PalArch's Journal of Archaeology of Egypt / Egyptology

THE IMPACT OF SUSTAINABLE FINANCIAL REPORTING ON THE EFFICIENCY OF THE PERFORMANCE OF ECONOMIC UNITS: A CASE STUDY

AL- Khafaji Ahmed Kadhim Idan[1], Ibrahim Naeem Hasan [2]

[1]University of Craiova, Romania

[2]Al-Bayan University, Iraq

Email: [1]Ahmed_alkhafge@yahoo.com, [2]Ibrahim.naeem@albayan.edu.iq

Al- Khafaji Ahmed Kadhim Idan, Ibrahim Naeem Hasan. The Impact of Sustainable Financial Reporting on The Efficiency of The Performance of Economic Units: A Case Study -- Palarch's Journal of Archaeology of Egypt/Egyptology 18(18), 708-718. ISSN 1567-214x

Keywords: Sustainable Financial Reporting, Sustainability, Performance Improvement.

ABSTRACT

The importance of financial reporting in economic units appears as part of the work system, especially that the requirements of the stock market and impose on those units the need to take into account adequate financial reporting in their financial reports, and the stock market has a special importance to the process of financial reporting and economic units contributing to it in order to protect investors And the delivery of information to all other parties regardless of their geographical location or the volume of their dealings.

The role of sustainable information, whether financial or non-financial, contributes to enhancing the financial reporting of the unit, and by conducting a case study of the participating banks, it was concluded that the unit is highly committed to identifying the risks associated with this information by 83% and knowing the period covered by this information by 81% and determining the importance The relative percentage of this information is 80%, and its report includes an appropriate warning about the possibility of achieving current and sustainable information by 82%, and therefore economic units should pay attention to sustainable financial reporting for the purpose of achieving a competitive advantage.

INTRODUCTION

Financial reporting is the main means and an effective tool for communicating business results to users in supporting their decisions, especially in the areas of investment and financing. Given the increasing interest of intellectuals and specialists from academics and professionals in the field of accounting and auditing on the importance of financial reporting and transparency in financial reporting, this leads to continued pressure on the profession to develop its performance in serving the business sectors on the one hand and support the system of control and accountability in it.

Therefore, the role of financial reporting appears in providing the necessary information that will improve the understanding and importance of financial instruments and their performance in the financial markets for the purpose of providing specific information for the purpose of their use, appropriate accounting policies and the risks involved, management policy to control these risks, and the role of financial reporting in providing information that helps investors in this, As the principle of financial reporting requires showing the necessary comprehensive accounting data and information to achieve the desired benefit for its users, financial reporting is a relative term that requires that financial statements not be viewed as a goal in itself, but rather as a means of assistance for all parties to take various decisions, and to achieve these goals it is necessary to provide information Important for investors, shareholders and other parties, and the necessity of applying the International Financial Reporting Standard to the contributing economic units and not to hide and publish information in a correct manner, whether it is quantitative or qualitative information that helps the investor to make his decisions.

This shows the importance of financial reporting in economic units as part of the global economic work system» especially that the requirements of the market for securities impose on those economic units the need to take into account adequate financial reporting in their financial reports. Also, the stock market is first of special importance to the financial reporting process of the contributing economic units included in it in order to protect the investing shareholders and to deliver financial information to all dealers in securities regardless of their geographical location or the size of their dealings.

Study Methodology: It Includes:

First: The problem of the study: The problem of the research lies in that most commercial institutions failed to form capital reserves in order to face the risk of liquidity and guarantee the rights of investors. Therefore, the importance of sustainable financial reporting came in achieving transparency and enhancing investors' confidence in the unit, so the research problem can be identified through questions the following:

What is sustainability and its dimensions?
What is financial reporting?
What is the importance of sustainable financial reporting for companies and economic units?
How does financial reporting affect the efficiency of the performance of economic units?
Second: Objective of the study: The research seeks to achieve the following objectives:

Studying the concept of sustainability and financial reporting.
Studying the importance of sustainable financial reporting on enhancing investor confidence.
The impact of sustainable financial reporting on improving the performance of economic units.

Third: The importance of the study: The importance of this research stems from the growing concerns in the international community and private sector institutions in their various forms about the role of financial reporting and transparency in financial statements and reports, which are imposed on the senior management of these institutions to adopt accounting and control standards that improve their performance and increase the confidence of shareholders in them. Which leads to supporting control and accountability in these institutions, which enhances the internal control system in them and works to show the financial statements in a way that reflects the reality of the economic conditions and financial transactions that took place in the facility and thus further enhance its position in the financial market, which positively affects the value of these facilities and fulfills the requirements of the financial market towards Increasing transparency in the published financial statements, increasing the confidence of the financial community and supporting economic trends .

Fourth: The hypothesis of the study: Through the questions of the study problem, the hypothesis of the study can be formulated as follows: The necessity of financial reporting on the sustainability reports of economic units, which in turn contributes to improving their performance and efficiency.

***Theoretical Aspect of The Study*:**

Fifth: Sustainability:

At the present time, the accounting research for sustainability is based on the sustainability of economic units, which means preserving the company’s resources, assets and funds, which are considered one of the resources of society in general and in the long term (Al-Khafaji 25:2018) because the introduction of the concept of sustainability of economic units has become a necessity and because the survival of the company in the long run and its continuity is no longer through its financial performance and profit only, but the economic units need to introduce non-financial indicators such as indicators related to environmental protection and control, indicators of social and economic activities in addition to governance indicators that contribute to decision-making and strategic planning through reports Sustainability in addition to financial reports (Ibrahim 8:2016).

The sustainability of economic units can be defined as sustainability that maximizes the value of shareholders in the company by adopting opportunities and managing risks resulting from economic, social and environmental activities.

Among the most important factors and positive effects when adopting the principles of sustainability: (Saleh, 2015: 1-5).
Reducing the risks resulting from the company's activities and increasing investment opportunities for its transactions.

- Achieving profits and maintaining the company's business continuity and continuity.
- Improving the efficiency of operational activities by rationalizing the consumption of resources and reducing costs.
- The increase in the satisfaction of the company's workforce.
- Enhancing the competitive position of a company by improving its reputation and brand. It enhances the company's ability to plan for the long term.
- Contribute to helping the community to reach self-sufficiency and improve the standard of living.

In addition, all global initiatives emphasized the importance of financial reporting on the sustainability of economic units, for example the reference to paragraph 47 of the Final Document of the United Nations Conference on Sustainable Development

(Rio +20), which included a group of different countries that emphasized, through a set of main points, the increase in the international culture of the responsibility and transparency of economic units in financial reporting on sustainability. These points were as follows: - (SASB, 2017: 123).

1- Recognizing that governments have a major and influential role in society to build a sustainable development model by issuing mandatory or optional laws that can affect economic units.
2- The sincere desire between stakeholders and the government to develop the best organizational methods and practices for the purpose of strengthening economic units in financial reporting on sustainability.
3- The necessity of financial reporting on the sustainability reports of economic units on a large scale, which in turn contributes to the formation of an economic market that enjoys transparency, in addition to the contribution of the private sector to achieving sustainable development.
4- Encouraging the use of financial reporting indicators on the sustainability of economic units in accordance with international initiatives and standards and benefiting from them.
5- Developing countries and small and medium enterprises in the process of mandatory financial reporting on sustainable development.

The financial reporting of these indicators and the preparation of reports on the performance of the company and its development in relation to its performance on sustainability that the above dimensions of sustainability must be combined because they are not independent of each other, but complement each other because the goal of them is one that ensures the company’s long-term survival and continuity, maximizing its value and increasing its competitiveness (Manju et al, 2017: 8).

Sixth: Conditions for achieving sustainability by economic units: The purpose of sustainability is not only to achieve wealth for the unit, but also aims to fulfill its duties towards social, environmental and economic activities in general. Therefore, economic units have three conditions that must be met (Manju et al, 2017: 14).

The economic units must solve problems related to social and environmental activities imposed by government authorities, as well as voluntary work in the service of society and the protection of the environment.

The economic units, through the activities they perform, create a positive value that contributes to increasing the economic value of the country through the success of the economic units in reducing costs, increasing the value of sales, competitiveness, increasing profits, maintaining customers and the company's reputation.

- Economic units must provide evidence that any administrative activity leads to achieving positive or negative effects, whether on the economic, social or environmental level.

Seventh: Financial Reporting:

One of the accounting principles that have great importance in disseminating the necessary facts that help users of financial and non-financial reports in interpreting and understanding them correctly and not hiding any information that may be considered important and necessary for them” (Zaid, 2015: 15-11). Full financial reporting on the impact of various activities that affect the financial position, the company’s contracts and agreements, methods of evaluating assets and liabilities and the risks associated with them, and financial reporting of any related information through a list of notes or explanations or any other lists that support the financial statements (Kieso 2016: 227).

It is defined as informing decision makers of information, whether related to financial reports or other complementary reports, with the aim of rationalizing the decision-making process and using resources more efficiently and effectively (Khalik 2014: 476).

As for sustainable financial reporting, reports are published by economic units for internal and external users, which show the full picture of the company’s position and its social, economic, environmental and governance activities and the extent of its commitment to good financial reporting practices in achieving sustainable development. (Pettersson, 2016: 2).

Therefore, it was necessary to improve the level of financial reporting in economic units and expand its scope to include financial and non-financial information that affects the decisions of users of that information and to the same degree of financial reporting at the same time, which depicts social, economic and environmental events and the governance mechanism followed in them so that they have an impact on the activities of The company, during a

specific period, will reflect positively on it at the international and local levels and achieve the welfare of the community.
Eighth: The importance of sustainable financial reporting in economic units:

Due to the multiplicity of the beneficiaries in and due to the increase in the intensity of competition and the development of the technology used in it and the high degree of risks, the importance of financial reporting by its beneficiaries has increased as it is a financial intermediary. (IFRS 7) The financial reporting that replaced the standard (IAS30) financial reporting in the financial statements of banks and similar institutions, which aimed to enable users of financial reports to know the nature of the company's work, its financial performance, the risks arising from the company's conduct of its activities, and how the company manages those risks. (Khalil Wal-Zein, 2016: 136).

The Global Financial Reporting Initiative has also issued a standard (GRI102) for general financial reporting, which enhances the credibility of financial reports provided by economic units, as it specifies financial reporting requirements for information related to the company that can be used in any sector (Al-Khafaji 60:2018).

The commitment of economic units to the application of these standards will contribute to improving financial reporting, which leads to encouraging economic units to borrow from them, because their application of these principles leads to reducing risks for banks to deal with them. Because it contributes to improving the level of financial reporting and increasing the quality of the published reports of useful information and enhancing the confidence of the users of those reports and meeting their needs and desires, which in turn will be reflected in improving the reputation of banks and increasing their market value.

Ninth: Sustainable Reporting and Enhancing Investor Confidence:

Investors are considered one of the components of society who are affected by conditions and factors in the surrounding environment, and that the success of any investment decision requires them to understand the psychological and financial factors and their readiness to face potential risks that affect the performance of the financial market, because some of them are disappointed when the market performance declines, but in the case of a rise Performance Increases investors' self-confidence and improves their performance (Hussain et al., 2013: 229).

This confidence is determined by the commitment of the economic units that the funds will be invested correctly and that they will not be misappropriated or misused by managers, major investors or members of the board of directors, and that these funds will be invested in an optimal and efficient manner that takes into account their interests in the first place, which is one of the factors The Mission in the Emergence of an Efficient and Developed Financial Market (OECD 40: 2014).

So, what is known as the ethical investor has emerged, which takes into consideration all aspects related to the bank, which are the social, economic, ethical and environmental dimensions that represent the dimensions of sustainability and that affect investment decisions. Or environmental and at the same time achieve appropriate returns for them (Al Kamil, 2011: 50).

As investors began to take into consideration the sustainability reports of the banks, they want to invest in. One of the investment criteria for them has become the study of the principles of transparency and financial reporting that these reports enhance, especially with regard to environmental and social performance, because the motive may come from the bank’s management’s desire to build confidence among all parties, although these reports are an optional requirement, but it is mandatory in Some countries such as Germany, France and some Nordic countries (Mr. 2015:55). and financial reporting on sustainability reports achieve a number of benefits, the most important of which are the following:

- Maximizing cash and attracting capital.
- Contribute to achieving and increasing the level of transparency for the relevant parties.
- Improving the bank's reputation and increasing the efficiency of its employees.
- Improving administrative systems, encouraging innovation, and supporting the process of continuous improvement.

Tenth: The Practical Aspect of The Study:

This part of the research deals with analyzing the results of the field study on transparency in sustainable financial reporting on current and sustainable information through two main axes. The researchers used both the arithmetic mean and the standard deviation to arrange the variables of these axes, and the following is a presentation of those results:

1- Sustainable financial reporting and unit performance: Through Table No. (1) it is noted that institutions focus largely on a good percentage, and this means that sustainable financial reporting on current and sustainable information does not occupy a large part of the administration’s attention despite the great emphasis on its responsibility About that by 83%, and that the most information that can be reported financially is changes in property rights by 83%, then management policies, strategies and objectives by 82%. As for the information that received the least percentage of financial reporting, it is the conflict of interests within the unit by 56% as it is internal information financial reporting is not assumed because it may affect the stability of the unit.

Table (1) The Impact of Sustainable Financial Reporting on Performance

Aertebrae	**STAND**	**%.DEV**	**MEAN**
Sustainable financial information	0.651	%64	3.231
Accounting policies	0.735	%65	3.251
Change in accounting policies	0.682	%67	3.370
History of sustainable financial information numbers	0.852	%75	3.758
Management responsibility in preparing sustainable Information	0.574	%83	4.180
The purpose of preparing sustainable financial information	0.781	%78	3.894
Assumptions on which sustainable financial forecasts are based	0.590	%64	3.187
Sensitive public information related to operational performance	0.665	%68	3.415
Changes in equity within the unit	0.559	%83	4.171
Business operations that affect its competitive position	1.103	%71	3.554
Management policies, strategies and objectives	0.827	%82	4.110
Forecasts of unit profitability in the next fiscal year	0.926	%76	3.829
Any conflict of interest within the unit	0.648	%56	2.781

2- The role of the economic unit in committing to preparing sustainable information to enhance financial reporting: The role of sustainable information, whether it is financial or non-financial, and thus its contribution to enhancing financial reporting, and through table (2) it is noted that the unit requires it to be highly committed to identifying the risks associated with it. With this information by 83% and knowing the period covered by this information by 81% and determining the relative importance of this information by 80% and its report includes an appropriate warning about the possibility of achieving current and sustainable information by 82%. Forecasting 57% and reviewing current and sustainable information prepared for previous periods and ensuring its accuracy 58%.

Table (2) Extent of Commitment to Provide Sustainability Information

Vertebrae	STAND.	% DEV.	MEAN
Know the period covered by sustainable financial information	0.978	%81	4.066
Determine the level of risk associated with this information	0.849	%83	4.164
Determine the relative importance of this information	0.941	%80	4.015
Get to know the experience of the person responsible for preparing them	0.875	%67	3.350
Knowing the extent to which the statistical and mathematical methods used in forecasting are used	0.784	%57	2.859
Reviewing sustainable financial information prepared for previous periods and ensuring its accuracy	0.614	%58	2.914
Reviewing the adequacy of evidence related to management's assumptions about sustainable financial information	0.596	%61	3.044
Ensure the correctness of the historical information on which the sustainable information is based	0.231	%72	3.580
Financial reporting method for sustainable financial information	0.648	%73.04	3.652
His report should include an appropriate warning that sustainable financial information may not be achieved	0.781	%82.42	4.121

CONCLUSION:

A major role for financial reporting appears in providing the necessary information that will improve the understanding and importance of financial instruments and their performance in the financial markets in order to provide specific information for their use, appropriate accounting policies and the risks involved, and management policy to control these risks. There is a role for financial reporting in providing information that helps investors in this regard, it is a means of assistance for all parties to take various decisions. To achieve these goals, important information must be provided to investors, shareholders and other parties

The sustainable financial reporting is reflected in increasing the investors' confidence in them and helping them to make investment decisions and others, as they are the focus of the operations of the economic units and their real capital for the long term, thus accepting the hypothesis of the study.

Therefore, it requires emphasizing the importance of financial reporting on the sustainability of economic units on a large scale, which in turn contributes to the formation of an economic market that enjoys transparency, in addition to the contribution of the private sector to achieving sustainable development and improving the performance and efficiency of the unit.

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