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The Impact of Applying the IFRSs in Emerging Economies. Case Study on Iraqi Conventional Banks

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Abstract

This research deals with the study of the impact of applying the IFRS in emerging economies, and while referring to the impact of applying the IFRS in Arab countries, the focus is on Iraqi banks, especially conventional banks. The importance of applying the IFRS in emerging economises is that it enables the banks to continue to provide their services to the public, to face future financial problems, and to keep abreast of internal and external developments. It also identifies constraints in order to use the IFRS data which helps Iraqi banks to make their decisions and financial investment plans.

The researchers obtained the data for this study through data analytics, which is based on data collected from the annual financial statements of 10 conventional banks. The conclusions of the study contain a set of results that conventional banks are seeking in regards to profitability without being bound by international standards, and also results that the customers are seeking in order to achieve benefits from the banks that apply the international standards (for example, the increase of the security of their deposits). The study concluded that the adoption of IFRS is necessary for banks, since this will help in attracting foreign investments to Iraqi banks.

Key terms: IFRS, emerging economies, Iraqi system banks, Iraqi conventional banks, value relevance

JEL Classification: M41, G21

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➲ Introduction

We can say that the impact of applying the IFRS in emerging economies has been quoted in relation to the developments of the last decades of the twentieth century.

The importance of this research regarding the banking sector in the recent years is even greater, especially in Iraq, where a number of banks experience low liquidity, deposits, income and profitability. The most important reason that motivated the researchers to choose this topic is that conventional banks are working to support the economy's growth and to attract more national and foreign investors invest in new projects.

There are two main purposes that made the researchers choose this study:

✓ Pushing Iraqi banks to apply the IFRSs because that will contribute to improving their financial outcome and their activities.

✓ The application of IFRSs will increase the annual rate of return on deposits and the number of depositors and investors in Iraqi banks.

The problem this study aims to find a solution to: The IFRSs are not applied in Iraqi banks.

The research objectives: Relating to the practical side of this study which relied on the data analyses, the objectives of this study are the following:

✓ To explain the impact of the IFRSs application on the financial outcome and the activities of Iraqi banks in emerging economies.

✓ To highlight the obstacles that conventional banks in Iraq will face after applying the IFRSs.

The assumption of the research: The researchers identified the following assumption to be tested through the study: "Applying the IFRSs in conventional banks leads to differences related to their financial outcome and their activities".

In the literature review section, the researchers point out that, owing to the growing interest in the accounting practices all over the world, the IFRSs are typically used internationally at a large scale, especially in the European Union, Muslim countries and other countries. Due to the reinventing of the economic relationships in the emerging economies generated by globalization and the liberalization of the global economy which transformed its role, there is an increased need to establish an uniform accounting language among those countries.

Take into consideration those mentioned above, the IFRSs were efficiently used in the decision-making process and in relation to financial information in the economies of those countries. Therefore, the implementation of the global accounting standards, the IFRSs, has become a necessity for economic growth and in order to attract national and foreign investments. The implementation of the IFRSs creates high competition among states trying to attract foreign investments.

The impact of the IFRS has been seen beyond the local level, and then the development of the IFRS was in high-income countries. Another advantage of applying the IFRS in countries is that it can help in solving a wide range of problems which are hindering economic growth, unemployment, and other internal and external problems.

The researchers dive further and investigate the emerging economies where the institutions differ considerably from those in developed countries. Some of the most important examples of emerging economies are Brazil, Russia, India and China. These countries seem to have an increased number of governmental and private institutions and the IFRSs contribute to achieving a better performance in the capital markets and attracting a bigger number of investors and different types of economic resources from all over the world.

The researchers chose to study and examine the impact of applying the IFRSs over the Iraq's economy, considering that Iraq is one of the countries that have an emerging economy.

A conventional bank is a financial institution that practices banking activities including accepting deposits, offering loans, investing in financial instruments such as bonds and debentures and issuing letters of credits. The history of conventional banks until their advanced and modern version dates back to the European Renaissance, specifically more than 600 years ago.

In order to apply the research methodology related to the problem of this study, namely the fact that the IFRSs are not applied in emerging economies and that this is an issue for Iraqi banks in particular, because it prevents the Iraqi economy to achieve the goal of transitioning from an emerging to a developed economy, there are many variables that must be taken into account, such as economic, financial and accounting variables.

In order to achieve these proposed objectives, we conducted a study taking place in private banks which is limited to conventional banks, by utilizing data analyses consisting of the analysis of the annual financial statements for 10 conventional banks in order find an answer for two other assumptions. The research problem refers to the failure of applying the IFRSs in conventional banks in emerging economies.

Researchers used Statistical Package for the Social Science (SPSS) in order to address and analyse the data collected in this study. The statistical analyses were conducted using the Friedman test and for other analyses the multiple regression method was used to test the null hypothesis.

➲ Literature review

One of the most important elements in accounting history is the adoption of the IFRSs where the main objective was to create a more relevant way of financial statements reporting by implementation of a transparent method of accounting calculation and creation of one economic language (Tudor, 2018).

A major driver for the adoption of the IFRSs by countries is the aim to integrate into the global economy. Some of previous research studies show that the adoption of the IFRSs has a positive impact on the economic growth (Özcan, 2016). The adoption of the IFRSs has an impact on the frequency of earnings managements towards small positive profits (Chebaane and Othman, 2013). The IFRSs are a point of reference for the modernisation of accounting models in emerging economies. Previous literature documents a diverse IFRS experience, especially among emerging economies (Albu and Albu, 2012). The culturally derived accounting orientations of four major emerging economies, Brazil, Russia, India and China, the BRIC countries, are examined based on the Geert Hofstede work on cultural dimensions (Borker, 2012). The value relevance of accounting information in the contemporary electronic and institutionally planned market environment has acquired considerable consideration since accounting regulators have positioned the value relevance as the primary feature of accounting information (Shamki and Abdul Rahman, 2013).

➲ The understanding of IFRS

Accounting system differences have significant economic implications for worldwide financial reporting performance (Stonehill, 1983). The accounting practices reflect culture, civilization and religions in specific countries (Deegan, 2002). It may be naive to believe that a single regulatory framework can meet all countries' financial reporting requirements (Lima Rodrigues and Craig, 2007).

To meet the needs of these requirements, in 1973 an institution called the ISAC formed the IAS. This was among the first attempts at creating a standard for accounting in companies throughout the world. While international accounting and securities agencies continued to increase the pressure for an international accounting standard to increase transparency and comparability of companies, a group of accounting standards were developed by a non-profit, independent organization named the IASB. The IASB replaced the IASC, changed the IAS to become the IFRS on April 1th, 2001. Once the EU switched to IFRS from US GAAP, IFRS became the hottest topic for researching & investigations. (Latifah *et al.*, 2012) The implementation of the IFRS in EU accounting history is one of the most significant events that ever happened. The implementation of the new standards in the accounting practices generated important changes for all members within the EU. (Larson and Street, 2004)

In states with a code-law accounting system, the changes were more significant. Before the IFRSs were applied, in countries with totalitarian governments in place, there had been legal or legislative effects on their accounting systems. Market practitioners have a big influence on IFRS accounting. (Ball *et al.*, 2000)

In 2001, the IFRSs were being used in a couple of European countries, as a continuation of the IASs. The utilisation of the IFRSs around the world started to took a sharp increase when the EU as a whole agreed to follow the standards through the Regulation EC No. 1606/2002. In 2005, it became a must for every listed company to use the IFRSs for its integrated financial statements (Callao *et al.*, 2007). This was the first time in the history of the IFRSs when such a large and developed territory adopted its principles, resulting in a significant increase in the number of companies using the IFRSs for financial reporting (Guggiola, 2010). By applying the IFRSs, companies can enter the global financial markets by having the financial statements already prepared using the same language.

The financial statements have been improved by applying one single set of standards, which would be better if the adoption of the IFRS was more extensive and included other members. However, the financial statements will get worse if a country uses two different reporting standards. Concerning the balance sheet, if it is prepared using the IFRSs, it tends to be more useful because it is well prepared through planning and implementation. This leads to a strong control that refrains the managers from manipulating information and helps the investors to increase investments in companies which are implementing the IFRSs, which results in a less manipulative and more investors-oriented approach. The flexibility of management to use different methods comes from their desire to alter the financial statement reports or to hide part of the profits, but by applying the IFRSs, it is not possible anymore for companies to make any changes with the methods subjected to the IFRSs.

➲ The impact of applying the IFRSs

Globalization has been expanding at the level of global economies and to achieve greater transparency, effective corporate governance and a greater degree of autonomy, this must happen at the board level. The global accounting framework should include some non-financial efficiency criteria so that companies can report on activities.

The refinement of accountancy was a long time process, that led to it being suitable for the various levels of social and economic development all over the world. It has evolved in accordance to the requirements of development, and in light of the laws prevailing in each country, which have been reflected in accounting and it has become evident in the different measurement bases and accounting reporting. So, applying the IFRSs has a good impact on companies, which leads to them achieving their objectives. The IFRSs have several important objectives, and they can be applied in the accounting areas, including the preparation of financial statements, and processing accounting lists, that are internationally accepted. Also, they contribute to the balance between accounting procedures and rules. And in order to keep up with the developments in the field of profit-making business, the IFRSs must be applied to determine the methods of measuring the impact of accounting operations and also to make sure that events and circumstances relating to the financial position of the entity and the results of all the operations will be communicated to the stakeholders. Many countries have applied the IFRSs in order to measure the impact of processes, events and circumstances and communicate their results to all the stakeholders.

While there are many positive impacts associated with the transition to the IFRSs, there are some challenges associated with this transformation, due to the existence of multiple needs for the internal and external beneficiaries of corporate information. It may be difficult to one group of accounting standards to meet all these needs. Christensen and Lee (2015) have confirmed that compliance with the IFRSs is influenced by several factors, such as the variance of the economic systems, the nature of the systems, the structure of ownership and the existence of a specialized professional accounting body. Additionally, the accounting information resulting from the IFRS standards is available with a high degree of relevance, trustworthiness and comparability, contributing to the ability of users of the financial statements to assess the performance of the company, the cash flow forecasts, the pricing of shares and the future returns forecasts.

Abu Risheha and Al-Saeed (2004) said that applying the IFRSs, and the disclosure rules contained therein, positively affect the specific characteristics of the accounting information in the financial reports of investment companies listed on the Stock Exchange. The impact of applying the IFRS contributes to reducing management's input into accounting policies, and reducing interruptions from the management, also there is a significant correlation between the quality of the International Financial Reporting Standards and the quality of accounting operations (Ahmed *et al.*, 2012).

According to the researchers and other authors' opinions, there are some direct and indirect accounting impacts of applying the IFRSs:

1. The IFRS standards improve the quality of financial reports to reflect the reality of the economic situation, and provide information to shareholders about losses, financial failures and financial events, in a highly accurate and verifiable manner to allow investors to make decisions (Buchanan *et al.*, 2012).

2. Limiting the opportunistic or utilitarian behaviour of the administration by narrowing the field of choice between alternatives which were used by the administration to manipulate profits also providing financial reports which the rationalization of investors' decisions.

3. The IFRS standards positively affect investors' perceptions of their forecast for the company's sustainability and survival, through its role in improving disclosure transparency and reducing asymmetry information, and increasing investor's ability to predict the future of a company in real terms.

4. The IFRS standards improve the quality of accounting performance to provide more qualitative information and that has an explanatory power which enables investors to make rational decisions and assess the performance of a company.

5. The IFRS standards provide investors with a uniformed reading of the financial statements and accounting information which are reliable upon making decisions (Ball, 2012).

6. There is a significant relationship between the compulsory implementation of financial reporting standards and the quality of accounting information. In a way, the application of those standards helps to reduce the manipulation of profits and improves the viability of financial statements for comparison.

7. Also, applying the IFRSs showed a significant difference in profits determined in accordance with the IFRS standards and local standards and that is due to the accuracy of the reporting standards (Cordazzo, 2013).

The researcher's opinion is that the IFRSs should be applied to measuring the impact of accounting operations because the IFRS standards improve the quality of financial reports.

➲ The impact of applying the IFRSs in emerging economies

The researchers mainly examine the impact of applying the IFRS in emerging economies, as well as emerging markets. To be a developed country means not only to reflect the future of an emerging country, but also having more economic qualifications than the emerging ones. There are many transitions and accelerated variables in global economics. In addition, there are financial crises which are reflected in many economies of the major industrialized countries such as the United States, the European and the Arab countries.

Reformulation of the economic relationships due to globalization in the emerging economies and the liberalization of the global economy which transformed its role are two factors that increased the need to establish an uniform accounting language among those countries. This is considered the source of financial information for the users of financial statements in the process of decisions making. The development of the accounting standards will support the economic growth in these economies as a result of the variation and the differences between states, accounting principles, and by extension, financial statements will also vary and differ, which leads to a contradiction and a difference concerning information and results. However, when those statements contain common accounting language used through a set of standards and accounting systems which have an international professional acceptance, it provides an uniform base to make real comparisons whatever their sources were and to guarantee the rights of investors and facilitate their decisions making process.

Therefore, the implementation of global accounting standards has become a necessity to attract local and foreign investments. That creates high competition among states for attracting foreign investments. The researchers dive further and investigate more the emerging economies where the institutions differ considerably from those in developed countries. Some of the most important examples of emerging economies are Brazil, Russia, India and China. They seem to have an increasing number of governmental and private institutions. The IFRSs contribute to getting a better performance in the capital markets, and to attracting a bigger number of investors and different types of economic resources from all over the world.

The impact of the IFRSs has been noticed beyond the national level, which led to numerous debates. The adoption, then the development of the IFRSs took place in high-income countries (Estima Costa Lourenço and Mota de Almeida Delgado Castelo Branco, 2015) thus, it is still debatable if the IFRSs could be properly implemented in countries with different cultures. Another advantage of applying the IFRSs in developing countries is that it can help in solving a wide range of problems which are hindering economic growth, unemployment, and other internal and external problems

➲ Conventional banks

A conventional bank is a financial institution or a company whose main objective is profit-making. A conventional bank is a type of bank that provides banking services such as deposits, personal loans, E-banking, and other services. A conventional bank offers the basic investment products that are operated as profitable business, which means attracting more clients by fulfilling their needs. It is also safe to say that conventional banks are servicing corporations with large/middle-sized business, and other types of business. Making profit is the core business of conventional banks. That is generated from the deference between the interest rates charged on loans and credits and the interest rates paid to the depositors, the latter being obviously lower.

➲ The impact of applying the IFRSs in conventional banks

Previous studies have analysed the mandatory application of the IFRSs in conventional banks and the related impact on their behaviour, specifically regarding the quality of the accounting processes. However, our study investigates the impact of applying the IFRSs in the Iraqi accounting system as a case study. The researchers investigated the impact of applying the IFRS in the banks. And we can observe that there are many standards used in the conventional banks, however, International Financial Reporting Standard (IFRS) 9 *Financial Instruments* will be our focus. It has a major impact in the field of work, and this standard has been met by accountants and auditors in the accounting system, particularly in conventional banks.

The objectives of conventional banks are to offer different types of services to individual and business clients. Furthermore, to collect payments, interest on the products, to charge fees on the services provided to clients for the purpose of bringing more profits to the shareholders. Typically, conventional banks offer many services for each client to be able to serve all their financial needs. It's an opportunity to increase and maximize the revenue from each client. For example, a customer who has checking and saving accounts, loans and credit cards for personal and business use at one bank generates revenue through numerous channels. Revenues can be increased further if the customer also buys stocks and bonds through the bank's brokerage branch.

There are several objectives for conventional banks, including financial objectives such as organize savings through current, savings and fixed deposit accounts and other contracts, giving loans and credits, stock exchange, currency exchange, etc. Other financial objective that conventional banks have is profit-making: profit is one of the most important objectives that conventional banks are focused on. This is the main output obtained from banking activity. Conventional banks are one of the global financial institutions whose main function is to achieve profits as a primary goal.

Accepting deposits in conventional banks is the primary function of a bank, and for any bank to grow, it is necessary to attract the largest possible number of deposits. But obtaining deposits is not all for the bank, as the goal is to lend these deposits to the bank's guaranteed customers. On the deposits side, the bank pays the owners of the deposits some interest, meanwhile, on the lending side the bank charges a higher interest to borrowers. This way the bank makes its profits from the margins between the interests paid to the depositors and the interest charged to the borrowers.

➲ The banking system in Iraq

The historical development of the Iraqi banking system started in the nineteenth century. The Iraqi banking sector has emerged as a private sector, which includes a group of Iraqi banks and branches of Arab and foreign banks, in a total number of seventeen branches. Later on, we have the emergence of a government banking sector represented by the establishment of the Agricultural bank in 1935, then the Industrial bank and Al-Rafidainbank in 1941, and the National Bank of Iraq (Central Bank) in 1947, followed by Al-Aqari (real estate) bank in 1948. From this point, the competition between government-owned and private banks started, each part trying to provide the best service to the public. Then came the nationalization of private banks in 1964 and the formation of four banking groups affiliated with the Iraqi Conventional Bank that merged with Al-Rafidain Bank in 1974, then in 1988 Al-Reshied bank was established, which was spun off Al-Rafidain to get rid of its none-performing assets and external debt problems incurred by it and its inability to pay. In 1991, the Central Bank of Iraq issued Law No. 12, which was later amended by Law No. 14/2004 to allow the private sector once more to establish conventional banks. At first there were two banks in 1992, and then the number reached 77 governmental and private banks by the year 2020, in addition to seven specialized governmental banks. (Iraqi Central Bank, 2020)

The new banking Law No. 14/2004 also permitted foreign banks to operate in Iraq according to the following banking terms:

- The establishment of a banking entity owned entirely by foreigners and treated on a par with Iraqi banks in terms of rights and obligations, which led to the increase in the number of foreign banks operating in Iraq;
- Participation in the capital of Iraqi banks without limits;
- Opening representative offices to promote the services provided by the mother bank and study the local market.

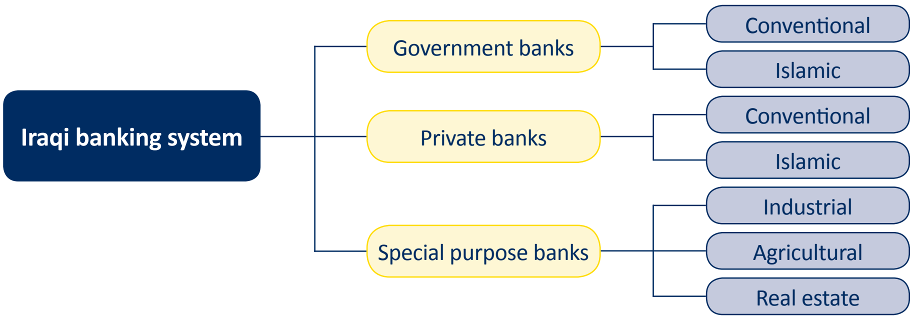
At the moment, the Iraqi banking system comprises 77 banks, from which 7 are specialized governmental banks, 29 are private Islamic banks, 24 are private conventional banks and 17 are branches of foreign conventional banks. Also, there's a representative office of one foreign bank. In addition to the above-mentioned, there are many institutions that perform some banking business, including 34 money transfer companies, and about 2000 money exchange companies, some of them owned by banks, in addition to about 800 branches belonging to banks and distributed in all cities of Iraq. (Iraqi Central Bank, 2020)

In order to understand the depth of the activity of the banking system, we must get acquainted with the financial and monetary policy and the tasks of the Iraqi Central Bank. This could be summed up to stabilizing prices and exchange rates, encouraging the growth of the financial system and ensuring its safety, as well as monitoring banks and conventional banks and those companies involved in currency exchange activities. After April 2003, the Iraqi economy collapsed and the banking system was outdated in all administrative, financial and service aspects. That was due to years of wars, economic sanctions and the militarization of production. Government banks were involved in complicated and confusing external and internal financial relations, in addition to the fact that Iraq and its economic system were cut off from global developments in all intellectual, scientific and material areas. This led to weak international confidence in Iraqi banks, and its shaky role in Iraqi economic and development activity. (Iraqi Central Bank, 2020)

Hence, it is necessary to reconsider the condition of the Iraqi banking system, the laws regulating its work, its substandard performance, by activating its role in the economic activities, and making stronger international relations. In addition to that, the Iraqi society is characterized by the small number of people who have a bank account, which gives banks a broad market to attract thousands of customers looking for integrated banking services. Despite the diversity of foreign and Arab banks operating in the country, most of them do not have a large capital and their work is limited to speculations in the Central Bank's currency auction to achieve quick profits, which negatively reflected on the reality of the local market.

Cases of smuggling capital outside the country have been recorded in private and foreign banks through deals in the Central Bank's auction, which requires establishing strict financial laws for banks operations. Here comes the need of the Iraqi financial environment to develop advanced local banks, with high capital and investment nature to support the investment process and economic development in the country and to create a competitive atmosphere between foreign and local banks. Thus, the banking sector will develop organically. (Iraqi Central Bank, 2020)

The Iraqi banking system is divided into different types of banks showed in the following figure.



Source: Researchers' contribution.

All types of banks, including specialized banks, are operating under the same law regulating the conventional banking activities, which is the responsibility of the Iraqi Central Bank's to approve and register.

Hereunder, the researchers will focus on conventional banks for both the government and the private sector.

➲ The Iraqi banking activities for conventional banks

As a result of the political and security instability, Iraq remains classified as an emerging economy. In this unstable state, the banking system has an important role by contributing to the financing of development, working to finance productive projects and increase the market share of local products instead of their imported counterparts. That will help to achieve more than one goal; firstly, achieving economic and national independence and abandoning dependency, secondly, building a solid production base that protects the country from the vagaries of the international market, thirdly, increasing employment rates and combating unemployment, and lastly another goal is reducing poverty, and furthermore caring for building national technology. The Iraqi government have been providing all facilities to support governmental and private banks.

Iraqi conventional banks are one of the most important financial institutions through accepting public deposits and converting those deposits into loans, advances, banking facilities and credit banking for entrepreneurs and investors. Furthermore, Iraqi banks enjoy having large capitals. The reason for choosing privately owned conventional banks is because government owned conventional banks are managed by the ministry of finance which is heavily involved in laying down its banking policy, which affects the efficiency of its performance. In addition, private conventional banks actively support investments, which in turn contribute to enhancing the growth of the economic development.

The acceptance of deposits is a job performed by various types of banks, however what distinguishes conventional banks from other banks is their acceptance of demand deposits "current accounts", which requires them to be ready to pay these deposits to their owners when they demand at any time without hesitation and without the need for prior notice, while other banks do not deal with this type of deposit "current account", usually their activities being limited to dealing with other types of deposits.

➲ The research methodology and analysis

The importance of the study is limited to conventional banks and it is based on data analyses which consists of the analysis of the annual financial statements for 10 conventional banks. The researchers use data analytics in order to examine the impact after and before conventional banks apply the IFRSs. The data analytics was designed by the researchers through data collection from the annual financial statements for 10 conventional Iraqi banks, for the years before the application (2013, 2014, 2015) and after the application of the IFRSs (2016, 2017, 2018). All data was taken from the Iraqi stock exchange.

The banking sector in Iraq was selected for the following reasons:

✓ The importance of the bank sector in recent years, because the banking sector suffers from weak banking activity and low liquidity, deposits, revenue and profitability in some banks, especially private banks in large proportions compared to previous years, as well as their stock prices fell in the Iraq Stock Exchange due to the economic and financial crisis and the economic recession that Iraq suffered from, for known reasons.

✓ The most important reason that motivated the researchers on the choice of the conventional banks is that these are working to support the economy's growth and to attract more internal and foreign investors to invest in new projects.

The researchers relied on the choosing of banks for the following reasons: banks registered in the Iraq Stock Exchange, banks registered in Iraqi Central Bank, banks having a license or permit from the Central Bank of Iraq to practice banking, bank's sobriety, and the size of the capital and the size of the bank activities.

Some of the banks are new established for that and they have a smaller number of branches, others have too many branches and are located in Baghdad and other cities in Iraq. The following table shows the conventional banks that have been used for data analyses.

Table 1. Conventional banks

No.	Name of the bank	Year of establishment	No. of branches	Capital in USD millions	Interest rate/year
1	Baghdad	1992	36	210	3%
2	Commercial Bank of Iraq	1992	10	210	Changeable
3	Iraqi Middle East Investment Bank	1993	15	210	5%
4	United Bank for Investment	1994	26	252	6.5%
5	National Bank of Iraq	1995	12	210	5.5%
6	Babylon Bank	1999	13	210	7%
7	Sumer Commercial Bank	1999	10	210	6.5%
8	Gulf Commercial Bank	1999	20	252	5%

No.	Name of the bank	Year of establishment	No. of branches	Capital in USD millions	Interest rate/year
9	Ashur International Bank for Investment	2005	8	210	6.5%
10	Al-Mansour Bank for Investment	2005	9	210	Changeable

Source: Researchers' contribution.

The banks above were used for data analyses. They have a capital of minimum 210 USD millions and different interest rates, as well as many branches in Baghdad and other cities in Iraq.

➲ Examining the impact after and before conventional banks apply the IFRSs

Analysing the effect of total assets per share and total liabilities per share on market price per share in the sample of Iraqi conventional banks:

✓ *Examining the effect before the sample conventional banks adopted the IFRSs*

The effect of total assets per share and total liabilities per share (independent variables) on market price per share (dependent variable) for the period 2013-2015 before the conventional banks adopt the IFRSs are examined in this section. The multiple regression method was used to test the null hypothesis. The regression functions were calculated for the independent variables and their effect on the dependent variables. The results relate to the effect of total assets per share and total liabilities per share on market price per share for the period 2013-2015. The results of the multiple regression analysis for the collected data of research sample Iraqi conventional banks are as follows:

The coefficient of determination measuring the degree of relationship between the variables of the regression model, total assets per share, total liabilities per share and market price per share for the research period amounted to 0.71, which was positively strong. As for the square coefficient of determination, which measures the extent of the influence of the independent variable, total assets per share and total liabilities per share on the dependent variable market price per share, its value reached 0.50, which was also positively moderate. This result indicated that the explanatory ability of the independent variables on market price per share was high, indicating a strong effect of total assets per share and total liabilities per share on market price per share. The remaining percentage (0.29) was due to other factors beyond the scope of the research.

Also, the values of the beta coefficients that constituted the multiple regression equation for predicting the expected effect of the independent variables on the dependent variable were 0.027, -0.076 and 1.396, respectively. Since the coefficient of total assets per share was positive, when total assets per share increases, market price per share tend to increase. Also, as the coefficient of total liabilities per share was negative, when total liabilities per share increases, market price per share tend to decrease. The table below shows the results of the multiple regression analysis for the total assets per share and total liabilities per share on market price per share, based on the data collected from the sample conventional banks before adopting the IFRSs for the years 2013-2015.

Table 2. Results of the multiple regression analysis

Coefficient of determination (R)	0.71		
Square coefficient of determination (R-Square)	0.50		
F-test value	Level of significance		
3.532	0.087		
Regression	Beta coefficients	t-test	Level of significance
Constant	1.396	7.324	0.000
Total assets per share	0.027	2.403	0.047
Total liabilities per share	-0.076	-2.072	0.077

Source: Researchers' contribution.

The value of the t-test for the constant factor reached 7.324. This value was statistically significant at the calculated level of significance (0.000), which was less than the selected level of significance (0.05). This means that the value of the constant parameter amounted 1.396 when the values of the independent variables were zero. The value of the t-test coefficient of the independent variables amounted to 2.403 and -2.072. The value of first independent variable was statistically significant at the calculated level of significance (0.047), that was approximately less than the selected level of significance (0.05). While, the value of the second independent variable was not statistically significant at the calculated level of significance (0.077), that was more than the selected level of significance (0.05).

Finally, the result of the ANOVA test shown in table revealed the analysis of the multiple regressions. The value of the F-test amounting to 3.532 was not statistically significant at the calculated level of significance (0.087), which was more than the selected level of significance (0.05). This result indicated that there is no effect of the independent variables total assets per share and total liabilities per share on the dependent variable market price per share.

✓ *Examining the effect after the sample conventional banks adopted the IFRSs*

The effect of total assets per share and total liabilities per share (independent variables) on market price per share (dependent variable) for the period 2013-2015 after the sample conventional banks adopting IFRS are examined below. The multiple regression method was also used. The regression functions were calculated for the independent variables and their effect on the dependent variables.

The results related to the effect of total assets per share and total liabilities per share on market price per share after the adoption of the IFRSs by the sample conventional banks for the period 2016-2019.

The results of the multiple regression analysis for the collected data for the research sample is that the coefficient of determination measuring the degree of relationship between the variables of the regression model, total assets per share, total liabilities per share and market price per share for the research period amounted to 0.64, which was positively moderate. As for the square coefficient of determination, which measures the extent of the influence of the independent variable, total assets per share and total liabilities per share on the dependent variable market price per share, its value reached 0.43, which was also positively moderate. This result indicated that the explanatory ability of the independent variables on market price per share was high, indicating a strong effect of total assets per share and total liabilities per share on market price per share. The remaining percentage (0.36) was due to other factors beyond the scope of the research.

Also, the values of the beta coefficients that constituted the multiple regression equation for predicting the expected effect of the independent variables on the dependent variable were 0.021, -0.027 and 0.480, respectively. Since the coefficient of total assets per share was positive, when total assets per share increases, market price per share tend to increase. Also, as the coefficient of total liabilities per share was negative, when total liabilities per share increases, market price per share tend to decrease.

The table below shows the results of the multiple regression analysis for the total assets per share and total liabilities per share on market price per share, based on the data collected from the sample conventional banks after adopting the IFRSs for the years 2013-2015.

Table 3. Results of the multiple regression analysis

Coefficient of determination (R)	0.64		
Square coefficient of determination (R-Square)	0.43		
F-test value	Level of significance		
2.026	0.213		
Regression	Beta coefficients	t-test	Level of significance
Constant	0.480	6.859	0.000
Total assets per share	0.210	1.540	0.047
Total liabilities per share	-0.027	-1.596	0.077

Source: Researchers' contribution.

The value of the t-test for the constant reached 6.859. This value was statistically significant at the calculated level of significance (0.000), which was less than the selected level of significance (0.05). This means that the value of the constant parameter amounted 0.480 when the values of the independent variables were zero. The value of the t-test coefficient of the independent variables amounted to 1.540 and -1.596. The value of first independent variable was not statistically significant at the calculated level of significance (0.174), that was more than the selected level of significance (0.05). While, the value of the second independent variable was not statistically significant at the calculated level of significance (0.162), that was more than the selected level of significance (0.05).

Finally, the result of the ANOVA test shown revealed the analysis of the multiple regressions. The value of the F-test amounting to 2.026 was not statistically significant at the calculated level of significance (0.213), which was more than the selected level of significance (0.05). This result indicated that there is no effect of the independent variables total assets per share and total liabilities per share on the dependent variable market price per share. As a result, when comparing the results of the analyses related to the effect of total assets per share and total liabilities per share (independent variables) on market price per share (dependent variable) before and after the sample conventional banks adopting the IFRSs we found that the information contained in the financial statements of the research sample conventional banks are not relevant, because the coefficient of determination for the period after the adoption of the IFRSs was less than that before the adoption of the IFRSs.

➲ Conclusion

We have shown the impact of applying the IFRSs in emerging economies. It will decrease the lack of confidence for the users of the financial statements, which is originally suffering from a lack of trust and credibility since the global financial crisis. Keeping up with the changes and developments in the global market and the international economy requires compliance with the IFRSs through the modification and use of accounting system in order to accommodate these developments.

In spite of the bright outlook for these emerging economies, it must be introduced taking into account the risks arising from economic openness, as the investor must hedge, the expansion of the companies outside the regional boundaries and the direction of investors to seek investment opportunities outside their home countries. All these factors led to the need to adopt an unified language for financial reporting whether for national or foreign companies in order to attract investment, protect investors and provide full transparency in financial reporting.

Conventional bank it's a profit-making company which receiving profit from the clients by taking a higher rate from loans, and the consideration of the interest at a low rate to the depositors.

The banking system in Iraq contains a different and diverse group of banks that include government banks such as commercial, real estate, agricultural, industrial and Islamic, and also private banks. The Iraqi government that appointed the Iraqi central bank which is affiliated to ministry of finance to be responsible for the registered banks at central bank. Applying the international standard, this is the most important decision that the Iraqi government made it.

Conventional banks are seeking profitability without being bound by international standards, and the customers are seeking for benefits from the banks by applying international standards because it will increase the security for their deposits.

The researcher's opinion is that applying the IFRSs in emerging economies is an important tool to improve performance of any sector and financial system. So the subject needs to be addressed and applied in accordance with the economic and financial development. The studies concluded that the implementation of the IFRSs significantly improves the economic growth rate.

➲ Recommendations

1. Spreading the culture of applying the IFRSs and supporting International Financial Reporting Standards from the Central Bank of Iraq, with the need to benefit from the experiences of other countries in this field.

2. Increasing awareness for the necessity of using the banks and electronic banking operations in general, and state employees in particular.

3. There is an urgent and actual need to adopt and implement the IFRSs within the sample of the study and include other institutions with a similar environment.

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