Economic Horizons: Journal of Business, Economics, and Finance
ISSN: 2980-5295
Volume 2, Issue 10, October, 2026
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THE IMPACT OF THE POLITICAL DECISION ON THE QUALITY OF FINANCIAL REPORTS IN THE IRAQI BANKING ENVIRONMENT: AN APPLIED STUDY

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Abstract

The study examined the impact of political decisions on the quality of the financial reports of traditional banks in light of the presence of a gap between the information included in the financial reports and the results or effects of the political decisions stated in legislation and laws. The study aimed to demonstrate the ability of financial reports in the banking sector to reflect the expected results of political decisions, and to disclose them in a way that meets the needs and requirements of customers and investors for accounting information. The study relied on an analysis of the actual financial data included in the financial reports of (37) Iraqi banks listed on the Iraqi stock market during the period (2022-2024). With a total of (111) views, using three basic models to measure political decision efficiency (PDE), information transparency and disclosure (ITD), and financial report quality (FSQ), they work together to reach an accounting model based on the application of international accounting standards that discloses the effects of implementing political decisions.

The results indicate that there is a positive relationship between the efficiency of political decision-making (PDE) and the development of the Iraqi banking business environment, as well as the existence of a positive relationship between commitment to international accounting standards and the level of information transparency and disclosure of the effects of political decisions (ITD). Finally, there is a positive relationship between the ability of Iraqi banks to meet customer requirements and the quality of financial reports (FSQ) in terms of the comprehensiveness and accuracy of disclosure of the effects of political decisions. The study also recommended the importance of developing international accounting standards to identify additional sub-reports that would be directed to

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the sub-unit level and reflect a brief analytical aspect of the political, economic and social impacts, just like sustainability reports.

Keywords: Efficiency of political decision, quality of financial reports, transparency of information and disclosure, in the Iraqi banking business environment.

Introduction

Section One: Methodological framework for the research

1.1 Introduction

Financial reports represent the means to support banking decisions in the short, medium or long term, because of the financial and non-financial information they contain. In turn, it works to guide decision makers towards the right and sound decision and manage the risks associated with the impact of the decision, and in view of the many economic, financial and political changes that the banking business environment has witnessed, as well as the rapid and successive developments such as changes in exchange rates, the increase in informal economy transactions, and the demand for virtual transactions that are not based on real assets, which necessitated the necessity for banking institutions, whether governmental or private, to prepare for these changes and work to limit their effects or confront them according to procedures. And specific protocols by identifying the nature of the movement, development and growth of these effects in each of the various periods. Perhaps the most prominent trends that have an impact in recent times are the consequences of political decisions as a result of the events and changes that occur to international banks in general and Iraqi banks in particular.

Political decisions play a fundamental role in forming the supervisory and regulatory framework for the economic and financial impacts of any country in terms of economic reform and the adoption of strategies that affect, on its part, the commitment to applying international and local accounting standards, attracting foreign investments, and adhering to international banking requirements. Therefore, the impact of the political decision on the quality of

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financial reports is not considered a temporary phenomenon as much as it is considered a trend towards linking the variables that most affect the quality of accounting information in supporting the national economy through the most affected institutions, which are the banking institutions.

2.1 Research problem

The accounting model in the banking sector has recently faced many challenges and variables, such as the effectiveness of political decisions in supporting transparency and adherence to international accounting standards, as well as the effect of banking guarantees in attracting customers and gaining their loyalty in light of the various competitions for services, as well as the occurrence of changes like expectations for future services, which shows the institutional gap between government political decisions and the quality of financial reports, which in turn reflects the provision of reliable and accurate financial and non-financial information and predicts future trends for Iraqi banks, so the problem of the research is the shortcomings of the model. The Certified Accountant in the Iraqi Banking Sector aims to explain the impact of the political decision in supporting the quality of financial reports for the Iraqi banking sector in light of the continuing disparity between financial and non-financial information that reflects both government policies and the accounting regulatory environment.

To clarify the problem, it can be presented through the following questions:

- Does the current accounting model in the Iraqi banking sector support disclosure of the impact of the political decision?
- Do the financial reports in the Iraqi banking sector reflect the effects of political decisions?
- Is it possible to limit or reduce the gap between government policies and the accounting regulatory environment?

3.1 Previous scientific studies and opinions

The financial report has witnessed many scientific and professional attempts towards making it capable of providing information in a way that is most relevant to the decisions of its users, and this was confirmed by the study of Yamen et al., (2022) by addressing the importance of the relationship between general

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governance (PG) and the overall quality of the financial reporting index (OQFRI) and by applying the global governance indicators of the World Bank (WGIS), where the study aimed to explain the most external variables such as laws and legislation, political stability, efficiency and effectiveness of the government, and others. Impact on the quality of financial reports. The study reached several results, the most notable of which is the existence of a positive relationship between the quality of regulation, political stability, the rule of law, government effectiveness, and the quality of financial reports, provided that auditors take into account two aspects, namely institutional quality and the general government, when evaluating the quality of financial reports.

In the same context, Amir & Salman (2025) discussed the impact of accounting disclosure of geopolitical risks on the quality of profits and their relationship to the value of the company in the context of the Iraqi banking sector. The study aimed to demonstrate the increasing importance of geopolitical uncertainty and its repercussions on financial reports and the value of the company by conducting a questionnaire on 35 companies to survey opinions on seven vital areas that affect the company's financial performance, such as wars, military conflicts, terrorist attacks, cyber threats, and financial change. Climate, subsequent events, internal control, and management strategies. The study found that disclosing geopolitical risks directly enhances the quality of earnings and the value of the company.

Saleh and others (2024) agreed that political ties have a direct role in achieving the quality of financial reporting in industrial companies listed in the Jordanian securities market for the period (2012-2021). The study aimed to develop a conceptual framework for political ties and the effects they have on the financial reports of industrial companies. The study concluded that political ties depend on analyzing temporal panel data comparing more than one period of time and then focusing on changing indicators and developing plans to confront potential risks according to the rates of change for each period.

The study (2023) by Anto & Yusran addressed several determinants that work together to achieve the quality of financial reports, such as the internal control system, information technology, the application of international accounting

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standards IFRS, the efficiency of human resources, and the role of government auditors in improving the quality of financial reports.

The study was based on the previous determinants in evaluating the quality of financial reports and indicated that, despite the capabilities they have in achieving the quality of financial reports, these determinants work together under the umbrella of the efficiency of political decisions. Government financial reports basically do not include accurate information about them, and the study (2025) by Baba et al. added that the factors affecting the quality of financial reports to reflect accounting information that reflects political decisions and their effects is the application of the International Public Sector Accounting Standards (IPSAS), which provides the possibility of disclosing government performance and the various decisions related to it that affect the users of financial reports.

On the other hand, the study by Gardi et al. (2025) addressed the impact of the determinants of both corporate governance and the adoption of international financial reporting standards (IFRS) on improving the quality of financial reports in private Iraqi banks, as reliance was placed on analyzing data from 5 Iraqi banks. The study concluded that there is a positive, complementary relationship between corporate governance and IFRS, represented by improving the quality of financial reports, regulatory compliance, improving the decision-making process, enhancing reputation, and improving financial performance, in addition to defining a vision that corporate governance reflects...

Results of the relationship between the financial performance of banks and the environmental variables surrounding them, including political variables. Ali et al.'s (2021) study examined the relationship between ownership structure and political spending disclosure (PSD). Ownership of shareholders was divided into 4 groups: founder, prospective, governmental, and foreign, because the four groups are affected by political variables. The study concluded that accounting disclosure of political spending does not support government decisions to the extent that it reflects the results in a way that can be measured financially. In addition to shareholders from the government category and those related to political spending, it is better to evaluate the results of political decisions and spending in a way that confirms the validity and soundness of those decisions.

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4.1 Evaluation of previous studies and the research gap of the research

Previous studies dealt with various models and determinants of the quality of financial reports, governance requirements, geopolitical risks, achieving the requirements of international accounting standards IFRS/IASB, and other factors that have an impact on the quality of financial reports in the banking sector. However, they did not address the effects resulting from political variables or what can be accurately determined, which is the political decision, which, with a close look at previous scientific opinions, has not been dealt with as an independent variable that affects the transparency and disclosure of accounting and non-accounting information in the Iraqi banking sector, so the research gap for the research is to study the impact of the decision. Policy in improving the quality of financial reports for the banking sector in the Iraqi business environment.

5.1 Research hypotheses

The research hypotheses can be derived through both the research problem and the research gap of previous studies, according to what is witnessed by the current accounting model in the Iraqi banking sector in showing the lack of disclosure of financial and non-financial information about the nature of the political decision and its various effects, and then the formulation of the study hypotheses can be reached as follows:

• The first hypothesis: There is a positive, statistically significant relationship between the efficiency of the political decision and the development of the Iraqi banking environment.

6.1 Importance of research

It is represented by the fact that the topic defines an integrated, overlapping relationship between several variables represented by the political variables, the accounting regulatory environment, and the banking sector in light of the economic reform measures witnessed by the Iraqi business environment, which require the provision of financial and non-financial information that reflects the effects resulting from political decisions and how to confront the negative effects

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resulting from them. To demonstrate the importance of the research, it can be divided into the following:

1. Scientific importance: The research contributes to identifying the gap in the accounting and banking literature in addressing the extent of the impact of political decisions on the quality of financial reports in banking, in addition to clarifying the relationship between all financial, legal, economic and political variables to reduce the gap and potential challenges.
2. Practical importance: The research provides an applied framework for the current accounting model in the Iraqi banking sector that works to link the political decision to the financial reporting needs of clients, which contributes to supporting the investment decision and confidence in what is reflected in the financial reports of the Iraqi banking sector.

7.1 Research objectives

The research seeks to achieve the following objectives:

1. Explaining the impact of the political decision on accounting and non-accounting information, along with demonstrating the ability of financial reports in the banking sector to reflect the expected results of political decisions.
2. Analyzing the relationship between accounting disclosure and the effects resulting from political decisions on the banking sector in light of the needs and requirements of customers and investors for accounting information.
3. Reaching a practical framework that achieves a link between the approved accounting model and that based on the application of international accounting standards. And disclosing the effects of political decisions on accounting information.

8.1 Study variables

• Independent variable: The political decision represents a set of government policies and administrative and regulatory decisions that have an impact on the work and tasks of the Iraqi banking sector. This variable includes several determinants such as banking and financial legislation, directives for economic reform, the extent of the stability of government policies, and national control and supervision mechanisms.

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• Dependent variables: The quality of financial reports is represented by the accounting and non-accounting information it contains, in light of which the effects resulting from political changes on the Iraqi banking sector are reflected, such as adherence to the requirements of international accounting standards, the level of disclosure and transparency, the predictive ability of reports, and meeting the needs of users for financial reports.

Figure No. (1) shows the study variables as follows:

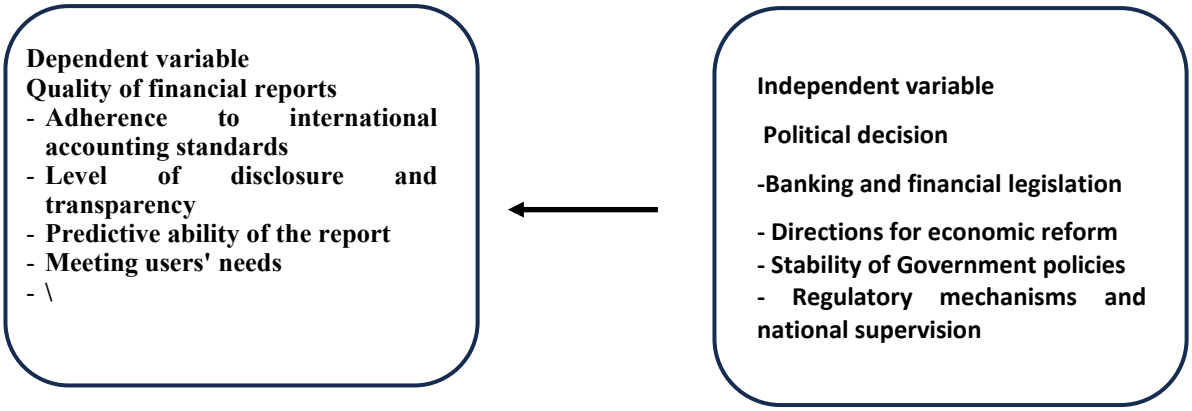


Figure (1): Study variables

9.1 Research limitations

• Spatial boundaries: It consists of analyzing the financial reporting data of 37 Iraqi government and private banks.

• Time limits: The time period for the research is limited to dealing with financial reports for the period (2020-2024), due to the availability of published financial reports for the sample of Iraqi banks and banks under study.

• Scientific limits: limited to dealing with the political decisions that have the most impact on Iraqi banks, specifically those related to reform, supervisory, and precautionary measures, such as dealing with changes in the exchange rate of international currencies and maintaining financial and banking policies.

10.1 Research methodology

The research relies on the descriptive analytical method because it is suitable for the research topic. This aims to clarify the relationship between the effects of

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political variables, the accounting regulatory environment, and the nature of business in Iraqi banks, and the quality of financial reports that, in light of the information they contain, guide the decisions of clients and investors.

1.1 Research population and sample

The research community consists of all banks operating in the State of Iraq during the period (2022-2024), as the research sample will be selected for the final financial reports of 37 Iraqi government and private banks. Through the applied study, the impact of the political decision on the quality of the financial reports for that sample will be determined.

12.1 Organizing the research

Section One: Methodological framework for the research
Section Two: The theoretical framework of the research
Section Three: Applied study on the Iraqi banking sector
Section Four: Results, recommendations, and future directions
References and recommendations

Section Two: Theoretical framework for the research

1.2 The political decision and regulatory environment of banks

It comes to mind that political decision is limited only to international, military, or similar transactions, and the result of these interactions only resulted in a lack of attention to the gap between political variables, economic variables, and financial variables in different business environments, which prompted many scientific opinions to address what is related to the effects of the political decision, that it is a temporary phenomenon or a result of urgent issues on society in its various categories, and therefore in this aspect, an attempt will be made to explain the nature of the political decision, its nature and types, and its relationship to economic factors. (Anggraini et al., 2023).

1.1.2 Definition of political decision

It is defined as a process, situation, or one of the solutions resulting from economic, social, financial, or cultural planning carried out by those who have

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decision-making authority to confront a specific issue according to emergency circumstances and events that require a decision and a choice between alternatives (Azra & Rahma, 2023). As for the definition of Sisi's decision in the accounting aspect, it is a directive from the competent authority in the region or state that affects the economic, legislative, and regulatory environment, and also affects accounting standards, disclosure, financial control, and performance. institutions (Xie et al., 2023).

The researcher believes that the definition of a political decision is basic, but the nature of its impact on the field will differ. Therefore, the political decision can be defined in the accounting business environment as the direction (action) taken by political or regulatory bodies to confront an issue with a financial (accounting) impact, which requires limiting the expansion of its effects or the potential and expected result in light of the influencing factors and prevailing changes, and achieving appropriate disclosure of the effects of this decision in the accounting business environment.

Therefore, the political decision in the accounting business environment includes a set of determinants, such as relying on laws and legislation regulating its preparation and application, moving towards a financial or accounting issue or problem to limit its effects and confronting it, and being subject to the factors and variables prevailing in the business environment, such as the independence of accounting standards, and considering it part of the requirements for disclosure and transparency of accounting information, in addition to using accounting information to monitor and evaluate the effects of decisions.

1.2.2 The nature of the political decision

The decision is characterized by its strategic nature because it emanates from higher levels, whether legislative or executive, and perhaps the political decision aims primarily to direct and regulate economic and societal activities. Therefore, the nature of the political decision is that it is a sovereign decision issued by bodies that have legislative and regulatory powers, such as the central bank, the stock market, and others (Kulachai et al., 2023). It is multi-dimensional, and environmental dimensions and variables affect it, such as social, economic, legal, and other factors (Manko, 2022). Accounting neutrality, the mechanism for

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presenting financial and non-financial data that has an accounting impact, is affected by it (Gazail et al., 2022), and it is also linked to the public interest. The decision works to control and protect resources and markets and enhance confidence in the prevailing economic system.

Therefore, the researcher believes, based on the previous presentation, that the types of basic decisions are limited to the following:

- Regulatory decisions, which are laws that obligate entities to apply accounting standards and the level of disclosure and transparency.
- Financial decisions, decisions that have a financial impact at the sub-unit level, that is, including one or more companies.
- Economic decisions, decisions that have a financial impact at the level of the overall unit, such as tax laws and exchange rate changes.
- Governance (oversight) decisions, which are decisions related to the independence of auditors or supervisory authorities.
- Exceptional decisions, represented by a rapid and immediate response to urgent financial and economic events and crises.
- Sustainability decisions (environmental), represented by decisions related to environmental disclosure, green financing, and continuity.

1.3.2 The relationship of political decision to accounting information

The relationship between political decision and accounting information can be determined through two main aspects:

- The first aspect: The pillars of political decision are the characteristics associated with rational and sound decision-making, such as a specific situation that requires deciding it with the decision-maker and the decision-maker being aware of its importance, and also obtaining the information and data necessary for making and making the decision, as well as sufficient time for making the decision and providing alternatives and settling on the most appropriate ones, and the scientific approach followed in making the correct decision appropriate to the situation or situation, all the way to the decision-maker (Amir & Salman, 2025).
- The second aspect: The qualitative characteristics of accounting information are addressed in the IASB 2018 conceptual framework, such as the basic characteristics of appropriateness and faithful representation, and the enhancing

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characteristics of understandability, comparability, verifiability, timeliness, and restrictions on cost-benefit information (IFRS, 2018).

Researchers see from the previous presentation the nature of political decision. There is a relationship of connection and integration between both the general framework of political decision and the field of accounting in light of the banking business environment, which converge at a fundamental intervening point, which is accounting and non-accounting information, as the latter represents two trends. The first represents the information that is provided to the decision makers (i.e. the authorized legislative or executive authority) so that they can compare the available and appropriate decision alternatives. The other trend is represented by the impact resulting from the decision and the resulting positive or negative results that occur through solving the issue or problem. With the lowest level of fundamental errors, which is why it is important to explain this impact on the quality of financial reports on the Iraqi banking sector in the next part.

2.2 The quality of financial reports in the banking environment

The quality of financial reports in the banking sector can be determined through a set of determinants such as banking governance, its ability to reduce banking risks, and disclosure of political interference in the banking business environment. These work together to achieve quality financial reports in the banking sector.

1.2.2 Banking Governance

Banking governance depends on two basic pillars: the privacy of the banking business and the mandatory requirements in preparing the financial reports for banks. The first pillar serves as protection for parties who benefit from banking services in full (current clients or investors) or wish to deal with them partially or in the future (prospective clients or investors). The nature of transactions is essentially based on legal and regulatory dealings (Ather et al., 2023). As for the second pillar, it is related to directives. It is mandatory to provide information whose aspects verify the qualitative characteristics of accounting information and what accounting standards require (Alaqla, 2023). Therefore, banking governance supports the quality of financial reports in the banking business environment through the following:

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- Banking secrecy (balance in disclosure). The nature of the banking environment is a commitment to the security and protection of information and data and ensuring their non-leakage in light of the current challenges (Altunbas et al., 2023), as banks seek to use banking secrecy with a balance of information disclosure as a point of competitive differentiation to attract customers and increase transactions, and this, in turn, is one of the poles of banking governance.
- The complexity of financial instruments (accounting measurement challenges). Banking transactions include many financial instruments that are characterized by complexity, such as futures contracts, financial derivatives, and others, which, despite the availability of accounting standards that regulate the accounting treatment of these instruments (Kouzez, 2022), depend in their entirety on the application of banking governance.
- Regulatory compliance (multiple regulatory bodies). Banking and banking institutions are subject to local and international regulatory bodies that work to ensure compliance with the implementation of instructions, decisions, and policies regulating banking work (Al-Ardi, 2021), and this is what makes them an essential pillar in achieving banking governance.

The researcher believes that the relationship between banking governance and the quality of financial reports is a complementary relationship that contributes to supporting banking stability in any country, whether it is government or private banks. Banking governance in the banking sector is considered a legitimate tool in providing accounting and non-accounting information to parties concerned with decision-making, comparison between alternatives, or forecasting the behaviour and trends of economic phenomena; thus, achieving the quality of financial reports positively in the banking sector depends on adopting the application of the three axes of banking governance.

2.2.2 The role of financial reports in reducing banking risks

Financial reports are viewed as an early warning that concerned parties rely on to prepare for potential and expected risks. Perhaps the difference between each of them is represented by two main criteria: the level of certainty and the frequency of occurrence (Agdehadji rt al., 2023). Potential risks have a low degree of certainty compared to the economic and political indicators provided, while the

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frequency of their occurrence is also low, such as wars, natural disasters, etc., while expected risks have high rates due to their repeated occurrence, which requires addressing them with administrative procedures and the formation of financial allocations (Williams, 2025). Therefore, financial reports work to provide quantitative and qualitative evidence that can be compared, analyzed and forecasted, allowing monitoring and evaluation of credit risks, operational risks, liquidity risks and other risks related to economic, political and social phenomena and the resulting preparations to confront them. Therefore, financial reports in the banking sector are considered the initial stage of plans to confront and manage banking risks.

3.2.2 Disclosure of political interference

Disclosure represents one of the fundamental dimensions affecting the enhancement of transparency and accountability in the banking business environment. It reflects the efficiency and ability of financial reports in demonstrating the impact of political actions and decisions on financial performance and banking governance. This type of disclosure requires clarifying the nature of political interventions in the banking business environment directly and indirectly, such as legislation and laws, financing decisions and government support, and political pressures that affect political decision-making (Xiao et al., 2023). All of these forms of political interference inherently affect the degree of confidence in the accounting and non-accounting information provided by financial reports. Therefore, the nature of the information that must be disclosed and has a direct relationship to political interventions is represented in the following (Ananzeh et al., 2023):

- The source of external influence. Financial reports show the financial effects resulting from foreign policies, such as government support, tax exemptions, changes in exchange rates, and others resulting from political variables.
- Stability of announced financial policies. Financial reports provide indicators that evaluate political changes and interventions to achieve a level of confidence in the short and medium term.
- Transparency about relevant transactions, providing accurate information that achieves the level of transparency required and targeted by clients, which is

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considered an element of attracting investments in light of political changes and events.

- Objectivity in presenting information. Political events and variables are considered fundamental matters that are difficult to address objectively, free from pressure. Therefore, when discussing disclosure of political interventions and their effects, the information must be presented objectively to ensure the interests of stakeholders.
- Time tracking of the results of decisions. Financial reports show, by comparison between close time periods, the results of decisions and the political events surrounding the period of preparing the financial reports, which also shows the financial report as an indicator of the soundness of those decisions and policies.
- The soundness of the regulatory environment. The financial reports show the weaknesses in the regulatory frameworks, which in turn work to limit manipulation and the lack of disclosure of the effects of political pressures.

3.2 Banking challenges in the Iraqi environment

The banking environment in Iraq faces many challenges that affect services, jobs, and the speed of information delivery, which in turn affects financial stability and support for economic development. These challenges lie in what the political and economic administration is doing in terms of political, financial, and social decisions regarding banking services. Therefore, among the most prominent challenges facing banking institutions in the Iraqi environment are the following:

- Technical infrastructure: The Iraqi banking environment faces a major challenge linked to modern factors such as the emergence of digital technologies, which has resulted in a radical change in the transformation of transactions from the traditional form to digital transformation (Ali et al., 2024). Therefore, the Iraqi banking environment may require striving towards improving the technology environment and expanding digital services while ensuring the achievement of cybersecurity for those services.
- Fluctuations in the national economy, representing changes and fluctuations in oil prices, movement in the exchange rate of monetary currencies, decreased purchasing power, instability of financial policies, and other unstable economic conditions in the short- and medium-term periods. A major challenge in the

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banking business environment (Gazail et al., 2022), as it negatively affects banks' profitability, the level of liquidity, and the flight of investments outside the country.

- Weak regulatory framework. Gaps in banking legislation affect the effectiveness of banking governance and the level of information transparency, which prompts the authorities to take exceptional measures and decisions to confront the deficiencies of banking institutions' oversight mechanisms.
- Lack of qualified cadres. Experience and specialized cadres are considered a challenge in banking institutions in dealing with FinTech, Financial Engineering, and other financial tools (Saleh et al., 2024), as the limited exposure of these cadres to modern financial tools hinders modernization and development.
- Operational and financial risks. Operational and financial risks are among the most prominent challenges facing banking institutions. Which is characterized by recurrence and certainty of occurrence over the course of a single financial period, especially in light of an unstable and volatile work environment (GIZ, 2023).
- International compliance. Current factors and variables are considered the most significant drivers of the difficulty of complying with international compliance requirements, whether in terms of necessary guidance procedures such as accounting standards, combating money laundering and the financing of terrorism, and tax compliance of countries in which universal taxation is applied (NFIS, 2025).
- Customer confidence: Banking institutions depend on the level of customer confidence in marketing their services, and therefore economic and political conditions have the greatest impact on increasing the level of confidence and providing banking services (GIZ, 2023). Given the overlapping factors surrounding banking institutions and the multiplicity of their trends between local and international, these institutions face a direct challenge in gaining customer confidence in light of these non-static variables.

Section Three: Applied Study

1.3 Objective of the applied study

The study aims to demonstrate the impact of the political decision on the sample of banks under study and to make a comparison for the same sample of banks for

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successive financial periods. To determine the degree of disparity between them, which is reflected in the quality of financial reports, while indicating the suitability of accounting and non-accounting information to reflect the impact of political decisions on the banking business environment.

2.3 The study sample is represented by a selected sample of Iraqi banks: 37 banks. The researcher identified a set of considerations that must be available in the bank, such as the availability of financial reports for the bank under study within their time limits, prepared in accordance with international accounting standards, as well as the banks under study listed on the Iraqi stock market, whose results reflect the required accuracy. After taking into account those considerations that are consistent with the study sample, with a total number of views of 111 views, Table No. (1) shows the selected banks listed on the Iraqi Stock Exchange.

Table (1): Study sample of banks

Banks listed in the Iraqi stock market under study		
The Islamic Bank of Iraq for Investment	The Credit Bank of Iraq (CBIRAQ)	The Trade Bank of Iraq (TBI)
Commercial Bank of Iraq (CBOI)	Hammurabi Commercial Bank (HC)	Rasheed Bank
Rafidain Bank RB	Bank of Baghdad BOB	Basra International Investment Bank BIB
International Development Bank (IDB)	Gulf Commercial Bank (GCB)	Iraqi Middle East Investment Bank
Assyria International Investment Bank AIIB	Dar Al Salam Investment Bank DSIB	Al Baraka Bank ALBARAKA
Al-Qurtas Islamic Investment Bank	First Iraqi Bank (FIB)	Kurdistan International Bank (KIB)
Tigris and Euphrates Bank DFB	Byblos Bank BYBLOSB	Iraqi Economic Bank EIB
Bank of Babel BABYLON	Islamic Cooperation Bank TAAWEN	Industrial Union Investment Bank
Investment Bank of Iraq (IBI)	Iraqi Middle East Bank	National Bank of Iraq (NBI)
Mosul Bank, MOSUL	North Bank	Sumer Bank
Union Bank of Iraq UBI	International Islamic Bank WIB	Elaf Islamic Bank ELAFB
United Investment Bank UIB	Al Janoub Islamic Bank, JANOOBI	Turkish Ziraat Bank, ZIRAAT
Melli Bank Iran (Iraq Branch) Melli	Pepsi Islamic Bank	

(Source: Central Bank of Iraq https://cbi.iq)

Economic Horizons: Journal of Business, Economics, and Finance
ISSN: 2980-5295
Volume 2, Issue 10, October, 2026
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3.3 Sources for obtaining data

In the data collection stage to conduct the statistical analysis for the applied study, the researcher relied on the following:

• Financial reports of the banks under study, through what is published on the website of the Iraqi Stock Exchange and the website of those banks, which support achieving the objectives of the study.

• Financial indicators, metrics, and analytical economic news related to banking transactions, through what is published on the Iraqi Stock Exchange website.

4.3 The statistical methods used

The program (SPSS)Version 25 was relied upon. Several methods were used, including descriptive statistics such as the arithmetic mean, standard deviation, variance, degree of confidence, Cronbach's alpha test, Pearson correlation matrix, simple linear regression test, and multiple linear regression.

5.3 Description of the study variables

The study variables are:

1) The independent variable: Efficiency of the political decision includes a group of indicators that are relied upon to evaluate the efficiency of the political decision in the banking business environment. The following is a presentation of the indicators included in that group:

• Clarity of Legislation CL: It is based on the total legal articles related to the banking business environment, excluding the articles cancelled as a result of non-positive effects on banking institutions, divided by the total annual legal articles.

• UL Laws Update: Depends on the number of legislations announced annually and related to banking decisions, divided by the total annual legislations related to the banking business environment.

• Commitment to implementing CI: It is based on the total number of banks, excluding banks excluded according to political decisions, divided by the total annual bank rate.

• Capital adequacy ratio (CAR): It depends on the ability of the banking institution's capital to confront risks without a financial collapse.

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• International Harmonization (IH): Depends on the number of legislation compatible with international accounting standards divided by the total annual legislation related to the banking business environment.

2) Dependent variables: The quality of financial reports includes a set of indicators that are used to evaluate the level of disclosure about the impact of the political decision on the accounting and non-accounting information included in the financial reports. The following is a presentation of the indicators included in that set:

• Credit GFI: It evaluates the financial performance of the economic entity and gives a future vision of the stability of its economic situation. Avoid financial collapse and protect shareholders' wealth.

• Profitability Rates (GMR): It works on stating the standard for achieving optimal disclosure of accounting information compared to the business number prepared in light of IAS1.

• OMR operating margin: It evaluates the company's efficiency in managing its operations and its ability to achieve profits from sales revenues.

• Return on Assets (ROA): It is used to evaluate the company's efficiency in using its assets to achieve profits. It is calculated by dividing net profit by average total assets.

• Price-to-earnings (BER): It is used to evaluate the value of shares, as it reflects the relationship between the current share price and the company's profits.

Table (2) Description of the study variables

No.	Indicator	Calculation Formula
Political Decision Efficiency (PDE)	Legislative Clarity (CL)	(Total legal articles – Number of repealed legal articles) ÷ Total legal articles × 100%
	Law Updating (LU)	(Number of legislations amended annually) ÷ Total annual legislations × 100%
	Implementation Compliance (IC)	(Total number of banks – Excluded banks) ÷ Total number of banks× 100%
	Capital Adequacy (CAR)	Capital (CA) ÷ Risk Provisions (Market + Credit + Operational) × 100%

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	International Alignment (IA)	(Number of legislations compliant with standards) ÷ Total annual legislations × 100%
Information Transparency and Disclosure (ITD)	Shareholder Protection (SP)	(Market value of equity + Value of debt) ÷ Total book value of assets × 100%
	Governance and Information Balance (GIB)	(Weights assigned to each sub-indicator) ÷ Total weights for all indicators × 100%
	Economic Value Added (EVA)	Net Operating Profit After Tax – (Invested Capital × Weighted Average Cost of Capital)
Financial Reporting Quality (FRE)	Credit Gap (CG)	Loans/Receivables – Deposits/Payables) ÷ Current Assets × 100%
	Profitability Rates (PR)	Gross Profit ÷ Net Revenues × 100%
	Operating Margin (OM)	Operating Profit ÷ Net Revenues × 100%
	Return on Assets (ROA)	Net Profit ÷ Total Assets × 100%
	Price-to-Earnings Ratio (PER)	Share Price÷Earnings Per Share x100

Source: Fitriana et al., 2024; PWC, 2024; Al-Ardi, 2021.

6.3 Study Models:

1.6.3 Model One: Political Decision Efficiency (PDE)

$PDE_it = \beta0 + \beta1\ CL_it + \beta2\ UL_it + \beta3\ CI_it + \beta4\ CAR_it + \beta4\ IH_it + e_it$ ..... (1)

PDE = Political Decision Efficiency

β1 CL_it = Represents the level of change in the Legislation Clarity Index (CL)

β2 UL_it = Represents the level of change in the Law Updating Index (UL)

β3 CI_it = Represents the level of change in the Implementation Commitment Index (CI)

β4 CAR_it = Represents the level of change in the Capital Adequacy Ratio Index (CAR)

β4 IH_it = Represents the level of change in the International Harmonization Index (IH)

Political Decision Efficiency (PDE) is defined by changes reflecting the efficiency of political decisions within the banking business environment. This

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encompasses the clarity of the legislation underpinning the decision (measured by the CL index); the updating and amendment of laws as a corrective measure for decision outcomes (UL); commitment to implementing the decision (CI); capital adequacy for managing risks arising from the decision's impact (CAR); and international harmonization (IH), which reflects the relationship between the political decision and international implications or investment-attraction agreements. The researcher utilizes this model to test the study's first hypothesis.

2.6.3 Model Two: Information Transparency and Disclosure (ITD)

$ITD_it = \beta0 + \beta1\ SOI_it + \beta2\ GIB_it + \beta3\ EVA_it + e_it$ ……...…… (2)

ITD = Represents the level of annual information transparency and disclosure, used for year-over-year comparison.

β1 SOI_it = Represents the level of change (±) in the Shareholder Protection Index (SOI).

β2 GIB_it = Represents the level of change (±) in the Governance and Information Balance Index (GIB).

β3 EVA_it = Represents the level of change (±) in the Economic Value-Added Index (EVA).

Information transparency and disclosure (ITD) comprise Shareholder Protection (SOI), Governance and Information Balance (GIB), Earnings Quality (QER), and Economic Value Added (EVA). These indicators reflect the quality of financial reporting and the symmetry of accounting and non-accounting information required from banking institutions. The researcher employs this model to test the study's second hypothesis.

3.6.3 Model 3: Financial Statement Quality (FSQ)

$FSQit = \beta0 + \beta1\ GFI\ it + \beta2\ GMR\ it + \beta3\ OMR\ it + \beta4\ RAR\ it + \beta5\ PER\ it + e\ it$ …… (2)

FSQ = Represents the annual financial quality level, used for comparison across years.

β1 GFI it = Represents the level of change (±) in the Credit Gap Index (GFI).

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β2 GMR it = Represents the level of change (±) in the Profitability Rate Index (GMR).

β3 OMR it = Represents the level of change (±) in the Operating Margin Index (OMR).

β4 RAR it = Represents the level of change (±) in the Return on Assets Index (RAR).

β5 PER it = Represents the level of change (±) in the Price-to-Earnings Ratio (PER).

Financial Statement Quality (FSQ) is defined by the Credit Gap Index (GFI), Profitability Rate Index (GMR), governance and information balance, Operating Margin Index (OMR), Return on Assets Index (RAR), and Price-to-Earnings Ratio (PER). These indicators illustrate the relationship between the efficiency of policy decisions and the achievement of financial statement quality in banking institutions. The researcher employs this model to test the study's third hypothesis.

7.3 Verifying Data Suitability for Statistical Analysis

This section addresses ensuring that the study data meet the necessary conditions for correctly conducting hypothesis testing. Verifying that the data follow a normal distribution is one of the most critical conditions. If the data deviate from a normal distribution, non-parametric statistical tests appropriate for this type of data are utilized. Additionally, checks are conducted for multicollinearity and autocorrelation within the data. Presented below are the results of the tests verifying the suitability of the study data, including tests for normality, multicollinearity, and autocorrelation. 1.7.3 Normality Test

The following table presents the results of the normality test used to assess the extent to which the study variables follow a normal distribution, based on Skewness and Kurtosis measures. The results are as follows:

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Table (2): Normal Distribution Test Results

Details	Index	Obs	Pr (Skewness)	Pr (Kurtosis)	adj_chi2(2)	Prob>chi2
Political Decision Efficiency (PDE)	CL	111	0.458	0.513	3.930	0.138
	UL	111	0.627	0.704	4.398	0.119
	CI	111	0.556	0.714	3.616	0.121
	CAR	111	0.555	0.620	3.884	0.106
	IH	111	0.682	0.762	3.197	0.131
Information Transparency and Disclosure (ITD)	SOI	111	0.650	0.728	3.992	0.123
	GIB	111	0.437	0.490	3.754	0.132
	EVA	111	0.599	0.672	4.201	0.114
Financial Reporting Quality (FSQ)	GFI	111	0.772	0.864	3.621	0.148
	GMR	111	0.736	0.824	4.522	0.139
	OMR	111	0.581	0.649	4.067	0.111
	PAR	111	0.714	0.798	3.347	0.137
	PER	111	0.681	0.762	4.180	0.129

Source: Prepared by the researcher based on software outputs. SPSS v25

The results of the normality test for variables related to financial stability—specifically CL, UL, CI, CAR, and IH—demonstrated that all of them follow a normal distribution. The probability values (Prob > chi2) for each of these variables exceeded the 0.05 significance level, indicating no significant deviation from a normal distribution; consequently, these variables are suitable for parametric statistical testing.

Regarding the transparency variables—namely SOI, GIB, and EVA—the results indicated that the data also follow a normal distribution; probability values ranged from 0.114 to 0.132. As all these values exceed 0.05, the hypothesis of normal distribution for these variables is supported, confirming their suitability for parametric data analysis methods.

As for the financial reporting quality dimension—comprising the variables GFI, GMR, OMR, PAR, and PER—the normality test results were similarly positive, with none of the variables recording a probability value below 0.05. Values ranged from 0.111 to 0.148, indicating no significant deviation from a normal distribution, thereby reinforcing the validity of using parametric tests to analyze these variables.

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2.7.3 Unit Root Test

The following table presents the unit root test results for the study variables, aimed at verifying the stationarity of the time series data. The Levin-Lin-Chu test—a common unit root test for panel data—was employed.

Table (3): Unit Root Test Results for Study Variables

Details	Index	Obs	t-test	Significance
Political Decision Efficiency (PDE)	CL	111	-22.8743	0.000
	UL	111	-3.2000	0.000
	CI	111	-4.1110	0.000
	CAR	111	-8.7938	0.000
	IH	111	-7.1549	0.000
Information Transparency and Disclosure (ITD)	SOI	111	-7.7400	0.000
	GIB	111	-8.8984	0.000
	EVA	111	-6.0150	0.000
Financial Reporting Quality (FSQ)	GFI	111	-2.8000	0.000
	GMR	111	-7.6945	0.000
	OMR	111	-4.2605	0.000
	PAR	111	-6.7725	0.000
	PER	111	-7.7861	0.000

Source: Prepared by the researcher based on SPSS v25 software output.

The unit root test results for all variables associated with Political Decision Efficiency (PDE)—namely CAR, AQR, QER, and LVR—demonstrated strong statistical significance; the p-value for each was 0.000, which is below the 0.05 significance level. These results indicate that the variables in question are stationary (i.e., they do not contain a unit root), thereby enhancing the reliability of their use in time-series statistical models. Regarding the information transparency variables—namely SOI, GIB, and EVA—unit root test results indicated that they are all stationary. The probability values were below 0.05, and the test statistics were negative and relatively large; this reflects the stability of these time series and their suitability for analysis without the need for further differencing or transformation.

Similarly, results for the financial reporting efficiency variables—GFI, GMR, OMR, PAR, and PER—showed no evidence of a unit root, with all probability

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values recorded at 0.000. These findings confirm that the variables are stationary and stable, supporting their use in time-series analytical models without modification.

3.7.3 Descriptive Statistics for Study Variables

The following table presents the arithmetic mean, standard deviation, and maximum and minimum values for the study variables. The results are as follows:

Table (4): Descriptive Statistics for the Study Sample

Details	Index	Min	Max	Mean	SD
Political Decision Efficiency (PDE)	CL	1.02	9.11	3.117	0.704
	UL	2	4	3.267	0.881
	CI	0.97	1.45	3.056	0.816
	CAR	1.77	0.47	3.211	0.859
	IH	0	4.96	3.18	0.858
Information Transparency and Disclosure (ITD)	SOI	0.87	0.39	3.187	0.812
	GIB	1.62	8.21	3.327	0.79
	EVA	0.11	0.35	3.211	0.793
Financial Reporting Quality (FSQ)	GFI	0.88	1.01	3.005	0.691
	GMR	0.18	0.47	3.127	0.824
	OMR	1.77	1.99	3.28	0.859
	PAR	1.59	2.09	3.31	0.799
	PER	0.31	0.95	3.445	0.881

Source: Prepared by the researcher based on SPSS v25 output.

The Political Decision Efficiency (PDE) indicators—CL, UL, CI, CAR, and IH—showed mean values close to 3, with standard deviations ranging from 0.70 to 0.88, indicating moderate variation in the values. Maximum and minimum values varied—particularly for the LVR index, which reached a minimum of zero—reflecting disparities in financial stability levels among the banks under study. Similarly, Information Transparency and Disclosure (ITD) indices (SOI, GIB, EVA) recorded averages around 3.2, with notable variation in standard deviations—especially for the GIB index, which ranged from 1.62 to 8.21—

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indicating significant disparity in disclosure and transparency practices across the sample.

Meanwhile, Financial Reporting Quality (FE) indices (GFI, GMR, OMR, PAR, PER) showed a range of averages from 3 to 3.45, accompanied by moderate standard deviations. Relative stability was observed in indices such as GFI and OMR, contrasted by greater variation in indices like GMR and PER, reflecting differences in financial reporting quality among the Iraqi banks studied.

Consequently, descriptive statistics indicate noticeable disparities among the banks across all study dimensions—with varying degrees of homogeneity and dispersion—reflecting differences in performance, financial policies, and disclosure practices within the sample.

4.7.5 Analysis and Discussion of Study Hypothesis Test Results

The study hypotheses aim to demonstrate the impact of policy decisions on financial reporting quality within the Iraqi banking business environment across several dimensions: Policy Decision Efficiency (PDE), Information Transparency and Disclosure (ITD), and Financial Reporting Quality (FSQ). Additionally, the study examines the relationship between policy decisions and both financial and non-financial performance in Iraqi banking institutions. Before discussing the hypothesis test results, we first evaluate the quality of the models used to test these hypotheses to verify the applicability of the findings.

8.3 Normal Distribution of Study Model Residuals

Table (5): Results of the Normal Distribution Test for Study Model Residuals

Variable	Obs	W	V	Z	Prob>z
Resid1	111	0.452	14.653	1.356	0.143
Resid2	111	0.356	16.782	2.256	0.245
Resid3	111	0.237	11.267	3.267	0.172

Source: Prepared by the researcher based on SPSS v25 output.

The Shapiro-Wilk test, used to verify the distribution of residuals for the three models (Resid1, Resid2, Resid3), demonstrated that all residuals follow a normal distribution to an acceptable degree. The probability values (Prob > z) were 0.143, 0.245, and 0.172, respectively. All these values exceed the 0.05 significance level,

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ISSN: 2980-5295
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meaning the null hypothesis—stating that the data follow a normal distribution—cannot be rejected.

Furthermore, the W values ranged from 0.237 to 0.452; although relatively low, their associated probability values confirm that the deviation from a normal distribution is not statistically significant. Consequently, the results indicate that the residuals of the three models follow a normal distribution sufficient for the application of parametric hypothesis tests, thereby enhancing the reliability of the statistical models used in the study. 1.8.3 Testing the First Hypothesis: There is a statistically significant relationship between political decision-making efficiency and the Iraqi banking business environment.

First: Quality Results of the First Study Model:

To test the study hypothesis, a model quality test was conducted to verify the quality of the model's outputs. Several tests were performed, and the results of the measurement models are presented below:

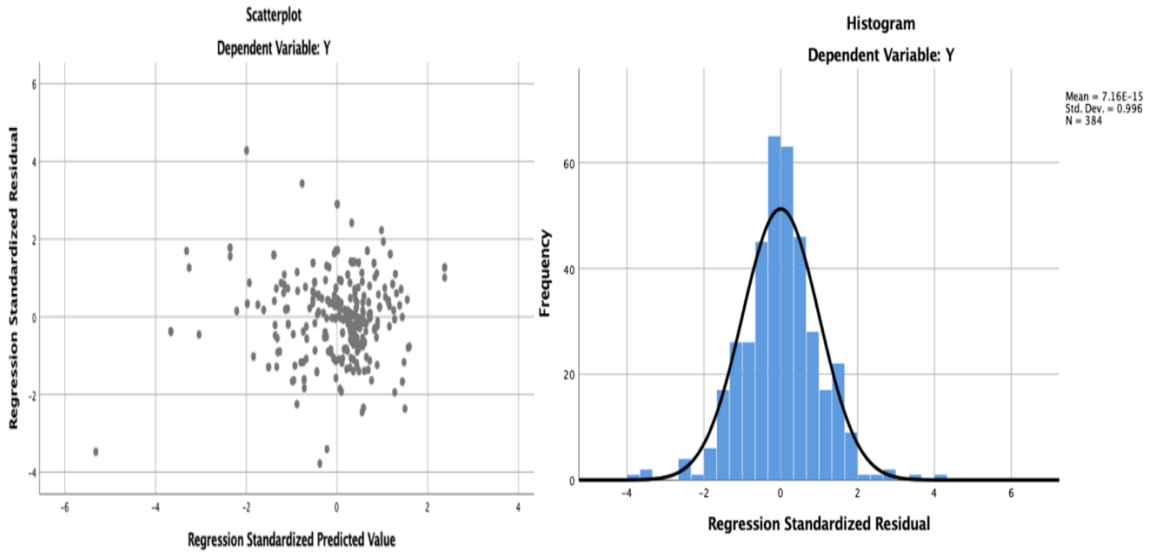


Figure (1): Normal distribution of the residuals for the first hypothesis model.
Source: Prepared by the researcher based on statistical analysis outputs.

Figure (2) presents two plots for evaluating the residuals of the regression model concerning the "Political Decision Efficiency" (PDE) variable. The first plot—a histogram—displays the distribution of standardized residuals alongside a normal curve to illustrate how closely the residual distribution aligns with a normal

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ISSN: 2980-5295
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distribution; the plot shows that the mean of the residuals is close to zero and the standard deviation is approximately 1, supporting the validity of the regression model's assumptions. Meanwhile, the second plot—a scatterplot—reveals that the data points are randomly distributed around the horizontal axis without a discernible pattern, indicating the absence of significant issues within the regression model.

Second: Correlation analysis results for the study's first model:

Table (6) presents the results of the correlation analysis using the Pearson coefficient to measure the strength and direction of the relationship between political decision efficiency and the Iraqi banking business environment. The results indicate the existence of statistically significant positive correlations (Sig. = 0.000) regarding political decision efficiency (PDE) in Iraqi banks.

Table (6): Pearson correlation matrix for the variables of the study's first model.

Variable	(1)	(2)	(3)	(4)	(5)	(6)
PDE(1)	1.000					
CL(2)	0.553*	1.000				
	(0.000)					
UL(3)	0.650*	0.034	1.000			
	(0.000)	(0.485)				
CI(4)	0.451*	0.176*	0.514*	1.000		
	(0.000)	(0.000)	(0.000)			
CAR(5)	0.260*	0.276*	-0.244*	-0.258*	1.000	
	(0.000)	(0.000)	(0.000)	(0.000)		

Source: Prepared by the researcher based on SPSS v25 software outputs.

The correlation coefficient between the efficiency of political decision-making (PDE) and its impact on the Iraqi banking business environment was analyzed. The correlation with legislative clarity (CL) was approximately 0.553, indicating a moderately strong positive relationship. The relationship with the modernization of laws (UL) was approximately 0.650, making it the most influential factor. Commitment to decision implementation (CI) showed a correlation of approximately 0.451, confirming a moderate relationship between adherence to decisions and the development of the Iraqi banking environment.

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ISSN: 2980-5295
Volume 2, Issue 10, October, 2026
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Capital adequacy (CAR) showed a moderate correlation of 0.260. Finally, international harmonization (IH) showed a correlation of approximately 0.566, confirming the necessity of adjusting international agreements regarding Iraqi banks.

The results confirm that the efficiency of political decision-making contributes effectively to the development and reform of the Iraqi banking business environment in several ways: considering post-legislative impact, envisioning future trends for political decisions (such as the flexibility of laws and regulations), and ensuring commitment to implementing decisions related to the banking environment.

Third: Results of the multiple regression analysis for the study's first model:

The first hypothesis—stating that "there is a statistically significant positive relationship between the efficiency of political decision-making and the development of the Iraqi banking business environment"—was tested. This relationship is defined by the interaction between political decision-making efficiency and the following variables: legislative clarity (CL), modernization of laws (UL), commitment to decision implementation (CI), capital adequacy (CAR), and international harmonization (IH).

Table (7): Statistical analysis results for testing the efficiency of political decision-making.

PDE	β	t-value	p-value	Sig
CL	0.325	9.534	0.000	**
UL	0.434	10.730	0.000	**
CI	0.319	5.900	0.000	**
CAR	0.333	6.019	0.000	**
IH	0.542	5.716	0.000	**
Constant	0.219	6.486	0.000	**
R-squared	0.788	R2 adj	0.717	
F-test	77.346	Prob > F	.000b	
*** p<.0. 1, ** p<.0. 5, * p<.1				

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Source: Prepared by the researcher based on SPSS v25 output.

The statistical analysis results in the table above demonstrate a statistically significant positive relationship between the political decision and the development of the banking business environment. Political Decision Efficiency (PDE) was measured using five sub-indicators: Legislative Clarity (CL), Law Modernization (UL), Commitment to Implementation (CI), Capital Adequacy (CAR), and International Harmonization (IH). All p-values were below 0.05, indicating high statistical significance at a 95% confidence level. Furthermore, the high regression coefficients (β) and t-values reflect that the implementation of IFRS 18 contributes positively and effectively to enhancing these indicators. The regression equation derived for the first model is presented below. FS_it = 0.219 + 0.325 CL_it + 0.434 UL_it + 0.319 CI_it + 0.333 CAR_it + 0.542 HI_it

The adjusted coefficient of determination (R-squared adj) for the political decision efficiency (PDE) model reached approximately 0.788, indicating the model's ability to explain about 78.8% of the variation in political decisions. Consequently, the study hypothesis stating that "there is a statistically significant positive relationship between political decision efficiency and the development of the Iraqi banking business environment" is accepted.

2.8.3 Testing the Second Hypothesis:

There is a statistically significant negative relationship between the level of Iraqi banks' compliance with international accounting standards and the level of information transparency and disclosure regarding the consequences of political decisions.

First: Quality results of the second study model:

To test the second study hypothesis, tests were conducted to assess the quality of the study model and ensure the reliability of the outputs. Several tests were performed, and the results of the measurement models are presented below:

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Volume 2, Issue 10, October, 2026
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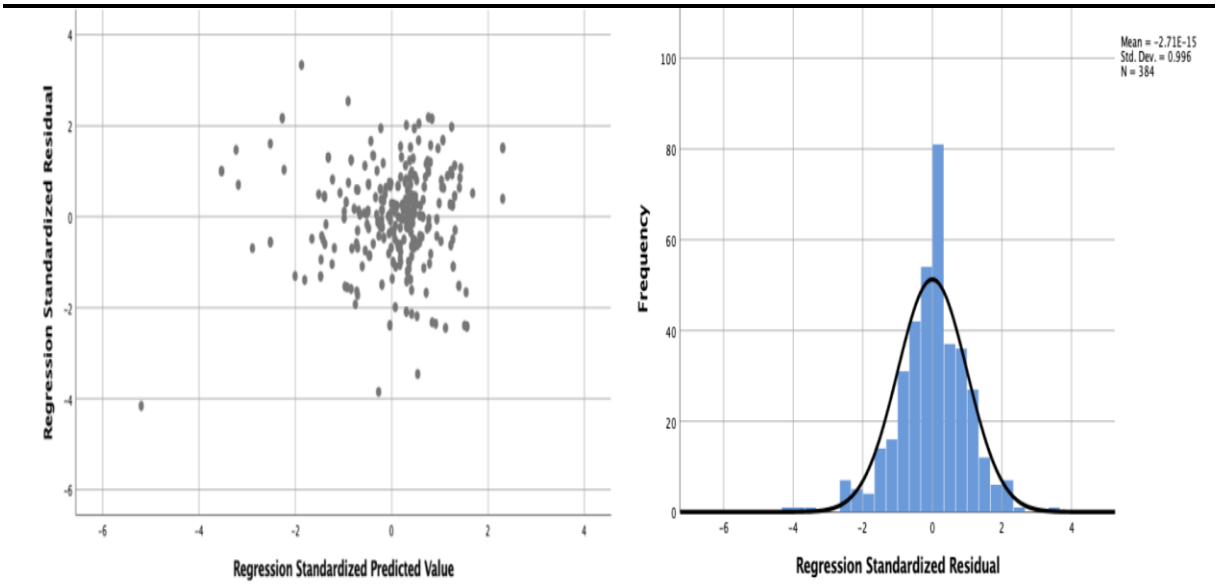


Figure (2): Normal distribution of residuals for the second hypothesis model.
Source: Prepared by the researcher based on statistical analysis outputs.

The results in Figure (5) present two plots for evaluating the residuals of the regression model concerning the dependent variable (ITD). The first plot—a histogram—displays the distribution of standardized residuals alongside a normal curve to illustrate the extent to which the residual distribution aligns with a normal distribution; the plot shows that the mean of the residuals is close to zero and the standard deviation is approximately 1, supporting the validity of the regression model's assumptions. Meanwhile, the second plot—a scatterplot—reveals that the data points are randomly distributed around the horizontal axis without a discernible pattern, indicating the absence of significant issues within the regression model.

Second: Correlation analysis results for the study's second model

Table (6) presents the results of the Pearson correlation analysis, which measures the strength of the relationship between the political decision and the transparency of accounting and non-accounting information in financial reports issued by Iraqi banking institutions. The results indicate the existence of significant positive correlations between the implementation of the standard and a set of variables reflecting disclosure transparency, all of which are statistically significant at a level below 0.05.

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Table (8): Pearson correlation matrix for the variables of the study's second model

Variable	(1)	(2)	(3)	(4)
ITD(1)	1.000			
SOI(2)	0.428*	1.000		
	(0.000)			
GIB(3)	0.364*	0.033	1.000	
	(0.000)	(0.448)		
EVA(5)	0.100*	0.011	0.473*	1.000
	(0.000)	(0.807)	(0.000)	
*** $P<0.01$, ** $p<0.05$, * $p<0.1$				

Source: Prepared by the researcher based on SPSS v25 software outputs.

The results revealed a moderately strong positive correlation (0.428) between adherence to International Accounting Standards within the Iraqi banking sector and the Shareholder Protection Index (SOI). This was followed by a correlation with Governance and Information Balance (GIB) of 0.364. While the correlation with Economic Value Added (EVA) was relatively weak at 0.100, it remained statistically significant ($p = 0.020$).

Third: Results of the multiple regression analysis for the study's second model:

The second hypothesis was tested, which states: "There is a statistically significant negative relationship between the level of Iraqi banks' adherence to International Accounting Standards and the level of information transparency and disclosure regarding the consequences of policy decisions." The relationship is defined between the transparency and disclosure of accounting and non-accounting information (as the independent variable) and the sub-independent variables: Shareholder Protection (SOI), Governance and Information Balance (GIB), and Economic Value Added (EVA). The analysis focuses on measuring the extent to which Iraqi banks adhere to accounting standards and their capacity to disclose the impacts resulting from policy decisions.

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ISSN: 2980-5295
Volume 2, Issue 10, October, 2026
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Table (9): Statistical analysis results regarding Iraqi banks' adherence to International Accounting Standards.

IDT	β	t-value	p-value	Sig
SOI	0.300	8.389	0.000	**
GIB	0.434	9.442	0.000	**
EVA	0.299	5.192	0.000	**
Constant	0.082	5.708	0.000	**
R-squared	0.641	R2 adj	0.607	
F-test	66.114	Prob > F	.000b	
*** p<.0. 1, ** p<.0. 5, * p<.1				

Source: Prepared by the researcher based on SPSS v25 software outputs.

The statistical analysis results in Table (9) demonstrate a strong, statistically significant relationship between the level of Iraqi banks' adherence to International Accounting Standards and the level of information transparency and disclosure regarding the impacts of political decisions. This impact was measured using three sub-indicators representing different facets of transparency: Shareholder Protection (SOI), Governance and Information Balance (GIB), and Economic Value Added (EVA). All variables showed high statistical significance at a 99% confidence level (p-value = 0.000), reflecting the strong positive impact of disclosure and transparency practices within the banking business environment regarding the outcomes of political decisions. The regression equation derived for the second model is presented below:

ITDit = 0.082 + 0.300 SOI it + 0.434 GIB it + 0.299 EVA it

Regarding explanatory power, the adjusted coefficient of determination (Adjusted R-squared) for the Information Transparency and Disclosure (ITD) model was approximately 0.641; this indicates that the model explains about 64.1% of the variation in information transparency. Furthermore, the F-test for the ITD model yielded a value of 66.114 with a significance level of 0.000, reinforcing the model's reliability and efficiency in explaining the relationship between ITD and PDE. Consequently, the study rejects the hypothesis stating that "there is a statistically significant negative relationship between the level of Iraqi banks' adherence to International Accounting Standards and the level of information transparency and disclosure regarding the impacts of political decisions." 3.8.3

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Testing the Third Hypothesis: There is a statistically significant positive relationship between the ability of Iraqi banks to meet customer requirements and the quality of financial reports regarding the comprehensiveness and accuracy of disclosure concerning the effects of political decisions.

First: Results regarding the quality of the third study model:

To test the third study hypothesis, tests were conducted to assess the quality of the study model and verify the quality of the outputs. Several tests were performed, and the results of the measurement models are presented below:

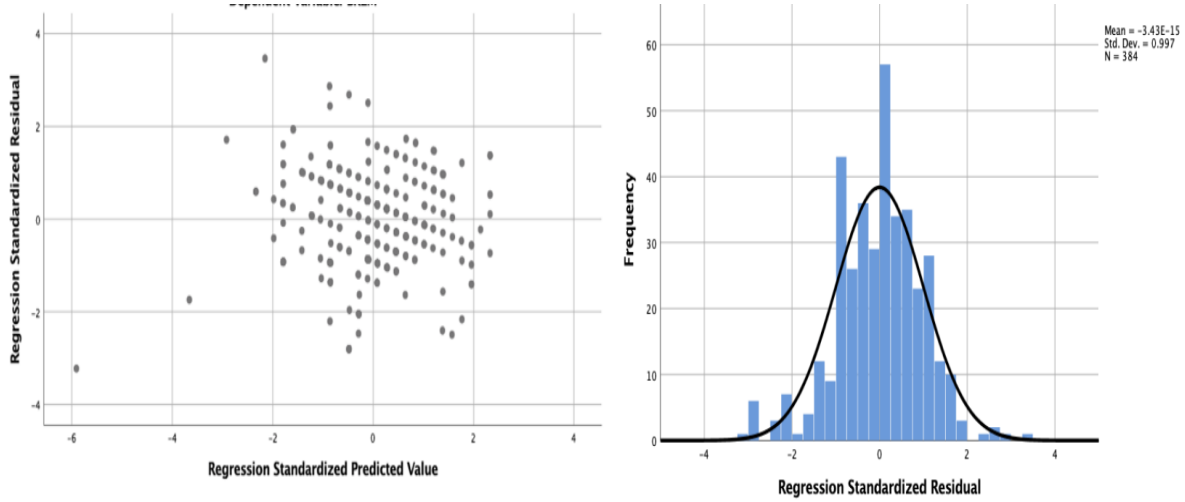


Figure (3): Normal distribution of the residuals for the third hypothesis model.

Source: Prepared by the researcher based on statistical analysis outputs.

Figure (4) presents two plots for evaluating the residuals of the regression model concerning Financial Reporting Quality (FSQ). The first plot—a histogram—displays the distribution of standardized residuals alongside a normal curve to illustrate the extent to which the residual distribution aligns with a normal distribution; the plot shows that the mean of the residuals is close to zero and the standard deviation is approximately 1, supporting the validity of the regression model's assumptions. Meanwhile, the second plot—a scatterplot—shows data points distributed randomly around the horizontal axis without a discernible pattern, indicating the absence of significant issues within the regression model.

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Volume 2, Issue 10, October, 2026
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Second: Correlation analysis results for the study's third model:

Table (8) presents the results of the Pearson correlation analysis regarding the relationship between Financial Reporting Quality (FSQ) and Policy Decision Efficiency (PDE) and their impact on the Iraqi banking environment. The results reveal significant positive correlations between FSQ and PDE, with clear statistical significance, as the p-values for all variables were below 0.05.

Table (10): Pearson correlation matrix for the variables of the study's third model.

Variable	(1)	(2)	(3)	(4)	(5)	
FSQ(1)	1.000					
GFI(2)	0.158*	1.000				
	(0.000)					
MR(3)	0.260*	0.035	1.000			
	(0.000)	(0.417)				
MR(4)	0.118*	0.123*	-0.214*	1.000		
	(0.000)	(0.004)	(0.000)			
AR(5)	0.095*	0.183*	-0.224*	0.667*	1.000	
	(0.000)	(0.000)	(0.000)	(0.000)		
PER(6)	0.042*	0.030	-0.048	0.270*	0.260*	1.000
	(0.000)	(0.494)	(0.267)	(0.000)	(0.000)	
*** $P<0.01$, ** $p<0.05$, * $p<0.1$						

Source: Prepared by the researcher based on SPSS v25 software outputs.

The key indicators analyzed included the Credit Gap (GFI) at 0.158, Gross Margin Ratio (GMR) at 0.260, Operating Margin Ratio (OMR) at 0.118, Return on Assets (RAR) at 0.095, and Price-to-Earnings Ratio (PER) at 0.042. The GMR recorded the highest correlation, indicating a moderate positive relationship that reflects the role of Financial Statement Quality (FSQ) in supporting profitability rates, while the correlation values for the remaining variables were moderate. These results indicate an improvement in how policy decisions—and their disclosed impacts—are reflected in the GFI, GMR, OMR, RAR, and PER indicators. This clearly contributes to the efficiency of the banks' financial and operational performance by enhancing indicators related to activity profitability and the quality of financial resource allocation, in light of the disclosure of policy decision outcomes.

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Third: Results of the multiple regression analysis for the study's third model:
The third hypothesis was tested, stating that "there is a statistically significant positive relationship between the ability of Iraqi banks to meet customer requirements and the quality of financial reports in terms of the comprehensiveness of disclosure regarding the impacts of policy decisions," and the impact of the relationship between Financial Statement Quality (FSQ) and Policy Decision Efficiency (PDE) was examined, as shown in the following table:

Table (11): Statistical analysis results for testing the relationship between Financial Statement Quality (FSQ) and Policy Decision Efficiency (PDE).

FSQ	β	t-value	p-value	Sig
GFI	0.331	7.383	0.000	**
GMR	0.221	8.309	0.000	**
OMR	0.441	4.569	0.000	**
RAR	0.303	6.497	1.000	**
PER	0.413	4.020	2.000	**
Constant	0.072	3.782	0.000	**
R-squared	0.582	R2 adj	0.563	
F-test	9.911	Prob > F	.000b	
*** p<.0. 1, ** p<.0. 5, * p<.1				

Source: Prepared by the researcher based on SPSS v25 software outputs.

The results in Table (9) indicate a statistically significant relationship between Financial Statement Quality (FSQ) and Policy Decision Efficiency (PDE). This relationship is measured using a set of indicators: the Financial Gap (GFI), Gross Margin Ratio (GMR), Operating Margin Ratio (OMR), Return on Assets (RAR), and Price-to-Earnings Ratio (PER). All variables showed strong statistical significance (p-value = 0.000), reflecting a clear, substantial impact of achieving financial statement quality on the reflection of the results and effects of policy decisions. The regression equation derived for the third model is as follows:
FSQit = 0.072 + 0.331 GFI it + 0.221 GMR it + 0.441 OMRit + 0.303 RAR it + 0.413 PER it
It is observed that the impact coefficient (β) in the FSQ model reached high values ranging from 0.221 to 0.582, reflecting a strong correlation between FSQ and

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PDE in enhancing financial statement quality within the Iraqi banking business environment; for instance, the β coefficient for the OMR variable was 0.441, while the β value for GFI was 0.331. Furthermore, the adjusted coefficient of determination (Adjusted R-squared) for the FSQ model was 0.563, and the F-test recorded a value of 9.911 with strong significance ($p < 0.01$), thereby reinforcing the model's validity and explanatory suitability. Accordingly,

The study hypothesis stating that "there is a statistically significant positive relationship between the ability of Iraqi banks to meet customer requirements and the quality of financial reports—specifically regarding the comprehensiveness and accuracy of disclosure concerning the impact of political decisions—" is accepted.

4. Results and Recommendations

1.4 Research Results

The study reached a set of significant findings regarding the impact of political decisions on the quality of financial reports within the Iraqi banking business environment, based on statistical analysis and empirical testing conducted on a sample of Iraqi banks. The key findings are:

4. Results and Recommendations

1.4 Research Results

Through statistical analysis and empirical testing on a sample of Iraqi banks, the study reached several significant findings regarding the impact of political decisions on the quality of financial reporting within the Iraqi banking business environment. The key findings are:

a) Political Decision Efficiency (PDE): The results demonstrated a statistically significant positive relationship between PDE and the achievement of financial stability for the Iraqi banks under study. The coefficient of determination (R^2) reached 78.8%, confirming a substantial impact on both the financial and non-financial performance of these banks. Furthermore, the nature of political decisions was found to be flexible, spanning the implementation phase (pre-impact) and the application outcomes (post-impact).

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b) Improving Information Transparency and Disclosure (ITD): The results revealed a statistically significant positive relationship linked to the requirement for Iraqi banks to adopt international accounting standards. This adoption fosters transparency and disclosure regarding both accounting and non-accounting information—reflecting the consequences and efficiency of political decisions—thereby elevating transparency levels. The coefficient of determination reached 64.1%, indicating an improvement in the financial statements' ability to provide accurate and comprehensive information regarding shareholder protection, governance, and economic value added.

c) Enhancing Financial Reporting Quality (FSQ): The results confirmed a positive impact regarding the information needs of financial report users—specifically concerning the accounting and non-accounting data used to evaluate reporting quality and the role of such reports in disclosing the outcomes of political decisions. The coefficient of determination stood at 56.3%. This indicates that FSQ enables users to better evaluate indicators such as the credit gap, operating margin, return on assets, and earnings per share.

d) Stability of variables: Unit root tests demonstrated that all study variables are stationary, reflecting data stability and reliability for constructing accurate analytical models.

e) Adherence to normal distribution: Normality tests showed that both the study data and model residuals follow a normal distribution, justifying the use of parametric statistical models and enhancing the credibility of the results.

2.4 Research Recommendations

In light of the findings, the study recommends the following:

a) Assessing the necessary readiness and capabilities for the early adoption of IFRS 18 and IFRS 19 within the Iraqi banking sector by upgrading financial reporting systems to align with the new presentation and disclosure requirements.

b) Qualifying finance and accounting personnel through specialized training programs to understand the implementation of IFRS 18 and IFRS 19 in the Iraqi banking environment and to recognize their benefits in enhancing the quality of accounting information and investment decisions.

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c) Reviewing and updating internal accounting policies to align with the new disclosure requirements and to avoid common errors, thereby narrowing the gap between financial reporting and the policy decisions that impact the Iraqi banking business environment.
d) Strengthening the role of internal control and audit units to ensure the reliability of the actual implementation of the standards within banking institutions and to prevent any manipulation or disclosure deficiencies.
e) Supporting regulatory and supervisory bodies—such as the Central Bank and the financial oversight authority—in issuing guidance manuals for IFRS 18 and IFRS 19 tailored to the specific nature of the Iraqi banking environment.

3.4 Future Research Directions

The study proposes the following future research directions:
a) Conducting applied comparative studies across various economic sectors (such as the industrial or insurance sectors) to evaluate the impact of policy decision efficiency on the quality of financial reporting outside the banking sector.
b) Assessing the regulatory impact of implementing the standard on the legislative and supervisory environment, and proposing appropriate amendments to support effective compliance in Egypt and Arab countries.
c) Assessing the long-term cumulative impact of implementing IFRS 18 and IFRS 19 on enhancing transparency and the quality of financial reporting in Iraqi banks, while examining the sustainability of improvements in Policy Decision Efficiency (PDE) and Information Transparency/Disclosure (ITD) quality within the context of policy decisions.
d) Developing an integrated statistical model linking policy decision efficiency with the qualifications of financial and accounting personnel, to measure the contribution of specialized training to improving Financial Reporting Quality (FRQ) and narrowing the information gap between decision-makers and investors.
e) Analyzing the impact of continuous adjustments in accounting and regulatory policies on the reliability of financial reports, focusing on the role of internal controls and regulatory guidelines in mitigating risks associated with inadequate disclosure or information manipulation.

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