



The Impact of Innovative Accounting Practices on Corporate Governance and Their Reflection on The Credibility of Financial Reports: An Analytical Study

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Abstract: The research aims to study the impact of creative accounting practices on corporate governance, specifically (board division based on loans, transparency and disclosure, and capital adequacy), and their effect on the credibility of financial reports at a sample of Iraqi banks listed on the Iraq Stock Exchange for the period (2015-2022). To address this problem and achieve the research objective, the descriptive approach was adopted in analysing the research results, in addition to using the statistical package (SPSS) to analyse the data extracted from the Iraq Stock Exchange. Accordingly, the research produced several findings, the most important of which is the existence of a significant relationship and influence between Innovative Accounting Practices, Corporate Governance, and the Credibility of Financial Reports, which has directly and indirectly contributed to drawing the attention of commercial banks to improve their financial performance. This is because the profits reported by the Iraqi private commercial banks in the research sample do not exhibit a high level of earnings quality due to their reliance on Innovative Accounting Practices in making and giving financial reports, finished deliberate intervention in accounting measurement and disclosure, within or beyond usually putative accounting values, to affect the reported profits. Therefore, the research recommended that the banks in the sample should cease applying Innovative Accounting Practices, as these practices have negative effects on the bank's value and future, necessitating the application of Corporate Governance principles to address these practices and improve the Credibility of Financial Reports.

Keywords: Innovative Accounting, Corporate Governance, Credibility of Financial Reports, Iraq Stock Exchange.

Introduction

For example, innovative accounting practices (Banks, 2023) are significant Corporate Governance factors, because financial reporting is an integral part of building trust between companies and investors, and in the competitive and ever-changing financial market, some financial institutions may use unconventional accounting practices to meet their financial goals, compromising the Credibility of Financial Reports (Kamau & Murori, 2024). These performs may also include profit unstable, loss approximation, and financial statement rebuilding, creating an imprecise imprint of the bank's financial location (Blue et al., 2025).

From this viewpoint, questions arise concerning the mechanism through which these does impact Business Governance and the quality of financial information providing to investors and moneylenders (Abed et al., 2022).

However, governance practices are highlighted to improve good governance to reduce behaviors that undermine market and customer confidence in financial reporting (Indoria and Devi, 2025), the understanding of which is essential for the protection of shareholders and the sustainability of financial institutions (Ali Shomo et al., 2023), while credibility in financial reporting represents the technical ability of the bank to provide the highly technical information that reflects the true status of assets and liabilities, which in turn allows investors to make more informed investment decisions (Ali Shomo et al., 2023 ; Ikeokwu et al., 2024).

In a previous study, researchers found that financial institutions that tend to engage in creative accounting may have credibility issues with financial reporting (Saleh et al., 2023), which can cause the loss of investor trust (Abdullah, 2025). In addition, the credibility of financial reports is one of the most important variables that affect investment and lending decisions because investors realize that any manipulation will incur significant losses (Al-Khoury et al., 2023), and thus, companies must be transparent and honest when preparing their financial reports to improve the credibility of the financial reports and the reliability of the information provided (Al Astal et al., 2024).

However, the significance of developing effective regulatory mechanisms to encourage compliance with internationally accepted accounting standards is increasing to achieve the principles of Corporate Governance (Abubakr et al.,2025). When Innovative Accounting Practices result in financial manipulation, the market may not be able to ascertain the true value of assets (Isoso,2024), which underscores the importance of improving good governance in financial institutions in order to strengthen the credibility of financial reports and to safeguard the economic interests of all stakeholders (Bogos,2023).

Methodology

First: Research Problem

Innovative Accounting Practices are complex challenges on Corporate Governance (Debbarma & Roy, 2023), especially in the banking sector that uses financial reporting as a financial performance measurement tool (Jasim & Ibrahim, 2023). While they may be more appealing for short-term profits, they may also create a cover-up of the financial condition of the institution (Anugrah et al., 2025), which requires credibility in financial reporting to deliver information that is in line with the reality of the bank. This implies that the extensive use of Innovative Accounting Practices can distort the financial reality of the bank (Kallantary et al., 2025), which can lead banks to use accounting methods that are not transparent and provide unclear information to stakeholders (Kamau & Murori, 2024). Additionally, accounting policies and practices that lack integrity can affect Corporate Governance and weaken investor and all stakeholder confidence in financial institutions (Olaoye & Agbaje, 2024).

As the financial market becomes more complex and the economic environment changes rapidly, it is necessary to develop a methodology that determines the effect of Innovative Accounting Practices on the quality of financial information provided (Xanthopoulou et al.,2024), which requires the use of Corporate Governance to ensure the credibility of financial reporting (Gardi et al.,2023), and official information loses its reliability and becomes susceptible to manipulation if Corporate Governance principles are not followed (Akinsola,2025), which reflects the business strategy and the company\'s position in the market regarding its credibility to curb the spread of doubts and instability in financial markets (Alduais et al.,2023).

Alternatively, the reasons for the implementation of Innovative Accounting Practices can differ from one company to another, and therefore attention needs to be paid to the risks that financial reporting planning and preparation entail (Oyewo et al., 2023). Firms that wish to improve their image and their financial standing may distort or repackage information to suit their short-term interests (Mesioye & Bakare, 2024), resulting in a lack of trust in their financial data. Thus, good governance is a key foundation to tackling these issues and applying accounting practices that help align data with the financial reality (Efunniyi et al., 2024). Thus, the research problem can be expressed in a fundamental question: what is the impact of Innovative Accounting Does on Corporate Governance and its effect on the Trustworthiness of Financial Reports in profitable banks? To address this problematic, precise answers need to be recognized for the following sub-questions:

1. What is the impact of IAP on the trustworthiness of financial reports in profitable banks?
2. How does corporate governance influence the use of IAP?
3. What methods are used in IAP in banks?
4. How can the credibility of financial intelligences be assessed in the attendance of IAP?
5. What is the relationship between governance performs and IAP in financial institutions?
6. How can transparency and integrity in financial reporting be enhanced to ensure trustworthiness?

Second: The importance of the research

This research focuses on Innovative Accounting Practices and their impact on Corporate Governance and the Credibility of Financial Reports in commercial banks. Accurate and properly coded financial information is essential for guiding investment decisions and enhancing the confidence of investors and shareholders in companies, which is why credibility in financial reporting is crucial in maintaining the stability of the financial market. The research can therefore provide a deep understanding of how to manage the risks that are associated with Innovative Accounting Practices.

Another approach is the view that accounting practices are a way to increase the transparency of financial operations and build confidence in financial institutions. It is precisely by identifying the adverse effects of Innovative Accounting Practices on the

Credibility of Financial Reports that institutions are more likely to believe that stricter governance standards should be implemented, and the research will help to clarify the relationships between Corporate Governance and accounting practices in order to better ensure compliance with sound financial practices.

However, this research increases awareness that good governance can help mitigate manipulation and financial fraud that may be enabled by Innovative Accounting Practices, so that stakeholders, such as investors and lenders, have access to accurate and reliable information with which to make investment decisions. The research also underscores the importance of Credibility of Financial Reports to promote discussion of updating the financial systems and regulations that govern these institutions.

Moreover, the results of this research provide practical suggestions for commercial banks to adopt accounting strategies consistent with international standards, which will help to make financial reports more credible, improve the performance of banks, and enhance the image of the financial sector. It will also shed light on the role of regulatory authorities and the frameworks they need to develop to strengthen the corporate governance system and constrain destructive innovative accounting practices.

Third: The objectives of the research

The purpose of the current research is to investigate the impact of Innovative Accounting Practices on Corporate Governance in terms of (The Board of Directors is Divided Based on Loans, Transparency & Disclosure, and Capital Adequacy) and their reflection on the Credibility of Financial Reports for a sample of Iraqi banks listed on the Iraq Stock Exchange during the period (2015-2022). The current research also aims to analyse the role of governance in guiding Innovative Accounting Practices towards more ethical financial behaviours, thereby enhancing transparency and credibility in financial reporting. The research will provide a better understanding of the potential negative effects on the governance culture in banks, which will allow senior management to make informed decisions about the accounting policies followed, increasing the independence and quality of financial information. In particular, the research aims to achieve the following sub-objectives:

1. To identify the impact of innovative accounting practices on the credibility of financial reports in commercial banks.
2. To determine how corporate governance influences the use of innovative accounting practices.
3. To identify the methods used in innovative accounting practices in banks.
4. To identify how to evaluate the credibility of financial reports in the presence of innovative accounting practices.
5. To measure the relationship between governance practices and innovative accounting practices in financial institutions.
6. To demonstrate how transparency and integrity in financial reporting can be enhanced to ensure credibility.

Fourth: Hypothetical Scheme and Hypothesis Development

The main purpose of the hypothetical framework is to define the theoretical framework upon which the research is based, as it helps to organise ideas and concepts logically. This framework contributes to clarifying the relationship between different variables and helps the researcher understand how they interact. Therefore, Figure (1) illustrates the hypothetical framework of the research in light of the following variables:

- **Independent Variable:** Innovative Accounting Practices.
- **Integrative Variable:** Corporate Governance. Three indicators were adopted to measure this variable: (The Board of Directors is Divided Based on Loans, Transparency & Disclosure, and Capital Adequacy).
- **Dependent Variable:** Credibility of Financial Reports.

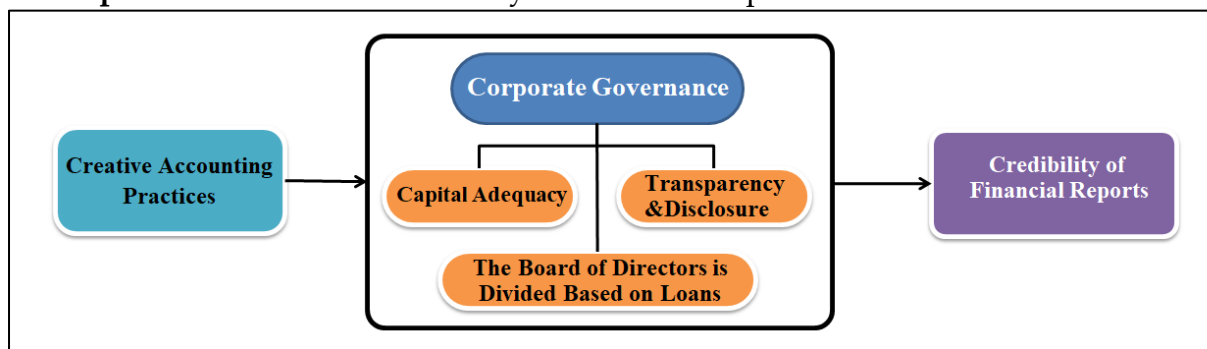


Figure 1. Hypothetical Scheme of the Research

From Figure 1, several hypotheses can be formulated:

H1: There is a significant correlation between innovative accounting and corporate governance and their reflection on the credibility of financial reports.

H2: There is a significant effect of innovative accounting on corporate governance and its reflection on the credibility of financial reports.

Fifth: Research Sample

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Part Two: Theoretical Aspect

First: Innovative Accounting

The Concept of Innovative Accounting

Accounting information is considered a fundamental part of the information systems that companies rely on to record, monitor and report their financial activities. This information plays a pivotal role in decision-making and managing financial resources, which drives many company departments to manipulate financial data through innovative accounting practices using various techniques to falsify this data (Musalli et al., 2025). indicated that (Al-Shar,2025) the term Innovative Accounting refers to accounting practices

sometimes employed by company management in an attempt to achieve an apparent improvement in profitability or financial position. This is done by exploiting gaps in auditing methods in general, or by using available alternatives in accounting policies and methods permitted by accounting standards for companies in the measurement and disclosure methods used in preparing financial statements. This affects the quality of the financial data presented in the financial statements, whether regarding profits or financial position, and thus impacts the reliability of this data. stated that (Muqadi & Al-Afaas,2025) Innovative Accounting focuses on manipulating items in the organization's financial statements to present a false picture using selective or alternative accounting methods when applying accounting principles, or engaging in unethical practices aimed at deceptively improving the organisation's financial position in front of stakeholders, in order to achieve objectives aligned with management's goals.

Innovative Accounting can be used in two different ways: positively, by employing accounting solutions and procedures that assist in decision-making, and negatively, by manipulating figures to achieve specific objectives. This negatively affects the company's accounts or manipulates them to achieve certain goals, impacts the stock market, and directly influences some decisions, thereby adversely affecting the national economy and market investors (Ahmed, 2025). indicated that Remenarić et al.,2018) Innovative Accounting represents a series of actions taken by the management of an economic unit, which affect reported operational results, do not yield real economic benefits for that unit, but rather cause significant long-term harm.

Defined (Al-Mustawfi,2024) Innovative Accounting as accounting practices that manipulate financial figures, usually within the framework of accounting laws and standards, but largely deviating from generally accepted accounting principles or specified standards. considers Innovative Accounting to (Al-Tayeb,2025) represent certain steps used to manipulate financial figures, including the arbitrary application of accounting principles, fraud in financial reporting, and any other steps taken to manage profits or present an unrealistic depiction of income. The concept of Innovative Accounting is also used to describe cases where the income, assets, and liabilities of an economic entity are presented in a dishonest and unrealistic manner, which has led to numerous collapses and scandals in many major international companies. From the above, it can be said that Innovative Accounting represents a combination of manipulation of financial figures through a set of practices aimed at adjusting and beautifying data in a way that serves the interests of the organisation.

Motivations for Innovative Accounting Practices

Numerous studies have shown the existence and prevalence of earnings management practices whenever a company needs to make important decisions, and these motives can be identified as follows:

- a. Meeting essential requirements by enabling companies and their management to benefit from the numerous legal, contractual, and competitive requirements necessary to

maintain their market share. Therefore, companies use innovative accounting techniques to meet these requirements.

- b. Obtaining or maintaining financing. When companies suffer from liquidity problems necessary to continue their operations, and sometimes to meet their obligations to financial institutions, they resort to innovative accounting techniques to improve the company's performance and financial position on paper, rather than in reality, in order to meet the financing conditions imposed by financial institutions. This means presenting a more favorable financial picture than reality (Ahmed, 2025).
- c. Positively impacting the reputation of the economic entity in the markets to improve its financial value related to its performance. This occurs in struggling economic entities whose operating or investment conditions do not allow for natural improvement, thus requiring their management to resort to innovative accounting practices.
- d. Obtaining, maintaining, or increasing financing from banks. This procedure affects credit decisions in economic entities (Adel & Saadawi, 2017).

Methods and Tools Used in Innovative Accounting

There are many methods and techniques used in Innovative Accounting, including:

- a. Change in working capital, as accounting standards sometimes allow a company to choose between several different accounting methods. For example, in some countries, a company is permitted to choose between expensing development costs as they occur or amortising them over the life of the project. Therefore, a company can select the accounting policy that presents the most favourable picture (Al-Tayeb,2025).
- b. Operating cash flow, which involves the use of certain inputs in accounts related to evaluation and forecasting. In some cases, when assessing the useful life of an asset for depreciation purposes, these evaluations are usually conducted internally, giving a skilled accountant room for error in their estimate, whether due to excessive caution or over-optimism. In other cases, an external expert is usually consulted to perform the evaluations, and a statistician may assess the future financial obligations of pensions (Adámiková & Čorejová,2021).
- c. Value manipulation, as a skilled accountant can manipulate the value either through the method used to calculate the overall valuation or by selecting an appraiser known for their optimistic or pessimistic outlook, depending on the accountant's preference (Abed et al.,2022).
- d. Phantom transactions can be introduced either to manipulate budget amounts or to shift profits between accounting periods. This is achieved through entering two or more interrelated transactions with a third party willing to assist (Kamau & Murori,2024).
- e. Timing manipulation of transactions, defined as manipulating the timing of transactions to target a specific year for recording profits or losses for any purpose intended by the accountant, is particularly useful when there are clear discrepancies between book value and market or intrinsic value (Puaschunder & Gelter,2025).
- f. Two measurement indicators have been adopted as they are the most well-known in the literature, namely (changes in working capital and operating cash flow).

Second: Corporate Governance

The Concept of Corporate Governance

The concept of Corporate Governance emerged following the development of agency theory, which involves conflicts of interest between company management and shareholders, as well as stakeholders in general. This led to increased attention towards establishing rules and regulations to govern the relationships between these parties within companies. In 1976, Jensen and Meckling highlighted the concept of Corporate Governance and its importance in mitigating problems that may arise from the separation of ownership and management. Then, in 1987, the American Institute of Certified Public Accountants (AICPA) formed the Committee of Sponsoring Organisations (COSO), also known as the Treadway Committee. This committee issued a report containing a set of recommendations for implementing Corporate Governance rules and preventing fraud and manipulation in financial statements. These recommendations emphasised strengthening the concept of internal control systems and expanding the role of external audit processes before company boards of directors (Aya&Aida,2024). Consequently, governance has become one of the most important topics that institutions and international organisations pay great attention to, and it is considered a pressing issue on their agendas. This is clearly reflected in the guide of the Center for International Private Enterprise (CIPE) on establishing Corporate Governance in emerging markets (Hijazi et al., 2025). indicated that (Said&Djelloul,2021) Corporate Governance represents a set of principles, rules, and procedures used to manage a company, whether from a legal, financial, or accounting perspective, which define the relationship between the company's management on one hand, and its financiers and stakeholders on the other.

The world has witnessed many economic and financial crises resulting from flawed administrative and financial practices by various companies. These practices represent a form of unethical professional behaviour by management, which acts as a representative of shareholders, pursuing personal gains at their expense (Sulaiman&Hasaballah,2024). As a result, the trust disaster between senior organization and proprietors, caused by worldwide financial scandals, tinted the importance of location optimal standards for best does in Corporate Governance (Luca et al.,2024). Thus, Corporate Governance has emerged as a highly significant subject, given the numerous negative events that have captured the attention of international financial institutions (Rashid et al.,2024). The concept of Corporate Governance has gained substantial importance in many countries, becoming an essential condition for successful management due to the loss of investor confidence following events that affected the global economy (Al Amosh& Khatib,2025).

Corporate Governance represents a set of mechanisms, procedures, laws, regulations and decisions that ensure discipline and fair transparency, aiming to achieve quality and excellence through the activation of management procedures of the economic unit (Ezz & Hussein, 2019). According to (Luca et al., 2024), Corporate Governance is a set of procedures that regulate corporate behaviour and achieve a balance among the positions of various stakeholders, ultimately leading to enhanced corporate efficiency and profitability. From the foregoing, it can be said that Corporate Governance represents the rules by which a

company is managed and directed, including mechanisms organising the various relationships between the board of directors, executive managers, shareholders and stakeholders.

The Importance of Corporate Governance

The importance of Corporate Governance lies in enhancing its economic efficiency by establishing a framework for the relationship between company managers, the board of directors, and shareholders (Farooq et al., 2025), and this importance can be defined as follows:

- a. This framework allows for the definition of company objectives and the means to achieve them by providing appropriate incentives for board members and executive management.
- b. It facilitates access to worldwide financial markets and entices a greater number of savers (especially foreign investors) to finance growth projects.
- c. It enhances the sureness of local investors, thus levitation capital at a inferior cost (Aya & Aida, 2024).
- d. Governance donates to the growth and change of companies working in vital sectors, adding value to the economy. It is also significant in helping to steady financial markets, increase slide, attract investments, and decrease risks facing the financial system (Saada, 2025).
- e. Corporate governance helps defend investments from losses subsequent from the abuse of power against savers' interests and helps safeguard the rights of all stockholders, such as the correct to vote and the right to contribute in choices related to any material vicissitudes that may affect the business's future presentation (Smoljic & Konjic, 2024).
- f. Corporate governance emphasizes on developing does that facilitate the economic wealth of businesses now and in the upcoming (Manginte, 2024).

The Objectives of Corporate Governance

CG has many objectives, including the following:

- a. Distinguishing between the responsibilities and errands of executive bosses and those of the board of directors and its memberships.
- b. Achieving agreement and social justice by founding a minimum standard of alive for all citizens and ensuring a distinguished life for them (Soejoeti et al., 2024).
- c. Preventing the abuse of obtainable powers for illicit gain and barring the exploitation of the welfares of the company, its stockholders, and stakeholders.
- d. Enhancing organization's ability to inspire employees and improve employee income and constancy (Milhem et al., 2025).
- e. Adhering to the values of integrity, fairness, and slide in the use of control and the management of public funds and state capitals, and limiting the misuse of public authority for individual gain (Augustine, 2025).

- f. Achieving a level of competence, effectiveness, and contribution among individuals and organizations to create a helpful and motivating social environment that donates to growth and innovation.
- g. Safeguarding the necessary defense of public property.
- h. Establishing effective interior control schemes that reduce risks (Al Astal et al., 2024).

Corporate Governance Measurement Indicators

CG can be measured through numerous pointers, which are:

- a. Another mechanism of corporate governance is the independence of the board of directors, which usually oversees the performance of the executive management and, specifically, the rights of shareholders (Al-Naeem, 2025). Hence, corporate governance laws require the appointment of independent board members, constituting one-third of the board members, or at least two members, whichever is greater (Pucheta-Martínez and Gallego-Álvarez, 2019). This is because it takes a majority of independent members to form a board and thus to be more efficient and effective in overseeing the company as a whole and the executive directors. In addition, the number of independent members in the company structure can help to reduce agency costs (i.e., agency costs of conflicts of interest between stakeholders and managers) and to increase stakeholder demands (Zaid et al., 2019).
- b. **Transparency and Disclosure:** Transparency and Disclosure is achieved by ensuring that the corporate governance framework ensures immediate, accurate, and timely disclosure of all matters pertaining to the formation of the company, its financial status, performance, ownership, and control (Said & Djelloul, 2021). Transparency also refers to the willingness of stakeholders to follow sound, fair, and ethical practices and rules in their assigned tasks (Bligh, 2017), as well as social expectations that follow from rules established by employees for their peers (Bligh, 2017 ; Barkhordari, 2017).
- c. **Capital Adequacy:** A bank's capital plays a vital and decisive role in ensuring the safety of depositors. However, a small bank capital, not exceeding 10% of net assets, indicates a low safety margin for depositors, whose funds constitute a large part of the bank's capital sources. It is important to note that the primary purpose of measuring capital is to assess the bank's ability to absorb losses arising from its invested assets, not its ability to cover deposits (Jumaah & Kareem, 2025).

Third: Credibility of Financial Reports

The Concept of Credibility of Financial Reports

Financial reports are considered the means that provide their users with the necessary accounting information, accurately reflecting the economic events that affected the organisation during its period of activity, and they aim to alert investors to the potential failure of the organisation or its approach to the brink of failure (Alsohagy, 2013). The credibility of financial reports is defined as the procedures that must be followed to make accounting information credible and reliable for stakeholders and decision-makers (Shroff, 2015), and it is described as the honesty and reliability of information and the ability for

users to depend on accounting and financial information with the minimum possible degree of fear (Marinovic et al., 2017). Companies prepare interim and annual financial reports reflecting their financial capacity to meet the needs of internal and external users, as they express economic phenomena through words and numbers. For this information to be useful, it must possess a set of qualitative characteristics (Liang et al., 2018). Transparency in financial reporting is ensured through full disclosure and the fair presentation of useful information that aids decision-making and performance evaluation (Richard & Odendaal, 2021). Therefore, care must be taken to make the disclosed information easy to understand and interpret, and to ensure that it has been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, which aim to establish uniform principles for the preparation of financial reports in all countries (Abbas et al., 2021).

The CFR at the international level has also gained global acceptance, as adherence to these standards makes accounting information more useful for investors for forecasting and evaluation purposes, and the concept of investor protection has expanded to include both the protection of domestic and foreign investors from misleading accounting practices, through adopting a unified language for company financial statements to attract investment, protect investors, and provide full credibility and transparency in financial statements (Salehi et al., 2023). CFR ensures that accounting information is accurate, complete, and unbiased, the true financial position of the company, enabling investors, management, and regulatory bodies to make informed decisions and preventing them from being misled by false or misleading information, by following strict accounting standards like International Financial Reporting Standards (IFRS), good governance (strong audit committees), external auditing and the application of technological advances like artificial intelligence (Sackey, 2024).

The Importance of Credibility of Financial Reports

Financial reports are important because many stakeholders rely on the accounting information contained in them to make economic decisions (Schröder, 2022). There are many categories of users, and all interested parties use financial reports, which provide them with the required information based on the needs and nature of their relationship with the organization (Hsiao et al., 2025). The information and data they provide are high-quality, accurate, and useful to help beneficiaries make good decisions. The primary communication mechanism between management and all other interested parties about the financial position, performance, and cash flows of the organization is financial reports (Humpherys et al., 2011). Among the many factors contributing to the CFR is the existence of audit committee procedures, which enhance the reliability of the financial data submitted to the regulatory authorities (Abbas et al., 2021). Risk management practices also play an important role in ensuring the reliability of financial reports, especially in banking institutions (Liang et al., 2018). Newer technologies, including artificial intelligence, can be used to enhance the quality of financial reports by processing and analyzing data, leading to more reliable financial information (Shroff, 2015). The relevance of the CFR is based on

the reliability of the accounting information in those reports, the utility of those reports to users, the absence of distortion and misrepresentation, and the preparation of those reports in accordance with a body of legal, regulatory, professional, and technical standards in order to achieve their intended purpose (Alsohagy, 2013).

Result and Discussion

Part Three: The Practical Aspect

First: Innovative Accounting Practices

Tables (1) show the results of measuring Innovative Accounting Practices and the annual net profits of Gulf and Baghdad banks during the research years, as shown below:

Table 1. shows the value of the Innovative Accounting Index for Gulf Commercial Bank during the study years

Year	Change in working capital (Gulf Bank) 1	Operating Cash Flow (Gulf Bank) 2	(2/1)3	Change in working capital (Bank of Baghdad) 4	Operating Cash Flow (Bank of Baghdad) 5	(5/4)6	Innovative Accounting 6-3
2015	37787850000	41810109000	0.904	45051377000	39945651000	1.128	-0.224
2016	59430201000	-36928363000	-1.609	37787850000	41810109000	0.904	-2.513
2017	-2871529000	-34034200000	0.084	59430201000	-36928363000	-1.609	1.693
2018	9552231000	3138141000	3.044	-2871529000	-34034200000	0.084	2.960
2019	-3127007000	6069963000	-0.515	9552231000	3138141000	3.044	-3.559
2020	-1191569000	1604852000	-0.742	-3127007000	6069963000	-0.515	-0.227
2021	3462817000	1585659000	2.184	-1191569000	1604852000	-0.742	2.926
2022	6313401020	2194403231	2.877	1671680531	2186593184	0.765	2.112
Mean	13669549378	-1819929471	0.778	18287904316	2974093273	0.382	0.396

Table 2. shows the net profit and Innovative Accounting Index for Gulf Commercial Bank during the study years.

Year	Net Profit (Gulf Bank)	Net Profit (Bank of Baghdad)	Practice/Do not practice	Type of practice
2015	47451841795	1331841000	Practice	Negative
2016	36146585353	1970475000	Practice	Negative
2017	9859903430	3612464000	Practice	Positive
2018	5870759034	3760419000	Practice	Positive
2019	4230107006	400653000	Practice	Negative
2020	591789500	912959000	Practice	Negative
2021	-3931357837	1002806000	Practice	Positive
2022	3231457816	1255745212	Practice	Positive

The results in Table (1,2) indicate that The following:

1. The bank engaged in Innovative Accounting during the research years when preparing and presenting financial statements through deliberate intervention in accounting measurement processes, disclosure, and financial magnitude to influence the accounting figures by inflating the reported profits in the financial statements, as the mean

according to the Miller model reached (0.396), indicating poor earnings quality due to its deviation from zero.

- There is a variation in the extent to which the bank practiced innovative accounting during the research years, as the Innovative Accounting index value according to the Miller model ranged from the highest positive practice in 2021, reaching (2.960), indicating the highest average value of innovative accounting practice but the lowest in terms of earnings quality due to its distance from zero, while the lowest practice in the negative direction was recorded in 2019, reaching (-3.559), indicating the lowest innovative accounting practice value, which does not imply high earnings quality due to its proximity to zero but in the negative direction.

Second: Corporate Governance

The study sample consisted of Iraqi private commercial banks listed on the Iraq Stock Exchange. The sample included four banks: Gulf Bank and Bank of Baghdad, for the period 2015–2022. This section aims to analyse the indicators related to governance mechanisms in these banks, which are four indicators for the commercial banks in the study sample. The pointers to be analysed are Board Arrangement, Transparency & Revelation, and Capital Adequacy, noting that the banks' funds vary between owned funds, rented funds, and put funds.

The Board of Directors is divided based on loans.

It is slow by the amount of loans decided by the bank throughout the years of study; the higher the advance ratio, the lower the attention rate, which affects individual loans. The results in Table (3) show that in 2017, Gulf Bank achieved the highest relative importance of loans at 18%, and in 2016 it reached the second highest relative importance at 16%, followed by 2015 at 13%. The table also shows variability in the amount of loans granted from year to year, with the lowest importance in 2020 at 9%. As for Baghdad Bank, it achieved the highest relative importance of loans in 2016 at 17%, and in 2015 it reached the second highest relative importance at 16%, followed by 2017 at 12%. The table also shows variability in the amount of loans granted from year to year, with the lowest importance in 2021 at 10%.

Table 3. shows the amount of loans granted to Gulf Bank and Baghdad Bank during the study period.

Year	Loans (billion dinars)		Loans (billion dinars)	
	Gulf Bank	%	Baghdad Bank	%
2015	202986885495	%13	228699673	%16
2016	259590856698	%16	235718858	%17
2017	287550217570	%18	162568722	%12
2018	204274936809	%13	137855722	%10
2019	171492437055	%11	161954726	%12
2020	144623558927	%9	149602718	%11
2021	127002548274	%8	141629918	%10
2022	189109402217	%12	175842936	%13
Total	1586630843045		1393873273	

Transparency and Disclosure

Disclosure is the process of revealing material information (financial and non-financial) that is of interest to investors and stakeholders, and it is disclosed periodically (at specified financial intervals) or immediately when an event occurs, so that the information is available simultaneously to all relevant parties, and so that no party exploits the information before others.

The results in Table (4) show that in 2016, Gulf Bank achieved the highest relative importance in terms of investment size at 25.5%, while in 2017 it recorded the second highest relative importance at 21.4%, followed by 2018 at 12.5%. The table also shows variations in the amount of loans granted from year to year, with the lowest importance recorded in 2022 at 0.01%.

As for the Bank of Baghdad, it achieved the highest relative importance in terms of investment volume in 2020, reaching (5%), and in 2019 it reached the second highest relative importance at (4.4%), followed by 2017 at (2.9%). The table also shows changes in the amount of loans obvious from year to year, while the lowest rank was in 2016 at (0.1%).

Table 4. shows the volume of investments of Gulf Bank and Baghdad Bank during the study period.

Year	Investments (billion)		Investments (billion)	
	Gulf Bank	%	Bank of Baghdad	%
2015	77925427377	%11.9	455021749	%0.2
2016	167113347120	%25.5	258837884	%0.1
2017	140195587636	%21.4	5864988000	%2.9
2018	82195587626	%12.5	4634506000	%2.3
2019	66626622471	%10.2	9105960900	%4.4
2020	60428666231	%9.2	10223041000	%5.0
2021	60893196570	%9.3	168953729	%0.1
2022	65575440	%0.01	442311497	%0.2
Total	655444010471		205307268859	

Capital Adequacy

Capital Adequacy indicators are international standards for gauging the level of credit risk and protecting depositors and supporting the stability and efficiency of financial systems. Table (5) shows that Gulf Bank had the highest relative importance in investment volume in 2016 (25.5%), second highest in 2017 (21.4%), and fifth highest in 2018 (12.5%).

There is also variation in the percentage of the loans granted from year to year, which was the lowest in 2022 at 0.01%. Baghdad Bank, meanwhile, had the greatest relative importance in investment volume in 2020 at 5 percent, and second-highest relative importance in investment volume in 2019 at 4.4 percent, followed by 2017 at 2.9 percent. There is also variation in the percentage of the loans granted from year to year, which was the lowest in 2016 at 0.1 percent.

Table 5. shows the capital competence of "Gulf Bank and Baghdad Bank during the study retro"

Year	Capital Adequacy% Gulf Bank	%	Capital Adequacy% Bank of Baghdad	%
2015	73.809	%9.0	58	%10.1
2016	75	%9.1	64	%11.1
2017	91.420	%11.1	86	%15.0
2018	125	%15.2	116	%20.2
2019	131	%16.0	126	%21.9
2020	148	%18.0	64	%11.1
2021	143.8	%17.5	28	%4.9
2022	33	%4.0	33	%5.7
Total	821.03		575.00	

Third: Hypothesis Testing

H1: There is a significant correlation between innovative accounting and corporate governance, and this correlation is reflected in the CFR.

The results of Table (6) indicate a significant correlation between Innovative Accounting and Corporate Governance and their impact on the CFR, generating a significant correlation strength of (0.732). This directly and indirectly contributed to the focus of commercial banks on improving their financial performance, as the profits announced by the Iraqi private commercial banks in the research sample do not exhibit a high level of earnings quality due to their adherence to Innovative Accounting Practices when preparing and presenting financial reports, through deliberate intervention in measurement and accounting disclosure processes within or beyond generally accepted accounting principles to influence declared profits.

Table 6. shows the correlation matrix.

	Innovative Accounting	Board of Directors	Investment volume	Capital Adequacy	Corporate Governance
Innovative Accounting	1				
Board of Directors	.694**	1			
Investment volume	.440**	.568**	1		
Capital Adequacy	.954**	.435**		1	
Corporate Governance	.732**	.822**	.923**	.673**	1

H2: There is a significant effect of innovative accounting on corporate governance, and this correlation is reflected in the CFR.

The results of Table (7) indicate a significant effect of innovative accounting on Corporate Governance and its impact on the CFR. This shows that an increase of one unit in positive innovative accounting practices leads to an improvement in Corporate Governance and its impact on the CFR at ($\alpha=0.818$, $\beta=0.580$) with a standard error of (0.023), which

supports the acceptance of the effect hypothesis since the calculated (T) value of 25.217 is higher than the table (T) value. Similarly, the calculated (F) value of 56.128 is higher than the table (F) value. It is also evident that positive innovative accounting practices contributed to explaining 0.536 of the variance in Corporate Governance and its impact on the CFR, while the remaining value is beyond the scope of the study.

Table 7. Outputs of the significant impact of innovative accounting on Corporate Governance and its reflection on the CFR

Path					a	β	standard error	T	F	R ²	Sign.
Innovative Accounting	>---	Corporate Governance	>---	Credibility of Financial Reports	0.811	0.580	0.023	25.217	56.128	0.536	0.001

Conclusions

The results showed a significant correlation and effect between creative accounting practices, corporate governance, and the credibility of financial reports, which directly and indirectly contributed to the focus of commercial banks on improving their financial performance, as the profits reported by the Iraqi private commercial banks in the study sample do not exhibit a high level of profit quality due to their engagement in creative accounting practices when preparing and presenting financial reports, through deliberate intervention in accounting measurement and disclosure processes, within or outside generally accepted accounting principles, to influence the reported profits. There is also a variation in the type and extent of selected banks' engagement in creative accounting during the study years, as some of these practices lead to increased profits while others result in reducing profits to a certain level, meaning that there is a conflict between these practices, prompting company management to balance and reconcile these practices to achieve the greatest benefit for them. Although management's engagement in creative accounting provides specific short-term benefits for management, it has a negative impact on long-term financial performance due to the adverse outcomes it produces on the company's reputation with investors, lenders, and other stakeholders, resulting from a lack of reliability in the information contained in its financial statements, which negatively affects its market value and consequently its financial performance and profitability.

The results also indicated that the greatest challenge of creative accounting is not limited to the technical aspect of accounting but extends to the ethical dimension of accountants, which is more dangerous for the future of the accounting profession. Although profitability is affected by creative accounting practices, it remains the most important indicator in evaluating the quality of earnings for commercial banks.

Based on the results of the research, several recommendations can be proposed, including that the banks in the study sample should stop applying creative accounting practices, as these practices have negative effects on the bank's value and future. This

requires the application of corporate governance principles to address these practices and improve the credibility of financial reports. In addition, it is necessary to raise awareness among financial report users about the implications and effects of creative accounting on their decisions, through workshops on these practices, and to intensify efforts between auditing bodies, the Iraq Stock Exchange, and universities and institutes through the organisation of seminars.

Professional bodies and relevant authorities must establish and enforce regulations and instructions that limit companies from practising creative accounting and impose stricter penalties for it. Additionally, it is necessary to adopt and use modern statistical methods to measure management intervention in measurement and financial reporting processes, and to continuously work on developing them with the aim of improving the indicators for assessing the quality of accounting profits reported in financial statements, which financial statement users rely on when making decisions. It is also recommended that external auditors disclose the proportion of creative accounting in financial reports due to its significant impact on the bank's value, share prices, and achieving the highest levels of accounting information quality.

A future vision should be developed regarding the necessity of adding a course on accounting ethics in the accounting departments of Iraqi universities and institutes to prepare cadres capable of dealing with creative accounting practices and adhering to professional conduct ethics.

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