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THE ROLE OF SUSTAINABLE ACCOUNTING IN  
RATIONALIZING INVESTORS DECISION IN IRAQI  
ECONOMIC UNITS- APPLIED PAPER IN IRAQI STOCK  
EXCHANGE

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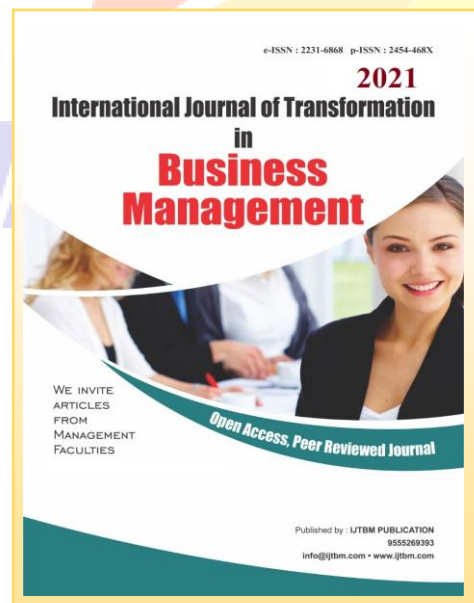
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## ABSTRACT

Iraqi economic units still practicing old financial monetary reporting techniques. This would lead investors in forming an incomplete perspective on their performance. Also, those investors will lack the ability in forming sustainable value and keep it in the long run. This would create a gap and this gap will put a negative effect on their investment decision. This piece aimed to know to report sustainability and its effect on economic units. Effect of reporting techniques on sustainability represented by monetary and non-monetary information is also investigated here. To achieve the goal of this paper, a questionnaire is designed based on the variables of the paper. This questionnaire had distributed over a sample of 100 investors in Iraqi stock market. This study reached an important conclusions. One of them is that reporting sustainability in Iraqi Economic units can affect investment decision.

**Keywords:** *sustainability, sustainable accounting, comprehensive reporting, investment decision.*

## THE INTRODUCTION

Accounting play a vital role in decision making made by economic units. Information provided by accounting can diagnose strength and weakness points in both internal and external environment. It also has its own role in exploiting available opportunities and vanishing threats that the economic unit might face. In fact, there are a lot of challenges faced by economic units that the administration needs to deals with. Such as transparency, sustainability, risk management, and reporting unit performance. These challenges need to be delivered to stakeholders and beneficiaries. Investors are an example of those stakeholders that strive to get comprehensive

and complete information on economic units. Any information provided has to be reliable, consistent, and suitable for stakeholders. These information has to provide stakeholders assurance on their wealth. This can affect their investment decision.

## Problem Statement

Economic units in Iraq are following a traditional financial reporting techniques. This can be seen through financial reports of economic units published in Iraqi stock market. In their report, sustainability is not reported especially Iraq is suffering deterioration in social, environmental, and exhausting natural resources. This is

reflected on stakeholders in forming complete and comprehensive image on economic units' performance and its ability to achieve sustainability. This can affect investing decision negatively which might lead to over exhaust on natural resources. This would also stop investing within the Iraqi environment.

### **Significance of the Study**

This paper aims to knowing how to report sustainability and its effect on lowering damage to environmental and increasing economic prosperity for the people. This piece is also aiming to know the importance of reporting technique in sustainability to ensure best utility of stakeholders. This paper also has its contribution in increasing effectiveness and efficiency of reporting techniques in making a suitable investing decisions with the Iraqi environment.

### **Goal of the Paper**

Goals of the paper are:

- 1- Knowing the effect of sustainability's dimensions (i.e. social, environmental, and economical) on the performance of economic units.
- 2- Investigating the role of reporting techniques in the financial and non-financial information on economic units.

- 3- Knowing how these economic units are committed to sustainability dimensions that can be applied within the society.
- 4- Examine the effect of applying reporting techniques on investing decisions in economic units.

### **Paper Hypothesis**

“There is an effect of applying reporting techniques on sustainability on investing decisions for economic units”

### **Paper Methodology**

This paper followed quantitative method that can be considered the best in social studies. This quantitative method was followed by using the questionnaire in data collection. However, theoretical part was followed based on deductive method.

### **Population and Study Sample**

Population of this study is represented by investors of units listed in Iraq stock market. Sample of study had been chosen randomly from investors. Their responses were obtained through the distributed questionnaire that was made through the components of sustainability reporting.

## THEORETICAL PART

### First: Conceptual Framework of Reporting In Sustainability

Sustainability reporting is one of the modern terms. It seemed to be widely accepted, as a term refers to the way economic units deal with financial and non-financial, economic, environmental and social information, opportunities and risks. All of these could affect the futuristic performance and position of units and revenues. The first one who prepare publications about Sustainability reporting reports is the British Society of Certified Public Accountants. After the benefits of these reports were revealed, European companies prepared the reports voluntarily before a decision was made to compel them to prepare these reports, and under various labels. These labels include: [1]

- 1- Sustainability Report.
- 2- Corporate Social Report.
- 3- Social and Community Report.
- 4- Corporate Responsibility Report.

The Administrative Coordination Committee in (ACCA) conducted several researches and reached the following:- [2]

- 1- There is a missing link between current reports (financial reports) and business strategy and risks.
- 2- There should be a link between the current financial reports and the non-

financial reports to be integrated with each other.

- 3- The accountability mechanism should be part of the non-financial reports through the existence of a new monitoring mechanism or from a third party or the approval of shareholders in annual meetings to assess the ability of the economic unit to create sustainable value over time.
- 4- The inability of the financial reports to show the ability of the economic unit to create value in the short, medium and long term by managing its strategic resources effectively.
- 5- The value of the economic unit is decreasing with tangible assets and increasing with intangible assets. Therefore, the trend in the last three decades is to transform tangible assets into intangible assets.

(Robertson) defines sustainability reporting as “a more comprehensive form of reporting that has been used to address the shortcomings of traditional reports and for the purpose of developing a long-term strategy. The main activities are based on integrated thinking to produce an integrated and periodic report that includes all the areas that highlight value creation. [3]

(IR.org) defines sustainability reporting as “the report that includes information on sustainability and its social, environmental and economic dimensions, governance reports, and any other reports prepared by economic units related to the nature of their work, whether they are mandatory or voluntary.”

(IIRC & KPMG) defines sustainability reporting as “a development of economic unit reports, through which one can succinctly arrive at the methods that lead to activities related to value creation for all stakeholders.”

Based on what had been discussed earlier, it is clear that reporting on sustainability would provide integrated information. These information would reflect all the activities of economic units in a way that helps them achieve value in the short, medium and long term. Thus, reporting on sustainability is no longer surprising, but rather has roots represented in the emergence of structured and analyzing models. That would enhance the role of disclosing the accounting of social responsibility, including pollution damage. In the second half of the eighteenth century, emphasis was placed on environmental disclosure. This was done to reduce environmental damage and building

models that enhance the existence of conceptual frameworks of legal roles. During the nineties, environmental disclosures increased. Also, frameworks for the practice of environmental auditing and the development of environmental management systems were developed. Since the mid-nineties, there has been convergence in global stock exchanges as a result of the emergence of common global issues such as the financial crisis, the collapse of large companies and quality control [4].

The researchers believe that traditional (basic) reporting is no longer consistent with the era of information technology, innovation, technology and investment in the governance economy. This does not meet the needs and expectations of stakeholders, including investors, of information to help them make rational investment decisions. Therefore, international organizations of the accounting profession and major companies have sought to search for a solution that meets the demands of stakeholders. This would ensure a sustainable future and create long-term value for economic units. This can be achieved by preparing reports that reflect all aspects of their activities, future strategy, business model and

governance, as well as their main performance indicators. These reports need to be prepared with brevity and focus on issues of economic unit and stakeholders, which is known as sustainability reporting. This would reflect the story of the economic unit, its resources, and the interrelationships between them.

### **Second: Sustainability in Accounting Thought**

The essence of the concept of sustainability for economic units revolves around meeting the unit's needs for resources without harming the right of future generations to those resources. This means the use is within the limits that make these resources self-renewable, and these units can also achieve efficiency by producing the largest possible amount of output with less amount of input. This can reduce the amount of harmful waste produced. Attention to all of the above leads to reducing the total costs of the unit and increasing its profits in the long run [5]

The use of sustainability accounting has emerged to expand the scope of financial accounting, cost accounting, and

conventional management accounting. This is done by paying attention to the inclusion of both environmental and social aspects in addition to the financial aspects. This also led to issuing integrated reports communicating their strategy to all parties related to them. This is done to determine and achieve balanced performance they wish to achieve. Paying attention to the supply of environmental and social information that helps to make decisions in a sound manner need to be taken care also. [6]

The World Summit on Sustainable Development in Johannesburg in 2012 identified the areas of sustainability in three main dimensions: the environment, the economy and society. In an attempt to recognize that, there are limits to the ability to provide resources. There is a strong belief that the effectiveness of sustainability depends on concerted efforts in three areas: the social field, the economic field, and the environmental field. Each one of these three areas includes a number of activities that overlap with each other in order to achieve sustainable development, which is illustrated by the following figure 1 below.



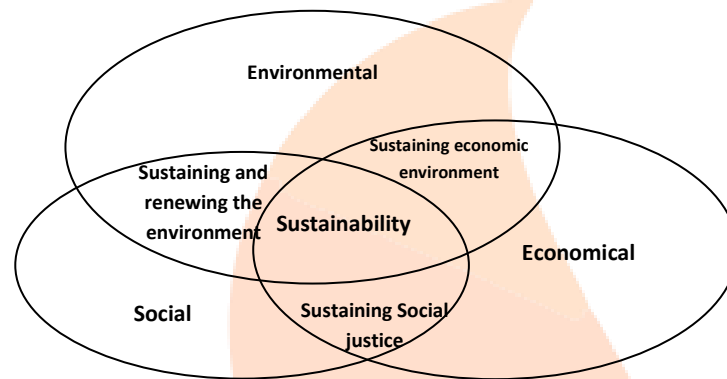


Figure 1. Sustainability areas [7]

It is clear from the above that there is a strong correlation between the basic areas on which sustainability depends, as this relationship is a conditional relationship. In order for development to be continuous, there must be a balance between the systems that include the relationships between human, and natural societies. This include the Bio Sphere, the Techno Sphere and the Socio Sphere.

There are many definitions of sustainability accounting. It is concerned with activities, methods and systems in order to record, analyze and report the environmental and social dimensions that affect financial performance [8].

Others [9] also see that accounting for sustainability is an extension of the generally accepted accounting and reporting systems.

However, it is focusing on environmental and social systems. They also defined it as a tool measuring the impact of human activity on ecosystems, resources, as well as the social impact resulting from the units' exercise of their activities.

Therefore, the study of [10] emphasized on the importance of including social, economic and environmental indicators within the management accounting information system for decision-making purposes.

The researchers agree with the definition of sustainability accounting [8] as being more comprehensive. It is linking financial performance to the main dimensions of environmental and social sustainability accounting, which would give a clearer picture of the activity of the economic unit.

### **Third: Measurement Considerations in the Field of Sustainability Accounting**

The accounting measurement of sustainability is based on the following considerations:

1. The environmental and social performance activities related to sustainability are not defined. Also, their nature has not been agreed upon. This is due to the existence of a gap between what society expects from business and what those units see as their social responsibilities for their contributions in the field of sustainability.
2. The difficulty of expressing in monetary units all the results of measuring the units' contributions in achieving sustainability. Results reached by that measurement do not absolutely include quantitative information, but mostly refer to information that is difficult to translate quantitatively.

It is the responsibility of accounting to find a way to express the results of measuring the contributions of units in activating the achievement of sustainability. Also in presenting those results to those who are interested in the matter of the economic unit. This requires the existence of a practical accounting system that can be applied in business units to provide useful information

in evaluating their contributions in the field of sustainable development. As there is a financial accounting system that deals with operations of a financial nature, and a management accounting system that deals with operations of a managerial nature. There is nothing to prevent the existence of an accounting system for operations of an environmental and social nature that are essential requirements for achieving sustainability. Accordingly, we can say that: (Accounting for sustainability is an information system that is concerned with the functions of measuring the environmental, social and economic performance of the unit and reporting on the results of this measurement in order to ensure the evaluation of its contributions to achieving sustainable development).

Based on what was mentioned earlier, it is noted that sustainability accounting is like financial accounting that aims to achieve two basic functions: measurement and disclosure of environmental, social and economic information that has implications for achieving sustainability.

### **Fourth: The Role of Sustainability Accounting in Rationalizing Investor Decisions**

The main purpose of accounting for sustainability is to improve the quality of information provided to stakeholders,



whether financial or non-financial, and investors are part of them who increasingly desire to obtain information that goes beyond financial information to include all aspects of the activities of the economic unit, and their access to this information helps to improve the relationship between them. And between the economic unit because they get more clarity and transparency about its business model, strategy and long-term future prospects, and a greater understanding of capital balances flows, performance indicators and how to create value, and this helps them make the right investment decisions and direct their investments, leading to the efficient and effective allocation of resources This supports investment decisions and improve returns.

#### **A. Impact of non-financial information on investors**

The Sustainability Accounting Standards Board (SASB) seeks to facilitate the task of investors in the effective disclosure of material sustainability information with the least effort and costs. This was made to help them make informed investment decisions, as its standards are designed to support investors by integrating sustainability information into all activities of the economic unit through the following: [11]

1- Fundamental analysis: The presence of information on the dimensions of

sustainability with financial information provides basic information for adjusting the amount of information and methods of debt assessment. In addition to evaluating the quality of management for the selection of securities.

2- Comparison and benchmarking: Economic units produce thousands of information disclosed during the year. The sustainability accounting scale for a specific industry enables investors to compare the performance of similar economic units within a single industry for important sustainability dimensions.

3- Portfolio management in the sustainable industrial classification system: For a group of industries that are similar to their business models and sustainability effects, SASB sets standards for each industry within reasonable limits. This was done to form an internal core information for it. This might help investors to be excessive or less exposure to specific types of risks or sustainable opportunities.

4- Activity of Participation. The use of sustainability accounting standards enables investors and economic units to achieve the direction of discussions and deliberations to be more focused and more productive on the factors of financial sustainability.

SASB evaluates the relative importance of the dimensions of sustainability through evidence of interest from the point of view of

the rational investor. These dimensions are: -  
[12]

- Financial Effects and Risks: This dimension assesses the direct and tangible impact of topics on the financial performance of the economic unit in the short or medium term.
- Legal and Regulatory Policies: These policies have an effect on or change the procedures of the existing or new economic unit. This affects the financial performance by committing some costs associated with obligations or by creating opportunities related to products, markets or business models when following a regulatory system.
- Standard industry standards and competitive operating programs: - Disclosure of industry issues and competition procedures may create pressure from investors on management. This need to be followed to raise performance levels related to some issues and reveal the dimensions of sustainability.
- Concerns of stakeholders and social trends:- Concerns may be raised by stakeholders that affect the long-term financial or operational performance of the economic unit. Also, the loss of its work permit in the short term, or

damage to its reputation, or a change in customer demand that leads to its suspension from continuing to operate.

- Creativity Opportunities: Represented by the production of new products or the adoption of their business models to address sustainability challenges such as market expansion.

#### **B. Integrated reporting enhances investment decisions.**

The integrated financial and non-financial reporting information reflects the overall performance of the economic unit. Investors have indicated that the integrated reporting provides them with the following information: -

- 1- Focuses on measurable performance factors such as organization, costs and risks.
- 2- Clearly explains the broadest links between risks and expected performance.
- 3- It is allowed to make comparisons between economic units in the same sector.
- 4- Defines a sustainable competitive advantage.

The Black Sun Corporation for Investments and Communications with the International Integrated Reporting Council (IIRC) published a study that included 66 economic units. In its integrated reporting they found that it helps to build stronger relationships

and better understanding with financial capital providers. Also, the study showed that 56% of them achieved positive benefits in their relations with investors and 52% Of these achieved positive benefits in relationships with financial analysts. In addition, 79% achieved benefits for their board of directors through a better understanding of value creation. This was done by following:-

- Economic analysis for the purpose of understanding trends and external factors that may affect the economic outlook for value creation and capital formation.
- Industry analysis to understand the factors that lead to competitiveness and the continued potential for value creation in the industry.
- The strategy of the economic unit to understand the quality management and the strategy of the economic units to assess their ability to respond to emerging events.
- Evaluation. To determine the traditional assessment, including cash flows and WACC, to reflect its performance on material sustainability issues.

And investors with experience in today's business environment consider that economic units that take into account the social and environmental impacts can achieve maximum profits. Those are the appropriate

and more trustworthy units to invest in than those units that do not pay attention to the environment and society. So it is a place for more stable investment and increased and guaranteed returns [13]. Also, integrated reporting enhances the analysis of investment experts because it provides a high quality of reporting clearly reflects the story of the economic unit. In addition, it helps investment experts to obtain integrated information for the purpose of making their investment decisions and enhancing their personal reputation as well as raising their capital, through the following [14]: -

- Perception of the quality of reporting is affected by the quality of its management.
- The quality of integrated reporting has a direct financial impact on economic units.
- Explanation of the business model is an important part and priority of high-quality integrated reporting. This is because most investment professionals focus on interpretations of the business model of economic units and how they can confirm the cash that generates value.
- There are a number of gaps in the effectiveness of integrated reporting on the main risks of its business model. This means investment experts want to know how to manage or mitigate these risks. Despite the economic unit management's understanding of potential risks and mitigation strategies,

traditional disclosure does not provide this understanding of investors.

- Investors of all kinds want a clear link between the various elements of reporting on the performance of economic units. In a survey of investor experts, it was found that 87% of the links between the elements of integrated reporting, key performance indicators, strategic objectives, risks and financial data are useful for analysis. This means investment decision depends on the extent of clarity, the transparency and accuracy of the appropriate information. Its preparation is based on its global framework. This must lead to an effective link between investors and economic units. The market value should be better understood by investors. Thus bridging the gap between accounting and market value can ensure the sustainability of this value [14]

### **C. Impact of integrated reporting information on the quality of investor decisions.**

The information that the investor obtains from the integrated and continuous reporting on the economic units helps him rationalizing his investment decisions. Thus, maintaining and increasing his wealth by allocating his capital in an efficient manner. Therefore, it provides information that enables investors to make their decisions rationally. This is because the investment

decision consists of balancing the return and risk from it. Choosing the type of investment need to be according to an appropriate strategy and scientific foundations. Also, it need to be made through the investor's preference for both profitability and liquidity. This is expressed by the risk that he can bear if he is conservative, risky or balanced. The integrated reporting framework identified opportunities and risks as a content element that must be reported under the integrated reporting. This attracts new and existing investors and enhances their confidence in the economic unit as it helps them to predict future returns and ensure them currently to achieve sustainable value over time [15].

In a study by Serafeim on the impact of integrated reporting on the investor base in economic units, it was found that the units that prepare the integrated reporting have a base of long-term investors. This base supports their presence by more long-term investors. This in return have a small number of temporary investors using fixed effects analysis. The main difference was found in that the causal evidence supporting the integrated reporting of the investor base in the economic units, and that the relationship between them basically leads to the strength of the economic unit. This is accompanied by high growth of opportunities and is not exposed to high fluctuations. He also found

that the activity of investors changes with the change in the practice of more sustainability issues by the units. Based on the field data of the study, it was found that the most important costs are in improving information systems related to non-financial information for the dimensions of sustainability. This acquiring the necessary skills and experiences to use the data and integrate it with financial reports and cooperation between different jobs, within economic units to provide a single integrated report.

As a result of the growing awareness among investors and the failure and collapse of many economic units despite their preparation and auditing of financial reports by internationally known auditing companies, which led to a major global crisis during 2008, some investors became not focused on the financial return only, but also rather wished to invest their money in economic units. It takes into account its responsibility towards its local community in particular and society in general, through its contribution to the preservation and protection of the environment and its tolerance of social issues and human rights. The presence of a rational investor who wants to invest his money in economic units that achieve economic gains in the light of serving its community. The quality of the investment decision is to search for these economic units as well as to achieve

continuous and increasing returns because they are able to create sustainable value. This is reflected in the increase in their market share and share prices and thus their profits. The quality of the investment decision, whether it is long or short, is not measured by financial returns only. This is because, in today's business environment, it cannot achieve its financial goals without taking into consideration the environmental and social dimensions. This can be achieved through obtaining the satisfaction of the community that helps it create sustainable value for itself and its stakeholders. It has become a slogan raised by distinguished and successful economic units. Many investors who are looking for the best long-term investments find that good economic units are the ones that provide their financial and non-financial performance in a unified report. This is because they offer the best opportunities and that the non-financial performance in the social and environmental fields reflects their good performance and allows them to communicate effectively with them [16].

**D. Integrated reporting fulfills the desires of investors.**

In a study conducted by (Black Sun) Company in 2012, it confirmed that there are positive effects of integrated reporting. The most important of these effects is to create value for stakeholders and fulfill their desires by providing integrated, quality and credible



information for the purpose of improving relations with them, especially investors. Integrated reporting includes a presentation of negative events or failure to reach the expected goals. This is a very important matter to maintain the quality of information, whether financial or non-financial, quantitative or qualitative. Neglecting this information and focusing on the positive only is of great importance to stakeholders, especially investors. This will reduce the content and value of information as well as reducing the degree of confidence. This is a violation of the guidelines proposed by the international framework of the International Integrated Reporting Council (IIRC), which guarantees long-term benefits for both the economic unit and stakeholders. Therefore, the preparation of integrated reporting for economic units, whether Compulsory or voluntary, helping it to create sustainable value over time. This aims to increase its capital and expand its market share by maintaining current investors and attracting new investors. It will also be familiar with the strategy of the economic unit and how to manage its business and report its information in a financial, quantitative or descriptive manner. Information provides them with a level of safety and reassurance, and the fact that the administration is working to protect their interests and strive to obtain the highest possible values in light of competition. This can be done by disclosing

the implementation of practices based on rules and standards of governance. The Integrated Reporting Organization (IR.Org)) issued an investor statement that integrated reporting as a way supports investors to achieve a better understanding of performance. This is because investors in developed countries have emphasized that their investment operations require information on business models, strategy and resources on which economic units depend. This requires leading practices in their reporting. Integrated reporting provided by them is important to their understanding of its operation and capital allocation. Investors believe that the business of the management statements contained in it can drive business development to be more sustainable and stable in the long term. The organization asked economic units around the world to support this statement for the purpose of providing more effective reporting by integrating non-financial information in it to build more sustainable and stable capital markets, and in support of that A survey was conducted on a sample of investors for the year 2017 that revealed the true value of the non-financial information in the reports that is important to them, as 92% of them agreed with what was stated in the statement that the executive managers must clearly report every year about the strategy of the economic unit to create value on the long term.



The non-financial information provided by integrated reporting is considered material for investment decisions and is seen as providing information primarily about risks rather than the location of the competitive economic unit. This leads to taking decisions to allocate capital more effectively than if a financial report is presented independent of the sustainability report, as well as providing an insight into its market value, and that non-financial information in particular can contribute to reducing information asymmetry (Sander, 2016, 14). Social and environmental responsibility is the point of contact of the economic unit with society, and this has extended to the financial markets, especially in recent years, because an increasing number of socially responsible investors find that information on the dimensions of sustainability is of great importance in the specialization of investments, and that is why it is more important in the investment process because social standards have become shape economic behavior and may affect market outcomes.

## RESULT

The results of the field research will be presented and analyzed, depending on the

frequency distributions of the answers of the members of the research sample, and their percentages, down to the arithmetic mean, standard deviation, and the relative importance of each paragraph of the questionnaire. It is confined between (1-5) by three levels, and includes a level around (the hypothetical mean), as it ranges between (2.5-3.5), while it is high (above the hypothetical mean), if it reaches above (3.5), and it is low and weak (without the hypothetical mean), if it is less than (2.5), bearing in mind that the hypothetical (standard) mean is (3).

### **First: Diagnosing the reality of sustainability reporting variables and investment decisions**

This variable was measured through sixteen sub-dimensions, as Table (1) indicates the arithmetic means, standard deviations, and the relative importance related to the point of view of the researched sample. The general standard deviation around them was (0.63) and the coefficient of variation (0.13) with a degree of agreement (totally agreed), and the following is a diagnosis of the reality of the sub-variables:

Table 1. Mean, standard deviation, coefficient of variation, t-test value, relative weight, and degree of agreement between sustainability reporting and investment decisions.

	Variable	Mean	Std deviation	CV	t-test	relative weight	degree of agreement
$X_1$	In general, investors rely on financial and non-financial information that provides them with a better understanding of the performance of the economic unit.	4.72	0.56	0.11	4.420	0.94	Totally agree
$X_2$	Integrated reporting represents a source of information that will achieve the investor's conviction about the performance of the economic unit.	4.60	0.54	0.11	4.423	0.92	Totally agree
$X_3$	Investors rely on information related to accounting for sustainability and the future direction of the economic unit to choose what suits them.	4.09	0.64	0.15	4.114	0.82	agree
$X_4$	Reporting the risks and opportunities facing the economic unit would direct investment areas, especially the long-term.	4.29	0.82	0.19	4.942	0.86	Totally agree
$X_5$	Reporting the economic added value helps the investor to judge the ability of the economic unit to create sustainable value to ensure that they receive continuous and increasing returns.	4.11	0.76	0.18	4.249	0.82	Agree
$X_6$	Informing the economic unit of bearing the costs of protecting and preserving the environment to avoid fines and compensations that negatively affect the investor.	4.82	0.48	0.09	4.259	0.96	Totally agree
$X_7$	The ability to verify the correctness and credibility of information constitutes a basis for investors to rely on to make their investment decisions.	4.64	0.62	0.13	4.387	0.93	Totally agree
$X_8$	Reporting on social responsibility as one of the elements of integrated reporting helps create value for the investment decision.	4.51	0.58	0.12	4.617	0.90	Totally agree
$X_9$	Investors rely on information that faithfully represents the	4.44	0.60	0.13	4.581		Totally agree

	phenomena it expresses in making their investment decisions.					0.89	
$X_{10}$	Investors rely on the environmental dimensions when integrated reporting because this enables them to avoid environmental risks and this serves the investor.	4.38	0.72	0.16	4.703	0.88	Totally agree
$X_{11}$	The lack of extravagance in the consumption of natural resources and the reduction of their waste would attract customers and increase revenues, and this is what the investor is looking for.	4.16	0.70	0.16	4.331	0.83	Agree
$X_{12}$	Paying attention to employees and achieving justice in wages, incentives and rewards, which is one of the elements of integrated reporting, would enhance their loyalty to obtain high-quality products at low costs, and this guarantees investors their returns.	4.85	0.50	0.10	4.212	0.97	Totally agree
$X_{13}$	Informing the economic unit about its contribution to public community programs and charitable donations leads to the support of its community so that it can continue its work successfully, which reduces its exposure to risks and this encourages investors to invest their money in it.	4.09	0.80	0.19	4.458	0.82	Agree
$X_{14}$	Report on the role of employees in increasing the market share, competitive position and commercial reputation of the economic unit in order to continue its success and serve the investors	4.06	0.78	0.19	4.440	0.82	Agree
$X_{15}$	Report on the acquisition and maintenance of efficient and skilled human resources by granting them the rights they deserve, which leads to attracting new and existing investors.	4.40	0.56	0.12	4.865	0.88	Totally agree
$X_{16}$	Adopting the economic unit of the international integrated reporting framework,	4.82	0.50	0.10	4.259	0.96	Totally agree

	international accounting standards and sustainability accounting standards in the preparation of integrated reporting enhances investor confidence in it.						
$X_{17}$	Reporting on the improvement of the work environment and the development of workers' skills reduces the rate of work turnover, which reflects positively on its profits, including the share of investors.	4.21	0.62	0.14	4.176	0.84	Totally agree
$X_{18}$	Reporting information about stocks and intangible assets that investors want to obtain to determine the market value of the economic unit.	4.21	0.74	0.17	4.958	0.84	Totally agree
$X_{19}$	Reporting the economic unit's commitment to human rights decisions and trade unions avoiding strikes that reduce profits and guarantees their returns to investors.	4.38	0.66	0.15	4.833	0.88	Totally agree
$X_{20}$	Integrated reporting on all aspects of the performance of the economic unit in a transparent manner and displaying its positive and negative effects and its main financial performance indicators leads to helping investors rationalize their investment decisions.	4.88	0.46	0.09	5.153	0.98	Totally agree
	<b>Overall mean</b>	<b>4.43</b>	<b>0.63</b>	<b>0.13</b>	<b>4.51</b>	<b>0.88</b>	<b>Totally agree</b>

By analyzing data in table 1, the following can be concluded:

1 - The arithmetic mean was more than (4.0) for all variables, which means that the trend was positive according to the Likert five-scale.

2- The standard deviation was within the range.

3- The value of (t-test) was significant for all parameters and higher than the tabular value of (2.13) for a level of significance of 5% and a degree of freedom of 4.

4 - The coefficient of variation was consistent with the values of (t-test), arithmetic mean and standard deviation.

5- In light of the foregoing, the hypothesis that claims the existence of a clear understanding and application of the mechanisms for reporting on sustainability and investment decisions in Iraqi economic units can be accepted.

**Second, the research hypothesis test**

Two tests will be used. Those tests are the chi-square test and the Kruskal-Wallis test. These are statistical methods used in statistical inferences to find out whether the

differences between the samples represent the differences between the populations. Then the null hypothesis and the alternative hypothesis are applied to the tests.

**1 - Chi-Square Test**

The following equation is used in the test

$$\chi^2 = \sum \frac{(O-E)^2}{E}$$

SPSS will be used in analyzing the data. Results are listed as follows:

Test Statistics		
	VAR0000 1	VAR0000 2
Chi-Square	316.32 <sup>a</sup>	.000 <sup>b</sup>
df	19	4
Asymp. Sig.	.95	1.000

**2- the Kruskal-Wallis test**

It is a non-parametric test. Its formula is as follows:

$$K_W = \frac{12}{N(N+1)} \left[ \sum_{i=1}^k \frac{R_i^2}{n_j} \right] - 3(N + 1)$$

SPSS will be used in analyzing the data. Results are listed as follows:

Test Statistics<sup>a,b</sup>

	VAR00001
Chi-Square	120.6
df	19
Asymp. Sig.	.000

a. Kruskal Wallis Test

Table 2. Results of Chi-Square and Kruskal-Wallis test

	scope	df	Chi-Square	Kruskal-Wallis	Tabular value
1	Reporting sustainability and investment decisions	65	316.32	120.6	43.188

By investigating table 2 for both tests, we can infer that all calculated values are larger than the tabular ones. This case supports the hypothesis that there is an impact when applying sustainability reporting in Iraqi economic units in investment decisions.

**CONCLUSIONS**

1. Integrated reporting does not mean combining financial information in the financial report and non-financial information in the sustainability report, but rather it is prepared according to guidelines and content elements to provide information that provides a better understanding of stakeholders, including investors.

2. Sustainability reporting provides integrated information on the financial and non-financial performance of economic units, and this attracts investors and capital providers, and thus obtains financing at a low cost to expand its activities and market share

and achieve sustainable value over time for itself, investors and society in general.

3. To report on sustainability is of increasing importance with the increasing problems of sustainable development (economic, environmental and social) and its integration with all operational and investment activities reflects the contributions of economic units in finding solutions for them and in return they get the support of their community to help them continue their work successfully.

4. The results of analyzing the answers of the individuals of the research sample of investors showed their interest in the issue of sustainability reporting through their answers



to all paragraphs of the questionnaire, which reflects its consistency with their desires to obtain this type of reporting from economic units.

5. In light of the analysis of the answers of the members of the research sample, it can be said that there is an impact when applying sustainability reporting in Iraqi economic units on investment decisions.

### **RECOMMENDATIONS**

1. The necessity of work by the economic units in Iraq to prepare reports showing their current performance, comparing them with previous periods and stating their short- and long-term future plans, with analysis and interpretation of the reasons for changes in the financial statements through sustainability reporting information to give a clear and comprehensive picture of the performance of the economic unit current and the effects of that information on the result of the activity and its financial position.

2. The need to work on drafting a guiding guide on the dimensions of environmental, social and economic sustainability for all economic sectors in the Iraqi environment to define the most important indicators for each dimension based on the standards of (SASB)

and (GRI), as well as using international experiences and the experiences of some Arab countries in a way that is compatible with the Iraqi environment .

3. The Iraqi economic units should contribute to achieving sustainable development for the country, and that is through their contribution to the dimensions of sustainability and reporting it to stakeholders, including investors, by preparing integrated reporting because it provides them with the information they need, and this is what the results of the questionnaire for a sample of investors in the Iraqi Stock Exchange showed.

4. The need to pay attention to accounting education to fit with the developments and changes determined by professional organizations and related organizations according to the latest developments in the environmental, economic and social problems that the world is witnessing to provide specialized accounting cadres to advance accounting work locally.

5. The Iraqi Accounting and Regulatory Standards Board should pay attention to standardizing what is commensurate with the requirements for adopting international accounting standards IAS and IFRS for the preparation of integrated reporting.

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