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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 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.

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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.

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1. 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.

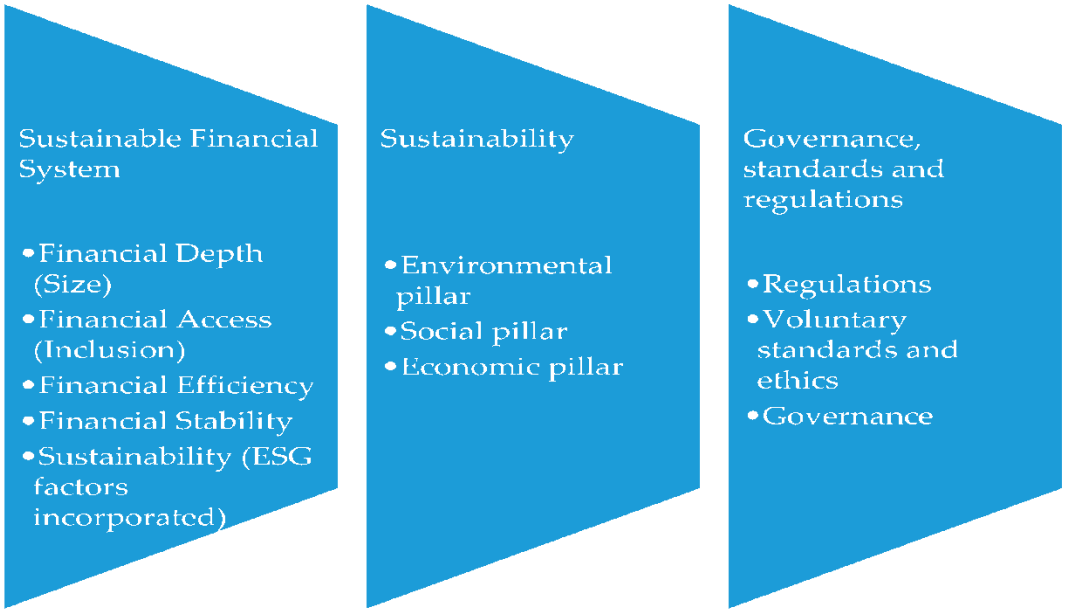

Figure 1:Finance in Economic Position Management to Facilitate Sustainability
Source: Ziolo M, Filipiak BZ, Bąk I, Cheba K. (2019)

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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.

2. LITERATURE REVIEW

Al-Dhaimesh, O.H. (2019) investigated at the research investigates the relationship between sustainable accounting disclosure practices and the financial performance outcomes of Jordanian banks during 2013 to 2017. The research evaluated financial performance effects after disclosing economic society and environmental elements. The analysis of study content provided the method researchers followed to achieve their objective Specificly designed indicators evaluated sustainable accounting disclosure aspects in line with GRI Global Reporting Initiative's version G4-2013 standards. Statistically significant changes to financial performance emerged from companies practicing sustainable accounting disclosure as demonstrated by the study.

Al-Dhaimesh, O.H. show at research measured how sustainability accounting disclosure affected Jordanian banks' financial performance over the period from 2013 to 2017. This research analyzed how banks' financial achievements connect to their monetary disclosures together with environmental and societal information. Content analysis enabled the study to meet its research objectives. Research assessed aspects of sustainability accounting disclosure with specially developed indicators while following Global Reporting Initiative (GRI) (G4-2013) framework standards. Analysis results indicated statistically meaningful financial performance impacts from sustainable accounting disclosure processes.

In a 2019 research, Al-Dhaimesh, O.H. looked at The research investigated the impact which sustainability accounting disclosure had on financial performance of Jordanian banks during the period between 2013 and 2017. Researchers examined financial performance changes stemming from reporting practices across financial, environmental and social areas. After applying content analysis the study accomplished its objective. The study measured sustainability accounting disclosure components by following the Global Reporting Initiative G4-2013 standards. Financial performance presented a statistically significant correlation with sustainability measures in accounting reports across the study's results.

Current academic investigations show managerial controls help companies achieve sustainability as evidenced by Crutzen alongside Zvezdov and Schaltegger (2017). The deployment of management controls for sustainability in business practices requires examination especially regarding how they promote sustainable operations in companies. 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

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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).

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.

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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 statistical analysis standard deviation (SD) demonstrates the extent to which data points spread around their average value or expected mean. The Greek lowercase sigma symbol represents this statistical measurement. A small standard deviation demonstrates that the variables condition themselves near the mean while large standard deviation designates variable distribution over a broad spectrum of values. Researchers compared nutrition instruction effects before and after interventions by analyzing gain scores. For every participant in the sample their gain score calculates the change between post-intervention scores and pre-intervention scores. By

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using this method researchers gain an understanding of the extent to which the intervention produced changes in dietary habits or nutritional knowledge.

5. **Correlation:** The correlation process helps estimate how two different variables relate to each other. Researchers rely on scatter plots to visually examine how two separate variables are connected. Out of all available methods correlation emerges as the leading choice when analyzing relationships between variables with at least ordinal measurement.

4. 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%

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Integrated Factors	**2.95**	**1.53**	**18.5%**
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
Internal Compliance Control	**4.70**	**2.23**
Compliance with international and national legislation	4.70	

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Table 3 presents the means and standard deviations of different purposes of use for an organization's social and environmental information. Internal compliance control represents the main purpose why social and environmental data is utilized according to the data since its mean score stands at 4.70 alongside a standard deviation of 2.23. The primary use of this information by organizations includes maintaining adherence to environmental and social regulations, standards and best practices.

Organizations lead international and national legislation compliance with a high average score of 4.70 which ranks next after the first result. The data indicates that operational and product compliance with legal standards from international and national authorities represents a major organizational priority.

The primary function of social and environmental data includes external reporting which achieves mean scores of 4.13 and existing standard deviation stands at 2.17. Businesses direct this collected data toward external audiences that consist of investors partners along with regulatory authorities. Reporting on these matters displays a company's environmental and social support which helps develop better corporate reputation and competitive advantage.

The highest score falling just below the top belongs to social/environmental information accountability at an average measure of 4.25. Such data leads organizations to maintain accountability toward their stakeholders regarding their environmental and social performance.

Organizations utilize social and environmental information for competitive advantage as shown by competitive strategies' mean score reaching 4.02 on market positioning. Organizations can develop sustainable products or processes which offer benefits to customers who value environmentally friendly products. The main objectives for deploying social and environmental information comprise product positioning with a mean score of 3.68 along with customer loyalty which shows a mean score of 4.01 and managerial decision-making at a mean score of 3.47. This analysis suggests that organizations use this data to guide their decisions about new products alongside their marketing and strategic planning operations. Organizations received the least average marks in policy of price and capital budgeting with scores of 3.03 and 3.17 respectively. Organizations show limited concern about social and environmental factors in their pricing and budgeting choices.

According to Table 3 data utilization patterns of social and environmental information emerge for organizational activities which primarily serve internal compliance control purposes as well as legal compliance requirements and external reporting responsibilities. Organizations recognize social and environmental responsibility as essential components which affect their operational decisions and management practices. Table 3 data shows sustainability Measurement and Assessment Tools (MATs) have applications primarily for legal compliance tasks and external documentation instead of internal operations and sustainment improvement work. This study’s results align with previous findings published by Milne and associates in 2009 together with Bebbington and team in 1994. Milne et al. contend that using MATs fails to promote sustainability through deliberate selection.

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

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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	.571	.318	.
		N	200	200	200	200
*. 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

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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).

Research indicates Iraqi companies show strong interest in sharing financial success and economic information. Business leaders agree that sharing information presents opportunities to broaden their customer base and energize economic activities. As shown by Laptes and Sofian's 2016 research assessment banks along with other Iraqi commercial entities put their economic information publication first before disclosing social and environmental details.

5. The focus on financial issues by Iraqi businesses along with their minimal environmental impact resulted in the research revealing these institutions maintained only limited transparency about environmental concerns. The research conducted by Dhaimesh and Zobi (2019) shows banks rarely

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address broad environmental concerns yet maintain transparency about their involvement in local community and energy environmental initiatives.

6. Rusady and Prasetyo's 2018 investigation established how economic and social disclosure from Iraqi commercial banks led to improved moral financial reporting and our research findings confirmed these results. The research matched the conclusions of Al-Ani et al(2018) in demonstrating that disclosure of environmental information did not significantly impact financial reporting accuracy within Iraqi commercial banks.

7. CONCLUSION

Researchers evaluated how disclosures of economic and environmental sustainability alongside social dimensions affected the financial performance throughout corporations. According to study analysis of sustainability reports Iraqi commercial banks focus strongly on financial and economic information release because they want market position improvement and economic growth stimulation. 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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