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The Role of Sustainable Accounting in Managing the Financial Position to Support the Sustainable Development of Financial Companies in Iraq

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ABSTRACT

Purpose: This study aimed to find out how Iraqi companies use sustainable management accounting techniques (MATs). The study also looked at MATs' contribution to sustainable development.

Theoretical framework: The three aspects of sustainability—integrative, social, and environmental—are the basis for the research, which examines the effects of numerous variables, such as the frequency of technique use.

Design/methodology/approach: The purpose and frequency of usage of sustainable MATs in Iraqi businesses over the period of March and April 2021 were examined in this study by using a quantitative methodology. In this research, sampling approach was utilized.

Findings: Both inferential and descriptive statistical techniques were utilized to assess the findings of the online survey, which was conducted utilizing surveys from the target population. It is clear from the limited usage of sustainability measures in management accounting that firms in Iraq do not

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completely integrate sustainability issues into their management accounting systems. The vast majority of businesses use at least one strategy from each of the three categories—inclusive, social, and green

Research, Practical & Social implications: MAT is used for a variety of purposes including, but not limited to, external reporting, internal compliance monitoring, and to some extent internal decision-making.

Originality/value: This study is among the earliest to investigate if it is feasible for Iraq to sustain its external debt financially using an econometric method.

INTRODUCTION

The link between MATs and Sustainable development has also been studied for yet more than three decades, with past research education and prevention. of how accounting practices might help organizations achieve higher sustainable development. Misuse of natural resources and environmental deterioration have emerged as the world's most pressing issues. Although the environmental issues we confront today are not new, we have only recently begun to recognize its components after seeing the impact of environmental deterioration on poverty in economic growth. Natural resources are prone to depletion as a consequence of overuse while they are accessible.

In like manner, the theory of sustainable advancement has developed, which addresses needs of the present without impacting populations' services to fulfil their needs. International state and local concern with environmental problems and sustainable growth has put pressure on banking institutions to realize their responsibilities to ecological and social. These units are essential for a bigger socio-ecological and monetary framework with their tasks influence society and the general climate.

In this way, the job of monetary revealing shows up in giving the essential data that will work on the comprehension and significance of monetary instruments and their presentation. The monetary business sectors to give explicit data to the motivation of their utilization, proper bookkeeping arrangements and the dangers implied, the board strategy to control these dangers, and the job of monetary revealing in giving data that helps financial backers.

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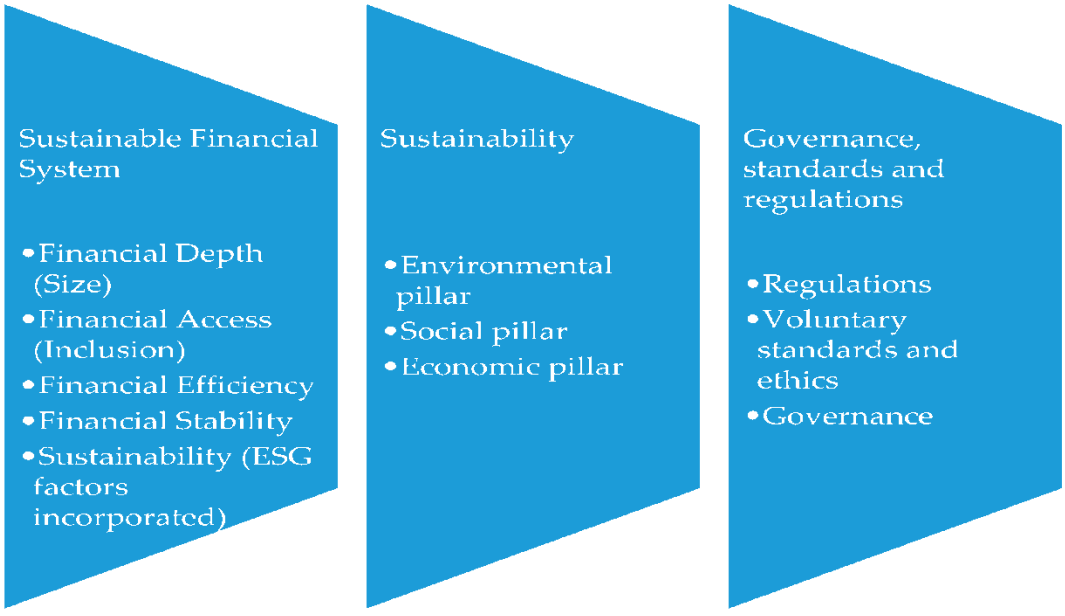

Figure 1:Finance in Economic Position Management to Facilitate Sustainability

Source: Ziolo M, Filipiak BZ, Bąk I, Cheba K. (2019)

Figure 1 features governance, ethical norms, and legislation as driving forces for the creation of eco-friendly financial systems. Notable regulatory efforts in this domain encompass the Equator Principles (2006), the Principles for Responsible Investment (2006), the Colleveccio Declaration (2003), and the United Nations Environment Program Finance Initiative (UNEPFI).

However, there hasn't been any previous MATs research on Iraqi businesses. This study focuses on investigating these methods in an Iraqi setting.

1. LITERATURE REVIEW

Al-Dhaimesh, O.H. (2019) investigated at how sustainable accounting disclosure affects the financial performance of Jordanian banks between 2013 and 2017. The study focused on how disclosures about the economy, society, and environment affect financial performance. To reach this objective, the study used content analysis. Aspects of sustainable accounting disclosure were quantified using indicators developed specifically for this purpose in accordance with the Global Reporting Initiative (GRI) (G4-2013) requirements. The study's findings revealed that financial performance is statistically significantly impacted by the disclosure of sustainable accounting practices.

Al-Dhaimesh, O.H. looked at the effect of sustainability accounting disclosure on the financial performance of Jordanian banks between 2013 and 2017. (2019). The study focused on the relationship between financial success and disclosures regarding money, the environment, and society. The aim of the research was achieved via the use of content analysis. Aspects of sustainability accounting disclosure were evaluated using indicators developed specifically for this purpose and in compliance with the Global

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Reporting Initiative (GRI) (G4-2013) criteria. The study's findings demonstrated that sustainable accounting disclosure has a statistically significant influence on financial performance.

In a 2019 research, Al-Dhaimesh, O.H. looked at how Jordanian banks' financial performance changed between 2013 and 2017 as a result of sustainability accounting disclosure. The study focused on the effect of financial, environmental, and social disclosures on financial performance. The research's objective was achieved via the use of content analysis. The metrics used to evaluate the sustainability accounting disclosure components were measured in accordance with the Global Reporting Initiative (GRI) (G4-2013) criteria. The study's findings revealed a statistically significant link between monetary achievement and disclosure of sustainability in accounting..

A rising body of research, according to Crutzen, Zvezdov, and Schaltegger (2017), demonstrates that managerial control is essential for assisting businesses in becoming more sustainable. The availability of management controls relating to sustainability in corporate operations, and particularly their function in fostering sustainability within firms, have come under scrutiny. This research empirically investigates the degree to which major organizations have created a mix of formal and informal management control mechanisms and makes assumptions about the observed sustainability control patterns based on Malmi and Brown's (2008) management control framework. The results show that all of the businesses under investigation use sustainability management controls. The research distinguishes between formal and informal procedures as the two main management control for sustainability approaches.

According to Hamdan (2014), the focus also looked at the reasons for engaging MATs in relation to manageable outcomes. When techniques are routinely utilized, the evaluation is conducted in accordance with what these components signify, such as what the three supportability characteristics—integrative, social, and ecological—mean. Inferential and visual metrics were utilized to analyze the findings of the web-overview that was obtained via surveys from the targeted demographic. Supportability level The underwhelming performance of MATs shows that maintainability problems have not been adequately included into the administrative accounting frameworks of Iraqi firms. Regardless, most businesses use at least one strategy from each category, including social, ecological, and integrative strategies.

In a report titled "EMA Methodology and Standards" published by a specific working group of the US Supportable Improvement Division in 2001, EMA was defined as "the most common way of distinguishing, ordering, assessing, breaking down and planning inner reports and utilizing stream data yet truly, for example energy streams, materials, natural expense data, water, and other money related data important to decide on customary and ecological choices inside" (UNDSD, 2001).

To define ecological administration bookkeeping as "distinguishing, gathering and utilizing two kinds of data to settle on interior choices, material data that includes uses, water and materials, streams and patterns of energy, with squander an important consideration," IFAC provided a global direction record in 2005 that combined the meaning of the year (1998) with the meaning of the specific working group of the United Countries Feasible Improvement Division (2001). (IFAC, 2005).

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As a result, the information gap referred to above will be addressed by this study, which seeks to analyze the prevalence and utilization of sustainability MATs in Iraqi organizations.

2.1. Statement of the problem

This study has covered the significant problems in this globe which have already affected its current mess and economics as a consequence of the unexpected pandemic that struck the entire economic landscape and cleanliness. Lately, a few studies have been completed in the field of operational reporting that highlight the significance of such a rigor in the promotion of a few good effects connected with business field.

2.2. Objective of the Study

The purpose of this research was to better understand how management accounting practices may aid in fostering sustainable development in Iraq.

2.3. Significance of the Study

EMA is one of the main generally present-day subjects as a critical hotspot for working on naturally sound modern exercises and their seriousness, which has prompted the spread and send off of green or harmless to the ecosystem items.

This includes all six components of maintainability accounting, which are looked at from the monetary, natural, social, mechanical, risk, and administrative angles. This also includes its structure, which will lead to the gathering of comprehensive information on actual execution to strengthen the focus on partners, as well as defending decisions.

3. RESEARCH METHODOLOGY

3.1. Research Design: The purpose and frequency of usage of sustainable MATs in Iraqi businesses were examined in this study using a quantitative methodology.

3.2. Time Period: During the months of March and April 2021, the businesses were chosen from the Business Retriever's database using annual turnover in descending order.

3.3. Sample Size: Using the 400 largest companies' annual revenue as a starting point, addresses and email addresses were looked for in order to connect with the public.

3.4. Sampling Technique: Systematic Sampling was the methodology used in this investigation. A sampling method called systematic sampling includes taking a random sample from a bigger population on a regular basis. The population size is multiplied by the preferred sample size to get the specified interval.

3.5. Tools for Data Collection: An online survey of Iraqi businesses was employed to accomplish the goals of this research. In order to examine the reason for use and frequency of sustainable MATs, a web survey of businesses in Iraq was carried out. This approach was chosen because it is an effective

substitute when respondents are dispersed geographically, as well as because it saves money and time (Mokhtar at al., 2016). The website was searched for contact information for the appropriate employees of the organisation for the survey approach. Then, email addresses of workers holding different professions (such as CFO, accountant, controller, and CEO) or titles like sustainability manager were chosen. The final sample, which consists of 72 companies, had a response rate of 16%. The response rate for this study is in accordance with what was anticipated when the web survey was being conducted. When compared to the current study, Passetti et al. (2014) obtained 18.8% more respondents. Only 9.7 percent was collected, according to Mokhtar et al. (2016). The present study's response rate (16%) is deemed good since it is greater than that of past studies in the same subject (Christ and Burritt, 2013). Using SPSS 25.0, the survey data was examined.

3.6. Tools for Statistical Analysis

In this investigation, different non-parametric and parametric statistical methods were employed depending on the type of data and information needed.

1. Percentage: - Simple comparisons were made on the basis of percentage calculations.

2. Frequency: -1. Frequency is the sum of the observations in each group. It displays at a glance the number of unique observations contained in a group as well as the location of the primary concentration. The statement indicates how much and to what extent something has been shared. In order to compare the distribution of topics across different groups, it is important to determine how often a question has been asked in the current study.

3. Mean (m): -central value in a set of data. the centre measurement created by summing the data and dividing the result by the total number of values. The term "mean indicates" (pronounced "x bar") designates the average value among a set of sample values.

4. Standard Deviation (SD): In the context of statistical analysis, the standard deviation (SD) is a measure of how much the data points in a set deviate from the mean or expected value. It is denoted by the Greek letter sigma (σ). A low standard deviation indicates that the data points are tightly clustered around the mean, while a high standard deviation suggests that the data points are more spread out across a wider range of values. In the specific case of comparing the effects of nutrition instruction before and after an intervention, gain scores were used. Gain scores represent the difference between the post-intervention scores and the pre-intervention scores for each individual in the sample. This allows researchers to assess the magnitude of change in the outcome of interest, such as dietary habits or nutritional knowledge, due to the intervention.

5. Correlation: Correlation is a process used to determine the relationship between two variables. A scatter plot is a useful tool for visually assessing the relationship between two variables. Although there are other approaches, correlation is the most often used technique for determining the relationship between variables recorded at the ordinal or higher level of measurement.

6. RESULT AND DISCUSSION

The participants were asked to provide their job titles to ensure clear understanding of the questions and to receive high-quality responses. The survey also asked about their highest level of education and the number of years of relevant professional experience in their current job.

Table 1: Demographic Profile

	Subgroup	**Frequency**	**Percent**
Year of experience of faculties	Less than 1 year	44	11%
	1-3 Years	40	10%
	More than 3 years	316	79%
Total		400	100%
Qualification	Secondary Diploma	20	5%
	Graduate	320	80%
	Post-Graduate	60	15%
Total		400	100%

Regarding the year of experience of faculties, Table 1 shows that out of the total 400 faculty members, 44 (11%) have less than 1 year of experience, 40 (10%) have 1-3 years of experience, and 316 (79%) have more than 3 years of experience. In terms of qualifications, 20 (5%) faculty members have a Secondary Diploma, 320 (80%) have a Graduate degree, and 60 (15%) have a post-Graduate degree.

4.1. Description and Analysis of the Usage Frequency

Researchers Stanikis and Arbaiauskas (2009) used nine items to measure how often sustainability management accounting techniques (MATs) are utilized. Respondents rated the current usage of sustainable accounting practices on a scale of one to seven, with one representing "never" and seven representing "very often." Table 2 presents the average frequency of use for each tactic. When the three categories of tools are combined, the overall frequency of all tools can be seen. The table also includes the standard deviations and percentage of companies that have never used the approach.

Table 2: Uses of Frequency

Variables	**Mean**	**S.D**	**Companies isn't used factor(%)**
Environmental Factors	**2.58**	**1.23**	**31%**
Environmental Costing Factors	2.15	1.40	65%
Environmental life Cycle System	1.25	1.36	44%
Budgeting System	2.12	1.89	54%
Indicators of Environmental Performance	3.21	2.40	30%
Social Factors	**2.75**	**1.96**	**28.0%**
Budgeting System	2.15	2.09	52.3%
Integrated Factors	**2.95**	**1.53**	**18.5%**

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Sustainability Reports	4.12	2.36	22.3%
Eco-efficiency usage	2.40	1.96	56.3%
Sustainability scorecard	2.33	1.66	25.3%
Quality of Financial Reports	**2.16**	**2.01**	**51.3%**
Average Use of Factors	**2.53**	**1.36**	**9.3%**

The use of sustainability tactics is not very common, as they have an overall acceptance rate of only 2.53% across all micro tools. Out of the nine tools studied, four have mean values higher than the overall mean score of 2.53, while five have mean values lower than the usage frequency. The sustainability report, which has an average score of 4.12, is the most frequently utilized tool. Environmental and social performance measures, with average ratings of 3.21 and 3.12, respectively, are the next two most frequently utilized instruments. It's interesting to note that just 22.3% of respondents said their organizations never use the sustainability report tool, meaning that in reality, 70% of the sample does. With an average score of 2.15, environmental cost accounting is the fourth most popular tool. The least utilized tool is environmental life cycle, with 60% of enterprises never utilizing it. With an average score of 2.40, the evaluation of eco-efficiency is below average. For social and environmental issues, the average utilization rates of budgeting tools are 2.75 and 2.58, respectively. To sum up, the sustainability balanced scorecard's mean value is 2.33. Social tools are the most often used of the three tool kinds, followed by integrative tools (average: 2.95) and environmental tools (average: 2.58).

4.2. Description and Analysis of the Uses

On the basis of Passetti et alpublished .'s items, twelve questions were selected and modified to test the goal of using sustainability tools (2014). On a seven-point scale, respondents evaluated the reasons for implementing sustainability MATs, with 1 denoting "not at all" and 7 denoting "to a large level." The average values for the purpose of use and standard deviations are shown in Table 3.

Table 3: Purposes of Use

Variables	Mean	Std.Dev
Motivating Continuous Improvement	**3.52**	**1.98**
Environmental efficiency and impact of the product	3.30	2.23
Control of social and environmental targets	3.89	2.20
Social risk assessment	3.41	2.13
Environmental risk assessment	3.49	2.08
Managerial Decision-making	**3.47**	**2.02**
Opportunities in new market	3.45	2.19
Policy of price	3.03	2.07
Capital budgeting	3.17	2.16
Competitive strategies	4.02	2.30
Product positioning	3.68	2.29
External Reporting	**4.13**	**2.17**
Customer loyalty	4.01	2.24
Social and environmental information accountability	4.25	2.30

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Internal Compliance Control	**4.70**	**2.23**
Compliance with international and national legislation	4.70	

Table 3 presents the means and standard deviations of different purposes of use for an organization's social and environmental information. The data suggests that the most important purpose of using social and environmental information is internal compliance control, with a mean score of 4.70 and a standard deviation of 2.23. This indicates that organizations use this information primarily for ensuring their own compliance with environmental and social regulations, standards, and best practices.

The next highest mean score is for compliance with international and national legislation, which is also 4.70. This suggests that organizations place a significant emphasis on ensuring that their operations and products comply with legal requirements and regulations set by both national and international bodies.

Another important purpose of using social and environmental information is external reporting, which has a mean score of 4.13 and a standard deviation of 2.17. This indicates that organizations use this information to report to external stakeholders, such as investors, customers, and regulatory bodies. Such reporting could help demonstrate a company's commitment to environmental and social responsibility, which in turn could improve its reputation and competitiveness.

The next highest mean score is for social and environmental information accountability, which is 4.25. This suggests that organizations use this information to hold themselves accountable to their stakeholders for their environmental and social performance.

Competitive strategies also have a high mean score of 4.02, indicating that organizations use social and environmental information to gain a competitive advantage in the market. This could include developing sustainable products or processes, which could appeal to customers who prioritize environmentally friendly products. Other important purposes of using social and environmental information include product positioning (mean score of 3.68), customer loyalty (mean score of 4.01), and managerial decision-making (mean score of 3.47). These purposes suggest that organizations use this information to inform their decisions related to product development, marketing, and strategic planning. The lowest mean scores are for policy of price (mean score of 3.03) and capital budgeting (mean score of 3.17). This suggests that organizations may not place as much emphasis on social and environmental factors when making pricing or budgeting decisions.

Overall, the data from Table 3 highlights the various purposes of using social and environmental information within organizations, with a particular emphasis on internal compliance control, compliance with legislation, and external reporting. These purposes suggest that organizations view social and environmental responsibility as a key factor in their operations and decision-making processes. The data in Table 3 also demonstrates that sustainability MATs are more often utilized for external reporting and legal compliance than for internal decision-making and continuous improvement. The findings are consistent with earlier research by Milne et al. (2009) and Bebbington et al (1994). According to Milne

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et al., the usage of MATs does not encourage sustainable growth via conscious choice.

4.3. Pearson Correlation

Table 4 presented the results of a Pearson's test that was conducted to explore the connection between tool usage frequency and sustainable development strategy. The results showed that there is a positive correlation between the three criteria and sustainable development, although the strength of the association is weak to moderate. The relationship between social tools and sustainable development is slightly weaker compared to the connection between integrative and environmental tools. The findings contradict those of Mokhtar et al. (2016) who found no significant difference in EMA implementation between organizations that have environmental systems in place and those that do not, as the results of the current study indicate otherwise at a significant level of 0.01.

Table 4: Pearson Correlation Matrix

			Environmental Factor	Social Factor	Integrative Factor	Quality of Financial Reports
Pearson	Environmental Factor	Correlation Coefficient	1.000	.771*	.865	.756
		Sig. (2-tailed)	.	.045	.321	.092
		N	200	200	200	200
	Social Factor	Correlation Coefficient	.771*	1.000	.886	.712
		Sig. (2-tailed)	.045	.	.226	.571
		N	200	200	200	200
	Integrative Factor	Correlation Coefficient	.0865	.0886	1.000	.712
		Sig. (2-tailed)	.321	.226	.	.318
		N	200	200	200	200
	Quality of Financial Reports	Correlation Coefficient	.756	.712	.756	1.000
		Sig. (2-tailed)	.092	.5	.3	.

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				71	18	
		N	200	2 00	2 00	2 00
*. Correlation is significant at the 0.05 level (2-tailed).						

According to Table 4 above, there is a strong correlation between environmental factor and financial report quality, with a r value of.756. The association between Social Factor and Quality Reports is substantially positive, and the r value is 712. Additionally, there is a substantial correlation (r =.712) between the Integrated F actor and the quality of financial reports.

Table 5: Result of Regression

Variable	**Coef.**	**t-statistics**	**Sig.value**
Constant	2.635	3.023	0.002
Environmental Factor	11.232	12.362	0.000
Social Factor	-0.123	-0.899	0.085
Integrative Factor	2.369	9.023	0.000

Adj. R-Sq = 0.756
F=18.152
P>F=0.000

The study reveals that the model has a strong ability to explain most of the variables, making it highly significant with a value of (F) (18.152) and (F. sig = (0.000)). The model's Adjusted R2 value of (0.756) suggests that it has a robust explanatory power. Consequently, disclosing sustainable development components has a positive influence on enhancing financial reporting quality.

Additionally, the study examines the impact of each independent variable on financial reporting quality in Iraqi companies separately. Firstly, the disclosure of the economic dimension positively impacts the accuracy of financial reports as indicated by the regression coefficient value of (11.232) and a significance level of (Sig = 0.000) below the threshold of (0.05).

Secondly, the analysis of the environmental dimension's disclosure revealed no significant impact on financial reporting quality in Iraqi companies. The regression coefficient signal is negative (-0.123), and the significance level value of (Sig = -0.085) is higher than the set threshold of (0.05).

Lastly, the social dimension's disclosure has a substantial impact on the accuracy of financial reporting as shown by the positive regression coefficient value of (2.369) and a significance level value of (Sig = 0.000) below the threshold of (0.05) in Iraqi companies.

4.4. Discussion

The studies conducted by Mokhtar et al. (2016), Ferreira et al. (2010), and Christ and Burritt (2013) provide evidence for the low adoption rate overall. The significant range of standard deviations in Table 1 indicates that different organizations use each instrument in diverse ways. Numerous firms don't apply any of them at all, according to the examination of individual techniques. Examining the three tool categories, however, indicates that 73 percent of firms have used at least one social tool, 69.9 percent of businesses have used at least one environmental tool, and 81.8 percent of businesses have used at least one integrative tool. Most companies in each category that took part in the study employed the same formal approach.

The study revealed that the majority of businesses simply use a few sustainability management accounting strategies. The tools and tactics used by each organization vary, as do the rates at which they do so. Surprisingly, the study found that social and integrative methods are more often used than environmental ones, despite the fact that the bulk of the literature on the subject concentrates on environmental sustainability (Bebbington et al., 1994). It's significant to note that two of the less well-liked techniques include environmental elements, which has contributed to a decrease in the average cost of environmental instruments.

Recent studies support the argument made by Owen (2008) that the implementation of environmental accounting systems does not change decision-making priorities. Thus, external goals are the primary uses of these strategies. The comments demonstrate how businesses use "cost-saving" strategies suitable for sustainability management that provide win-win outcomes and may support dependable sustainable development. According to studies by Morioka and Carvalho and Adam and Frost (2008), using EPIs has a positive effect on decision-making, which improves sustainability performance (2016).

Morioka and Carvalho claim that integrative tools make an effort to include sustainability into management control systems (2016). The use of an environmental tool may enhance the usage of sustainability management accounting tools (MATs), claim Christ and Burritt (2013). Thus, their findings are in line with those of past investigations of sustainability, such as those by Christ and Burritt, Henri and Journeault, and Stanikis and Arbaiauskas (2013).

According to the research's findings, Iraqi companies are eager to provide information about their financial and economic success. They think that through sharing, they may expand their market share and stimulate the economy. According to a research by Laptes and Sofian (2016), banks and businesses operating in Iraq prioritize publishing their economic information above their social and environmental information.

Given that Iraqi businesses emphasize financial concerns and do not have a detrimental influence on the environment, the data showed that there was only a modest amount of transparency on environmental issues in these institutions. According to study by Dhaimesh and Zobi (2019), banks often do not pay much attention to environmental concerns and only provide information about their

engagement in local community and energy-related environmental issues.

The results of the research corroborated those of Rusady and Prasetyo (2018), who found that revealing details on the economic and social elements of Iraqi commercial banks had a beneficial impact on the morality of financial reports. The findings were in line with Al-Ani et al(2018) .'s study, which showed that the environmental aspect's disclosure had little to no effect on the accuracy of financial reporting in Iraqi commercial banks.

5. CONCLUSION

The impact of reporting on the three elements of sustainable development—economic, social, and environmental—on the monetary performance of companies was examined. Iraqi commercial banks put a high premium on releasing information about their financial and economic performance, according to the study's analysis of sustainability reports, in order to improve their position in the market and promote economic growth. Despite the low level of openness on these problems among Iraqi businesses, the study demonstrated that social and environmental concerns nevertheless have a moral impact on the quality of financial reporting. The firms selected in Iraq show a lack of understanding of sustainability issues due to their poor utilization rates and consumption patterns. According to managerial perspectives, there is no clear link between sustainability and Iraq's management accounting systems. Managers believe that it is critical for businesses to consider sustainability in their decision-making and operational processes from both an ethical and practical standpoint. In order to successfully integrate sustainability, a business requires a structured control system. According to the study, sustainable management accounting techniques (MATs) are adopted at a low to moderate level by Iraqi firms, with significant variations in usage rates between enterprises. Similar results have been found in several economies by researchers including Mokhtar et al. (2016), Passetti et al. (2014), and Christ and Burritt (2013). Many organizations in Iraq have adopted at least one integrative, social, or environmental strategy despite the low adoption rates of any specific technique. The methodology least usually used was environmental life cycle assessment, whereas the one most frequently used was sustainability reporting. Monitoring internal compliance and external reporting are the key goals of using these techniques, and social, integrative, and environmental instruments are the most often used tools across all categories. This demonstrates that using these tactics leads to fewer internal choices being made. As a consequence, it seems that most businesses in Iraq lack well defined mechanisms, such as management accounting and control, to deal with problems involving natural and social capital in their operations.

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