

Evaluating the Electronic Accounting Disclosure of Iraqi Banks (Case Study on Iraqi commercial, governmental and Islamic banks)

تقييم الإفصاح المحاسبي الإلكتروني للمصارف العراقية (دراسة حالة عن المصارف التجارية والحكومية والإسلامية العراقية)

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Abstract - Electronic Accounting Disclosure (EAD) means publishing everything related to the presentation and disclosure of financial reports, accompanying notes and related information on an electronic information network available to the general public. The research aims to identify the extent of the application of electronic accounting disclosure in entities and companies through several points related to disclosure on websites. The framework was applied to a group of Iraqi commercial, governmental and Islamic banks until the year 2021. The banks were chosen as a sample of the study because of their advanced sequence in the classifications of the Central Bank. The proposed framework was used to analyze the applied aspect of the research, and the most important results of the research were: The Bank of Baghdad and the Islamic Bank are the best Iraqi banks in applying electronic accounting disclosure among the banks of the study sample.

Keywords: electronic accounting, online disclosure, Iraqi banks, website

الملخص - الإفصاح المحاسبي الإلكتروني (EAD) يعني نشر كل ما يتعلق بالعرض والإفصاح عن التقارير المالية والملاحظات المرفقة بها والمعلومات المرتبطة بها على شبكة معلومات إلكترونية متاحة للجمهور العام. يهدف البحث إلى التعرف على مدى تطبيق الإفصاح المحاسبي الإلكتروني في الجهات والشركات من خلال عدة نقاط تتعلق بالإفصاح على المواقع الإلكترونية، وتم تطبيق الإطار على مجموعة من البنوك التجارية والحكومية والإسلامية العراقية حتى عام 2021. تم اختيار البنوك عينة الدراسة بسبب تسلسلها المتقدم في تصنيفات البنك المركزي العراقي، وتم استخدام الإطار المقترح لتحليل الجانب التطبيقي للبحث، وكانت أهم نتائج البحث، مصرف بغداد والبنك الإسلامي تعد البنوك العراقية الأفضل في تطبيق الإفصاح المحاسبي الإلكتروني بين مصارف عينة الدراسة.

الكلمات المفتاحية - المحاسبة الإلكترونية، الإفصاح عبر الانترنت، البنوك العراقية، الموقع الإلكتروني

1. Introduction

The current era is characterized as the era of information technology and the communications revolution, in recent decades, the most significant attribute has been information. With the development of information technology, the volume of information has increased which have to be processed, stored and submitted to the system which greatly complicates process control, The use of computers in the processing of accounting information has become a very necessary step for the generation and consumption of information in the company, And in various companies and at all levels, the application of information technology has spread (Hossin & Ayedh, 2016:77). Electronic Accounting Disclosures (EAD) can be distinguished from other disclosure methods in a timely manner to disclose, on the one hand, enhancing the predictive and monitoring capabilities of decision makers. On the other hand, due to the lack of standards governing binding electronic disclosure, management may be biased in providing information to a particular category by choosing the information it wishes to disclose, and electronic disclosure of accounting information may have a negative impact on the reliability feature as well as the risks of tampering with accounting data As a result of using information technology (Al-Hadi, 2013:90). The banking sector in Iraq has witnessed remarkable progress as a model of deposits in the financial institutions. In general, the banking activities is one of the main pillars of the economy in most countries (Abbas & Jaafar, 2021:89).

Companies may profit from more public disclosure by lowering their cost of capital and/or increasing pure cash flows to their shareholders, enhancing their value. However, disseminating knowledge to the general public is not a free service. The costs of information production and distribution are included in the costs of disclosure; for example, the expenses of implementing an information system to gather, process, and publish information about the organization, as well as the costs of hiring accountants and audits. Furthermore, competitors may exploit publicly available information about a company for their own gain; for example, knowledge regarding product development revealed by one company may be exploited by a competitor. Furthermore, if a corporation issued over its disclosure and the material turns out to be false, the company may have to pay legal fees. In theory, a choice to release more information to the public should be based on a cost-benefit analysis, albeit estimating all costs and benefits in detail is impossible. (Hassan & Marston, 2010:12). There are many challenges associated with large accounting disclosures, including technological, legal, security, cost, administrative, data collection, regulation, and data protection challenges(al.azzawi,et,al,2023:307).

2. Research Methodology

2-1. Research Problem

The entry of the Internet to all sciences, including accounting, did not come by chance, but was the result of the development in the sciences of technology and communications, and disclosure as one of the accounting principles had to shift from traditional disclosure to electronic disclosure through websites, and some companies and banks started advertising and disclosure On its financial statements via the Internet, and since traditional disclosure has many conditions for evaluation, the researchers in this study provided a proposed framework for evaluating electronic disclosure for the purpose of providing maximum benefit to the beneficiaries and dealers with the company and the bank, and thus the study problem consisted of the following question: **Is electronic disclosure available in Iraqi banks, and what is its efficiency in electronic disclosure in the banks of the study sample?**

2-2. Research Importance

- ✚ Focusing on the importance of adopting electronic disclosure in light of the continuous development in communication technology
- ✚ Providing a framework for evaluating electronic disclosure.
- ✚ Evaluation of the electronic disclosure of the banks of the study sample from an applied point of view
- ✚ Covering the subject of electronic disclosure from the theoretical side.

2-3. Research Objectives

Our objectives for this research are to achieve the following:

- ✚ Presenting a proposed framework for evaluating electronic disclosure in Iraqi banks through a set of points.
- ✚ Evaluating electronic disclosure in Iraqi banks and measuring its efficiency in electronic disclosure.

2-4. Research Hypothesis

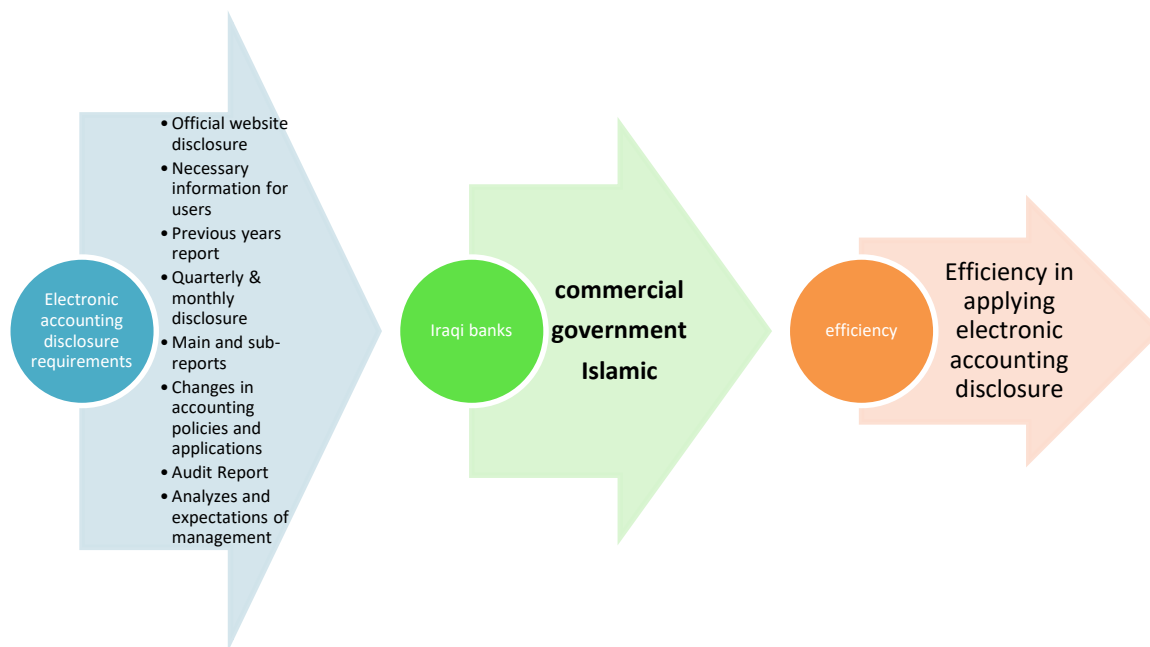
The hypotheses that would be adopted in this research are:

- ✚ -Commercial banks are more efficient in applying electronic disclosure.
- ✚ -Islamic banks are more efficient in applying electronic disclosure.
- ✚ -Governmental banks are more efficient in applying electronic disclosure.

The research was applied in 2021 on a sample of Iraqi commercial banks (Baghdad bank, Commercial Bank of Iraq, Middle East Bank, Investment Bank of Iraq and Union Bank) and a sample of Islamic banks (Elaf Islamic Bank, Islamic Bank of Iraq, Kurdistan Islamic Bank, The National Islamic Bank and Islamic Bank of the Tigris and Euphrates) and government banks such as (Rafidain Bank, Al-Rasheed Bank, Industrial Bank, Agricultural Bank and Real Estate Bank), and these banks were chosen because of their advanced ranking in the classification of the Central Bank of Iraq.

The analytical method was used to reach the results and achieve the objectives of research, by presenting a proposed framework for evaluating electronic disclosure through a set of points for study sample banks.

2-5 Procedural plan for the research



3. Literature Review.

Disclosure means that companies, particularly those listed in financial markets, are required to publish audited financial statements on a regular basis; provides information to users of these lists, such as investors, shareholders and lenders, with a report on their business results and financial condition; It includes the appropriate and basic information that happened during the covered period, and this disclosure must include appropriate information in light of what is determined by the management of the Securities Market Authority. (Song, 2015:355). But the electronic disclosure is defined as the process of publishing lists, financial reports, clarifications, margins, auditors' reports, administration reports, and any other reports important to understanding the contents of the financial statements, and that publication is made using electronic means (the Internet or on the website of the Securities Market Authority) and the publication may be annually or at specific periods (alrashdi & alkhaldi, 2020:74). Electronic disclosure is one of the topics covered by electronic accounting in general, which is defined as "Internet and online technology and its application to accounting function and business." E-accounting constantly includes a wide range of data processes and operations via the internet, also other aspects such as registration, storage, business activity, and production management. (Thabit & Abbas, 2017:841).

Electronic Accounting Disclosure (EAD) can be defined as "the publication of statements, financial reports, illustrations, margins, reports of external auditors, management reports and any other reports important for understanding the informational content of financial statements published on the Internet, and these financial statements and quarterly reports, as well as some quarterly statements, may be About her instantaneously (Al-Bouji, 2015:22).

Electronic accounting disclosure is characterized by transparency in the presentation of accounting information to all parties through the fairness of the informational content of reports and financial statements of economic units, especially for those that are linked to financial markets by listing their shares and trading them among investors, which must, according to the controls of those markets, disclose all financial and non-financial information to all. Without exception or prejudice (hasso & rasheed, 2019;723). The development of technology such as the Internet is linked to the future of accounting information systems and e-commerce., as it examines dealers in the market for goods and offers economically viable in terms of trade (sale and purchase), and organizations has expanded its activities to achieve profits through the Internet, and therefore the accounting evaluation and experimentation to provide accounting services and expanded Through the Internet, such as tax consultancy, remote auditing, ordering the electronic copy, bookkeeping, while these services via the network will be related to electronic commerce with its various methods, especially in the field of marketing, accounting and auditing. In addition to making a profit, and satisfying the needs of that e-commerce through that network (Al-Dalawi, 2015:340).

It is clear that this potentially unnatural expansion of reporting organizations will be offset by the company's reticence to disclose against the needs of companies and stakeholders. When many of the current standards of accounting and auditing were issued, present information technologies did not exist the trade-offs between the costs and advantages of disclosure dramatically changed and were not yet reflected in the accounting model. In general, if a database can be provided with the required filtering, the detection rules don't important, because they can be made from raw data As a result, accounting standards will have to deal with database content and authorized extraction sets, but not with the specific rules of account disclosure. Technologies such as linkages with textual data, relational databases, textual data analytics, and census-like filtering of details and for disclosure, XBRL can be utilized extensively. (Nasrizar, 2014:43). Utilizing technology for accounting disclosure is imperative, mandated for all stakeholders, regardless of their affiliation with the financial sector. This imperative stems from not only the need to enhance efficiency in rationalizing economic decision-making and expanding access to a global pool of investors and customers but also for the preservation of financial stability and resilience during periods of financial turmoil (Benboualia & Berberib, 2018:42).

4. Advantages of electronic accounting disclosure (EAD):

The advantages of Electronic Accounting Disclosure (EAD) can be summarized in the following points : (Bakr, 2010, Benbouali & Berberi, 2018):

1. EAD helps reduce the cost of information distribution. So accountants must eliminate the costs of manual disclosure.
2. One of the main tools for expanding of the company are EAD, it will reach a large number of users, and thus, it may attract many local or foreign investors.
3. Electronic accounting disclosure (EAD) improves the quantity and quality of information conveyed, as well as contributing to the provision of more meaningful and updated information on a regular basis.
4. Users access information easily and quickly without putting in extra efforts and wasting time.
5. EAD provides the possibility of merging annual statements into various divisions because there are close relationships between the financial reports. The thing that cannot be reached in manually disclosure.

Motives for electronic accounting disclosure:

The Electronic Accounting Disclosure (EAD) did not come by chance, but there are a set of motives to pay attention to it, and the most important of these motives are the following (ahmed, 2017:7):

1. Emergence of electronic commerce operations.
2. 2 - The need to standardize the language of disclosure, depending on the language of expanded business reports (XPRL).
3. 3 - The desire to adopt advanced strategies for accounting reports.
4. 4- The spread of some social and cultural values using the communications revolution and the emergence of the Internet.

The proposed framework for evaluating electronic accounting disclosure for Iraqi banks

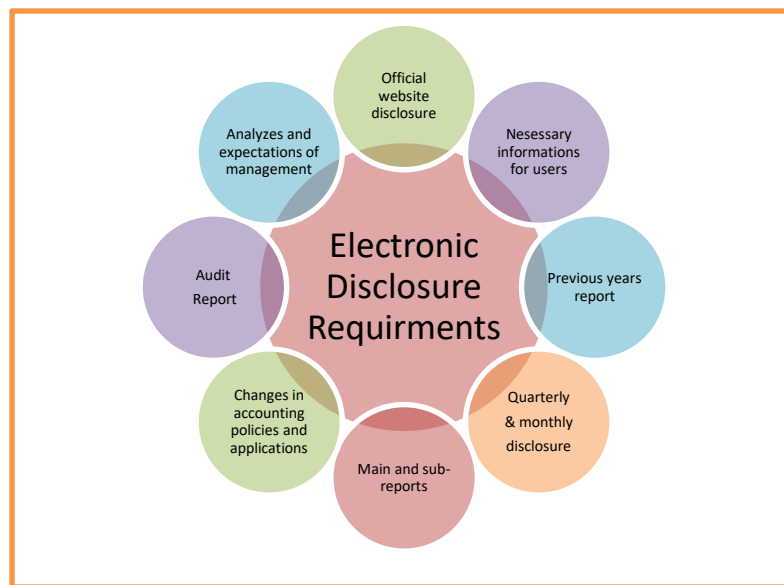


Fig. 1. Purposed Framework to Evaluate the Electronic Disclosure Designed by the researchers

The proposed framework for evaluating electronic disclosure consists of eight requirements consisting of the following

Official website disclosure

Necessary information for users

Previous years report

Quarterly & monthly disclosure

Main and sub-reports

Changes in accounting policies and applications

Audit Report

Analyzes and expectations of management

The availability of these requirements in the research sample banks was verified through a questionnaire that included the following questions

1. Electronic accounting disclosure Available on the official website of the bank?
2. Do the financial reports include all the information necessary to provide the users of the reports with a clear picture of the accounting unit?
3. Quarterly or Monthly electronic disclosure Available on the official website of the bank?
4. Is there a quarterly or monthly electronic disclosure?
5. Is the electronic accounting disclosure of the main and sub-reports?
6. Are administrative reports that include the board of directors' letter to shareholders, analyzes and expectations of management for the future, electronically disclosed?
7. Does the electronic disclosure include the auditor's report?
8. Is there an accounting disclosure for changes in accounting policies and applications, correction of errors, and change in the nature of the accounting unit?

5. Results Analysis and Discussions

On the practical side, the proposed framework was adopted in analyzing the results of the study sample banks, by evaluating the banks' performance in applying electronic accounting disclosure.

Table 1 The Availability of Electronic Accounting Disclosure in Iraqi Commercial Banks

| The paragraph's | Baghdad Bank | Commercial bank of Iraq | Iraqi Middle East Investment Bank | Investment Bank of Iraq | United Bank |
|---|--------------|-------------------------|-----------------------------------|-------------------------|-------------|
| | Yes or No | Yes or No | Yes or No | Yes or No | Yes or No |
| 1-Electronic accounting disclosure Available on the official website of the bank? | Yes | No | No | Yes | No |
| 2-Do the financial reports include all the information necessary to provide the users of the reports with a clear picture of the accounting unit? | Yes | Yes | Yes | Yes | Yes |
| 3-Quarterly or Monthly electronic disclosure Available on the official website of the bank? | Yes | Yes | Yes | Yes | Yes |

| | | | | | |
|---|-----|-----|-----|-----|-----|
| 4-Is there a quarterly or monthly electronic disclosure? | Yes | Yes | Yes | Yes | Yes |
| 5-Is the electronic accounting disclosure of the main and sub-reports? | Yes | Yes | Yes | Yes | Yes |
| 6-Are administrative reports that include the board of directors' letter to shareholders, analyzes and expectations of management for the future, electronically disclosed? | Yes | No | Yes | No | No |
| 7-Does the electronic disclosure include the auditor's report? | Yes | Yes | Yes | Yes | Yes |
| 8-Is there an accounting disclosure for changes in accounting policies and applications, correction of errors, and change in the nature of the accounting unit? | Yes | Yes | Yes | Yes | Yes |

* The evaluation was based on the websites of banks, the sample of the study, and through the website of the Securities Commission of Iraqi finance market.

Through the above table, we note that the Bank of Baghdad is the best commercial bank in execution of electronic disclosure, and that the Middle East bank have published financial statements and disclosed them on the website of the Iraq Securities Commission, which is affiliated with the stock market.

Table 2 The Availability of Electronic Accounting Disclosure in Iraqi Islamic Banks

| The paragraph's | Elaf Islamic Bank | Iraqi Islamic Bank | Investment Bank of Iraq | National Islamic Bank | Dijlah and Furat Bank |
|---|-------------------|--------------------|-------------------------|-----------------------|-----------------------|
| | Yes or No | Yes or No | Yes or No | Yes or No | Yes or No |
| 1-Electronic accounting disclosure Available on the official website of the bank? | No | Yes | No | No | No |
| 2-Do the financial reports include all the information necessary to provide the users of the reports with a clear picture of the accounting unit? | Yes | Yes | Yes | Yes | Yes |
| 3-Is there an accounting disclosure for previous years? | Yes | Yes | Yes | Yes | Yes |

| | | | | | |
|---|-----|-----|-----|-----|-----|
| 4-Quarterly or Monthly electronic disclosure Available on the official website of the bank? | Yes | Yes | Yes | Yes | Yes |
| 5-Is the electronic accounting disclosure of the main and sub-reports? | Yes | Yes | Yes | Yes | Yes |
| 6-Are administrative reports that include the board of directors' letter to shareholders, analyzes and expectations of management for the future, electronically disclosed? | No | Yes | Yes | No | No |
| 7-Does the electronic disclosure include the auditor's report? | Yes | Yes | Yes | Yes | Yes |
| 8-Is there an accounting disclosure for changes in accounting policies and applications, correction of errors, and change in the nature of the accounting unit? | Yes | Yes | Yes | Yes | Yes |

* The evaluation was based on the websites of banks, the sample of the study, and through the website of the Securities Commission of Iraqi finance market.

From the above table, we note that the Islamic Bank of Iraq is the best Islamic bank in applying the electronic disclosure, and that Elaf Islamic Bank and Dijlah and Furat Bank have published the financial statements and disclosed them on the website of the Iraq Securities Commission affiliated to stock market. On the website of Kurdistan International Islamic Bank, The financial reports for the year 2017 were only available, while all the financial reports were available in the website of the Securities Commission of the Iraq Stock Exchange. On the website of the National Islamic Bank, the financial reports for the year 2010 and 2018, were available only, while all the financial reports were available in the website of the Securities Commission of the Iraq Stock Exchange.

Table 3 The Availability of Electronic Accounting Disclosure in Iraqi Governmental Banks

| The paragraph's | Rafidain Bank | Rasheed Bank | Industrial Bank | Agricultural Cooperative Bank | Real Estate Bank |
|---|---------------|--------------|---------------------------------|-------------------------------|------------------|
| | Yes or No | Yes or No | Yes or No | Yes or No | Yes or No |
| 1-Electronic accounting disclosure Available on the official website of the bank? | No | No | No | No | No |
| 2-Do the financial reports include all the information necessary to provide the users of the reports with a clear picture of the accounting unit? | No | No | No | No | No |
| 3-Is there an accounting disclosure for previous years? | No | No | No | No | No |
| 4-Quarterly or Monthly electronic disclosure Available on the official website of the bank? | No | No | No | No | No |
| 5-Is the electronic accounting disclosure of the main and sub-reports? | No | No | No | No | No |
| 6-Are administrative reports that include the board of directors' letter to shareholders, analyzes and expectations of management for the future, electronically disclosed? | No | No | No | No | No |
| 7-Does the electronic disclosure include the auditor's report? | No | No | No | No | No |
| 8-Is there an accounting disclosure for changes in accounting policies and applications, correction of errors, and change in the nature of the accounting unit? | No | No | No | No | No |

* The evaluation was based on the websites of banks, the sample of the study, and through the website of the Securities Commission of Iraqi finance market.

The results of applying electronic disclosure in government banks in Iraq were negative for all banks. On the website of the Industrial Bank, financial statements for the years 2018-2017 were available.

6. Conclusions and Recommendation

A. Conclusions

1. The Bank of Baghdad and Islamic Bank of Iraq were the best banks in applying electronic accounting disclosure among the banks of the study sample.
2. Governmental banks are the worst in applying electronic accounting disclosure.
3. The electronic disclosure of the expectations of the future administration was weak in most of the banks, the sample of the study.
4. Most banks publish financial statements on the website of the Securities Commission and do not publish them on their websites.
5. Evaluation of the electronic disclosure of banks the study sample was positive and above average in most commercial and Islamic banks, except for government banks, where most of their results were negative.

B-Recommendations

1. Electronic disclosure of financial statements through companies' websites as an alternative to the usual disclosure, which makes it easier for users to fully know the company's financial status through the Internet.
2. Adopting the proposed framework in current research in evaluating electronic accounting disclosure.
3. Attention to issue accounting standards in electronic discloses by the competent authorities and parties to accounting work.
4. Electronic disclosure of all necessary information and reports to the beneficiaries on the accounting unit.
5. Electronic disclosure of the financial statements for the previous and subsequent years.
6. Electronic disclosure of the quarterly financial statements.
7. Electronic disclosure of the main and subsidiary financial statements.
8. Electronic disclosure of the expectations of the future management of the shareholders and the provision of financial analyzes.
9. Electronic disclosure of changes in accounting applications.

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