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# ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS AND ITS IMPACT ON ENHANCING EARNINGS SUSTAINABILITY: EVIDENCE FROM IRAQI BANKS

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## ABSTRACT

This study aims to demonstrate the extent to which IFRS adoption contributes to enhancing the sustainability of earnings for a sample of banks listed on the Iraqi Stock Exchange for the duration (2011-2022) before and after accreditation. The sample included (nine) banks and 108 observations, using the dummy variable (1.0) to measure IFRS as an independent variable and the earnings per share model to measure the sustainability of corporate earnings as a subordinate variable, and to test the hypotheses, the SPSS statistical program was used. The results of our research show a correlation and moral impact between the adoption of IFRS and earnings sustainability, which means that companies' commitment to IFRS implementation in emerging markets is essential to enhance the sustainability of corporate profits by improving profit quality, reducing profit management, enhancing transparency, enhancing investor confidence, and supporting long-term economic growth in those markets compared to pre-accreditation. Researchers recommend that investors and financial analysts pay attention to the quality of accounting profits when making investment decisions and should pay attention to the details of

  

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the net profit number and not rely solely on the profit number in aggregate and ensure that it is free of profit management.

**KEYWORDS**: - IFRS, earnings sustainability, profits quality, profits management, financial markets.

## 1.0 INTRODUCTION

In the era of globalization and development, competition has become more intense than ever, which is driving companies to expand internationally. Companies expand globally by increasing their international investment (Pranata et al., 2024). Therefore, the efficient use of resources or capital is crucial to enhance the long-term sustainability of companies and increase economic growth. Therefore, investors seek high-quality financial reports to allocate capital efficiently so that they can make accurate and relevant comparisons over the years (Hwang et al., 2018).Businesses constantly deal with a variety of unpredictable scenarios in the workplace. These circumstances may affect changes in reported earnings, which will lessen the predictive power of earnings in the future (Hameedi et al., 2021). Many unpredictable and uncertain risks are present in the corporate environment, which makes operational outcomes for businesses less predictable, more volatile, and less sustainable over time (Nguyet, 2017).

The ability for investors to compare the financial reports of firms worldwide is one of the many potential advantages of International Financial Reporting Standards (IFRS), which are regarded as superior financial reporting standards (Big-Alabo et al., 2021). 144 nations globally had embraced IFRS as their financial reporting standards as of November 2016 (Landsman et al., 2012).Relying on IFRS as a unified accounting standard may reduce earnings management and enhance quality and sustainability. By providing more detailed recognition, more comprehensive and in-depth principles, measurement and presentation of financial reports, IFRS reduces the company’s chances of manipulating finance (Francis et al., 2004). In addition, IFRS promotes greater openness and transparency in finance. Based on the available information, this issue enables stakeholders - investors and creditors, for example - to make a more accurate and credible decision (Pranata et al., 2018). Therefore, our current research aims to investigate the extent to which reliance on IFRS contributes to enhancing the sustainability of earnings for a selection of banks that are listed on the Iraq Stock Market.

**Research Problem:** Even with the implementation of International Financial Reporting Standards (IFRS), financial analysts still seem to have doubts about the accuracy of reported earnings because they want to see consistent corporate earnings for accurate evaluation and a measure of how well earnings represent the fundamental qualitative aspects of the company's performance going forward, rather than just its performance in a given year, confidence in

  

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disclosed earnings fades because investors and analysts believe that there are possibilities of management using earnings and biased reports by management to hide the deficit, inefficiency and fear in meeting the expectations of investors and other stakeholders, as managers use all tricks, whether at the level of form or content, to respond to market expectations and requirements, as managers have the freedom to choose accounting methods in preparing financial reports (Dagunduro et al., 2024). As a result of the flexibility in the established accounting standards. Earnings are of high quality when they are continuous and recurring and not a result of earnings management (Dagunduro et al., 2025). Based on what has been presented, the research problem was formulated as follows:

**Question 1:** Does reliance on International Financial Reporting Standards lead to achieving sustainability in earnings?
**Question 2:** Is the sustainability of earnings in companies after applying International Financial Reporting Standards higher than it was before application in Iraq?

**Research objectives:** The research seeks to achieve a set of objectives that can be summarized as follows:

1. Explaining the concepts of each of the standards (IFRS), earnings sustainability and quality of accounting profits.
2. Identifying how to measure the research variables.
3. Overview of the most important literature review related to the research topic.
4. Explaining the extent of the impact of IFRS standards on the sustainability of earnings through an applied study of a selection of the market's listed banks.
5. conducting an applied study of a sample of banks for two financial periods before and after adopting international standards in order to determine whether the sustainability of earnings in companies after adoption is higher than it was before adoption IFRS.
6. Emphasizing the most significant findings and offering suggestions that serve as a summary of the study.

**Importance of the research:** The importance of the research is evident in the following: Profits represent the basic and important element in measuring the company's success or failure, and it is one of the elements included in the financial reports which users of these reports are interested in. Therefore, the importance of the research lies in the importance of the profit element and the interest in measuring the quality of profits and whether reliance on IFRS standards leads to achieving quality in earnings and sustainability.

Based on the problems and objectives that have been raised, the research hypotheses can be formulated as follows:

  

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H1: There is a statistically significant correlation between IFRS and earnings sustainability
H2: There is a statistically significant effect of IFRS on earnings sustainability.

## 2.0 LITERATURE REVIW AND THEORETICAL FRAMEWORK

### *2.1 Literature Review*

Divergent conclusions regarding the application of International Financial Reporting Standards (IFRS) have been found through a review of the literature. The quality of earnings reported in financial reports may change as a result of the adoption of international standards, which may have an impact on earnings volatility. However, studies show that putting into practice the International Financial Reporting Standards, which are based on principles, enhances the quality of accounting earnings and, consequently, achieves earnings persistence (sustainability).The research has employed earnings persistence and the correlation between present earnings and future profits as metrics to assess the quality of earnings. One indicator of earnings sustainability is earnings persistence, often known as the degree of earnings frequency. Because consistent earnings are predictable, analysts view them as a powerful sign of the quality of earnings. As investors are frequently curious about a company's profits prospects from a value aspect, analysts want earnings to be able to forecast future earnings (Damoah, 2022).

Jaweher and Mounira (2014) examined the impact that IFRS (International Financial Reporting Standards) has had on the caliber of earnings reporting. Stated differently, the goal is to ascertain if, for public firms across 17 European and Australian nations, the adoption of IFRS enhances the quality of earnings in comparison to widely accepted accounting rules. According to their research, the implementation of IFRS improved the quality of results and enhanced the predictability of future cash flow, profitability, sustainability, and timeliness. A collection of earnings quality criteria represents the significance of value, predictability, timeliness, prompt loss recognition, smoothing of income and profits, and accrual quality for the year (2001–2010). Additionally, the data demonstrates that net earnings are less restricted and smoothed under IAS/IFRS laws.

Liu and Sun examined (2015) whether the mandatory implementation of IFRS had an impact on the standard of earnings for Canadian publicly traded companies. Three methods were used to compare the quality of earnings before and after IFRS adoption: earnings response coefficient, performance-matched discretionary accruals, and discretionary accruals. The results indicated that there was no significant change in the quality of earnings for Canadian public companies

  

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after the implementation of IFRS, despite the fact that companies' earnings were found to be more persistent in the post-IFRS era than in the pre-IFRS period.

Farichah (2017) looked into the extent of earnings management, the quality of earnings both before and after Indonesia adopted IFRS, and whether or not earnings management influences the quality of earnings. The findings supported the idea that IFRS adoption can lessen management engagement in earnings management by demonstrating an increase in earnings management since IFRS went into effect. Earnings management following IFRS adoption has an impact on the quality and durability of outcomes. Furthermore, the quality of earnings of firms following the implementation of IFRS is greater than that of organizations before the introduction of IFRS.

However, as Krishan and Zhang (2019) pointed out, profits declared in accordance with Canadian GAAP are more consistent and have a closer relationship with cash flows from subsequent quarters. Moreover, when there is a considerable discrepancy between Canadian GAAP and IFRS, the results reported under Canadian GAAP have a lower significance in value and are less consistent. These findings provide compelling evidence in favor of the hypothesis that higher profits quality is linked to GAAP. Lastly, the findings further demonstrate that the differences between Canadian GAAP and IFRS regarding the accounting of investments and financial instruments substantially impair profits quality under IFRS.

The goal of Silva et al. (2019) research was to ascertain whether the adoption of IFRS has led to an increase in the banking sector's profits persistence and whether fair value has any influence on this relationship. The study examined the quality of earnings in the Brazilian banking sector prior to and following the implementation of the regulations between 2004 and 2016. It proved that the quality of profits is consistently improved by the adoption of IFRS. However, despite the adjustment to the fair value of financial instruments, none of the twenty-five businesses' earnings persistence changed.

Lee (2019) focused on developing markets and looked at whether adopting IFRS enhances earnings sustainability. It specifically assessed the comparability of financial reporting and earnings management of listed Korean enterprises in the pre- and post-IFRS eras in order to assess the impact of IFRS on profits quality. According to the research, companies disclosed less earnings management during the post-IFRS era than they did during the pre-IFRS era. Additionally, the results demonstrate an improvement in the comparability of financial statements between the pre- and post-IFRS years.

  

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Odunsi and Okoughenu (2023) investigated the effect of adopting IFRS on the earnings per share (EPS) of firms listed on the Nigerian Stock Exchange for the pre-IFRS years (2003-2011) and the post-IFRS years (2011-2022) before and after implementation. Their results indicated that the post-IFRS period had no discernible effect on cash flow from operations (CFO) or earnings per share before tax (EBT). This suggests that the adoption of IFRS by listed companies has not had a major effect on their financial performance, which will aid stakeholders in projecting future returns on their investments.

In a study conducted by Pranata et al. (2024) which evaluated the effects of adopting international financial reporting standards on earnings management strategies and value importance by reviewing the literature covering the years 2017–2023. It was discovered that the adoption of these standards had various effects on these fronts. Even with global financial reporting standards becoming more similar, earnings management strategies are still in use. International financial reporting standards adoption has varying effects on emerging nations, depending on institutional settings, business size, profitability, and other factors. Their research recommended using quantitative approaches when making decisions because they are more useful for examining the effects of adopting international financial reporting standards.

While Chouaibi (2024) used the earnings volatility and accruals quality model to measure earnings quality and looked into the effect of adopting international financial reporting standards on earnings quality in a sample of banks listed on the Iraq Stock Exchange. The study found a statistically significant positive correlation between the quality of earnings and the adoption of international financial reporting standards. This indicates that when earnings quality is higher, the likelihood of adopting IFRs increases.

### *2.2 The Concept of International Financial Reporting Standards (IFRS)*

The International Financial Reporting Standards are a collection of global guidelines for generating financial reports that were created by the International Accounting Standards Board, embraced by several nations, and recognized globally (Ray, 2011). This concept alludes to the existence of broad models and concepts that aim to understand the fundamentals and the appropriate method for finding, measuring, and presenting data. It also leads to the guidance and rationalization of accounting, auditing, and reviewing practical practice. Additionally, it aims to support investors in global financial markets and consumers of financial reports in making informed financial decisions by providing high-quality, comparable, and extremely transparent information in these reports (Dagunduro et al., 2024).

Khafaji (2018) explained that the adoption of international financial reporting standards by a country has a significant effect on the quality of financial reports because it lowers the use of

  

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earnings management policies, which promotes high earnings quality, increases market liquidity, and lowers costs. Adopting international financial reporting standards has different effects on businesses in different nations. International financial reporting standards are seen as an effective technique that may aid in the unification and acceptance of financial reports globally. In his study, which focused on 23 nations that had adopted the guidelines, Alkhafaji and Alzubaidi (2022) made this claim. The financial ramifications of relying on the standards vary depending on the country in question's implementation environment.

### *2.3. The Concept of Sustainability*

There are two important characteristics of accounting profits that have been identified in the accounting literature as key components of sustainable profits: sustainability and predictability. The sustainability of profits is generally defined as the degree of first-order autocorrelation in a series of profit numbers (Lawal et al., 2024). The sustainability of profits is a desirable characteristic of accounting profits because it indicates the continuous nature of the accounting profit number (Boluwaji et al., 2024). The predictability of profits deals with the ability of profits to predict themselves. The predictability of profits is also a desirable characteristic of accounting profits because it helps in predicting the results of activities, which is an important aspect of evaluation (Canina & Potter, 2019). Most researchers have used the sustainability of profits as a measure of the quality of profits, and sustainability is expressed as the degree of Earnings persistence of current profits over the future period (Dagunduro et al., 2024). High-quality profits are defined as sustainable profits and are often referred to in financial analysis (Dagunduro et al., 2025; Penman & Zhang, 2002). That is, when the accounting treatment produces unsustainable profits, this indicates that the profit figures are of low quality, as defined in the context of automatic correlation in profits or the extent to which current profits become a permanent part of the profit chain. Thus, the sustainability of profits is always linked to a high level of quality, and thus the word sustainable is used synonymously with persistence (Schipper & Vincent, 2003).

### *2.4. The Concept of Earnings Quality*

The concept of profits quality is essential to the fields of accounting and financial economics. There are several variations in the definition and measurement of it, though. Although the phrase "earnings quality" is often used, there is still some disagreement about what it really means. Previous research has indicated that high-quality incomes are those that:

1. Show continuity, making them the most reliable predictors of long-term earnings that can be maintained.
2. Are free from income smoothing.
3. Are more accurate forecasts of future earnings.
4. Are produced according to conservative accounting principles and supported by past, current, or future cash flows.

  

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As for its measurement, it includes many measures, the most important of which are: Earnings persistence of earnings, volatility of earnings, forecasting, asymmetric loss recognition, income smoothing, and accruals (Dichev et al., 2013). According to Dechow et al. (2014), this is a challenge in measuring earnings because it is unable to accurately distinguish between the portion of managed earnings and the portion arising from the core earnings process to ensure earnings sustainability.

## 3.0 METHODOLGY

### *3.1Research sample and community*

The research sample and community included (9) banks out of a total of (46) banks listed in the Iraqi financial market, using annual financial reports, for the financial period (2011-2015) before accreditation and the period (2016-2022) after accreditation, and the number of observations reached 108 observations, as Islamic banks were excluded from the sample, in addition to excluding a number of banks for not disclosing their reports for years within the sample period due to crises that occurred or may be in these years not included in the market, and these banks are as follows:

X1: Ashur International Bank for Investment.
X2: Al-Mansour Bank.
X3: Bank of Baghdad.
X4: Sumer Commercial Bank.
X5: Investment Bank of Iraq.
X6: Babylon Bank.
X7: United Bank.
X8: Gulf Commercial Bank.
X9: National Bank of Iraq.

### *3.2. Research Methodology*

The deductive method was used through a presentation of literature review and the findings of these studies, in addition to the comparative method, which is one of the most important methods used in scientific research in general and accounting research in particular, through contrasting two fiscal years that were prior to and subsequent to the implementation of international financial reporting standards.

### *3.3 Research Model*

Figure No. (1) Below shows the procedural plan for the research according to its hypotheses:

**FIGURE 1.** Procedural blueprint for research

  

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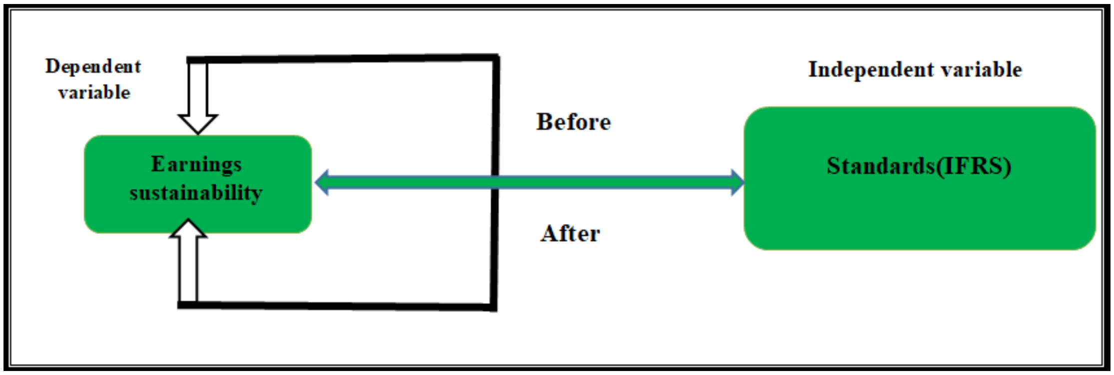


***Source**: Prepared by researchers*

### *3.4 Methods of Collecting Information and Data*

The methods of collecting information and data necessary to complete the research included both practical and theoretical levels, as the researchers relied on quantitative data in the practical aspect of the research, and using a set of variables that included independent and dependent variables based on the annual financial reports of the Iraq Stock Exchange, while the theoretical aspect was built according to what is available from foreign and Arab references and literature of research related to the research topic.

### *3.5Measurement of Variables*

The following is the method of measuring variables

***35.1. Independent Variable:*** International Financial Reporting Standards (IFRS) is a dummy variable that gives 1 for the post-adoption stage and 0 for the pre-adoption stage [22], [23]

***3.5.2 Dependent Variable*:** Earnings sustainability: The (Francis, et al, 2004) model was used to measure earnings sustainability, one of the most important measures of earnings quality, which expressed the continuity of achieving profits through the autoregressive coefficient between current profits and previous period profits. The closer the value of the regression coefficient is to one, the more it is an indicator of the ability of profits to continue in the future, and thus these profits are considered to be of high quality. However, when the value of the regression coefficient is close to zero, this means that the profits are temporary and not sustainable, and thus these profits are considered to be of low quality. The model was calculated using the following equation: It is measured using the estimated time series as an estimate of the slope coefficient (β 1) from the following regression model. The continuity of profits is measured using the simple regression equation as follows: [24].

  

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$$X_{i,t} = \beta_{0,i} + \beta_{1,i}X_{i,t-1} + \varepsilon_{i,t}$$

where:

$X_{i,t}$ :Earnings per share during year t

$X_{i,t-1}$: Earnings per share during year t-1

$\varepsilon_{i,t}$ :Error coefficient

## 4.0 RESULTS PRESENTATION AND DISCUSSION OF FINDINGS

### *4.1 Descriptive Analysis of Data*

#### *4.1.1 Analysis of the percentages of reliance of the banks surveyed on International Financial Reporting Standards (IFRS)*

The results of Table (1) show that the banks polled had not implemented International Financial Reporting Standards (IFRS) prior to 2016. But from 2016, these banks started using International Financial Reporting Standards (IFRS). This shift in the way that the banks surveyed were applying International Financial Reporting Standards (IFRS) can be attributed to new rulings and laws from the relevant supervisory and regulatory bodies requiring banks to implement IFRS beginning in 2016 or later. In addition, the banks adopted International Financial Reporting Standards (IFRS) because they wanted their financial statements to be more transparent and comparable across borders. Apart from staying up to date with worldwide advancements in accounting and financial reporting, it's also imperative to enhance the caliber of financial information that is presented.

**TABLE 1. "Mechanism for implementing International Financial Reporting Standards (IFRS) for the banks surveyed (2011-2022"**

| *Banks* | *Before and after IFRS adoption* | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015-2011 | | | | | 2022-2016 | | | | | | |
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| *X1* | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| *X2* | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| *X3* | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| *X4* | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| *X5* | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| *X6* | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| *X7* | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| *X8* | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| *X9* | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| | General average | | | | | | | | | | | |
| General average of banks | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| | %0 | | | | | %100 | | | | | | |

#### *4.1.2 Earnings Sustainability Analysis*

The results of Table (2) indicate that the Bank of Baghdad came in first place because it has the highest profitability ratio among the mentioned banks, which is 0.096, which means that this bank has a good ability to generate profits through its banking operations. While the National

  

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Bank of Iraq came in second place because it also has a strong profitability ratio, which is 0.086, which indicates that this bank is able to maintain good profit margins and achieve strong financial performance. The third place was represented by the Gulf Bank because it has a lower profitability ratio than the previous two banks, which is 6.2%, which can be explained by the fact that this bank may face greater competitive pressures or operational challenges compared to other banks.

While Mansour Bank, Ashur Bank, and United Investment Bank came in fourth place because they have close profitability ratios, ranging from 0.057 to 0.06, which indicates similar financial performance for these banks.
The Iraqi Investment Bank came in fifth place because it has a profitability ratio of 5.3%, which is lower than the previous group, and this bank may face greater challenges in achieving high profits. As for Babylon Bank and Sumer Bank, they have the lowest profitability ratios, 0.02, 0.011 respectively, and this indicates that these two banks may face greater difficulties in achieving profitability compared to other banks.

From the above, it can be noted that there is a difference in profitability ratios between banks, which reflects the difference in their ability to generate profits from their banking operations. This data may help in identifying the strengths and weaknesses of each bank and directing future strategies to enhance financial performance.

On the other hand, it is noted that all the banks surveyed suffered from low profitability ratios before 2016 with an arithmetic average of (0.061), while it is noted that these banks improved their performance after 2016, achieving a profitability ratio of (0.104). This improvement in financial performance and improvement in profitability levels after 2016 indicates the ability of these banks to take measures and adopt effective strategies to enhance their performance and improve profitability levels. It can be said that this positive shift in the results of banks after 2016 reflects their ability to adapt to the changes and challenges they faced in previous years.

**TABLE 2.** Measurement of earnings per share for the banks studied

| | *X1* | *X2* | *X3* | *X4* | *X5* | *X6* | *X7* | *X8* | *X9* | *General Average* |
|---|---|---|---|---|---|---|---|---|---|---|
| 2011 | 0.119 | 0.079 | 0.186 | 0.003 | 0.099 | 0.097 | 0.217 | 0.112 | 0.025 | **0.061** |
| 2012 | 0.111 | 0.049 | 0.143 | 0.008 | 0.014 | 0.050 | 0.211 | 0.297 | 0.154 | |
| 2013 | 0.075 | 0.101 | 0.128 | 0.007 | 0.173 | 0.036 | 0.100 | 0.190 | 0.091 | |
| 2014 | 0.037 | 0.068 | 0.111 | 0.008 | 0.116 | 0.027 | 0.072 | 0.120 | 0.028 | |
| 2015 | 0.041 | 0.079 | 0.023 | 0.014 | 0.070 | 0.015 | 0.076 | 0.033 | 0.009 | |
| 2016 | 0.059 | 0.058 | 0.081 | 0.012 | 0.041 | 0.029 | 0.033 | 0.020 | 0.094 | **0.104** |

  

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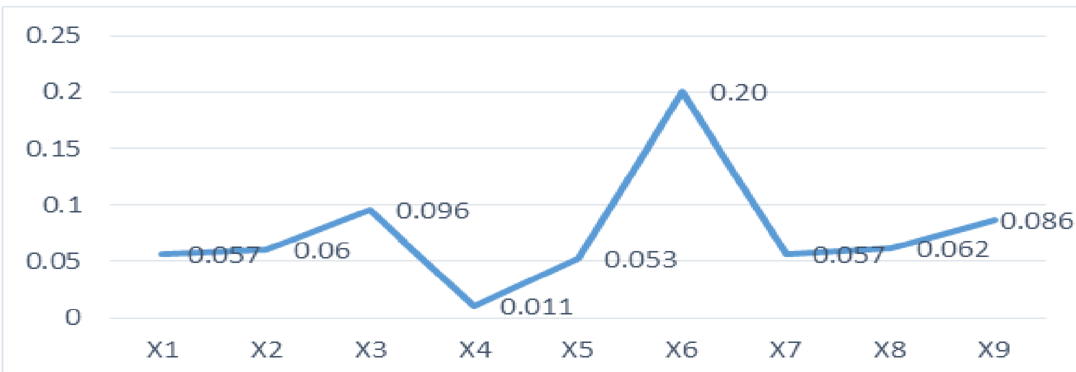
| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2017 | 0.054 | 0.059 | 0.024 | 0.016 | 0.016 | 0.014 | -0.010 | 0.014 | 0.012 |
| 2018 | 0.019 | 0.085 | 0.017 | 0.004 | 0.014 | 0.015 | -0.035 | 0.002 | -0.032 |
| 2019 | 0.024 | 0.033 | 0.029 | 0.004 | 0.007 | 0.005 | -0.007 | -0.013 | 0.367 |
| 2020 | 0.059 | 0.028 | 0.081 | 0.004 | 0.019 | -0.047 | 0.015 | 0.000 | 0.080 |
| 2021 | 0.030 | 0.032 | 0.120 | 0.047 | 0.037 | -0.018 | 0.007 | -0.017 | 0.104 |
| 2022 | 0.052 | 0.051 | 0.213 | 0.004 | 0.030 | 0.014 | 0.004 | -0.017 | 0.102 |
| **General Average** | **0.057** | **0.060** | **0.096** | **0.011** | **0.053** | **0.020** | **0.057** | **0.062** | **0.086** |

**FIGURE 2.** Distribution of earnings per share for the banks studied




### *4.2 Hypothesis Testing*

***4.2.1 H1**: "There is a statistically significant correlation between International Financial Reporting Standards (IFRS) and earnings sustainability"*

The results of Table (3) demonstrate a substantial association between International Financial Reporting Standards (IFRS) and profits sustainability, with a value of (0.758). This suggests that attaining long-term financial success and profits sustainability is favorably and strongly connected with enterprises embracing IFRS. Stated differently, firms' overall financial performance, profitability, and sustainability all significantly improve when they use International Financial Reporting Standards. The importance and benefits of companies adopting International Financial Reporting Standards as a helpful tool for improving the quality of financial reports and increasing long-term profitability and financial performance are therefore supported by this conclusion.

**TABLE 3.** Correlation matrix

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| | | IFRS | Earnings sustainability |
|---|---|---|---|
| IFRS | Pearson Correlation | 1 | .758** |
| | Sig. (2-tailed) | | .004 |
| | N | 12 | 12 |
| Earnings sustainability | Pearson Correlation | .758** | 1 |
| | Sig. (2-tailed) | .004 | |
| | N | 12 | 12 |

**. Correlation is significant at the 0.01 level (2-tailed).

### *4.2.2 The Second Main Hypothesis.*

The International Financial Reporting Standards (IFRS) have an impact on the sustainability of earnings that is statistically significant. The results of Table (4) show that the interest of the banks surveyed in applying the International Financial Reporting Standards (IFRS) contributes to improving the sustainability of profits, which means that making an improvement of one unit leads to an increase in the sustainability of profits by (0.085) and with an error coefficient value of (0.014), which means that the International Financial Reporting Standards contributed to explaining (0.575) of the variance in the sustainability of profits. This supports the validity of accepting the second hypothesis because it achieved a comparative value for both (T) at (3.680), and (F) calculated at (13.543).

**TABLE 4.** Outputs of the impact of International Financial Reporting Standards (IFRS) on Earnings sustainability

| *model* | ***Regression parameter a*** | ***Std. Error*** | ***T*** | ***F*** | ***R Square*** | ***Sig.*** |
|---|---|---|---|---|---|---|
| | 0.085 | 0.014 | 3.680 | 13.543 | 0.575 | .004 |

## 5.0 CONCLUSION AND RECOMMENDATIONS

### *5.1 Conclusions*

1. A positive correlation has been observed between the application of International Financial Reporting Standards (IFRS) and earnings sustainability. This implies that the adoption of IFRS by companies has a substantial impact on improving their overall financial performance and sustainability.
2. There is a significant impact of IFRS standards in enhancing earnings sustainability. Accordingly, implementing International Financial Reporting Standards improves the quality of results and decreases earnings management, particularly in financial institutions and small businesses, which eventually improves the long-term sustainability of earnings.
3. The results showed the commitment of the banks surveyed to applying IFRS standards after 2016 due to the benefits and profits these standards provide to banks and achieve international requirements to improve their performance outside the country.

  

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4. Banks' interest in investing the internal capabilities and skills of their employees by developing the infrastructure and technology for the mechanism of using international standards correctly, more efficiently and effectively.
5. The banks studied are keen to build specialized departments to follow up on the latest technical developments that international standards have reached and adapt to these standards in order to achieve sustainable profits. 6. The banks are interested in building internal control mechanisms and adopting an advanced accounting and technical system that is consistent with the accuracy of the data that these banks deal with.

### *5.2. Recommendations*

1. The need for investors and financial analysts to pay attention to the quality of accounting profits when making investment decisions; in addition, they should focus on the details of the net profit figure instead of relying solely on the gross profit figure and ensuring that there is no profit management.
2. The need to develop comprehensive strategies to shift from traditional standards to international standards by conducting a clear and detailed evaluation and plan to implement these standards.
3. The need to build the capabilities and competencies of bank employees by attracting the best experts to develop the skills of their employees and qualify the staff to deal with advanced technical developments in international standards.
4. The need to build and enhance transparency and disclosure in accounting practices and maintain the sustainability of profits by committing to full, clear and accurate disclosure of financial information.
5. The need to develop effective systems for managing financial risks that are consistent with the requirements of international standards and ensuring the continuity of changing and adapting accounting policies and procedures to what is new.
6. The need for banks to focus on providing transparent and clear financial data and reports to shareholders in order to ensure gaining their loyalty and continuous communication with them to build clear and transparent organizational relationships and interfaces.

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