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Finance Disclosure and Its Role in Attracting Foreign Investment

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Abstract:

The developing countries face significant financial challenges that lead to a deficit in their local investments, which drives them to search for alternatives like foreign direct investment. This type of investment is an effective means to improve the national economic climate, as it directly supports the economic system by pumping capital and providing new job opportunities. In addition, FDI plays a pivotal role in transferring technology and knowledge, assisting in addressing balance of payments deficit and improving macroeconomic indicators, aided by incentives and removal of barriers to expedite the entry of foreign investments. Developing countries face numerous challenges related to the opacity in financial reports, as many studies have shown that foreign investors often grapple with inaccurate information and limited disclosure in annual reports, especially in the wake of recent economic and financial shocks. This lack of transparency negatively impacts trust in financial data, leading to erroneous investment decisions and threatening the stability of economic institutions. In light of this, enhancing financial disclosure becomes a critical need, as providing reliable and transparent financial reports is essential for supporting informed decision-making by investors and stakeholders. The importance of accounting disclosure emerges as it is the main means of presenting the financial results of institutions and conveying a true picture of their financial situation, which enhances public trust and stimulates more foreign direct investments, thereby supporting economic growth and financial stability in host countries.

keywords: Incentives and guarantees, financial transparency, accounting disclosure, annual reports, information accuracy, trust in financial data.

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1. Research Framework

1-1Introduction Many

Developing countries facing a deficit in financing their investments are turning to foreign direct investment as an alternative source of funding. This form of investment plays a crucial role in supporting the economic system of the host country, not only by injecting capital but also by promoting the transfer of technology and knowledge. To achieve this, it is imperative to ensure the availability of accurate and transparent financial statements that meet the needs of foreign investors interested in direct foreign investment. Waves of competition between countries to attract foreign direct investment have increased through the removal of obstacles and the offer of incentives and guarantees that facilitate their entry into financial markets. However, several studies have emphasized that foreign investors, when making investment decisions, face problems of lack of transparency and disclosure, inaccuracy of information if available, particularly in terms of annual reports of institutions involved in investment decisions, especially in the wake of economic and financial shocks that the world has witnessed lately. Therefore, there is a need to strengthen disclosure and transparency, provide reliable financial statements, and be free from fraud and errors, and provide necessary and appropriate information on time to investors and interested parties and the community. The issue of a lack of available institutional annual reports was identified by foreign investors and led to challenges not only for investors but also for stakeholders and society. This prompted the need to provide a comprehensive framework to guide researchers in studying the subject in detail. The study highlighted the importance of transparent disclosure in financial statements as it contributes to the availability of accurate and reliable information to stakeholders and society. The absence of transparency and disclosure can lead to the loss of trust in the information provided, ultimately affecting the quality of decision-making by investors and stakeholders who heavily rely on this information. The lack of availability of institutional annual reports, as identified by the study, was a significant factor leading to the demise of many economic institutions. The importance of obtaining information and its credibility has become a recurring issue, which has led to the emergence of financial disclosure as a means of presenting information to investors and other users of financial statements. Therefore, financial disclosure is considered the main method and effective tool for conveying the results of business activities to users and supporting their decisions, especially in the field of foreign direct investment.

1-2 Research Problem:

One can summarize the research problem by asking the following question: What is the role of financial disclosure in attracting foreign direct investment?

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1-2 Research question

Financial disclosure compliance on statements/reports in the financial accounting system & foreign investment decisions.

2- Adoption of financial disclosure principles in the financial accounting system & foreign investment decisions.

3. Impact of applying specific financial disclosure requirements on statements/reports to be disclosed & foreign investment decisions.

What is the role of transparent financial disclosure in attracting foreign investment?

1-4 The main hypothesis of the research is:

The financial disclosure does not contribute to attracting foreign direct investment.
To test this hypothesis, the following subordinate hypotheses have been developed:
The first hypothesis:
There is a statistically significant effect at the significance level (0.05<a) of the financial disclosure under the financial accounting system on attracting foreign investments (foreign).

1-5 Significance of study

lies in its coverage of a crucial topic: financial disclosure. As it plays a key role in attracting foreign direct investment, it is crucial due to the great importance of this aspect, as well as the intense competition between different countries to attract it.

1-6 Objectives of the study

The study aims to explore the role of financial disclosure in attracting foreign direct investment. Several subgoals are relevant, including:

1. Understanding the role of financial disclosure in financial statements and reports;
2. Identifying the elements of financial disclosure that are of most interest to investors;
3. Understanding different forms and types of investment and their role in economic development for host countries;
4. Analyzing the potential impact of financial disclosure on attracting foreign direct investment
5. Discovering the statistical significance of the relationships between financial disclosure and foreign direct investment.

Research method1-7

This study employs a descriptive approach in its theoretical aspect. It highlights the key concepts related to financial disclosure and foreign direct investment through reliance on books, scientific manuscripts, reports, and publications, as well as official, high-credibility websites related directly and indirectly to the study's variables. In the practical aspect, this study employs a descriptive-analytical and descriptive-statistical approach, and data collection was done through a questionnaire distributed to a sample of investors in Karbala (the study site), with analysis performed using the IBM SPSS Statistics software package.

1-8 The Study Structure

This study is divided into three main sections to understand various aspects of the research and achieve its desired objectives.

First section: General concepts on financial disclosure, including definitions, goals, and levels, as well as types of financial disclosure, its components, and requirements.

Second section: Discusses the reasons for the increase in disclosure requirements and the influential factors and major impediments.

Third section: Foreign direct investment (FDI), with a focus on the general concept of FDI and foreign investment, along with its historical development, different forms, major investment theories, determinants, and underlying motives.

1-9 Previous Studies:

A study by Raba Majid Bosul (2018) titled "The Effect of Financial Disclosure Efficiency and Corporate Governance on Attracting Arab and Foreign Investment" analyzed data from 178 companies listed on the Amman Stock Exchange, in Jordan, for the year 2010. The study examined relationships between financial disclosure efficiency and corporate governance.

The study found limited compliance in financial disclosure levels among the sample group, with variations in disclosure levels. There was no statistically significant effect between financial disclosure and foreign investment, and investors in general preferred institutional ownership. A study by Dr. Hisham Mohamed Al-Bassiouni and Dr. Ahmed Sayed Zidan: "The Effect of Narrative Disclosure on FDI. This study was in the form of a research article. Interviews were conducted with investors, accountants, financial analysts, and academics from companies listed on the Egyptian Stock Exchange. 126 responses were received, and the correct responses totaled 91%. A model was developed to include a single independent variable, narrative disclosure, and a dependent variable, foreign direct investment.The study concluded that narrative disclosure helps financial statement users ensure that financial information accurately portrays the phenomenon being presented, and there is a strong positive (direct) relationship between the independent and dependent variables.

The first section

2-1 Accounting Disclosure:

A historical perspective on accounting disclosure:

The idea of disclosure originated in the 19th century with the founding of joint-stock companies, which separated ownership from management and allowed limited liability for partners. Such an arrangement necessitated the enactment of legislation and laws for these institutions and required them to publish their financial statements periodically.

The English Companies Act of 1844 was the first to impose external auditing. It included a provision that required company directors to prepare and sign a balance sheet, ensuring it was fair and comprehensive, and to have its accuracy and truthfulness verified by an external auditor. However, despite the obligation imposed on English companies by this law, it was not effective due to the lack of professional oversight to determine the form and content of the balance sheet.

This made disclosure subject to the desires of management, which disclosed selectively chosen information and might ignore publishing important information, believing that publication serves its interests. These companies also didn't depend on public or investor financing, and voluntary disclosure was meant to regulate owner-manager relations. On the other hand, auditing sought to verify the accuracy of accounting figures without examining their substance. However, in 1907, disclosure became mandatory due to the increasing reliance of joint-stock companies on external financing. The audit was done to protect the public investors and serve the public interest, and the auditor also aimed to look beyond the numbers to uncover the essential truths that were not clear in the balance sheet. Unlike England, American institutional laws did not play a significant role in influencing accounting practices. Rather, the emphasis on accounting disclosure in the United States is attributed to the efforts of the auditing profession, represented by the American Institute of Certified Public Accountants (AICPA). In 1933, it was emphasized that adherence to the principle of full disclosure and consistency in following the format when preparing and publishing financial statements was necessary. This was mandated by the U.S. Securities and Exchange Commission (SEC) for all companies listed on the stock exchange in 1934. As a result of the financial community's demand to establish accounting principles to obligate management in various institutions to adhere to them to protect accountants and auditors from management pressure due to the freedom given to them in choosing accounting alternatives they deem appropriate, which led to the manipulation of published accounting figures, the outcome was a global economic crisis (1929-1939). (Benzaf, 2019).

Examining the history of disclosure reveals the current formulation of the professional approach. This approach is characterized by the insistence of professional organizations, particularly the AICPA, on requiring companies to adhere to generally accepted accounting principles while also allowing management the flexibility to operate within those guidelines. The initial effort at accounting theorization focused on the concept of "accounting disclosure."

1. A study conducted by Moonitz in 1961 under the auspices of the AICPA indicated that accounting reports should disclose everything necessary to avoid being misleading. The growing importance of disclosure is also tied to the accounting function's shift from the ownership approach to the user approach. This transformation changed its role from a bookkeeping system aimed at protecting the interests of owners to an information system aimed at providing appropriate information for decision-makers. The opening of accounting to modern theories, such as the modern theory of information, accompanied this development. The latter gave accountants many ideas and tools that improved the principle of disclosure's role and importance, like the financial report's informational content and Shannon's logarithmic function, which measures informational content and information cost. On the other hand, the increasing economic role of global financial markets had a direct impact on accounting, as it required accountants to pay special attention to the theories and concepts governing the components and mechanisms of these markets, such as portfolio theory and its derived hypotheses, like the efficient market hypothesis. This once again emphasized the importance of disclosing information in financial statements and reports, which have become a primary source of information for participants in financial markets. From the above, we conclude (Benzaf, 2019).

1. Financial disclosure was a result of the separation of ownership and management.
2. Companies' reliance on external financing led to the emergence of financial disclosure.
3. The global economic crisis led to the emergence of the principle of disclosure to meet the needs of financial statement users.
4. Financial markets play a role in activating disclosure.
5. Disclosure is a substitute for publication. The latter is a presentation and announcement of financial information to external parties without confirming its content. Modern disclosure, on the other hand, strives to verify and reveal crucial information that may otherwise remain hidden.

2-2 The concept of accounting disclosure:

To provide a somewhat comprehensive concept of accounting disclosure, it is necessary to define the most important definitions related to this term and to determine its significance and objectives as follows:

Definition of accounting disclosure linguistically: It is defined as "revelation, contrast, and disclosure." (Salim Benrahmoun: 2019)

Detailed Accounting Disclosure. In the Arabic language, disclosure means "eloquence and clarity." A man possesses eloquence, which translates to articulate speech. A fluent tongue means a free tongue. The eloquence of a man is the fluency of his tongue in correct and clear speech. The dawn has illuminated the issue, indicating its emergence. (Salim bin Rahmoun: 2019). Disclosure is "the information published by management for external parties who use financial statements" to meet their various needs for information related to the entity's operations. Disclosure includes any explanatory accounting or non-accounting historical or future information disclosed by management and presented in financial reports" (Abdel-Moneim: 2017).

As defined by Mohamed El-Mabrouk, "Disclosure is the process of revealing and presenting necessary information about institutions to parties that have current or future interests in them. Financial statements should present the information in a language that the aware reader can understand, free from ambiguity or deception. (Mohamed El-Mabrouk: 2018). Disclosure means "the inclusion of all necessary information in financial reports to provide users of these reports with a clear and accurate picture of the accounting unit." (Abbas Mahdi Al-Shirazi: 1990). And it can be expressed as "a process and methodology of providing information and making decisions related to the policies followed by the institution known and informed through publication and openness" (Asia: 2014). "Accounting disclosure in general is full transparency, but in accounting, it means that financial statements should present all the main information that is important to users and helps them make decisions. Therefore, full disclosure must be appropriate, meaning that the information is useful, credible, and reliable, based on objective foundations, and verifiable to ensure the same results. Additionally, it should allow for the comparison of that information for the same institution over different periods or with other institutions, and it should be delivered in a timely manner." (Sirwan: 2018)

2-3 The Importance of Accounting Disclosure

The importance of accounting disclosure is attributed to the role it plays in providing the necessary information for decision-makers through several key points, the most important of which are: (Attaallah: 2008)

• It reveals variables of direct interest to many parties.

• The information available in the financial reports helps shareholders assess the success of the management.

• The financial reports provide accurate and clear information about operations and events, which enhances the forecasting function. They also provide information to financial statement users, enabling them to rationalize investment and credit decisions based on economic considerations.

• Providing information about cash flows in terms of estimating the size and timing of expected cash flows.

• The information available in the financial statements helps shareholders understand the extent of the management's success in managing funds.

• It can show the true economic value of some important resource elements that the institution's future and continuity focus on in financial statements.
• Financial statements can show how much the economic institution contributes to its social responsibility.
• The information available in the financial reports helps shareholders assess the effectiveness of the management.

2-4 Objectives of Accounting Disclosure

Everything must have a purpose, and therefore, accounting disclosure in financial reports has a goal and objective, which is to direct the behavior of the entity towards a certain direction by the authorities that have the power to impose the disclosure of certain information. Disclosure has two objectives: According to Ahmed El-Sayed (1993),
• The traditional approach to disclosure: It aims to address investors with limited knowledge of financial statements, necessitating the simplification of published information so that it is understandable to the less knowledgeable investor, with an emphasis on objective information and avoiding the presentation of information that reflects a high degree of uncertainty. This approach protects the investor from unfair practices in the financial market.
• The contemporary approach to disclosure: It aims to provide relevant information for decision-making. The goal is to disclose financial information that is objective and accessible to the average investor. Rather, the scope of disclosure expands to include relevant information that requires a high degree of knowledge and expertise to understand and use, which conscious investors and financial analysts rely on in making their decisions. We conclude that the objectives of accounting disclosure in financial reports lie in the extent of accurate and reliable information that is relied upon in decision-making. And that the information should be free from fraud and deception, and that its submission should be on the specified dates to be published so that all concerned parties, whether investors, regulatory bodies, or government entities, can benefit from it.

2-5 Disclosure Levels

Disclosure can be at more than one level, and traditional accounting scholars have differed in presenting these levels. Some define it at only one level, while others divide it into more than one . Among the most prominent of these classifications, we have the following levels: (Salim: 2019)
1 - The ideal level: We achieve this level by meeting three conditions:
• The financial statements should be highly detailed;
• The financial statements should be credible and accurate;

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• Financial statements should be presented in a timely manner and according to the relevant parties' wishes.
2 - The realistic level: This level is also achieved under the following conditions:
Respect for accounting principles and standards is a prerequisite for achieving this level.
Respect for administrative policies, supervision and control regulations, and audit manuals.

2-6 Types of Accounting Disclosure

There are different types of disclosures, and the accountant must choose the appropriate type that can convey information to the users of the financial statements. The focus will be on three types of accounting disclosures, which are considered the main types of disclosures, namely:

• Full disclosure: providing all the necessary information that needs to be disclosed, but the implementation of this disclosure faces a set of problems, which include:

The difficulty in estimating the benefits of implementing full disclosure compared to the ease of determining the costs incurred. If this disclosure were to be implemented, the company would need to increase the number of accountants by 50%, from 300 to 450 accountants, but the benefit from this change is difficult to determine. Developing disclosure policies to adhere to the full disclosure principle poses a challenge, particularly as the accounting profession is currently formulating its standards and guidelines to establish the significance and mode of disclosure. Therefore, full disclosure does not mean presenting all details of events and operations without distinction.

• Fair or clear disclosure: It embodies the ethical approach in accounting, meaning the presentation of financial data and information provided to all parties equally. This level of disclosure is subject to behavioral considerations related to the preparers of the accounting data.

• Adequate disclosure: Also called effective or appropriate, this type of disclosure requires a minimum of information, making the financial statements understandable and not misleading.

It can be said that the final level of disclosure, despite the criticisms directed at it for not disclosing all financial information and data, is the most practical type of disclosure, as it occupies a middle position between full disclosure and the resulting increase in the costs of preparing and publishing financial data and information and fair disclosure, which is subject to behavioral and ethical considerations that are difficult to control.

The essential components of disclosing accounting information

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The disclosure of accounting information in published financial statements is based on the following key components (the three most important components): (Ben Zaf Labni: 2019)

• Identifying the target user of accounting information.

• Identifying the purposes for which accounting information is used.

• Determining the nature and type of accounting information that must be disclosed.

1- Identifying the target user of accounting information .

There are many types of accounting information users, and they use it directly or indirectly. Identifying the target user of accounting information is a fundamental pillar in determining the appropriate accounting disclosure framework. But finding accounting information users and their needs is challenging due to their diversity and varied interests. Given the multiple parties or categories that use accounting information, report preparers face two main options when preparing reports:

The first option is to prepare a single financial report according to multiple templates based on the needs of the various groups that use these reports. However, this is difficult and does not align with the principle of economic feasibility of reports, which emphasizes that the cost of information should not exceed the expected return.

The second option is to prepare a single financial report that is multipurpose, meeting the needs of current and potential users. But this option is impractical and hard to execute, as it would make financial reports too long and detailed.

• Purposes of using accounting information

When determining the amount of accounting information that should be published and presented in financial statements, accountants follow accounting conventions while considering legal requirements. However, there are numerous uses for financial statements; they can be used as a basis for operational, investment, and financing decisions by internal parties and for investment and financing decisions by external parties, as well as for tax purposes and others. Users of financial statements and accounting data from outside the institution have a wide and conflicting range of interests, and each of these parties has a specific goal in analyzing and interpreting financial statements. The need for information and its type varies according to the choices faced by the user of this information. Some individuals seek to understand and ascertain the outcomes of past operations, while others aim to Essentially, estimates or future forecasts serve as the foundation for comparing available and competing alternatives. This underscores the significance of appropriately disclosing accounting information for its intended purposes.

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This conclusion was confirmed by Shwyder in his definition of the relevance property of information, where he said, "A piece of information is considered relevant to a specific user if it is expected that this user will benefit from that information for a specific purpose." The property of relevance requires a close connection between the method of preparing the information and disclosing it on one hand, and the main purpose of using this information on the other hand, since materiality is a quantitative criterion that determines the size or amount of accounting information that must be disclosed. Users of financial statements can identify the primary purpose of accounting information in the process of making economic decisions.

• Determining the nature and type of accounting information that must be disclosed The main goal of disclosure is to meet the needs of users of financial statements and reports for accounting data. Consequently, the quantity and quality of the disclosed data and information will influence these users' actions. When determining the amount of accounting information that should be published and presented in financial statements, accountants follow general practice (accounting convention) while taking legal requirements into consideration. We can classify the information that requires disclosure into the following categories:

• Quantitative (financial) information: Four main areas can be identified through which quantitative information is disclosed, represented in the balance sheet, income statement, statement of changes in equity, and cash flow statement. These statements include figures that reflect actual or estimated amounts resulting from the financial events undertaken by the institution. It is noted that this aspect of disclosure receives a constant response from the beneficiaries.

The suitability of information for disclosure is related to its comprehensibility and its appropriateness for decision-making. The institution's status, financial position, official body requirements, national economy strength, and the accountant's skill and experience all affect it. Overall, it can be said that the quantity of information reduces the degree of uncertainty in the decision-making process, while the value of the information provides the decision-maker with sufficient persuasion about the decision's outcomes, thereby increasing their ability to interpret the accounting disclosure and benefit from the information it contains. (Mohamed El-Mabrouk: 2018)

3-1 The concept of foreign direct investment

The term "foreign direct investment" has garnered significant attention and a strategic dimension in modern economic studies, through numerous writings and studies that explain the mechanisms of this type of international financing.

3-2 Definition of Foreign Direct Investment

There is no agreed-upon definition for foreign direct investment, so we try to address different definitions to arrive at a comprehensive one.
Foreign direct investment is "the establishment of new projects and the expansion of existing projects, whether fully owned by the foreign investor or through owning shares in one of the institutions, with the acquisition of the right to manage and control the project." This investment is accompanied by the transfer of technology, resources, and skills, and the conduct of integrated productive operations in the host country." (Waseela Bouras: 2020). The World Trade Organization (WTO) defines foreign direct investment as "the activity carried out by an investor residing in one country (the home country) using their assets in other countries that are the host countries for these investments, with the aim of managing them." (Boualajine Faiza: 2022). According to the definition by the International Monetary Fund, foreign investment takes four forms, including:
• Establishing a new institution or expanding the production capacities of the institution affiliated with the foreign investor.
• The foreign investor contributes 10% or more of the existing project's capital.
• The financial flows between the parent company and its branches are in the form of loans.
• The company reinvests its profits abroad.
While the Organization for Economic Cooperation and Development (OECD) has adopted two definitions, the first is "the liberalization of capital movements with the aim of completely liberating operational borders, where foreign direct investment is that investment based on establishing permanent economic relations for actual implementation in managing institutions, and this can only be achieved through:
• Establishing or expanding an institution, affiliate, branch, etc.
• Contributing to a newly established foundation.
• The nature of the loan here is long-term (five years or more).
As for the second definition, it is: "Every natural person, every public or private institution, every government, every group of natural persons who have a relationship binding them together, every government, and every group of institutions that possess legal personality and are linked to each other is considered a direct foreign investor if it has a direct investment institution, and it also means a branch or subsidiary institution that conducts investment operations in a country apart from the country where the foreign investor resides." (Sahnoun: 2010). The World Bank defined it as "an investment based on participation in management (often 10% of management votes) in a project operated in a country other than the investor's country, where the investor seeks to have an influence in the project's board of directors and holds a specified share of ownership." (Miftah: 2020). In addition to the numerous definitions of foreign direct investment by various international organizations, there are important definitions by economic researchers that have significantly contributed to its conceptualization. Among them is Dr. Abdel Salam

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Abu Khaf's definition: "Foreign direct investment involves the foreign investor owning part or all of the investments in the concerned project, in addition to participating in the management of the project with the national investor or having full control over it, as well as transferring a quantity of financial resources, technology, and technical expertise in all fields to the host countries." (Waseela: 2020). As for Raymond Bernard, he considered it a means "to transfer real resources and capital from one country to another, either by contributing the institution's capital to another institution through establishing a branch in the host country, which is outside the original country of the parent company, or by creating a new institution with foreign partners in another country." (Tawfiq: 2023). As defined by the accountants responsible for the U.S. balance of payments, foreign direct investment is "all financial flows into a foreign institution, or any new acquisition of a share of ownership in a foreign institution, provided that residents of the investing country, usually institutions, hold a significant share of ownership in this institution, and the value of this ownership varies from one country to another." (Hassani: 2010). Foreign direct investment is characterized by a dual nature: first, the presence of an economic activity conducted by the foreign investor in the host country, and second, the complete or partial ownership of the project. If the foreign investor controls the project abroad, then their investment is considered direct . If they do not control the project, then their investment is called indirect investment (Nazih: 2007). And based on the previous definitions, we can draw the following conclusions:
Foreign direct investment occurs outside the investor's home country.
• The foreign investor can either own the entire project (fully owned investment) or be a partner with a share of no less than 10% of the project's capital (joint venture), in a manner that grants them the right to manage, organize, and supervise this project.
• Foreign direct investment is carried out by individuals, institutions, or public or private enterprises.
Foreign direct investment occurs through capital flows between countries, and it is considered a means of transferring technology, technical, administrative, and marketing expertise, among others.

3-3 characteristics of foreign direct investment

Foreign direct investment differs from indirect foreign investment, as it has become the preferred type for both developed and developing countries in recent years due to its characteristics that highlight its multiple advantages. These characteristics can be summarized as follows: (Key: 2020)
• Foreign direct investment is inherently a productive investment, as it necessarily

involves the optimal exploitation of the resources used. The foreign investor does not invest their money and expertise in the host countries except after conducting in-depth studies on the economic feasibility of the project and all available tactical and technical alternatives.

• Direct foreign investment contributes to economic development processes through the economic surpluses and social benefits achieved as a result of its presence. Foreign direct investment is considered a means of creating jobs and expanding the local market, and on the other hand, it contributes to the transfer of technology to the host country. Additionally, it supports foreign trade exchanges. Foreign direct investment is characterized by its mobility, as it moves in pursuit of profit and benefit, thus relocating to places that offer the highest profits, where there are facilities, exemptions, and cheap labor.

• It is distinguished by unique structural and technical characteristics that set it apart from other international investments, such as the long duration it operates in, meaning it is long-term.

• Foreign direct investment is distinguished from all commercial loans and official development assistance (which have become highly conditional) in that the repatriation of profits associated with it is linked to the success of the projects financed through this investment, whereas there is no connection between debt servicing and the success of the projects that utilize it.

Foreign direct investment is preferred over portfolio investment because it is more stable and less sensitive to the cyclical and rapid changes that occur in host economies, such as fluctuations in interest rates, exchange rates, and stock prices.

3-4Foreign investment goals

Foreign investment is based on two main parties: the host country on one side and the foreign investor on the other. These two parties are linked by the common interests associated with the project, in which each party seeks to achieve some gains in the long and medium term.

The host country's investment goals

It is represented as follows:

• Exploitation and utilization of the material, technical, and technological resources of external companies.

• Contributing to the creation of economic relationships between the production and services sectors and achieving economic integration within them.

• The economy expands with an increase in public revenues.

Creating jobs and increasing the internal output.

Improving the balance of payments by influencing the movement of trade exchanges and capital flows.

• Maintaining the independence of the national economy and striving to achieve

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economic and political sovereignty.
Objectives of the foreign investor
The external investor seeks the following objectives:
• Attempting to maximize profits and avoid investment risks in a single environment.
• Taking advantage of natural resources and the tax and customs incentives offered by host countries.
• Entering new international markets and benefiting from the advantages of market size.
• Taking advantage of cheap labor to reduce production costs.
• Improving relative advantages and competitive positions, and then maximizing profits.
Each party seeks to achieve these goals under certain expectations, which creates what is called a "misalignment gap." The size of this gap does not only depend on the type and nature of the goals but also reaches the level of mutual understanding of the nature of the common interest between them. (Hassani: 2011)
The role of disclosure in attracting foreign investments
Accounting disclosure as a tool to attract foreign investments can be measured through the practical aspect involving the distribution of a questionnaire to the employees of the Dhi Qar Investment Authority (research sample), where the questionnaire includes 12 items. To measure the degree of agreement on the questionnaire axes, if the aim of this study is to measure the degree of agreement of the sample members on the questionnaire items, the appropriate scale is the degree of agreement scale. One of the most famous of these scales is the "Likert scale," which involves placing a set of items directly related to the studied phenomenon, with a range of scores from three or more according to the chosen Likert scale. In this research, the five-point Likert scale was chosen as the basis for expressing the degrees of agreement by assigning the following weights to the items:

Table No. (3-1): Scores of the Five-Point Likert Scale

Disagree strongly	**Disagree**	Neutral	**Agree**	**Strongly agree**	Response
5	**4**	**3**	**2**	**1**	**Grade**

Prepared by the researcher based on the five-point Likert scale.
The number of distributed forms reached 35 forms for the sample members represented by the employees working in the Dhi Qar Investment Authority, as they represent the entity responsible for investments within the governorate. After the collection process, the number of retrieved forms reached 35 forms, which is 100%.
Temporal boundaries: The temporal boundaries represent the period of research preparation, distribution, and retrieval of the survey questionnaires from 1/3/2024 to 25/4/2024.

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Spatial boundaries: Represented through the research sample, which is the Dhi Qar Investment Authority, reflecting the boundaries of Dhi Qar Governorate / Iraq. In order to identify the personal and functional characteristics of the study sample members, frequencies and percentages were used, and the following variables were distributed:

• Distribution of sample items by gender

Table No. (1) below revolves around the distribution of the sample members participating in the questionnaire according to their gender. It is evident from Table No. (1) that 25 individuals from the study sample, representing 71.4% of the total sample members, were male, while 10 individuals, representing 28.6%, were female.

Table No. (1) represents the distribution of the research sample by gender.

Percentage	Repetition	Gender
71.4%	25	Male
28.6%	10	Female
100%	35	GPA

The researcher's preparation based on the outputs of the SPSS program.

• Distribution of sample items by age

Table number (2) revolves around the distribution of the sample members participating in the survey according to their age.

Table No. (2) Distribution of Employees by Age

The ratio	Repetition	Age
0%	0	Under 25 years old
31.4%	11	From 25 years to 35

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		years
22.9%	8	from 35 to 45 years
54.7%	16	More than 45 years old
100%	35	GPA

The researcher's counter based on the outputs of the SPSS program

It is clear from Table (2) that 16 individuals from the study sample, representing 45.7% of the total sample, belong to the age group of 45 years and older. Additionally, 11 individuals, representing 31.4%, are aged between 25 and 35 years, and 8 individuals, aged between 35 and 45 years, represent 22.9%. There are no individuals in the selected sample who are under 25 years old.

• Distribution of sample items according to educational level

Table No. (3) revolves around the distribution of the sample members participating in the questionnaire according to their academic level.

Table No. (3-6) Distribution of employees by educational level

atioR	epetitionR	Level
5.8%	2	Secondary (High School)
45.8%	16	Diploma
34.3%	12	Bachelor's Degree
14.3%	5	Master's Degree
100%	35	GPA

The data analysis using SPSS revealed that out of the study sample, 16 participants (representing 45.7%) held diplomas. Trailing closely behind was the group of 12 individuals who had completed their bachelor degrees (accounting for 34.3%). There were 5 individuals with masters degrees, making up 14.3% of the sample, while 2 individuals had secondary level education, representing 5.7% of the total sample.

• Number of years of experience

Table number (4) revolves around the distribution of the sample members participating in the survey according to the number of years of experience.

Table No. (4) Distribution of employees according to years of experience

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Ratio	Repetition	Duration of Work
2.9%	1	Less than 5 years: 40%
25.7%	9	5-10 years: 25%
28.6%	10	10-15 years: 15%
42.9%	15	More than 15 years
100%	35	GPA

The researcher's preparation based on the outputs of the SPSS program.

It is clear from Table (4) that 15 individuals from the study sample represent 42.9% of the total sample members, with 10 to less than 15 years of experience. Additionally, 10 individuals, representing 28.6%, have more than 10 years of experience, and 9 individuals with experience ranging between 5 and 10 years represent 25.7%, while only one individual has less than 5 years of experience.

• Presentation and analysis of data related to the second axis:

Accounting disclosure as a tool for attracting foreign investments.

Table number (5) revolves around the distribution of the sample members participating in the questionnaire according to the frequencies and the mean of their responses to the different statements and their standard deviations.

Table No. (5) Responses of the study sample individuals regarding accounting disclosure as a tool to attract foreign investments

Direction of Statements	Standard Deviation	AVERAGE (MEAN)	Frequency and Percentile Average					Phrases
			Strongly agree	Agree	"neutral	disagree	Strongly disagree	
extremely high	0.750	4.28	13	21	0	0	1	Financial disclosure enables
			37.1%	60%	.%	0%	2.9%	

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								foreign investors to obtain relevant, accurate financial information in a timely manner.
melextre y high	0.778	4.25	18 51.4%	16 45.7 %	0 0%	0 0%	1 2.9%	2Financial disclosure makes financial statements more understanda ble for foreign investors, thereby contributing to an increase in investment volume.
high	0.747	3.79	6 17.1%	25 71.4 %	1 2.9%	3 8.6%	0 0%	3- financial information is accompanie d and is credible, it has a direct impact on the efficiency of the financial market, which then attracts foreign investment to the market.

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			4	27	1	3	0	4- Financial disclosure puts institutions in a competitive position, creating a healthy economic environment for foreign investors.
high	0.802	3.91	11.4%	77.1 %	2.9%	8.6%	0%	
			6	22	5	2	0	5- A lack of accounting information and transparency, and the strictness of published financial reports, cause a decrease in the level of financial disclosure, predicting future institutional performance and earnings expectations and risk levels. This has a negative impact on attracting foreign investment.
high	0.742	3.91	17.1%	62.9 %	14.3%	5.7%	0%	

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high	0.857	3.83	8	15	10	2	0	6- Providing high-quality financial information increases the likelihood of making high-quality external investment decisions.
			22.9%	42.9 %	28.6%	5.7%	0%	
high	0.568	4.17	9	23	3	0	0	7- Long-term disclosure of information to investors is more explanatory, allowing them to make rational economic decisions.
			25.7%	65.7 %	8.6%	0%	0%	
high	0.323	4.11	4	31	0	0	0	8- The use of financial disclosure within institutions helps to manage liquidity profitably, providing the necessary flexibility to compete in financial markets and attract
			11.4%	88.6 %	0%	0%	0%	

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								investments.
high	1.121	3.51	5 14.3%	18 51.4 %	4 11.4%	6 17.1%	2 5.7%	9- Financial disclosure of financial information helps in comparing investment alternatives, thus contributing to attracting foreign investors.
high	0.810	4.14	10 28.6%	23 65.7 %	0 0 %	1 2.9%	1 2.9%	10- Financial disclosure helps develop financial operations for both the institution and investors to avoid expected investment risks.
extremely high	0.632	4.20	10 28.6%	23 65.7 %	1 2.9%	1 2.9%	0 0%	11- Financial disclosure helps to maximize the return on investment.
high	0.591	3.94	3 8.6%	29 82.9 %	1 2.9%	2 5.7%	0 0%	12- Financial disclosure

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								provides sufficient information about expected future cash flows, thus helping to attract foreign investment.
high	0.351	4.04	Final axis indicator					

The researcher prepared the study based on the responses of the sample participants and the results of the SPSS program.
The analysis of the results shown in Table (143) indicates that the study sample members perceive the indicator (accounting disclosure as a tool for attracting foreign investments) to be expressed with a high degree of agreement with the content of this indicator's statements, where the overall arithmetic mean reached 4.04 out of 5, falling within the fourth category of the five-point Likert scale, which corresponds to the "Agree" option, indicating a high level. Additionally, we note that the standard deviation reached 0.351. The statements of the index (accounting disclosure as a tool to attract foreign investments) can be ranked according to the respondents' level of agreement in descending order from highest to lowest as follows: Statement number (1), which states: "Accounting disclosure facilitates foreign investors' access to relevant and timely financial information," ranked first in terms of respondents' agreement level, with an average agreement score of 4.28, falling within the fifth category of the five-point Likert scale, indicating "strongly agree" with a standard deviation of 0.750. The percentage of agreement was 97.137.1+60% of the total respondents.
Statement number (2), which states "Accounting disclosure makes financial reports more understandable to foreign investors, contributing to an increase in investment volume," ranked second in terms of respondents' agreement level. The average agreement score was 4.25, which falls within the fifth category of the five-point Likert scale, indicating the

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option "Strongly Agree," with a standard deviation of 0.778. The percentage of agreement was 97.15%, with 1.4% + 45.7% of the total respondents.

The interviewees.

Statement number (3) which states: "Disclosure of information to investors in a more explanatory manner over the long term enables them to make sound economic decisions" ranked seventh in terms of respondents' agreement level, with an average agreement score of 3.97, which falls within the fourth category of the five-point Likert scale indicating the "Agree" option, and a standard deviation of 0.747. The percentage of agreement was 88.5171+71.4% of the total respondents.

Statement number (5), which states: "The use of accounting disclosure helps the institution and investors develop their financial operations to avoid expected investment risks," ranked tenth in terms of respondents' agreement level. The average agreement score was 3.91, which falls within the fourth category of the five-point Likert scale, indicating the "Agree" option, with a standard deviation of 0.742. The percentage of agreement was 80.17%, with 162.9 out of the total respondents.

Statement number (6) which states: "The use of accounting disclosure helps to maximize the return on investment" ranked eleventh in terms of respondents' agreement level, with an average agreement score of 3.83, which falls within the fourth category of the five-point Likert scale indicating the "Agree" option, and a standard deviation of 0.857; the percentage of agreement was 65.822.94. From the total number of respondents.

Analysis of the study hypothesis test results

After conducting a number of descriptive statistical methods to analyze the study data and present the analysis results, we will address in this section the testing of the study hypotheses in order to verify the validity of the results obtained from the descriptive statistical analysis of the study sample's opinions.

Results of the descriptive analysis of the study sample

After presenting and interpreting the personal data of the study sample, the following results were reached:

The community under study had a majority of its members as males, with their proportion estimated at (71.4%).

• The majority of the respondents are concentrated in the age group of 25-45 years, accounting for 54.3%, which is a positive indicator of a dynamic age group with experience, followed by the age group of 45 years and older at 45.7%.

• Nearly half of the study sample, representing 45.7%, stated that they hold a diploma, followed by 12 individuals representing 34.3% who completed a bachelor's degree. Meanwhile, there are 5 individuals with a master's degree and two individuals with a secondary education level, representing 14.3% and 5.7% respectively of the total sample.

Most of the surveyed individuals held university degrees (diploma + bachelor's + master's) at a rate of 94.3%, followed by the secondary level category at a rate of 5.7%.

• 42.9% of the total sample members have between 10 and less than 15 years of experience, and 10 individuals, representing 28.6%, have more than 10 years of experience. 9 individuals, whose years of experience range between 5 and 10 years, represent 25.7%, while only one individual has less than 5 years of experience.

Presentation and analysis of the results of descriptive statistics for the research axis: Accounting disclosure as a tool for attracting foreign investments.

It is clear from the responses of the study sample members to the statements related to the axis of accounting disclosure as a tool for attracting foreign investments that they agreed with a high degree, as the average agreement on this axis was (4.04) with a standard deviation of (0.351). It ranked first among the axes, and this is attributed to the fact that accounting disclosure is considered an effective tool for attracting foreign investments. 2-3- Presentation and analysis of the results of the impact relationship between accounting disclosure and attracting foreign investments.

The results of the statistical analysis indicated the presence of an effect of accounting disclosure as a tool for attracting foreign investments. What does this mean, what are its implications, and how can it be understood? The results related to the impact of adhering to the requirements of accounting disclosure for reports and financial statements prepared according to the financial accounting system on attracting foreign investments. There is an effect of adhering to the requirements of accounting disclosure for reports and financial statements prepared according to the financial accounting system on attracting foreign investments at a significance level of (0.05<a), meaning that the more institutions

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adhere to the degree of disclosure, the more positively it affects the level of attracting direct foreign investments.

It has been concluded that establishing the foundations of accounting disclosure, applying its requirements, and adhering to its limitations within the framework of disclosing accounting and financial information, represented in high-quality annual financial statements and reports, has a tangible impact on attracting foreign investment.

Conclusions and recommendations

The conclusions

The role of accounting disclosure in attracting foreign investment is extremely important because it contributes to building trust and transparency between foreign investors and the local market. Here are some important conclusions on this topic:

• Increasing transparency and trust: Accurate and transparent accounting disclosure helps provide comprehensive information about the financial performance and operational status of companies and local markets. This increases foreign investors' confidence in the economic environment of the target investment country.

• Risk reduction: By providing accurate and transparent information about the financial performance and key operations of companies, foreign investors can understand potential risks and make informed decisions regarding their investments.

• Achieving compliance: Accounting disclosure is considered an essential part of the accounting compliance framework, which requires companies to adhere to internationally recognized accounting standards. By complying with these standards, companies can provide reliable and comparable information to foreign investors.

• Increasing investment attractiveness: When there is accurate and comprehensive accounting disclosure, the country's attractiveness for foreign direct investment is enhanced, as foreign investors feel confident in the legislative, economic, and institutional environment of the country.

• Enhancing transparency and governance: Through accounting disclosure requirements, levels of transparency and governance in companies are enhanced, increasing their ability to attract foreign investment.

In general, it can be said that the role of accounting disclosure in attracting foreign investment lies in providing the necessary and reliable information that investors need to make their investment decisions in the concerned country.

Recommendations

• Improving the quality of accounting disclosure: Companies should work on improving the quality of their accounting disclosure by providing accurate and transparent information about the company's performance and financial position. This information should be easily accessible and understandable to foreign investors.

• Compliance with international accounting standards: Companies must adhere to internationally recognized accounting standards, such as the International Financial Reporting Standards (IFRS). This increases the reliability of financial data and makes it more comparable internationally.

• Enhancing transparency and governance: Companies must enhance levels of transparency and governance in their operations, including providing sufficient information about the company's structure, board of directors, and financial policies.

• Providing strategic information: Companies should provide strategic information about their future plans and potential growth opportunities to attract the interest of foreign investors and convince them of the viability of investing in the company.

• Effective communication with investors: Companies must be prepared to communicate effectively with foreign investors and respond to their inquiries quickly and clearly. This helps build trust and good relationships with investors.

• Investment in Information Technology: Companies should invest in information technology to improve accounting disclosure processes and make them more efficient and transparent, such as using advanced software for financial reporting.

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