
STUDY OF THE EXTENT TO WHICH INVESTMENT DECISIONS ARE AFFECTED BY ACCOUNTING DISCLOSURE OF CREDIT AND LIQUIDITY RISKS IN COMMERCIAL COMPANIES

Basim Rashid Ali

Tikrit University - College of Administration and Economics

basim99@tu.edu.iq

Abstract

The main objective of this research is to study the relationship between investment decisions and accounting disclosure of credit and liquidity risks that commercial companies may be exposed to. In order to achieve the above objective, the researcher relied on the descriptive analytical approach in the research and through a questionnaire form, the researcher collected the necessary data for analysis. The data were analyzed after using the statistical program (SPSS) for social sciences after collecting them through a questionnaire form. The research reached a set of results, the most important of which are: Credit and liquidity risks are among the most important risks that companies may face, and disclosing them increases users' awareness of risks in general. There is a statistically significant moral correlation between accounting disclosure of credit and liquidity risks and rationalizing investment decisions. The research recommended the necessity for companies to disclose accounting risks of all risks that they may be exposed to so that the financial statements and reports are transparent and the accounting information they contain has the qualitative characteristics of accounting information.

Keywords: accounting disclosure, credit risk, liquidity risk, accounting information, investment decisions.

Introduction

The collapse of some American companies during the financial crisis after 2007, one of the most important reasons for their collapse was the lack of interest in applying accounting principles that achieve the principle of disclosure properly, and with the financial information contained in the financial reports not enjoying an acceptable level of transparency regarding the financial risks of companies, which led to a lack of confidence in the accounting information of companies in the various financial markets.

This has resulted in many things that are essential and necessary to be done by investors of all types (individuals or companies) before making any investment decision or when setting an investment framework - which means striving to achieve a specific goal, even if it is in the long term. The most important of these things is identifying all the risks that may accompany this decision and that are expected to occur in the future, the most important of which are credit and liquidity risks.

This can be achieved through a high and acceptable level of disclosure. Therefore, accounting disclosure, which is characterized by being efficient and of a high level of quality in financial statements and reports in order to reach the acceptable level of showing information about the reality of financial risks, which here concern us with credit and liquidity risks, is the basic means, in addition to being an effective and important tool used to communicate the results of these events to users, whether they are investors or others who use this accounting information to support their investment decisions.

Considering that financial reports are the most important means of disclosing information to current and potential investors for a project or company in order to support the process of making and taking their investment decisions or any decisions that can be taken related to their investment business. The importance of accounting disclosure has also increased as a result of the continuous developments in the economic environment, which resulted in an increase in financial disclosure requirements that meet the growing needs of those interested in companies or within their prepared financial reports.

Therefore, accounting standards have shown the minimum information that company management must disclose. Based on the above, the researcher decided that the subject of the research should be about the impact of accounting disclosure of credit and liquidity risks on rationalizing investment decisions.

Many studies have addressed the relationship between accounting disclosure and risks, including the study (Akindele, 2009), which showed a real and specific relationship between accounting information (annual report data) and investment decisions in Nigeria. The study (Al-Najjar, 2015) also addressed the extent of the impact of accounting disclosure on market risks under Financial Reporting Standard No. (7), in addition to the study (Roychowdhury & Verdi, 2019), which focused on the potential impact of accounting disclosure on investor behavior with regard to investment decisions. Other researchers also presented the relationship between these variables, including Brown & Wilson, 2020, by focusing on analyzing investor behavior in response to accounting disclosure of credit and liquidity risks. (Younis, 2023) also explained the existence of a relationship between accounting disclosure and investment decision-making. Based on the above introduction, a question arises as to what is the position of Iraqi commercial companies on this matter. Based on the above, the research problem can be formulated with the following research question:

- what extent are investment decisions in commercial companies affected by accounting disclosure of credit and liquidity risks?

1. The importance of the research and its objectives

In most research, the importance is represented in the group of variables that are addressed primarily, and this research is no different from previous research, as it deals with variables of high importance and mainly influential, as accounting disclosure is one of the variables that interest increases every day because of its connection to accounting theory in terms of its essence, due to the data, information and rules that result from this variable or concept, which are used in the measurement process, so that they are relied upon by users in making their decisions. In addition, accounting disclosure of credit and liquidity risks is one of the

important and modern topics that have recently attracted increased interest from researchers and interested parties due to its importance in rationalizing investment decisions.

Accordingly, the main objective of the research was to try to identify the impact that can be achieved through accounting disclosure of credit and liquidity risks and its reflection on rationalizing investment decisions.

2. Research Hypothesis

The research was based on the following main hypothesis:

- H1: There is a statistically significant effect of accounting disclosure of credit and liquidity risks on rationalizing investment decisions in a sample of companies registered in the Iraq Stock Exchange.

The First Axis: Theoretical framework

1. The conceptual framework for accounting disclosure

Accounting disclosure of credit and liquidity risks provides equal opportunities for all users, enabling them to make decisions. (Fouda et al., 2023, 45) Regarding the level of accounting disclosure between companies, a study (Mohaisen et al., 2021: 329) There is a direct relationship between accounting disclosure and the level of debt. The reason for this is due to the restrictions imposed on companies, which require extensive disclosure and control of profit distribution policies, for example, or disclosure with full transparency of the risks to which companies are exposed, represented by credit and liquidity risks and other financial matters that companies are required to disclose. This comes in order to preserve the money of lenders and ensure its collection in a timely manner.

In this regard, the study by Manini (2019: 132) showed that one of the biggest challenges that companies can face is the trade-off between the value that the company can gain by attracting investors who have an interest in its sustainable competitive advantage and the value of information about the risks that it may be exposed to. Which may have adverse effects when disclosed.

The researcher believes that accounting disclosure and its role in rationalizing investment decisions can be viewed as similar to the role of corporate governance, except that it does not depend on the possibility of the personal goals of company managers not being compatible with the goals of stakeholders in the company.

1.1. The concept of accounting disclosure

Many researchers and specialists, in addition to the relevant parties, have presented a definition of the concept of accounting disclosure by setting definitions that reflect the point of view of each of them towards this concept. Some of these definitions can be reviewed through the following:

A study (Thitinun, & Yomchinda, 2021: 12) explained that accounting disclosure “is the process of presenting financial information, whether quantitative or descriptive, in financial statements, footnotes, notes, and supplementary tables in a timely manner and with a sufficient degree of objectivity.

The study (Hadi, 2022: 253) showed that accounting disclosure is "the method used to communicate accounting information to users through financial statements and reports, accompanied by explanations and notes that show the accounting policies, procedures and rules that were followed and applied when processing accounting information.

As for the study (Hamad et al. 2023), it defined it as "the process of communicating accounting information of both types (quantitative or descriptive) contained in financial reports or in the attached and complementary lists such as margins, notes and tables at the appropriate time and in a clear manner and form that is acceptable and not misleading to users of that information.

1.2. Importance and objectives of accounting disclosure

Risk disclosure has gained a lot of attention after the recent global financial crisis, and as a result, the demand for disclosure of risks faced by companies has increased by stakeholders, and the reason for this is the accounting and financial information it provides to users of financial reports, which enables them to assess the risks that affect their investment decisions as a result of overcoming the issue of information asymmetry. (Foudeh et al. 2019: 45)

With regard to its objectives, the study (Awad. 2018: 108) showed that accounting disclosure for investors is characterized by the following objectives:

- Providing investors with clear and understandable financial statements.
- Identifying the financial position of the economic unit.
- Identifying the financial position of the economic unit in terms of investment.
- Knowing the feasibility of investing in related economic units.

1.3. Accounting Disclosure Methods and Approaches

The study (Al-Naqeeb et al., 2023: 153) identified the methods and approaches that can be used in the accounting disclosure process for credit and liquidity risks as follows:

- Disclosure through financial statements.
- Disclosure of important information in parentheses.
- Using commonly accepted terms that are often understood by beneficiaries.
- Notes and footnotes that are recorded in financial statements and reports.
- Reports, statements and explanatory appendices that accompany the financial statements.
- The report issued by the external auditor.

1.4. Types of accounting disclosure

Both (Awad, 2018: 108) and (Foudeh et al., 2019: 59) agreed that accounting disclosure is characterized by many types that can be reviewed through the following:

- Full disclosure: This means that the financial data included in the financial statements and reports are comprehensive of all information that users can benefit from when making appropriate decisions.
- Fair disclosure: This means that the financial statements and reports are balanced in achieving the users' desires for information.

- Sufficient disclosure: This represents the minimum level of disclosure of accounting information or the quality available in it, which must be provided in the financial statements.
- Appropriate disclosure: This means that it is consistent with the circumstances surrounding the company and its activities, and that the accounting information that is disclosed is characterized by being of high value and useful at the same time to investors and creditors when making decisions.
- Informational disclosure: This type of disclosure is the one that adopts the full disclosure of all financial and accounting information that is relied upon in order to make decisions and take them at the appropriate time by users.
- Preventive disclosure: meaning that the information disclosed should be clear and not misleading, especially for investors who do not have sufficient knowledge of how to use the disclosed financial information that is necessary in the process of making appropriate decisions.

Here, the researcher emphasizes the idea that whatever type of accounting disclosure is adopted by the company's management, it will be successful and achieve its goal if it includes financial or non-financial information that is used in the process of rationalizing investment decisions for investors who use that information.

2. The nature of credit and liquidity risks

Financial institutions are exposed to many risks, which creates uncertainty about future net returns for institutions. The main risks that companies are exposed to are often distinguished as (credit risk, liquidity risk, market risk and operational risk), as credit risk, which leads to a potential loss due to the inability of the counterparty to meet its obligations, depends on credit exposure, the probability of default and the loss in the event of default. (Malhotra. 2022: 1) Liquidity risk is primarily the result of the need for some specific liquidity for a specific asset, as the company may be forced to sell illiquid assets at a reduced price. Disclosure of credit risk and liquidity risk is seen as one of the most important risks that companies may face, and disclosure of them increases users' awareness of risks in general. (Thitinun & Yomchinda, 2021: 12)

Due to the urgent need that has recently appeared in the financial arena to identify the mechanisms adopted in financial fraud in companies and in order to understand them more, it became clear that credit and liquidity should be recognized and cared for by identifying their risks and how to confront them so that they do not worsen, which would negatively affect the company's activities and financial position. (Shi, et al. 2022) On the one hand, on the other hand, it can be said that credit risks are "the risks that arise due to the fear of the possibility of the company being exposed to unexpected losses resulting from the debtor's inability to pay his debts" and credit risks also indicate "the debtor or lender's refusal to pay his debts for any reason. This includes (risks of financial weakness, risks of deterioration of the financial position, risks of defaulting on installments on time). (Habi et al., 2021: 18) Economic conditions at the level of the local economy are among the most important reasons and factors in addition to the financial status of borrowers and the general status of financial markets at the local level. (Afjal, et al. 2023: 3)

2.1. The Concept of Credit Risk

The concept of credit risk is used to express the loss that a company or bank may be exposed to due to the borrower's inability to repay his debt. One of the basic things in any financing business is that the loan or the possibility of repaying it is at the first level. There are many classifications of credit risk, the most important of which is the risk of default by the borrower..(Afjal, et al. 2023: 4) In the current regulatory environment, credit risk needs to be defined in terms of default probabilities, loss rates conditional on default and expected exposures for a number of purposes (regulatory capital calculation, loan loss provisions). (Engelmann, 2023: 2)

It and can be defined as “the probability that a contracting party will fail to meet its obligations under the agreed terms.” There are three characteristics that define credit risk, namely exposure (to a party that may default on its ability to perform), the probability that this party will default on the debt, and the recovery rate. (Pang, 2021: 6)

Or it is the risk that may expose the company to financial loss resulting from the counterparty's failure to fulfill its obligations. (Thitinun, & Yomchinda, 2021: 12)

It is also defined as “an economic loss resulting from the counterparty's inability to meet contractual obligations such as prompt payment of interest or principal or an increased risk of default during the life of the transaction.” (Umagba, et al. 2022: 2)

2.2. Concept of Liquidity Risk

Liquidity risk is “the risk that an entity may fail to meet its contractual obligations, and this unique risk disclosure requirement also means that companies must provide a negative signal or unfavorable disclosure method for their financial instruments in their financial reports.” (Thitinun, & Yomchinda, 2021: 14)

There are two types of liquidity risks which include: (Pang, 2021: 7)

- Funding liquidity risk; is the risk that arises when financial institutions are unable to meet short-term obligations and additional requirements without affecting the financial position of the institutions.
- Market liquidity risk; is the risk that arises when investors are unable to liquidate their positions at a low cost.

3. What are investment decisions?

3.1. The concept of investment decisions

The investor's goal is to participate in a thoughtful investment that aims to achieve a high return on low-risk investments. It is known that individuals do not want to take risks and avoid them while they carefully invest in the long term that reaps sufficient returns on their investments in the future, noting that the investment decision is affected by two main factors: (Salim & Khan, 2020: 658)

- Comprehensive processing: which concerns all information that can be obtained from financial statements and reports.
- Objective processing: which concerns available information and future information of limited scope.

Investment decisions are defined as “a set of planning actions that take into account the degree of risk in anticipation of obtaining future returns in a financial context.” (Ratnawati et al, 2022: 195)

An investment decision can also be defined as “a decision taken by an organization or individual after analyzing the expected future financial and non-financial performance.” (Ngoc, 2023: 2)

3.2. Factors affecting investment decisions

The factors affecting investment decisions with regard to individuals can be identified as follows: (Ngoc, 2023: 3)

- Cultural factor: Culture is the main factor that determines human desires and behavior, and as people grow, they gradually accumulate values, perceptions and behaviors through the family and other cultures. Therefore, people from different cultural areas will have different shopping decisions.
- Social factor: Social factors also have a significant impact on investment decisions, as the interaction between family members and surrounding people also affects investment decisions and thus rationalizes them to achieve their goal.
- Personal factor: Individual factors such as the investor's financial capabilities, age, profession, and risk appetite all affect the investment decisions of individual investors.
- Psychological factor: Psychological factors such as herd psychology, motivations, knowledge, beliefs and attitudes all affect the investment decisions of individual investors. Here, the role of financial knowledge in shaping investors' perception of risks appears, which is defined as “a person's ability to handle and apply information relevant to personal financial affairs”. When investors have a higher level of financial literacy, they are better equipped to understand and assess the risks associated with investing. One aspect of investment decision-making is risk perception, which relates to how individuals perceive and assess the level of risk associated with investing. (Bashar & Almansour, 2023: 3) The investor must have at least a minimal level of financial knowledge. (Ratnawati et al, 2022: 194)

4. The impact of accounting disclosure on investment decision

The study (Mohaisen et al. 2021: 329) showed that one of the most important reasons that prompted stakeholders to demand that companies raise the levels of transparency in disclosing accounting information related to risks associated with non-financial information, and for this reason and other reasons, is to integrate financial information with non-financial information, which raises the level of disclosure and transparency. According to the study by Manini, 2019: 129, risk disclosure provides investors with supporting information to assess the company's risks when evaluating the investment decision-making process. Investors' lack of awareness of risks is reflected in poor investment decision-making or inaccurate prediction of investment returns, which leads to uncertainty in investment. The reason for this, according to the opinion of (Dang et al. 2019: 2391), is that accounting information has a real impact on the decision-making process of users,

especially investors, because information disclosure was an important factor that affects the efficiency of allocating social resources and reduces the distortion of information by companies to external users.

The impact of accounting disclosure on investment decisions is represented in the following points: (Al-Fatlawi, 2015: 205)

- The ability to compare the performance of the economic unit with other economic units listed in the Iraq Stock Exchange through the information announced about it.
- The accounting information disclosed and provided to investors enables them to compare with economic units that have the same activity.
- The ability to evaluate investors' decisions, through the disclosed information.
- The impact of disclosure on investment efficiency is linked to the quality of disclosure in the financial reports of various economic units.
- The efficiency of data and information is linked to the comprehensiveness of financial reports for a number of years, with the aim of comparing parameters with each other, with the aim of serving the expectations of users of those lists.

As stated in the study (Dang et al. 2019: 2392), accounting disclosure plays a fundamental role in providing useful information to users when they are making and taking decisions, because the accounting information contained in the financial statements and reports is characterized by having a real impact on the decision-making process of users, especially the category of investors among them, and the more accurate the information they obtain, the better their decisions will be for them.

The second axis: the field study

First: Results of the statistical analysis:

1. Research community and sample

The community was represented by employees in some companies registered in the Iraq Stock Exchange. Two companies were chosen, namely (Baghdad Soft Drinks Company and Al-Mansour Pharmaceutical Industries Company). The reason for the choice was that they are active companies in the market. The community categories consisted of (managers, accountants and auditors) in these two companies, in addition to investors who are active in the financial market and financial experts in (Al-Rabi' and Al-Karmel) companies, which are the two main companies active in trading management and financial analysis in the financial market, which were reached during data collection. As for the study sample, it was chosen using a simple random sample method, but it was not easy to reach the study community, due to the lack of cooperation with the researcher. For this reason, the sample number was small compared to the study community. The researcher relied on the descriptive and analytical approaches in front of the theoretical and applied aspects of the research.

2. The final results of the validity and reliability tests for the main dimensions of the research:

The statistical analysis showed the results of the reliability test using Cronbach's Alpha Coefficient, and the validity test by finding its square root, respectively, as shown below:

Table No. (1) The final results of the validity and reliability tests for the main dimensions of the research

Variables (Dimensions)	Stability Coefficient (α)	Reliability Coefficient
Accounting Disclosure of Credit Risk	)0.903(	0.950
Accounting Disclosure of Liquidity Risk	)0.996(	0.998
Rationalizing investment decisions (regarding the purchase decision)	)0.985(	0.992
Rationalizing investment decisions (regarding the trading decision)	)0.978(	0.989
Rationalization of investment decisions (regarding the decision to sell)	)0.977(	0.988

Source: Prepared by researchers based on Cronbach's Alpha test, which was statistically arrived at.

It is clear to us from Table No. (1) that the values of the Cronbach's Alpha test came between the following two values, which are (0.903 - 0.996), and since it is known in statistical tests that in order for the results to be positive and interpretable and reliable, it is necessary that they not be less than (0.7), and accordingly it can be said that these values can be relied upon and their results can be taken, which indicate the availability of a good level of reliability and confidence in the variables specific to the research, and thus they can be relied upon and their validity in the following stages of analysis.

3. Descriptive analysis of demographic (personal) data of the study sample items:

Table No. (2) Results of frequency distributions and percentages of demographic variables for sample items

Variables	Categories	Repetitions	Percentages
Academic qualification	Bachelor's	46	61.3%
	Higher degrees	29	38.7%
Function	manager	4	5.3%
	accountant	15	20%
	Auditor	13	17.3%
	financier	16	21.3%
	An investor	27	36%
Years of experience	Under 10 years	44	58.7%
	From 10 to under 20 years	18	24%
	From 20 years or more	13	17.3%

Source: Prepared by the researcher based on the results of the statistical analysis program (SPSS).

Table No. (2) shows a set of results, the most important of which are:

- The analysis of data for the scientific qualification shows that (61.2%) of the total size of the sample were a bachelor's degree, in return (38.7%) in postgraduate studies, and this reflects the inclusion of the study sample for the scientific competencies qualified to answer the objective paragraphs objectively.
- The job analysis of the job shows that (36%) of the total size of the sample were investors and that (21.3%) of them were the category of financial experts, while the accountants reached (20%), and then the auditors come by (17, 3%) Finally, the managers category acquired only (5.3%) of the total size of the sample, and this indicates a positive diversity of the sample members by a professional side, which will be reflected in a positive way that is on the research results through accuracy and objectivity.
- The analysis of data for practical experience has proven that (58.7%) of the total percentage of the sample size have practical experience that is less than 10 years, and then comes the experience of experience that is limited between (10) to less than (20) years with what is Its rate is (24%), and that (17.3%) of the sample is the years of experience that they possess more than 20 years, which represents that the sample members have scientific experiences that had a role in their answers to the phrases related to the questionnaire with precision and objectivity.

4. Results of testing the study hypotheses:

Before addressing the testing of the study hypotheses, the nature (strength and direction) of the relationship between the study variables will be tested, as it is a condition of regression analysis, as explained below:

Table No. (3) Correlation matrix between study variables

Dimensions	Accounting Disclosure of Credit Risk	Accounting Disclosure of Credit Risk	Accounting Disclosure of Credit Risk	Accounting Disclosure of Credit Risk	Accounting Disclosure of Credit Risk
Accounting Disclosure of Credit Risk	1				
Accounting Disclosure of Liquidity Risk	0.744**	1			
Rationalizing investment decisions regarding purchasing	0.690**	0.647**	1		
Rationalizing investment decisions for trading	0.617**	0.601**	0.934**	1	
Rationalizing investment decisions related to selling	0.649**	0.606**	0.945**	0.986**	1

**** Significant at 0.01 level**

Source: The table was prepared by researchers based on the results extracted from (SPSS). It becomes clear to us, through Table (3), there is a relationship with moral correlation between each of the accounting disclosure of the risks of credit and liquidity on the one hand and rationalizing investment decisions related to purchase, sale and trading on the

other Accounting on the risks of liquidity and rationalization of investment decisions for trading, and (0,690) as the highest value between accounting disclosure of the risk of credit as well as liquidity on the one hand and rationalizing investment decisions for purchasing on the other hand.

Main hypothesis: There is a statistically significant effect of accounting disclosure of credit and liquidity risks on rationalizing investment decisions in a sample of companies registered in the Iraq Stock Exchange. The main hypothesis will be tested through the following sub-hypotheses:

First sub-hypothesis: There is a statistically significant effect of accounting disclosure of credit and liquidity risks on rationalizing investment decisions (regarding the purchase decision) in a sample of companies registered in the Iraq Stock Exchange. It was found through the analysis of the slope of the results of the sub -hypothesis test. The following:

Table No. (4) The results of the analysis of data related to the effect of accounting disclosure on the risks of credit and liquidity on rationalizing investment decisions related to the purchase process

Dimensions of the independent variable	Dependent variable	(β) Beta	)(	)Sig (Significant
Accounting Disclosure of Credit Risk	Investment decisions for purchase	0.468**	3.816	)0.000(
Accounting Disclosure of Liquidity Risk		0.299*	2.441	)0.017(
R² = (0.517) Adj. R² = (0.503) F (Sig.) = 38.491 (0.000)				

** Significant at 0.01 level

* Significant at 0.05 level

Source: Results from the preparation of researchers based on the results reached with the (SPSS) program.

Researchers from Table No. (4) are found to be the following:

- The degree of the slope model came moral, as the value of (f) = 38,491, which is thus is moral at a morale 0,01.
- The morale of the accounting disclosure of credit risks ($T = 3,816$), at a significance level of 0.01, and the accounting disclosure of liquidity risks ($T = 2,441$), at a significance level of 0.05, which means that there is a positive significant impact of the accounting disclosure of credit and liquidity risks on rationalizing investment decisions related to purchasing, and they are, in order of their strength of impact; accounting disclosure of credit risks ($\beta = 0.468$), followed by accounting disclosure of liquidity risks ($\beta = 0.299$).
- The adjusted interpretation coefficient was $Adj. R^2$ (0.503) which means that accounting disclosure of credit and liquidity risks together explain 50.3% of the variance in the level of

rationalization of investment decisions related to purchasing, while the rest of the percentage is due to other variables that were not addressed by the model.

Through what was stated in the previous paragraphs, it can be said that the validity of the imposition has been accepted, due to the existence of a statistical significance of accounting disclosure on the risks of credit and liquidity on rationalizing investment decisions (regarding the purchase decision), at a moral level less than 0.05.

Second Sub-Hypothesis: There is a statistically significant effect of accounting disclosure of credit and liquidity risks on rationalizing investment decisions (regarding the trading decision) in a sample of companies registered in the Iraq Stock Exchange. It was found through the analysis of the slope of the results of the sub -hypothesis test. The following:

Table No. (5) The results of the analysis of data related to the effect of accounting disclosure on the risks of credit and liquidity on rationalizing investment decisions related to the trading process

Dimensions of the independent variable	Dependent variable	(β)Beta	)T(	)Sig (Significant
Accounting Disclosure of Credit Risk	Investment decisions for financing	0.380**	2.848	)0.006(
Accounting Disclosure of Liquidity Risk		0.318*	2.382	)0.020(
R ² = (0.426) Adj . R ² = (0.410) F (Sig.) = 26.726 (0.000)				

** Significant at 0.01 level

* Significant at 0.05 level

Source: Results from the preparation of researchers based on the results reached with the (SPSS) program.

It is clear to researchers from the table (5) of the following:

- The significance of the regression model, where the value of (F) = 26,726, which is significant at a significance level of 0.01.
- The morale of the accounting disclosure of credit risks (T = 2,848), at a significance level of 0.01, and the accounting disclosure of liquidity risks (T= 2,382), at a significance level of 0.05, which means that there is a positive significant impact of the accounting disclosure of credit and liquidity risks on rationalizing investment decisions related to trading, and they are, in order of their strength of impact; accounting disclosure of credit risks (β= 0,380), followed by accounting disclosure of liquidity risks (β= 0,318).
- The adjusted interpretation coefficient was Adj. R2 (0.410) which means that accounting disclosure of credit and liquidity risks together explain 41% of the variance in the level of rationalization of investment decisions related to trading, while the rest of the percentage is due to other variables that were not addressed by the model.

Through what was stated in the previous paragraphs, it can be said that the validity of the imposition has been accepted, due to the existence of a statistical significance of accounting disclosure on the risks of credit and liquidity on rationalizing investment decisions (regarding the trading decision), at a moral level less than 0.05.

Third Sub-Hypothesis: There is a statistically significant effect of accounting disclosure of credit and liquidity risks on rationalizing investment decisions (regarding the sale decision) in a sample of companies registered in the Iraq Stock Exchange. The regression analysis showed the results of testing this hypothesis as shown below:

Table No. (6) The results of the analysis of data related to the effect of accounting disclosure on the risks of credit and liquidity on rationalizing investment decisions related to the sale process

Dimensions of the independent variable	Dependent variable	(β)Beta	)T(	)Sig (Significant
Accounting Disclosure of Credit Risk	Investment decisions to sell	0.444**	3.413	)0.001(
Accounting Disclosure of Liquidity Risk		0.276*	2.120	)0.037(
R ² = (0.456) Adj . R ² = (0.440) F (Sig.) = 30.119 (0.000)				

** Significant at 0.01 level

* Significant at 0.05 level

Source: Results from the preparation of researchers based on the results reached with the (SPSS) program.

It is clear to researchers from the table (6) of the following:

- The significance of the regression model, where the value of (F) = 30,119, which is significant at a significance level of 0.01.
- The morale of the accounting disclosure of credit risks (T= 3.413), at a significance level of 0.01, and the accounting disclosure of liquidity risks (T= 2.120), at a significance level of 0.05, which means that there is a positive significant impact of the accounting disclosure of credit and liquidity risks on rationalizing investment decisions related to selling, and they are, in order of their strength of impact; accounting disclosure of credit risks (β= 0.444), followed by accounting disclosure of liquidity risks (β= 0.276).
- The adjusted interpretation coefficient was Adj. R² (0.440) which means that accounting disclosure of credit and liquidity risks together explain 44% of the variance in the level of rationalization of investment decisions related to selling, While other proportions came, it came from what the model did not eat.

Through what was stated in the previous paragraphs, it can be said that the validity of the imposition has been accepted, due to the existence of a statistical significance of accounting disclosure on the risks of credit and liquidity on rationalizing investment decisions (regarding the decision to sell), at a moral level less than 0.05.

Results and Recommendations

Results

After completing the research in its theoretical and practical aspects, the researcher reached a set of results, the most important of which are:

- There is a positive and statistically significant relationship between the study variables. Meaning that increasing accounting disclosure of credit risks is associated with increasing rationalization of investment decisions in buying, trading and selling.
- Increasing accounting disclosure of liquidity risks is associated with increasing rationalization of investment decisions in buying, trading and selling. These relationships may be useful in assessing financial risks and making sound investment decisions .
- Accounting disclosure of credit and liquidity risks has a significant impact on rationalizing investment decisions in the companies under study, and that disclosure of credit risks plays a greater role in this regard compared to disclosure of liquidity risks.
- Accounting disclosure of credit and liquidity risks together explain 41% of the variance in the level of rationalization of investment decisions related to trading. Therefore, there are other factors not included in the model that affect investment rationalization.

Recommendations

Based on the above findings, a set of recommendations can be formulated as follows:

- Companies should increase the level of accounting disclosure of credit and liquidity risks. This can be achieved by developing clear policies and procedures for disclosing these risks in financial reports and annual reports.
- Investors should take into account the level of accounting disclosure of credit and liquidity risks when making investment decisions in buying, trading and selling, as they should consider this information as part of their financial risk assessment and making sound investment decisions .
- It may be useful for researchers in the field of finance and risk management to study more about other factors that may affect investment rationalization in addition to accounting disclosure of credit and liquidity risks. There may be additional factors that affect investment decisions, such as economic, political and regulatory factors, and they can constitute an area for future research.
- Legislative organizations and institutions should work to develop standards and guidelines for accounting disclosure of credit and liquidity risks. These standards provide clear guidance on the required information and appropriate disclosure methods, which contributes to improving accounting standards and increasing transparency in financial reporting.

References

1. Abdullah, Ihab Makki, (2020) "The role of corporate governance in the quality of accounting disclosure of financial reports, a field study on a sample of commercial banks". The comprehensive multidisciplinary electronic journal, Issue Twenty-Four.
2. Afjal, M., Salamzadeh, A., & Dana, L. P. (2023). Financial Fraud and Credit Risk: Illicit Practices and Their Impact on Banking Stability. *Journal of Risk and Financial Management*, 16(9), 386.
3. Ahmed, Nidal Raouf, and Mahdi, Muhand, (2018), "The impact of accounting disclosure on the size of reinsurance risks for the insurance portfolio: An applied study in the National

- Insurance Company", *Journal of Accounting and Financial Studies*, Volume 13, Issue 42, pp. 167-196.
4. Akindele, J. A. (2009). The impact of accounting information in making investment decisions in Nigeria (Master's thesis). University of Lagos, Akoka, Lagos.
 5. Al-Fatlawi, Ali, Qaisar, (2015), The role of accounting disclosure in rationalizing the investment decision in the Iraqi Stock Exchange, *Journal of the Kufa Studies Center*, Issue 36, p. 205. - Fouda, Shawqi Al-Sayed, Sayed, Sayed Abdel Fattah, Al-Shami, Mustafa Kamal Atta (2019) "Accounting Disclosure of Bank Credit Risks According to International Financial Reporting Standard No. (7) with a Field Study" *Journal of Contemporary Business Studies*, Issue Six, pp. 44 - 90.
 6. Almansour, Bashar Yaser, Sabri Elkrghli & Ammar Yaser Almansour (2023) Behavioral finance factors and investment decisions: A mediating role of risk perception, *Cogent Economics & Finance*, 11:2, DOI: 10.1080/23322039.2023.2239032.
 7. Al-Najjar, Jamil Hassan (2015) "Accounting Disclosure of Market Risks under Financial Reporting Standard No. 7 - Evidence from Palestine", *Jordanian Journal of Applied Sciences*, Volume 17, Issue 2, pp. 161 - 320.
 8. Al-Naqeeb, Kamal Abdel Aziz, Yahya, Yasser Ghanem, and Hussein, Dhafer, (2023) "The Impact of Accounting Disclosure in Attracting Foreign Direct Investment and Its Reflection on Economic Growth in Iraq", *Special Issue of the Fourth Scientific Conference of the College of Administration and Economics / University of Diyala "The Iraqi Economy in Light of Contemporary Economic Crises; Analytical Visions for Recovery"*, pp. 147 - 170.
 9. Awad, S. A. (2018). The Impact of Accounting Disclosure on the Efficiency of Investment Decisions in Sudanese Banks (2007 to 2017). *Research Journal of Finance and Accounting*, 9(6), 106. ISSN 2222-1697 (Paper), ISSN 2222-2847 (Online).
 10. Brown, E., & Wilson, D. (2020). "Accounting Disclosure of Credit and Liquidity Risks: A Comparative Analysis of Investor Behavior." *Journal of Financial Research*.
 11. Dang, T. T. H., Phan, T. K., Tran, V. T., Tran, T. N. T., & Pham, T. L. (2019). The impact of accounting disclosures on individual investors' decision making in Vietnam Stock Market., 9, 2391-2402.
 12. Eko, B. (2022). The role of financial behavior as a mediator of the influence of financial literacy and financial attitudes on msme investment decisions in indonesia. *Journal of Social Economics Research*, 9 (4), 193-203.
 13. Engelmann, Bernd, A Simple and Consistent Credit Risk Model for Basel II/III, IFRS 9 and Stress Testing when Loan Data History is Short (March 30, 2023). *Journal of Social Economics Research*
 Available/SSRN: <https://ssrn.com/abstract=3926176> or <http://dx.doi.org/10.2139/ssrn.3926176>
 14. Habi, Maysaa Saad Jawad, Al-Dami, Abbas Kazim, Al-Hussaini, Hashem Jabbar (2021) "The integrated impact of credit risks and interest rates and their reflection on the financial soundness of banks using the ARDL model: A comparative study of a number of American, Turkish and Iraqi banks for the period 2005-2019", PhD thesis, University of

-
- Karbala, College of Administration and Economics, Department of Financial and Banking Sciences.
15. Hadi, Ali Majed, (2022) "The Impact of Corporate Governance Mechanisms on the Quality of Accounting Disclosure", *Journal of Economic Sciences*, Issue 67, Volume 17, pp. 243-267.
 16. Hamad, A. J., & Boumediene, E. (2023). A study of the correlation between accounting disclosure and financial reporting quality in banks registered in the Iraqi Stock Market. *American Journal of Business Management, Economics and Banking*, 16, 82. ISSN (E): 2832-8078.
 17. Hamad, Muhammad Fadi Mawla, (2023) "The role of accounting disclosure in granting bank financing (a field study on a sample of banks operating in Al-Jazeera State 2022 AD)", *Journal of Accounting and Financial Studies - Algeria*, Volume 18, Issue 63, pp. 180-194.
 18. Kanodia, C. (2006). Accounting Disclosure and Real Effects. *Foundations and Trends® in Accounting*, 1(1), 1-101. doi:10.2308/accr.2010.85.3.1119.
 19. Malhotra, Y. (2022). Framework of Credit Metrics Methodology for Computing Credit VaR. *IUP Journal of Financial Risk Management*, 19(3), 38-49.
 20. Manini, R. (2019). A new approach to accounting disclosure. *Revista de Contabilidad y Dirección*, 29, 127-139.
 21. Mohaisen, H. A., Al-Abedi, T. K., & Saeed, H. S. (2021). The impact of accounting disclosure according to integrated business reports on the value of the company and the cost of capital: An empirical study in Iraq Stock Exchange. *Webology*, 18(Special Issue on Current Trends in Management and Information Technology), 328, <http://www.webology.org>.
 22. Ngoc, N. M. (2023). The relevance of factors affecting real estate investment decisions for post pandemic time. *International journal of business and globalisation*. <https://www.researchgate.net/publication/365477138>.
 23. Pang, H. Q. (2021). The Effect Of Internal And External Factors On Credit Risk: A Study on Shawbrook Bank Limited in United Kingdom. Electronic copy available at: <https://ssrn.com/abstract=3933670>
 24. Ratnawati, B. (2022). The role of financial behavior as a mediator of the influence of financial literacy and financial attitudes on msme investment decisions in indonesia. *Journal of Social Economics Research*, 9(4), 193-203.
 25. Ropert, M. V., & Glass, A. S. (2010). Transparent Financial Reporting. *Healthcare Financial Management*, 59.
 26. Roychowdhury, S., Shroff, N., & Verdi, R. S. (2019). "The Effects of Financial Reporting and Disclosure on Corporate Investment: A Review." *Journal of Accounting and Economics*, 68(2-3), 101246. DOI: 10.1016/j.jacceco.2019.101246.
 27. Sachdeva, M., & Lehal, R. (2023). Contextual factors influencing investment decision making: a multi group analysis. *PSU Research Review*. DOI: 10.1108/PRR-08-2022-0125.
 28. Salim, A., & Khan, S. (2020). The effects of factors on making investment decisions among Omani working women. *Accounting*, 6(5), 657-664.

-
29. Shi, S., Tse, R., Luo, W., D'Addona, S., & Pau, G. (2022). Machine learning-driven credit risk: a systematic review. *Neural Computing and Applications*, 34 (14327-14339). doi: <https://doi.org/10.1007/s00521-022-07472-2>.
 30. Suleiman, Raziq, (2022). Accounting disclosure and its role in improving the quality of financial information, a field study (academic master's thesis). University of Martyr Hama Lakhdar El Oued, Faculty of Economics, Business Sciences and Management Sciences.
 31. Thitinun, P., & Yomchinda, N. (2021). The effect of specific risk disclosure under IFRS 7 on cost of capital. *Academy of Accounting and Financial Studies Journal*, 25(1), 12, 1528-2635-25-1-673.
 32. Umagba, A. O., Abara, B., Isa, Z., Okoro, E., & Yahaya, M. A (2022) Multi Class Machine Learning Model for Predicting Credit Default in Credit Risk. *Academy of Accounting and Financial Studies Journal Management*. <https://ssrn.com/abstract=4105836>.
 33. Younis, Mai Zuhair, (2023) "The Impact of Accounting Disclosure on Rational Investment Decisions: A Survey Study of a Sample of Accountants in Government Departments", *Journal of Business Economics*, Volume 4, Issue 4, pp. 141-155.
 34. Zandri Dickason & Sune Ferreira | David McMillan (Reviewing editor) (2018) Establishing a link between risk tolerance, investor personality and behavioural finance in South Africa, *Cogent Economics & Finance*, 6:1, DOI: 10.1080/23322039.2018.1519898.