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Applying the Financial Sustainability Standard and its Impact on the Bank's Value: Evidence from the Iraqi Market

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Abstract. The objective of this study is to assess the impact of applying the sustainability standard to the financial sector (commercial banks) for a representative sample of banks listed on the Iraq Stock Exchange. The financial statements of eight commercial banks for 2015–2021 were analysed in accordance with the disclosure requirements of the financial sustainability standard for commercial banks to accomplish the study objectives. Tobin's Q scale was implemented to measure the impact and value of a company using a regression model. Statistical methods (model of linear regression and ETA coefficient) were also employed to assess the study hypotheses. According to the research, there is an effect between non-financial reporting, the sustainability standard of commercial banks, and the value of the company, and this effect is inversely negative because the level of non-financial disclosure is below the required level.

Keywords. FN-CB Sustainability Standard, Commercial Banks, Corporate Value.

Introduction: In light of persistent and diverse demands exerted by stakeholders in the field of bank management, the latter have come to recognise the significance of incorporating sustainable practices into their policies and strategies. The demands stem from the acknowledgement that banks bear the responsibility of resolving the societal ramifications arising from global climate change, unemployment, and unethical conduct demonstrated by certain managers. Consequently, the development of sustainability accounting standards has taken place. In order to improve and govern the disclosure of non-financial information alongside financial reports, it is imperative to consider the concerns of shareholders and investors. These stakeholders primarily aim to maximise the long-term value of the bank or company. Consequently, the significance of sustainability becomes evident as companies strive to assess the long-term sustainability of the market.

Despite the persistent efforts to establish legislative frameworks for sustainability reporting, organisations can efficiently attain their objectives by furnishing comprehensive sustainability information. This practice yields favourable outcomes as it facilitates effective communication and comprehension between management and investors, hence bridging the existing information disparity. Therefore, this phenomenon serves as a catalyst for the organisation to attract supplementary investments, thereby enhancing its profitability and stock performance. Wahhab & Amal (2023)

The primary objective of this study is to investigate the impact of implementing sustainability standards on the market value of commercial banks. In order to accomplish the study's aims, this paper will commence by examining the existing literature pertaining to the subject matter and afterwards delineating the research technique employed. afterwards, an analysis of the financial reports of the banks included in the research sample will be conducted, followed by a comprehensive discussion of the obtained results.

1.Literature Review

1.1. Conceptual Introduction to Contemporary Corporate Sustainability

The classification of sustainability by the United Nations Conference on Environment and Development in 1992 encompasses three fundamental dimensions: environmental protection, societal considerations, and economic prosperity Lemke, (2021:12-17). Additionally, Aras and Ingley have defined sustainability as the incorporation of social and environmental aspects into business operations. Furthermore, from a more comprehensive perspective, the concept of sustainability in the realm of economics can be understood as encompassing the prosperity of an economic system, as well as addressing social considerations by ensuring the preservation or continuation of the achievements of a social collective, such as democracy. Additionally, sustainability also pertains to environmental concerns, whereby it entails the facilitation of the ongoing welfare of the environment, whether it be the entire system, a specific component, or a combination thereof Aras & Ingley, (2016: 71-72). According to Carroll et al., the concept of sustainability encompasses the generation of both shareholder value and social value, while concurrently mitigating the environmental impact along the value chains within our operational scope. Corporate sustainability, as defined by PwC Carroll et al. (2018:5), pertains to an organization's capacity to conduct its business in a responsible manner, with a particular emphasis on addressing emerging external risks and considering the long-term implications of its decision-making processes. Sustainability can be understood as a development system that ensures the satisfaction of present needs while safeguarding the capacity of future generations to fulfil their own needs. This perspective highlights the notion that prevailing behavioural patterns, particularly in developed nations, are not viable in the long term and pose a risk to both current and future ways of life Ameer & Othman, (2012: 2), Arowoshegbe & Emmanuel, (2016:99–100).

Based on the analysis, it appears that the various definitions provided by researchers and organisations share a common core. This core pertains to the manifestation of human behaviour within a company or other contexts, and its role in the preservation of finite resources, environmental protection, and mitigation of emissions in response to climate change. Additionally, these definitions acknowledge the growing environmental consciousness among individuals and the societal expectations placed upon companies in terms of their contributions to the environment. The wide idea of sustainability encompasses nine fundamental elements, as seen in Table 1 below.

No.	Principles	Concepts						
1	Moral	It is imperative for the organisation to establish,						
		promote, monitor, and uphold ethical standards and						
		practices when engaging with all stakeholders.						
2	Governance	Efficient and effective resource management is vital						
		for the organisation, as it entails the responsible						
		delegation of powers to corporate boards and						
		managers in order to address the interests of all						
		stakeholders.						
3	Transparency	It is imperative for the organisation to ensure prompt						
	_ •	and transparent dissemination of information						
		pertaining to its products, services, and operations, so						

Table 1.	Sustainability	Accounting	Principl	les

		enabling stakeholders to make informed and appropriate decisions.								
4	Business relations	The company is obligated to engage in equitable business practices with its suppliers and distributors.								
5	Financial return	The imperative for the organisation to remunerate capital suppliers with a fair return on investment and safeguard the company's assets.								
6	Contribution to community economic development	The establishment should cultivate a symbiotic association with the local community by demonstrating attentiveness towards the cultural nuances and requirements of said group.								
7	Value of products and services	The organisation should consider the wants, desires, and rights of its consumers since it is imperative to prioritise the delivery of exceptional value for the products and services it offers.								
8	Employment practices	In order to optimise the personal and professional growth of its workforce, as well as bolster the transparency of its recruitment procedures, it is imperative for the organisation to boost its human resource management strategies.								
9	Environment protection	The corporation is obligated to exert efforts in safeguarding and augmenting the environment by means of its products, processes, services, and other undertakings.								

Source: (Epstein & Buhovac, 2014: 22)

The aforementioned information highlights the inclusion of nine fundamental principles in the concept of sustainability, which hold significant relevance. It is imperative for companies to consider these principles to secure their success in sustainability and effectively execute their intended strategies. Hence, it may be posited that these principles serve as actionable measures towards the adoption of sustainable practices within the organization.

1.2. The importance of sustainability Accounting

There is a growing emphasis on sustainability accounting in policy development. They argue that sustainability metrics are gaining prominence, as efforts are made to enhance reporting practices and improve databases to offer a comprehensive and coherent portrayal of society. There is a growing inclination to incorporate sustainable development and sustainability accounting into the overall structure of the accounting system, Wood et al. (2015),. There is a growing inclination among governments, companies, and international, academic, and professional institutions towards sustainability. This heightened attention can be attributed to the following factors: Regulations or laws refer to a set of rules and guidelines that are established by governing bodies to govern the behaviour and actions of individuals and organizations within a certain jurisdiction. These Companies are obligated to prioritize sustainable practices due to the imposition of government legislation and industry rules of conduct. Non-adherence to regulations incurs significant financial burdens, as the expenses associated with regulatory non-compliance for corporations encompass legal expenditures, cessation of production owing to supplementary inspections, potential suspension of operations, and enduring repercussions on the company's reputation. In addition to the societal relationship:

There is a growing awareness among individuals and non-governmental organizations regarding sustainability concerns and the consequential effects that corporations exert on society, the environment, and the economy. Epstein & Buhovac (2014), findings, that the process of recognizing significant social, environmental, and economic concerns that are important for key stakeholders plays a crucial role in the enhancement of stakeholder relations, ultimately leading to the development of loyalty and trust.

Regarding the cost and income requirements: The integration of sustainability practices inside a firm can yield financial benefits through the augmentation of revenues and reduction of costs. Specifically, the enhancement of the company's reputation can lead to increased sales, hence bolstering revenues. Costs can be diminished because of enhanced resource utilization and the implementation of more efficient goods and processes. In addition to societal and ethical responsibilities, firms are impacted by societal and ethical obligations pertaining to the environment, society, and the economy. Consequently, companies are accountable for effectively managing sustainability. The inclusion of sustainability in the plans of certain leaders and firms has been motivated by a personal interest in the social, environmental, and economic repercussions, as well as their associated social and ethical implications, Khodair, (2019: 3).

The preceding discourse elucidates that sustainability practises are designed to safeguard the enduring viability of corporations, as the notions of sustainability and continuity are intrinsically intertwined.

1.3. Motives for Sustainability Initiatives and Practices

The primary objective of sustainability is to ensure intergenerational justice. Consequently, the ideas behind sustainability are widely accepted, as individuals generally aspire to maintain a standard of living comparable to that of their parents and desire similar possibilities for their offspring. The rationale is equally applicable to businesses, as the majority of managers aspire for their organizations to maintain or surpass previous levels of profitability, with the ultimate goal of achieving profit growth Bansal & DesJardine, (2014:71). There is a growing trend of increased consumer awareness and knowledge regarding sustainable projects. Consumers have developed an anticipation for alterations in the methods employed for the production and packaging of goods. There is a growing trend among consumers to seek out companies that demonstrate a heightened level of understanding and concern for environmental matters. As to Brockett and Rezaee (2012: 7-8), a significant number of consumers anticipate that sustainability will be an inherent component of the products and services they purchase. Consequently, it is imperative for an entity to generate value for all relevant parties, encompassing shareholders, creditors, suppliers, customers, employees, and additional stakeholders. Nevertheless, according to conventional shareholder theory, the fundamental objective of a corporation is to generate value for shareholders through the optimization of financial performance. Business sustainability aims to effectively implement stakeholder theory to safeguard the interests of all individuals involved. Consequently, the primary objective of maximizing value for all stakeholders can be realized through the principles and practices of business sustainability, which prioritise the consideration of the interests of all stakeholders (Xie et al., 2018:2).

Based on the analysis, it is evident that consumers play a pivotal role in driving enterprises to adopt sustainable practices. As the major target audience and vital stakeholders within the framework of stakeholder theory, consumers serve as the most significant and compelling motivators for businesses in this pursuit.

1.4. Sustainability report and reporting

The sustainability report serves as a highly effective means of connecting an organization with its stakeholders, Ameer and Othman (2012:3). However, they also note that the lack of a universally accepted reference model and standardized comparison standards significantly restricts the extent to which sustainability can be effectively communicated, that the occurrence of financial crises and the escalating concerns surrounding the social and environmental impacts of corporate operations have considerably intensified the external demands placed on companies to exhibit greater responsibility and transparency towards investors and stakeholders. Within this framework, it has been observed that existing accounting systems, predominantly reliant on historical financial statements, have proven inadequate in fulfilling the informational requirements of investors and other relevant parties. Consequently, these systems fail to offer a satisfactory degree of transparency and accountability. Investors and stakeholders now demand a greater volume of information beyond financial aspects, encompassing corporate risk, governance, and social as well as environmental matters. This demand

necessitates a more interconnected and comprehensive approach, Rossi et al., (2018:2-4). Sustainability reporting has emerged as a crucial tool for evaluation, communication, and corporate contributions to sustainability. Notably, European corporations have been pioneers in the adoption and implementation of sustainability reporting practices. Several studies have demonstrated that sustainability reporting can be approached from two primary perspectives: an external perspective, which emphasizes the viewpoints and perceptions of stakeholders towards the organization, and an internal perspective, which centres on the company's internal decision-making processes regarding social and environmental issues that can enhance its competitive advantage. Over the course of the past two decades, a considerable multitude of voluntary standards and guidelines have been established with the aim of assisting managers in their reporting of sustainable practices. The GRI criteria have been identified as the most optimal choice for sustainability reporting, Lozano, et al. (2016:169). Its three fundamental dimensions necessitate the utilization of a company's Environmental, Social, and Governance (ESG) lexicon. The initial step in constructing the ESG lexicon involves defining an extensive collection of multi-word expressions that encompass a specific subset of pivotal terms associated with environmental, social, and corporate governance aspects. To ascertain the material disclosure of companies' environmental, social, and institutional governance, as outlined in the materiality framework put forth by the Sustainability Accounting Standards Board Schiehll & Kolahgar, (2020), there is a growing global emphasis on promoting corporate initiatives aimed at minimizing adverse environmental and societal effects. This includes the adoption of comparable standards and the voluntary disclosure of such endeavours by corporations. Efforts have been made to promote and facilitate corporate adherence to environmental and social standards that surpass legally mandated regulations.

The United Nations Global Compact (UNGC) serves as an illustration of such end favours. The UNGC is an initiative established by the United Nations with the objective of encouraging member companies to uphold a set of ten responsibilities encompassing human rights, labour standards, environmental preservation, and anti-corruption measures. Additional illustrations include the non-binding Guidelines for Multinational Enterprises, which were promulgated by the Organization for Cooperation and Development in the Economic Field (OECD). These guidelines encompass a wide range of topics, such as disclosure practices, employment, bribery, consumer interests, science, technology, competition, and taxation. The Global Reporting Program (GRI), which was established in 1997, is an additional sustainability program that was partially initiated by the United Nations. Schneider & Meins (2012:213–314).

The preceding discussion highlights the implementation of international and global endeavours aimed at establishing sustainability as a universal framework for businesses across different nations. These efforts involve the establishment of guidelines and principles, as well as the formulation of standards governing the practice of sustainability accounting reporting. The GRI standards have undergone a transformation, resulting in the development of more comprehensive and sector-specific SSAB standards.

1.5. The concept of company value and measurement methods

The concept of value encompasses multiple dimensions, as Al-Battat asserts that a company's value is primarily focused on maximizing the market value of its shares. This is because the market value of shares represents various factors, with the most significant being the assurance of attaining it, surpassing the limitations of the profit criterion. Furthermore, the value of the company increases proportionally with the value of its shares (Al-Battat, 2021: 79). According to Al-Shammari, the primary objective of corporate management is to optimize the value of the company's shares, prioritizing this goal above all others. Shareholders and investors demonstrate significant interest in monitoring the fluctuations and performance of share values and returns. According to Belenes et al., the concept of sustainable company value encompasses value-creation indicators and offers a comprehensive understanding of the value generated and delivered. This understanding is achieved by considering three perspectives: the intrinsic value of the company, the total capital, and the continuum value influenced by the various stakeholders involved, Al-Shammari (2022: 140).

According to, the creation of value occurs through the movement of capital from business units that generate surplus cash flow to those requiring extra capital for expansion and the realization of their growth potential, Brigham & Ehrhardt, (2020: 247), Subramanyam posits the potential for ascertaining the valuation of the company through the utilization of accounting figures on an accrual basis. The determination of this value can also be achieved by adding the present book value to the discounted future residual income, Subramanyam (2014: 91). the market capitalization of a firm is intrinsically connected to its worth. Instead of only emphasizing the market value of existing shares and the market value of interest-based debt minus available cash, the primary significance of Tobin's Q lies in its utility as a surrogate measure for business value. Several studies have examined the relationship between Tobin's Q and a firm's ownership structure and capital structure. While scholars engage in discussions regarding the optimal equilibrium between diversification and business focus, as well as the complexities surrounding acquisitions, mergers, and the evaluation of management performance, Thavikulwat (2004: 211), the market value of the corporation can be determined by aggregating the values of its common shares, debt, and preferred shares. In addition to the market value and book value, the concept of "replacement value" pertains to the present expenditure required for the substitution of a company's assets. Now of acquisition, the market value, book value, and replacement value of an asset are equivalent. Following that particular day, these numbers will gradually diverge. common stocks and Tobin's Q serve as measures of a company's performance. The equation proposed by scientists Tobin and Brainard in 1968 is presented as follows According to Lang et al. (1989: 153).

$$Tobin's Q = \frac{(MVE + PS + DEBT)}{TA}$$

The Tobin's Q ratio can be calculated as the sum of the market value of equity (MVE), preferred stock (PS), and debt (DEBT), divided by total assets (TA).

The acronym MVE denotes the market value of ordinary shares as of the conclusion of the fiscal year. The variable "PS" represents the monetary worth of the preferred shares held by the corporation, if applicable. The equation DEBT = Total Liabilities represents the relationship between the total liabilities of a company and its debt. Similarly, TA represents the book value of all assets of the company.

Based on the discussion, it is evident that the renowned Tobin's Q index holds significant significance. Despite its inception and subsequent evolution some decades ago, this index continues to be highly valued and widely employed by numerous analysts and academics. This enduring relevance can be attributed to its simplicity and applicability to the operational context of emerging economies.

1.6. The correlation between environmental and social governance and corporate value

Sustainable practices are implemented with the objective of enhancing a company's capacity to generate returns for its shareholders while minimizing adverse impacts on the environment and society. From the standpoint of shareholders, sustainability can be perceived as a risk that arises from the inherent characteristics of the business and the company's approach to mitigating these risks. The adverse consequences of this risk can significantly impair the financial performance of corporations due to a decline in sales (e.g., reputational harm), increased legal costs, financial liabilities, and potential penalties imposed on the organization. Sustainability is inherently linked to value, as evidenced by the assertion that organizations with robust environmental and social practices are likely to exhibit lower levels of risk compared to those that prioritise modest measures, Camodeca et al., (2018: 2).

It was posited that an increase in environmental, social, and governance (ESG) investments is associated with a rise in a business's value. The researchers further suggested that ESG investments have the potential to lower the cost of capital, resulting in a substantial enhancement in the overall value of the company, as measured by Tobin's Q. Nevertheless, it is anticipated by investors that there would be a decrease in growth soon, particularly for companies that derive advantages from disclosure scores. The company demonstrates a strong performance in terms of environmental, social, and governance (ESG) elements.

Hence, it can be argued that organizations that operate under conditions characterized by little environmental or financial risks may not experience the advantages associated with implementing corporate sustainability accounting practices. In fact, such investments may have a negative impact on the overall value of the firm and its stakeholders, Behl et al., (2022:234). The company's exposure in the media due to instances of suspicious social behaviour and product damage scandals has garnered the interest of investors. However, such news has the potential to raise uncertainties regarding the company's prospects, jeopardize its reputation, and potentially affect its overall value Aouadi and Marsat (2018). Based on the analysis, it is evident that the determination of a firm's worth is contingent upon various factors, including the specific context in which the company works, such as the market in which its shares are traded or the prevailing economic conditions. In a broader context, the utilization of valuebased principles in accounting standards for financial reporting and sustainability accounting standards can potentially enhance and optimize the value of a company. This is particularly relevant given the contemporary emphasis placed by stakeholders on both financial information, as provided by financial reporting standards, and non-financial information, as provided by sustainability accounting standards. Consequently, it is evident that the application of these standards by companies can theoretically contribute to the maximization of company value through the disclosure and provision of information. It can be argued that the allocation of resources towards governance and other aspects of sustainability accounting has a significant impact on the overall value of a company. This approach offers numerous benefits that ultimately enhance the company's value across various dimensions.

2. They measured the study variables and tested the hypotheses.

Table 1 lists the paragraph styles defined in this template.

2.1. Study methodology

This section will provide a comprehensive analysis of the study's methodology, encompassing its importance, purpose, problem statement, hypothesis, and the approach employed for data collection and analysis.

2.2. The importance of studying

The study highlights the importance of a firm's value, its influence on sustainable corporate practises, its disclosure of non-financial performance, and the widespread adoption of sustainability accounting standards in the finance industry by various multinational corporations.

2.3. The study's purpose.

Knowing the impact of reporting non-financial performance according to the sustainability standard for commercial banks on the value of the company, as well as determining the degree of disclosure of non-financial performance of commercial banks listed on the Iraq Stock Exchange,

2.4. The problem of studying

Considering the significance of the company's value and its prioritisation as a core strategic objective for internal stakeholders, alongside their inclination towards non-financial disclosure concerning the company's sustainable initiatives across the economic, social, environmental, and governance dimensions, the research inquiry emerges as follows:

To what extent does the implementation of non-financial reporting in accordance with the sustainability standard for commercial banks impact the company's value?

2.5. The Study hypotheses

The study is based on the following hypothesis:

- (a) Null hypothesis H0: There is no impact relationship between non-financial reporting according to the sustainability standard of commercial banks on the value of the company.
- (b) Existence hypothesis H1: There is an influence relationship between non-financial reporting according to the sustainability standard of commercial banks and the value of the company.

3. Measuring study variables

The analysis focused on the independent variable, namely the financial sustainability standard applied to commercial banks. The financial statements of eight commercial banks listed on the Iraq Stock Exchange were examined for the period spanning from 2015 to 2021. Each of the 14 main indicators of the standard was assigned a weightage of 7% to assess the level of disclosure exhibited by each bank in each year. The variable of interest, namely the worth of the company, was assessed by the utilization of Tobin's Q equation.

As the value of Q>1, the management succeeded in managing the company and, as a result, improving performance and maximizing its value. But if the value of Q<0.5-0. Poor performance is due to management's failure to manage the company, resulting in low value. The value of 0.5-Q=1 indicates the company is in an average state in performance and value (Ahmed & Wahhab, 2023: 153) The level of disclosure according to the financial sustainability standard for commercial banks.

The bank	Level of	2015	2016	2017	2018	2019	2020	2021	Average
	disclosure and company value								
Regional	Disclosure level	0.36	0.42	0.50	0.50	0.57	0.64	0.68	0.52
Commercial	Company value								
Bank				0.96	0.97	0.96	0.92	0.93	0.948
Gulf Bank	Disclosure level	0.46	0.50	0.50	0.56	0.64	0.57	0.57	0.54
	Company value	0.79	0.77	0.66	0.55	0.52	0.48	0.52	0.614
Babylon	Disclosure level	0.53	0.61	0.61	0.72	0.72	0.69	0.69	0.65
	Company value	0.52	0.47	0.41	0.40	0.43	0.44	0.47	0.447
Bank of	Disclosure level	0.57	0.61	0.64	0.64	0.64	0.64	0.71	0.64
Baghdad	Company value	1.02	0.95	0.90	0.83	0.82	0.88	0.97	0.909
Union Bank	Disclosure level	0.32	0.36	0.46	0.46	0.46	0.46	0.53	0.44
of Iraq	Company value	0.86	0.75	0.68	0.66	0.60	0.61	0.61	0.682
Credit Bank	Disclosure level	0.25	0.42	0.49	0.49	0.56	0.56	0.56	0.48
of Iraq	Company value	0.75	0.76	0.69	0.57	0.64	0.64	0.58	0.663
Sumer	Disclosure level	0.18	0.40	0.46	0.57	0.57	0.57	0.64	0.48
Commercial	Company value	0.93	0.88	0.89	0.89	0.59	0.51	0.55	0.749
Bank									
Commercial	Disclosure level	0.46	0.49	0.53	0.56	0.63	0.63	0.63	0.56
Bank of Iraq	Company value	0.56	0.62	0.63	0.63	0.65	0.68	0.69	0.636

	0			5		
,	Table 2	Disclosure	levels of	commercial	banks	study sample

3.1. Measuring Non-financial indicators and company value according to Tobin's Q Table 3. Regional Commercial Bank

Q = (MVE + DEBT) / TA										
Indicators	2015	2016	2017	2018	2019	2020	2021			
Q value			0.96	0.97	0.96	0.92	0.93			
Dis ESG	0.36	0.42	0.50	0.50	0.57	0.64	0.68			

The above table presents the Q equation values for the Territory Commercial Bank, as listed on the Iraq Stock Exchange. The Territory Commercial Bank demonstrated the biggest proportion of the company's worth, as indicated by Tobin's Q equation, after the listing of its shares on the market in the years 2018 and 2019. During these years, the bank achieved a ratio of 0.97 and 0.96, respectively. The ratio suggests that the performance of management surpasses the average. This increase can be attributed to the stability exhibited by the bank's share price, which is a consequence of the bank's adherence to international financial reporting standards. The bank initiated the implementation of these standards in 2012 and has consistently followed this approach up until the publication of its most recent reports. Furthermore, it is noteworthy that the years 2020 and 2021 witnessed the attainment of the highest levels of disclosure, as per the sustainability criterion for commercial banks. Specifically, the rates of disclosure during these years were recorded at 64% and 68% respectively. The determination of the company's valuation was not undertaken during the fiscal years 2015 and 2016 due to the absence of the bank's listing on the market, hence precluding the availability of a corresponding price. The user's response is nearly accurate.

Table 4. Gulf Bank										
Q = (MVE + DEBT) / TA										
Indicators	2015	2016	2017	2018	2019	2020	2021			
Q value	0.79	0.77	0.66	0.55	0.52	0.48	0.52			
Dis ESG	0.46	0.50	0.50	0.56	0.64	0.57	0.57			

Table 4 presents the Q equation values pertaining to the Gulf Bank as listed on the Iraqi Stock Exchange. The data reveals that Gulf Bank exhibited the most substantial proportion of the firm's value based on Tobin's Q equation in the year 2016, registering a ratio of 0.77. This figure suggests that the company's performance may be classified as average. The observed rise can be attributed to the elevated closing price of the bank's shares, which can be attributed to the bank's adherence to international financial reporting standards. Additionally, the bank has demonstrated a high level of disclosure in accordance with the sustainability standard for commercial banks. Notably, the bank achieved the highest disclosure rate of 64% in 2019. These factors have had an impact on the company's performance, leading to a decrease. The significance of polytheism.

Q = (MVE + DEBT) / TA									
Indicators	2015	2016	2017	2018	2019	2020	2021		
Q value	0.52	0.47	0.41	0.40	0.43	0.44	<u>0.47</u>		
Dis ESG	0.53	0.61	0.61	0.72	0.72	0.69	0.69		

The values of the Q equation for the Bank of Babel are presented in Table 5. The bank's financial records indicate that the company's value, as determined by the application of International Financial Reporting Standards (IFRS) and measured using Tobin's Q equation, reached its maximum percentage in the years 2016 and 2021, with a ratio of 0.47. This finding suggests that the company's performance is below average during these periods. The reasons for this below-average performance have still to be determined. The primary factor contributing to this decrease can be attributed to the downward trend observed in the closing price of the bank's shares. In relation to compliance with the sustainability criteria for commercial banks, the disclosure rate had its peak during the years 2018 and 2019, attaining a level of 72%. This trend is mirrored in the company's performance, as seen by a decline in its value.

$\mathbf{Q} = (\mathbf{MVE} + \mathbf{DEBT}) / \mathbf{TA}$										
Indicators	2015	2016	2017	2018	2019	2020	2021			
Q value	1.02	0.95	0.90	0.83	0.82	0.88	0.97			
Dis ESG	0.57	0.61	0.64	0.64	0.64	0.64	0.71			

Table 6. Bank of Baghdad

According to the data presented in Table 6, it is observed that the Bank of Baghdad achieved the highest percentage of the company's value after implementing the International Financial Reporting Standards (IFRS) in the year 2021, as indicated by Tobin's Q equation with a ratio of 0.97. This finding suggests that the bank's management has demonstrated a commendable level of performance. Further analysis is required to determine the specific factors contributing to this increase. The bank's shares experienced a significant increase in the closing price, prompting the company to disclose this information in compliance with the sustainability standard for commercial banks. In the year 2021, the bank achieved its highest percentage, reaching 71%. This positive performance is evident in the company's overall value, which also saw an increase during the same year.

Table 7. Union Bank of Iraq

Q = (MVE + DEBT) / TA										
Indicators	2015	2016	2017	2018	2019	2020	2021			
Q value	0.86	0.75	0.68	0.66	0.60	0.61	0.61			
Dis ESG	0.32	0.36	0.46	0.46	0.46	0.46	0.53			

Table 7 displays the numerical values of the Q equation pertaining to the Union Bank of Iraq. The bank's financial statement for the year 2021 revealed that it attained the largest proportion of the company's worthwhile employing the International Financial Reporting Standards (IFRS), as determined by Tobin's Q equation. Specifically, the bank achieved a ratio of 0.75, signifying that the management's performance was beyond the average level. This outcome can be attributed to certain factors. The observed gain can be attributed to the upward movement in the closing price of the bank's shares. In respect to compliance with the sustainability guideline for commercial banks, the disclosure percentage experienced its peak in 2021, attaining a value of 53%. This observation elucidates the existence of an inverse association.

Q = (MVE + DEBT) / TA								
Indicators	2015	2016	2017	2018	2019	2020	2021	
Q value	0.75	0.76	0.69	0.57	0.64	0.64	0.58	
Dis ESG	0.25	0.42	0.49	0.49	0.56	0.56	0.56	

Table 8 presents the numerical values of the Q equation pertaining to the Iraqi Credit Bank. The bank's financial statement for the year 2016 revealed that it achieved the highest proportion of the company's value when the International Financial Reporting Standards (IFRS) were implemented, as determined by Tobin's Q equation. The resulting ratio of 0.76 indicates that the bank's management performance exceeded the average. This outcome can be attributed to specific factors. The rise in the figure can be attributed to a corresponding increase in the final price of the bank's shares. In connection to disclosure, it is noteworthy that the sustainability standard for commercial banks witnessed its peak percentage over the period spanning from 2019 to 2021, with a value of 56%. This observation elucidates the presence of an inverse association.

Q = (MVE + DEBT) / TA							
Indicators	2015	2016	2017	2018	2019	2020	2021
Q value	0.93	0.88	0.89	0.89	0.59	0.51	0.55
Dis ESG	0.18	0.40	0.46	0.57	0.57	0.57	0.64

Table 9. Sumer Commercial Bank

Table 9 presents the numerical values of the Q equation pertaining to Sumer Bank. that the bank successfully implemented the International Financial Reporting Standards (IFRS) in its financial reporting. This adherence to IFRS resulted in a higher valuation of the company, as evidenced by Tobin's Q equation, which yielded a ratio of 0.89 in both 2017 and 2018. This ratio indicates that the bank's management performance surpasses the average, highlighting their effectiveness in maximizing the company's value. The successful implementation of IFRS can be attributed as the primary factor behind this improvement in performance. The inverse association can be attributed to the disclosure of the bank's shares, which exhibited a notably high closing price. This observation aligns with the sustainability criteria for commercial banks, wherein the proportion reached its peak in the year 2021, hitting 64%.

Table 10. Commercial Bank of Iraq

	Q = (MVE + DEBT) / TA							
Indicators	2015	2016	2017	2018	2019	2020	2021	
Q value	0.56	0.62	0.63	0.63	0.65	0.68	0.69	
Dis ESG	0.46	0.49	0.63	0.56	0.63	0.63	0.63	

Table 10 presents the Q equation values pertaining to the Commercial Bank of Iraq. The bank's financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), reveal that it achieved the largest proportion of the company's value based on Tobin's Q equation in both 2020 and 2021. The calculated ratios for these years were 0.68 and 0.69, respectively. These figures suggest that the bank's management performance can be considered as average. The increase in question can be attributed to the elevated closing price of the bank's shares. In adherence to the sustainability guideline for commercial banks, the disclosure percentage experienced its peak in the years 2020 and 2021, attaining a value of 63%.

3.2. Testing the study hypotheses

To test the study hypotheses, linear regression was used in addition to the Eta test to measure the effect determination.

			Coefficients ^a			
		Unstandardize	ed Coefficients	Standardized Coefficients		
Model		В	Std. Error	Beta	t	Sig.
1 ((Constant)	.970	.113		8.579	.000
J	DISESG	485-	.205	307-	-2.372-	.021

 Table 11. Linear regression test

The significance of the relationship between non-financial reporting and company value was examined using a regression model. The results indicated that this relationship is statistically significant, with a significance level of 0.021, which is below the threshold of 0.005. This information is presented in the table, where non-financial reporting is treated as the independent variable and company value as the dependent variable. The dependent variable is considered as the outcome or response variable in the research study. Given the observed connection between non-financial reporting and corporate value, the

null hypothesis is rejected in favor of the alternative hypothesis. According to the sustainability standard for commercial banks, the non-reporting variable exhibited a beta value of -0.485, indicating a negative impact on the company's value. The computed T value was 8.579, which was found to be statistically significant with a p-value of 0.000, indicating a significance level lower than 0.01. The regression equation can alternatively be expressed in the following manner: The worth of the company is calculated as the difference between 0.970 and 0.485. Non-financial reporting, often known as sustainability reporting or corporate social responsibility reporting, refers to the practice of disclosing information about an organization: $\hat{\mathbf{y}} = 970-0$ 485 DISESC

	Test		ole 11. Eta test	ffaata				
			ween-Subjects Et					
Dependent Variable: : Tobin's q Type III Sum of Partia Source Squares df Mean Square F Sig. Square								
Corrected Model	.885ª	18	.049	2.005	.036	.494		
Intercept	19.094	1	19.094	778.405	.000	.955		
DISESG	.885	18	.049	2.005	.036	.494		
Error	.908	37	.025					
Total	29.838	56						
Corrected Total	1.793	55						
a. R Squared = $.494$	(Adjusted R Squared =	= .247)						

The analysis of Table 12 reveals that the magnitude of the effect is substantial, as shown by the ETA rule, which defines a large effect as 14% or above. The magnitude of the effect is substantial.

4. Conclusion

Upon conducting an analysis of both theoretical and practical elements, it has been determined that there exist ongoing apprehensions over the insufficiency of traditional financial reports in accurately portraying the multifaceted nature of a company's worth. Consequently, there has been a pursuit for novel financial indicators or supplementary non-financial indicators to assess value and performance. Associated with these advancements is a growing inclination among corporations to generate non-financial reports for broad objectives. The act of reporting on sustainability performance offers numerous advantages to the organisation, such as enhancing credibility, mitigating legal risks, fostering positive supplier connections, facilitating access to financing, and promoting ethical conduct. The findings of the present study indicate a significant relationship between non-financial reporting, the sustainability requirement of commercial banks, and company value. Moreover, the observed effect is negative and inverse, which suggests that the value of the firm decreases as non-financial disclosure falls below the required level.

The corporate behaviour and organisational structures of companies can be influenced by the institutional context in which they operate. The impact of the Central Bank of Iraq on banks, particularly in the context of sustainability accounting, is evident through the establishment of robust governance mechanisms. This has resulted in notable enhancements in the reporting and overall quality of sustainability information. Investors exhibit a preference for abstaining from investing in companies that opt not to reveal information pertaining to their performance in the realm of sustainability accounting dimensions. Through the examination of bank lists, it becomes evident that a majority of banks exhibiting limited transparency in terms of sustainability information tend to exhibit a comparatively lower valuation in the stock market. Sustainable practises have been found to have a positive impact on financial performance, as they can lead to an increase in revenues through the enhancement of the bank's reputation, resulting in higher deposit volumes. Additionally, such practises

can also help to cost reduction. The impact of corporate social performance is equally noteworthy. The enhanced assessments of the company have resulted in positive trends and evaluations of the product, heightened differentiation in the competitive landscape, and the cultivation of goodwill or "moral capital" that provides a form of protective coverage akin to insurance against adverse information. This phenomenon was observed in a subset of the banks included in the study.

The study suggests that bank administrations should focus on producing comprehensive reports on their sustainable practises, specifically addressing the various dimensions of sustainability accounting. This is necessary in order to showcase their performance and enhance the company's value, as stakeholders increasingly demand such reports and investors recognise the significance of including non-financial information in these reports. The implementation of sustainable practises and the maintenance of a steady share price are crucial for effective bank management. In order to optimise the bank's value, it is imperative for Low to undertake a comprehensive evaluation of its reporting policies, with particular emphasis on the issuance of a sustainability report. Additionally, the bank should consider transitioning towards integrated reports, thereby enhancing its operational practises and improving the efficacy of its reporting mechanisms. Additionally, it is desirable for the analysis to encompass the oversight of the Iraq Stock Exchange and those involved with the Central Bank. The topic of discussion is corporate governance within the banking sector, namely, the necessity of mandating banks to uphold robust governance practises or enhance their existing governance frameworks, alongside enhancing their reporting mechanisms.

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