on their behalf, including the authority to make some decisions, which shows that the agency relationship is an extension and continuity of the theory of property rights, but in an expanded and more comprehensive form (Kemoush, 2015: 25). Also, the principal and the agent have different attitudes towards risk-taking, while the agent makes a decision not to take risks in order to protect the interests of the principal, the latter may have a different view regarding the same decision, and the agent may exaggerate risk-taking in pursuit of personal interests or due to indifference and negligence, which does not satisfy the principal (Christine, 2013: 17).

- Transaction Cost Theory: It is one of the most important theories that contributed to the consolidation of the modern concept of corporate governance, as its analysis of the organisation is based on the approach of contractual relations and the rationalisation of transaction costs. The origins of this theory go back to the American economist Ronald Coase, who issued an article entitled The Nature of the Firm in which he tried to identify the reasons that lead to the emergence of alternative forms of the market in order to coordinate the activities of economic actors, that is, Ronald Coase 'wondered why the firm exists and its ability to make internal transactions more economical and effective than those transactions made in the market (Michel, 1998: 6).

3.2.3. Stakeholder theory: Conflict and conflict of interest has led to the emergence of costs in organisations, so it has become necessary to search for procedures and rules that minimise their value and limit their effects in order to increase shareholder returns. Many thinkers have provided hints to the concept of stakeholders beginning in the twentieth century and Freeman is considered the pioneer of stakeholder theory and the developer of its ideas where he 'presented a concept that covers the strategic issues of business organisations, trying to develop a more flexible framework to deal with the rapid changes of the environment in which they operate.' (Samuel, 2001: 4) Stakeholders are defined as any group or individual that can be affected or influence the achievement of the goals of the organisation, the goal of stakeholder management is to develop methods and procedures to manage the countless groups and relationships that are related to strategic changes in the business environment (Freeman, 2001: 4). (Freeman, 2001: 4) He also considers that there are stakeholders who are critical to the continuity and success of the company, such as owners, employees, customers, suppliers and the local community, which he termed 'the narrow concept of stakeholders, and as a summary of the above, it is worth mentioning that 'it is difficult or even impossible for any company to meet the demands and needs of all stakeholder groups at the same time, as achieving the interests of one group may reduce the ability of the company to achieve the interests of another group (Kawachi, 2010: 2).

3.3. Developing research hypotheses.

The importance of the study stems from the discussion of corporate governance, which is one of the important areas in recent times. It provides important information that contributes to the confidence of investors in the financial reports provided by commercial banks and contributes to the development of the decision-making aspect. Accounting studies consider corporate governance as an important issue that has attracted the attention of many researchers. In order to reveal its importance and its impact on the quality of financial reports, the researcher addressed some studies necessary to derive the hypotheses of the study, including the following studies:

) -Good and Seow; 2002), which concluded to emphasise the role of internal audit and audit committees in the governance process and in achieving the quality of financial reports in addition to the importance of ethical rules in this regard.

-The study (Bisht et al., 2012) sought to analyse the causes of bank failures during the financial crisis and the possibility of a link between this failure and the lack of application of governance in banking institutions. The researcher sees the need to reconsider the theory of banking governance, which indicates the weak role of creditors in multiple societies and the study found that the presence of specialised staff, risk management boards in addition to executives will cause banks to suffer fewer losses on average and there is no evidence that shareholders' rights will not suffer if the risk management system is adopted in the bank.

-The study (Al- Janadi & Haj Omar; 2013) aims to show the impact of internal and external corporate governance mechanisms on voluntary disclosure in Saudi Arabia. The study found that corporate governance has an effective role in providing users with adequate and sufficient information, which has important implications for decision makers, shareholders and other users of reports who have an interest in best corporate governance practices.

-The study (Al-Layth et al., 2013) sought to demonstrate the impact of the application of corporate governance rules on the quality of financial reports, in light of the contemporary problems suffered by financial markets, companies and economic and financial collapses, which led to the erosion of confidence in the output of accounting, which is represented by financial reports. This study showed several results, the most important of which were that boards of directors in commercial enterprises are committed to preserving the rights of stakeholders and governance rules, which positively affects the quality of reports, the lack of familiarity of board members in commercial enterprises with governance rules and there is a lack of conviction among some of them about the importance of governance and its effects, there is a significant impact of governance on the quality of financial reports and the decisions made by internal users of financial statements.

- A study by) Ahmed (2016) addressed the impact of corporate governance guidelines related to the protection of shareholders‘ rights, general assembly meetings, board responsibilities, disclosure and transparency on the quality of accounting information in Jordanian industrial public shareholding companies. The results showed that companies apply corporate governance guidelines in all dimensions, with varying percentages, the highest being the guidelines related to transparency and disclosure, followed by the guidelines related to general assembly meetings, board responsibilities, and finally shareholders' rights, and also showed that there is an impact of corporate governance guidelines on the quality of accounting information in Jordanian public shareholding companies.

- (Abdulrahman, 2017) seeks to analyse the relationship between the application of corporate governance and IT governance and its impact on increasing the quality of accounting information. The study mainly aimed to

The results of the research proved that there is a correlation between the application of corporate governance and IT governance on increasing the quality of accounting information, as IT governance is considered part of corporate governance and an extension of it, and its application in service companies listed on the Palestine Stock Exchange led to an increase in the quality of accounting information.

As for the study) (2021) sought to identify the impact of the relationship between corporate governance mechanisms and disclosure of future information on the cost of capital in Egyptian companies listed on the stock exchange. The study found that there is a weak level of disclosure of future information for companies listed on the Egyptian Stock Exchange, and there is a statistically significant effect of corporate governance on the disclosure of future information, in addition, the disclosure of future information is one of the main factors that help achieve the quality of financial reports and increase transparency, as it provides information that reduces the asymmetry between management and investors.

Based on the studies mentioned above, it can be said that corporate governance has a positive impact on the quality of accounting information and thus will reflect positively on financial reporting, and therefore the hypotheses of the study can be crystallised and derived as follows:

The first main hypothesis: The impact of corporate governance on the quality of financial reporting (quality of accruals:(

-The impact of corporate governance (management ownership ratio) on the quality of financial reporting (quality of receivables.(

-The impact of corporate governance (board size) on the quality of financial reporting (quality of receivables.(

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- The impact of corporate governance (board independence) on the quality of financial reporting (quality of receivables).

4. Research methodology.

The study was designed to test the research hypotheses based on its objectives and limitations. The relationship between the independent variable (corporate governance) and the dependent variable (financial reporting quality) was analysed using quantitative models. In addition to the control variables used as moderating variables between the relationships of the variables.

1,4 .Selecting the sample and data source of the applied study

The population of the study represents commercial banks in the Iraqi Stock Exchange for the period (2015-2021). A time period of (7) years was chosen for the study, while the number of selected banks amounted to (15) commercial banks whose shares are still active in the Iraq Stock Exchange.

Table (1) Study Sample

Data	No. of Banks
Study population	43
Minus:	
Government banks	(3)
Islamic banks	(17)
Disqualified commercial banks	(8)
Study sample banks	(15)

2,4 .Models selected to test the research hypotheses.

This study highlights the impact of the independent variables (i.e.) Management Ownership Ratio, Board Size, Board Independence) on the dependent variable of financial reporting quality, as the researcher hypothesises that there is a strong relationship between the research variables and that the application of governance principles) (independent variables) will have a clear impact on improving and raising the level of reporting quality (dependent variable) in Iraqi joint stock banks.

In order to test the main hypothesis and its sub-hypotheses, the following multiple linear regression equation was used:

$$EQ_{t.i}=\beta_0+\beta_1 CA_{t.i}+\beta_2 BODS_{t.i}+\beta_3 BODI_{t.i}+\beta_4 ROA_{t.i}+\beta_5 SIZE_{t.i}+\beta_6 LEV_{t.i}+\beta_7 SEO_{t.i}+\beta_8 LOSS_{t.i}+\beta_9 Age_{t.i}+\beta_{10} MTB_{t.i}+\varepsilon_{t.i}$$

Where:

$CA_{t.i}$: Management Ownership Ratio: The number of shares owned by executive management and board members over total shares.

$BODS_{t.i}$: Board size: The natural logarithm of the number of board members.

$BODI_{t.i}$: Independence: The ratio of independent board members to the total number of board members.

$ROA_{t.i}$: Return on Assets: Equals net profit before taxes / total assets.

$LOSS_{t.i}$: Losses is a binary variable: If company i in year t is loss-making, it takes (1), otherwise it takes (0).

$SEO_{t.i}$: Capital Increase is a binary variable: If company i in year t has a capital increase, take (1), otherwise take (0).

$MTB_{t.i}$: The ratio of market capitalisation to book value: Market capitalisation is measured by the market price per share multiplied by the number of shares.

$SIZE_{t.i}$: The size of the bank: The natural logarithm of the bank's assets.

$LEV_{t.i}$: Leverage: Equals total liabilities/total assets.

$Age_{t.i}$: The age of the company: Equal to the current year - year of incorporation.

$\varepsilon_{t.i}$: The value of the error (residuals).

In calculating the quality of financial reporting, the researcher relied on the quality of accruals by utilising the model of Djo and Djo (2002) as modified by Francis et al (2005), as shown in the model below:

〗TCC〗 _it/ 〖Asset〗 _(it-1) =ϕ_0+ϕ_1. 〖CFO〗 _(it-1)/ 〖Asset〗 _(it-1) +ϕ_2. 〖CFO〗 _it/ 〖Asset〗 _(it-1) +ϕ_3. 〖CFO〗 _(it+1)/ 〖Asset〗 _(it-1) +ϕ_4. 〖ΔRev〗 _it+ϕ_5. 〖PPE〗 _it+ε_it

where:

ACC_(i.t) : Total accruals is the difference between operating profit and operating cash flow.

Asset_(i.t-1) : Total assets at the beginning of the year.

〗CF0〗 _(i.t) : Operating cash flow.

Δ〗Rev〗 _(i.t) : Change in revenue (current year's revenue - previous year's revenue.(

PPE_(i.t) : Assets at book value.

: ε_(i.t) The standard deviation of the residuals between the current year and 4 previous years represents the quality of the receivables, the higher the standard deviation, the lower the quality of the receivables.

3.4. Statistical analysis and hypothesis testing.

The researcher relied on the financial statements of the focus companies published on the Iraq Stock Exchange website to collect and extract the necessary data, organise and classify them in Excel. The regression equation was used to test and analyse the correlation and influence between the independent and dependent variables based on the financial records and reports, and then used Eviews-12 software to analyse and test the hypotheses.

1,3,4 .Testing the first sub-hypothesis of the third main hypothesis: The effect of corporate governance (managerial ownership ratio) on the quality of financial reporting (quality of accruals.(

Table (2) Testing the first sub-hypothesis of the third main hypothesis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.502	1.763	0.285	0.787
CA	0.006	0.002	3.180	0.025
ROA	0.088	0.042	2.090	0.091
LEV	-0.004	0.005	-0.950	0.386
SEO	-0.002	0.001	-1.891	0.117
LOSS	0.000	0.001	-0.190	0.857
AGE	-0.004	0.002	-1.964	0.107
MTB	0.002	0.001	2.798	0.038
R-squared	0.562	Adjusted R-squared		0.506
F-statistic	10.017	Prob (F-statistic)		0.000
Durbin-Watson stat		2.094		

Based on the results of the statistical analysis presented in the table above, it is evident that the model is significant, as the p-value (Prob) for the F-statistic test is less than 0.05, recorded at 0.000. This indicates that the model is suitable for testing and its results are reliable. The Durbin-Watson statistic stands at 2.094, which is greater than the R-squared value of 56%, suggesting that there is no issue of autocorrelation or spurious regression in the time series values of the study sample model. Regarding the R-squared value, it is 0.562, indicating that the explanatory power of the independent variables on the dependent variable is 56%. The Adjusted R-squared value is 0.506, which means that the independent variables influence the dependent variable by 51%, while the remaining 49% is attributed to other factors outside the model.

Interpretation of the results of the first sub-hypothesis of the third main hypothesis: The results of the statistical analysis indicate that the p-value (Prob) for the independent variable of corporate governance (managerial ownership percentage) is less than (0.05), recorded at (0.025), which signifies a statistically significant effect of corporate governance, measured by the managerial ownership percentage, on the quality of financial reports as assessed by the accrual quality model .

2.3.4. Testing the second sub-hypothesis of the third main hypothesis: The effect of corporate governance (board size) on the quality of financial reports (accrual quality).

Table No. (3) Testing the Second Sub-Hypothesis of the Third Main Hypothesis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.497	1.628	0.305	0.761
BS	-0.006	0.008	-0.678	0.500
ROA	0.088	0.041	2.138	0.036
LEV	-0.006	0.006	-0.995	0.323
SEO	-0.002	0.003	-0.713	0.478
LOSS	0.000	0.001	0.008	0.994
AGE	-0.003	0.006	-0.468	0.641
MTB	0.003	0.004	0.881	0.381
R-squared	0.550	Adjusted R-squared		0.492
F-statistic	9.413	Prob (F-statistic)		0.000
Durbin-Watson stat		2.077		

The results of the statistical analysis in the table above indicate that the model is significant, with a probability value (Prob) for the F-statistic test being less than 0.05, specifically at 0.000. This suggests that the model is valid for testing and its results are reliable. The Durbin-Watson value stands at 2.077, which is greater than the R-squared value of 55%, indicating no issues with autocorrelation or spurious regression in the time series values of the study sample model. Regarding the R-squared value, it is 0.550, meaning that the explanatory power of the independent variables on the dependent variable is 55%. The Adjusted R-squared value is 0.492, indicating that the independent variables affect the dependent variable by 49%, while the remaining 51% is attributed to other factors outside the model.

Interpretation of the results of the second sub-hypothesis of the third main hypothesis: The statistical analysis results indicate that the p-value (Prob) for the independent variable of corporate governance (board size) is greater than (0.05), standing at (0.500), which suggests that there is no statistically significant effect of corporate governance, as measured by board size, on the quality of financial reports as measured by the accrual quality model .

3.3.4. Testing the third sub-hypothesis of the third main hypothesis: The effect of corporate governance (board independence) on the quality of financial reports (accrual quality).

Table No. (4) Testing the Sub-Hypothesis Three of the Main Hypothesis Three

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.126	0.701	-0.179	0.858
BI	-0.008	0.002	-3.898	0.000
ROA	0.14	0.056	2.494	0.015
LEV	-0.017	0.004	-4.499	0.000
SEO	-0.008	0.006	-1.373	0.174
LOSS	0.001	0.002	0.361	0.719
AGE	0.000	0.002	0.105	0.917
MTB	0.011	0.003	3.187	0.002

R-squared	0.454	Adjusted R-squared	0.381
F-statistic	6.188	Prob (F-statistic)	0.000
Durbin-Watson stat		0.966	

The results of the statistical analysis in the table above indicate that the model is significant, as the p-value (Prob) for the F-statistic test is less than 0.05, specifically at 0.000. This suggests that the model is valid for testing and its results are reliable. The Durbin-Watson statistic is 0.966, which is greater than the R-squared value of 45%, indicating that there is no issue of autocorrelation or spurious regression in the time series values of the study sample model. As for the R-squared value, it stands at 0.454, meaning that the explanatory power of the independent variables on the dependent variable is 45%. The Adjusted R-squared value is 0.381, indicating that the independent variables influence the dependent variable by 38%, while the remaining 62% is attributed to other factors outside the model.
Interpretation of the results of the third sub-hypothesis of the main hypothesis three: The results of the statistical analysis indicate that the p-value (Prob) for the independent variable of corporate governance (board independence) is less than (0.05), with a value of (0.000), which indicates a statistically significant effect of corporate governance, measured by board independence, on the quality of financial reports as measured by the accruals quality model.

Results:

Theoretical Results: The researcher can present the study's findings as follows:

1- Corporate governance contributes to safeguarding the rights of company owners who delegate management to others, relying on a set of oversight mechanisms that monitor the company's activities, evaluate them, and prevent manipulation of its assets.

2- The impact of corporate governance and the mechanisms it employs is influenced by the size and independence of the board and the proportion of managerial ownership.

3-There is an imperative for an active role of the board of directors in the sound practices of governance implementation and in establishing policies for its practices.

4-The independence of the board of directors has a significant impact on activating governance principles.

5. One of the primary motivations for adherence to governance is to instill confidence in the accounting information contained in financial reports.

6- Governance mechanisms play a crucial role in mitigating manipulations and illicit practices, providing sound methods and procedures that extend their impact to the accuracy and transparency of accounting information.

7-Financial reports are among the most important tools relied upon for decision-making in banking institutions, and the application of governance mechanisms affects the level of transparency and accountability within the company, as well as reducing financial and accounting manipulations.

8. The provision of necessary information for making investment decisions in the stock market depends on its credibility and ease of use, in addition to its influence on investment decisions.

Operational Results:

1- The hypothesis testing results confirmed the acceptance of the first sub-hypothesis, indicating that there is a statistically significant effect of corporate governance, measured by the percentage of managerial ownership, on the quality of financial reports, assessed using the accrual quality model.

2- The hypothesis testing results confirmed the acceptance of the second sub-hypothesis, indicating that there is a statistically significant effect of corporate governance, measured by the size of the board of directors, on the quality of financial reports, assessed using the accrual quality model.

3. The hypothesis testing results confirmed the acceptance of the third sub-hypothesis, indicating that there is a statistically significant effect of corporate governance, measured by the independence of the board of directors, on the quality of financial reports, assessed using the accrual quality model.

Recommendations:

After studying the subject from both theoretical and practical perspectives, and in light of the findings reached by the researcher, the key suggestions can be summarized as follows:
1-There is a necessity for commercial banks to place greater emphasis on promoting a culture of governance and raising awareness among employees about the importance of implementing corporate governance mechanisms and assisting them in effectively utilizing these mechanisms.
2-It is essential to understand the role of internal governance mechanisms through the board of directors, including its independence and administrative ownership.
3- Financial and non-financial information characterized by transparency and credibility should be relied upon in financial and administrative decisions that aid in the application of governance principles.
4-The concept of the quality of financial reports, its various dimensions, and its relationship with corporate governance should be clearly defined.
5. Bank managements must recognize the importance and quality of financial reports and governance, ensuring they are prepared periodically for the benefit of all stakeholders.
6-Work on training and enhancing the efficiency of financial analysts and auditors in the advice they provide and in writing analytical reports on expected profits .
7-Work on improving the quality of accounting information, characterized by a high degree of relevance, comparability, reliability, and consistency through financial reports .
8. Encourage researchers to conduct more studies and research on governance and its connection to accounting standards and its role in improving the quality of information contained in financial reports.

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