

-RESEARCH ARTICLE-

THE IMPACT OF IFRS ADOPTION, INSTITUTIONAL FACTORS, AND GLOBAL ECONOMIC FACTORS ON ECONOMIC PERFORMANCE: MEDIATING THE ROLE OF INFORMATION TRANSPARENCY

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—Abstract—

The economic performance of an organisation relies on the transparency of its information system and the implementation of an effective reporting system. This aspect requires the attention of policymakers and new researchers. This article investigates the effects of adopting international financial reporting standards (IFRS), as well as institutional and global economic factors, on the economic performance of the top ten registered organisations in Iraq. The study also checks the mediating role of information transparency among adoption of IFRS, institutional and global economic factors and economic performance of Iraqi organizations. The study collected the data from the employees of top ten registered organization using surveys. The study also used smart-PLS to check the associations among variables. The study found that the adoption of IFRS, institutional factors, and global economic factors significantly affect the economic performance of Iraqi organisations. The article also investigated the mediating role of information transparency in the relationship between the adoption of IFRS, institutional and global economic factors, and the economic performance of Iraqi organisations. Policymakers derive ideas from studies that explore the effective adoption of International Financial Reporting Standards (IFRS) in organisations to enhance economic performance.

Keywords: Adoption of International Financial Reporting Standards (IFRS), Institutional Factors, Global Economic Factors, Economic.

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INTRODUCTION

The adoption of International Financial Reporting Standards (IFRS) has become a priority for many nations seeking to enhance their economic performance and attract international investment in the current globalised economy. The objective of enhancing transparency and facilitating access to international capital markets often motivates the adoption of IFRS. Enhancing the quality and comparability of financial reporting achieves this (Brochet, Jagolinzer, & Riedl, 2013). However, the broader institutional framework that governs the application of accounting rules can influence the extent to which the adoption of IFRS achieves its objectives. The adoption of IFRS in Iraq may encounter specific challenges and opportunities due to institutional deficiencies, including political instability, corruption, and weak regulatory enforcement, which have historically impeded economic advancement (Guerreiro, Lima Rodrigues, & Craig, 2021). The understanding of the interplay between accounting standards, institutional frameworks, and global economic dynamics is crucial for policymakers, investors, and other stakeholders as Iraq undergoes post-conflict recovery.

Moreover, Iraq's economic performance is impacted by external factors due to its integration into the global economy. These factors include fluctuations in oil prices, geopolitical tensions in the region, and global economic cycles. These factors significantly influence the effectiveness of domestic policy measures. Iraq's economy heavily relies on oil exports, making it vulnerable to fluctuations in global oil markets (Alao & Payaslioglu, 2021). According to Colombo & Soler i Lecha (2021), the Middle East's geopolitical challenges, such as conflicts with neighbouring countries and the rise of non-state actors, have recently contributed to increased uncertainty and economic volatility in the region. The COVID-19 pandemic has significantly affected Iraq's economy, leading to global supply chain disruptions, a decrease in the oil market, and a resurgence of pre-existing socioeconomic problems. Information transparency is a crucial mechanism that mediates the influence of institutional elements, global economic dynamics, and the adoption of IFRS on economic performance. Xie et al. (2019) argue that transparency can reduce information asymmetries, decrease agency costs, and enhance resource allocation efficiency by improving the accessibility and reliability of financial information. These benefits will ultimately contribute to economic development and stability. The potential gains from implementing institutional changes to enhance corporate governance systems, regulatory enforcement, and financial reporting standards may not be realised.

This study has multiple objectives. This study aims to assess the impact of implementing IFRS on Iraq's economic performance, with a specific focus on the role of information transparency as a moderating factor. This study examines the impact of institutional factors, such as regulatory enforcement and governance structures, on the adoption of IFRS in Iraq. The study aims to investigate the influence of international economic factors, such as changes in oil prices and geopolitical instability, on Iraq's economic performance and the adoption of

IFRS. The research aims to provide empirical insights on the interaction between institutional frameworks, accounting standards, and international economic dynamics in Iraq's economic outcomes. These insights are intended to educate investors, politicians, and other stakeholders. This study addresses gaps in the existing literature regarding the impact of institutional elements, global economic dynamics, and the adoption of IFRS on economic performance, particularly in the context of Iraq. The primary objective of this study is to provide empirical evidence regarding the influence of implementing IFRS in Iraq on economic performance. This topic has received limited attention in previous research. This study aims to examine the mediating role of information transparency, a topic often overlooked in prior research on the relationship between accounting standards and economic outcomes. This research aims to analyse the potential and constraints of implementing IFRS in Iraq, considering the country's institutional and economic framework.

In the next section of this research, we will investigate the relevant literature review, provide a research methodology, and conduct a full empirical analysis to test the proposed hypotheses.

LITERATURE REVIEW

The adoption of standardised accounting methods, such as IFRS, plays a vital role in promoting economic growth and stability. This is evidenced by the positive correlation observed between the adoption of IFRS and economic performance in various global contexts. According to [Opare, Houqe, & Van Zijl \(2021\)](#), the adoption of IFRS enhances financial reporting by aligning accounting procedures with globally recognised standards, thereby promoting transparency, comparability, and quality. This fosters investor confidence and enables effective capital allocation. The increased transparency benefits investors by enabling more informed decision-making, reducing information asymmetry, and facilitating easier access to capital markets. Consequently, this enhances market liquidity and reduces capital costs ([Opare et al., 2021](#)). [Hlel, Kahloul, & Bouzgarrou \(2020\)](#) argue that the adoption of IFRS is associated with improved corporate governance practices. This is because IFRS requires businesses to provide stakeholders with more comprehensive and transparent financial information. Additionally, it reduces agency expenses, thereby promoting greater responsibility and ultimately enhancing business value. Transparent financial reporting under IFRS promotes confidence in financial markets, attracting foreign and local capital ([Prather-Kinsey, De Luca, & Phan, 2022](#)). The adoption of IFRS may stimulate economic growth through funding profitable initiatives, generating employment opportunities, and promoting entrepreneurship and innovation with the influx of investment funds.

The implementation of IFRS enhances the credibility of financial statements, which is vital for countries to attract foreign direct investment (FDI) and promote economic growth ([Hlel et al., 2020](#)). Investors are more inclined to invest in countries with reliable

financial reporting systems due to their perception of lower risks and higher returns. The adoption of globally recognised accounting standards is positively correlated with economic performance, highlighting the importance of this relationship as a driver for long-term, sustainable economic growth and development (Odoemelam, Okafor, & Ofoegbu, 2019). Moreover, although the adoption of IFRS can yield positive economic outcomes, it is not a simple solution and must be accompanied by other measures to ensure effective implementation and enforcement, thereby maximising its potential benefits for enhancing economic performance. Therefore, we propose that,

H1: Adoption of IFRS has positive relation with economic performance.

Institutional elements play a crucial role in influencing economic performance by impacting a nation's ability to attract investment, foster innovation, and achieve sustainable growth. Robust institutions, characterised by effective regulations, transparent governance, and adherence to the rule of law, create an environment that promotes economic activity by reducing uncertainty, mitigating risks, and building trust among businesses and investors (Ahmad et al., 2023). Tomizawa et al. (2020) argue that countries with robust institutional frameworks tend to experience higher economic growth due to their superior resource management, contract enforcement, and protection of property rights. In addition, strong institutions are essential for maintaining macroeconomic stability, which in turn promotes long-term investment and economic growth. Murdipi, Baharumshah, & Law (2023) examine the impact of poor or dysfunctional institutions on economic growth. They find that these institutions, characterised by political unpredictability, corruption, and weak regulatory enforcement, hinder economic growth by creating barriers to entry, distorting market incentives, and undermining investor confidence. Entrepreneurship and innovation are impeded in these contexts due to challenges faced by enterprises in establishing intellectual property rights, navigating complex regulatory procedures, and securing financing. Poor institutions can exacerbate social discontent, political instability, and income inequality, thereby impeding social cohesiveness and economic growth.

Improving institutions is essential for increasing economic output and fostering inclusive growth. According to Ahmad et al. (2023), significant changes are needed to enhance regulatory enforcement, increase accountability and transparency in public institutions, and strengthen governance frameworks. To achieve sustainable progress in economic and social development, it is essential to have political commitment, institutional capacity building, and stakeholder engagement. These factors are necessary for the establishment of strong institutions (Eweje et al., 2021). However, governments could implement targeted reforms to address institutional deficiencies and unlock the economic potential of their countries. This recognition of the pivotal role institutions play in shaping economic outcomes would benefit all citizens. Therefore, we make a hypothesis that,

H2: Institutional factors have a relation with economic performance.

The interconnectedness of the world is influenced by global economic factors, which significantly affect national economies through trade, investment, and growth patterns. Global economic factors such as interest rates, currency exchange rates, and commodity prices can greatly affect the macroeconomic stability and growth prospects of specific countries. Similarly, [Tröster & Küblböck \(2020\)](#) argue that fluctuations in global commodity demand, such as oil, minerals, and agricultural products, can impact the export earnings and terms of trade of nations that specialise in these goods, thereby influencing their economic performance. Monetary policy adjustments by major central banks and shifts in investor sentiment can influence capital flows, currency rates, and asset values. Consequently, these factors can affect borrowing costs, investment, and consumption in developed and emerging economies ([Koepeke, 2019](#)). Global economic shocks can significantly affect economic performance through the occurrence of recessions, disruptions in supply networks, and exacerbation of macroeconomic imbalances. Instances of such shocks encompass financial crises, pandemics, and geopolitical wars. [Song & Zhou \(2020\)](#) argue that in the interconnected global economy, countries are more susceptible to the ripple effects of external shocks. They highlight the importance of robust financial regulation, sound macroeconomic policies, and effective crisis management frameworks in mitigating risks and promoting resilience. Global economic integration provides nations with access to foreign technology, knowledge, new markets, and international investment. These factors can contribute to economic diversity, increased productivity, and innovation ([Tung & Binh, 2022](#)). Therefore, we say that,

H3: *Global economic factors have a relation with economic performance.*

Information transparency mediates the relationship between the adoption of International Financial Reporting Standards (IFRS) and economic performance. The adoption of IFRS by nations has led to the standardisation of accounting procedures. This standardisation has resulted in enhanced quality, comparability, and reliability of financial information disclosed by businesses ([Opore et al., 2021](#)). The provision of timely and accurate financial data to stakeholders, such as creditors, investors, and regulators, enhances transparency, reduces information asymmetry, and improves market efficiency ([Liu, Su, & Zhang, 2021](#)). [Abed et al. \(2022\)](#) asserts that transparent financial reporting under IFRS enhances decision-making for companies by providing a more comprehensive understanding of their financial performance and condition. These factors enhance investor confidence, reduce capital costs, and improve access to financing. Transparency in information fosters credibility and confidence in the financial system, attracting capital formation, investment, and ultimately stimulating economic progress. Transparent financial reporting enhances accountability, corporate governance, and reduces agency costs, leading to improved resource allocation and business performance ([Ellili, 2022](#)). Information transparency is essential for aligning economic performance with the implementation of IFRS. It helps to enhance the benefits of standardised accounting standards by fostering investor trust, improving market efficiency, and promoting overall economic growth. Therefore, we propose,

H4: *Information Transparency works as a mediator between IFRS adoption and economic performance.*

Information transparency enhances market dynamics, regulatory enforcement, and governance processes, serving as a vital link between institutional elements and economic performance. According to [Lopez & Fontaine \(2019\)](#), transparent and accountable governance frameworks define strong institutions that facilitate transparency in information. Transparent disclosure laws and strong regulatory monitoring improve market efficiency by reducing information asymmetry and ensuring businesses adhere to financial reporting standards ([Ellili, 2022](#)). Enhanced transparency ultimately promotes economic development by bolstering investor confidence, reducing uncertainty, and attracting investment. Transparent information enhances risk assessment, improves accuracy in asset and liability valuations, and promotes efficient resource allocation, thereby enhancing economic performance and overall economic outcomes ([Lopez & Fontaine, 2019](#)). [Vian \(2020\)](#) argues that information transparency is hindered by inadequate institutions marked by corruption, insufficient regulatory enforcement, and intricate governance structures. These factors undermine investor trust, disrupt market incentives, and hinder economic progress. [Hashim et al. \(2020\)](#) suggest that companies engaging in dishonest business practices, such as falsifying financial data or manipulating market conditions, can erode trust in the financial system and introduce inefficiencies in the market. Enhancing information transparency and institutional quality are essential for improving economic performance, instilling confidence in financial markets, and promoting sustainable development. Information transparency plays a crucial role in shaping market dynamics, investor behaviour, and resource allocation. It serves as a mediator between institutional factors and economic performance ([Lopez & Fontaine, 2019](#)). Consequently, this fosters sustained economic growth and prosperity. To promote information transparency and sustainable economic development, policymakers should prioritise changes that improve institutional frameworks, enhance regulatory enforcement, and foster transparency and accountability. Therefore, we make a hypothesis that,

H5: *Information Transparency works as a mediator between institutional factors and economic performance.*

Information transparency facilitates the dissemination and effective utilisation of information in the decision-making process, playing a crucial role in mediating the relationship between variables impacting the global economy and economic performance. The transparent disclosure of financial information enables firms, investors, and governments to effectively evaluate and respond to changes in the global economy, particularly in an interconnected global economy ([Sun et al., 2019](#)). Transparent reporting methods allow stakeholders to anticipate and mitigate any negative effects on economic performance that may arise from a company's exposure to global risks, such as changes in interest rates, commodity prices, and currency rates. Increased transparency in information enhances trust in the financial system by reducing uncertainty and

enhancing efficiency (Grimmelikhuijsen et al., 2021). Shakespeare (2020) argues that transparent reporting procedures aid investors in making informed decisions by providing timely and accurate information on market conditions, corporate performance, and economic trends. This enhances the efficiency of capital markets and enhances firms' ability to obtain financing. The enhanced availability of capital stimulates investment, promotes economic growth, and supports sustained long-term development (Pradhan et al., 2019).

Vian (2020) argues that transparency in information fosters confidence and accountability in economic institutions, which are crucial for attracting capital and promoting economic growth. Transparent reporting procedures promote good governance, reduce the risk of fraud and corruption, and enhance the reputation of financial markets, attracting both domestic and foreign investment (Sun et al., 2019). Transparent reporting procedures incentivize firms to enhance productivity and performance, attracting investors and maintaining consumer trust, thereby fostering innovation and competitiveness. Therefore, we say that,

***H6:** Information Transparency works as a mediator between global economic factors and economic performance.*

RESEARCH METHODS

This article investigates the influence of adopting IFRS, institutional factors, and global economic factors on the economic performance of the top ten registered organisations in Iraq. Additionally, it explores the potential mediating role of information transparency in the relationship between the adoption of IFRS, institutional factors, global economic factors, and economic performance. The data for this study was collected through surveys administered to employees of the top ten registered organisations. The study employed a questionnaire to assess various variables, including the adoption of IFRS (measured by five questions), institutional factors (measured by four questions), global economic factors (measured by six questions), information transparency (measured by five questions), and economic performance (measured by four questions).

The study selected employees from the top ten registered organisations as respondents. The respondents are selected through purposive sampling. The surveys were distributed through personal visits to the organisations. A total of 546 surveys were sent, but only 294 valid surveys were received, indicating a response rate of approximately 53.85%. In addition, the study employed smart-PLS to examine the relationships between variables. The analysis of primary data using complex models or large data sets is most effectively performed using this prominent tool, which consistently produces optimal outcomes. The study utilised three predictors: adoption of IFRS (AIFRS), institutional factors (IF), and global economic factors (GEF). Additionally, one mediating variable, information transparency (IT), and one predictive variable, economic performance (EP), were included. These are given in [Figure 1](#).

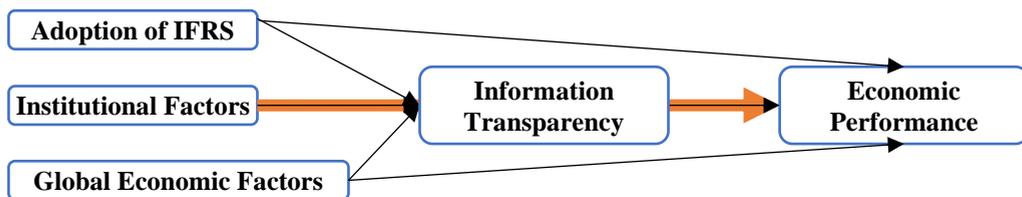


Figure 1: Research Framework.

RESEARCH FINDINGS

Table 1: Convergent Validity.

Constructs	Items	Loadings	Alpha	CR	AVE
Adoption of IFRS	AIFRS1	0.782	0.831	0.880	0.596
	AIFRS2	0.674			
	AIFRS3	0.698			
	AIFRS4	0.843			
	AIFRS5	0.848			
Economic Performance	EP1	0.762	0.797	0.811	0.518
	EP2	0.713			
	EP3	0.706			
	EP4	0.695			
Global Economic Factors	GEF1	0.925	0.909	0.933	0.739
	GEF2	0.739			
	GEF4	0.960			
	GEF5	0.758			
	GEF6	0.893			
Institutional Factors	IF1	0.929	0.935	0.953	0.834
	IF2	0.920			
	IF3	0.902			
	IF4	0.902			
Information Transparency	IT1	0.881	0.806	0.861	0.557
	IT2	0.779			
	IT3	0.714			
	IT4	0.666			
	IT5	0.670			

This study investigates the convergent validity by examining the correlation between items that are expected to be highly correlated. The results indicate that both the average variance extracted (AVE) and loadings values exceed the threshold of 0.50. The results indicate that both the composite reliability (CR) and Alpha values exceed the threshold of 0.70. The exposed items exhibit a high degree of correlation. [Table 1](#) given below shows these results.

This study investigates the discriminant validity by examining the correlation between variables that should not have a high correlation. The results indicate that both the Fornell Larcker and cross loadings tests revealed that the correlations between a variable and itself were higher than the correlations with other constructs. The correlation between these exposed variables is low. The results are shown in [Table 2](#) and [Table 3](#) below.

Table 2: Fornell Larcker.

	AIFRS	EP	GEF	IF	IT
AIFRS	0.772				
EP	0.638	0.719			
GEF	0.565	0.571	0.860		
IF	0.325	0.377	0.237	0.913	
IT	0.833	0.592	0.412	0.371	0.746

Table 3: Cross-loadings.

	AIFRS	EP	GEF	IF	IT
AIFRS1	0.782	0.554	0.412	0.354	0.655
AIFRS2	0.674	0.468	0.576	0.230	0.412
AIFRS3	0.698	0.485	0.601	0.195	0.486
AIFRS4	0.843	0.440	0.311	0.235	0.765
AIFRS5	0.848	0.527	0.385	0.236	0.809
EP1	0.385	0.762	0.440	0.202	0.356
EP2	0.350	0.713	0.376	0.224	0.308
EP3	0.413	0.706	0.371	0.288	0.314
EP4	0.610	0.695	0.436	0.336	0.627
GEF1	0.463	0.504	0.925	0.141	0.323
GEF2	0.605	0.534	0.739	0.273	0.428
GEF4	0.491	0.542	0.960	0.171	0.363
GEF5	0.365	0.402	0.758	0.301	0.288
GEF6	0.455	0.432	0.893	0.135	0.339
IF1	0.248	0.318	0.199	0.929	0.280
IF2	0.367	0.378	0.258	0.920	0.409
IF3	0.305	0.384	0.219	0.902	0.369
IF4	0.234	0.268	0.174	0.902	0.256
IT1	0.767	0.605	0.393	0.410	0.881
IT2	0.614	0.566	0.329	0.462	0.779
IT3	0.749	0.320	0.256	0.157	0.714
IT4	0.409	0.292	0.217	0.075	0.666
IT5	0.460	0.324	0.318	0.140	0.670

Table 4: Heterotrait Monotrait Ratio.

	AIFRS	EP	GEF	IF	IT
AIFRS					
EP	0.800				
GEF	0.670	0.697			
IF	0.357	0.440	0.253		
IT	0.553	0.700	0.466	0.370	

The study also examines the discriminant validity that exposed the correlation among variables that should not be highly correlated. The outcomes of Heterotrait Monotrait (HTMT) ratio exposed that the values are not bigger than 0.90. These values exposed variables are not highly correlated. Table 4 given below shows these results.

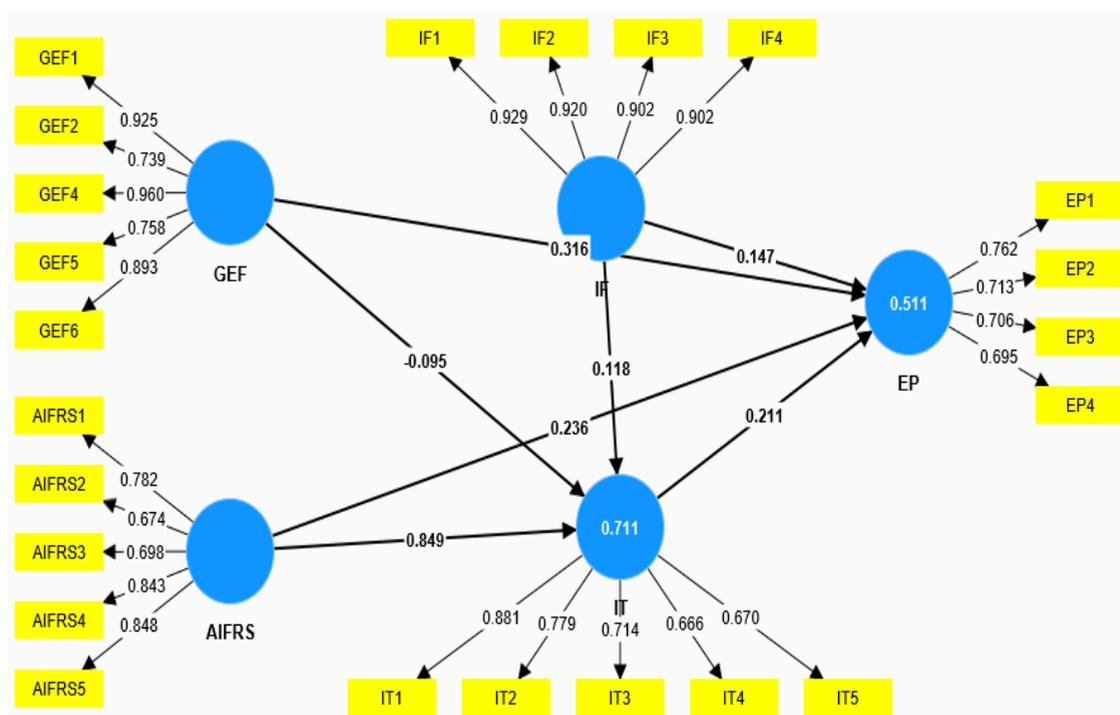


Figure 2: Measurement Model Assessment.

The study found that the implementation of IFRS, along with institutional and global economic factors, significantly affect the economic performance of Iraqi organisations. The study supports hypotheses H1, H2, and H3. The article concludes that information transparency plays a significant role in mediating the relationship between the adoption of IFRS, institutional and global economic factors, and the economic performance of Iraqi organisations. The study supports hypotheses H4, H5, and H6. The results are presented in Table 5.

Table 5: Path Analysis.

Relationships	Beta	Standard Deviation	T Statistics	P Values
AIFRS -> EP	0.236	0.097	2.432	0.015
AIFRS -> IT	0.849	0.032	26.650	0.000
GEF -> EP	0.316	0.054	5.843	0.000
GEF -> IT	-0.095	0.040	2.393	0.017
IF -> EP	0.147	0.047	3.123	0.002
IF -> IT	0.118	0.035	3.337	0.001
IT -> EP	0.211	0.079	2.658	0.008
AIFRS -> IT -> EP	0.179	0.068	2.644	0.008
GEF -> IT -> EP	0.020	0.011	1.863	0.063
IF -> IT -> EP	0.025	0.013	1.893	0.059

DISCUSSIONS

The study examines the intricate factors affecting the country's economic landscape. Iraq has adopted International Financial Reporting Standards (IFRS) to enhance transparency, attract foreign investment, and stimulate economic growth, aligning its financial reporting practices with global standards (Guerreiro et al., 2021). The study examines the effectiveness of IFRS adoption in achieving these objectives. However, its efficacy is contingent upon various institutional factors and the dynamics of the global economy, which interact complexly to impact economic performance (Opore et al., 2021). This study examines the impact of implementing IFRS on Iraq's economic performance. The study demonstrates that the implementation of IFRS is expected to improve the accuracy and comparability of financial reporting. However, its effect on economic performance is contingent upon various contextual factors. The study by Ahmad et al. (2023) concludes that Iraq faces challenges in implementing IFRS due to institutional factors such as political instability, corruption, and weak regulatory enforcement. The legitimacy and dependability of financial information have been undermined, limiting the potential advantages of adopting IFRS on economic performance.

The study highlights the impact of information transparency on the relationship between institutional factors, economic performance, and the adoption of IFRS. The implementation of IFRS enables information transparency, which in turn facilitates the reduction of information asymmetries, enhances investor trust, and promotes effective resource allocation (Abed et al., 2022). However, the realisation of these benefits depends on the existence of robust institutional frameworks that enhance regulatory compliance and enforcement protocols, as noted by Vian (2020). The study suggests that the impact of information transparency on economic performance in Iraq is constrained by the country's deficient governance systems and pervasive corruption. The study examines the influence of institutional factors, such as regulatory

enforcement and governance structures, on Iraq's economic performance and the adoption efficiency of IFRS. The effectiveness of IFRS implementation and information transparency is impeded by inadequate governance structures, insufficient legislative frameworks, and an informal culture (Opare et al., 2021). In order to enhance the credibility of financial reporting in Iraq, it is imperative to address institutional deficiencies that hinder investment attraction and impede long-term economic growth. The study examines the impact of global economic issues on Iraq's economic performance and the adoption of IFRS. The Iraqi economy is highly susceptible to fluctuations in global crude oil prices and geopolitical instability in the region due to its heavy dependence on oil exports (Alao & Payaslioglu, 2021). The COVID-19 pandemic has exacerbated economic issues, leading to global supply chain disruptions and a decrease in oil demand. The study emphasises the importance of robust economic policies and regulatory frameworks in mitigating risks and promoting resilience in the global economy, as indicated by these external variables.

STUDY IMPLICATIONS

The findings of this study have important implications for stakeholders such as investors, governments, and other interested parties who are concerned with the economic growth of Iraq. The study emphasises the importance of addressing institutional flaws, such as regulatory enforcement and corruption, to enhance the efficiency of IFRS adoption and promote information transparency. Secondly, to mitigate risks and promote resilience against external shocks, policymakers should formulate comprehensive economic policies that consider the interplay between institutional variables, the implementation of International Financial Reporting Standards (IFRS), and global economic dynamics. Furthermore, this study provides insights into the potential and challenges of implementing IFRS and enhancing information transparency. Investors can use these insights to make informed investment decisions in Iraq.

LIMITATIONS

It is important to acknowledge the limitations of this study. Primary limitations of this research include the utilisation of secondary data sources, which may pose challenges in terms of data relevance, availability, and dependability. The study's exclusive focus on Iraq may limit the generalizability of its findings to other nations with different institutional settings and economic dynamics. Additionally, it is important to consider the complex connections between the adoption of International Financial Reporting Standards (IFRS), institutional characteristics, and economic performance, which may not be adequately captured in this study. In addition, the study's scope did not encompass all relevant factors and aspects that influence Iraq's economic performance, suggesting potential avenues for further investigation and analysis.

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