Cuadernos de Economía (2023) Volume 46, Issue 130, 181-190

Asociación Cuadernos de economía

Cuadernos de economía

www.cude.es

ARTÍCULO

The impact of the convergence of international standards for financial reporting and the preparation and implementation of planning budgets on the company's performance in Iraq

Zuhair Khudair Abbas[1], Raida Chakroun[2]

[1]Department of Accounting, Faculty of Economics and Management of Sfax (FSEGS), Tunisia
Tikrit University, Iraq
Email: zuhair.kh.abbas@tu.edu.iq
[2]Department of Accounting, Graduate Institute of Higher Business Studies (IHEC)
Carthage University, Tunisia
LIGUE laboratory, LR99ES24, University of Manouba, Tunisia
Email: raida.chakroun@ihec.ucar.tn

**Corresponding author email: raida.chakroun@ihec.ucar.tn*

Jel Codes:

Keywords:
Budgeting, international financial reporting convergence, implementing planning budgets, firm size, company performance

Abstract: At present, the allocation of financial resources for planning purposes has emerged as a critical determinant of an organization's achievement, necessitating the careful consideration of academic research and regulatory bodies. Therefore, the present study investigates the impact of budgeting, convergence to International Financial Reporting Standards (IFRS), and the implementation of planned budgets on the performance of manufacturing companies in Iraq. This study also examines the moderating influence of business size on budgeting, IFRS convergence, the implementation of planning budgets, and the performance of manufacturing companies in Iraq. In order to achieve its objectives, the research conducted a survey by administering a questionnaire to a sample of 560 individuals comprising accountants, department heads, and division managers who are responsible for budget preparation at companies within the relevant industry. A total of 294 forms were deemed valid for statistical analysis in the present study. The study additionally employed SPSS-AMOS software to assess the validity of the items and examine the relationships between variables. The research findings indicated a statistically significant and favorable correlation between the practice of budgeting, the adoption of International Financial Reporting Standards (IFRS) convergence, the implementation of planning budgets, and the overall performance of manufacturing companies in Iraq. The findings of the study revealed that business size played a substantial moderating role in the relationship between budgeting, IFRS convergence, implementing planned budgets, and the performance of manufacturing companies in Iraq. The results suggest that it would be beneficial to implement budgetary planning and utilize it as a mechanism for converting the organization's objectives and strategies into measurable and digitized formats. This approach has the potential to enhance the overall operational efficiency and effectiveness of the company.

Author Correspondence: raida.chakroun@ihec.ucar.tn
https://doi.org/10.32826/cude.v1i130.1018

Introduction

Budget planning is a crucial technique used by firms and commercial establishments to effectively align their objectives with future work plans, ensuring consistency and integration across all facets of their operations. The process of planning and budgeting holds significant importance within the framework of the administrative control process. Planning is considered the primary criterion utilized to assess the efficiency and effectiveness of management in their pursuit of the strategic objectives of an organization, as well as in evaluating its financial and administrative performance. The allocation of financial resources plays a crucial role in facilitating the management's ability to establish connections and synchronize the many operations inside the organization. This use necessitates managers to reassess performance, facilitating the identification of deviations, reasons, and inefficiencies that impede the attainment of objectives through the comparison of actual performance against planned performance. Consequently, management endeavors to devise several strategies aimed at averting their reoccurrence in the future and enhancing the overall performance of the organization. The concept of performance has variations based on the diverse organizations and individuals that employ it. The term encompasses multiple interpretations (Khair & Bakr, 2018). The degree of guaranteeing the optimal utilization of available resources to meet predetermined objectives is attained through the examination of the extent to which performance quality is realized and the implementation of appropriate decision-making processes. The purpose of this initiative is to realign the methods employed inside the organization to effectively attain the desired objectives. According to Matar and Eneizan (2018), the aforementioned concept is regarded as an embodiment of the responsibilities assumed by each employee inside an organization, wherein they are assigned certain tasks to fulfill. This statement highlights the assessment of managerial efficiency and the efficacy of resource utilization within the organization. It encompasses both financial and non-financial performance indicators. Performance refers to the capacity of a corporation to get outcomes that align with the established plans and objectives, while minimizing expenses by effectively utilizing the existing resources at its disposal.

To facilitate economic growth and advancement through enhanced openness and the implementation of internationally recognized accounting principles, it is imperative for the Iraqi government to maintain a steadfast commitment to attracting increased foreign investment. Iraq is currently undergoing an economic recovery phase in the aftermath of the conflict. While the oil sector serves as a crucial foundation for the economy, it also contributes to the financial downfall of the nation. The Iraqi government is implementing many measures deemed essential for fostering economic growth and development within the country (Hussein, Maji, & Panda, 2021). Similarly, the economies of other countries, including Iraq, are also reliant on the performance of several sectors or industries. The private enterprise sector plays a pivotal role in driving the economic success of the nation. The government plays a role in promoting the adoption of International Financial Reporting Standards (IFRS) to facilitate the implementation of various financial practices such as budgeting, forecasting, and other related activities. This is done with the aim of improving the overall performance of firms (Idham & AL-Iraqi, 2022; Menshawy et al., 2022). The improvement in the firm's performance serves as an indicator of progress within the business sector, which in turn signifies economic development. Considering the significance of corporate performance within the context of the economy. The primary objective of the current investigation was to examine the subject matter from a financial perspective.

In terms of literature gap, 1) The combination of variables such as firm performance, IFRS, budgeting, and implementation of planning budget, along with the moderating influence of firm size, has not been tested in recent years, particularly in Iraq. 2) Miah (2021) and Nepal and Deb (2023) investigated the relationship between IFRS and firm performance. The current study has also examined this relationship, along with other variables such as budgeting, implementation of planning budget, and the moderating influence of firm size in Iraq, using a new data set. 3) Arnold and Artz (2019) and Muslih (2018) examined the relationship between budgeting and firm performance. The current study examines this relationship as well as IFRS, the implementation of a planning budget, and the moderating influence of firm size in Iraq using a new data set, 4) Noor and Abd Zaid (2022) and Muhammad (2017) explored the relationship between the implementation of a planning budget and the performance of the firm. The current study explores this relationship, as well as IFRS, budgeting, and the moderating influence of firm size in China, using a new data set. 5) Hernández, Yañez-Araque, and Moreno-García (2020) and Corvino et al. (2019) investigated the moderating role of firm size in different relationships; the present study will also investigate its moderating role in the relationship between IFRS, budgeting, implementation of planning budget, and firm performance in Iraq.

Literature Review

The enhancement of both private and public sector growth, as well as the reduction of volatility, can be facilitated by high-quality financial reporting. This is achieved by enabling investors to assess the prospects of organizations and make informed financial decisions, so facilitating inclusion into global capital and financial markets. The objective is to enhance investment by reducing obstacles related to financing and information expenses and encouraging the acquisition of financial sector loans, portfolio investments, and foreign direct investments (FDIs). Additionally, efforts will be made to consolidate the reduction of financial constraints and mitigate adverse economic consequences through strategic financial planning. In a study conducted by Miah (2021), an investigation was undertaken to examine the potential relationship between the adoption of International Financial Reporting Standards (IFRS) and the performance of firms. The study was conducted on the Chinese population, and the findings obtained from the analysis indicated that the International Financial Reporting Standards (IFRS) have an impact on corporate performance. Moreover, the adoption of International Financial Reporting Standards (IFRS) leads to a positive impact on the firm's performance. In a similar vein, the study conducted by Nepal and Deb (2023) sought to investigate the potential correlation between the adoption of International Financial Reporting Standards (IFRS) and corporate performance. The primary focus of the study was on the manufacturing industry. The investigation focused on the population of India. The study employed a sample consisting of data collected over a period of two years. The provided dataset encompasses the temporal interval from 2014 to 2016. The study employed the Difference-in-

Differences (DID) analysis technique for analytical purposes. Based on the findings of the investigation, it can be concluded that the adoption of International Financial Reporting Standards (IFRS) has a significant impact on the firm's performance. Moreover, the convergence of International Financial Reporting Standards (IFRS) has been found to positively impact the performance of the Indian manufacturing industry. Additionally, the study conducted by Khan, Usman, and Jan (2021) explored the potential relationship between the adoption of International Financial Reporting Standards (IFRS) and the performance of firms. The focus of the study was directed towards variables that have an impact on International Financial Reporting Standards (IFRS). The inquiry focused on the population of Pakistan. The study incorporated a sample of data from 400 companies in Pakistan. The sample data was collected through the utilization of questionnaires. The SEM analysis method was employed in this work for analytical reasons. Based on the findings of the investigation, it can be concluded that the adoption of International Financial Reporting Standards (IFRS) has a significant impact on the firm's performance. Furthermore, the implementation of International Financial Reporting Standards (IFRS) leads to enhanced performance of the Pakistani firm. In a study conducted by Akbar (2022), an investigation was undertaken to explore the potential relationship between the adoption of International Financial Reporting Standards (IFRS) and the performance of firms. The inquiry focused on the populace of Pakistan. The present study investigated a dataset that encompassed a time period of 18 years. The temporal range of the sample data encompasses the years 2001 to 2019. The research employed the Penal Data analytic technique for the aim of analysis. The outcomes of the investigation indicate that the adoption of International Financial Reporting Standards (IFRS) has an impact on the firm's performance. Furthermore, the introduction of International Financial Reporting Standards (IFRS) leads to an enhancement in the business's performance. In addition, Khan, Alam, and Jan (2022) conducted an investigation into the potential correlation between International Financial Reporting Standards (IFRS) and the financial performance of firms. The inquiry focused on the population of Pakistan. The study analyzed a dataset over a period of four years. The duration of the sample data encompasses the time period from 2016 to 2017, followed by the years 2019 to 2020. The MLR analytic method was employed for the purpose of analysis in this study. The outcomes of the investigation indicate a robust correlation between the adoption of International Financial Reporting Standards (IFRS) and the performance of companies. Furthermore, the implementation of International Financial Reporting Standards (IFRS) has been found to have a marginal nevertheless adverse effect on Return on Equity (ROE), while simultaneously yielding a substantial positive effect on Return on Assets (ROA). The results also indicate a significant alteration in business performance, namely in terms of return on assets (ROA), throughout the periods before and after the implementation of International Financial Reporting Standards (IFRS). Therefore, the investigation developed the hypothesis that:

H1: IFRS significantly influences the performance of the firm.

Budgeting is widely recognized as a critical planning and management technique employed by enterprises. The simultaneous pursuit of many objectives within an organization poses a complex problem in the context of budgeting. Budgets are commonly employed in many enterprises to fulfill both planning and performance-related functions. These include forecasting operational activities and determining incentive payments. According to Muslih (2018), an investigation was conducted to explore the potential relationships among organizational culture, budgeting approach, and corporate performance. The investigation focused on the population of Indonesia. The study collected data from a sample of 250 firms. The researchers employed questionnaires as the primary method for collecting the sample data. The research employed the multiple linear regression (MLR) analytical approach for the aim of data analysis. Based on the outcomes of the investigation, a robust correlation has been identified between budgeting and corporate performance. In a study conducted by Sande et al. (2023), a research project was undertaken to explore the potential correlation between budgeting practices and the financial performance of the organization. The investigation focused on the population of Kenya. The study collected data from a sample of 45 firms. The researchers employed questionnaires as a means of collecting the sample data. The research employed a statistical methodology involving regression and correlation analysis to facilitate data processing. The findings of the analysis indicate that budgeting exerts a significant impact on the overall corporate performance of the organization. Likewise, the study conducted by Pimpong and Laryea (2016) aimed to investigate the possible correlation between budgeting practices and the overall performance of businesses. The Ghanaian population was the focus of the investigation. The study employed a dataset extracted from the initial year. The dataset provided encompasses the timeframe of January to June 2015. The research employed a statistical methodology involving regression and correlation analysis to facilitate the analysis process. The findings of the investigation indicate that budgeting exerts an influence on the corporate performance of the organization. Therefore, the investigation developed the hypothesis that:

H2: Budgeting significantly influences the performance of the firm.

Planning budgets are essential resources that enterprises and commercial establishments depend on to translate their objectives into future work plans and build coherence and integration across all aspects of their operations. The implementation of strategic planning and financial allocation is an essential element in the field of administrative management. Planning is a primary criterion utilized to evaluate the effectiveness and efficiency of management in their pursuit of the strategic objectives of the organization, as well as to evaluate their performance in administrative and financial aspects. The funding is allocated, in part, to facilitate the management's efforts in establishing connections and coordinating various business processes. By juxtaposing the achieved performance against the intended performance, this use compels managers to reevaluate performance, hence facilitating the identification of variations, causes, and inefficiencies that restrict the achievement of objectives (Astuty et al., 2022). The significance of budget planning is seen in its function of facilitating the planning, coordination, control, and formulation of a future vision for the plan in terms of both quantity and quality, aiding in the process of decision-making. The coordination step ensues after the planning stage, wherein multiple technical and financial institutions collaborate to effectively allocate resources in accordance with the budgetary framework. The relevance of the second stage becomes evident as it contributes to the development of the financial implementation plan, including the creation of the estimated results table. This stage is an integral component of the overall strategic planning process of the organization. Therefore, this aids administrative managers in the decision-making process across all levels of administration (Shabana, 2015). Noor and Abd Zaid (2022) provided an explanation stating that the utilization of sales budget planning is a valuable tool that aids companies in their planning, coordination, and control endeavors. In addition, the implementation of this application inside Iraqi dairy sector enterprises will serve to effectively accomplish their objectives, enhance their operational efficiency, and mitigate the frequency of deviations. According to Muhammad (2017), the utilization of budgetary planning has been found to play a significant and beneficial influence in enhancing the performance of both commercial and governmental banks in Iraq. Additionally, the findings suggest that budgets play a crucial role in facilitating alignment between predetermined goals and real-world outcomes. This is because budgets serve as a representation of future expectations, and plans are formulated based on both projections and actual performance. In a similar vein, Agbenyo, Danquah, and Shuangshuang (2018) demonstrated that the practice of budgeting exerted a noteworthy influence on the financial performance of industrial enterprises. The considerable and positive association between budgeting, fixed performance, and financial performance in manufacturing enterprises is evident from the analysis of the three variables. The budget, encompassing planning and monitoring, control, and participatory budgeting, facilitates the alignment of the organization's strategic planning with budgeting and cost management protocols. Additionally, the process of budget preparation assists in identifying the requisite financial capabilities that enable more informed decision-making. As stated by Mohamed (2022), there is a belief that budget planning has a substantial impact on the performance of financial companies. The study also demonstrated the significance of the correlation between budget planning and financial success, as the process of planning enables the prediction and estimation of outcomes, equipping the organization with improved budgetary preparedness. Furthermore, the evaluation of the budget's stability inside the organization can be accomplished by establishing specific goals and objectives. Therefore, the investigation developed the hypothesis that:

H3: Implementation of the planning budget significantly influence the performance of the firm.

In many instances, the performance of a corporation is not significantly influenced by financial issues such as budgeting or its implementation. In this scenario, numerous elements contribute to the influence exerted on this connection, such as the reputation, size, and compliance-related behavior of the organization. Existing literature suggests that the size of a corporation has the potential to significantly influence its success. In the present study, Hernández, Yañez-Araque, and Moreno-García (2020) conducted an investigation into the correlation between corporate social responsibility (CSR) and the financial performance of enterprises, while also exploring the potential moderating effect of firm size. The study focused on the people of Spain. The research conducted a sampling of 278 businesses and utilized their respective data. The researchers employed questionnaires as a means of collecting the sample data. The PLS-SEM analytic technique was employed in this study for the purpose of analysis. Based on the findings of the analysis, it can be observed that the size of the firm plays a significant moderating influence in the correlation between corporate social responsibility (CSR) and the financial performance of the organization. In a similar vein, the researchers Corvino et al. (2019) conducted a study to examine the correlation between relational capital and firm performance, while also investigating the potential moderating effect of business size. The inquiry focused on individuals who were citizens of France and Germany. The study collected data from a sample of 73 firms. The researchers employed questionnaires as a means of collecting the sample data. The research employed a six-regression model analytic technique for the aim of conducting analysis. Based on the findings of the analysis, it can be observed that the size of a business has a significant moderating influence on the association between relational capital and firm performance. Therefore, the investigation developed the hypothesis that:

H4: Firm size moderates the nexus between IFRS and the performance of the firm.

Budgeting plays a crucial role in the overall financial framework of a company. The phenomenon under consideration exerts a significant impact on the overall performance of the organization. However, there are instances where the observed outcomes may not align with the anticipated effects. Similarly, on numerous occasions, the inadequate attention given by the firm to budgeting, because of its size, has been observed to have a detrimental impact on the firm's overall performance. In this scenario, the impact of the relationship is influenced by factors such as the size of the firm. In their study, Mahmood et al. (2019) examined the correlation between working capital and corporate performance, specifically focusing on profitability, while also considering the potential moderating effect of firm size. The focus of the investigation was the Chinese population. The investigation analysed a dataset encompassing a period of 17 years. The dataset covers the time from 2000 to 2017. The GMM analytic technique was employed in this work for the purpose of analysis. According to the findings of the analysis, it can be observed that the size of a firm plays a significant role in regulating the link between working capital and the profitability of a company. In a similar vein, the researchers Mubeen et al. (2021) conducted a study examining the potential moderating role of business size in the relationship between firm management, CEO dualism, and company performance. The focus of the investigation was the Chinese population. A sample of 417 companies' data was utilized in the study. The researchers employed questionnaires as a means of collecting the sample data. The GMM analytic technique was employed in the study for the purpose of analysis. Based on the findings of the investigation, it can be observed that the size of a corporation has a significant role in moderating the relationship between firm management, CEO duality, and firm performance. Therefore, the study formulated the hypothesis that:

H5: Firm size moderates the nexus between budgeting and the performance of the firm.

The implementation of the organization's intended budget is a pivotal phase that necessitates meticulous attention. The effective execution of the projected budget has a significant impact on the overall success of the organization. Numerous factors exert influence on this relationship, including the size, resources, and technology of the organization. Kitenga, Kilika, and Muchemi (2020) conducted a study to explore the potential mediating effect of firm size in the relationship between firm dynamic capacities and firm sustainability within the context of firm size. The study focused on the population of Kenya. The research collected data from a sample of 70 industrial businesses in Kenya. The researchers employed questionnaires as a means of collecting the sample data. The MR analysis approach was employed in the study for analytical reasons. Based on the findings of the study, there appears to be a potential moderating effect of firm size on the relationship between a firm's dynamic skills and its ability to sustain its operations. In a study conducted by Kijkasiwat and Phuensane (2020), the researchers examined the potential moderating effect of company size on the link between firm innovation and firm success. The examination focused on the Chinese population. A sample of 417 companies' data was utilized in the study. The researchers employed questionnaires as a means of collecting the sample data. The GMM analytic technique was employed in this work for the purpose of analysis. Based on the findings of the analysis, it can be observed that the size of a company plays a significant moderating influence in the association between firm innovation and firm performance. Hence, the study formulated the hypothesis that:

H6: Firm size moderates the nexus between the implementation of the planning budget and the performance of the firm.

Research Methods

This study aims to analyze the impact of budgeting, IFRS convergence, and the implementation of planning budgets on the performance of manufacturing companies. Additionally, it seeks to explore the potential moderating effect of firm size on the relationship between budgeting, IFRS convergence, implementing planning budgets, and manufacturing company performance in the context of Iraq. In order to achieve its objectives, the research conducted a survey by administering a questionnaire to a sample of 560 individuals comprising accountants, department heads, and division managers who are responsible for budget preparation inside organizations operating in the relevant field of study. The factors are assessed using items derived from previous scholarly works. For instance, Talmon and Faliszewski (2019) employed a set of six indicators to assess budgeting. Similarly, Ghosh (2019) utilized eight questions to evaluate the adoption of International Financial Reporting Standards (IFRS) convergence. Friyani and Hernando (2019) incorporated five items to measure the implementation of planning budgets. The dimension of firm size was assessed using a set of seven items derived from Jin, Navare, and Lynch (2019). Lastly, Pinheiro et al. (2022) identified six indicators to gauge company performance.

The people tasked with the responsibility of preparing budgets in corporations include accountants, heads of departments, and division managers. These individuals are seen as the respondents in this context. The surveys were distributed by personal visits, employing purposive sampling to choose participants. A total of 560 questionnaires were distributed, however, the number of surveys that were successfully collected amounted to 294, indicating a response rate of roughly 52.5 percent. Furthermore, the study employed the SPSS-AMOS software to assess the validity of the items and examine the relationships between variables. This tool is highly effective in analyzing primary data and generating optimal results by leveraging extensive data sets and complex models (Hair et al., 2017). Additionally, the research incorporated three distinct independent variables, namely budgeting (BD), International Financial Reporting Standards (IFRS) convergence (IFRSC), and the implementation of planning budgets (IPB). The study employed a moderating construct known as firm size (FS) and a dependent variable referred to be company performance (CP). The variables depicted in Figure 1 are provided.

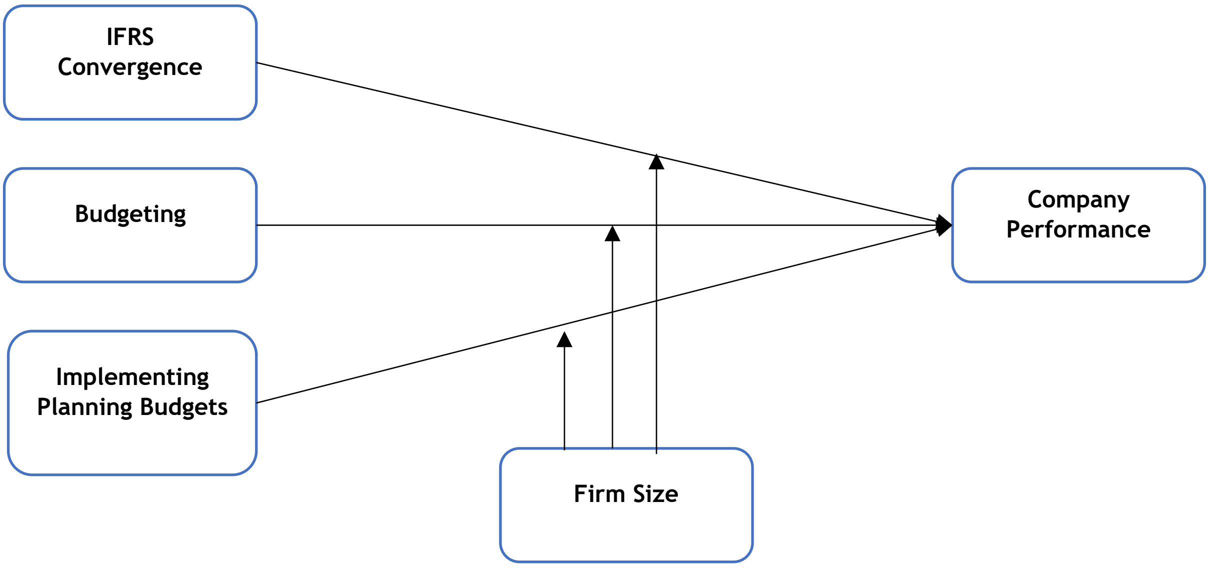

Figure 1: Research model

Research Findings

This study examines the correlation between items, specifically referred to as convergent validity. Composite reliability (CR) is employed to assess the reliability of the measurement instrument, with values exceeding 0.70. The assessment of the construct's reliability is also conducted through the utilization of average variance extracted (AVE), whereby loadings and values are required to exceed a minimum threshold of 0.50. Lastly, the data is assessed utilizing ASV and MSV, with neither exceeding the average variance extracted (AVE). The observed values exhibit a strong positive association among the items. The provided values are presented in Table 1.

Table 1: Convergent validity

Constructs	Items	Loadings	CR	AVE	MSV	ASV
Budgeting	BD1	0.762	0.936	0.713	0.543	0.172

	BD2	0.788				
	BD3	0.969				
	BD4	0.755				
	BD5	0.795				
	BD6	0.967				
IFRS Convergence	IFRSC1	0.816	0.922	0.599	0.476	0.320
	IFRSC2	0.828				
	IFRSC3	0.790				
	IFRSC4	0.675				
	IFRSC5	0.752				
	IFRSC6	0.734				
	IFRSC7	0.811				
	IFRSC8	0.773				
Implementing Planning Budgets	IPB1	0.996	0.936	0.754	0.676	0.263
	IPB2	0.632				
	IPB3	0.998				
	IPB4	0.630				
	IPB5	0.992				
Firm Size	FS1	0.805	0.910	0.594	0.543	0.275
	FS2	0.858				
	FS3	0.822				
	FS4	0.788				
	FS5	0.800				
	FS6	0.757				
	FS7	0.515				
Company Performance	CP1	0.532	0.863	0.518	0.284	0.184
	CP2	0.825				
	CP3	0.600				
	CP4	0.792				
	CP5	0.772				
	CP6	0.751				

This study examines the correlation between variables, specifically focusing on the concept of discriminant validity. The Fornell Larcker method was employed to assess the data, revealing that the initial value in the column exhibits greater magnitude compared to the remaining values inside the same column. The observed results indicate a weak association among the variables. The values are shown in Table 2.

Table 2: Discriminant validity

	FS	BD	IFRSC	IPB	CP
FS	0.771				
BD	0.737	0.844			
IFRSC	0.482	0.297	0.774		
IPB	0.355	0.165	0.622	0.868	
CP	0.444	0.175	0.533	0.474	0.720

The study additionally evaluates the model's strong adequacy. The evaluation of the model's fit is conducted through the utilization of the Root Mean Square Error of Approximation (RMSEA), with the obtained results indicating values below 0.05. Further, the Tucker-Lewis index (TLI) and comparative fit index (CFI) are employed to assess the validity of the model. The obtained findings indicate that the values exceed 0.90. The results suggest that the model is a suitable match, and these specific values are presented in Table 3.

Table 3: Model good fitness

Selected Indices	Result	Acceptable level of fit
TLI	0.932	TLI > 0.90
CFI	0.941	CFI > 0.90
RMSEA	0.000	RMSEA < 0.05 good; 0.05 to 0.10 acceptable

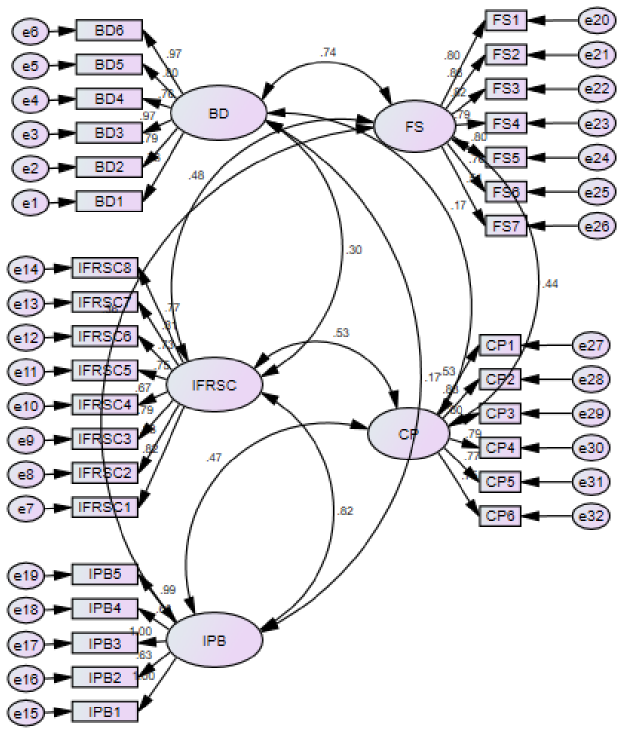

Figure 2: Measurement model assessment

Ultimately, the path analysis revealed the interconnectedness between variables. The results indicated a statistically significant positive correlation between budgeting, the adoption of International Financial Reporting Standards (IFRS), the implementation of planning budgets, and the performance of manufacturing companies in Iraq. These findings support the acceptance of hypotheses H1, H2, and H3. The findings of the study indicate that business size has a substantial moderating role in the relationship between budgeting, IFRS convergence, implementing planned budgets, and the performance of manufacturing companies in Iraq. These results support the acceptance of hypotheses H4, H5, and H6. The relationships are presented in Table 4.

Table 4: Path analysis

Relationships			Beta	S.E.	C.R.	P
Company Performance	<---	Firm Size	0.461	0.037	12.300	0.000
Company Performance	<---	Budgeting	0.571	0.036	16.024	0.000
Company Performance	<---	BD x FS	0.138	0.006	21.460	0.000
Company Performance	<---	IFRS Convergence	0.091	0.040	2.275	0.031
Company Performance	<---	Implementing Planning Budgets	0.098	0.033	2.969	0.012
Company Performance	<---	IPB x FS	0.043	0.006	6.596	0.000
Company Performance	<---	IFRSC x FS	0.065	0.007	9.349	0.000

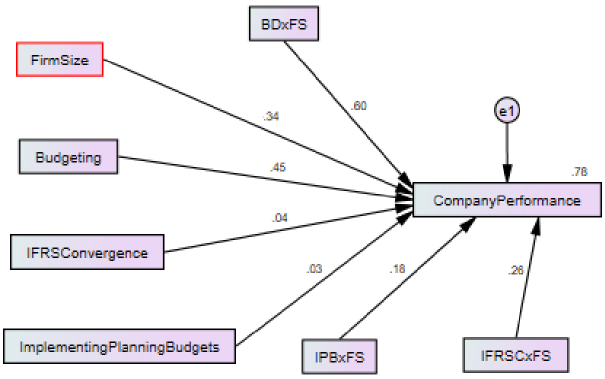

Figure 3: Structural model assessment

Discussions

The results indicate a favorable correlation between the convergence of International Financial Reporting Standards (IFRS) and the success of companies. The findings presented in Raoli's (2021) study provide support for the notion that the convergence to International Financial Reporting Standards (IFRS) contributes to enhanced transparency in financial statements and reports within the corporate context. The stakeholders' increased investment in the company is influenced by their favorable perception and contentment with the company's financial records. Therefore, the company achieves improved performance. These findings are consistent with the research conducted by Ebaid (2022), which also suggests that the convergence of International Financial Reporting Standards (IFRS) is grounded in principles such as clarity, relevance, reliability, comparability, and accountability. Enhancing the value of firm papers and augmenting its goodwill contribute to the elevation of performance levels. The results showed a significant correlation between budgeting practices and corporate performance, suggesting a favorable relationship between the two variables. The findings presented in Arnold and Artz's (2019) study provide support for the notion that budgeting enables companies to develop efficient strategies for allocating and utilizing financial resources. This capability allows management to forecast the spatial requirements for new business initiatives and effectively allocate financial resources for their execution. There exists potential for enhancing the performance of a corporation. These findings are consistent with the study conducted by Secinaro et al. (2020), which emphasizes the role of budgeting in confirming and evaluating future business occurrences. The problems have been resolved, and the possibilities have been seized. By adopting this approach, companies might potentially achieve improved performance levels. The results of the study indicate a positive correlation between the implementation of planning budgets and firm performance. The findings shown in Gadosey et al.'s (2020) study provide support for the concept that allocating designated funds for specific business projects and effectively implementing budget plans can lead to desired outcomes and enhance overall business performance. These findings are consistent with the research conducted by Jalali Aliabadi, Mashayekhi, and Gal (2019). Based on the findings of this study, the allocated budgets encompass key elements crucial to the functioning of the organization. The implementation of budgetary planning contributes to enhanced organizational performance. The findings of the study indicate that there is a moderating effect of business size on the relationship between the convergence of International Financial Reporting Standards (IFRS) and corporate performance. The findings presented in this study are consistent with the findings of Ofoegbu and Odoemelam (2018), who posit that organizations of a larger scale tend to engage with a bigger number of stakeholders and are consequently faced with the challenge of meeting their diverse needs and expectations. The corporation adopts IFRS convergence due to the global recognition and adoption of IFRS. This enhances the reputation of the organization and elevates its overall performance. The findings presented in this study are consistent with the assertions made by Imhanzenobe (2022), who posits that growth in firm size is associated with a heightened need to adopt International Financial Reporting Standards (IFRS), leading to enhanced convergence with IFRS and improved company performance. The results indicate that the size of a firm has a moderating effect on the association between budgeting practices and the success of the organization. These findings align with the research conducted by Ali et al. (2021), who assert that the expansion of firm size necessitates the use of budgeting practices. Further, their study highlights the utility of budgeting plans in facilitating efficient company operations and enhancing overall market performance. The results presented by Nasih et al. (2019) give support for the notion that firm size plays a facilitating role in budgeting and exerts a positive influence on overall company performance. Therefore, the size of a corporation enhances the correlation between budgeting and the performance of the company. The results of the study indicate that the size of a corporation has a moderating effect on the relationship between the implementation of planning budgets and the performance of the organization. These findings are consistent with the findings reported by Drempetic, Klein, and Zwergel (2020). The study suggests that there is a positive relationship between firm size and the implementation of budgeting practices inside the organization, which in turn enhances overall business effectiveness. Therefore, it enhances the correlation between budgeting and organizational performance. The findings presented are consistent with the research conducted by Hadid (2019), which emphasizes the positive impact of budgeting on corporate performance, particularly in the context of larger firms.

Implications

This research endeavor provides authors with guidance on advancing their academic careers. This study examines the impact of IFRS convergence, budgeting, and the implementation of planning budgets on company performance. Additionally, it explores the moderating effect of firm size on the relationship between IFRS convergence, budgeting, implementing planning budgets, and company performance. This study holds significance for firms as it provides valuable advice for enhancing their performance. The implementation of International Financial Reporting Standards (IFRS) convergence is vital for the firm management to enhance overall performance. The report also outlines principles for management to strategically allocate financial resources to enhance overall company performance. Also, it is suggested that the implementation of budget plans should be carried out properly to enhance the performance of the organization. The study suggests that to apply IFRS convergence and get greater corporate performance, companies should prioritize firm size. Additionally, it suggests that expanding the firm's size is necessary to facilitate the development of budgets, hence enhancing overall company performance. The analysis suggests that there is a need for enhancement in the size of the firm. The implementation of budgeting would be beneficial. By adopting this approach, the organization has the potential to achieve enhanced performance levels. The findings suggest that implementing budgetary planning and leveraging its function as a mechanism for converting the organization's objectives and strategies into measurable and digitized formats can enhance the operational efficiency and overall effectiveness of the company.

Conclusion

The primary aim of this study was to examine the relationship between the convergence of International Financial Reporting Standards (IFRS), the practice of budgeting, and the implementation of planned budgets, and their impact on firm performance. The study also aimed to examine the involvement of enterprises in the interplay between the convergence of International Financial Reporting Standards (IFRS), budgeting practices, the implementation of planned budgets, and overall company performance. The data related to the convergence of International Financial Reporting Standards (IFRS), budgeting, implementation of planned budgets, and corporate performance were gathered from Iraqi enterprises within the framework of the quantitative research technique. The research findings indicate a significant correlation between the adoption of International Financial Reporting Standards (IFRS), the practice of budgeting, and the implementation of planned budgets with the overall performance of companies. The findings indicate that organizations that include the International Financial Reporting Norms (IFRS) into their accounting and reporting systems, although adhering to local or norms, may have improved financial management and a favorable market perception. A company has the potential to attain enhanced performance. The findings also revealed that when an organization engages in budgeting, it engages in proactive planning and establishes the capacity to mitigate potential risks. Effective financial management leads to improved firm performance. The findings of the study indicate that organizations that successfully establish and implement budgets in accordance with their plans can attain favorable financial positions and enhance their corporate image. As a result, there is an enhancement in the overall performance of the organization. Additionally, the research findings indicate that the impact of IFRS convergence, budgeting, and implementing planning budgets on company performance is influenced by the size of the firm. Large companies have the capacity to adopt International Financial Reporting Standards (IFRS) convergence, engage in budgeting activities, and implement planned budgets, hence enhancing overall organizational performance.

Limitations

The current study has certain limitations that should be acknowledged, and it is advised that future studies address these shortcomings. The authors have exclusively examined the impact of three factors, namely IFRS convergence, budgeting, and the implementation of planning budgets, on firm performance. Future researchers should consider expanding the scope of their study by incorporating more aspects within the framework of their research. In this study, the authors only focused on the role of business size as a moderating factor in the relationship between IFRS convergence, budgeting, implementation of planned budgets, and company performance. To achieve a more thorough understanding of the literature, future researchers might consider incorporating a mediator that bridges the elements.

References

Agbenyo, W., Danquah, F. O., & Shuangshuang, W. (2018). Budgeting and its effect on the financial performance of listed manufacturing firms: Evidence from manufacturing firms listed on Ghana stock exchange. *Research Journal of Finance and Accounting*, *9*(8), 12-22. Retrieved from https://www.iiste.org/Journals/index.php/RJFA/article/view/42008

Akbar, S. (2022). *Impact of International Financial Reporting Standards on Firm Performance: Evidence from Pakistani Non-Financial Firms* (MS thesis, Capital University of Science and Technology, Islamabad). Retrieved from https://thesis.cust.edu.pk/UploadedFiles/Shahida%20Akbar-MMS173022.pdf

Ali, S., Yan, Q., Sajjad Hussain, M., Irfan, M., Ahmad, M., Razzaq, A., et al. (2021). Evaluating green technology strategies for the sustainable development of solar power projects: evidence from Pakistan. *Sustainability, 13*(23), 12997. doi: https://doi.org/10.3390/su132312997

Arnold, M., & Artz, M. (2019). The use of a single budget or separate budgets for planning and performance evaluation. *Accounting, organizations and society, 73*, 50-67. doi: https://doi.org/10.1016/j.aos.2018.06.001

Astuty, W., Habibie, A., Pasaribu, F., Pratama, I., & Rahayu, S. (2022). Utilization of Accounting Information and Budget Participation as Antecedent of Managerial Performance: Exploring the Moderating Role of Organizational Commitment, Leadership Style, Environmental Uncertainty and Business Strategy in Indonesia. *The Journal of Modern Project Management, 10*(1), 188-200. Retrieved from https://journalmodernpm.com/manuscript/index.php/jmpm/article/view/489

Corvino, A., Caputo, F., Pironti, M., Doni, F., & Bianchi Martini, S. (2019). The moderating effect of firm size on relational capital and firm performance: Evidence from Europe. *Journal of Intellectual Capital, 20*(4), 510-532. doi: https://doi.org/10.1108/JIC-03-2019-0044

Drempetic, S., Klein, C., & Zwergel, B. (2020). The influence of firm size on the ESG score: Corporate sustainability ratings under review. *Journal of business ethics, 167*, 333-360. doi: https://doi.org/10.1007/s10551-019-04164-1

Ebaid, I. E.-S. (2022). IFRS adoption and accounting-based performance measures: evidence from an emerging capital market. *Journal of Money and Business, 2*(1), 94-106. doi: https://doi.org/10.1108/JMB-11-2021-0057

Friyani, R., & Hernando, R. (2019). Determinants of The Effectiveness of Implementation Performance Based Budgeting and Budget Absorption in Local Government (Study on Jambi City Government). *Sriwijaya international journal of dynamic economics and business, 3*(3), 213-226. Retrieved from https://repository.unja.ac.id/id/eprint/16998

Gadosey, P. K., Li, Y., Agyekum, E. A., Zhang, T., Liu, Z., Yamak, P. T., et al. (2020). SD-UNET: Stripping down U-net for segmentation of biomedical images on platforms with low computational budgets. *Diagnostics, 10*(2), 110. doi: https://doi.org/10.3390/diagnostics10020110

Ghosh, T. P. (2019). Impact of IFRS Convergence in India: An Evidence from First-Time Adoption of Indian Accounting Standards. *Accounting and Finance Research, 8*(1), 157-173. doi: https://doi.org/10.5430/afr.v8n1p157

Hadid, W. (2019). Lean service, business strategy and ABC and their impact on firm performance. *Production Planning & Control, 30*(14), 1203-1217. doi: https://doi.org/10.1080/09537287.2019.1599146

Hair, J. F., Hult, G. T. M., Ringle, C. M., Sarstedt, M., & Thiele, K. O. (2017). Mirror, mirror on the wall: a comparative evaluation of composite-based structural equation modeling methods. *Journal of the academy of marketing science, 45*, 616-632. doi: https://doi.org/10.1007/s11747-017-0517-x

Hernández, J. P. S.-I., Yañez-Araque, B., & Moreno-García, J. (2020). Moderating effect of firm size on the influence of corporate social responsibility in the economic performance of micro-, small-and medium-sized enterprises. *Technological Forecasting and Social Change, 151*, 119774. doi: https://doi.org/10.1016/j.techfore.2019.119774

Hussein, S. S., Maji, S. G., & Panda, N. M. (2021). The Impact of Budget Participation on Managerial Performance: Evidence from Manufacturing Firms of Iraq. *SCMS Journal of Indian Management, 18*(3), 28-38. Retrieved from https://www.proquest.com/openview/ef6d7d86b3ad4fcc589316f72f81efaf

Idham, A. M. A., & AL-Iraqi, B. A. (2022). The impact of the budget deficit on the performance of a sample of Arab financial markets. *TANMIAT AL-RAFIDAIN, 41*(133), 225 -243. doi: https://doi.org/10.33899/tanra.2020.165650

Imhanzenobe, J. (2022). Value relevance and changes in accounting standards: A review of the IFRS adoption literature. *Cogent business & management, 9*(1), 2039057. doi: https://doi.org/10.1080/23311975.2022.2039057

Jalali Aliabadi, F., Mashayekhi, B., & Gal, G. (2019). Budget preparers' perceptions and performance-based budgeting implementation: The case of Iranian public universities and research institutes. *Journal of Public Budgeting, Accounting & Financial Management, 31*(1), 137-156. doi: https://doi.org/10.1108/JPBAFM-04-2018-0037

Jin, Z., Navare, J., & Lynch, R. (2019). The relationship between innovation culture and innovation outcomes: exploring the effects of sustainability orientation and firm size. *R&D Management, 49*(4), 607-623. doi: https://doi.org/10.1111/radm.12351

Khair, N., & Bakr, B. (2018). The accounting system for resource consumption and its role in evaluating the financial performance of Sudanese banks - a field study on Omdurman National Bank. *Journal of Economic and Administrative Sciences, 19*(1), 34-45.

Khan, I. U., Alam, Y., & Jan, F. (2022). Impact of IFRS Adoption of Firm Performance of Listed Non-Financial Firms of Pakistan. *Journal of Innovative Research in Management Sciences, 3*(1), 54-61. Retrieved from https://agasr.org/index.php/jirms/article/view/26

Khan, I. U., Usman, A., & Jan, M. F. (2021). Factors Affecting IFRS Adoption in Pakistan and Its Impact on Firm Performance. *Multicultural Education, 7*(11), 556-580. doi: https://doi.org/10.5281/zenodo.5760053

Kijkasiwat, P., & Phuensane, P. (2020). Innovation and firm performance: The moderating and mediating roles of firm size and small and medium enterprise finance. *Journal of Risk and Financial Management, 13*(5), 97. doi: https://doi.org/10.3390/jrfm13050097

Kitenga, G., Kilika, J. M., & Muchemi, A. W. (2020). The Moderating effect of Firm Size on the impact of Dynamic Capabilities on sustainable Performance of food manufacturing firms Kenya. *Technium Social Sciences Journal, 7*, 149-182. doi: https://doi.org/10.47577/tssj.v7i1.462

Mahmood, F., Han, D., Ali, N., Mubeen, R., & Shahzad, U. (2019). Moderating effects of firm size and leverage on the working capital finance–profitability relationship: evidence from China. *Sustainability, 11*(7), 2029. doi: https://doi.org/10.3390/su11072029

Matar, A., & Eneizan, B. (2018). Determinants of financial performance in the industrial firms: Evidence from Jordan. *Asian Journal of Agricultural Extension, Economics & Sociology, 22*(1), 1-10. doi: https://doi.org/10.9734/AJAEES/2018/37476

Menshawy, I. M., Basiruddin, R., Mohdali, R., & Qahatan, N. (2022). Board information technology governance mechanisms and firm performance among iraqi medium-sized enterprises: Do IT capabilities matter? *Journal of Risk and Financial Management, 15*(2), 72. doi: https://doi.org/10.3390/jrfm15020072

Miah, M. S. (2021). Does IFRS convergence bring improvement in firm performance? An empirical analysis. *Journal of Chinese economic and business studies, 19*(1), 95-107. doi: https://doi.org/10.1080/14765284.2020.1846010

Mohamed, A. I. (2022). The impact of budgetary control on manufacturing firms' financial performance Mogadishu-Somalia. *NeuroQuantology, 20*(6), 4741-4755. doi: https://doi.org/10.14704/nq.2022.20.6.NQ22476

Mubeen, R., Han, D., Abbas, J., Álvarez-Otero, S., & Sial, M. S. (2021). The relationship between CEO duality and business firms' performance: the moderating role of firm size and corporate social responsibility. *Frontiers in psychology, 12*, 669715. doi: https://doi.org/10.3389/fpsyg.2021.669715

Muhammad, S. A. F. (2017). The role of the discretionary budget in monitoring the performance of banks (private and governmental). *Al-Taqni Magazine, 30*(4), 77-86.

Muslih, M. (2018). The Influence of Budgeting system, organizational culture, and firm size to performance. *FIRM Journal of Management Studies, 3*(2), 97-117. doi: http://dx.doi.org/10.33021/firm.v3i2.475

Nasih, M., Harymawan, I., Paramitasari, Y. I., & Handayani, A. (2019). Carbon emissions, firm size, and corporate governance structure: Evidence from the mining and agricultural industries in Indonesia. *Sustainability, 11*(9), 2483. doi: https://doi.org/10.3390/su11092483

Nepal, M., & Deb, R. (2023). Do IFRS convergence affects firm performance? Picturing Indian-listed manufacturing firms. *Rajagiri Management Journal*. doi: https://doi.org/10.1108/RAMJ-04-2022-0066

Noor, Z. A. J.-A. K., & Abd Zaid, Z. Y. (2022). Preparing the sales planning budget for 2015 using the double exponential smoothing model. *Iraqi Journal of Humanitarian, Social and Scientific Research, 2*(7), 121-146. Retrieved from https://www.iasj.net/iasj/article/250625

Ofoegbu, N. G., & Odoemelam, N. (2018). International financial reporting standards (IFRS) disclosure and performance of Nigeria listed companies. *Cogent business & management, 5*(1), 1542967. doi: https://doi.org/10.1080/23311975.2018.1542967

Pimpong, S., & Laryea, H. (2016). Budgeting and its impact on financial performance: The case of non-bank financial institutions in Ghana. *International Journal of Academic Research and Reflection, 4*(5), 12-22. Retrieved from https://www.idpublications.org/wp-content/uploads/2016/07/Full-Paper-BUDGETING-AND-ITS-IMPACT-ON-FINANCIAL-PERFORMANCE-THE-CASE-OF-NON-BANK-FINANCIAL-INSTITUTIONS-IN-GHANA.pdf

Pinheiro, M. A. P., Jugend, D., Lopes de Sousa Jabbour, A. B., Chiappetta Jabbour, C. J., & Latan, H. (2022). Circular economy-based new products and company performance: The role of stakeholders and Industry 4.0 technologies. *Business Strategy and the Environment, 31*(1), 483-499. doi: https://doi.org/10.1002/bse.2905

Raoli, E. (2021). Transition to the new lease accounting model (IFRS 16) and companies'performance evidence from Italian listed companies. *Academy of accounting and financial studies journal, 25*(3), 1-18. Retrieved from https://publicatt.unicatt.it/handle/10807/178308

Sande, D., Okiro, K., Wanjare, J., Omoro, N., & Ojera, P. B. (2023). The Joint Effect of Budgeting Practices, Public Participation and Automated Revenue Collection System on Financial Performance of County Goverments in Kenya. *African Journal of Emerging Issues, 5*(8), 67-86. Retrieved from https://ajoeijournals.org/sys/index.php/ajoei/article/view/431

Secinaro, S., Brescia, V., Calandra, D., & Saiti, B. (2020). Impact of climate change mitigation policies on corporate financial performance: Evidence-based on European publicly listed firms. *Corporate Social Responsibility and Environmental Management, 27*(6), 2491-2501. doi: https://doi.org/10.1002/csr.1971

Shabana, A. A. H. M. A. (2015). *The Role of the Budget as a Planning and Control Tool in Rationalizing Decisions in the Palestinian Authority* (Master's Thesis, Palestine, Al-Aqsa University).

Talmon, N., & Faliszewski, P. (2019). A framework for approval-based budgeting methods. *Proceedings of the AAAI Conference on Artificial Intelligence, 33*(01), 2181-2188. doi: https://doi.org/10.1609/aaai.v33i01.33012181