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THE IMPACT OF FINANCIAL REPORTING FINANCIAL OPACITY ON CORPORATE INVESTMENT EFFICIENCY: EVIDENCE FROM IRAQ

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Abstract
The main objective is to study and test the effect of opacity of financial reports on the investment efficiency according to the characteristics of companies for private banks listed on the Iraq Stock Exchange. Two conditions determined the research sample, the first is the data availability necessary to measure the research variables. The second is the continued disclosure of their data without interruption during the study period, and the research sample included the financial statements of ten banks for eight years (2016 to 2023), so views were eighty (bank / year). The analysis method of the informational content of the published financial reports has been adopted based on the descriptive analytical approach. The statistical program (SPSS Ver.22) has been used for the purpose of analyzing data, extracting results and testing research hypotheses. The main hypothesis was accepted. Also, the opacity of financial reports negatively affects the efficiency of investment and that some of the characteristics of the company affect positively (company size) and others (negatively) within the impact equation, that producing high quality financial reports (free from opacity) reduce the risks to investors and better identify investment opportunities. The research recommended the need for the Iraqi Securities Commission to play the supervisory role by obliging banks to disclose the necessary to increase the transparency of reports in a way that helps investors improve investment decisions. In addition, academics and researchers are advised to more examine the opacity of financial reports in the Iraqi business environment and on different economic sectors.

Keywords: financial opacity of financial reporting, investment efficiency , company characteristics, banking sector.

Introduction

A controversial issue in recent years is the opacity of financial reporting (Financial reporting opacity) or the so-called Firm opacity or Obfuscate disclosure. The Financial reporting opacity is based on the premise that management's decisions and disclosure policies can control accounting information and the transparency of financial reports(Al-Sawy, 2022).

Financial Reporting Opacity and the deliberate obfuscation of accounting information are the result of systematic policy by the administration. It is not a coincidence, as it is based in doing so on two types of motivations. The first is related to the characteristics of the company: the company's ability to meet its obligations, weak financial performance, how strong is the competition in the sector to which the company belongs, and financial analysts' cash flow forecasts. The second is executives and their personal traits such as: the managerial abilities they enjoy and their excessive confidence because of centralized decision making(El-Najar & Basyouni, 2023).

While investment decisions are considered one of the most vital decisions for the company because of the impact of these decisions not only on the future of the company and maximizing the wealth of shareholders, it extends to the impact on the economy in general, because these decisions represent the establishment of projects and the provision of job opportunities. Most importantly investment is to work to achieve the efficiency of those investments Investment Efficiency. However, investment efficiency may not be achieved in practice, as there may be either overinvestment Over investment in projects with negative net present values, or underinvestment and the loss of investment, which represents the inefficiency of investment. It may be due to several reasons. The most important is the problem of asymmetry of information between the management of companies and related parties, the problem of agency between managers and shareholders and the accompanying problems of ethical imbalance and opportunistic behavior by managers and the selection of investment projects that may not achieve the interest of shareholders(Quah et al., 2021).

1-2. The research problem:

The disclosure and transparency in the financial reporting has attracted deep attention from the point of view of investors. Especially after a series of financial scandals for European and American companies, financial reporting took a deep concept that goes beyond the disclosure of financial statements. The degree of opacity (i.e., increased transparency facilitates shareholder monitoring and mitigating management manipulation, so companies with high sensitivity to investor sentiment are relatively vague). Also many studies have shown empirical evidence that blocking bad news is driven by the personal interests of management at the expense of stakeholders, through two prominent axes based on the agency problem: Opacity of financial reporting and overinvestment**.** From the above, the problem of the study can be formulated.

- **Does the opacity of financial reports affect the efficiency of investment in Iraqi private banks?**

1-3. Research aims:

Considering the study problem and questions, the main objective is to study and test the effect of opacity of financial reports on investment according to the characteristics of companies for private banks listed on the Iraq Stock Exchange. This is through the formulating a theoretical framework enhanced by the application of the research from which a set of sub-objectives emerge:

- Statement of the concept, motives and risks of financial reporting opacity.
- Studying and analyzing the efficiency of investment in terms of concept, objectives and characteristics.

− Providing an applied guide on the environment of Iraqi banks on the relationship effect between the opacity of financial reports on the efficiency of investment in Iraqi private banks.

1-4. The study significance

This significance is evident through the significance of the variables that you study and the relationship between these variables, as **the scientific importance of the** research was represented by addressing an important topic for researchers, professionals and users of financial reports. It is considered one of the most prominent controversial issues that have received great attention in accounting thought recently, and the importance increases by addressing the topic in different foreign environments, but it has been addressed rarely by Arab studies in general and the Iraqi environment in particular

The research also derives **the importance of the process** by testing the relationship of influence in the study sample and finding practical evidence validity relationship between the subject of the relationship in the environment of Iraqi banks.

1-5. Research hypothesis

To fulfil the study aim, the hypothesis can be formulated:

(H1). There is a statistically significant opacity of financial report influnces on investment efficiency under the governing role of company characteristics.

2. Theoretical framework of the study

2.1. Opacity of Financial Reporting

Recently, attention has increased to the financial reporting information quality and to avoid opacity and lack of clarity in that information in those Reports. Here, financial reports are a significant information sources stakeholders use to make decisions and the key in disclosing financial and non-financial information. The opacity of financial reporting can be:

2.1.1. The concept of opacity of financial reports:

Opacity in language is opacity , lack of clarity and confusion, which results in difficulty in understanding and confusion due to lack of clarity of purpose, while obfuscation is the concealment of news and facts and secrecy in making important and dangerous decisions(Al-Sawy, 2022). Many accounting literature studied dealt with the opacity of financial reports, especially after breakdown major international companies. There have been many views on opacity , some of them saw that it means Disclosure opacity or accounting opacity. Others argue that it is meant as Financial opacity, while some called it company opacity (Firm Opacity), despite the multiplicity of names, but they agree in their content, which is the lack of clarity of information and the difficulty of understanding by its users. It has also been known(El-Najar & Basyouni, 2023) as the lack of transparency in the disclosure of information, which makes the information does not reflect the reality of the situation and the company financial performances(Rahim, 2021).So, the researcher defines it as the management presenting the financial reports in an ambiguous and improper manner and not displaying the real performance of the company and misleading all stakeholders for the purpose of achieving its personal interests.

2.1.2. Motives for opacity in the financial report:

There are several motives for the opacity of financial reports, which we explain through the following:

- **Motives associated with the characteristics of managers:** Agency problems and conflicts of interest contribute mainly to increasing the level of opacity . This is because the structure of administrative ownership and the strength of executives is an important reason for the opacity of financial reports, that the management opportunistic practices to hide bad and unfavorable news about the company financial performances, resulting in increasing the gap of information asymmetry and reducing the level of quality of financial reports(El-Najar & Basyouni, 2023).
- **Motives related to the characteristics of the company:** Companies always strive to provide information and disclosures related to financial reports but when disclosing that information in the hope that the company will get positive value from the information provided. While information that may risk the value of the company is not published, such withholding of information affects the level of opacity in financial reports(Shaaban & Talib, 2024).
- **Market Motivations:** It is represented by both analysts' expectations and competition, as analysts' publication of profit forecasts and forecasts and cash flows for companies may represent a burden on the company's management to meet those expectations. Those expectation prompt the use of their self-assessments of opportunistic financial reporting and thus affect the level of opacity of financial reports(Shaaban & Talib, 2024).
- The researcher explains all the previous motives and determinants that impact of the financial position, the existence of financial analysts' expectations, and the correlation between the company's stock returns and cash flows from operations.

2.1.3 Risks of financial reporting uncertainty

Deliberate opacity practice by management in financial reporting information that does not have the truth of such information related to the estimation of these items for users causes a set of risks:

- **High level of profit management:** Profit management is the process of manipulating optional accrual accounts to show some desirable outcomes to companies. This opacity in turn contributes to the generation of unequal information. Its practice leads to a decrease in the transparency and opacity and the financial information they contain(Younis, 2022).
- **Increased agency problems:** The discretionary power granted to corporate management allows them to influence financial reporting policies, and in the presence of agency problems creates them incentives to hide any agency-related issues by concealing unfavorable information. This deliberately raises the opacity of financial reports, affecting the ability of external parties or investors to evaluate the company accurately(Al-Sawy, 2022).

- **The prevalence of information asymmetry**: Regarding the implications of opacity, it exacerbates the problem of information gap information asymmetry, whether between management and investors or between investors themselves, and achieving their personal interests. When the accumulated bad news is disclosed to users of financial reports, this negatively affects the volume of trading in the capital market in general, and the efficiency of investment in companies in particular(M. M. Saleh, 2023)**.**
- **2-2. Investment Efficiency:**

The investment efficiency of companies is related to how investment companies have their assets and thus better performance, i.e. the investment efficiency of companies is related to the ability to allocate and use of its resources in the best way. Therefore, we explain them through the following:

2.2.1. Investment efficiency:

Investment efficiency stems from the intuition (1936, Keynes and 1960, Grunfeld) based on the fact that increasing investment is linked to the company market (Gustafsson & Sundqvist, 2010). Investment efficiency means the optimal level of investments a company chooses to pursue and continue projects with positive net present value and reject investments that will generate negative profits and negative net present value(Cherkasova & Kuzmin, 2018). Investment efficiency happens if investment net present is positive. Conversely, investment is inefficient with overinvestment or underinvestment, indicating that the investment falls below or exceeds the optimum value (Bimo et al., 2022). The researcher explains that the company faces two forms of inefficiency in investment. Either an excess in the investment which is too much with negative net present value despite the weakness of investment opportunities. Or a case of investment deficit underinvestment occurs when non-exploiting some investment opportunities with positive net present value, meaning low level of investment despite the existence of investment opportunities.

2.2.2. Investment decision characteristics:

The characteristics are(Al-Tamimi & Thabet, 2017):-

- It is a one-off decision as all the applied areas of the feasibility study are only carried out at intervals.
- The investment decision entails fixed costs that are not easy to modify or reverify.
- An investment decision always extends to future activities and is therefore often associated with a certain degree of risk.
- The investment decision is surrounded by circumstances that need to be overcome, such as uncertainty, change in the value of money, and problems of the impossibility of some variables to quantify, all of which need scientific foundations to deal with them.

2.2.3. Investment Efficiency Objectives:

The main goal of investment is to achieve a return or maximizing wealth, but this does not prevent the existence of other investment goals Efficient These objectives include(Abdo, 2023; Zaid, 2015):

- Preserving the physical and investors' financial assets or entitled to dispose of them, after studying the risks, avoiding these assets from the negative impacts of the risks.
- Capital investment efficiency promotes sustainable growth of the company and contributes to maximizing stakeholder wealth.
- Achieving stable returns, that is, these returns have uninterrupted flows. So, here attention must be paid to the issue of the net present values so that these returns maintain their purchasing power. That is, their real value on the one hand, and exceed the costs that come from other alternatives on the other hand.
- Investment efficiency can be used as a measure of a company's performance, as it expresses how well a company invests its assets.
- Continuing the flow of income and increasing it at an escalating pace, and this goal represents the most important aspirations of the investor to get out of his normal economic conditions and to achieve his desires to raise his standard of living.

2.2.4. Factors affecting investment efficiency

The most prominent of these factors include:

1- Free Cash Flow: Free cash flow has a devastating impact on investment efficiency where companies overinvest money when they have large free cash flows, and a high level of cash holdings has been found to lead to overinvestment(Al-Desouky et al., 2022).

2- Disclosure Level: The level of disclosure can affect investment efficiency, due to the fact that with a level rise of disclosure results in a lower asymmetry in information and thus increased investment efficiency(Al-Desouky, 2023)

3- Quality of accounting information Companies with a high degree of quality accounting information help investors identify the best investment opportunities and thus lead to attracting foreign capital and investments(Al-Tamimi & Thabet, 2017).

4- Government ownership ratio: Government ownership is considered a private ownership and one of the investment incentives more than government ownership. This is because government ownership is contrariwise linked to investment efficiency in the sense that with the high percentage of government ownership. So, the chances of entering into ineffective investment projects increase, which reduces investment efficiency(Dao et al., 2020).

5- The Board of Directors: Board characteristics can determine the compatibility of investment decisions for the interests of managers and investors, thus reducing agency costs between different investors and management(Rizk, 2023).

The researcher believes that the tendency of many companies to invest in unwanted projects that lack positive net present value has become an issue. This issue threatens the efficiency of capital allocation at the level of the economy, hence the importance of focusing on many factors that can have a clear impact on investment efficiency.

2-3. The opacity relationship to investment efficiency:

Collapses in banks and companies in developed countries led to the weak investors' confidence, necessitating control, investigation and measurement of the quality of reports for restoring confidence and credibility, especially among investors. This is because the investment decision constitutes the starting point in the world of finance and business. It is the cornerstone of building any healthy and healthy national economy, because no financial market can grow and prosper except by developing investors' confidence in the appropriate data and information provided by the company whose shares are traded to ensure that they are making their investment and financing decisions with high efficiency(Shukry, 2024). Al-Jargawy et al. (2022); Al-Sawy (2022) show that low levels of information asymmetry through additional explanatory information in removing opacity is reflected in the increased accuracy of financial analysts' predictions of dividends.

Hussein and Salem (2023) stated that the investment efficiency of the company achieves the highest rates of internal investment in capital assets, meaning that there are no capital assets that are not exploited in production. So investment in capital assets becomes too large, which also means that there is no disrupted production due to the lack of sufficient capital assets. To produce it, investment becomes too little. Here, the final result should be the ideal level of internal investment in proportion to the current production of the company, which is evident to the financial statement external users by studying the relationship between revenue figures and the size of assets contained in the financial statements.

According to Bimo et al. (2022), the two most decisive disagreement kinds in investment efficiency are information asymmetry and problems of agency as they influence investment efficiency. They can therefore be a channel between business strategy and investment decisions(Fattah, 2023). Companies with more agency problems and high information asymmetry have an overinvestment problem.

On the other hand, (Rizk, 2023)indicated that companies can contribute to raising the efficiency of investment by improving the reports. So, here the reports means the accuracy with which financial reports convey information to investors in stocks about the company's operations, as this quality can achieve this role through:

- Reducing the asymmetry in the available information between the company and investors, thus reducing the cost of financing borne by the company to obtain its financing needs.
- Reducing information asymmetry between investors and management and thus reducing the supervisory cost borne by shareholders and improving the mechanism for selecting projects, as financial reporting is crucial in mitigating agency problems.

Therefore, the opacity degree in the information increases the management of profits, as a study showed that through the opacity of the effectiveness of control. So, the opacity allowed in choosing the discount rate is one of the possible ways to affect profits, and profit management is negatively reflected on the information transmitted to investors. It affects the content of the information, which raises the opacity about the declared profits, which leads to a deterioration in the content of information about profits (Seddiki, 2016).

A study pointed to the opacity of financial reports resulting in the inability of the average investor to understand complex financial reports, and the asymmetry of information between market participants. This asymmetry has serious damage to the capital market as a result of the low volume of trading in the capital market, the increase in the cost of operations, the decrease in stock liquidity, the inability to distinguish between successful and failed companies, increased information risks, and thus the inefficiency of the capital market(Al-Sawy, 2022).

The United States Accounting Standards Board (USASB) has noted FASB pointed out that a significant aim of the financial statements and reports is to help current and potential investors to rationalize their investment decisions. Therefore, transparent and high-quality accounting information is one of the most important inputs to the decision-making process related to the efficient distribution of capital on available investments(T. M. M. Saleh, 2023).

The researcher believes Rapid technological developments, increasing competition, rapid changes in consumer tastes, manipulation of financial statements, and lack of transparency does not represent the extent to which returns are low to enhance them. Yet, it is examining the efficiency of companies in dealing with their investment opportunities. Preparing efficient investment decisions is a vital goal for all companies to contribute to achieving sustainable growth and thus maximizing the value of the company. Also, verification of corporate performance has become one of the main issues at the present time due to economic and political changes and the frequency of crises. This efficiency is one of the most fundamental aspects determining the company values and thus the wealth of shareholders. Also, deviations through underinvestment and overinvestment negatively affect the rights of stakeholders.

3- The applied aspect of the research:

This section displays two application sides. The first is the research methodology, which includes sources of data collection, the research method and study measures, while the second included discussing the results statistically describing the research variables and testing the research hypotheses.

3.1.Research Methodology: The methodology was as follows:

3.1.1. Sources of data collection

The data was collected from the Iraq Stock Exchange through the financial reports published on the website (www.isx-iq.net) available to all, and may represent **Research Community** of 46 banks listed on the Iraq Stock Exchange at the end of 2023. The sample was 10 banks in Table (1). It adopts two conditions, the first is the availability of data necessary to measure the search variables, and the second is the continued disclosure of their data without interruption during the extended search period for eight Years from 2016 to 2023, so, the views become 80 (bank/year), data for 2013, 2014 and 2015 to measure the opacity of financial reports.

Table 1: Research sample sinks

Bank	t	Bank	t
Iraqi Investment	6	Bank of Baghdad	1
Middle East	7	Commercial Bank of Iraq	2
Mosul Development	8	Bank of Babylon	3
Iraqi National Bank	9	Economy for Investment	4
Iraqi Credit	10	Business Bay	5

This table is prepared by the researcher

3.1.2. Research method

The researcher relied analyzing the information of the published financial reports of the banks listed on the Iraq Stock Exchange using descriptive analytical approach. The data was arranged and classified within the system (Excel), and then the statistical program (SPSS Ver.22) for the purpose of analyzing data, extracting results and testing research hypotheses.

3.1.3. Measuring variables

The research variables are three; the first is the independent-the opacity of financial reports (X). It is measured by the moving absolute value sum of the optional benefits confirming Dechow et al. (1995); Hutton et al. (2009); Kim et al. (2015) according to the following steps:

A. Determining the value of the total benefits:

TACC it = NI it- OCF it............. (1)

TACC it: Total benefits for company i for year t

NI it: net income before extraordinary and extraordinary items (operating income) of company i for year t

OCF it: Cash flow from Company I operating activities for year t.

B. Estimating the cross-sectional regression equation according to the following equation:

TACC it/ Assets it- 1 = α o (1/ Assets it- 1)+ β 1 ((Δ REV it- Δ REC it)/ Assets it- 1)+ β 2 (PPE it / Assets it - i)+. εit .... (2)

Whereas:

Assets i,t-1/ TACC i,t : Total benefits divided by total assets for the previous year.

Assets i,t-1 : Total assets of the company i for the previous year t-1

REV Δ it: Annual change in company i's revenue from the previous year t-1 to the current year t.

:P PE it refers to tangible fixed assets property, machinery and equipment of Company I for the year T.

: β 2, β 1, α the estimated values of the model parameters that are used to determine the optional entitlement value.

ε it :Indicates the horn of the regression pattern.

The beta value was as shown in Table 2.

Table 2: Beta Estimation

β2	β1	α0	Beta
0.215	3.926	0.000	Value

The table above is prepared by the researcher with the adoption of the program (SPSS)

c. Determine the value of non-optional accrual calculations according to the following formula:

NACC it = $\alpha 0$ (1/ Assets it- 1)+ $\beta 1$ ((Δ REV it- Δ REC it)/ Assets it- 1)+ $\beta 2$(PPE/ Assets it- 1)+ ε it.. (3)

Whereas:

NACC it Non-Optional Accrual Calculations for Company I for Year T.

Δ REC it : Annual change in accounts receivable (receivables) of company i for the year t, t-1

d. Determining the value of optional accrual calculations according to the following formula:

DISACC it = TACC it - NACC it........(4)

Whereas:

DISACC refers to the calculations of the optional benefits of company i for the year t.

e. Calculation of the moving sum from the absolute value of the optional benefits: The absolute values of the optional benefits are added up for each company and for each year during the previous three-year period (T-1, T-2, T-3) (to determine the value of the uncertainty of the financial reports for the year in question Andreou et al: 2021)

OPACITY it = AbsV (DISACC it- 1) + AbsV (DISACC i, t- 2) + AbsV (DISACCi,t- 2)... (5)

Whereas:

OPACITY: This indicates the value of the uncertainty in the financial reports of Company i and for the current year t.

ABS V (DISACC it-1) The absolute value of the optional benefits of company i for the year T-1.

ABS V (DISACC it-2) is the absolute value of the optional benefits of company i for the year T-2.

ABS V (DISACC it-3) The absolute value of the optional benefits of company i for the year T-3.

F. Determining the value of financial reporting uncertainty: The higher the moving total from the absolute value of the optional benefits, the more opacity in the financial reports indicates that companies with consistently large absolute values of benefits are more likely to manage their profits to hide bad news. Yet, if this value decreases and approaches zero, this indicates that there is no or low opacity in financial reports.

Type II The dependent variable represented by the efficiency of investment. It is denoted by (Y). It was measured by the model of how far the actual investment deviated from the expected investment:

Investment= α+ $\beta 1$ REV Growth+ εi..........(6)

Investment: Actual investments in the current year (investments in fixed and long-term assets - sales of fixed assets and long-term investments) represent ÷ total assets for the previous year.

Constant regression model coefficients of independent variables α
REV Growth: the optimal size of the expected investment, and is expressed by the change in revenues (revenues of the current year - revenues of the previous year) ÷ revenues of the previous year.
εi: represents the remainder (regression error), which is the difference between the actual investment and the expected investment. If the value is positive (positive deviation from the expected value), there is an overinvestment, and if the value is negative deviation from the expected value) this indicates a lack of investment.
The closer the value is to zero, the closer the actual investment means to the expected investment (investment efficiency)(Cheung et al., 2023; Tariverdi & Keivanfar, 2017).
The absolute value of these values will be taken, and then multiply the remainders by (-1) for easy interpretation of the results and to express the efficiency of the investment. So, the higher the value, the greater the efficiency of the investment, and vice versa.
Type III It is the governing variables represented by five characteristics (a. company size, b. company age, c. return on fixed assets, d. asset growth rate, e. return on assets) measured as follows(Chang & Ma, 2019; Gala & Julio, 2016; Huang & Zhu, 2022):
A. Company size, denoted by (C1), measured by the natural logarithm of total assets
B. The age of the company, symbolized by (C2), measured by the natural logarithm of the number of years of work in the market from the date of incorporation until the year of research
C. Return on fixed assets, symbolized by (C3), and is measured by total fixed assets divided by total assets.
D. Asset growth rate, symbolized by (C5), which is measured by the difference between total assets in the current year and the previous year divided by total assets in the current year.
E. Return on assets, symbolized by (C6), measured by the ratio of net profits to total assets

3.2. Discussion of results
3.2.1. Description of variables
Table (3) shows the levels of opacity of financial reports, investment efficiency and governing variables by banks in the research sample.

Table 3: Levels of search variables by banks

No	Bank	X	Y	C1	C2	C3	C4	C5
1	Bank of Baghdad	1.153	-0.126	1475312164000	27.500	0.638	0.054	0.020
2	Commercial Bank of Iraq	1.271	-0.131	490323477750	27.500	4.728	0.018	0.027
3	Bank of Babylon	0.775	-0.174	410240015678	20.500	0.030	0.031	0.009
4	Economy for Investment	0.767	-0.126	489924344645	20.500	0.037	-0.012	0.006
5	Business Bay	1.217	-0.146	619851043831	20.500	0.011	-0.051	0.000
6	Iraqi Investment	2.787	-1.322	652667921093	26.500	0.343	0.168	0.010
7	Middle East	1.589	-0.155	700593979500	26.500	0.000	0.001	0.000
8	Mosul Development	1.407	-0.112	548943539339	18.500	0.287	0.073	0.007
9	Iraqi National Bank	2.165	-0.097	1431970939875	24.500	0.930	0.185	0.018
10	Iraqi Credit	2.438	-0.210	489813673750	21.500	0.883	-0.031	0.009

The researcher used program (SPSS) to make this table.

Table (3) shows that the Iraqi Investment bank was the highest level of opacity in terms of the arithmetic mean of (2.787). Yet, the bank (Economy for Investment) the lowest level in the arithmetic mean of (0.767), and the Iraqi National Bank was the highest level of investment efficiency in the arithmetic mean (-0.097). Also, the Iraqi Investment was the lowest level, in the arithmetic mean (-1.322). According to the governing variables, it is noted that Bank of Baghdad recorded the highest level of volume in the arithmetic mean of the total assets of (1475312164000), while Bank of Babylon has the lowest arithmetic mean (410240015678), and a number of banks participated in recording the highest level in terms of age with an arithmetic mean (27.500) while Mosul Development reported the lowest level in the arithmetic mean of (18.500). Then, Trade Bank of Iraq was the highest level of return on fixed assets in the arithmetic mean of (4.728), while the Middle East was the lowest in the arithmetic mean (0.000). The Iraqi National Bank had the highest level of asset growth (0.185), and the Business Bay is the lowest level arithmetic mean (-0.051), and the trade Bank of Iraq is the highest level of return on assets of the arithmetic mean (0.027), and Business Bay and Middle East is the lowest level in terms of the arithmetic mean of (0.000).

Table (4) is the descriptive analysis of the opacity of financial reporting, investment efficiency and the governing variables at the level of the total sample.

Table 4: Description of search variables

Variable type	Variables	Icon	Arithmetic mean	Standard deviation	Minimum value	Highest value	Coefficient of variation
independent	**Opacity of financial reporting**	**X**	1.557	1.086	0.163	7.194	69.78%
adherent	**Investment Efficiency**	**Y**	-0.260	1.069	-9.677	-0.006	-411.31%
governor	**A. Company Size**	**C1**	730964109946	556844365998	328532782697	3982984863000	76.18%
governor	**B. Age of the Company**	**C2**	23.400	4.018	15.000	31.000	17.17%
governor	**c. Return on fixed assets**	**C3**	0.789	1.727	-0.591	10.978	219.03%
governor	**d. Asset growth rate**	**C4**	0.044	0.181	-0.329	0.905	415.14%
governor	**e. Return on assets**	**C5**	0.010	0.015	-0.016	0.057	139.63%

The researcher with the adoption of the program (SPSS) prepared this table

In Table (4), there is a rather high level of opacity of financial reports at the sample level in the arithmetic mean of (1.557). So, the financial reports are less ambiguous whenever the calculated value approaches zero, and it is noted that the standard deviation value is high. There is a large discrepancy between the lowest and highest value, as well as the calculated value of the coefficient of difference exceeds its default value of 50%, a large discrepancy and dispersion in the sample about the levels of opacity of financial reports. It means that the result of the arithmetic mean of the total sample can be generalized. Also, there is a low level of investment efficiency. Yet, the high standard deviation value and the coefficient of variation weaken with the consistency of the value of the arithmetic mean as the total sample due to the presence of dispersion in its observations. At the level of the governing variables, the average total assets are (730964109946) dinars, as noted that there is a dispersion in the levels of the size of banks in terms of standard deviation and coefficient of variation, which means that it is difficult to represent the arithmetic mean of the total sample, while the average age of banks was (23.400) year. Also, the generalization of this result at the level of the total sample is supported by the low value of the standard deviation and the variation coefficient, which reflects the low dispersion between observations and the high level of consistency. In addition, there is a high level of return on fixed assets, and the reason for this may be due to the nature of the banking sector that works to reduce the value of fixed assets to the lowest possible value. Also, there is a growth level in assets despite the small value of this growth, in addition to the low return rate on assets at the level of the total sample. This reflects the weakness of its financial performance, but the high standard deviation and the coefficient of variation reflects the existence of dispersion in the observations of both fixed return on assets, asset growth and return on assets weakening the reliability of the arithmetic mean result in representing the total sample.

3.2.2. Hypothesis testing

Before testing the h hypotheses, the researcher calculated the Pearson correlation coefficient (Pearson) for determining the mean, strength and relationship direction between the opacity of financial reports and the efficiency of investment. Table (5) shows the correlation coefficient between the variables.

Table 5: Relationship between variables

Variables	Icon		**Y**	C1	C2	C3	C4	C5
Opacity of financial reporting	**X**	Pearson	-0.320**	-0.035	0.065	0.024	0.074	0.024
			0.004	0.755	0.565	0.833	0.513	0.834
Investment Efficiency	**Y**		1	0.028	-0.040	0.062	-0.519**	0.098
				0.808	0.728	0.588	0.000	0.389

This table is produced by the adoption of the program (SPSS)

The followings are shown:

A. There is a negative (inverse) significant correlation between the opacity of financial reports and the investment efficiency, meaning that the greater the level of opacity in the financial reports published in the banks of the research sample. This will be accompanied by a decrease in the efficiency of investment, while it is noted that the relationship significance between the opacity of financial reports and any of the five governing variables (a. company size, b. company age, c. return on fixed assets, d. asset growth rate, e. return on assets).

B. There is a negative (inverse) moral correlation between the efficiency of investment and asset growth, meaning that the higher the level of investment efficiency in the banks of the research sample, this will be accompanied by a decrease in the growth of assets, while it is noted that the significance of the relationship between investment efficiency and the other four governing variables (a. company size, b. company age, c. return on fixed assets, e. return on assets).

Table (6) shows the research hypothesis based on the following:

(H1). There is a statistically significant effect of the opacity of financial reports on investment efficiency under the governing role of company characteristics.

A multiple regression equation tested this hypothesis using the ordinary least squares method (OLS) to estimate investment efficiency through the opacity of financial reporting under the five governing variables (a. Company size, b. Age of the company, c. Return on fixed assets, d. Asset growth rate, e. Return on assets). This is to see the extent to which the opacity of financial reports affects investment efficiency.

Table 6: Results of the effect of opacity of financial reports on this efficiency with the Presence of the company's specialist as a governing variable

Variables	(R2)	(Adjusted R2)	(F)	(Sig.)
	0.455	0.410	10.148	0.000
	Constant coefficient (β0)	Regression coefficient (β)	(i) Draft decision of the Chair of	(Sig.)
X	-14.662	-0.259	-3.016	0.004
C1		1.384	2.301	0.024
C2		-1.128	-0.762	0.449
C3		0.038	0.508	0.613
C4		-3.851	-6.728	0.000
C5		13.621	1.506	0.136

The researcher used the program (SPSS) for this table.

In Table (6), the validity of the regression equation model is fixed in the value of (F) adult (10.148) at a significant significance level of less than 5%, which means that the efficiency of the investment can be estimated by the opacity and the five governing variables, while the value of (T) at a significant significance level of less than 5% of the opacity of financial reports on the presence of a significant effect, as indicated by the value of the beta regression coefficient (β) negative and adult (-0.259) that the opacity effect on investment efficiency is negative (reversed). Thus, the high level of opacity of financial reports will be negatively affected by reducing the level of investment efficiency in the banks of the study sample, noting the presence of a positive moral impact on the size of the bank as well as a negative moral impact on asset growth in terms of value and reference to the beta regression coefficient (β) for each. This is indicated by the value of the adjusted coefficient of determination (Adjusted R2) adult (0.410). However, the opacity of financial reports along with the governing variables explain (41%) of the changes in the efficiency of investment in the banks of the study sample. Therefore, the main hypothesis is accepted, and that the opacity of financial reports negatively affects the efficiency of investment and that characteristics of the company influence positively (the size of the company) and others (negatively) within the impact equation.

4. Conclusions and recommendations:

4.1. Results

The most important findings are:

- The fact that bank managements withhold or hide important information or brevity in their financial reports, causes the opacity of their financial reports, and thus the inability of report users to understand and interpret the information they contain correctly, which would mislead the users of the reports and the inefficiency of investment.
- The opacity of financial reports deliberately by bank management has many negative effects, whether at the level of the bank or at the level of the capital market. It leads to asymmetry of information to mislead investors in understanding and interpreting financial reports, low trading volume and inefficiency of capital.
- The production of high-quality financial reports (free from opacity) helps to reduce the risks to which investors are exposed and better identify investment opportunities.
- The results of the applied research showed the acceptance of the main hypothesis of the research, and that the opacity of financial reports negatively affects the efficiency of investment and that some of the characteristics of the company affect positively (the size of the company) and others negatively within the impact equation.

4.2. Recommendations

Based on the results of the research, the researcher provides a set of following recommendations:

- The need for the Iraqi Securities Commission to play the supervisory role by obliging banks to disclose the necessary to increase the transparency of reports in a way that helps investors increase the efficiency of investment decisions.
- The need for investors and financial analysts to follow accuracy in analyzing financial reports and making rational investment decisions to avoid losses and preserve investors' wealth.
- The need for banks to prepare financial reports containing sufficient accounting information to protect investors, increase investment efficiency and attract all local and foreign investments.
- The researcher recommends the need for academics and researchers to conduct more studies regarding the opacity of financial reports in the Iraqi business environment and on different economic sectors.

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