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The Role of IFRS 7 in Shaping Investor Behavior: The Moderating Effect of Value Relevance in Iraqi Stock Exchange (ISX)

Hasanain Salim Rasheed

Technical College of Management, Middle Technical University, Baghdad, Iraq

E-mail: hasaniansalim@mtu.edu.iq

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*Corresponding author:

Hasanain salim Rasheed

hasaniansalim@mtu.edu.iq



ABSTRACT

The study aims to explore the effect of financial disclosure under IFRS 7 on investor behavior in Iraqi stock exchange, with focusing on role of value relevance as a moderating variable. The study population was represented by Investors' and Iraqi banking sector in ISX, while a sample of 10 banks was selected based on the ease of accessibility, continuity of their banking operations and their cooperation in providing the required data. The Smart PLS was used to analysis data. Moreover, the study was conducted retrospectively (ex- post factor), and for testing the structural model through bootstrapping analysis with 500 subsamples. The results of the study showed that market risk disclosure is important and plays a major role in investor's decisions compared to other disclosures. In addition, liquidity risk disclosure came second after market risks, reflecting the ability of banks to meet their short-term obligations. Finally, credit risk disclosure was less influential than other disclosures, suggesting that investors in the Iraqi Stock Exchange are more sensitive to market and liquidity risks. As our results showed, banks should improve disclosure and compliance with IFRS 7 requirements in order to avoid any frailer in future. In addition, regulators and banks should work to simplify financial reports and increase their clarity for investors in the ISX.

Keywords: IFRS 7, Investor Behavior, Value Relevance, Accounting disclosure Iraqi Stock Exchange (ISX)

1. Introduction

The primary objective of the International Accounting Standards Board (IASB) in issuing International Financial Reporting Standards (IFRS) is to develop a set of high-quality financial reporting standards to improve and enhance the comparability of financial statements (Chan et al., 2013). Therefore, concerns and hesitation remain among users of accounting information regarding the effectiveness of these standards in providing high-quality information when disclosing financial statements. In fact, it is believed that this effectiveness is likely to be affected by differences in the adoption, application, and interpretation of IFRS. For this reason, the IASB introduced International Financial Reporting Standard 7 (IFRS 7) as a replacement for IFRS 30, to disclose the risks banks may face (liquidity risk, credit risk, and market risk) and how these risks are managed in the financial statements arising from financial instruments held by banks.

The banking sector in Iraq is one of the most important business sectors in the Iraqi environment. Its functions are not limited to accepting deposits and granting loans, but extend to supporting the Iraqi economy as a whole. Banks contribute to the development of the Iraqi economy through various investment activities, in addition to providing key financial services directly linked to society. At the same time, this sector is one of the most vulnerable to risks.

Furthermore, with the rapid and recent developments in global markets, particularly in the area of disclosing the risks that banks may face after implementing International Financial Reporting Standards (Rasyid, 2022), bank management seeks to increase the confidence of current and potential investors through disclosure, with the aim of enhancing and improving the transparency and quality of information in financial reports and disclosures. Therefore, accounting information and its fair value contribute to determining the extent to which investors benefit from the disclosure of financial instruments under International Financial Reporting Standard IFRS 7, reflecting the role of investor behavior in evaluating and making decisions regarding investments in the Iraqi stock market.

The implementation of international financial reporting standards in the Iraqi banking sector faced numerous difficulties in early 2019. As a result, Iraqi banks listed on the Iraqi Stock Exchange still face many challenges in complying with risk disclosure requirements. These challenges include weak accounting information infrastructure, lack of professional staff and gaps between local legislation and international standards. This may affect investor behavior regarding the adequacy of information to disclose the risks that the banking sector may face. With this in mind, the following questions may be asked: 1) Does risk disclosure under IFRS 7 affect investor behavior on the Iraqi Stock Exchange? 2) Does the value of information in risk disclosure under IFRS 7 play a role that affects investor behavior on ISX?

Depending on the study questions, the goals can be formulated as follow: 1) Analyze the affect of IFRS 7 risk disclosure on investor behavior in Iraqi stock exchange. 2) Explain role of relevance value and IFRS 7 risk disclosure on investor behavior in the Iraqi stock exchange. 3) To what extent does the Iraqi banking sector comply with IFRS 7 risk disclosure requirements.

2. Literature Review

Hughes (1986) indicate the problem of information asymmetry between investors and companies issuing securities. The study looks at the methods that companies use to disclose financial reports and financial statements directly to investors due to information asymmetry. The study believes that this can be achieved through conditional contracts that link direct disclosure to the penalties that companies may face if disclosure is misleading and inadequate. However, the study by Leland (1979) extended Hughes' study to discuss that direct disclosure is secondary and that the focus should be on maintaining a shareholding within companies, which is one reason for their quality.

Alsarayreh et al. (2022) state the impact of financial instruments disclosure of IFRS 7 on IFRS 13 fair value of companies listed on the market exchange in the European Union. The study concluded that financial instruments knowledge in financial statements has a great importance. In addition, the study found that both earnings and the book value of common stocks have a positive influence on the importance of fair value. This is reflected in the behavior of investors in European markets.

Valdiansyah et al. (2023) presented the impact of derivative financial instruments through IFRS 7 risk disclosure, income diversification and liquidity ratios on earnings management in Indonesian listed and unlisted banks. The results showed that IFRS 7 disclosure mitigates the negative impact of derivatives and the positive impact of income diversification on earnings management, but does not have a moderate impact on liquidity ratios. This study contributes to the management of banks and the Indonesian banking regulator by providing a different perspective on the implementation of IFRS 7 disclosure, which has not been maximized in the Indonesian banking sector. In the future, the researchers expect that the authorities will encourage all banks to make comprehensive disclosures and also encourage bank management to use more derivatives and monitor banks more to ensure earnings diversification and thus reduce earnings management effort. In addition, this study makes a theoretical contribution to measuring the new earnings management from compliance with international accounting standards.

Lobo et al. (2024) conducted that affect of the way banks disclose their risks under IFRS 7, which is related to their behavior and risks disclosure will arising from financial instruments. Moreover, the study refer to users of financial reports to better manage their capital allocations as well as empower them directly understand the information risks known to internal managers, rather than having to indirectly infer and update uncertainties in cash flows. This effect has also been observed when accounting rules are applied more

strictly and alternative methods of limiting risk in banking are weak. On the other hand, the study concluded that the adoption of IFRS 7 led banks to lend more accurately and prudently, which translates into a reduction in risks. Overall, the results show more consistent with the market discipline view regarding bank risk disclosure and emphasize the role of IFRS 7 in improving financial stability.

For researcher's knowledge, there were no literature reviews has linking between variables: IFRS 7 and Investor Behavior and the moderate value relevance in Iraqi stock exchange. Therefore, the existing research aims to explore the role IFRS 7 in shaping investor's behave and how the value relevance plays the moderating variable.

2.1. Theoretical Framework

A. Concept of Banking Risk Disclosure

Risk disclosure is one of the most important sources that investors rely on in markets and based on information that contained financial statements and reports of banks. Linsley et al. (2006) defined it as ensuring what will happen in the future and Polizzi (2022) explained it as the inclusion in financial reports of all quantitative and qualitative information, whether mandatory or voluntary, related to the uncertainty of all banking activities, including the possibility of losses or financial gains, risks or threats as a result of the circumstances in which they carry out their banking activities. Therefore, the financial disclosure for banking sector is very important for investors and their behavior in making rational decisions.

B. IFRS 7 Disclosure requirements

The Standards was issued in 2005 by International Accounting Standards Board (IASB) with, the main gole is improving the financial instruments disclosure by providing information about financial disclosure to assist investors for evaluate risks associated with financial instruments such as credit risks, liquidity risks, and market risks. Moreover, to understand the impact of financial instruments in financial position and assess the performance of banks (Hashim, 2024). Disclosure requirements under IFRS 7 includes:

1. Disclosures on relative financial instruments importance (including fair value, classification of financial instruments and fair value changes)
2. Disclosures on financial risks and how to manage the risks (like credit risk, liquidity risk, market risk)
3. Hedging of financial instruments associated with risks.
4. Accounting policies related to financial instruments.

The International Financial Reporting Council defined the disclosure risk as information about the significance of financial instruments for economic entity, and extent of risks arising from financial instruments, whether qualitative or quantitative. However, the level of disclosure depends on extent to which entity uses financial instruments and risk exposure. According to IFRS 7, risk disclosure is divided into two main types: qualitative and quantitative disclosure (Bakare et al., 2022), as follows:

1) Qualitative disclosure:

Financial instruments, as well as, an accurate assessment of the nature and extent of risks to which exposed. On the other hand, the policies, objectives and procedures followed to manage risks. Furthermore, the methods used to measure them and any changes that may occur in those risks compared to previous periods must be clarified. Qualitative disclosure for each type of risk includes the following (Assad, 2023):

- a. Qualitative disclosure of credit risks: Banks should provide qualitative disclosure of credit risks and the exposure to such risks arising from financial instruments. They should also disclose the policies and procedures that management follows in dealing with credit risks, as well as any changes in risk management objectives and strategies compared to previous periods, to enable stakeholders to see credit risk management activities from management's perspective.
- b. Qualitative disclosure of market risks: This type of disclosure refers to risks arising from interest rate, commodity price and share price changes. In addition, risks from other market fluctuations are also taken into account. The focus is on the disclosure of economic entities regarding their market risk exposure, management and objectives. To provide qualitative disclosures on market risks, the economic entity discloses the extent of its exposure to market risks in the near future, describes how these risks

are managed and discusses the objectives, strategies and tools for managing market risks (Kohlbeck & Luo, 2024).

- c. Qualitative disclosure of liquidity risk: Banks should disclose a maturity analysis of their financial liabilities, financial liabilities and derivative financial assets and liabilities, along with an assessment of their timing in liquidity risk management.

2) Quantitative Disclosure

Quantitative disclosure of risks is a key requirement of IFRS 7. Therefore, the main objective of IFRS adoption is to provide relevant and adequate information about the risks faced by financial institutions, this enables users to evaluate financial position of institution and the risks deals and make appropriate investment decisions. Quantitative disclosure can be discussed as follows depending on the type of risk:

1. Quantitative disclosure of market risks: Market risks include the risks of fluctuations in the fair value of financial instruments or the risks of changes in future cash flows due to market fluctuation, and the market risks include interest rate risks, currency risks, commodity price risks, and price risks (Setyawan & Suprianto, 2022).
2. Quantitative disclosure of liquidity risk: Liquidity risk is managed based on expected maturities rather than contractual flows. The IFRS 7 requires regular disclosure of financial liabilities and the majority of financial liabilities are short-term and result from trading activities.
3. Quantitative disclosure of credit risk: The entities should adoption IFRS 7 requires to disclose the following quantitative information to measure credit risk:
 - A. The amount representing the maximum credit risk on date of financial statements, excluding guarantees.
 - B. A detailed description of assets held as collateral, along with other credit enhancements such as guarantees, etc.
 - C. The change amount in fair value of financial assets over the period.

C. Value Relevance of compliance with IFRS 7

Value refers to the correlation between stock price and other accounting information, and reflection how stock price responds to information available in capital market (Imhanzenobe et al., 2024). Therefore, international accounting standards and the significant of value in financial statements are crucial for accountants, investors and other financial reporting stakeholders. Although numerous research studies examine changes in value relevance of financial statements following the adoption of international financial reporting standards, most of these studies focused on developed and emerging markets and reached conflicting results (Imhanzenobe et al., 2024). Moreover, some previous research has supported the relevance value of financial instruments disclosed under local generally accepted accounting principles (GAAP), studies examining compliance with disclosure requirements for financial instruments imposed by the IASB. In additionally, accounting for financial instruments remains challenging due to its complexity, involving intricate procedures and extensive qualitative and quantitative disclosure requirements. In this regard, financial instruments standards are considered the most difficult aspect of modern international accounting, as they are among comprehensive in content and have been discussed IFRS standards in the last decade (Mnif & Znazen, 2024). Terms such as “value importance” are used to indicate the extent to which investors’ behavior in their decision to invest in stocks in the financial markets takes into account the accounting figures in the financial reports, and these accounting figures depend on the accounting standards used in preparing the financial reports. Accounting standards are a set of rules that govern the recording, presentation and disclosure of various types of accounting transactions. The different definitions given in different standards for each item of the financial statement also reflect the different recording requirements for these items under these standards (Srivastava & Muharam, 2022).

2.2. Research Hypotheses

1. H1: IFRS 7 disclosures don't have significant impact on investor behavior in the Iraqi Stock Exchange
Sub-hypothesis:
 - a) H1a: Credit Risk Disclosure don't have significant impact on investor behavior in the Iraqi Stock Exchange.
 - b) H1b: Liquidity Risk Disclosure don't have significant impact on investor behavior in the Iraqi Stock Exchange.
 - c) H1c: Market Risk Disclosure don't have significant impact on investor behavior in the Iraqi Stock Exchange.
2. H2: The effect of IFRS 7 disclosures on investor behavior is moderated by the perceived value relevance of the disclosures.
Sub-hypothesis:
 - a) H2a: The relationship between IFRS 7 disclosures and investor behavior is enhanced when the disclosures are perceived as reliable.
 - b) H2b: The relationship between IFRS 7 disclosures and investor behavior is stronger when the disclosures are perceived to have high predictive value.
 - c) H2c: The perceived comparability of IFRS 7 disclosures strengthens the relationship between these disclosures and investor behavior.
 - d) H2d: The affect IFRS 7 disclosures in investor behavior is increase pronounced when the disclosures are perceived as understandable and easily interpretable.

3. Research Methodology

3.1. Research Design

To achieve the research objectives and prove the hypotheses, the descriptive analytical approach was adopted in one aspect and the inductive and deductive approach in another aspect. The descriptive analytical aspect is represented by studying and analyzing the International Financial Reporting Standard IFRS7, while the inductive aspect is represented by extrapolating the opinions of a sample of investors to know the extent to which their behavior is influenced by the disclosure of risks in the financial statements and reports. The deductive aspect is represented by setting research objectives and achieving results through analysis and studying.

3.2. Research Sample

Table 1 shows the demographic information of the participants. The sample consisted of 154 participants in banks and investors on the Iraqi Stock Exchange (ISX). with almost equal numbers of male 49.4% (N=76) and female 50.6% (N=78). The age range showed that the participants were more or less evenly spread across different age groups. 25.3% (N=39) were 35 years or less, and 10.4% (N=16) were between 36 and 40 years. 25.3% (N=39) of the participants were between 41 and 45 years. 15.6% (N=24) were between 46 and 50 years, and 23.4% (N=36) were 51 years or more. The duration of service varied for participants. The majority 55.2% (N=85) reported 11 to 15 years of service. Individuals with 10 years or less comprised 27.9% (N=43). While 16.2% (N=25) reported 16 to 20 years of service, a very minimal percentage of 0.6% (N=1) had 21 to 25 years of service. The majority of participants possessed a Bachelor's degree (66.9%, N=103). participants with a higher diploma comprised 11.7% (N=18), a Master's degree and Doctorate were 9.7% (N=15) and 3.9% (N=6), respectively. Fewer participants (7.8%, N=12) possessed a Diploma. Professional roles were categorized as follows: The risk management officers constituted the most prominent group (53.9%, N=83) and were followed by external auditors (39.6%, N=61). There were 6.5% account managers (N=10) and no participants compliance officers (0.0%, N=0).

Table 1. Demographic information of the participants

Variables/Levels		N	N %
Gender	Male	76	49.4%
	Female	78	50.6%
Age	35 years or less	39	25.3%
	36 to 40 years	16	10.4%
	41 to 45 years	39	25.3%
	46 to 50 years	24	15.6%
	51 years or more	36	23.4%
Service Duration	10 years or less	43	27.9%
	11 to 15 years	85	55.2%
	16 to 20 years	25	16.2%
	21 to 25 years	1	0.6%
Education Level	Diploma	12	7.8%
	Bachelor's degree	103	66.9%
	Higher diploma	18	11.7%
	Master's degree	15	9.7%
	Doctorate	6	3.9%
Job Position	Risk management officer	83	53.9%
	External auditor	61	39.6%
	Account manager	10	6.5%
	Compliance officer	0	0.00%

3.3. Data Collection Tools and Procedure

The research was based on the available Arabic and international references and literature, including journals and research papers on the research topic. In addition, the Internet was browsed and previous research papers were selected from doctoral theses, master's theses and accounting papers, which were the cornerstone of the theoretical aspect. In addition, sections of the questionnaire were distributed to a carefully selected sample and developed to collect data from employees. The responses were analyzed using appropriate statistical methods in the banking sector.

3.4. Reliability and Convergent Validity

To evaluate the reliability and convergent validity of the constructs, the study used the PLS approach in its default configurations (Hair et al., 2019). Table 2 shows the results in detail, including the reliability and convergent validity. The results clearly show that all Cronbach's alpha, composite reliability, and indicator reliability values are above the 0.6 mark, thus creating a high degree of reliability in the measurement model. Besides, the AVE values are greater than 0.5, indicating the convergent validity of the measurement scales (Figure 1).

For the Credit Risk (CRS) construct, Cronbach's alpha was 0.966, composite reliability was 0.974, and AVE was 0.881. All these were above the recommended values, showing high reliability and convergent validity. Likewise, the Liquidity Risk (LRS) construct showed acceptable reliability with a Cronbach's alpha of 0.814, composite reliability of 0.849, and an AVE of 0.539, barely above the 0.5 mark. A few of the items under this category (Q8 and Q9) had composite reliability values of 0.680, which were below the benchmark of 0.7, suggesting areas for improvement. The Market Risk (MRS) construct exhibited strong reliability and validity. Its Cronbach's alpha was 0.879, composite reliability was 0.894, and AVE was 0.672, all higher than the recommended values. The Reliability (R) construct exhibited excellent results, with a Cronbach's alpha of 0.975, composite reliability of 0.977, and AVE of 0.910, all well over the levels required. Likewise, the Predictive (P) construct exhibited great reliability and validity, with a Cronbach's alpha of 0.982, composite reliability of 0.983, and AVE of 0.934, all well over the levels required. The Comparability (C) and Understandability (U) constructs also showed high reliability and validity, with Cronbach's alpha of 0.965 and 0.960, composite reliability of 0.967 and 0.963, and AVE of 0.880 and 0.864, respectively. Lastly, the Investor Behavior (IB)

construct showed excellent reliability and validity, with Cronbach's alpha (0.988), composite reliability (0.989), and AVE (0.906) all well above the recommended levels.

Table 2. Overview of Tests for Reliability and Convergent Validity

Constructs	Cronbach's Alpha	Composite Reliability	Items	Composite Reliability >0.7	Average Variance Extracted (AVE) >0.5
Credit risk CRS	0.966	0.974	Q1	0.909	0.881
			Q2	0.951	
			Q3	0.926	
			Q4	0.948	
			Q5	0.958	
Liquidity risk LRS	0.814	0.849	Q6	0.866	0.539
			Q7	0.889	
			Q8	0.680	
			Q9	0.680	
			Q10	0.676	
Market risk MRS	0.879	0.894	Q11	0.828	0.672
			Q12	0.851	
			Q13	0.861	
			Q14	0.778	
			Q15	0.775	
Reliability R	0.975	0.977	Q16	0.939	0.91
			Q17	0.954	
			Q18	0.972	
			Q19	0.968	
			Q20	0.936	
Predictive P	0.982	0.983	Q21	0.944	0.934
			Q22	0.966	
			Q23	0.981	
			Q24	0.990	
			Q25	0.951	
Comparability C	0.965	0.967	Q26	0.975	0.88
			Q27	0.930	
			Q28	0.907	
			Q29	0.891	
			Q30	0.983	
Understandability U	0.96	0.963	Q31	0.975	0.864
			Q32	0.973	
			Q33	0.877	
			Q34	0.911	
			Q35	0.907	
Investor behavior IB	0.988	0.989	Q36	0.939	0.906
			Q37	0.989	
			Q38	0.981	
			Q39	0.882	
			Q40	0.975	
			Q41	0.987	
			Q42	0.951	
			Q43	0.925	
			Q44	0.951	
			Q45	0.931	

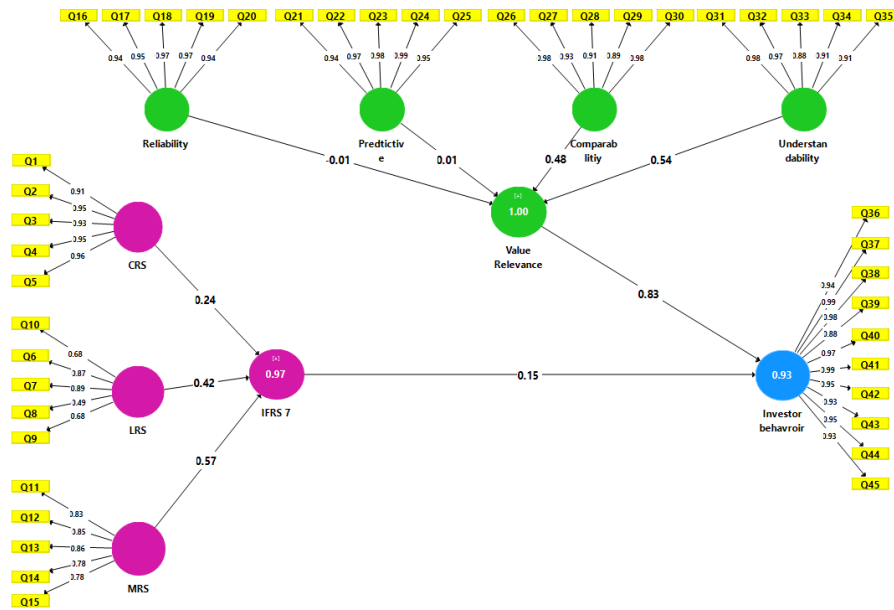


Figure 1. Structure Model

3.5. Discriminant validity

To examine discriminant validity, the study used Fornell-Larcker's (1981) criterion, whereby the square root of Average Variance Extracted (AVE) for every construct (provided on the diagonal in bold) must be higher than the correlations between that particular construct and all other constructs. The outcomes suggest that the square root of the Average Variance Extracted (AVE) for each construct, represented by the diagonal values, surpasses the correlations of that construct with all other constructs, thereby affirming discriminant validity. These results offer compelling support for discriminant validity, as each construct demonstrates a greater degree of shared variance with its respective indicators compared to other constructs within the model (Table 3).

Table 3. Results of Fornell-Lacker's Criterion.

	CRS	C	LRS	MRS	P	R	U
CRS	0.938						
Comparability	0.178	0.938					
LRS	0.262	0.857	0.734				
MRS	0.078	0.846	0.725	0.870			
Predictive	0.910	0.140	0.154	0.049	0.967		
Reliability	0.161	0.920	0.607	0.857	0.051	0.954	
Understandability	0.264	0.917	0.657	0.800	0.227	0.904	0.930

Note: C: Comparability, P: Predictive, R: Reliability, U: Understandability

In addition, for estimate discriminant validity, Henseler et al., (2015) used the Heterotrait-Monotrait Ratio (HTMT) criterion (Table 4). The HTMT values, i.e., the ratio of between-trait correlations to within-trait correlations, are presented below. According to the HTMT criterion, values below 0.85 (or 0.90 in some conservative cases) indicate satisfactory discriminant validity. The results indicate all HTMT values are below the cutoff value of 0.85, confirming discriminant validity. The results also confirm that the constructs within the model are unique and do not overlap significantly, therefore discriminant validity confirm the measurement system.

Table 4. Results of Heterotrait-Monotrait Ratio (HTMT)

	CRS	C	LRS	MRS	P	R	U
CRS							
Comparability	0.185						
LRS	0.400	0.793					
MRS	0.100	0.789	0.691				
Predictive	0.736	0.146	0.276	0.073			
Reliability	0.162	0.646	0.844	0.893	0.068		
Understandability	0.273	0.394	0.821	0.841	0.234	0.831	

Note: C: Comparability, P: Predictive, R: Reliability, U: Understandability

3.6. Structural Model Analysis

To test the significance of the hypothesized relationships in the structural model, bootstrapping was performed with 500 subsamples. The results of the bootstrapping analysis, including path coefficients (Beta, β), confidence intervals (Lower and Upper), T-values, and P-values, are presented Table 5.

The main hypothesis H1 " IFRS 7 disclosures don't have significant impact on investor behavior in the Iraqi Stock Exchange." was rejected, as the path from IFRS7 to Investor Behavior (IB) ($\beta = 0.913$, $p < 0.001$) was highly significant, indicating that IFRS 7 disclosures have a strong positive impact on investor behavior. Furthermore, the sub-hypotheses H1a, H1b, and H1c were also rejected, as the paths from Credit Risk Disclosure (CRS) ($\beta = 0.220$, $p = 0.010$), Liquidity Risk Disclosure (LRS) ($\beta = 0.382$, $p < 0.001$), and Market Risk Disclosure (MRS) ($\beta = 0.516$, $p < 0.001$) to Investor Behavior (IB) were significant. This confirms that all three types of risk disclosures significantly influence investor behavior (Table 5, Fig 2).

The moderation effect of VR*IFRS7 on IB (H2: The effect of IFRS 7 disclosures on investor behavior is moderated by the perceived value relevance of the disclosures.) was significant ($\beta = -3.086$, $p = 0.038$), indicating that the perceived value relevance negatively moderates the relationship between IFRS 7 disclosures and investor behavior. Thus, H2 was supported. The moderation effect of U*IFRS7 on IB (H2d) was also significant ($\beta = 2.497$, $p = 0.018$), suggesting that Understandability (U) positively moderates the relationship between IFRS 7 disclosures and investor behavior. Thus, H2d was supported. However, the moderation effects of reliable R*IFRS7 (H2a), predictive P*IFRS7 (H2b), and comparability C*IFRS7 (H2c) were not supported, as their P-values exceeded the 0.05 threshold (Table 5, Figure 3).

Table 5. Results of Bootstrapping

Hypo	Path	Beta (β)	Lower	Upper	T values	P Values	Remarks
H1	IFRS7 -> IB	0.913	0.853	0.950	35.685	0.000	Supported
H1a	CRS -> IB	0.220	0.032	0.319	2.594	0.010	Supported
H1b	LRS -> IB	0.382	0.290	0.486	7.514	0.000	Supported
H1c	MRS -> IB	0.516	0.463	0.569	18.205	0.000	Supported
H2	VR*IFRS7 -> IB	-3.086	-5.590	-1.491	2.092	0.038	Supported
H2a	R*IFRS7 -> IB	-0.443	-0.866	0.138	1.376	0.171	Not Supported
H2b	P*IFRS7 -> IB	0.030	-0.137	0.254	0.031	0.975	Not Supported
H2c	C*IFRS7 -> IB	1.465	-1.051	2.520	1.775	0.077	Not Supported
H2d	U*IFRS7 -> IB	2.497	1.128	3.785	2.389	0.018	Supported

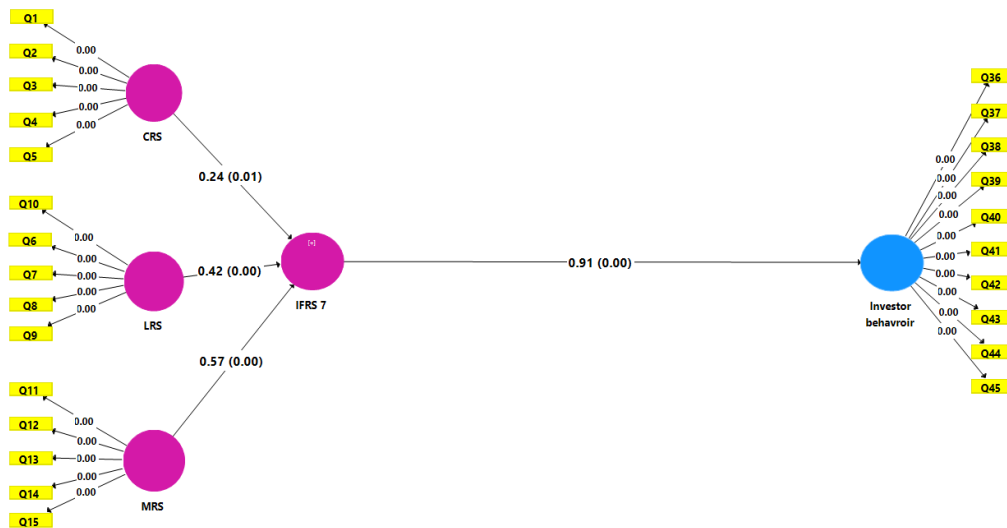


Figure 2. Bootstrapping for H1, H1a, H2b and H3c

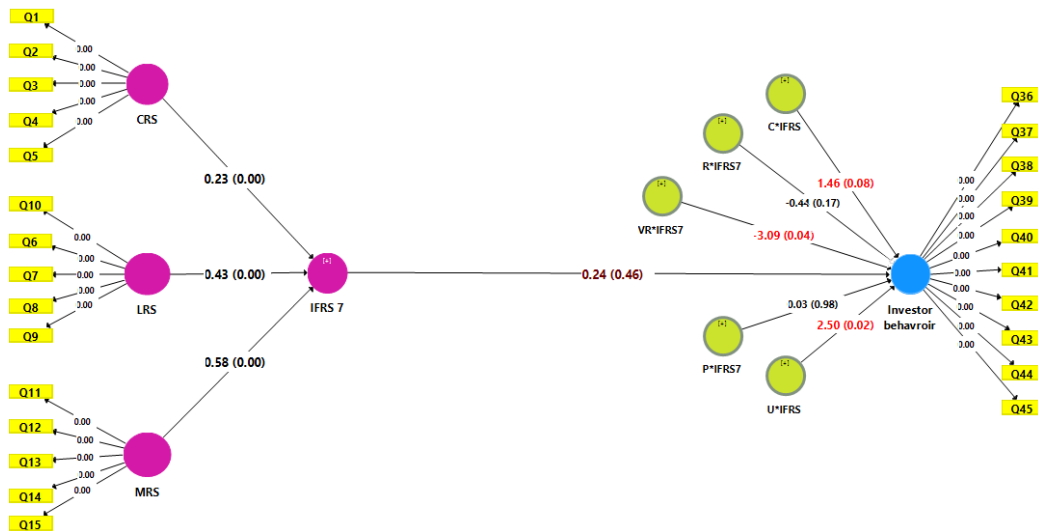


Figure 3. Bootstrapping for H2, H2a, H2b, H2c and H4d

4. Conclusion

The aim of the present study is to determine the role of compliance with risk financial according to IFRS 7 requirements in shaping investor behavior in the Iraqi stock market, as well as the role of value relevance as a moderating factor.

The results found that disclosure of market risks is important and plays a major role compared to other disclosures in making investment decisions. This reflects the importance of external factors and economic fluctuations that affect market risks. Therefore, investors' decisions in the Iraqi Stock Exchange are affected by these factors. Disclosure of liquidity risks came second after market risks, which reflects the ability of banks to meet their short-term obligations. Finally, disclosure of credit risks had less impact than other disclosures, indicating that investors in the Iraqi Stock Exchange are more sensitive to market and liquidity risks.

In addition to the role of disclosures according to IFRS 7 in influencing investors' behavior and decisions, the role of value relevance as a moderating factor in this relationship is clear, as the results showed that understandability has a significant positive effect, which indicates that investors prefer disclosures that are clear and easy to understand, as they enhance the relationship between disclosures according to IFRS 7 and investors' behavior. On the other hand, the other dimensions (reliability, predictive value, and comparison) did not have a significant effect, which reflects investors' weak awareness of the importance of these factors

in the market. In particular, the results we reached indicate that banks should enhance compliance with the risk disclosure requirements according to IFRS 7. In addition, regulatory authorities and banks should work to simplify financial reports and increase their clarity for investors in the Iraq Stock Exchange.

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