

"THE IMPACT OF CORPORATE GOVERNANCE APPLICATION ON THE QUALITY OF FINANCIAL REPORTS"

"An Empirical Study on electric industry companies in the Republic of Iraq "

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Abstract

The research aims to determine the extent of the impact of corporate governance on the quality of financial reports in electric industry companies in the Republic of Iraq. The study utilized a descriptive-analytical research method, with the research population consisting of employees in electric industry companies within the Republic of Iraq. The research sample size was 357 individuals.

The research findings concluded that there is a statistically significant relationship between the implementation of corporate governance practices and the quality of financial reports in electric industry companies within the Republic of Iraq. As a result, the research recommends the development of strong disclosure and transparency policies that adequately reveal financial information and relevant operations. This includes enhancing mechanisms of accountability.

Keywords: Corporate Governance, Financial Reporting Quality, Disclosure and Transparency, Empowerment and Participation, Accountability, Comprehensive Income Statement, Statement of Financial Position, Statement of Changes in Equity, Electric Industry Companies.

Introduction

Business institutions play a vital role in achieving economic development and directing investment and growth trajectories. One of the key tools for enabling these institutions and improving their performance is corporate governance, which is a comprehensive concept aimed at guiding and monitoring the behaviors and decisions of the board of directors and executive management to achieve the organization's objectives and protect the interests of shareholders and other stakeholders.

One of the critical areas affected by the application of corporate governance is the quality of financial reporting. Financial reports are considered one of the most important means of communication between the organization and various stakeholders, providing them with a detailed picture of the financial performance and financial position of the company. The high quality of these reports reflects transparency and credibility of the institution, contributes to

building trust among stakeholders, and reduces potential financial risks (Appiagyei, et al, 2022).

When we link the principles of corporate governance with the quality of financial reporting, we find that there is a close relationship between them. Achieving transparency and integrity in management and decision-making can lead to an improvement in the quality of financial information included in financial reports. On the other hand, the lack of a clear understanding of corporate governance principles or their ineffective implementation can raise doubts about the accuracy and reliability of financial information, potentially diminishing its informative value and negatively impacting investor and public decisions (Kaawaase, et al, 2022).

Therefore, this research aims to explore and analyze the impact of corporate governance application on the quality of financial reports. This study will investigate the factors influencing the relationship between corporate governance and the quality of financial reports. It will also analyze relevant studies and literature on this topic with the aim of elucidating how to achieve a balance between good corporate governance practices and ensuring the quality of financial reports.

This research contributes to providing a deeper insight into how corporate governance affects the quality of financial reports. Therefore, it may be valuable to researchers, decision-makers, and stakeholders who are interested in understanding the interaction between these two important domains in the context of contemporary business.

1. Previous Studies

1.1 Studies in Corporate Governance:

study (Ahmed & Anifowose, 2023) examined the relationship between corruption, corporate governance, and sustainable development goals in Africa using panel data from 42 African countries between 2017 and 2020. The researchers employed ordinary least squares regression to analyze the data. The findings revealed that corruption negatively affects sustainable development, while corporate governance has a positive impact. Additionally, in countries with higher corruption rates, corporate governance has a more pronounced positive effect on sustainable development. This research highlights the crucial link between corruption, corporate governance, and sustainable development in Africa, providing valuable insights for policymakers, scholars, and stakeholders aiming to promote sustainable development in the region.

study (Mansour, et al, 2020) analyzed corporate governance in Jordan using data from 95 non-financial companies on the Amman Stock Exchange from 2012 to 2017. It created a corporate governance index with sub-indices on disclosure, board effectiveness, and shareholder rights to assess company practices. The research aimed to understand the impact of corporate governance on company performance, offering an index for investors and decision-makers to make informed choices.

study (Srivastava, & Kathuria, 2020) aimed to examine the impact of corporate governance on the financial and operational performance of Indian utilities. Using data from 48 energy utilities across 19 Indian states for the year 2016-17, the researchers calculated a corporate governance index and assessed its influence on utility performance. The findings revealed a positive relationship between the corporate governance index and utility performance,

emphasizing the significance of improving governance practices. The study highlighted that external factors triggered by the reform process should motivate internal managerial changes, especially in a sector historically influenced by political considerations. Ultimately, this research underscores the critical connection between corporate governance and the sustainability and efficiency of Indian utilities, advocating for enhanced governance practices.

1.2 Studies in Quality of Financial Reports:

study (Botica Redmayne, et al, 2022) examined stakeholder perspectives on New Zealand financial reports, surveying users, preparers, and auditors. Auditors perceived financial information as less useful than preparers and users did. Key objectives included assessing management oversight quality, future expectations, and cash flows. The information focus principle, emphasizing financial performance and entity financial position, was crucial. This research highlights varying stakeholder views in New Zealand financial reporting and underscores the importance of aligning financial information with stakeholder needs to enhance the relevance and utility of financial reports.

study (Saji, 2021) analyzed how the mandatory convergence of Indian Accounting Standards (Ind AS) with International Financial Reporting Standards (IFRS) impacted the quality of corporate financial reporting in India. It examined 355 non-financial companies listed on the National Stock Exchange of India (NSE) from January 2017 to December 2019, using analytical models to assess the impact. The research found that adopting international standards improved the quality of earnings reports in the Indian securities market. The study used Quantile Regression (QR) to highlight varying effects on high-value corporate reports. It provides valuable insights into the benefits of aligning accounting standards with international norms for enhancing financial reporting quality in emerging markets like India.

study (Kim, 2013) This empirical study investigated the importance of disclosed information by Russian public companies. Results showed that, before 2011, investors relied on book values of shares, with variations in the importance of reported earnings value for "growth" and "value" stocks. Notably, leading Russian companies following International Financial Reporting Standards (IFRS) on the London Stock Exchange produced more value-relevant reports compared to those adhering to Russian standards domestically. This suggests that Russia's mandatory adoption of IFRS by 2015 could enhance information quality. Overall, the research emphasizes the significance of aligning with international accounting standards in Russia to improve financial information quality and relevance for investors and stakeholders, aligning it with global reporting practices.

1.3 Studies in Corporate Governance and Quality of Financial Reports:

study (Sassi & Damak-Ayadi, 2022) aimed to examine the relationship between the adoption of International Financial Reporting Standards for Small and Medium-sized Enterprises (IFRS for SMEs) and Corporate Governance Index (CGI), with a focus on the mediating role of Financial Service Quality (QFS). The structural equation model was used in the research, covering small and medium-sized companies in the Dominican Republic and El Salvador for the years 2010 and 2016. The results revealed a positive relationship between the adoption of IFRS for SMEs, CGI, and QFS. Additionally, the study demonstrated that the quality of financial services plays a significant mediating role in this relationship.

study (Kaawaase, et al, 2022) aimed to explore the relationship between corporate governance characteristics (board experience, board independence, and board performance), internal audit quality, and financial reporting quality. A survey questionnaire was administered to Chief Financial Officers, Chief Accountants, and Internal Audit Managers, and data was analyzed using SPSS. Results showed significant links between board experience and board performance with financial reporting quality, as well as a significant association between internal audit quality and financial reporting quality. However, board independence did not have a significant impact on financial reporting quality in this context.

study (Appiagyei, et al, 2022) investigated the link between Integrated Reporting (IR) quality and sustainability performance, as well as the influence of corporate governance mechanisms on both. Using data from Johannesburg Stock Exchange-listed companies in South Africa from 2011 to 2016, the research found that effective boards and high-quality external audits impact investor relations quality. It also revealed a strong correlation between IR quality and sustainability performance. This study is notable for using a longitudinal dataset from the JSE, which mandated integrated reporting since 2010, offering valuable insights into these connections.

1.4 Commentary on Previous Studies:

The previous studies have highlighted a research gap in terms of the applied field, which is characterized by the lack of attention to and investigation of corporate governance and financial reporting quality in electrical industries in Iraq. This is the primary focus of the current research, which aims to study corporate governance and financial reporting quality and their relationship, with an application to the electrical industries in Iraq.

Previous studies have examined corporate governance in relation to various other variables, both independently and dependently, across diverse applied domains and sectors in several countries. Some of the key variables and their applied domains include: The analysis of the relationship between corruption, corporate governance, and sustainable development goals in Africa, as demonstrated in the study by Ahmed & Anifowose (2023). The examination of corporate governance at the firm level in the research conducted by Mansour et al. (2020). The investigation of the role of corporate governance in the financial and operational (technical and commercial) performance of Indian utilities, as explored in the study by Srivastava & Kathuria (2020).

Additionally, there are studies that have delved into financial reporting quality concerning various other variables, including: The scrutiny of stakeholders' perceptions of New Zealand financial reports in the study by Botica Redmayne et al. (2022). The spotlight on uneven financial reporting quality and firm size in the research by Saji (2021). The consideration of information value in the study by Kim (2013).

The current research aligns with previous studies in utilizing a descriptive-analytical methodology, deemed the most appropriate approach for this type of research. It also shares commonality with most prior studies in using surveys as a research tool. The research has drawn from the references and literature emphasized in previous studies to streamline the research process, determine research axes, and select the research methodology and statistical methods employed in these studies.

The research gap identified in previous studies can be summarized as follows:

- The current research differs from previous studies in that prior studies have mainly been applied in service-oriented organizations such as banks, universities, and hospitals. There is a noticeable scarcity of studies that have addressed the impact of the study factors (financial reporting quality and corporate governance).
- There has been a neglect of examining the relationship and impact between corporate governance and financial reporting quality.
- Additionally, there is a shortage of research that has explored the relationship between variables and the influence of corporate governance on financial reporting quality in various organizations, institutions, and sectors.
- Therefore, the current research aims to address these gaps by investigating the topics of corporate governance and financial reporting quality in the electrical industries in Iraq. This research seeks to bridge the existing void by examining the relationship and impact of corporate governance on financial reporting quality in a unique and underrepresented context.

2. Research Problem

The quality of financial reports carries significant importance in providing accurate and transparent information that contributes to evaluating the performance of companies and making informed financial decisions by investors and stakeholders. The application of corporate governance principles constitutes an influential factor in enhancing the quality, documentation, and credibility of financial reports. The challenges of the contemporary business environment underscore the importance of achieving transparency and integrity in presenting financial information. In this context, the problem of the impact of corporate governance on the quality of financial reporting arises as a subject worthy of analysis and study, especially concerning electrical industry companies in the Republic of Iraq.

Therefore, the research problem can be defined through the following questions:

- To what extent is corporate governance emphasized in electrical industry companies in Iraq?
- How much attention is given to the dimensions of financial reporting quality in electrical industry companies in Iraq?
- What is the impact of corporate governance on the quality of financial reporting in electrical industry companies in Iraq?
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3. Objectives of Research

The research aims to:

- Assess the level of emphasis on achieving corporate governance in electrical industry companies in the Republic of Iraq.
- Investigate the degree of attention given to the dimensions of financial reporting quality in electrical industry companies in the Republic of Iraq.
- Determine the extent of the impact of corporate governance on the quality of financial reporting in electrical industry companies in the Republic of Iraq.

- Provide a set of recommendations and proposals for officials and leaders in electrical industry companies in the Republic of Iraq based on the research findings, which can be generalized and utilized in practical applications.

4. Research Significances:

The importance of this research lies in the following:

- This research is significant as it attempts to contribute to filling the research gap in studies and research on the concept of corporate governance, specifically regarding regulatory practices that impact the quality of financial reporting. The study responds to the calls made by numerous previous studies for further research in these areas, which are highly important in enriching the scientific research library and research centers, especially those focused on management studies. Additionally, this research can provide a database to assist researchers and scholars in conducting further research in this field.
- The research highlights the critical role of corporate governance in addressing environmental challenges, managing change, and achieving sustainable competitive advantages. It particularly focuses on its relevance to electrical industry companies in Iraq operating in a dynamic and innovative environment, emphasizing its importance in helping these companies excel in their goals.

5. Research Variables:

5.1 Independent variable: Corporate Governance.

Corporate governance is the system based on integrity, transparency, accountability, anti-corruption efforts, and achieving justice without any discrimination, and the application of the law to all (Appiagyei, et al, 2022).

Corporate governance is measured through the following dimensions:

- **Disclosure and Transparency:** Disclosure in organizations involves the honest and unobstructed release of all information to all stakeholders. Transparency, on the other hand, entails clarity in processes and terms to ensure fair dealings with stakeholders (Abdul Malik & Al-Mulhim, 2018).
- **Accountability:** Accountability refers to the presence of a comprehensive system that includes a set of clear, regulated, and pre-announced organizational methods to identify violations and hold wrongdoers accountable without discrimination or considerations for administrative position or job title in order to combat all forms of corruption (Arslan & Alqatan, 2018).
- **Empowerment and Participation:** These dimensions signify encouraging employees and members of the organization to actively participate in decision-making processes, performance improvement, and development within the institution (Abdelfattah & Aboud, 2020).

5.2 Dependent Variable: Quality of Financial Reports.

These are a set of written and authenticated financial records detailing business activities, subject to audit and review by specialized government entities, financial auditors, and

accountants. The purpose is to prepare financial reports and for investment purposes (Taha & Mohammed, 2017).

The quality of financial reports has been measured through a set of dimensions, which include:

- **Statement of Financial Position:** Also known as the balance sheet, international financial reporting standards affect how components of the balance sheet are reported.
- **Comprehensive Income Statement:** It can take the form of a single statement or be separated into a profit and loss statement and another statement, including assets and equipment.
- **Statement of Changes in Equity:** Also known as the statement of retained earnings, this document changes in a company's equity over a specified financial period.

The general framework for the current research variables is illustrated in Figure (1) as follows:

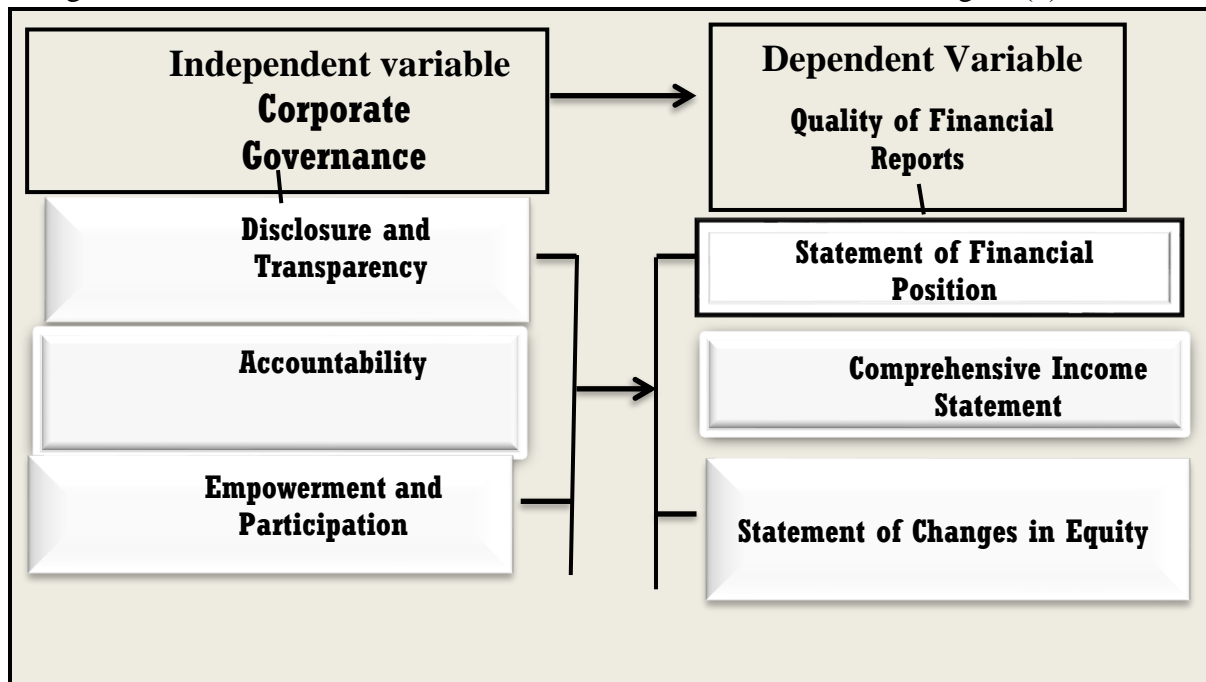


Figure (1): The General Framework for Research Variables.

6. Research hypotheses

The main hypothesis of the study: "There is a statistically significant relationship between corporate governance and the quality of financial reports in electrical industry companies in the Republic of Iraq." This main hypothesis gives rise to several subsidiary hypotheses, which are:

- There is a statistically significant relationship between corporate governance and the Statement of Financial Position as one of the dimensions of the quality of financial reports in electrical industry companies in the Republic of Iraq.
- There is a statistically significant relationship between corporate governance and the Comprehensive Income Statement as one of the dimensions of the quality of financial reports in electrical industry companies in the Republic of Iraq.
- There is a statistically significant relationship between corporate governance and the Statement of Changes in Equity as one of the dimensions of the quality of financial reports in electrical industry companies in the Republic of Iraq.

7. Research Design

7.1 Research Methodology

Based on the nature of the research topic and the information sought to uncover the impact of corporate governance on the quality of financial reports, the research relied on the descriptive-analytical methodology. To achieve this, two types of data were collected from the following sources:

Secondary Data: These are data obtained to build the theoretical framework from books, articles, and previous Arabic and foreign studies that addressed topics related to corporate governance and the quality of financial reports.

Primary Data: These are data collected through a field survey in the empirical study to test the validity or invalidity of the hypotheses. This research aimed to complement the theoretical data to gain a comprehensive understanding of the subject. This was achieved through a field survey conducted with employees in electrical industry companies in Iraq to obtain this data.

7.2 Research Population and Sample

The population of this study consists of electrical industry companies in the Republic of Iraq. Therefore, the researcher selected a stratified random sample, calculated by assuming that the phenomenon under study exists in the population with a proportion of 50%. Using a confidence level of 95% (with a 5% margin of error) in the sample size equation, the sample size is determined as follows:

$$n = \frac{NP(1-P)Z^2}{(N-1)d^2 + P(1-P)Z^2}$$

Where:

n: Required sample size.

N: Size of the study population.

P: The assumed proportion of the phenomenon under study in the population, considered to be 50%.

D: The margin of error, ± 0.05 .

Z^2 : The standard score corresponding to a confidence level of 95%, which is 1.96.

The size of the study population is 5200. After substituting these values into the equation, the sample size becomes 357.

8. Search Tool Evaluation

The survey tool was used as the primary instrument for obtaining initial data from the research community. The survey tool was designed in light of the research objectives to test the research hypotheses, which were developed based on a review of previous studies. The survey tool included the following sections:

First Axis: Corporate Governance: This involves identifying the level of attention to corporate governance in electric industry companies in Iraq, by measuring the availability of the following dimensions: (disclosure and transparency - accountability - empowerment and participation). These dimensions were measured through 24 statements.

Second Axis: Financial Reporting Quality: This involves identifying the level of attention to the quality of financial reporting in electric industry companies in Iraq, by measuring the availability of the following dimensions: (financial statement - comprehensive income statement - statement of changes in equity). These dimensions were measured through 25 statements.

The stability of the survey tool was verified through Cronbach's alpha coefficient to assess the internal consistency and self-consistency of the research variables. Additionally, the internal consistency of the survey tool was verified by calculating the correlation coefficient between each item (question) within the survey item groups and the overall score of the group. Below are the results of the validity and stability testing of the survey tool for each dimension of the research variables.

- **Validity and Reliability of the Research Instrument**

The stability of the survey instrument was verified using Cronbach's Alpha coefficient, and the results are presented in the following Table (1), which illustrates the validity and reliability testing results of the research instrument.

Table (1): Reliability Coefficients (Split-Half Method and Cronbach's Alpha)

Domain	Number of Items	Cronbach's Alpha	Self-Reliability*
Disclosure and Transparency	8	0.851	0.923
Accountability	8	0.951	0.975
Participation and Empowerment	8	0.976	0.988
Corporate Governance	24	0.964	0.962
Financial Position Statement	9	0.852	0.923
Comprehensive Income Statemen	8	0.974	0.987
Statement of Changes in Equity	8	0.950	0.975
Financial Reporting Quality	25	0.961	0.961
All Domains Together	49	0.962	0.961

At a significance level of 0.05

The table number (1) indicates that the Cronbach's Alpha coefficient values for each domain range from good to high, ranging from (0.851-0.976), while it reached (0.962) for all items in the survey list. Similarly, the self-reliability values are high for each domain, ranging from (0.923-0.988), while it reached (0.961) for all items in the survey list. This means that the reliability coefficient is high.

9. Statistical Analysis of Research Sample Characteristics

The following are the demographic characteristics of the research sample based on gender, educational level, years of experience, and age, using descriptive statistics represented in both

frequency and percentage. Table number (2) illustrates the frequency and relative distribution of the research sample's demographics.

Table (2): Distribution of the Research Sample

Gender	Frequency	Percentage (%)
Male	213	59.66%
Female	144	40.34%
Educational Level	Frequency	Percentage (%)
Less than Bachelor's	85	23.8%
Bachelor's	161	45%
Postgraduate	111	31.2%
Years of Experience	Frequency	Percentage (%)
Less than 5 years	196	54.6%
5 - 10 years	84	23.3%
10 - 15 years	62	17.4%
15 years or more	15	4.7%
Age Group	Frequency	Percentage (%)
Less than 30 years	85	23.8%
30 - 40 years	185	51.8%
40 - 50 years	52	14.6%
50 years or more	35	9.8%
Total	357	100%

From the table above, it is evident that males represent 213 individuals from the selected sample of employees in electrical industry companies in the Republic of Iraq, accounting for 59.66% of the total sample size of 357 individuals, while females make up 40.34% of the sample. The educational level of the sample is notably high, with 31.2% of individuals holding postgraduate degrees (diploma, master's, or doctoral), compared to 45% with bachelor's degrees, and 23.8% having qualifications lower than a bachelor's degree. The distribution of employees based on years of experience shows that the majority (54.6%) have less than 5 years of experience, followed by those with 5 to less than 10 years of experience at 23.3% of the total sample. Additionally, employees with 10 to 15 years of experience account for 17.4% of the sample, while those with 15 years or more of experience constitute 4.7% of the total sample.

All age groups of employees in electrical industry companies in the Republic of Iraq are represented in the sample. Employees aged 30 to 40 years are the most highly represented, comprising 51.8% of the total sample. Employees under 30 years of age make up 23.8% of the research sample. Employees aged 40 to 50 years and those aged 50 years or older account for 14.6% and 9.8% of the sample, respectively.

10. Statistical Analysis of Research Variables

10.1 Statistical Analysis of Corporate Governance

A variable for corporate governance was measured using three mechanisms (disclosure and transparency, accountability, empowerment, and participation). Table number (3) illustrates the research sample's responses regarding the mechanisms and the corporate governance variable. Additionally, Figure number (1) shows the average responses of the research sample to the corporate governance mechanisms.

Table (3): Descriptive Measures for Corporate Governance Mechanisms

Variable	Number of Items	Mean	Standard Deviation	Variance Ratio	Rank	t-Value	
						t-Value	p-Value
Disclosure and Transparency	8	4.218	0.471	11.2%	3	31.5	0.000
Accountability	8	4.326	0.603	13.9%	2	26.8	0.000
Empowerment and Participation	8	4.521	0.630	13.9%	1	29.4	0.000
Corporate Governance	24	4.355	0.518	11.9%	-	31.8	0.000

The table number (3) indicates a positive trend among the selected sample of employees in electrical industry companies in the Republic of Iraq towards corporate governance with its three mechanisms (disclosure and transparency, accountability, empowerment, and participation). This is evident with a standard deviation of 0.518 and a variance ratio of 11.9%. The calculated mean value is 4.355, which is higher than the midpoint of the Likert five-point scale, representing neutrality. This statistical significance is observed at a 0.01 level according to the t-test results.

Furthermore, table number (3) and figure number (1) reveal that, in the view of the selected sample, the mechanisms of empowerment and participation are considered the most prominent aspects of corporate governance in electrical industry companies in the Republic of Iraq. The mean score for this dimension is 4.521, which is higher than the midpoint of the Likert five-point scale, indicating neutrality. This statistical significance is observed at a 0.01 significance level. Accountability mechanisms follow with a mean score of 4.326, and finally, disclosure and transparency mechanisms have a mean score of 4.218. This is taken into account along with the degree of dispersion of values around the mean, which is reflected in the standard deviation and variance ratio. The t-test results also demonstrate statistical significance at a 0.01 level, indicating a positive orientation towards corporate governance mechanisms from the perspective of the research sample.

10.2 Statistical Analysis of Quality of Financial Reports

"Quality of Financial Reports Variable was measured through three dimensions (Financial Statement, Comprehensive Income Statement, and Statement of Changes in Equity). Table number (4) presents the responses of the research sample regarding the dimensions and the Quality of Financial Reports Variable.

Table (4): Descriptive Measures for Dimensions of Financial Reports Quality

Variable	Number of Items	Mean	Standard Deviation	Variance Ratio	Rank	t-Value	
						t-Value	p-Value
Financial Statement	9	4.120	0.623	15.1%	3	21.9	0.000
Comprehensive Income Statement	8	4.546	0.647	14.2%	2	29.1	0.000
Statement of Changes in Equity	8	4.571	0.542	11.9%	1	35.2	0.000
Financial Reports Quality	25	4.412	0.545	12.4%	-	31.5	0.000

The table number (4) demonstrates a positive trend among the selected sample of employees in electrical industry companies in the Republic of Iraq towards the dimensions of financial reports quality (Financial Statement, Comprehensive Income Statement, and Statement of Changes in Equity). This is evident with a standard deviation of 0.545 and a variance ratio of 12.4%. The calculated mean value is 4.412, which is higher than the midpoint of the Likert five-point scale, representing neutrality. This statistical significance is observed at a 0.01 level according to the t-test results.

Additionally, table number (12) shows that the Statement of Changes in Equity is considered the most prominent dimension of financial reports quality according to the selected sample, with a mean score of 4.546, which is higher than the midpoint of the Likert five-point scale, indicating neutrality. This statistical significance is observed at a 0.01 significance level. It is followed by the Comprehensive Income Statement with a mean score of 4.572, and finally, the Financial Statement with a mean score of 4.120. This is taken into account along with the degree of dispersion of values around the mean, which is reflected in the standard deviation and variance ratio.

10.3 The correlations between the dimensions of research variables

Table Number (5): Bivariate Linear Relationships between Corporate Governance Mechanisms (Disclosure and Transparency – Accountability – Empowerment and Participation) and Dimensions of Financial Reports Quality (Financial Statement – Comprehensive Income Statement – Statement of Changes in Equity).

Table (5): Bivariate Linear Correlations between Research Variables

Research Variables	Disclosure and Transparency	Accountability	Empowerment and Participation	Financial Statement	Comprehensive Income Statement	Statement of Changes in Equity
Disclosure and Transparency	1					
Accountability	0.676**	1				
Empowerment and Participation	0.718**	0.720**	1			
Financial Statement	0.596**	0.656**	0.570**	1		
Comprehensive Income Statement	0.621**	0.813**	0.963**	0.675*	1	
Statement of Changes in Equity	0.670**	0.768**	0.923**	0.542*	0.848**	1

** The correlation coefficients are statistically significant at the 0.01 (α) level.

The table number (5) reveals a strong negative correlation with statistical significance at the 0.01 level between corporate governance mechanisms (disclosure and transparency - accountability - empowerment and participation) on the one hand, and each dimension of financial report quality (financial statement - comprehensive income statement - statement of changes in equity) on the other hand. The correlation coefficients exceeded 0.49, indicating the positive impact of corporate governance mechanisms on the financial report quality in electrical industry companies in the Republic of Iraq.

Moreover, among the corporate governance mechanisms, accountability mechanisms show the highest correlation with the financial statement as one of the dimensions of financial report quality. This suggests that accountability mechanisms have the most significant impact on the financial statement in electrical industry companies in the Republic of Iraq. On the other hand, empowerment and participation mechanisms have the highest correlation with both the comprehensive income statement and the statement of changes in equity. This indicates that empowerment and participation mechanisms have the most significant impact on both the comprehensive income statement and the statement of changes in equity as aspects of financial report quality in electrical industry companies in the Republic of Iraq.

Furthermore, the correlation coefficients among the independent variables (corporate governance mechanisms) show that the correlation coefficient between accountability mechanisms, empowerment mechanisms, and participation mechanisms in electrical industry companies in the Republic of Iraq is the highest among the independent variables. Regardless of the statistical significance of this correlation, it is not significant enough (correlation coefficient = 0.720, which is smaller than 0.9) to suggest the presence of multicollinearity among the independent variables.

11. Testing Research Hypotheses

To achieve the objectives of this research, the main hypothesis was formulated as follows:

"There is a statistically significant relationship between corporate governance and the quality of financial reports in electrical industries companies in the Republic of Iraq."

This hypothesis was tested through the following three sub-hypotheses:

- **Testing the first sub-hypothesis:**

The first hypothesis of this research states that **"there is a statistically significant relationship between corporate governance and the financial statement as one of the dimensions of the quality of financial reports in electrical industries companies in the Republic of Iraq."**

The independent variables in this sub-hypothesis are the mechanisms of corporate governance (disclosure and transparency, accountability, empowerment, and participation), and the dependent variable is the financial statement as one of the dimensions of the quality of financial reports.

As mentioned earlier, the bivariate correlation relationships between the mechanisms of corporate governance (disclosure and transparency, accountability, empowerment, and participation) and the financial statement as one of the dimensions of the quality of financial reports showed that there is a significant positive relationship between each mechanism of corporate governance and the financial statement in electrical industries companies in the Republic of Iraq at a significance level of (0.01). The correlation relationship was strong for all mechanisms of corporate governance (disclosure and transparency, accountability, empowerment, and participation). Although these results fully align with the researcher's expectations regarding their degree of correlation, the final test of these correlational relationships depends on the results of the multiple regression analysis, as it comprehensively explains the impact of independent variables on the quality of financial reports.

Table No. (6) presents the statistical results of the multiple regression analysis regarding the effect of corporate governance mechanisms on the financial statement as one of the dimensions of the quality of financial reports.

Table (6): Results of Multiple Regression for the Impact of Corporate Governance Mechanisms on the Financial Statement

Independent Variables	Estimated Parameters	t-test			F-test		Coefficient of Determination
		Value (t)	Value (P)	Significance Level	Value (F)	Value (t)	
Constant	0.187	5.532	0.000*	Significant	46.528	0.000*	0.702
Disclosure and Transparency	0.471	4.040	0.000*	Significant			
Accountability	0.691	6.297	0.000*	Significant			
Empowerment and Participation	0.275	3.947	0.000*	Significant			

At a significance level of 0.05

From the results in Table 6, it is evident that there is a statistically significant positive effect of corporate governance mechanisms (disclosure and transparency mechanisms, accountability mechanisms, and empowerment and participation mechanisms) on the financial statement of the financial center as one dimension of financial reporting quality in electric industries companies. More specifically, accountability mechanisms are considered to have the highest impact on the financial statement as one dimension of financial reporting quality (with a coefficient value of 0.691 and a p-value less than 0.01). Therefore, we accept the first sub-hypothesis, which states that "there is a statistically significant relationship between corporate governance and the financial statement as one dimension of financial reporting quality in electric industries companies in the Republic of Iraq."

Furthermore, disclosure and transparency mechanisms rank second in terms of their impact on the financial statement as one dimension of financial reporting quality (with a coefficient value of 0.471 and a p-value less than 0.01). Consequently, we accept the first sub-hypothesis, which states that "there is a statistically significant relationship between disclosure and transparency mechanisms and the financial statement as one dimension of financial reporting quality in electric industries companies."

Empowerment and participation mechanisms are found to have the least impact on the financial statement as one dimension of financial reporting quality (with a coefficient value of 0.275 and a p-value less than 0.01). Thus, we accept sub-hypothesis H1c, which states that "there is a statistically significant relationship between corporate governance and the financial statement as one dimension of financial reporting quality in electric industries companies in the Republic of Iraq."

Furthermore, the results from Table 6 indicate that the coefficient of determination (R²) for the social dimension as one dimension of financial reporting quality is 0.702. This means that corporate governance mechanisms (disclosure and transparency, accountability, and empowerment and participation) explain 70.2% of the observed variation in the financial statement as one dimension of financial reporting quality. Therefore, 29.6% of the observed variation in the financial statement as one dimension of financial reporting quality can be

attributed to other factors besides corporate governance mechanisms. Based on these results, we accept the first sub-hypothesis, which states that "there is a statistically significant relationship between corporate governance and the financial statement as one dimension of financial reporting quality in electric industries companies in the Republic of Iraq."

Additionally, it is evident from Table 6 that the p-value for the F-test is less than 0.01, indicating the significance and validity of the estimated equation for the social dimension as one dimension of financial reporting quality as a whole. Thus, financial statement levels can be predicted by measuring the extent to which corporate governance mechanisms are practiced as follows: Financial Statement = 0.187 + 0.471 (Disclosure and Transparency Mechanisms) + 0.691 (Accountability Mechanisms) + 0.275 (Empowerment and Participation Mechanisms).

- **Testing the second sub-hypothesis:**

The second hypothesis of this research states that "**there is a statistically significant relationship between corporate governance and the comprehensive income statement as one dimension of financial reporting quality in electric industries companies in the Republic of Iraq.**"

The independent variables in this hypothesis consist of corporate governance mechanisms (disclosure and transparency, accountability, and empowerment and participation). The dependent variable is represented by the comprehensive income statement as one dimension of financial reporting quality.

As previously shown in the bivariate correlation relationships between corporate governance mechanisms (disclosure and transparency, accountability, and empowerment and participation) and the comprehensive income statement as one dimension of financial reporting quality, there is a statistically significant positive relationship between each of the corporate governance mechanisms on one hand and the comprehensive income statement on the other hand at a significance level of 0.01. The correlation relationship was strong for all corporate governance mechanisms (disclosure and transparency, accountability, and empowerment and participation).

Although these results align perfectly with the researcher's expectations regarding their level of association, the final test of these correlational relationships depends on the results of the multiple regression analysis as the test that comprehensively explains the impact of independent variables on the quality of financial reports.

Table 7 illustrates the statistical results of the least squares method regarding the impact of corporate governance mechanisms on the comprehensive income statement as one dimension of financial reporting quality in electric industries companies.

Table (7): Multiple Regression Results for the Impact of Corporate Governance Mechanisms on the Comprehensive Income Statement

Independent Variables	Estimated Parameters	t-test			F-test		Coefficient of Determination
		Value (t)	Value (P)	Significance Level	Value (F)	Value (t)	
Constant	0.384	3.213	0.002**	Significant	466.518	0.000**	0.941
Disclosure and Transparency	0.228	5.567	0.000**	Significant			
Accountability	0.127	3.281	0.001**	Significant			
Empowerment and Participation	0.811	25.676	0.000**	Significant			

At a significance level of 0.05

The results from Table 7 indicate a statistically significant positive effect of corporate governance mechanisms, including both disclosure and transparency mechanisms, accountability mechanisms, and empowerment and participation mechanisms, on the comprehensive income statement as one dimension of financial reporting quality within the Ministry of Youth and Sports. More specifically, empowerment and participation mechanisms are found to have the highest impact on the comprehensive income statement as one dimension of financial reporting quality (with a coefficient value of 0.811 and a p-value less than 0.01). Therefore, we accept the sub-hypothesis H2c, which states that "there is a statistically significant relationship between empowerment and participation mechanisms and the comprehensive income statement as one dimension of financial reporting quality in electric industries companies."

Next in terms of impact on the comprehensive income statement, disclosure and transparency mechanisms rank second (with a coefficient value of 0.228 and a p-value less than 0.01). Consequently, we accept sub-hypothesis H2a, which states that "there is a statistically significant relationship between disclosure and transparency mechanisms and the comprehensive income statement as one dimension of financial reporting quality in electric industries companies."

Accountability mechanisms are found to have the least impact on the comprehensive income statement (with a coefficient value of 0.127 and a p-value less than 0.01). Thus, we accept sub-hypothesis H2b, which states that "there is a statistically significant relationship between corporate governance and the comprehensive income statement as one dimension of financial reporting quality in electric industries companies in the Republic of Iraq."

Furthermore, the results from Table 7 indicate that the coefficient of determination (R²) for the economic dimension as one dimension of financial reporting quality is 0.941. This means that corporate governance mechanisms (disclosure and transparency, accountability, and empowerment and participation) explain 94.1% of the observed variation in the comprehensive income statement as one dimension of financial reporting quality. Therefore, 5.9% of the observed variation in the comprehensive income statement as one dimension of financial reporting quality can be attributed to other factors besides corporate governance mechanisms. Based on these results, we accept the second hypothesis, which states that "there is a statistically significant relationship between corporate governance practices and the

comprehensive income statement as one dimension of financial reporting quality in electric industries companies."

Additionally, it is evident from Table 7 that the p-value for the F-test is less than 0.01, indicating the significance and validity of the estimated equation for the economic dimension as one dimension of financial reporting quality as a whole. Thus, comprehensive income statement levels can be predicted by measuring the extent to which corporate governance mechanisms are practiced as follows: Comprehensive Income Statement = 0.384 + 0.228 (Disclosure and Transparency Mechanisms) + 0.127 (Accountability Mechanisms) + 0.811 (Empowerment and Participation Mechanisms).

• **Testing the third sub-hypothesis:**

The third sub-hypothesis of this research states that **"there is a statistically significant relationship between corporate governance and the statement of changes in ownership rights as one dimension of financial reporting quality in electric industries companies in the Republic of Iraq."**

The independent variables in this sub-hypothesis consist of corporate governance mechanisms (disclosure and transparency, accountability, and empowerment and participation). The dependent variable is represented by the statement of changes in ownership rights as one dimension of financial reporting quality.

As previously shown in the bivariate correlation relationships between corporate governance mechanisms (disclosure and transparency, accountability, and empowerment and participation) and the statement of changes in ownership rights as one dimension of financial reporting quality, there is a statistically significant positive relationship between each of the corporate governance mechanisms on one hand and the statement of changes in ownership rights on the other hand at a significance level of 0.01. The correlation relationship was strong for all corporate governance mechanisms (disclosure and transparency, accountability, and empowerment and participation).

Although these results align perfectly with the researcher's expectations regarding their level of association, the final test of these correlational relationships depends on the results of the multiple regression analysis as the test that comprehensively explains the impact of independent variables on the quality of financial reports.

Table 8 illustrates the statistical results of the least squares method regarding the impact of corporate governance mechanisms on the statement of changes in ownership rights as one dimension of financial reporting quality in electric industries companies.

Table (8): Multiple Regression Results for the Impact of Corporate Governance Mechanisms on the Statement of Changes in Ownership Rights

Independent Variables	Estimated Parameters	t-test			F-test		Coefficient of Determination
		Value (t)	Value (P)	Significance Level	Value (F)	Value (t)	
Constant	0.335	5.904	0.000**	Significant	278.84	0.000**	0.853
Disclosure and Transparency	0.209	4.160	0.000**	Significant			
Accountability	0.330	6.586	0.000**	Significant			
Empowerment and Participation	0.767	14.714	0.000**	Significant			

At a significance level of 0.05

The results from Table 8 demonstrate a statistically significant positive effect of corporate governance mechanisms, including disclosure, transparency, accountability, empowerment, and participation, on the Statement of Changes in Ownership Rights as one of the dimensions of financial reporting quality within the company. More specifically, empowerment and participation mechanisms exhibit the highest impact on the Statement of Changes in Ownership Rights (with a coefficient value of 0.767 and a P-value less than 0.01). Thus, we accept the sub-hypothesis (H3c), which states that "there is a statistically significant relationship between corporate governance and the Statement of Changes in Ownership Rights as one of the dimensions of financial reporting quality in electrical industry companies in the Republic of Iraq."

Following in terms of impact on the Statement of Changes in Ownership Rights, accountability mechanisms rank second (with a coefficient value of 0.330 and a P-value less than 0.01). Consequently, the third sub-hypothesis is accepted, indicating that "there is a statistically significant relationship between corporate governance and the Statement of Changes in Ownership Rights as one of the dimensions of financial reporting quality in electrical industry companies in the Republic of Iraq."

Disclosure and transparency mechanisms rank last in terms of their impact on the Statement of Changes in Ownership Rights (with a coefficient value of 0.209 and a P-value less than 0.01). Consequently, we accept sub-hypothesis (H3a), which states that "there is a statistically significant relationship between disclosure and transparency mechanisms and the Statement of Changes in Ownership Rights as one of the dimensions of financial reporting quality in the company."

Additionally, the results in Table 8 reveal that the coefficient of determination (R^2) for the technological dimension as one of the dimensions of financial reporting quality is 0.853. This implies that corporate governance mechanisms (disclosure, transparency, accountability, empowerment, and participation) contribute to explaining 85.3% of the observed variation in the Statement of Changes in Ownership Rights as one of the dimensions of financial reporting quality. Therefore, it can be concluded that 14.7% of the observed variation in the Statement of Changes in Ownership Rights as one of the dimensions of financial reporting quality can be attributed to factors other than corporate governance mechanisms. Based on these results, we accept the third hypothesis (H3), which asserts that "there is a statistically significant relationship between corporate governance and the Statement of Changes in Ownership Rights as one of the dimensions of financial reporting quality in electrical industry companies in the Republic of Iraq."

Furthermore, the P-value for the F-test in Table 16 is less than 0.01, indicating the significance and robustness of the estimated equation for the technological dimension as one of the dimensions of financial reporting quality as a whole. Consequently, the Statement of Changes in Ownership Rights can be predicted based on the extent of corporate governance mechanisms as follows: Statement of Changes in Ownership Rights = 0.335 + 0.209 (disclosure and transparency mechanisms) + 0.330 (accountability mechanisms) + 0.767 (empowerment and participation mechanisms).

In summary, the results of the three hypotheses tests confirm the acceptance of the main hypothesis of this research, which asserts that "there is a statistically significant relationship between the application of corporate governance and the quality of financial reporting in electrical industry companies," as applied to electrical industry companies in the Republic of Iraq.

12. Research Results

The research findings indicate a statistically significant relationship between corporate governance and financial reporting quality, as applied to electrical industries companies in the Republic of Iraq. This result can be interpreted as follows:

- There is a positive and statistically significant relationship between corporate governance mechanisms (disclosure and transparency, accountability, empowerment, and participation) and the statement of financial position as one of the dimensions of financial reporting quality in electrical industries companies in the Republic of Iraq. The study reveals that accountability mechanisms have a greater impact on the quality of the statement of financial position compared to disclosure, transparency, empowerment, and participation.
- The results emphasize the importance of adopting effective governance practices to achieve improvements in the quality of financial reporting and increase the transparency of financial information provided by electrical industries companies in the Republic of Iraq.
- There is a positive and statistically significant relationship between corporate governance mechanisms (disclosure and transparency, accountability, empowerment, and participation) and the comprehensive income statement as one of the dimensions of financial reporting quality in electrical industries companies in the Republic of Iraq. The study shows that empowerment and participation mechanisms have a greater impact on the comprehensive income statement compared to disclosure, transparency, and accountability. These results reinforce the importance of implementing effective governance practices to enhance the quality of the comprehensive income statement and improve the accuracy of financial information provided by electrical industries companies in the Republic of Iraq.
- The application of corporate governance mechanisms in electrical industries companies in the Republic of Iraq has a positive impact on financial reporting quality by improving the statement of changes in equity. Although these results support the initial expectations of the researcher, the results of multiple regression analysis should be considered to determine the precise extent of the impact of corporate governance mechanisms.
- There is a statistically significant relationship between the implementation of governance practices and financial reporting quality in electrical industries companies in the Republic of Iraq. This means that there is a positive and significant impact associated with governance practices on the quality of financial reporting in these companies. This relationship may be complex and multidimensional, depending on the specific governance mechanisms analyzed in the research.

13. Research Recommendations

In light of the research findings, several recommendations have been provided, including:

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- **Enhancing disclosure and transparency practices:** It is advisable to develop strong disclosure and transparency policies that comprehensively reveal financial information and related operations. This will enhance operational transparency and contribute to building trust among investors and stakeholders.
 - **Strengthening accountability mechanisms:** Accountability and oversight mechanisms within companies should be strengthened to ensure effective management direction and ongoing monitoring of the company's performance. This will help reduce corruption and promote integrity.
 - **Enhancing empowerment and participation mechanisms:** It is recommended to enhance the involvement of relevant parties in decision-making processes and empower them to actively participate in improving the company's performance. This will contribute to achieving a balance of interests and enhancing transparency.
 - **Developing mechanisms for assessing the quality of financial reports:** Specific mechanisms should be developed to measure the quality of financial reports, including assessing compliance with international accounting and disclosure standards and identifying areas for improvement.
 - **Promoting training and awareness:** Efforts should be directed toward raising awareness among employees in companies about the importance of governance and financial reporting quality. Continuous training programs can be provided to enhance understanding and proper application.
 - **Improving internal control systems:** Internal control systems should be strengthened to detect potential irregularities and reduce the risks of fraud and corruption within companies.

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