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The Impact of optional Financial Information Reporting on Sustainable Strategic Financial Performance: Evidence from Iraqi Banking Sector (2021-2023)

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تأثير التقارير المالية الاختيارية على الأداء المالي الاستراتيجي المستدام: أدلة من القطاع المصرفي العراقي[1] (2023-2021)

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This research examines the influence of Optional Financial Information Reporting. (OFIR) on Sustainable Strategic Financial Performance (SSFP) in the Iraqi banking sector (2021-2023). Despite significant global focus on transparency, the Iraqi context faces challenges in adopting International Financial Information. Reporting, Standards (IFRS), including regulatory conflicts, cultural barriers, and limited experience. The study addresses this gap by analyzing how VFID affects key financial metrics such as net profit, equity, and asset growth in three banks (Bank of Baghdad, Ashur Bank, and Investment Bank). Using regression and ANOVA analyses, the study reveals a significant positive relationship between VFID and SSFP, particularly when controlling for institutional heterogeneity. The results highlight that improved optional reporting practices are associated with improved profitability, liquidity, and stakeholder confidence, underscoring the role of transparency in enhancing financial stability and competitiveness. The findings provide critical insights for policymakers and bank managers to strengthen Financial Information Reporting frameworks, align practices with international standards, and foster sustainable growth in Iraq's evolving financial landscape.

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المستخلص

تبحث هذه الدراسة في تأثير التقارير الطوعية للمعلومات المالية (VFID) على الأداء المالي الاستراتيجي المستدام (SSFP) في القطاع المصرفي العراقي (2021-2023). على الرغم من التركيز العالمي الكبير على الشفافية، يواجه السياق العراقي تحديات في تبني المعايير الدولية لإعداد التقارير المالية (IFRS)، بما في ذلك الصراعات التنظيمية والحواجز الثقافية والخبرة المحدودة. تعالج الدراسة هذه الفجوة من خلال تحليل كيفية تأثير VFID على المقاييس المالية الرئيسية مثل صافي الربح وحقوق الملكية ونمو الأصول في ثلاثة بنوك (مصرف بغداد، ومصرف آشور، ومصرف الاستثمار). باستخدام تحليلات الانحدار وتحليل التباين، تكشف الدراسة عن وجود علاقة إيجابية كبيرة بين VFID وSSFP، لا سيما عند التحكم في عدم التجانس المؤسسي. تسلط النتائج الضوء على أن ممارسات الإبلاغ الطوعية المحسنة ترتبط بتحسين الربحية والسيولة وثقة أصحاب المصلحة، مما يؤكد دور الشفافية في تعزيز الاستقرار المالي والقدرة التنافسية. وتقدم النتائج رؤى حاسمة لصناع السياسات ومديري البنوك لتعزيز أطر إعداد التقارير المالية، ومواءمة الممارسات مع المعايير الدولية، وتعزيز النمو المستدام في المشهد المالي المتطور في العراق.

[1] مستل من أطروحة دكتوراه (تأثير الإبلاغ عن المعلومات المالية الاختيارية في الأداء المالي الاستراتيجي المستدام في ظل تحسين الشفافية والمساءلة)

1. Introduction

Financial statement analysts face difficulty extracting financial and non-financial indicators to assess the strategic financial performance of an economic entity. Standard financial statements are insufficient to present a comprehensive overview of the activities and operations of these economic entities. Big data provides vast amounts of data for understanding their policies and activities. Therefore, reports must include non-financial information that complements the financial statement notes, enabling investors to access this important information outside the scope of the financial statements. This will improve sustainable strategic financial performance.

Financial Information Reporting transparency, particularly optional financial information reporting (VFID), has long been considered a cornerstone of corporate governance and economic efficiency. Previous studies have emphasized its role in mitigating information asymmetries between corporation and stakeholders, enhancing decision-making and market confidence (Healy & Palepu, 2001). In developed economies, empirical research has demonstrated that optional financial information reporting practices are associated with lower capital costs (Botosan, 1997), improved market liquidity, and improved financial performance (Al-Tuwaijri et al., 2004). However, these findings mostly arise from economically stable and regulated environments, leaving a critical gap in understanding how optional financial information reporting operates in emerging markets, particularly those facing institutional, social, and political complexities such as Iraq. The Iraqi banking sector, characterized by organizational fragmentation, cultural barriers to adopting international standards, and a scarcity of skilled professionals, offers a unique case study. Existing studies highlight the challenges of aligning local practices with frameworks such as IFRS, particularly in contexts where legal systems and economic philosophies conflict (Diamond& Verrecchia1991). For example, Weaver (2015) identified translation difficulties and conflicts between local laws and global standards as persistent obstacles, the destabilizing events, such as the COVID-19 pandemic, exacerbate reporting inconsistencies by blurring the line between post-adjustment and basic reporting. These problems are exacerbated in the banking sector, where financial statements inherently require greater complexity due to risks such as credit defaults and liquidity mismatches. Despite these challenges, only a few studies have empirically examined how VFID affects sustainable strategic financial performance (SSFP) in such environments. Lang and Lundholm (1993) hypothesized that larger firms report more financial information due to economies of scale, a hypothesis partially substantiated by (Hassan, 2019a) in the context of Iraq, where they found a size-driven discrepancy in reporting in developing economies. However, the interplay between optional transparency and performance measures—such as profitability, equity growth, and asset stability—remains underexplored in volatile markets. This research extends theoretical frameworks, such as signaling theory (Spence, 1978) and agency theory (Jensen and Meckling, 1976), to emerging markets. It also provides practical insights for policymakers seeking to align local practices with global standards, thereby enhancing investor confidence and economic resilience. The following sections detail the methodology, findings, and implications of this research, ultimately calling for targeted reforms to enhance transparency and sustainability in the Iraqi financial landscape.

2. Theoretical side

2.1 Financial Information Reporting

2.1.1 Concept of Financial Information Reporting

It is the method of presenting information to the entities using financial reports. Its primary objective is to respond to the needs and interests of financial report users, providing useful information to help them choose between available alternatives (Harees, 2017). Financial Information Reporting in any country reflects its political and economic philosophy. The primary objective of Financial Information Reporting is to provide high-quality information related to economic units, primarily of a financial nature, that is useful in economic decision-making (Maryam and Hilal, 2020).

Financial Information Reporting is, systematic process though which it can help present good quality information to its users, especially external ones, and formulate decisions pertaining to the policy Adopted by the economic unit known and informed by conveying this information to users in a timely manner. It can also be defined as the presentation of important financial and non-financial information to users, and it reflects the true picture of the situation of economic units in light of the economic, political and social changes surrounding them (Al-Fahd, 2021). There are many methods of Financial Information Reporting, these methods are mutually supportive to each other, as the use of this application, depends on the. nature, type and relived significant of the financial, information. While certain fundamental information, that must be shown, and there is secondary information that requires Financial Information Reporting, but in the appendices to the financial statements and footnotes. An essential aspect of Financial Reporting is the presentation of the financial reports of the economic unity and the arrangement of its components according to the (GAAP) .

Researchers believe that Financial Information Reporting combines transparency and Financial Information Reporting by disseminating information that aids in decision-making and justification. Financial Information Reporting is also the cornerstone of accounting Financial Information Reporting for economic units, as it aims to provide an accurate picture of the financial performance and financial position of the economic unit. Financial Information Reporting relies on accounting to ensure transparency and accuracy, which helps stakeholders make informed decisions based on reliable information.

2.1.2 The Importance of International Financial Information Reporting

International Financial Information Reporting is of great importance, as its implementation is essential. This can be summarized as follows: (Balawi, 2020):

1. Accounting information systems in economic units can be developed through the continuous improvement of the information required to implement International Financial Information Reporting Standards.
2. The increasing need for capital to implement various economic activities and the investor's need for financial information about their shares on stock exchanges.
3. Financial statements prepared in accordance with International Accounting Standards will have a positive impact on decision-makers and users.
4. The local environment becomes attractive to investment of all kinds, as foreign investors rely on financial statements prepared in accordance with international accounting standards.

5. Providing a favorable investment climate that includes security, democracy, transparency in financial information, and transparency in legal and criminal systems contributes to attracting foreign investment and the organization's ability to present a clear picture of its financial position.
6. Implementing international Financial Information Reporting standards contributes to the overall advancement of any country and enables its economic units to compete locally, regionally, and globally. It has a positive impact on regulating professional practices to ensure they are ethical, which helps reduce financial corruption.
7. When an organization adopts International Financial Information Reporting Standards, it adopts a global language that enables the organization to make its Financial Information Reporting understandable and legible in the global market.

2.1.3 Characteristics of Financial Information Reporting

Financial Information Reporting includes a set of characteristics that can be summarized in the following points (Osama, 2022):

1. **Logical consistency:** Financial Information Reporting is assumed to be logically consistent internally and externally with the elements of the intellectual structure of objectives, concepts, assumptions and principles.
2. **Relevance:** Considering that Financial Information Reporting is one of the most important tools for practical application, all surrounding environmental conditions must be taken into account when preparing it. Economic, political, social and cultural considerations must also be taken into account, so that it is suitable for practical application. This requires harmony between the requirements of thought and the requirements of its application.
1. **Realism:** It must be based on reality and consistent with the surrounding environmental conditions as well as with prevailing accounting norms.
3. **Understandability:** It must be understandable by users. This is achieved by taking the opinions of the beneficiaries into account when preparing it.
4. **Neutrality:** The incentive should not be towards achieving a specific goal in advance for the benefit of a particular party.

2.1.4 Challenges Facing the Application of Financial Information Reporting in Economic Units

The challenges affecting the implementation of Financial Information Reporting within the Iraqi environment for economic entities can be classified as follows: (Hamad, 2020):

1. The complex environment in which Financial Information Reporting is formulated, particularly those related to investments, derivatives, and financial instruments that involve fair value measurement.
2. The tax orientation in most emerging economies, as financial statements aim to identify and calculate taxable profit or produce information that contributes to planning and decision making at the local level, despite these countries' adoption of economic reform programs.
3. Translation: Translating international Financial Information Reporting is a clear and obvious challenge, given that accounting concepts and terminology in English are uncommon in the local environment.

4. Conflicts between applicable local laws and regulations and Financial Information Reporting.
5. Differences in educational levels, language, culture, and economic development are challenges to implementing IFRS.
6. Adopting Financial Information Reporting standards alongside national Financial Information Reporting creates a significant and increasing burden when implementing IFRS.
7. Lack of applicability across countries, due to environmental, economic, political, and cultural differences.
8. The multiplicity of alternatives and options, whether in Financial Information Reporting or measurement rules, provides ample opportunities for variation in their application by accountants, leading to numerous negative effects that limit the comparability of financial statements.

There are other challenges and obstacles facing the application of Financial Information Reporting, which are: (weaver, 2015):

9. The shortage of qualified accountants capable of applying these standards, as well as the inability of practitioners to make personal judgments and a lack of knowledge.
10. The increased audit fees for banks that prepare their financial statements in accordance with International Financial Information Reporting Standards compared to banks that do not follow these Financial Information Reporting standards.
11. The difficulty of understanding Financial Information Reporting standards and the lack of experience of accountants in banks, which necessitates consulting with external auditors to benefit from their expertise. Furthermore, the excessive recruitment of external auditors allows them to assume the management's role in setting accounting policies, which constitutes a threat to management independence.

2.1.5 Financial Information Reporting Quality and COVID-19:

Research on measuring the quality of accounting information has shown inconsistent results. Proxies used in field analysis have focused on specific features of Financial Information Reporting information that are expected to have an impact on Financial Information Reporting quality, including earnings management, adjusted financial statements, and timing. However, no measure can comprehensively assess the reliability of Financial Information Reporting to include all the qualitative characteristics identified in the Exposure Draft (ED).

However, the credibility of Financial Information Reporting is a broad concept that encompasses not only financial information, but also all Financial Information Reporting, including non-financial information included in the statements and useful for decision-making (Deloitte, 2019). The concept of subsequent events, according to Accounting Standard No. 10, defines subsequent events as those events, whether relevant or not, that will occur between the date of preparing the financial position and the date of approval of the financial statements. Subsequent events are divided into two types: (Ardini, 2020).

1. Events that lead to adjustment after the date of preparation of the financial position, which are those events that provide evidence of events that existed at the date of preparation.
2. Events that do not lead to adjustment after the date of preparation of the financial position, which refer to events that arose after the date of preparation. Since the date of the emergence of the virus determines the type of event, it was necessary to adjust the

financial reports as a result of this event after the World Health Organization declared it on December 31, 2019, then classified it as a public health emergency of international concern on January 30, 2020, and then announced the name of the new coronavirus disease on February 11, 2020. Therefore, the impact of the virus is a subsequent event that affects the amounts recognized in the financial statements prepared at the end of 2019, thus affecting the quality of the financial reports for that year, and its impact continues to this day.

2.1.6 The difference between financial statements in the banking sector compared to other sectors:

The banking sector is characterized by the complexity of its financial statements due to the nature of its operations, which are subject to strict laws and regulations, in addition to the impact of financial risks on its performance. This makes it completely different from other sectors that rely on traditional production or service provision. Bank financial statements are prepared according to specific accounting standards, such as the International Financial Reporting Standard (IFRS 9), due to the nature of the financial risks banks face and the importance of certain accounting items, such as credit provisions and the fair valuation of financial assets. These are of fundamental importance in the banking sector, while they may be less important in other sectors.

Furthermore, the banking sector is subject to strict oversight by the Central Bank and other regulatory bodies, such as the Financial Supervision Bureau, which imposes specific restrictions on Financial Information Reporting. There are also additional Financial Information Reporting requirements including capital adequacy and liquidity ratios, that are not required in other sectors. The table below illustrates the most significant differences between the financial statements prepared by the banking sector and those of other sectors.

Table (1) Elements of difference between the financial statements prepared by banks and other sectors

Elements of difference		banking sector	Other sectors
1	Nature of business	It relies on borrowing and investing as its primary business. Assets	Depends on production and services
		consist primarily of loans and financial investments.	Assets consist mainly of inventory, equipment, etc.
2	Accounting structure	Financial statements are prepared in accordance with special accounting standards such as IFRS9 due to the nature of financial risks.	The financial statements are prepared in accordance with generally accepted accounting standards, Financial Information Reporting standards and the unified accounting system.
3	Regulatory Authorities	It is subject to strict special oversight by the Central Bank and regulatory bodies, which imposes certain restrictions on the preparation of financial reports.	Subject to regulatory bodies such as the Financial Supervision Bureau only
		Additional reporting requirements such as capital adequacy ratio and liquidity ratio	Not required in other sectors
4	Financial statements	The balance sheet and comprehensive income statement detail the various	The balance sheet, income statement, and cash flow statement focus on

		sources of financial revenue, and the cash flow statement focuses on operating cash flows generated by banking activities.	investing and financing activities, shareholders' equity, and notes.
5	Sources of revenue and expenses	Depends on bank interest, commissions, and financial investments.	Depends on sales and services
		Banks have various operating costs such as interest paid on deposits.	This is not found in most other sectors.
6	Risks	It faces credit risks, market risks, and liquidity risks, which requires calculating provisions and analyzing financial risks in depth.	It faces operational or production risks, but does not require complex financial treatments like banks.

Source: Prepared by researchers

The table (1) above shows that the differences are not limited to some elements of the financial statements, but also extend to the explanatory statements attached to the main financial statements. This is due to the nature of the activities carried out by each of the different sectors, as the banking sector requires the preparation of additional explanatory statements concerned with clarifying the details of banking operations, which may not be required in other sectors.

The banking industry is required to report more detailed financial information because its job depends on attracting deposits and managing economic risks. This necessitates the creation of specialized reports to ensure transparency and confidence for depositors and investors. Hence, banks need to prepare more comprehensive financial reports for regulatory authorities and the Central Bank, providing information on asset quality, credit facilities, total loans, financial solvency, and liquidity positions. These are prominent for the economic system's stability.

It should be noted that IFRS 9 is predominantly applied in the banking industry, given the highly sensitive nature of bank operations and their direct impact on economic stability. The aforementioned standard relies on measuring and managing expected credit risks to analyze the credit portfolio quality and make corresponding adjustments. Compared to other sectors, the application of the standard in banks is even more crucial, as the economy relies partly on the stability and effectiveness of financial institutions. Hence, it is clear that financial reporting in the banking sector differs from that in other sectors because it involves a certain level of transparency and accountability in preparing financial statements to adhere to global standards and protect the economy from potential risks.

2.2 Sustainable Strategic Financial Performance

2.2.1 The Concept of Financial Performance

The overall concept of performance, and more particularly financial performance, is one of the most fundamental and overall management concepts. It entails many factors related to economic unit failure or success, as it is connected with major determinants of economic units of any nature life cycle. It further elucidates the financial position of the economic unit and provides a clear picture to owners and stakeholders of the efficient use of the economic unit's available resources (Al-Rababa, 2017). It is also called "a translation of the economic activities and operations of an economic unit, as financial performance measures tend to prefer measuring short-term performance, which is the financial outcome of all the decisions of the economic unit" (Al-Shalmani,2020). It is also called the ability of the economic unit to get cash and profits from operating activity and maximize capital (Fijałkowska et al., 2018).

It is also known as a compilation of indicators used to analyze the results of an economic entity's activity by measuring actual achievement against planned achievement within a specified financial time frame. This is aimed at showing strengths and weaknesses, examining and overcoming the cause of deficiencies, and making the correct decisions (Al-Waili & Al-Zubaidi, 2020). The authors believe that financial performance is a phrase that encapsulates the effectiveness and efficacy of an economic unit in achieving its financial goals. Financial performance is evaluated based on key measures, including revenues, profits, costs, return on investment, and liquidity. Financial performance demonstrates the health of an economic unit's financial position and its ability to realize growth and sustainability. It is a required instrument for assessing strategic decision-making and administrative performance.

2.2.2 The Importance of Financial Performance

Financial performance is vital since it aims to evaluate the economic unit from different perspectives, in a way that will fit the requirements of the users of financial information who take part in the economic unit. Financial performance gives information for making their financial choices. It also allows for following up the status and performance level of the economic unit in relation to its available resources and objectives. The importance of financial performance to an economic unit can be summarized as follows:

1. A tool for assessing the current financial position of an economic unit at a given moment, whether comprehensively or for a specific aspect of its performance, including the performance of its stocks in the financial market over a given day or period. This tool provides a partial or complete view of the economic unit's financial position compared to its peers in the same sector or industry, demonstrating its contribution to the economy of the country in which it operates, in addition to the value of its stocks and market share. (Al-Khatib, 2010).
2. A motivational tool for directing investment decisions toward successful economic units, as it encourages investors to invest in companies or stocks whose financial standards reflect advanced performance and superior success. (Al-Rubaie, 2011).
3. A tool for detecting potential gaps and problems in the economic unit's path. These indicators serve as early warning indicators in the event that the unit faces financial difficulties, whether related to liquidity, profitability, debt and loan accumulation, or financial and monetary crises. This tool thus enables management to take the necessary measures to address risks before they escalate. (Al-Rubaie, 2011).
4. A tool to motivate employees and management in an economic unit to exert greater effort to achieve improved financial standards and results compared to the past. This motivation relies on two basic elements of performance (efficiency and effectiveness), which lead to a level of productivity that reflects the quality of performance and the results achieved. (Taleb & Al-Mashhadani, 2011).

2.2.3 Financial Performance Indicators of the Economic Unit

Indicators for measuring the performance of an economic unit vary according to the objectives sought from the measurement process and the type of information required. There is no ideal classification for them. However, the quality of the classification depends on the extent to which it achieves practical objectives. Among the most prominent performance indicators frequently used in economic unit performance evaluation studies are three main indicators:

1.Profitability Index: It reflects the financial performance of a business unit, whose primary objective is to maximize profit. Therefore, the profitability ratio is one of the most important indicators used to measure the performance of an economic unit, given its direct connection to its success or failure in achieving this primary objective. (Al-Rababa, 26). However, profit as an absolute value only gains significance as a performance indicator when linked to a variable that reflects the size of the economic unit's activity or the resources available to it. This link helps measure the return per unit of activity or resources, and this indicator is known as the profitability ratio, or profitability for short. Among the most prominent measures used to evaluate profitability are several key indicators.

A. The profit ratio to the bank's total asset value.
B. The profit ratio to total capital or equity value.
C. The profit ratio to total sales or total revenues.

The concept of profit is not confined to monetary value alone, but also compasses achieving broader goals such as sustainable growth, strengthening relationships with customers and the community, and supporting innovation, which contributes to ensuring continuity and enhancing long-term competitiveness.

2. Efficiency Index: The second index addressed by studies in economics is the efficiency index, which generally indicates the extent to which an economic unit utilizes available resources to achieve the highest possible production of goods at the lowest cost. This index aims to reduce costs to their lowest levels and increase output. Among the most prominent efficiency measures (Abdul, 2020) are:

A. Pricing or (specialization) efficiency.
B. Production efficiency.

3. Technical Development Index: Technological development is one of the most recent and significant indicators of industrial progress, as it is a primary objective of economic planning. Industrial unit technical growth helps increase productivity levels, which can be calculated by comparing the production growth rate in the financial unit during a specific period with the growth rate of the labor force. Technical development also indirectly affects the level of production efficiency, which consequently has a positive effect on the profitability of the economic unit (Abdul, 2020).

2.2.4 Stages of Evaluating the Financial Performance of Banks

The procedure for assessing the economic performance of a monetary unit undergoes various primary steps, which can be listed as follows (Massif, 2022).

1. Data and Information Collection Stage: This is a base step in the performance appraisal process, where data and information are collected to study and analyze the economic

entity's financial performance. It relies on the data collected to ascertain indicators and ratios used during evaluation, e.g., statistics over several years, as well as various activities undertaken by the bank.
2. Data and Information Analysis Stage: This phase is based on data obtained earlier, which is processed using specialized statistical procedures and indicators aligned with the evaluation purpose, while verifying their precision and suitability.
3. Statistical Indicators Use Stage: During this phase, the accumulated data is changed into statistical indicators that support financial and administrative decisions.
4. Evaluation Results Analysis Phase: This phase is intended to assess the level to which the economic unit has achieved its established goals, identify reasons for performance differences, construct appropriate solutions to them, and achieve more effective performance.
5. Follow-up and Monitoring Phase: This is the final phase of the performance assessment process, through which fiscal and administrative deviations are monitored for corrective measures, provide appropriate conditions for improved future performance, and use the findings of the evaluation to avoid the recurrence of errors.

2.2.5 Parties benefiting from financial performance evaluation:

(Hassan, 2019) (Mohammed, 2017) identified a number of parties benefiting from financial performance evaluation:

Bank Management:

Management relies on financial performance metrics as a key tool for gauging its effectiveness in performing its assigned tasks and achieving maximum utilization of invested resources. The financial performance evaluation process is an effective means of presenting a realistic and comprehensive picture of the bank's performance by comparing actual results with planned objectives. The management focuses in particular on liquidity sources, primarily deposits, using financial performance indicators to analyze the level of liquidity available to the bank, compare it to the volume of deposits, and assess the potential risks that banks may face.

Central Bank:

The Central Bank is entrusted with establishing policies and monitoring the performance of banks, while striving to achieve the interests of the national economy and society as a whole. To perform these tasks efficiently, the Central Bank relies on financial performance indicators, which it analyzes and consolidates financial reports issued by banks, with the aim of using them to formulate and guide its monetary policies in an effective and thoughtful manner.

Government:

The government uses financial performance indicators to determine the amount of taxes to be imposed on economic and financial units, in addition to supporting the formulation of its general policies and making appropriate decisions regarding various sectors. The Tax Department is one of the most prominent government agencies responsible for imposing taxes, alongside other government institutions such as the Unemployment Control Department, the Stock Exchange, investment offices, and other entities concerned with regulating and supporting the national economy.

Creditors:

Creditors include holders of long- and short-term debt. Their primary focus is on the liquidity component of an economic entity's balance sheet. This aims to assess the entity's ability to meet its financial obligations, including principal and interest, on time.

Shareholders:

Shareholders are the individuals who own shares in an economic unit and are among the parties most interested in its financial performance. Their goals are directly linked to the objectives and achievements of the economic unit. Shareholders expect the financial statements to provide accurate and transparent information to help them make decisions regarding investment and future dealings with this unit.

Other Parties:

This category includes plaintiffs, the public, investors, analysts, and regulators. These stakeholders are keen to deal with banks with strong financial indicators, which enhances their confidence in depositing their funds. The public is particularly interested in obtaining distinguished and rapid banking services that keep pace with the demands of the times and modern developments in society.

Strategic Performance

Strategic performance is defined as the integration of economic, environmental, and social performance. Its positive impact not only impacts the natural environment and society, but also contributes to long-term economic benefits and provides a competitive advantage for the organization (Hassan., 2019). This performance is achieved by striving to maintain sustainability in social, environmental, and economic aspects, taking into account current and future conditions.

Sustainable strategic performance can be expressed by focusing on the role of human resources in achieving it. It is defined as high performance within an economic unit, achieved through a set of human resource activities, structures, work practices, and processes that create knowledge to achieve its primary objectives (Kaufman et al., 2021). Al-Sharifi (2021) defined strategic performance as the mechanism adopted to achieve an economic unit's objectives through optimal utilization of available human resources according to standards of quality, cost, and time.

There are those who believe that strategic performance is a reflection of the extent to which long-term goals are achieved, such as growth, continuity, and adaptation. It is like a mirror that reflects the essence of strategic management and its actual performance (Al-Naimi, 2012). Strategic performance is also defined as the ability of the economic unit to achieve its long-term goals of survival, growth, and adaptation.

2.2.6 Sustainable Strategic Performance Dimensions

Sustainable performance is linked to the concept of sustainable development, and its strategic dimensions can be defined as follows (Amara, 2019):

1. Economic Dimension: This dimension aims to meet the needs of shareholders, customers, and suppliers and gain their trust. Economic performance is measured through the reports and financial statements issued by the economic unit. This dimension encompasses obtaining proper returns on investments, strengthening a competitive advantage to counter competition and maintain continuity, increasing productivity, and effectively satisfying customer expectations.

2. Social Dimension: This dimension addresses the contribution of the economic unit towards empowering its human resources and enabling them to become active contributors to achieving strategic objectives. It also includes achieving economic and social prosperity, developing social justice, providing equal employment opportunities to all segments of society, supporting charitable societies, integrating people with particular needs into the labor market, developing social responsibility, improving working circumstances, and adhering to occupational safety and health standards.
3. Environmental Dimension: This dimension is concerned with the contribution of the organization towards environmental development and protection through measures such as pollution reduction, waste management in sustainable and safe manners, and ensuring efficient use of environmental resources for the sake of balancing economic development with environmental preservation.

2.2.7 The Importance of Sustainable Strategic Performance

The importance of sustainable strategic performance lies in its ability to facilitate the accomplishment of the fundamental goals aimed by the economic unit, particularly in a dynamic situation where there is relentless change in external and internal factors. Sustainable strategic performance is a viable technique that economic units can employ competitive strategies to achieve optimal levels of performance in the industries they operate. Financial metrics have a significant impact in this sense, as all theory and practice in the field of management illustrate direct or indirect effects on the overall performance of the economic unit (Al-Qudah et al., 2019).

Gawankar (2015) also went further to indicate that strategic sustainable performance is an integrated process of a series of performance measures or key indicators utilized to measure the quality, efficiency, productivity, and effectiveness of activities initiated. These indicators enable the economic unit to monitor its activities and control its management on an ongoing and systematic basis. Based on the previous proposals, the researcher can summarize the importance of sustainable strategic performance in the following points:

1. It contributes to enabling the economic unit to expand and operate efficiently in both local and global markets.
2. It is one of the primary indicators used to evaluate the economic unit's ability to achieve its strategic objectives.
3. It enhances the economic unit's level of flexibility in dealing with changes in the internal and external environment.
4. It strengthens the economic unit's ability to acquire and maintain a sustainable competitive advantage.
5. It includes a set of indicators that reflect the nature of the relationship between the economic unit and the parties involved in its various activities.

2.2.8 Steps to Evaluate Sustainable Strategic Financial Performance

The steps to evaluate strategic performance are: (Neely, 2020)

1. Determine what to measure: Managers and executives should define the processes and outcomes to be monitored and evaluated, ensuring that these outcomes are measurable and aligned with clear and logical objectives. They should focus on processes and all-important aspects, regardless of their complexity.
2. Set performance standards: The standards used in performance evaluation should reflect strategic objectives and represent accurate measures of acceptable performance

outcomes. The standards should include a range that defines acceptable deviations, and should be set not only for final outputs but also for intermediate production stages.
3. Measure actual performance: Measurements should be implemented at specified times to ensure accuracy and continuous monitoring.
4. Compare actual performance to standards: If actual performance results are within the desired range, the measurement process can be concluded.
5. Taking corrective action: - If actual results exceed the acceptable range, necessary measures must be taken to correct the deviations and ensure a return to the desired path.

3.Methodology

3.1 Research Problem

The research problem lies in the lack of trust in financial statements, especially after the global financial crisis in 2002. Traditional financial reports have become insufficient to provide a comprehensive Picture of the activities and operations of economic units, enhancing sustainable strategic financial performance.

Reports must include non-financial information, enabling investors to access important information outside the main financial statements. This will help address the research problem and improve Financial Information Reporting.

Strategic financial performance in Iraqi banks refers to the long-term financial and economic goals achieved through effective strategy planning and implementation. It focuses on sustainable growth and profitability, while taking into account future risks and opportunities.

Based on the above, We can summarize the research problem in the following questions the research problem can be summarized in the following questions:

1. To what extent are Iraqi banks committed to reporting optional financial information?
2. Does reporting optional financial information enhance sustainable strategic financial performance?
3. Does reporting optional financial information promote transparency and accountability?
4. To what extent are Iraqi banks committed to transparency in reporting optional financial information?

3.2 Research Objective

Through this research, we aim to understand the concept of optional financial information reporting, understand the concept and importance of measuring sustainable strategic financial performance, and identify strategic financial performance indicators. We also aim to establish a causal relationship between optional financial information reporting (VFID) and sustainable strategic financial performance (SSFP). We also empirically verify whether VFID directly enhances sustainable strategic financial performance (SSFP) in Iraqi banks.

We also determine how each bank's characteristics (size, governance, and regulatory compliance) influence the relationship between VFID and SSFP. The study also examines whether institutional factors (such as investment bank dominance) amplify or diminish the benefits of optional reporting, providing insights into contextual barriers or enablers in Iraq's unique banking environment. We also analyze whether the positive effects of optional reporting on SSFP persist across different time periods (2021-2023). Identify the types of optional reporting (strategic, financial, and risk-related) that most impact the SSFP program.

Also, bridge the knowledge gap about the role of the VFID system in understudied and volatile economies such as Iraq.

3.3 Research hypotheses

These hypotheses seek to explore the impact of optional financial information reporting on sustainable strategic financial performance in the banking sector. They also focus on analyzing the impact to bank-specific, factors and time-varying variables on this relationship, while examining the differences between disclosure levels and financial performance. This aims to provide a comprehensive view of how optional disclosure contributes to improving profitability and financial sustainability indicators**.**

H1: Optional financial information Reporting positively affects sustainable strategic financial performance.

H2: Effect of VFID on SSFP controlling for bank-specific characteristics and temporal factors

H3: The relationship between optional Financial Information Reporting and financial performance is influenced by bank-specific characteristics

H4: There are significant differences in optional financial information Financial Information Reporting levels among the three banks.

H5: There are significant differences in financial performance (net profit) among the three banks

3.4 Research metrics

A number of studies were relied upon to develop the study's scale, as follows:

1. **Independent Variable (Optional Financial Information Reporting):** includes ten dimensions (General information that is voluntarily reported, Information about the bank's strategy is voluntarily reported, Future information about expenses and revenues, Information about stocks and shareholders, General and Credit Risk Management, Stockholders, Information about financial performance and its indicators, Review of accounting policy, Information on non-financial indicators, Information on social and environmental responsibility and community engagement).
2. **Dependent Variable (sustainable strategic financial performance):** includes six dimensions (Profitability Score, Investment Risk Score, Leverage Score, Liquidity Score, Capital Adequacy Score, Environment Score).

The measuring tools are included in the appendix to the current research.

4. Data Analysis

4.1 Introduction

This statistical analysis examines the relationship between optional financial information Financial Information Reporting and sustainable strategic financial performance in the banking sector. Using data from three banks (Baghdad Bank, Ashur Bank, and Investment Bank) over the period 2021-2023, we analyze how the level of optional Financial Information Reporting correlates with and potentially influences key financial performance indicators. The methodological approach incorporates multiple analytical techniques to ensure robust findings. Our analysis evaluates 66 Financial Information Reporting indicators across various categories, creating a comprehensive Financial Information Reporting score and rate for each bank-year observation. We then analyze the relationship between these Financial Information Reporting metrics and financial performance variables including net profit, total assets, equity, and deposits.

The statistical methods employed include correlation analysis to measure the strength and direction of relationships, regression analysis to examine causal effects while controlling for bank and year effects, panel data analysis to account for both time-series and cross-sectional dimensions, and analysis of variance (ANOVA) to test for significant differences between banks. This multi-method approach provides triangulation of findings, enhancing the validity of our conclusions.

The theoretical foundation for this study draws from information asymmetry theory, which suggests that optional Financial Information Reporting can reduce information gaps between management and stakeholders, potentially leading to improved financial performance (Healy & Palepu, 2001). Previous empirical research has demonstrated that enhanced Financial Information Reporting practices can lead to lower capital costs (Botosan, 1997), improved market liquidity (Diamond & Verrecchia, 1991), and enhanced overall financial performance (Al-Tuwaijri et al., 2004).

4.2 Descriptive Statistics

This study examines the relationship between optional financial information and sustainable strategic financial performance in the banking sector. The analysis covers three Iraqi banks—Baghdad Bank, Ashur Bank, and Investment Bank—over a three-year period (2021-2023). Following agency theory principles, greater transparency through optional Financial Information Reporting is expected to reduce information asymmetry and potentially enhance financial performance (Jensen & Meckling, 1976). The methodology incorporates quantitative analysis of Financial Information Reporting scores alongside key financial metrics including net profit, equity, total assets, deposits, and total revenue to identify potential relationships between Financial Information Reporting practices and financial outcomes.

Table (1) The descriptive statistic should contain Mean, Minimum, Maximum, and Stander deviation.

Bank	Year	Financial Information Reporting score	Financial Information Reporting rate	Net profit	equity	Total assets	deposits	Total revenue
Baghdad Bank	2021	4.2E+09	7.2E+09	3.0E+07	3.1E+08	1.5E+09	1.2E+09	8.3E+07
Baghdad Bank	2022	3.6E+09	6.1E+09	5.3E+07	3.5E+08	1.7E+09	1.5E+08	1.1E+08
Baghdad Bank	2023	3.9E+09	6.6E+09	1.6E+08	4.7E+08	2.7E+09	8.6E+08	2.3E+08
Ashur Bank	2021	1.4E+09	2.3E+09	7.6E+06	2.8E+08	6.1E+08	1.6E+08	2.3E+07
Ashur Bank	2022	1.8E+09	3.0E+09	1.3E+07	2.9E+08	7.8E+08	2.1E+08	3.1E+07
Ashur Bank	2023	1.7E+09	2.9E+09	2.5E+07	3.1E+08	7.5E+08	2.1E+08	3.1E+07

Investment Bank	2021	1.3E+12	2.2E+12	9.2E+08	2.7E+10	6.5E+11	3.5E+09	1.4E+10
Investment Bank	2022	1.5E+12	2.6E+12	7.5E+09	2.8E+11	7.5E+11	3.4E+09	1.9E+10
Investment Bank	2023	1.9E+12	3.3E+12	3.3E+10	3.2E+11	9.6E+11	4.9E+09	5.3E+10

Source: Prepared by researchers

The descriptive statistics reveal notable differences between the three banks and distinct trends over the study period. Investment Bank demonstrates substantially higher values across all metrics compared to its counterparts, with Financial Information Reporting scores (averaging 1.58E+12) and Financial Information Reporting rates (averaging 2.68E+12) significantly exceeding those of Baghdad Bank (3.91E+09 and 6.62E+09 respectively) and Ashur Bank (1.62E+09 and 2.75E+09 respectively). This substantial difference suggests potential variations in Financial Information Reporting practices based on institutional size, as supported by Hossain and Reaz (2007), who found that larger financial institutions tend to provide more extensive optional Financial Information Reporting.

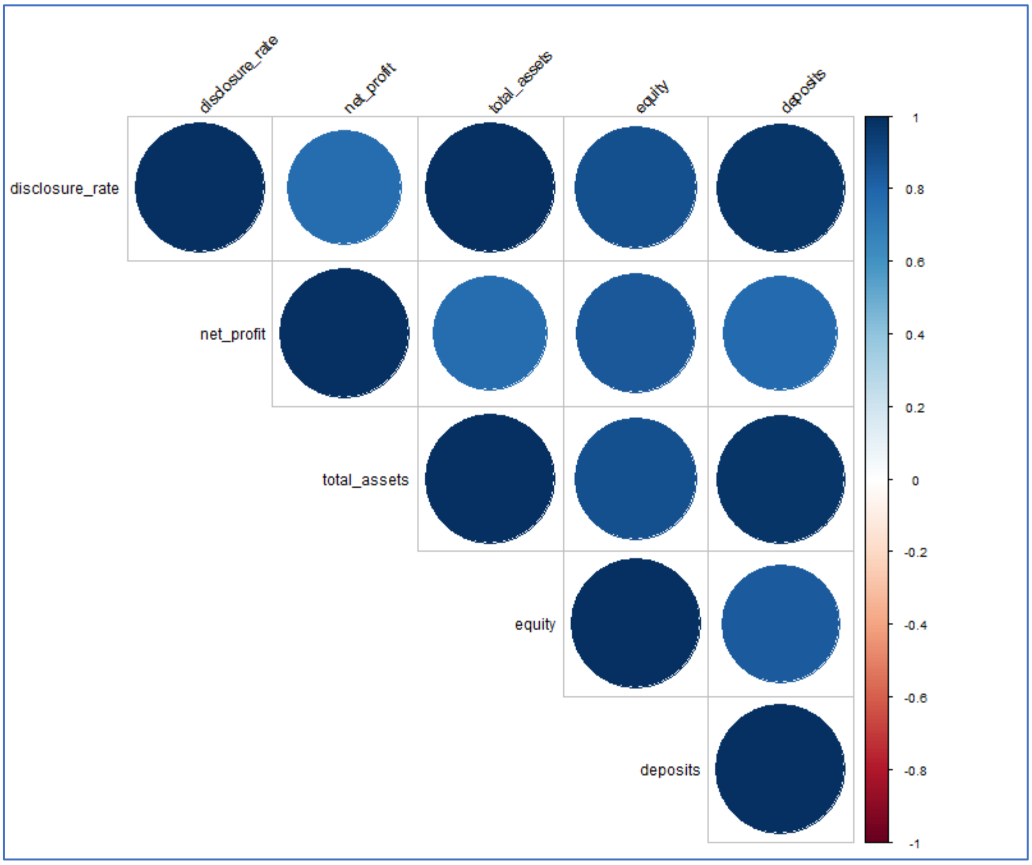
All three banks show year-over-year improvements in most performance indicators, with net profit exhibiting particularly strong growth. Baghdad Bank's net profit increased over fivefold from 3.00E+07 in 2021 to 1.56E+08 in 2023, while Investment Bank showed remarkable growth from 9.23E+08 to 3.28E+10 over the same period. This positive trend aligns with findings from Al-Akra et al. (2010), who documented a positive association between Financial Information Reporting quality and financial performance in developing economies.

The data suggests a potential relationship between Financial Information Reporting metrics and financial performance, particularly visible in Investment Bank's figures, where higher Financial Information Reporting scores correspond with superior financial outcomes. This pattern supports the signaling theory perspective articulated by Verrocchio (2001), suggesting that enhanced optional Financial Information Reporting signals operational strength and management confidence, potentially attracting investment and improving financial outcomes.

The deposit pattern variations are particularly noteworthy, with Baghdad Bank exhibiting high volatility (1.16E+09 in 2021, decreasing to 1.52E+08 in 2022, then increasing to 8.61E+08 in 2023), which may indicate market fluctuations or strategic realignments. Such a lack of consistency is contrasted with the more stable trend within the other institutions and would be worthy of further examination because deposit stability is otherwise associated with stakeholders' confidence, and this ultimately relates to transparency practices (Oliveira et al., 2011).

4.3 Correlation Analysis

This correlation analysis examines the correlation between voluntary reporting rates of financial information and key financial performance indicators for banks. Consistent with extant theory of financial information Reporting, this analysis presents empirical evidence of the correlation between performance outcomes and transparency policies. Correlation matrix and graphical presentation provide insights into the strength and direction of such relationships. Leuz and Wysocki (2016) explained that developing effective corporate governance frameworks and regulatory policies requires establishing empirical relations between economic performance and reporting behavior of financial information.



Source: Prepared by researchers

Figure (1) The relationship between financial performance and financial information reporting.

Correlation analysis reveals a very high positive relationship between the rate of Financial Information Reporting and all financial performance measures. Most importantly, the Financial Information Reporting rate is very strongly positively correlated (r = 1.000) with total assets, suggesting that banks with a higher rate of voluntary Financial Information Reporting have a larger asset base. This agreed with the size hypothesis of Lang and Lundholm (1993), who argued that large companies offer more information since the costs of production compared to the size are lower and the following by analysts is greater.

The Financial Information Reporting rate and the deposit are highly correlated (r = 0.977), suggesting that increased transparency has a positive relationship with increased mobilization of deposits. It supports the Financial Information Reporting theory, complementing confidence reported by Bushman and Smith (2003), who had suggested that increased transparency increases stakeholders' confidence and, therefore, money-investing propensity in the institution.

The correlation between Financial Information Reporting rate and equity (r = 0.877) suggests that banks with better Financial Information Reporting practices tend to maintain stronger capital positions. Similarly, the substantial correlation with net profit (r = 0.769) indicates that more transparent banks typically achieve better profitability outcomes. These findings echo research by Diamond and Verrecchia (1991), who theorized that enhanced Financial Information Reporting reduces information asymmetry, potentially lowering capital costs and improving financial performance.

The visual representation through the correlation plot reinforces these findings, with the uniformly dark blue circles suggesting consistently strong positive relationships across all variables. The absence of negative correlations indicates that increased Financial Information Reporting does not appear to detract from any measured aspect of financial performance in the analyzed banking institutions.

4.4 Regression Analysis

Regression analysis offers a robust statistical paradigm for examining relationships among variables, allowing researchers to measure how changes in predictor variables relate to changes in an outcome variable. In financial information reporting research, regression methods assist in determining whether Financial Information Reporting practices have a significant impact on financial performance measures. Three main regression methods are widely utilized in this field.

Simple linear regression examines the relationship between a single independent variable and a dependent variable, laying the groundwork for understanding bivariate relationships. Even in its limited scope, the approach offers clarity in the identification of direct relationships between Financial Information Reporting measures and single financial results (Wooldridge, 2019). This framework is extended by a number of regressions, which employs numerous independent variables simultaneously. This enables researchers to control for firm-specific factors and hold constant the financial information reporting practice effects on economic performance. The approach is utilized in order to deal with possible confounding variables, which could be affecting the Financial Information Reporting-performance relationship (Gujarati & Porter, 2009).

The most sophisticated approach is panel data regression, which analyzes observations across a number of entities over time. The approach controls for unobserved heterogeneity across firms and time effects, avoiding problems of omitted variable bias inherent in cross-sectional studies. Panel data techniques, including fixed and random effects estimations, have gained increasing prominence in Financial Information Reporting research as they enable stronger causal inferences (Baltagi, 2021; Hsiao, 2014).

4.4.1 H1: Optional financial information Reporting positively impacts sustainable strategic financial performance.

The simple linear regression results presented in Table 2 examine the relationship between optional Financial Information Reporting rate and net profit in banking institutions. The analysis reveals a statistically significant positive relationship between Financial Information Reporting rate and net profit ($\beta = 0.006$, $p = 0.015$), indicating that higher levels of optional Financial Information Reporting are associated with improved financial performance. The coefficient suggests that each one-unit increase in Financial Information Reporting rate corresponds to a 0.006 unit increase in net profit, holding other factors constant.

Table (2) Simple regression results

Term	Estimate	std. error	Statistic	p. value
(Intercept)	-8.74E+08	3.02E+09	-0.290	0.780
Financial Information Reporting _rate	0.006	1.93E-03	3.180	0.015
Model Fit				
R .squared	**Adj .r. squared**	**Sigma**	**Statistic**	**P .value**
0.591	0.533	7.4E+09	10.113	0.015
Log Lik	**AIC**	**BIC**	**Deviance**	**df. Residual**
-216.189	438.378	438.970	3.9E+20	7

Source: Based on the outputs of the SPSS program.

The model demonstrates substantial explanatory power, with Financial Information Reporting rate explaining 59.1% of the variation in net profit ($R^2 = 0.591$, adjusted $R^2 = 0.533$). The overall model fit is statistically significant ($F = 10.113$, $p = 0.015$), confirming that Financial Information Reporting rate is a meaningful predictor of net profit in this context. The non-significant intercept ($p = 0.780$) suggests that when Financial Information Reporting is theoretically zero, the expected net profit is not significantly different from zero, though intercept interpretation requires caution in this context.

These findings align with signaling theory as articulated by Spence (1973) and applied to corporate Financial Information Reporting by Ross (1977), suggesting that increased optional Financial Information Reporting serves as a positive signal to market participants, potentially reducing information asymmetry and capital costs. The results also support the empirical work of Lang and Lundholm (2000), who found that greater transparency correlates with improved financial performance measures. Similar findings were documented by Leuz and Verrecchia (2000), who demonstrated that enhanced Financial Information Reporting practices can lead to reduced information asymmetry and improved market outcomes, potentially explaining the observed relationship with profitability.

4.4.2 H2: Effect of Optional financial information Reporting on sustainable strategic financial performance controlling for bank-specific characteristics and temporal factors

Multiple regression analysis extends simple regression by incorporating additional explanatory variables, allowing researchers to isolate the effects of specific factors while controlling for potential confounding influences. In Financial Information Reporting investigations, several regressions are particularly convenient to disentangle the complex associations between Financial Information Reporting practices and financial performance, controlling for firm-specific circumstances and time variations (Khurana, Pereira, & Martin, 2006). By incorporating bank and year fixed effects, this approach controls for unobserved heterogeneity between institutions and time periods, thereby minimizing omitted variable bias and promising causal inference (Petersen, 2009).

Table (3) Multiple Regression: Controlling for Bank and Year Effects

Term	Estimate	std. error	Statistic	P .value
(Intercept)	4.65E+08	1.17E+09	0.397	0.718
Financial Information Reporting rate	0.031	2.43E-03	12.897	0.001
Baghdad Bank	-5.68E+07	1.22E+09	-0.047	0.966
Investment Bank	-7.00E+10	6.60E+09	-10.597	0.002
Year2022	-1.39E+09	1.25E+09	-1.113	0.347
Year2023	-2.16E+08	1.48E+09	-0.146	0.893
Model Fit				
R .squared	**Adj .r. squared**	**Sigma**	**Statistic**	**P .value**
0.993	0.981	1.5E+09	84.112	0.002
Log Lik	**AIC**	**BIC**	**deviance**	**df. residual**
-197.936	409.872	411.253	6.68E+18	3

Source: Based on the outputs of the SPSS program

The bank fixed effects account for time-invariant institution-specific traits, such as governance structure, organizational culture, or market position. Year fixed effects, however, account for time-varying factors that affect all banks simultaneously, such as regulatory reforms, macroeconomic conditions, or industry trends. This approach offers a more sophisticated understanding of how optional Financial Information Reporting is associated with financial performance when these institutional and time dimensions are controlled for (Wooldridge, 2016).

The multiple regression results demonstrate a highly significant positive relationship between Financial Information Reporting rate and net profit ($\beta = 0.031$, $p = 0.001$) while controlling for bank and year effects. This coefficient is substantially larger than in the simple regression model ($\beta = 0.006$), indicating that the relationship between Financial Information Reporting and profitability is even stronger when accounting for bank-specific and temporal factors. The model exhibits exceptional explanatory power with an R-squared of 0.993 (adjusted R-squared = 0.981), considerably higher than the simple regression's R-squared of 0.591.

The results reveal significant differences between banks, with Investment Bank showing a large negative coefficient (-7.00E+10, $p = 0.002$) relative to the reference category, while Baghdad Bank's effect is not statistically significant. This suggests that institutional factors play an important role in the Financial Information Reporting -performance relationship. Interestingly, year effects (2022 and 2023) are not statistically significant, indicating that temporal factors had minimal impact on the relationship during the study period after controlling for Financial Information Reporting practices and bank-specific effects.

The dramatic improvement in model fit from simple to multiple regression (R^2 increasing from 0.591 to 0.993) highlights the importance of controlling for institutional heterogeneity when analyzing Financial Information Reporting effects. As emphasized by Healy and Palepu (2001), failure to account for firm-specific characteristics can lead to spurious correlations and misleading conclusions regarding the relationship between Financial Information Reporting and performance. The results support the theoretical framework proposed by Armstrong, Guay, and Weber (2010), suggesting that Financial Information

Reporting effects must be evaluated within the specific context of institutional characteristics rather than in isolation.

4.4.3 H3: The relationship between optional Financial Information Reporting and financial performance is influenced by bank-specific characteristics

Panel data regression analyzes observations across multiple entities tracked over time, providing a robust framework for examining relationships that evolve across both dimensions simultaneously. Unlike cross-sectional or time-series approaches, panel data methodology captures both inter-entity differences and temporal dynamics, crucial for understanding how Financial Information Reporting practices influence financial performance across different banks and years (Baltagi, 2021). This methodology is particularly valuable in financial Information Reporting research as it addresses endogeneity concerns and unobserved heterogeneity that often plague cross-sectional studies (Wooldridge, 2010).

Table (4) Panel data models result

<table>
<tr><td rowspan="6">Fixed effects model</td><td>Term</td><td>Estimate</td><td>std. error</td><td>Statistic</td><td>p. value</td></tr>
<tr><td>Financial Information Reporting rate</td><td>0.031</td><td>0.002</td><td>16.674</td><td>0.000</td></tr>
<tr><td colspan="5">Model Fit</td></tr>
<tr><td colspan="3">R-Squared : 0.98233</td><td colspan="2">Adj. R-Squared: 0.97173</td></tr>
<tr><td colspan="5">F-statistic 278.008 on 1 and 5 DF, p-value: 1.4176e-05</td></tr>
<tr><td rowspan="6">Random effects model</td><td>Term</td><td>Estimate</td><td>std. error</td><td>Statistic</td><td>P .value</td></tr>
<tr><td>(Intercept)</td><td>-8.74E+08</td><td>3.02E+09</td><td>-0.290</td><td>0.772</td></tr>
<tr><td>Financial Information Reporting rate</td><td>0.006</td><td>0.002</td><td>3.180</td><td>0.001</td></tr>
<tr><td colspan="5">Model Fit</td></tr>
<tr><td colspan="2">R-Squared: 0.59094</td><td colspan="3">Adj. R-Squared: 0.53251</td></tr>
<tr><td colspan="5">Chisq: 10.1125 on 1 DF, p-value: 0.0014726</td></tr>
<tr><td rowspan="2">Haus man Test</td><td>Chisq</td><td>D f</td><td>p-_value</td><td colspan="2">Alternative</td></tr>
<tr><td>3709.597812</td><td>1</td><td>0</td><td colspan="2">one model is inconsistent</td></tr>
</table>

Source: Based on the outputs of the SPSS program

The two primary approaches in panel data analysis are fixed effects and random effects models. Fixed effects models control for time-invariant characteristics specific to each entity by essentially creating dummy variables for each bank, thus isolating the relationship between Financial Information Reporting and performance within each institution over time. Random effects models, conversely, assume that entity-specific effects are uncorrelated with independent variables, treating these effects as part of the error term (Greene, 2018). The Hausman test serves as a formal procedure for choosing between these approaches by testing whether the entity-specific effects are correlated with the regressors, with a significant result indicating that fixed effects estimation is more appropriate (Kennedy, 2008).

The panel data regression results demonstrate a highly significant positive relationship between Financial Information Reporting rate and net profit under both estimation approaches, though with notable differences in coefficient magnitude. The fixed effects model reveals a strong positive relationship ($\beta = 0.031$, $p < 0.001$) with exceptional explanatory power ($R^2 = 0.982$, Adjusted $R^2 = 0.972$), suggesting that increases in Financial Information Reporting rate within a bank over time are strongly associated with improved profitability. The F-statistic (278.008, $p < 0.0001$) confirms the model's overall significance.

In contrast, the random effects model shows a substantially smaller coefficient ($\beta = 0.006$, $p = 0.001$) with much lower explanatory power ($R^2 = 0.591$, Adjusted $R^2 = 0.533$). This divergence suggests that controlling for bank-specific time-invariant factors substantially influences the estimated relationship between Financial Information Reporting and profitability. The Hausman test results are definitive ($\chi^2 = 3709.60$, $p < 0.001$), strongly rejecting the null hypothesis that random effects estimation is appropriate and confirming that fixed effects estimation should be preferred.

The fixed effects coefficient (0.031) is identical to that in the multiple regression model with bank and year controls, but with greater statistical significance ($t = 16.674$ versus 12.897), suggesting more efficient estimation. The substantial difference between fixed and random effects estimates indicates that unobserved bank-specific characteristics correlate with Financial Information Reporting practices, supporting findings by Nikolaev and Van Lent (2005) that institutional factors significantly influence Financial Information Reporting effects. As emphasized by Roberts and Whited (2013), controlling for such endogeneity is essential for drawing valid inferences about Financial Information Reporting -performance relationships.

Overall, these results provide compelling evidence that increased optional Financial Information Reporting is associated with improved financial performance, consistent with the theoretical framework proposed by Leuz and Verrecchia (2000) regarding reduced information asymmetry and its economic benefits. The panel data approach's superior control for endogeneity strengthens confidence in the causal nature of this relationship, supporting the economic value of transparency in banking institutions.

4.5 . H4: There are significant differences in optional financial information Financial Information Reporting levels among the three banks. And
H5: There are significant differences in financial performance (net profit) among the three banks.

Analysis of Variance (ANOVA) serves as a statistical technique to determine whether significant differences exist between group means by partitioning the total variance observed in data into components attributable to different sources (Tabachnick & Fidell, 2019). In financial Information Reporting research, ANOVA provides a powerful tool for evaluating whether Financial Information Reporting practices and financial performance metrics differ systematically across institutions, thereby highlighting potential heterogeneity that may influence Financial Information Reporting -performance relationships (Field, 2018). The technique compares the variance between groups to the variance within groups, producing an F-statistic and corresponding p-value that indicate whether observed differences are statistically significant or likely attributable to random variation.

Table (5) ANOVA results

<table>
<tr><th rowspan="3">ANOVA for Financial Information Reporting Rate Differences Between Banks</th><th>term</th><th>df</th><th>sumsq</th><th>meansq</th><th>statistic</th><th>p.value</th></tr>
<tr><td>Bank</td><td>2</td><td>1.43E+25</td><td>7.13E+24</td><td rowspan="2">75.549</td><td rowspan="2">0.000</td></tr>
<tr><td>Residuals</td><td>6</td><td>5.66E+23</td><td>9.44E+22</td></tr>
<tr><th rowspan="3">ANOVA for Net Profit Differences Between Banks</th><th>term</th><th>df</th><th>sumsq</th><th>meansq</th><th>statistic</th><th>p.value</th></tr>
<tr><td>Bank</td><td>2</td><td>3.74e+20</td><td>1.87e+20</td><td rowspan="2">1.980</td><td rowspan="2">0.219</td></tr>
<tr><td>Residuals</td><td>6</td><td>5.68e+20</td><td>9.46E+19</td></tr>
</table>

Source: Prepared by researchers

The ANOVA results present a striking contrast between Financial Information Reporting practices and financial performance across the banking institutions. The analysis of Financial Information Reporting rate differences between banks reveals highly significant variation ($F = 75.549$, $p < 0.001$), indicating substantial systematic differences in optional Financial Information Reporting practices across the three banks. The large F-statistic suggests that between-bank variance in Financial Information Reporting substantially exceeds within-bank variance, confirming that institutional characteristics strongly influence Financial Information Reporting behavior. This finding aligns with research by Hassan and Marston (2019), who documented significant variance in Financial Information Reporting practices across financial institutions based on organizational characteristics, regulatory environments, and institutional traditions.

Conversely, the ANOVA for net profit differences between banks yields a non-significant result ($F = 1.980$, $p = 0.219$), suggesting that despite their different Financial Information Reporting practices, the banks do not demonstrate statistically significant differences in profitability. This unexpected finding contradicts the assumption that banks with differing Financial Information Reporting practices would necessarily show corresponding differences in financial performance. As Wang and Hussainey (2013) observe, financial performance can be impacted by numerous factors beyond Financial Information Reporting practices, like market conditions, operating efficiency, and strategic alignment, which could be the reason behind this apparent paradox.

The juxtaposition of these results—dramatic differences in Financial Information Reporting practices without attendant dramatic differences in profitability—raises an interesting dynamic. While regression analysis established a positive relationship between Financial Information Reporting and bank profitability over time, findings from ANOVA suggest that there may be other factors that offset profitability across institutions, despite their varying levels of Financial Information Reporting. This supports Beyer et al. (2010)'s conclusion that the impacts of financial information reporting should not be viewed as separate performance determinants but rather as part of a larger framework of firm characteristics and market conditions. The findings emphasize the multifaceted, complex nature of the Financial Information Reporting -performance relationship in banking institutions.

4.6 Financial Information Reporting Categories and Financial Performance Trends

Category-based Financial Information Reporting analysis extends beyond aggregate measures to provide a nuanced perspective on how specific types of voluntary Financial

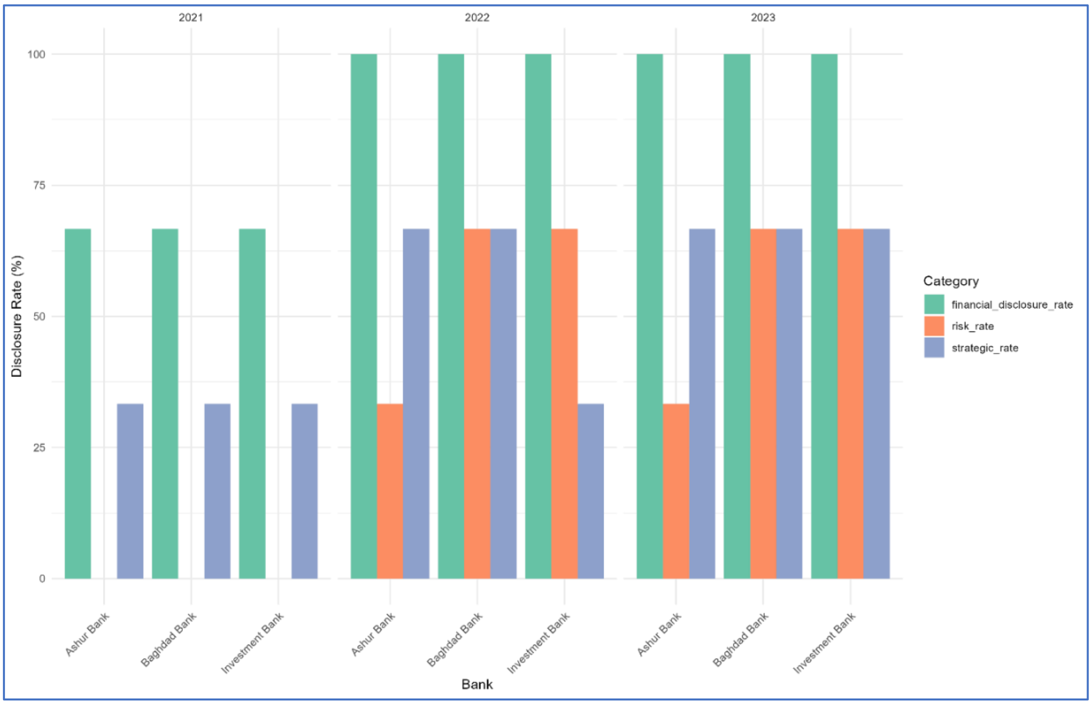
Information Reporting are linked to financial performance. By splitting Financial Information Reporting into strategic, risk-related, and financial categories, this analytical method allows for a more in-depth examination of information transparency in banking institutions (Elshandidy et al., 2018). Time-series visualization refines this classification by illustrating how Financial Information Reporting practices and financial performance evolve contemporaneously, potentially revealing temporal relationships that are not transparent in cross-/sectional analyses (Beattie et al., 2004). Such longitudinal and categorical perspectives are particularly valuable in Financial Information Reporting research, as they enable researchers to identify which specific Financial Information Reporting domains may be most impactful for financial outcomes and how these relationships develop over time.

Table (6) Categorical Financial Information Reporting Patterns

Bank	Year	Strategic rate	Risk rate	Financial Information Reporting rate	Net profit
Baghdad Bank	2021	33.333	0.000	66.667	3.00E+07
Baghdad Bank	2022	66.667	66.667	100.000	5.32E+07
Baghdad Bank	2023	66.667	66.667	100.000	1.56E+08
Ashur Bank	2021	33.333	0.000	66.667	7.62E+06
Ashur Bank	2022	66.667	33.333	100.000	1.29E+07
Ashur Bank	2023	66.667	33.333	100.000	2.50E+07
Investment Bank	2021	33.333	0.000	66.667	9.23E+08
Investment Bank	2022	33.333	66.667	100.000	7.46E+09
Investment Bank	2023	66.667	66.667	100.000	3.28E+10
Bank		**Avg strategic rate**	**Avg risk rate**	**Avg financial rate**	**Avg net profit**
Ashur Bank		55.556	22.222	88.889	1.52E+07
Baghdad Bank		55.556	44.444	88.889	7.96E+07
Investment Bank		44.444	44.444	88.889	1.37E+10

Source: Prepared by researchers

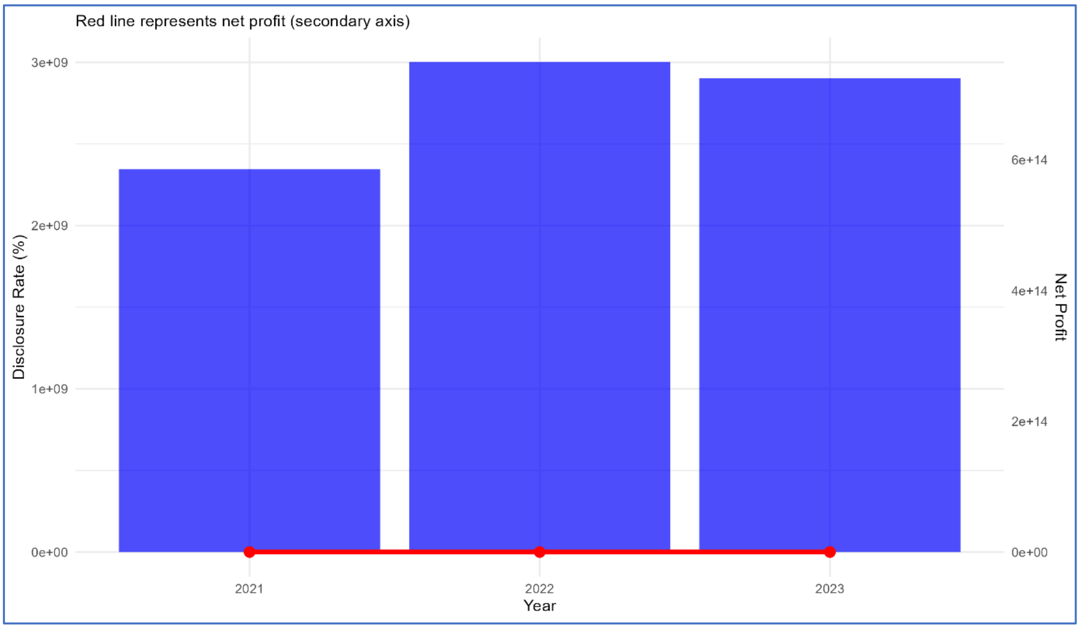
The data reveals distinct patterns in Financial Information Reporting categories across the three banks. Financial Financial Information Reporting consistently achieves the highest rates across all institutions (88.889% average for all banks), reaching 100% in 2022-2023 compared to much lower rates for risk Financial Information Reporting in 2021 (0% for all banks). This pronounced emphasis on financial transparency aligns with Miihkinen's (2012) finding that financial institutions typically prioritize financial Information Reporting due to regulatory requirements and stakeholder expectations. Strategic Financial Information Reporting demonstrates remarkable consistency (55.556% for both Baghdad and Ashur Banks), while risk Financial Information Reporting shows the greatest variability between banks (22.222% for Ashur vs. 44.444% for Baghdad and Investment Banks), supporting Abraham and Shrives' (2014) observation that risk Financial Information Reporting practices vary significantly across financial institutions based on risk management sophistication.



Source: Prepared by researchers

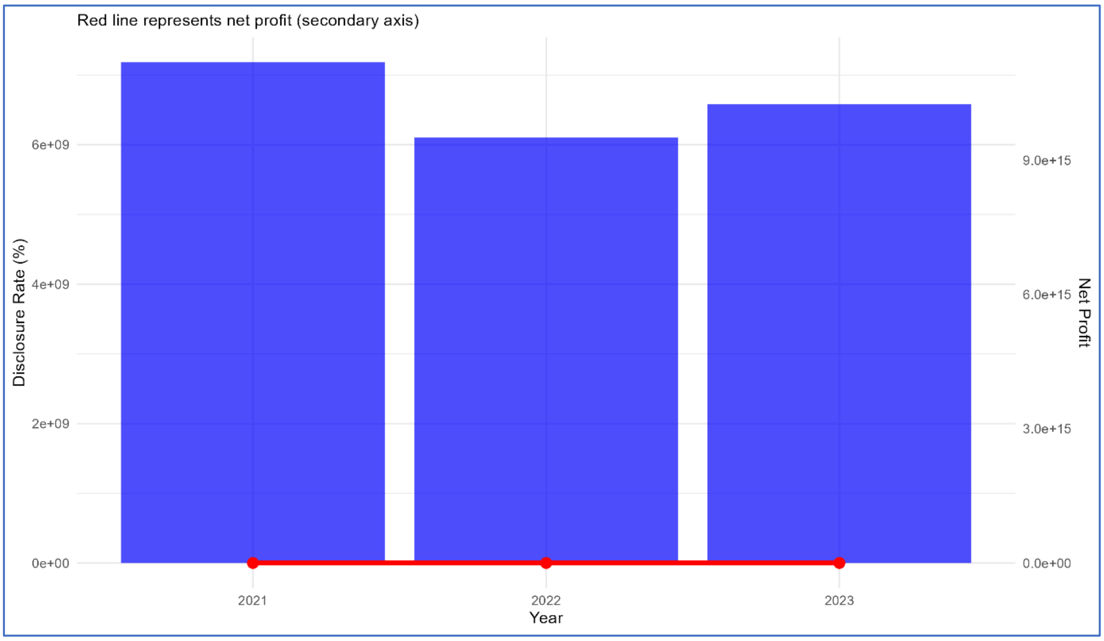
Figure (2) Financial Information Reporting categories by bank and year

The temporal progression in Financial Information Reporting practices is particularly noteworthy. All banks show dramatic improvement in risk Financial Information Reporting from 2021 (0% across all banks) to 2022 (ranging from 33.333% to 66.667%), suggesting a possible sector-wide shift in risk transparency practices. This pattern aligns with Elshandidy and Neri's (2015) findings regarding how institutions often respond simultaneously to market pressures for enhanced risk transparency. Financial Information Reporting reached complete transparency (100%) by 2022 across all banks, while strategic Financial Information Reporting showed more bank-specific patterns of improvement. The growth metrics and bank-specific visualizations reveal divergent trajectories in Financial Information Reporting practices and financial performance. Baghdad Bank shows a decline in overall Financial Information Reporting growth (-8.371%) despite substantial profit growth (419.613%), contradicting the general positive relationship established in the regression analyses. In contrast, Investment Bank demonstrates robust growth in both Financial Information Reporting (47.190%) and profits (3457.765%), representing the strongest dual improvement among the three institutions. Ashur Bank's moderate improvements in both Financial Information Reporting (23.772%) and profits (227.757%) present a middle ground.



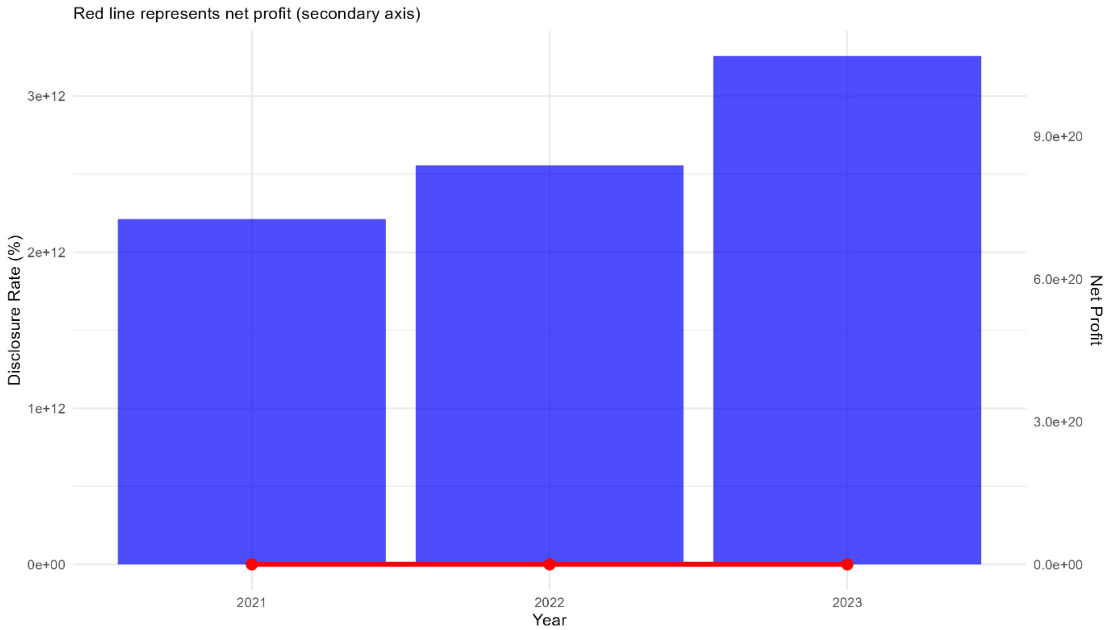
Source: Prepared by researchers

Figure (3) Financial Information Reporting rate and profit trends for Ashur Bank



Source: Prepared by researchers

Figure (4) Financial Information Reporting rate and profit trends for Baghdad Bank



Source: Prepared by researchers

Figure (5) Financial Information Reporting rate and profit trends for Investment Bank

The bank-specific visualizations illustrate how Financial Information Reporting rates (blue bars) and net profits (red lines) evolved over time, though the scale differences between Financial Information Reporting and profit metrics make direct visual comparison challenging. The exceptionally high profit growth rate across all banks (3337.272% overall) compared to more modest growth in Financial Information Reporting (46.985%) suggests that while Financial Information Reporting and profitability may be positively correlated as shown in the regression analyses, the magnitude of financial improvement exceeds that of Financial Information Reporting enhancement. This aligns with Li's (2010) perspective that Financial Information Reporting practices generally evolve incrementally while financial performance can exhibit more dramatic fluctuations.

The categorical breakdown visualization highlights how banks have prioritized financial Financial Information Reporting throughout the study period while gradually enhancing risk and strategic transparency. This pattern of prioritization supports the theoretical framework proposed by Beretta and Bozzolan (2008), who suggest that Financial Information Reporting quality should be evaluated not only by quantity but also by the information's relative importance to stakeholders, with financial information typically considered most fundamental.

5. Conclusion

This study investigated the relationship between optional financial information Financial Information Reporting and sustainable strategic financial performance across three Iraqi banks from 2021 to 2023. The results consistently demonstrate a positive relationship between Financial Information Reporting practices and financial performance metrics. The correlation analysis revealed strong positive relationships between Financial Information Reporting rate and key financial indicators.

These findings provide strong empirical support for information asymmetry theory as articulated by Healy and Palepu (2001), demonstrating that enhanced transparency can mitigate information gaps between management and stakeholders, potentially leading to improved financial outcomes. The results align with Leuz and Verrecchia's (2000) proposition that increased Financial Information Reporting reduces information asymmetry and its associated economic costs, contributing to enhanced financial performance. The categorical analysis further supports Beretta and Bozzolan's (2008) framework on Financial Information Reporting quality, indicating that Iraqi banks prioritize financial Information Reporting while gradually enhancing risk and strategic transparency.

From a practical perspective, these findings offer valuable insights for banking regulators and management. The consistent positive relationship between Financial Information Reporting and performance suggests that regulations encouraging greater transparency may have beneficial economic effects beyond investor protection. For bank managers, these results indicate that enhanced optional Financial Information Reporting, particularly in financial and strategic domains, may contribute to improved financial outcomes, aligning with Li's (2010) findings on the value -relevance of forward-looking Financial Information Reporting.

Several limitations warrant acknowledgment. The sample size of three banks over three years limits statistical power and generalizability. Additionally, while the analysis establishes correlation, definitively proving causality remains challenging, as better-performing banks may simply have more resources to invest in Financial Information Reporting practices. The study period (2021-2023) also coincided with post-pandemic recovery, potentially influencing both Financial Information Reporting practices and financial performance.

Future research should expand the sample to include more banks and a longer time period, incorporate macroeconomic and regulatory variables as controls, explore lag effects to better establish causality, and employ qualitative methods to understand managerial decision-making regarding Financial Information Reporting practices. Cross-national comparisons would also provide valuable insights on how institutional and cultural factors influence the Financial Information Reporting -performance relationship.

this study provides substantial evidence supporting a positive relationship between optional financial information Financial Information Reporting and sustainable strategic financial performance in Iraqi banks. The consistency of this relationship across multiple analytical approaches suggests that transparency practices represent a meaningful factor in banking performance, supporting the economic value of Financial Information Reporting in financial institutions.

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