International Journal of Studies in Business Management, Economics and Strategies
Volume 3, Issue 4, April - 2024
ISSN (E): 2949-883X
Scholarsdigest.org

THE EFFECT OF DISCLOSING FINANCIAL RISKS ON THE COMPANY'S VALUE - AN APPLIED STUDY ON A SAMPLE OF IRAQI BANKS IN THE IRAQI STOCK EXCHANGE

Asawir Shtaiwi Abed
Islamic Science College/Islamic Finance and
Banking Department Tikrit University
asawir.sh@tu.edu.iq

Lubna Laith Ismail
Administration and Economics College / Accounting Department
Lubnalauth94@tu.edu.iq

Abstract
The aim of the research is to investigate the extent of the impact that the disclosure of financial risks has on the valuation of a company among a group of Iraqi banking institutions. The extent of financial risk disclosure was assessed through the application of information content analysis method, utilizing a checklist consisting of 34 sections that outline this disclosure. Conversely, the valuation of the company was gauged using the (Tobin's Q) indicator. The study sample consisted of 15 banks that are publicly traded on the Iraqi Stock Exchange, over a period of 5 years ranging from 2017 to 2021. The research framework was formulated based on stakeholder theory and utilized a descriptive analytical method. The study reached several findings, the most notable of which is the presence of a positive ethical influence resulting from the disclosure of financial risks on the company's valuation. This implies that enhancing the company's valuation for banks listed on the Iraq Stock Exchange could be achieved by broadening the range of disclosure to include financial risk disclosure.

Keywords: Disclosure, Financial risk disclosure, Company Value, Banks.

Introduction

In a more recent timeframe than the previous ten years, there has been a growing interest in risk disclosure, especially in the field of investments. Companies face various risks, such as financial, operational, economic, and political risks, which can impact stock prices and valuations. It is not just financial institutions that are concerned with risk disclosure; non-financial institutions are also showing interest due to changes in the economic and regulatory landscape, complex business frameworks, and a focus on managing risks. These risks include international transactions, institutional crises, natural disasters, conflicts, political fluctuations, shifts in global demand, and other events that affect the resilience and sustainability of companies. To address this, the International Financial Reporting Standard (IFRS 7 Financial Instruments) was issued by the International Accounting Standards Board

(IASB). These standard mandates that companies reveal risks and enhance transparency in their annual reports, as the increased transparency regarding risks and their management in annual reports plays a crucial role in determining the market value of companies. Multiple additional factors shed light on the matter of risk disclosure in annual reports and its impact on the value of the company. These factors encompass the Asian crisis in the late 1990s, the downfall of Enron, and even the recent global financial crisis that occurred in 2007, particularly the inability to manage risks, the inability to develop strategies to anticipate risks, and inadequate disclosure of risks in... Annual reports of companies. Furthermore, the implementation of a series of mechanisms has drawn attention to the issue of risk disclosure and its supreme significance to the value of the company. The aforementioned mechanisms include the introduction of Basel III in 2010, the establishment of the COSO framework in 2013, and the issuance of the international standard for corporate governance. Risk (ISO). Thus, it has become imperative for companies to prioritize stakeholders' requirements concerning risk information, as it aids in anticipating risks and evaluating the company's future performance, thereby assisting beneficiaries in making prudent investment decisions. Moreover, the disclosure of financial risks aims to elucidate the impact of these risks on the company's performance and financial value (to shareholders, investors, and potential buyers), as it is a vital and essential process for any company striving to attain success and sustainability in the fast-paced and intricate business environment. Consequently, this study aims to examine and analyze the influence of disclosing financial risks on the company's value and provide practical recommendations for companies to enhance the disclosure process and maximize its benefits. The research **holds great significance**, both in terms of scientific and practical implications, due to several elements and assertions. First and foremost, The attention towards risk disclosure is increasing due to recent financial crises. Inadequate disclosure affects market value, emphasizing the importance of risk disclosure. Risk management and prediction strategies are crucial for stability and confidence in management. Research on risk disclosure can aid in developing accounting standards. This study provides evidence for evaluating the relationship between risk disclosure and firm value. **The research problem** is rooted in the insufficiency and lack of clarity in studies regarding the correlation between financial risk disclosure and company value. Consequently, it is imperative for the research to authenticate the influence of financial risk disclosure on the value of the company, as well as identify the variables that impact this relationship. Given the aforementioned points, the primary research problem can be articulated as follows:

a) Is there a notable correlation between the divulgence of financial risks and the security of the company?
b) Does financial risk disclosure significantly affect the value of the company?
c) Do the levels of influence exert by the aspects of financial risk disclosure on company value exhibit variance?

Hence, the primary aim of this study is to Knowing the extent of the impact of disclosing financial risks on the value of the company and its shares in the financial market by identifying financial risks, the impact of disclosing risks and making decisions**.** The research utilized two main scientific research methods: the descriptive approach, which involved

relying on accounting literature, dissertations, research, studies, and articles from various sources; and the applied approach, which utilized data from banks listed on the Iraq Stock Exchange from 2017 to 2021. To achieve the research goal, the study was divided into four sections. The first section covered the research introduction. The second section involved reviewing previous studies and forming research hypotheses. The third section presented the research model and discussed its outcomes. Lastly, the fourth section highlighted the most significant conclusions.

2. Literature Review and Hypothesis Development

2.1. The concept of accounting disclosure

The concept of disclosure is an integral part of financial reports, and disclosure is technically the last step in the accounting process in the form of presenting information and formulating it in a financial form, which appears within the explanations supplementing the financial statements. One of the problems mentioned in disclosure is the amount of information that is disclosed and what this information is. The amount of information that will be disclosed by the company in the financial statements will be affected by various factors. There are two main factors that affect the transparency of disclosure, which are the financial aspects and the governance of financial information(Gunawan&Lina,2015:311).

The inclusion of fresh data in financial statements enhances trust between a company and its stakeholders by influencing investor decisions. company revealing valuable information can build trust with all parties, potentially boosting their reputation and stock price, as well as share and sales volume.

Disclosure in annual reports can be categorized as Mandatory disclosure and Voluntary disclosure. Mandatory disclosure includes information required by laws, legislation, and standards in financial statements. Voluntary disclosure goes beyond the legal requirements and standards (Hassan,2022:312)

Because of the significance of accounting disclosure in conveying financial information, whether quantitative or descriptive, within the financial statements, footnotes, or in notes and supplementary tables, certain scholars and researchers have aimed to illuminate the various forms of accounting disclosure. This has led to the classification of accounting disclosure into: **a) Adequate Disclosure**: which signifies the minimum information that must be disclosed, serving as a form of preventive disclosure. Adequate disclosure is deemed obligatory in accordance with accounting standards and plays a crucial role in facilitating sound decision-making for financial statements, reducing uncertainty in future economic events, promoting fairness in financial markets, creating a conducive investment environment, and ensuring equitable opportunities for investors (lbid.,148).

b) comprehensive disclosure: as mandated by (Susanto & Meiryani, 2019:342) emphasizes the vital requirement to divulge every significant detail and data concerning the financial status and performance outcomes of the organization to stakeholders of the financial reports. This particular approach aims to prohibit any form of hiding information, thus averting any potential deception of the financial statement users.

c) Fair Disclosure: It is to ensure that all parties have equal access to essential information at the same time.

d) Appropriate Disclosure: it usually considers the requirements of data users, the specificities of the organization, and the characteristics of its operations. It is crucial not only to reveal financial data but also to ensure that it is meaningful and advantageous for the decision-making processes of investors and creditors, aligning with the company's operations and internal situation.

e) Educational Disclosure: The act of revealing pertinent data to all involved entities in order to facilitate decision-making, including the dissemination of financial projections, disclosure of ongoing and projected capital expenditures, and their associated sources of funding.

f) Preventive Disclosure: The presentation of data in the financial statements to all stakeholders in a comprehensible manner, ensuring clarity and accuracy without any form of misrepresentation.

From the aforementioned analysis, the two scholars posit that the data that necessitates disclosure, regardless of its quantitative or descriptive nature, should exhibit a thorough and unbiased nature across all involved stakeholders. The principal aim of divulging such data is to safeguard the average investor, whose capacity to grasp financial information is constrained.

2.2. The Importance of accounting disclosure

Accounting disclosure is deemed highly significant in the realm of business and accounting due to numerous compelling reasons, such as:

- The revelation of financial information in accounting statements is a driver for attracting investments and playing a role in the advancement of the economy, as evidenced by research conducted by (shujaa,2022:67)
- Accounting disclosure in the financial statements of commercial banks helps users make rational decisions, evaluate performance, and build trust between management and beneficiaries (Hasan, 2022: 42).
- Disclosing financial and non-financial performance in annual reports provides a comprehensive view of the organization’s performance and helps assess its reputation (Hammed & Sodha, 2022: 1074)
- Finally, accounting disclosure as an accounting standard reduces manipulation of bank profits and improves the performance of bank departments (Abdulsaed & Rajeb, 2023:5).

In general, accounting disclosure plays a crucial role in providing transparency, attracting investment, evaluating performance, and reducing unethical practices in financial reporting.

2.3.The concept of financial disclosure

Financial disclosure involves providing key financial and business data to stakeholders. It aims to simplify information and offer a comprehensive view of the facility's performance. Detailed financial numbers like statements and notes are included, along with relevant information on events like mergers and acquisitions. (Noor & Baraka, 2019: 45)

Financial disclosure affects a company's value by affecting its relationship with investors, shareholders, and creditors. If a company provides financial information of high quality and clarity, it increases confidence and interest from investors and shareholders and this in turn leads to an increased flow of investments and resources needed for the company, thus increasing its value. In addition, good financial disclosure can have a positive impact on the brand value and reputation of the organization. If investors and shareholders are able to see the company's good financial performance, integrity, and compliance with accounting standards and financial laws, they may feel confident and comfortable and thus stick with the company and continue to support it. On the other hand, if the company does not provide correct and reliable financial information, this may cause a loss of trust and interest from investors, shareholders and creditors. This may lead to a decrease in the value of the company and negatively affect opportunities for growth and development. In general, it can be said that good financial disclosure fully reflects the value of the company and its financial performance, and thus affects the interest of investors and shareholders and their support for the company, thus improving its value. (Zian et al., 2021 : 148)

A group of studies (Richards & Safari, 2021: 6-7), (Bai et al: 2022, 2), and a study of (Noor & Baraka, 2019: 45) explained the importance of financial disclosure as follows:

a) It facilitates communication between companies and their shareholders, ensuring transparency and accountability in financial reports.
b) Financial disclosure provides basic information for investors to understand and analyze the economics behind the information contained in financial reports, which contributes to corporate transparency and investor confidence.
c) The corporate world has placed great emphasis on disclosing financial and non-financial information. This is due to its importance in enabling stakeholders to evaluate the financial health and performance of companies from a global and local perspective.
d) Financial disclosure helps ensure compliance with international accounting and financial reporting standards. It ensures the implementation of relevant accounting principles and helps prevent accounting fraud and manipulation of numbers.

It is clear from this that financial disclosure contributes to enhancing transparency and confidence in the financial market and contributes to making correct financial decisions and enhancing the financial sustainability of the company.

2.4. The concept of financial risk

As a result of the continuous environmental changes surrounding the company, which lead to increased instability in future performance, it has been noted that disclosing financial risks is important for all stakeholders in order to know more information about the type of risks and the possibility of evaluating them (Dominguez & Gamez, 2014:118). The notion of financial risk pertains to the potential of experiencing adverse financial outcomes, such as financial losses or diminished profitability, stemming from uncertain circumstances in financial activities (Petyk & Baskova, 2022:182). Disclosure of financial risks aims to present a full picture to stakeholders about potential risks affecting financial performance. Various factors like market, economy, regulations, and company-specific risks are included. It promotes transparency in finance, enhancing the business environment for investors.

Informed investment decisions are facilitated with accurate information. The process involves detailed financial reports, statements, comments, and future projections. Risks must be identified, classified, and sufficient information provided for proper risk assessment.

The researchers believe that is essential to distinguish between risk disclosure and risk management concept. Risk management involves an integrated system aiming to minimize threats to organizations. In business and finance, risks are identified, anticipated, and strategies are developed to address them. Strategies include using government securities for reducing risks in financial investments. Other methods include futures contracts, derivatives, and insurance. The term "risk management" first appeared in the 1950s as "risk management and business projects," officially becoming "risk management" in 1963. (Linsley & Shrives, 2006: 388).

In another context, enterprise risk management is defined as the modern approach and one of the fields that have emerged within the scope of the general concept of risk management. It includes the process of evaluating, monitoring and following up on everything related to work in the facility, whether in the short or long term. It is referred to as being Considering the types of risks in organizations and institutions as strategic risks, financial risks, and operational risks. Financial risks include interest rates, currencies, commodities, and credit risks, while operational risks include customer satisfaction, product quality problems, fraud, and administrative corruption. According to the study (Amran et al: 2009,4), risk management consists of a set of steps:

- Identify the threat and measure the extent of exposure to it.
- Transferring risks and choosing a mechanism to deal with them.
- Conduct monitoring of the application of this mechanism, and produce monitoring results.

Based on the above, The presence of risk management without disclosure causes problems due to lack of uniformity in data. Risk disclosure informs about risks and their management. Financial risk disclosure is important for transparency and confidence. It should be seen positively as it can lead to unexpected outcomes.

2.5. The Importance of revealing financial risks within the business environment

Given the escalating intricacy of the commercial environment, the demand for information from stakeholders has significantly amplified, particularly as societal expectations and regulatory bodies seek extensive disclosures, especially from publicly listed firms. The necessity of revealing risks in the financial statements of financial institutions arises from their role as a pivotal information conduit for stakeholders (Sarker&Bhowmik,2021:724). Certain studies suggest the significance of revealing financial risks within the business environment:

• According to the study (Monjed, H. and Ibrahim, S., 2020:(a) The second important element needed to strengthen capital markets development is the increased disclosure of financial risk. Through such disclosure, investors and other market participants will obtain a good understanding of the risks associated with the company and its risk management procedures, which in turn facilitates informed decision making on their part.

• According to the study (Fasihi & Hosseini, 2020:Investors during crisis period are highly risk-averse and are therefore cautious in their investment decisions to minimize their risk. They will expose risk in the enterprise by lowering the fear of uncertainty, therefore raising the value of the enterprise.

• The research (Sayed & Bawazir, 2021: 2) distinguished financial risks from capital-investing risks by enabling investors to assess whether there is financial stability in regard to the company's financial statements, for example, levels of debt, liquidity, and market volatility. This, on the other hand, makes monetary authorities' jobs easier and helps enforcement of financial rules hence ensures the soundness and stability of financial system.

• The study conducted by(Sarker and Bhowmik,2021:727) study aims to explore the relationship between governance, liquidity risk management, and financial disclosure as well as banks in Bangladesh. Financial disclousre was highlighted as one of the vital role in encouraging investor confidence and maintaining the demands of the regulation. The study showed that the banks' credibility, opennessness of the institutional culture significantly promotes liquidity crisis eradication as a results of good risk monitoring and information sharing. In addition, the third Pillar contributes to uncovering companies, which at the greatest risk of failure, for the regulators. In this case, they will be timely to identify possible difficulties.

• According to the study (Kenya, 2023: 86) companies need to provide information (that includes consistency, relevance, completeness and comparability as well) so that the asymmetric information between capital providers and crucial stakeholders can be reduced, and market financing can be easily obtained. Moreover, this is expected to make corporate governance improve and stakeholder relations too get better.

Furthermore, a discussion document titled "Financial Reporting of Risk-Proposal for a Statement of Business Risk" was released by the Institute of Chartered Accountants in England and Wales (ICAEW) in 1998. The document stressed the significance of voluntary disclosure of financial risks. The report claims that because businesses operate in a competitive market where rivals may be able to use financial information to their advantage, they have no qualms about withholding financial reports and the procedures for disclosing them. Recognising that these risks are assumed on behalf of stakeholders in order to create double value is essential. (Amran et al,2009:41). The following scholarly publications have demonstrated the significance of sharing potential risks as a result of ongoing efforts:

a) **Canadian Institute of Certified Public Accountants:**

The Canadian Institute of Accountants (CICA) emphasized the necessity of disclosing and managing the main risks and providing a set of explanations for how to identify these risks. It should also include disclosure of the strategies and processes that are used to manage and control these risks, as well as identifying the parties involved in risk management, including information full of their duties and responsibilities. (CICA,2009:46:CICA,2012:7)

b) **German Accounting Standards Boards :**

The German Accounting Standard (GAS.5) issued a report entitled Financial Risks and How to Manage Them, where risk was defined based on the standard (GAS.5) as “the chances of obtaining an unexpected or negative result, and any action or activity that leads to a loss can be described as a risk.” . The standard broadly classifies different types of risks that

companies may face and need to overcome: business risks, non-commercial risks, and financial risks. (Draft.GAS,2000:9).

c) **Risk disclosure for financial instruments in accordance with IFRS**

The International Accounting Standards Board (IASB) has implemented three financial instrument standards, including IFRS7 (Financial Instruments: Disclosures), an important international financial reporting standard. This standard increases trading volume while protecting investors by improving accountability. It emphasized that companies must disclose risks and methods for managing them in financial statements. This standard applies to all entities and includes financial assets and liabilities valued at fair value.

In this context, the (ICAEW,2011:5) recommends seven rules that businesses can follow to improve the level of financial risk disclosure. The rules are as follows:

- **The first rule (informing stakeholders):** The rule requires that all necessary risk information be disclosed in annual reports. The emphasis is on risk detection, allowing users to conduct their own risk assessments.
- **The second rule (focus on quantitative data):** Providing detailed analyses of quantitative data is beneficial for risk management while not ignoring other information.
- **The third rule (combining risk information with other disclosures):** Financial reports provide valuable risk information that can be combined with other disclosures, such as future expectations and plans, to provide a comprehensive view of an entity's performance.
- **The fourth rule, (think beyond the annual reporting cycle) :** Many risks persist year after year, which is a notable phenomenon. It is recommended that entities look beyond traditional annual reports and consider the advantages of publishing risk-related data on their website, particularly in relation to evolving risks. Given that the updates are ongoing, this approach may be more effective than relying solely on annual reports. However, annual reports contain a wealth of information about a company's future plans.
- **The fifth rule,(Keep lists of major risks as short as possible)** to reduce the likelihood of overlooking them. Companies must disclose additional risks in a clear and concise manner, in addition to those previously identified.
- **The sixth rule,(Highlight Current Concerns):** Users should be aware of current trading risks within the company. This procedure can provide users with a better understanding of operations.
- **The Seventh rule (review of the company's risk experiences):** The company's financial risks and experience revealed over the previous year, errors and issues discussed and explained, explaining the consistency of experience and expertise, and clarifying the lessons learned by management to avoid future risks.

2.6. Types of financial risks

Financial risk refers to any risk associated with any type of financing. Risk can take the form of a negative difference between real and expected returns (when real returns are lower), as well as uncertainty about the return. The risks associated with investing are commonly referred to as "investment risk." The risks that affect a company's cash flow are referred to as "business risk." According to the study (Oima & Tene, 2014:169) financial risks classified into:

a) **Credit Risk:** It emerges when individuals, businesses, or institutions cannot repay debts. This risk involves the failure to repay debts on time or in full, impacting companies' financial risks. A rise in credit risk leads to higher chances of not meeting expected returns on debt, affecting the company's financial value negatively. Lenders may ask for higher interest rates or more guarantees to compensate for credit risk, increasing total debt costs and hindering future profit generation. Moreover, credit risk affects a company's ability to secure financing, especially when it has a poor credit history, making it challenging to access new loans or additional funding, thus limiting future growth and expansion.

b) **Market Risk** The risk of losing value in an investment or trading portfolio due to various market risk factors. The list of these factors is very long. On this list, I will include such things as equity, interest rate, currency, and commodity risks. Equity risk may comprise a drop in stock values that result in financial losses for the portfolio. Fluctuations of market can cause investors to incur some losses. The interest rate risk arises largely from alterations in the bond prices because of shifts in the interest rates. Higher interest rate leads to falling bond price which can therefore cause losses for bond investors. Currency risk is attributable from a foreign currency investment that affects the exchange rates and adds to a value volatility. The risk posed by commodities is the fact that the prices move very sharply, for example oil and gold. Commodity investments are sensitive price movements, hence changes in commodity output affects this class of investment. Diversification, hedging and derivatives are used among other methods to manage the market risk. Moreover, proper investment decision is taken when one understand the investment world better. The risk management aims to create a protective barrier against the declining tendency of market fluctuations that might possibly affect the financial performance positively when strategies are employed and adjusted whenever needed.

c) Operational Risk: It is from operational functions of the business. It may involve forcings like fraud, litigation and many more issues which may be fatal for the company. While credit and market risks are induced by system or process failures that do not generate income, operational risks are related to the internal systems and processes. Risk can be as well external reason for which can be to transit downtime. Legal, as well as political risks should be determined as the main risks in business, legislative risks meaning legal proceedings and penalties from breaking laws, and political risks being referred to as sudden government or economic policy changes. It is however critical that that a company has strategies to mitigate legal or political risks in order for it to enjoy a good reputation and longevity.

d) Liquidity Risk: It is the risk that focuses on securities or assets that cannot get liquidated on time which threatens profits or bring losses.. These risks stem primarily from the uncertainty surrounding the trading of an institution's or organization's liquid assets. In layman's terms, this is a situation in which one party is unable to trade its assets in the market due to a lack of participation by other trading parties. This is especially important for parties who own their current assets and have no intention of trading them. This could limit their future trading ability. This type of risk is primarily seen in emerging markets. An institution may be exposed to liquidity risk if its credit rating is at risk of decline due to unexpected excluded cash flows or a counterparty's non-participation in trading.

e) **Reputational Risk:** Financial risk can manifest in various ways, including reputational risk which impacts the credibility of businesses, organizations, or institutions. This can lead to negative consequences such as shareholder value reduction, revenue loss, lawsuits, negative publicity, and loss of key employees and business partners. Risk naming can help prevent crises but may also lead to bankruptcy in extreme cases when a company's system malfunctions, causing negative public reactions. Third-party errors and fraud can further harm a company's reputation, necessitating a comprehensive and systematic risk assessment for effective financial risk management.

2.7.Disclosure Determinants

The financial crisis has highlighted issues with risk disclosure. Criticisms persist due to lack of transparency. Recent market fluctuations have worsened the situation. Companies started disclosing risks after US conferences(AAA/FASB) in 1997. The ICAWE has urged UK entities to provide more detailed risk information. Studies show mixed results on the relationship between risk disclosure and company characteristics (Solomon et al:2000:453).Thus, Understanding these determinants is crucial to prevent financial failure. Factors affecting risk disclosure include company size, profit, leverage, and governance such as board size and audit committee effectiveness .

a) **Firm Size:** Agency theory states that company size affects financial risk disclosure. Large companies disclose more risks to reduce agency costs and information asymmetry. A study by (El-Haddad,2021:38) confirmed this. The study examined corporate governance's impact on risk disclosure in annual reports in Egypt. Political cost theory suggests disclosing risks improves relationships with governance and stakeholders, reducing political costs. Legitimacy theory explains that large companies disclose risks to minimize litigation and reputational damage, enhancing legitimacy. Studies by (Lorenzo et al:2018,5) and the study by (Netti,2018:170) found a positive link between company size and risk disclosure, but no significant relationship with other company traits. Accounting studies yield conflicting results on risk disclosure and company size.

a) **Profitability** : Profitability is the ability of a company to make profits considering all costs. It is crucial for stakeholders to evaluate a company's financial performance and sustainability. Higher profitability indicates exceeding profits over costs, while lower profitability may suggest operational inefficiency(Sudharto and Salim,2021:129). A group of Studies(Miihkinen, 2012:315; Elshandidy et al., 2011) show a positive correlation between risk disclosure and profitability, with highly profitable companies investing in risk management systems. However, one study by (Oliveira et al., 2011:819) found a negative correlation, While, the study by (Elzahar and Hussainey,2012:135) found no significant relationship, leading to inconclusive results on the topic.

b) **Financial Leverage:** The use of borrowed funds for investments or operations is financial leverage. Transparency and disclosure affect financial leverage choice, with more transparent companies issuing cheaper shares and having a better chance of external financing. Study by (Trigilia,2016:2) showed a negative link between disclosure and financial leverage. While a study by (Jeremy Ko, 2009: 371) examines the connection between financial leverage and financial risk disclosure. Leveraged investors may benefit from disclosing their strategy but

face the risk of lenders preempting them. Requiring disclosure by leveraged investors could have mixed effects on welfare and lead to matching unrelated risks. However, one study by(Al-Mutawali,2021:870) confirmed that the relationship between disclosure and financial leverage is not completely positive or negative, as financial leverage can increase a company's market value.

c) **Board Size :** In the context of managerial independence, board size is crucial for board operations and disclosure strategy. Board management's key role is guidance and oversight. An expanded board benefits from more information and independent non-executive directors. These individuals, bearing external expenses, enhance decision-making due to their high status. Research by (Moumen et al., 2016:12) shows board composition and size improve risk disclosure information. CEO/Chairman duality does not affect investors' confidence in risk disclosure. While (Saggar & Singh,2017:12) suggest a large board enhances risk disclosure. However, a study by (Meligi, 2017: 153) links increased risk disclosure, larger organizations, and board size. Companies with CEO duality show weak risk disclosure ties. The study by (Abou El-Sood, 2017:167) criticizes large boards for coordination challenges, agreement, and quick decision-making. . While the study by (Elzahar & Hussainey,2012:135) found no link between board size and risk disclosure.

d) **Audit Committee Effectiveness(ACE)**: All members of the Board of Directors are dedicated to upholding the best interests of shareholders, yet audit committees possess a distinct role in safeguarding shareholders' welfare regarding financial reporting and internal controls. The Financial Reporting Council (FRC) Audit Committees' (2012) guidance articulates that "The audit committee should scrutinize pertinent information unveiled in the annual report, including business audits and corporate governance statements pertaining to the company's risk management systems and strategies." On a pragmatic note, the audit committee is tasked with assessing the contents of the annual report and accounts, and subsequently informing the board about the fairness, impartiality, and clarity of the disclosed information, along with ensuring that shareholders receive ample and comprehensible data. This committee evaluates the company's performance, business model, and organizational strategy, thereby serving as a crucial supervisory tool that aids the board of directors in fulfilling its internal duties and enhancing its efficiency (Meligi,2017:162). According to the research by (Almunawwaroh & Setiawan, 2023:3), the audit committee and its expertise enhance the detection of risks, irrespective of the committee's size. The study underscores the pivotal role played by the audit committee in furnishing risk-related insights. Similarly, the investigation by (Alshirah et al., 2021:425) affirmed that the audit committee's efficacy positively influences risk disclosure, while factors like meeting frequency, experience, and concurrent membership do not significantly impact risk disclosure. Conversely, (Alfraih & Almutawa, 2017:219) revealed that the audit committee does not influence voluntary disclosure practices.

2.8. Company value

The concept of market value has experienced extensive development and discussion, particularly within the realms of economic, accounting, and financial theories over time. In economic analysis, the notion of value has predominantly focused on two fundamental components: determining the value of assets and establishing methodologies for quantifying such value. The evolution of market value has undergone a prolonged evolution, leading to

its current depiction as a pricing theory shaped by the equilibrium price determined through the convergence of supply and demand curves. The valuation of a firm corresponds to the share value established by market dynamics (such as the stock market), which may surpass or fall short of the nominal and book values (Gharaibeh & Qader, 2017:335). Importantly, this valuation has the potential to deviate from both nominal and book values, reflecting the principles of bookkeeping. In cases where a company displays unsatisfactory performance in terms of book or nominal values, resulting in overall poor company performance, it is anticipated that the stock's market price will decrease, possibly dropping below the book and nominal values. Conversely, when a company demonstrates a positive value assessment and generates profits, the market price of its stock is anticipated to surpass its intrinsic value.

Accounting thought has exhibited a broad interest in assessing the company's value, particularly following a shift in management's objective from profit maximization to enhancing the company's value in the financial markets. Consequently, there has been a surge in interest towards this concept (Irina & Elvira, 2014: 887). In this regard, a Research by (Linantise et;al :2021:2) has verified that the primary aim of a company is to boost its profits or prosperity, especially for stakeholders, as evidenced by endeavors to elevate the company's stock price in the market. This objective is typically established due to its correlation with decisions related to financing opportunities. Furthermore, a company's value is perceived by investors based on the entity itself, often intertwined with stock values. The valuation of a company, as influenced by stock market indicators, is significantly impacted by investment possibilities and their subsequent consequences not only on managerial decisions concerning investment, financing, and profit allocation, but also extends to external parties seeking to determine the true value. Consequently, company value emerges as the central focus, enveloping all financial and non-financial decisions and activities. Subsequently, numerous companies have shifted their focus from profit maximization to maximizing enterprise value as a strategic objective .However, (Ahmed,2013:43) suggests that the pursuit of maximizing a company's value as a strategic objective is distinguished by its inclusivity and consideration of factors that were overlooked during profit maximization, such as risk, growth rates, and changes in purchasing power, with the company's value defined as "the benefits derived from ownership rights."

Regarding the factors influencing the maximization of companies' value, these are the elements impacting both the present and future market value, thereby enhancing the company's overall value in the extended period. These factors, identified by (Al-Ukaili ,2020: 424), include:

a) Anticipated return per share: The escalation in stock value is projected to elevate the company's market worth by yielding a higher return per share compared to the anticipated return rate.

b) Dividend distribution: A surge in dividend payouts results in an upsurge in the current company value, and conversely.

c) Market discount rate: The market discount rate exerts an inverse influence on the anticipated future value, with elevated discount rates leading to a diminished expected future value and vice versa.

d) Timing: This pertains to the instances when investors and shareholders receive returns on their investments.

Numerous indicators are utilized to assess the company's worth, such as the company's value-to-book value of ownership ratio, market capitalization, and Tobin's Q measure. The selection of Tobin's Q measure in this research is based on ascertaining the company's market value. This measure is deemed a long-term evaluation of the company, correlating with the assessment of the relationship between risk disclosure content and companies' market value.

The calculation of Tobin's Q index involves the equation as follows:

(Approximate Q = (MVE + PS + DBET) / TA)

Where: **MVE** represents the total market value of the company's shares, **PS** denotes the cash value of preferred stock, **DBET** signifies the liabilities (short-term + long-term) minus short-term assets plus the book value of long-term liabilities, and **AT** indicates the book value of the company's total assets.

If the Q value surpasses the correct figure, it signifies an upsurge in the company's value. Conversely, a decrease in value compared to the correct one indicates that the company's assets are overvalued in comparison to its market value.

2.9. The relationship between disclosure of financial risks and the value of the company

The revelation of corporate risks is intricately and directly associated with the valuation of the organization. In particular, as the extent of risk disclosure grows, so does the value of the enterprise. This outcome aligns with the precepts of agency theory, wherein heightened transparency via risk information disclosure results in diminished agency expenses and information asymmetry, hence furnishing stakeholders with more lucid information that engenders augmented corporate value. It is advisable for investors to judiciously consider the caliber of information dispensed by companies, particularly concerning risk disclosure, when deliberating investment choices. Moreover, forthcoming scholars are urged to explore the repercussions of risk disclosure on other pertinent managerial determinations linked to corporate performance and worth, potentially broadening the research's purview to encompass an extended timeframe and instances from diverse sectors like finance and insurance. Given the significance of risk disclosure and its repercussions on corporate valuation, regulatory bodies are counseled to accord specific attention to corporate risk disclosure while formulating disclosure-related regulations and to categorize enterprises based on the excellence of their disclosures. Furthermore, enterprises are counseled to prioritize ameliorating the standard of their financial statements and risk assessments to allure investors, a proposition substantiated by a research conducted by (Fasihi & Hosseini,2020:74). The researchers posit that numerous elements influence the correlation between financial risk disclosure, corporate valuation, and the precision of data furnished to investors and the market, with these elements encompassing:

a) The level of trust and interest in a company is influenced by the quality of financial disclosures. Transparency requires an accurate explanation of financial risks, impacting investors' evaluation and market value.

b) Adhering to accounting guidelines ensures appropriate disclosure of financial risks, enhancing transparency and reliability. This influences investors' evaluation and the company's market value.

c) Accurate risk assessment is crucial in identifying financial risks and their consequences on the company. Stakeholder responses to financial disclosures can impact company valuation and market value.

d) Liquidity, indebtedness, and profitability are key factors affected by financial risk disclosure. Transparent disclosure can boost confidence, interest, and impact company's financial aspects.

Based on the above, the research hypotheses can be formulated as follows:

(H1): The primary hypothesis posits a notable correlation between financial risk disclosure and company value.

(H2): The secondary hypothesis suggests a substantial impact of financial risk disclosure on company value.

(H3): The tertiary hypothesis indicates varying levels of influence from different dimensions of financial risk disclosure on company value.

3. Examination of the research framework and analysis of findings.

3.1. Research form

Defining the research population and sample is crucial for data integrity and obtaining meaningful results. This research used stakeholder theory to guide research and descriptive analytical method to measure variables. The researcher utilized least squares (OLS) analysis and (SPSS Ver. 22) to test hypotheses.

a: The research community and its sample

The field of current research was represented by the Iraqi banking sector, and it includes five banks in the Iraqi Stock Exchange for a period of five years (2017-2021) in order to prove the validity of the hypotheses or not and analyze the results so that the number of views was (25) views (bank/year). This sample was chosen. As a random sample determined by a set of conditions, the most important of which is, the first, the ability to access financial data for the year 2021, and the second condition stipulates that financial banks must continuously disclose their data for the specified time periods without any interruption. The final requirement relates to the existence of the basic data required to estimate the variables, and Table 1 shows the banks selected as a sample for the current study.

Table (1): Research population and sample

s	Bank's name
1.	**Ashur International Investment Bank**
2.	**Iraqi Investment Bank**
3.	**Al-khalij Commercial Bank**
4.	**Commercial Bank of Iraq**
5.	**Baghdad's Bank**

Source: Table prepared by the researcher

b : A historical overview of the research sample

Table (2) shows the banks in the study sample, which includes historical details about incorporation, capital, and total assets.

Table (2): An overview of the banks selected for the research sample

S	Banks	Year Founded	Capital in the year of incorporation	Capital 2021	Total assets 2021
1.	Ashur International Investment Bank	25/04/2005	(25) million dinars	(250) billion dinars	613,525,839,000
2.	Iraqi Investment Bank	13/07/1993	(100) million dinars	(250) billion dinars	650,958,668,058
3.	Al-khalij Commercial Bank	20/10/1999	(600) million dinars	(300) billion dinars	538,490,755,397
4.	Commercial Bank of Iraq	11/02/1992	(150) million dinars	(250) billion dinars	512,311,665,000
5.	Baghdad's Bank	18/02/1998	(100) million dinars	(250) billion dinars	1,539,808,656,000

Source: The table prepared by the researcher based on the Iraq Stock Exchange website

As shown in Table (2) , banks show particular differences in various characteristics, such as year of establishment and total assets. On the contrary, they show relative stability in total capital, which can be attributed to the specific conditions set by the Iraq Stock Exchange that provide advantages to banks in terms of minimum capital. It was noted that the Commercial Bank of Iraq maintained the longest period of establishment, which was in 02/11/1992, compared to the other banks in the research sample, while Al Khaleej Commercial Bank was distinguished by having the highest capital. Despite its large capital, the Bank of Baghdad was the largest in terms of total assets.

Third: Measuring Variables.

The existing study encompasses two main variables, outlined as follows:

- **The first variable**: the independent variable (disclosure of risks), The symbol **(X)** represents it and was quantified through the evaluation of risk disclosure extent in Iraqi financial institutions. To accomplish this objective, a tailored checklist was utilized to choose the sample for the study. Furthermore, the risk disclosure index was established using this checklist by amalgamating the criteria identified in the pertinent literature concerning the study variables. The checklist comprised (8) sections, each containing multiple items, resulting in a total of (34) checklist items. An analysis of the content was executed on the financial statements, reports of the research sample, as well as the information released on the banks' official websites and the Iraqi Stock Exchange. The disclosure level for each section of the index was ascertained, as illustrated in Table (3).

Table (3): Risk disclosure items according to the checklist

S	Risk disclosure items	Number	Symbol
First	Capital structure	7	(X1)
1.	Description of information pertaining to equity capital instruments and unrestricted investment accounts cannot be paraphrased.		
2.	The quantity of primary tier capital.		
3.	The authorized and fully invested capital of the financial institution.		
4.	The reserves		
5.	Any form of capital and equity-linked financial instruments can be considered for incorporation into Tier 1 capital.		
6.	Shareholders possessing 5% or greater of the paid-up capital.		

7.	The aggregate capital of the initial tier and the subsequent tier.		
Second	Capital adequacy	4	(X2)
8.	The text summarizes the bank's method for assessing capital adequacy for financial and independent activities.		
9.	The policy is disclosed for determining weighted assets based on risk weights from absolute investment accounts.		
10.	Capital requirements for credit, market, and operational risks are necessary.		
11.	The capital adequacy ratio can be calculated using either the standard equation or the supervisory rating equation.		
Third	Risk exposure and assessment	4	(X3)
12.	Explain objectives, strategies, and risk management for expenditure by risk category and overall.		
13.	Strategies and methods to reduce potential dangers.		
14.	Revealing the total value of assets used as collateral.		
15.	The amount of any guarantees or mortgages granted by the bank, as well as the terms and conditions attached to them		
Fourth	Credit risk	7	(X4)
16.	Description of Credit Risk Policy and Management		
17.	Risk management structure		
18.	Disclosures about the definitions of past-due receivables and impaired assets, as well as policies and practices for establishing loss allowances on financial assets.		
19.	Disclosure regarding the use of guarantees to mitigate risks.		
20.	Providing policies and procedures for evaluating guarantees and ensuring their implementation.		
21.	Disclosure that the guarantee complies with the bank's guidelines and rules		
22.	Total credit risk exposure, broken down by geographic region, counterparty, and remaining maturity period, for each category of financing assets.		
Fifth	Liquidity risk	4	(X5)
23.	Summary of the liquidity management framework for dealing with risks for each type of fund.		
24.	General information about the policy addressing liquidity risks and its compatibility with the bank's guidelines and rules.		
25.	indicators of exposure to liquidity risk.		
26.	Analysis of eligibility for financing and various types of funds		
Sixth	Market risk	4	(X6)
27.	Providing an appropriate framework for managing market risks.		
28.	Preparing reports on all assets for sale		
29.	Classification of weighted assets by market risk weights		
30.	Measuring value at risk or conducting sensitivity analyses for various types of market risks.		
Seventh	Operational risks	4	(X7)
31.	Disclosure of policies and methods for measuring operational risks.		
32.	Providing regular reports on losses and impersonated risks.		
33.	Disclosure of Loss Mitigation Strategies		
34.	Disclosure of weighted assets based on their risk weights corresponding to operational risks		
	Total risk disclosure items	34	(X)

Source: The researchers prepared a table based on the study (Muhammad, 2018).

To ensure the extent of disclosure of each item, the researcher employed a numbering system (1,0). Specifically, a value of (1) was assigned to items that were disclosed in the banks' financial reports, while a value of (0) was assigned to items that were not disclosed. To convert this into a percentage, the number of items actually disclosed was divided by the total standard value of (34) items. This calculation produced a percentage that represents risk disclosure. The formula used to compute this ratio can be articulated as follows: Risk disclosure percentage (X) = (number of items disclosed/total items) * 100%. The percentage derived from the aforementioned formula signifies the extent of risk disclosure in each instance. An increase in this percentage indicates a rise in the level of this particular type of disclosure.

- **The second variable: the dependent variable (company value),** The symbol **(Y)** represents this concept. By utilizing the equation**: Approximate Q= (MVE + PS + DBET)/TA,** the variable of company value was assessed through the calculation of Tobin's Q index.

Table (4) illustrates the research variables and delineates the methodology employed for the measurement of each variable.

Table(4):presents the financial equations employed for quantifying the research variables.

The main variable	Symbol		Measurement method	Data sources	Source
Capital structure	X1	7 items	A list comprising 34 enumerated items is provided, with each item being assigned a value of (1) if disclosed, and a value of (0) if not disclosed.	Financial Statements	(Mohammed, 2018)
Capital adequacy	X2	4 items			
Risk exposure and assessment	X3	4 items			
Credit risk	X4	7 items			
Liquidity risk	X5	4 items			
Market risk	X6	4 items			
Operational risks	X7	4 items			
Independent variable: risk disclosure	X	34 items			
Dependent variable: company value	Y	Approximate Q= (MVE + PS + DBET)/TA		Financial Statements	(Jasim et;al:2018)

Source: Table prepared by the researcher.

4. Descriptive analysis

Table (5) presents a depiction of the research variables, utilizing the arithmetic mean, to articulate the magnitudes of availability pertaining to the independent variable, known as risk disclosure, alongside the magnitude of the dependent variable, denoted as company value.

Table(5) provides an overview of the research variables as classified by the financial institutions within the sample under investigation.

S	Banks	)X1(	)X2(	)X3(	)X4(	)X5(	)X6(	)X7(	)X(	)Y(
1	Ashur International Investment Bank	0.857	1.000	1.000	0.714	0.750	1.000	0.500	0.824	0.654
2	Iraqi Investment Bank	0.857	0.750	0.250	0.286	0.250	0.250	0.500	0.471	0.464
3	Al-khalij Commercial Bank	0.857	0.750	0.750	0.714	1.000	0.750	0.000	0.706	0.440
4	Commercial Bank of Iraq	0.857	0.750	1.000	0.857	1.000	0.500	0.750	0.824	0.662
5	Baghdad's Bank	0.857	1.000	1.000	1.000	0.750	1.000	0.750	0.912	0.892

Source: A table prepared by the researcher using SPSS.

It can be observed from Table (5) that the banks included in the research sample exhibit significant levels of risk disclosure both overall and at a dimensional level. Notably, the Bank of Baghdad demonstrated the highest degree of disclosure, followed by the Bank of **Ashur International Investment** and the **Commercial Bank**, then the **Al-khalij Commercial Bank**, and finally, **the Investment Bank** with the lowest level of disclosure. Analysis of the dimensions of risk disclosure revealed a consistent level of disclosure regarding the capital structure, while capital adequacy had the highest level of disclosure in the Bank of **Ashur International Investement** and **Baghdad's Bank**. Furthermore, risk exposure and assessment showed high levels of disclosure across all banks except the Investment Bank, whereas credit risk was most pronounced in the Bank of Baghdad and liquidity risk was prevalent in most banks, except for the **Investment Bank** where it was the lowest. Market risks were notably higher in the Bank of **Ashur International Investment** and the Bank of Baghdad, while operational risks were absent in the **Al-khalij Commercial Bank** in terms of disclosure. In **evaluating the company's value**, it was generally low across most banks, with the Bank of Baghdad leading in value, followed by the commercial banks, the Bank of Ashur, the Investment Bank, and lastly, the Al-khalij Commercial Bank.

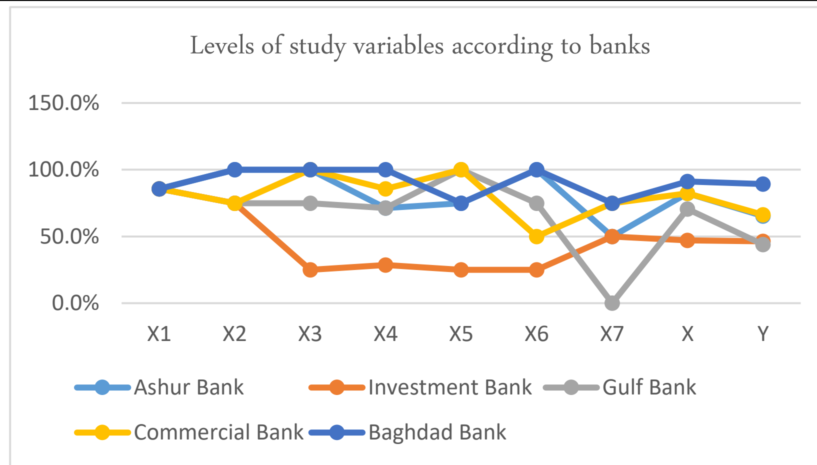

Figure (1) depicts the levels of risk disclosure and company value among the banks in the research sample.

Figure (1) shows the levels of research variables by banks.

Source: Figure prepared by the researchers.

While Table (6) illustrates the levels of the study variables based on the entire sample. This is achieved through the utilization of suitable statistical techniques including the arithmetic mean, standard deviation, coefficient of variation, as well as the minimum and maximum values. These statistical analyses were conducted using the statistical software program SPSS Version 22.

Table (6): presents the various levels of research variables observed within the total sample.

S	Dimensions and variables	Code	Mean	Std. Deviation	Minimum	Maximum	Coefficient of variation
1-	Capital structure	X1	0.857	0.000	0.857	0.857	0.00%
2-	Capital adequacy	X2	0.850	0.125	0.750	1.000	14.71%
3-	Risk exposure and assessment	X3	0.800	0.298	0.250	1.000	37.20%
4-	Credit risk	X4	0.714	0.244	0.286	1.000	34.14%
5-	Liquidity risk	X5	0.750	0.280	0.250	1.000	37.27%
6-	Market risk	X6	0.700	0.298	0.250	1.000	42.51%
7-	Operational risks	X7	0.500	0.280	0.000	0.750	55.90%
Independent variable: risk disclosure		X	0.747	0.156	0.471	0.912	20.88%
Dependent variable: company value		Y	0.622	0.184	0.399	0.966	29.49%

Source: A table prepared by the researchers using SPSS.

It is evident from Table (6) that the risk disclosure variable demonstrates a relatively high level at the aggregate sample level, as indicated by the arithmetic mean value of 0.747. This pattern is consistent across most dimensions, with the exception of the dimension related to (Operational Risk). Additionally, the low standard deviation value suggests a minimal

coefficient of variation, which is below 50%. This implies a lack of dispersion among the sample observations, allowing the arithmetic mean to effectively represent the entire sample. Furthermore, the overall **company value** is observed to be low at the aggregate sample level. This observation is further supported by the limited dispersion among observations, reflected in both the standard deviation and coefficient of variation metrics.

Fifth: The normal distribution test.

The investigators utilized the skewness coefficient for assessing the degree of normal distribution within the dataset. This determination guided the selection of appropriate statistical methodologies for evaluating the research propositions, distinguishing between parametric and non-parametric approaches based on the normality of data distribution. A dataset is considered normally distributed when the skewness coefficient falls within the range of +1 to -1; deviations outside this interval indicate non-normal distribution. Examination of Table (7) reveals that the skewness coefficient values computed for the study's dimensions and variables align with the specified range, confirming normal distribution. Consequently, parametric statistical techniques can be employed to scrutinize the research hypotheses.

Table (7): Test for normal distribution of data

Dimensions and variables	Code	Skewness
Capital structure	X1	0.000
Capital adequacy	X2	0.435
Risk exposure and assessment	X3	-0.225
Credit risk	X4	-0.816
Liquidity risk	X5	-0.972
Market risk	X6	-0.387
Operational risks	X7	-0.972
Independent variable: risk disclosure	X	-0.943
Dependent variable: company value	Y	0.617

Source: A table prepared by the researchers using SPSS.

Sixth: Testing correlation Hypothesis.

The paragraph contained one main hypothesis, as follows:

H1. there is a significant relationship between financial risk disclosure and company value.

In order to examine this conjecture, the Pearson correlation coefficient was computed to assess the importance, magnitude, and orientation of the association among the variables under investigation. The correlation coefficient's value is presented in Table 8.

Table (8):the correlation coefficient between risk disclosure and company value.

Dimensions and variables			Dependent Variable)Y(
1st:Capital Structure	X1	Pearson Correlation	-
		)Sig.(	-
2nd:Capital adequacy	X2	Pearson Correlation	0.684**
		)Sig.(	0.000
3rd: Risk exposure and assessment	X3	Pearson Correlation	0.628**
		)Sig.(	0.001
4th: Credit risk	X4	Pearson Correlation	0.702**
		)Sig.(	0.000
5th:Liquidity risk	X5	Pearson Correlation	0.177
		)Sig.(	0.396
6th: Market risk	X6	Pearson Correlation	0.552**
		)Sig.(	0.004
7th: Operational risks	X7	Pearson Correlation	0.685**
		)Sig.(	0.000
Independent variable: risk disclosure	X	Pearson Correlation	0.737**
		)Sig.(	0.000

Source: A table prepared by the researchers using SPSS.

Table (8) shows that there is a positive significant correlation between risk disclosure for the majority of its dimensions (except for the first dimension: capital structure due to the stability of its value, and also the fifth dimension: liquidity risk (X5) and the company's value, implying that an increase The level of risk disclosure in the study's bank sample will also be associated with an increase in bank value, so the first main hypothesis must be accepted.

3.2. Testing Impact hypothesis

The paragraph included two hypotheses as follows:

H2.There is a significant effect of the disclosure of financial risks on the company's value.

In order to examine this hypothesis, a basic linear regression model was constructed to predict the valuation of the organization based on the level of risk disclosure, with the aim of assessing the influence of the latter on the company's worth. The outcomes of this analysis are presented in Table (9).

Table (9): shows the impact of financial risk disclosure on company value.

Dimensions and variables	)R²(	Adjusted)R²(	)F(test	)Sig.(
	0.543	0.523	27.320	0.000
	)0(β	(β)	)T(test	)Sig.(
To disclose risks	-0.025	0.866	5.227	0.000

Source: A table prepared by the researchers using SPSS.

It is observed from Table (9) that the stability of the regression equation model's validity is evident based on the (F) value of (27.320) at a significance level of 5%. This suggests the capability to assess the company's value concerning risk disclosure, supported by the (T) value of (5.227) at a significant level. The significance of 5% pertains to the effect's significance, with the positive beta (β) regression coefficient of (0.866) indicating a positive impact. This implies that a heightened level of financial risk disclosure can influence and improve the company's value within the banks analyzed in the study, as highlighted by the coefficient value. The calculation of (R2) as (0.543) reveals that financial risk disclosure accounts for (54.3%) of the variations in the company's value. Consequently, the acceptance of the second primary hypothesis is imperative.

H3. The impact of the dimensions of financial risk disclosure on a company's value varies.

In order to examine this hypothesis, a multiple regression equation was constructed to predict the company's value based on seven dimensions of financial risk disclosure: first being capital structure, second being capital adequacy, third being risk exposure and assessment, fourth being credit risk, fifth being liquidity risk, sixth being risk Market, and seventh being Operational Risk. To assess the extent of these dimensions' impact on the company's value, the researchers opted for the Multiple Regression Backward method. This method relies on employing multiple models and excluding dimensions with minimal impact on the dependent variable (Company value). The results of the variance of influence are presented in Table (10).

Table (10): shows the variation in the impact of the dimensions of financial risk disclosure on the company's value.

Dimensions	Code	)R²(	Adjusted) R²(	)F(test	)Sig.(
		0.801	0.783	44.311	0.000
		)0(β	(β)	)T(test	)Sig.(
4th:Credit risk	X4	0.315	1.022	9.227	0.000
5th:Liquidity risk	X5		-0.564	-5.838	0.000

Source: A table prepared by the researchers using SPSS.

Table (10) presents a summary of the outcomes of various tests carried out using the multiple regression backward equation. The analysis revealed three models, the final one of which was described. Five dimensions, namely capital structure, capital adequacy, exposure Risks and their evaluation, market risks, and operational risks, were excluded due to the instability in the significance of their impact. Conversely, two dimensions, credit risk and liquidity risk,

were retained as they demonstrated a notable influence on the company's value. The reliability of the regression equation model is consistent, as indicated by an (F) value of (44.311) at a 5% significance level. This suggests the ability to estimate the company's value based on the dimensions of financial risk disclosure represented by credit risk and liquidity risk. Moreover, the stability of the impact's significance is evident with the (T) value at a 5% significance level. The positive beta regression coefficient (β) for credit risk signifies a positive effect, whereas for liquidity risk, it indicates a negative effect. The presence of financial risk disclosure dimensions, specifically credit risk, in the sampled banks enhances the company's value, while liquidity risk disclosure diminishes it. The variances in the level and direction of effects are apparent based on the beta coefficient values, with credit risk showing a positive impact followed by liquidity risk. The impact of the remaining five dimensions of financial risk disclosure (capital structure, capital adequacy, risk exposure and assessment, market risk, operational risk) remains inconclusive, highlighting the varying effects on the company's value. Furthermore, the adjusted coefficient of determination (Adj. R2) of (0.783) reveals that financial risk disclosure dimensions elucidate 78.3% of the changes in the company's value, thereby confirming the acceptance of the third main hypothesis.

4.Conclusions

Our study was centered on investigating the relationship between the disclosure of financial vulnerabilities and firm valuation in the Iraqi Stock Exchange, with a specific focus on five Iraqi financial companies over a five-year period (2017-2021). The importance of disclosing risks is evident in its ability to bring about various benefits, such as reducing information disparities and facilitating well-informed investment choices for stakeholders. Moreover, it promotes the attraction of local and foreign investors to companies, particularly financial institutions, that adhere to such disclosure standards, leading to lower return rates and an increase in foreign investments. Businesses, especially banks, also aim to improve transparency to strengthen their competitive position in the business community, thereby enhancing their stock prices in the financial sector. As a result, this attracts numerous investors, facilitates significant capital accumulation, and ultimately optimizes the capital structure, culminating in enhanced company valuation. However, the absence of a standardized framework for assessing risk disclosure levels poses challenges to their applicability in different business settings, hindering the feasibility of comparative assessments. A substantial level of risk disclosure was found among the banks studied collectively, with the Bank of Baghdad demonstrating the highest level of disclosure, followed by Ashur Bank and the Commercial Bank, then the Al-KHalij Bank, and finally, minimal disclosure in the Investment Bank. The research identified high levels of risk disclosure within the scrutinized banks at a more detailed level. It was noted that there is consistent disclosure regarding capital structure, while capital adequacy had the highest disclosure level in the Bank of Baghdad and Assyria Bank. Additionally, concerning risk exposure and evaluation, significant disclosure levels were observed except for the Investment Bank, with credit risk being prominent in the Bank of Baghdad and liquidity risk prevalent in most banks, albeit being lowest in the Investment Bank. The assessment also

indicated that company valuations were generally moderate across most banks, with the Bank of Baghdad leading in valuation, followed by commercial banks, Ashur Bank, the Investment Bank, and lastly, Al-khalij Bank. It is crucial to acknowledge the limited sample size, which may impact the accuracy of the guidance and conclusions drawn, as well as the reliance on a single sector, posing challenges in generalizing the findings to a broader audience or industry. Additionally, focusing solely on a few variables risks overlooking other significant factors not considered in the study that could have influenced the results. Governance could also act as a limiting factor affecting the study's implementation, while the distinct characteristics of a specific organization might impede the transferability of the results to other firms due to varying circumstances.

References

1.Gunawan,Hendra.,&Lina,E.Octa.,(2015)" Mandatory and Voluntary Disclosure of Annual Report on Investor Reaction", International Journal of Economics and Financial, 5(Special Issue) 311-314.

2. Hassan, Abdel Moneim Mostafa.,(2022),"The Role of Mandatory and Optional Accounting Disclosure in the Financial Reports of Egyptian Banks in Promoting Financial Inclusion," Journal of Accounting Research, 2(9), pp. 142-226.

3.Susanto,Azhar.,&Meiryani.,(2019),"Full Disclosure In Financial Reporting", International journal of scientific & technology research ,8(6),pp.341-345.

4. Shujaa, M. F. . (2022). " The effect of accounting disclosure for financial statements in attracting financial Investment, A case study for the stock market in Iraq and some banks " . Journal Port Science Research, 5(2), 65–75.

5. Ibrahim, Naeem, Hasan. (2022). "The extent to which companies adhere to disclosure controls in accordance with the requirements of IAS in light of Covid-19". Journal of Research in Social Science and Humanities, 2(2), 41-46.

6. Mokhtar, Mohammed, Hammed., Shankarbhai, Somabhai, Sodha. (2022). "The impact of accounting disclosure in the quality of financial and non-financial performance". Towards excellence,14(3), 1071-1080.

7. Aymen, Ben, Rejeb. (2023)." The Impact Relationship Between Accounting Disclosure and Creative Accounting in the Environment of Iraqi Banks". International Journal of Professional Business Review, 8(5), 1-21.

8. Noor, Abdel Nasser Ibrahim, Baraka, Muhammad Nasser, (2019), "The impact of financial and non-financial disclosure on the performance of Jordanian commercial banks listed on the Amman Stock Exchange." Al-Balqa Journal of Research and Studies, Volume (22), Issue (1), pp. 41-62.

9. Zayan, Qadeed, Abdul Hafeez, Qadeed, Abdul-Jabbar, Duwaibi, 2021. "The role of financial and accounting disclosure in increasing the quality and reliability of the accounting information contained in the organization's financial statements," Journal of Advanced Accounting and Financial Studies, Volume (5), Issue (2), pp. 147-158.

10. Daniel, W., Richards., Maryam, Safari. (2021)." Disclosure effectiveness in the financial planning industry". Qualitative Research in Financial Markets, Vol (13), Iss(5), pp. 672- 691.

11. John, Bai., Matthew, Serfling., Sarah, Shaikh. (2020). "Financial Disclosure Transparency and Employee Wages". Social Science Research Network, doi: 10.2139/SSRN.3103237.
12. Domínguez, L. R., & Gámez, L. C. N. (2014). "Corporate reporting on risks: Evidence from Spanish companies". Revista de Contab-ilidad, 17(2), pp.116-129.
13. Liubov, Petyk., Yu., S., Baskova. (2022). "The Problems of Financial Risks Management in the Risk Management System and the Methods for Solving". Business Inform, pp.181-186.
14. . Linsley, P. M., & Shrives, P. J. (2006)." Risk reporting: A study of risk disclosures in the annual reports of UK companies". The British Accounting Review, 38(4), pp.387-404.
15. Amran, A., Manaf Rosli Bin, A., & Che Haat Mohd Hassan, B. (2009)." Risk reporting: An exploratory study on risk management disclosure in Malaysian annual reports". Managerial Auditing Journal, 24(1),pp. 39-57.
16. Niluthpaul, Sarker., Probir, Kumar, Bhowmik. (2021)." Bank Liquidity Risk: Significance of Financial Disclosure and Governance Practice". Asian Economic and Financial Review.pp.724-744.
17. Monjed, H. and Ibrahim, S. (2020), "Risk disclosure, income smoothing and firm risk", forthcoming in Journal of Applied Accounting Research.pp-1-26 https://doi.org/10.1108/JAAR-05-2019-0085
18. Fasihi, Soghra., Hosseini, Seyed Ali.(2020)." Does risk disclosure increase firms' value?". Iranian journal Finance, Vol. 4, No. 2.pp. 67-76
19. Syed,Ali Murad., Bawazir, Hana Saeed.(2021)." Recent trends in business financial risk – A bibliometric analysis". Cogent Economics & Finance, doi: 10.1080/23322039.2021.1913877.
20. Kenyatta, Jomo.(2023)." Risk Disclosure In The Published Financial Statements And Firm Performance: Evidence From The Nigeria Listed Companies". Journal of Economics and Sustainable Development, 5(8),pp.86-95.
21. ICAEW (1998), Financial Reporting of Risk: Proposals for a Statement of Business Risk, ICAEW, London.
22. Amran, A., Manaf Rosli Bin, A., & Che Haat Mohd Hassan, B. (2009)." Risk reporting: An exploratory study on risk management disclosure in Malaysian annual reports". Managerial Auditing Journal, 24(1),pp. 39-57.
23. Canadian Institute of Chartered Accountants, (2009), "Management's Discussion and Analysis Guidance on Preparation and Disclosure", CICA, Ontario, PP.47-46.
24. Guidance on Improved MD& A Risk Reporting",(2012), CICA, Ontario, PP.7.
25. GASB, German Accounting Standard Board (2001) GAS5, "Risk Reporting," Germany.
26. ICAEW (2011), Financial Reporting of faculty: Reporting Business Risk: Meeting Expectations, ICAEW, London.
27. German Accounting Standard Board, (2000), "Risk Reporting", Draft. GAS. 5, PP.1-25.
28. Oima, David O., Tene, Msirwai S.(2014)." A survey of international financial risks and appropriate strategies for their management system". International Journal of Education and Research, Vol. 2 No. 6,pp.167-182.

29. Rasha, El-Haddad. (2021). “The determinants of financial risk disclosure in annual reports in emerging economies: Evidence from Egypt”, 2, pp.36-58 doi: 10.21608/NAUS.2021.186287
30. Tamer, Elshandidy., Lorenzo, Neri., Yingxi, Guo. (2018). “Determinants and impacts of risk disclosure quality: evidence from China”. Journal of Applied Accounting Research, doi: 10.1108/JAAR-07-2016-0066
31. Antonio, Netti. (2019). “Firm determinants of risk disclosure: evidence from italian listed companies”. Corporate Ownership and Control, 16(1), pp.168-177.
32. Sachita, Vamia, Sudharto,, Susanto, Salim. (2022). “Efek Firm Size, Profitability, Gearing Ratio, Dan Public Ownership Terhadap Risk Disclosure”. Jurnal Ekonomi, 26(11):125-143.
33. Miihkinen, A. (2013). "The usefulness of firm risk disclosures under different firm-riskiness, investor-interest, and market conditions". Advances in International Accounting, 29(2): 312–331.
34. Elshandidy, T., Fraser, I. and Hussainey, K. (2011). "Aggregated, voluntary, and mandatory risk disclosures incentives: evidence from UK FTSE all share". working paper. Stirling University, Stirling.
35. Oliveira, J. S., L. L. Rodrigues, and R. Craig. (2011). "Risk-related Disclosures by Non-Finance Companies: Portuguese Practices and Disclosure Characteristics". Managerial Auditing Journal. 26 (9): 817– 839.
36. Elzahar,H., and K.Hussainey.(2012)."Determinants of narrative risk disclosures in UK Interim reports". The Journal of Risk Finance. 13(2):133-147.
37. Giulio, Trigilia. (2016). Optimal leverage and strategic disclosure. Research Papers in Economics, pp.1-49
38. K., Jeremy, Ko. (2009).” Leveraged Investor Disclosures and Concentrations of Risk”. Social Science Research Network, volume 12,issue 3. pp.368-390.
39. Al-Mutawali, Muhammad Samir Muhammad. (2021).” The effect of financial leverage and profitability on the market value of the enterprise: “An applied study.” Scientific Journal of Commercial and Environmental Studies. Volume 12, Issue 4, pp. 868-920.
40. Moumen,N.,H.Ben Othman and K.Hussainey.(2016)."Board structure and the informativeness of risk disclosure: Evidence from Mena emerging Markets". Advances in Accounting Incorporating Advances in International Accounting. 1-15.
41. Saggar,R., and B.,Singh.(2017)."Corporate Governance and Risk Reporting: Indian Evidence". Managerial Auditing Journal. 32(4/5):1-39.
42. Abou-El-Sood,H.,(2017)."Corporate Governance Structure and Capital adequacy: Implications to bank risk taking". International Journal of Managerial Finance. 13(2):165-185.
43. Meligy, Magdy Meligy Abdel-Hakim, 2017. “Determinants of risk disclosure and its impact on financial decisions: an applied study on companies registered in the Egyptian capital market.” Journal of Accounting Research, Volume (4), Issue (2), pp. 138-199.
44. Financial Reporting Council (FRC) (2011), Boards and risk: a summary of discussions with firms, investors and advisors, FRC, London, September.

45. Elzahar,H., and K.Hussainey.(2012)."Determinants of narrative risk disclosures in UK Interim reports". The Journal of Risk Finance. 13(2):133-147.
46. Medina, Almunawwaroh., Doddy, Setiawan. (2023). “Does audit committee characteristics a driver in risk disclosure?”. Cogent Business & Management, pp 1-10.
47. Malek, Hamed, Alshirah., Ahmad, Farhan, Alshira’h., Abdalwali, Lutfi. (2021). “Audit committee’s attributes, overlapping memberships on the audit committee and corporate risk disclosure: Evidence from Jordan”. Accounting 7 . pp.423-440.
48. Alfraih,M., and A.,Almutawa.(2017)."Voluntary Disclosure and Corporate governance: empirical evidence from Kuwait ". International Journal of Law and Management .59(2):217-236.
49. Gharaibeh, Ahmad Mohammad Obeid., Qader, Abdul Aziz Abdulla Abdul.(2017).” Factors Influencing Firm Value as Measured by the Tobin’s Q: Empirical Evidence from the Saudi Stock Exchange (TADAWUL)”.International Journal of applied Business and Economic Reaserch,15(6),pp.333-358.
50. Irina Berzkalne, Elvera Zelaglve,(2014) " Intellectual capital and company value", Procedia - Social and Behavioral Sciences. 887 – 896.
51. Linantis, Radina., Orbaningsih, Dwi, and Lisa, Oyong.(2021).” Transparency as Moderating Tax Avoidance, Profitability, and Leverage on Firm Value”. journal of Economics, Finance and Management Studies. Volume(4), Issue(12),pp. 2415-2426.
52. Ahmed, Mohamed Abdel-Maqsoud, 2013, “Assessing the impact of human capital on the value of the enterprise by applying it to family businesses,” unpublished PhD. Thesis in accounting, Faculty of Commerce, Menoufia University.
53. Al-Ukaili, Sabah Hassan Abdel, 2020. “The impact of liquidity on the profitability and value of banks listed on the Iraq Stock Exchange.” Journal of Economics and Administrative Sciences, Volume (26), Issue (124), pp. 417-430.
54. Solomon, J. F., Solomon, A., Norton, S. D., & Joseph, N. L. (2000). A conceptual framwork for corporate risk disclosure emerging from the Agenda for corporate governance reform* 1,* 2. The British Accounting Review, 32(4),pp. 447-478.
55. . Aymen, Ben, Rejeb. (2023).” The Impact Relationship Between Accounting Disclosure and Creative Accounting in the Environment of Iraqi Banks”. International Journal of Professional Business Review, 8(5),pp. 1-21.