QALAAI ZANISTSCIENTIFIC JOURNAL
A Scientific Quarterly Refereed Journal Issued by Lebanese French University – Erbil, Kurdistan, Iraq
Vol. (10), No (2), Summer 2025
ISSN 2518-6566 (Online) - ISSN 2518-6558 (Print)

Revolutionizing Financial Reporting Practices: Overcoming Challenges in Kurdistan's Small and Medium Enterprises

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ARTICLE INFO

Article History:
Received: 27/6/2024
Accepted: 4/8/2024
Published: Summer2025

Keywords: *Access to financial expertise, adoption of accounting technology, financial literacy, financial reporting practices,*

Doi:
10.25212/lfu.qzj.10.2.52

ABSTRACT

This research seeks to unravel the complexities of this issue by examining the interplay between financial literacy, technology adoption, and access to financial expertise, and their collective impact on the effectiveness of financial reporting practices. A multiple regression model was estimated using 180 questionnaires collected from CFOs, accountants, bookkeepers, financial technology personnel, general managers, and SME owners of 30 SMEs in Erbil. The findings showed that higher financial literacy levels among SME owners and managers lead to more effective financial reporting practices. It was also established that an improvement in the adoption of accounting technology significantly enhances the effectiveness of financial reporting practices. The research findings underscore the critical role of

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financial expertise in enhancing the effectiveness of financial reporting practices. Since higher levels of financial literacy enhance the effectiveness of financial reporting practices, SMEs should invest in financial literacy programs for owners, managers, and key personnel. SMEs should prioritize investing in financial literacy programs for owners, managers, and key personnel, alongside training programs focused on the adoption and effective use of accounting technology.

Introduction

Financial reporting serves as the backbone of economic activity, offering stakeholders crucial insights into a company's performance and financial health. In Kurdistan, Small and Medium Enterprises (SMEs) represent a significant portion of the economy, driving growth, innovation, and employment. Despite their importance, these enterprises often struggle with inadequate financial reporting practices, which can impede their growth and sustainability (Perera & Chand, 2015). To address these challenges, it is essential to understand the key factors that influence the effectiveness of financial reporting practices within SMEs. This study employs regression analysis to investigate three critical independent variables: the level of financial literacy among SME owners and managers, the adoption of accounting technology, and access to financial expertise. These variables are hypothesized to have a significant impact on the dependent variable, the effectiveness of financial reporting practices. By identifying and analyzing these factors, the study aims to provide actionable insights that can help revolutionize financial reporting practices in Kurdistan's SMEs. Enhancing financial reporting is not only crucial for individual business success but also for broader economic development, improved investor confidence, and regulatory compliance. This article will discuss the challenges faced by SMEs in Kurdistan regarding financial reporting and propose comprehensive solutions based on the regression analysis findings.

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According to Sherwani and Ahmad (2023), in the dynamic economic landscape of Kurdistan, SMEs play a pivotal role in driving growth, innovation, and employment. However, these enterprises face a significant roadblock: inadequate financial reporting practices. This inadequacy not only hampers their growth and sustainability but also undermines investor confidence and compliance with regulatory standards. The crux of the problem lies in understanding the factors that contribute to these deficiencies in financial reporting. Despite the critical importance of accurate and consistent financial reporting, many SMEs in Kurdistan struggle with outdated practices and a lack of resources (Mohammad, 2021), Sardar, & Rebin. (2023). The core challenges include insufficient financial literacy among SME owners and managers, limited adoption of modern accounting technology, and inadequate access to qualified financial expertise (Khudir, 2021; Mohammad, 2021; Sherwani & Ahmad, 2023). These challenges create a vicious cycle of poor financial management, leading to suboptimal business decisions and potential regulatory penalties.

To explore the impact of financial literacy, technology adoption, and access to financial expertise on the effectiveness of financial reporting practices in Kurdistan's SMEs, the following research questions are formulated:

1. How does the level of financial literacy among SME owners and managers influence the effectiveness of financial reporting practices in Kurdistan?
2. What is the relationship between the adoption of modern accounting technology and the effectiveness of financial reporting practices in Kurdistan's SMEs?
3. How does access to qualified financial expertise impact the effectiveness of financial reporting in SMEs operating in Kurdistan?

This research seeks to unravel the complexities of this issue by examining the interplay between financial literacy, technology adoption, and access to financial expertise, and their collective impact on the effectiveness of financial reporting practices. By employing a regression analysis, this study aims to identify the most significant predictors of effective financial reporting, providing a data-driven foundation for strategic interventions. The ultimate goal is to empower Kurdistan's

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SMEs to enhance their financial reporting capabilities, thereby fostering a more transparent, accountable, and thriving business environment.

2. Empirical literature review

2.1 Theoretical foundation and research gap

According to Hu, Ren and Yang (2023), the agency theory provides a valuable lens for understanding the relationship between principals (owners) and agents (managers) within organizations, particularly in the context of decision-making, monitoring, and control mechanisms. The study addresses a research gap by examining the impact of financial literacy among principals on the effectiveness of financial reporting practices. This gap is significant as it explores how enhanced financial knowledge among SME owners and managers can improve monitoring and evaluation of financial reporting processes.

Another research gap covered is the investigation of technology adoption and its influence on financial reporting effectiveness within the context of agency theory. This gap is crucial as it explores how modern accounting technology can enhance transparency, accuracy, and efficiency in reporting, thus mitigating agency problems. Thus, bases on the agency theory, we can assert that level of financial literacy represents the knowledge and understanding of financial concepts and practices among SME owners and managers. Higher levels of financial literacy empower principals to monitor and evaluate financial reporting processes effectively. Drawing further, the variable the adoption of accounting technology reflects the extent to which SMEs integrate modern accounting technology into their financial reporting processes. Technology adoption can enhance transparency, accuracy, and efficiency in reporting, influencing agency dynamics. Within the same framework of the agency theory, we can assert that access to Financial Expertise signifies the availability of qualified financial professionals and consultants who can provide expert guidance and oversight on financial reporting matters. Improved access to financial expertise strengthens the principals' monitoring and control capabilities. Effectiveness of financial reporting practices measures the quality, accuracy, timeliness, and

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compliance of financial reporting within SMEs. A high level of EFRP indicates robust financial transparency and accountability.

2.2 Related studies, hypothesis development and conceptual modelling

2.2.1 The impact of financial literacy on the effectiveness of financial reporting practices

Research consistently shows a positive association between higher levels of financial literacy and the effectiveness of financial reporting practices among SMEs. Thabet, Ali and Kantakji (2019) found that financial attitude and behavior are positively related to financial literacy, while Togun et al. (2023) highlighted the mediating role of financial literacy in the relationship between financial inclusion and SME performance. Kizza (2019) and Yakob et al. (2021) both demonstrated a significant positive impact of financial literacy on SME performance, with Yakob et al. (2021) specifically emphasizing the understanding of financial concepts as a key factor. These findings underscore the importance of financial literacy in enhancing the effectiveness of financial reporting practices in SMEs. Amid such observations, the following hypothesis was formulated:

- **H_1:** Higher levels of financial literacy among SME are positively associated with the effectiveness of financial reporting practices.
-

2.2.2 The impact of the adoption of accounting technology on the effectiveness of financial reporting practices

The adoption of accounting technology, particularly Information and Communication Technology (ICT), has been found to significantly enhance the efficiency and effectiveness of financial reporting practices (Peace, Ezejiofor & Okoye, 2015; Omar, 2023; Tenyukh, Pelekh & Khocha, 2022; Yerdavletova, 2015). This is evident in the positive impact on efficiency, timely delivery of accounting works, and the transformative influence on modern accounting procedures, including data accuracy and real-time insights into financial metrics. The use of digital technologies such as cloud, Robotic Process Automation (RPA), and artificial intelligence is also highlighted as having the potential to further enhance accounting and auditing efficiency

Tenyukh, Pelekh & Khocha, 2022). Given such insights, we formulated the following hypothesis:

- **H_2:** Greater adoption of accounting technology is positively associated with the effectiveness of financial reporting practices.

2.2.3 The impact of access to financial expertise on the effectiveness of financial reporting practices

Research consistently shows that increased access to financial expertise is indeed positively associated with the effectiveness of financial reporting practices. Cohen et al. (2013) found that audit committee members with both accounting and industry expertise performed better in monitoring the financial reporting process. This was further supported by Setiyawati Iskandar and Basar (2018), who found that the competence of internal accountants and the application of accrual-based government accounting standards significantly improved the quality of financial reporting. Abernathy et al. (2015) also noted a positive association between audit committee accounting expertise and financial reporting timeliness. These findings collectively suggest that financial expertise plays a crucial role in enhancing the effectiveness of financial reporting practices. Therefore, we formulated the following hypothesis:

- **H_3:** Increased access to financial expertise is positively associated with the effectiveness of financial reporting practices.

The developed hypotheses were used in developing a conceptual model that became a basis for determining the study’s method. As such, Figure 1 shows the interactive connections linking the levels of financial literacy, the adoption of accounting technology and access to financial expertise with the effectiveness of financial reporting practices.

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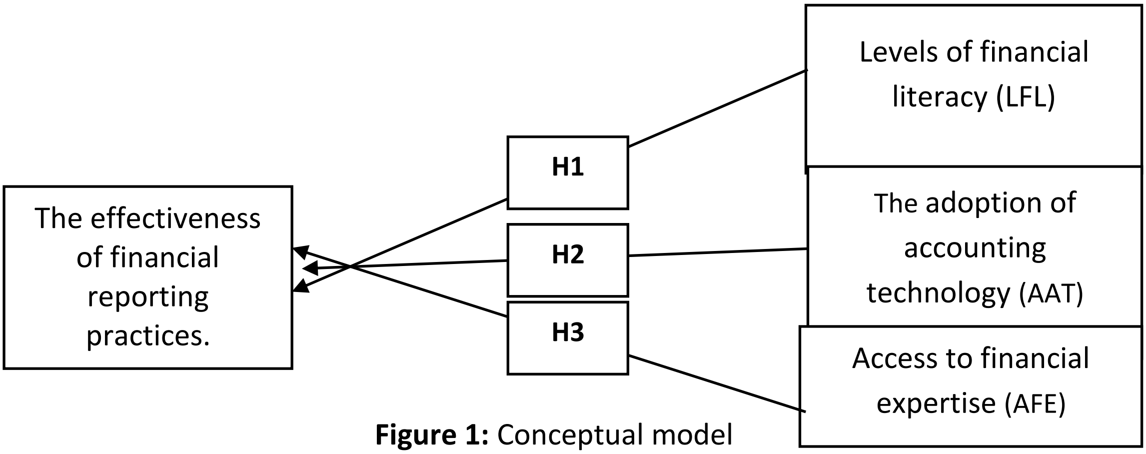

Figure 1: Conceptual model

3. Methodology

3.1 Method

The study utilized a quantitative methodology to investigate the impact of audit quality, corporate governance mechanisms, and auditors' roles on agency conflicts dynamics. This approach, as highlighted by Apuke (2017), not only supports informed policy-making and decision processes but also ensures objectivity and reproducibility. Through the quantitative approach, the study examined the correlations between audit quality, corporate governance mechanisms, auditors' roles, and agency dynamics. Furthermore, scholars advocating for a quantitative approach, such as Apuke (2017) and Mehrad & Zangeneh (2019), have outlined its advantages, including the ability to compare validity with prior studies and to validate hypotheses effectively.

Meanwhile, to investigate the impact of financial literacy, technology adoption, and access to financial expertise on the effectiveness of financial reporting practices in Kurdistan's SMEs, this study employs regression analysis. In the context of this study, regression analysis enabled the quantification of the strength and direction of the relationship between financial literacy, technology adoption, access to financial expertise, and the effectiveness of financial reporting practices. This quantitative

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approach provides precise and interpretable results, which are essential for making informed recommendations (Gujarat, 2021), Sardar, & Rebin. (2022) Moreover, regression analysis allowed for the control of potential confounding variables that could influence the dependent variable. As a result, including multiple independent variables in the model made it feasible for the analysis can isolate the specific impact of each factor on financial reporting effectiveness (Gujarat, 2021). In support of regression analysis, we noted that those qualitative approaches, such as interviews and case studies, provide in-depth insights and context-specific details. However, they lack the generalizability and statistical rigor of quantitative methods like regression analysis. While qualitative data can complement the findings, it is insufficient for testing hypotheses and making broader inference (Creswell, 2014). Furthermore, while descriptive statistics provide a basic understanding of the data, they do not offer insights into the relationships between variables. Descriptive methods are limited to summarizing data without explaining the underlying dynamic (Rassel et al., 2020).

By conducting this regression analysis, we can quantify the impact of financial literacy, accounting technology adoption, and access to financial expertise on the effectiveness of financial reporting practices in Kurdistan's SMEs. This analysis can provide valuable insights for policymakers and business leaders to formulate strategies to improve financial reporting standards in the region. A single regression analysis approach was applied in assessing how the Effectiveness of Financial Reporting Practices (EFRP) is affected by the Adoption of Accounting Technology (AAT); and Access to Financial Expertise (AFE). As a result, the following regression model was estimated as follows;

$EFRP = \alpha + \beta_1 AAT + + \beta_2 AFE + \beta_3 AFE + \mu$ …………………………………………………………… (1)

Where α is a constant, β_1 is the estimated parameter and μ is the error term. Additional tests involving correlation coefficient tests were applied. Data analysis was conducted using SPSS 26.

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3.2 Model tests

To ensure the robustness and reliability of the regression analysis, we performed several statistical tests. This section outlines the applied procedures for conducting reliability testing using Cronbach's alpha, checking for serial correlation, assessing multicollinearity with the Variance Inflation Factor (VIF), and testing for normality of residuals. According to Tavakol and Dennick (2011), Cronbach's Alpha is a measure of internal consistency, assessing how closely related a set of items are as a group. It is commonly used to evaluate the reliability of a scale. An alpha value above 0.7 is generally considered acceptable, indicating good internal consistency while values above 0.8 are preferable and indicate high reliability (Tavakol & Dennick, 2011).

As noted by Gujarati (2021), serial correlation occurs when residuals in a regression model are correlated across time or sequences. The Durbin-Watson statistic was used for detecting serial correlation. The statistic ranges from 0 to 4, where a value of 2 indicates no serial correlation, values less than 2 suggest positive serial correlation and values greater than 2 suggest negative serial correlation (Gujarati, 2021).

Meanwhile, multicollinearity occurs when independent variables are highly correlated, which can distort the results of regression analysis (Daoud, 2017). In this study, we calculated the VIF for each independent variable. VIF values greater than 10 indicate high multicollinearity, although some researchers use a threshold of 5 (Kim, 2019; Senaviratna & A Cooray, 2019). We also conducted the Shapiro-Wilk test using SPSS 26.

3.3 Population, sampling procedures and data collection

The population for this study comprises a cluster of SMEs operating in the Kurdistan region of Iraq. This population was selected due to the pivotal role SMEs play in Kurdistan's economy, significantly contributing to employment, innovation, and economic growth. Consequently, enhancing their financial reporting practices can have a substantial impact on the region's economic development. Furthermore, SMEs in Kurdistan encounter distinct challenges compared to larger enterprises, such as limited access to resources, financial expertise, and technology. Examining this specific population allows for the derivation of targeted insights and solutions pertinent to their unique context. Additionally, SMEs in Kurdistan display a broad spectrum of financial literacy levels and technology adoption rates. This diversity offers a rich dataset for analyzing the impact of these variables on the effectiveness of financial reporting. Therefore, by concentrating on SMEs in Kurdistan, this study produced actionable insights that are directly applicable to a vital segment of the region's economy, ultimately fostering more effective financial reporting practices and enhancing economic stability.

To determine the exact number of SMEs, we applied a convenience sampling approach and selected 30 SMEs in Erbil. This is because Kurdistan lacks update to date records on the exact numbers of registered SMEs in and around Erbil. To gain comprehensive insights into the financial reporting practices of SMEs in Kurdistan, the study will sample employees who are directly involved in financial management and reporting within these enterprises. The specific employees to be sampled are: Chief Financial Officers (CFOs), accountants, bookkeepers, personnel responsible for financial technology, general managers and owners of the SMEs. As a result, 6 questionnaires were distributed to each of the 30 SMEs resulting in a study sample of 180 participants.

The questionnaires were designed using a theoretical understanding of agency dynamics. As a result, new constructs were developed to measure the level of financial literacy, adoption of accounting technology and access to financial expertise (Farida, Soesatyo & Aji, 2021; Kulathunga et al., 2020; Lyons & Kass-Hanna, 2021; Tuffour, Amoako & Amartey, 2022). The dependent variable, Effectiveness of Financial Reporting Practices (EFRP) was measured using 15 items comprising accuracy, consistency, and compliance dimensions of the financial statements produced by the SMEs measured on a scale of 1(strongly disagree) to 5 (strongly agree).

Regarding the independent variables, the Level of Financial Literacy (LFL) variable measured the financial knowledge and skills of SME owners and managers. The variable comprised of 8 items that were measured on a scale of 1(strongly disagree) to 5 (strongly agree). The variable, Adoption of Accounting Technology (AAT) captured the extent to which modern accounting software and technologies are used by the SMEs. This measured using 9 items that focused on the presence and usage frequency of such technologies and were measured on a scale of 1(strongly disagree) to 5 (strongly agree). Lastly, the variable Access to Financial Expertise (AFE), assessed the availability of qualified accountants or financial professionals within the SME using a total of 8 items that were measured on a scale of 1(strongly disagree) to 5 (strongly agree).

Six participants were randomly chosen from a pool consisting of CFOs, accountants, bookkeepers, financial technology personnel, general managers, and SME owners to form the focus group. After receiving satisfactory feedback with minor enhancements, the questionnaires were formally distributed to the participants within the specified timeframe. Subsequently, we delve into the significant findings and insights derived from previous research, encompassing both global and region-specific perspectives. This exploration aims to gain a comprehensive understanding of the intricate relationship between the Effectiveness of Financial Reporting Practices and the independent variables Level of Financial Literacy, Adoption of Accounting Technology and Access to Financial Expertise.

4. Findings

The findings were drawn from 180 responses collected from 30 SMEs in Erbil as shown in Table 1. According to the findings, the study sample was equally represented by CFO (16.67%), Accountants (16.67%), Bookkeepers (16.67%), Financial IT personnel (16.67%), General managers (16.67%) and SME owners (16.67%). This entails that the collected data provided a nuanced understanding of audit quality's effects on agency dynamics. Among the participants were 104 male and 76 female respondents.

Table 1: Demographic results

		Frequency	Percentage
Gender	Male	104	57.78%
	Female	76	42.22%
	Total	**180**	**100%**
Age	18-24 years	4	2.22%
	25-31 years	20	11.11%
	32-38 years	60	33.33%

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	39-45 years	20	11.11%
	46 years and above	76	42.22%
	Total	**180**	**100%**
Employment position	CFO	30	16.67%
	Accountants	30	16.67%
	Bookkeepers	30	16.67%
	Financial IT personnel	30	16.67%
	General managers	30	16.67%
	SME owners	30	16.67%
	Total	**180**	**100%**

4.1 Descriptive and factor analysis

According to Table 2, the mean effectiveness score is 4.015, indicating that, on average, the perceived effectiveness of financial reporting practices falls slightly above the midpoint of the scale. The relatively low standard deviation of 0.915 suggests that there is less variability in responses regarding financial reporting effectiveness among the sample.

The mean financial literacy score is 4.117, which suggests that, on average, respondents perceive themselves to have a moderate to high level of financial literacy. However, the high standard deviation of 1.874 indicates a wider range of responses, with some respondents reporting significantly higher or lower levels of financial literacy.

Table 2: Descriptive and factor analysis

	Mean	**Standard deviation**
Effectiveness of Financial Reporting Practices	4.015	0.915
Level of Financial Literacy	4.117	1.874
Adoption of accounting technology	4.230	1.134
Access to financial expertise	3.987	0.988

The mean score for the adoption of accounting technology is 4.230, indicating a relatively high level of adoption among respondents. The standard deviation of 1.134 suggests moderate variability in responses regarding the adoption of technology in

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accounting practices. Addressing this variability may involve assessing the reasons behind differing adoption levels and implementing strategies to encourage broader technology adoption.

The mean score for access to financial expertise is 3.987, indicating a moderate level of perceived access among respondents. The standard deviation of 0.988 suggests some variability in responses, with some respondents reporting higher levels of access to financial expertise than others. Addressing this variability may involve evaluating existing support structures and identifying ways to enhance access to financial expertise for all respondents. Overall, these implications highlight areas where organizations can focus their efforts to improve financial reporting practices, enhance financial literacy, promote technology adoption, and facilitate access to financial expertise. Tailored strategies can be developed based on the specific needs and challenges identified within each variable.

4.2 Normality tests

The study proceeded further to test for normality of residuals using the Shapiro-Wilk Test for Normality of Residuals. The p-value assesses the significance of the test. According to the results presented in Table 3, a p-value of 0.323, which is greater than 0.05 suggests that we fail to reject the null hypothesis of normality. Furthermore, the model's distribution was assessed as normal, as evidenced by the Jarque Bera statistic of 0.465.

Table 3: Shapiro-Wilk Test for Normality of Residuals

Test Statistic	p-value
0.982	0.323
Jarque Bera =0.465	

4.3 Reliability test

The study conducted internal consistency checks utilizing the Cronbach’s alpha test. As illustrated in Table 4, the variables EFRP, LFL, AAT and AFE demonstrate high reliability in elucidating audit quality’s impacts on agency dynamics. This is evidenced by Cronbach's alpha values surpassing the 0.70 benchmark, as recommended by Tavakol and Dennick (2011). Moreover, the model exhibits an overall reliability rate of 81.1%, indicating high reliability.

Table 4: Cronbach's alpha

Variable	Cronbach's alpha
EFRP	0.774
LFL	0.827
AAT	0.833
AFE	0.810
Overall Reliability	**0.811**

4.4 Serial Correlation

The Durbin-Watson statistic displayed in Table 5 is recorded as 2.091, which is in proximity to the value of 2. This proximity indicates the absence of serial correlation issues in the analysis, as outlined by Gujarati (2022). These favorable outcomes prompted the study to proceed with the interpretation of the single regression analysis results.

Table 5: Serial correlation

	Serial correlation
Durbin Watson	2.091

4.5 Correlation coefficient tests

The study proceeded further to analyze the correlations between the variables using the Pearson correlation coefficient test. Table 6 shows that there is a strong positive correlation (0.713) between Effectiveness of Financial Reporting Practices (EFRP) and Level of Financial Literacy (LFL). This indicates that as the level of financial literacy among SME owners and managers increases, the effectiveness of financial reporting practices also tends to improve. Practically, this implies that improving financial literacy among SME owners and managers could lead to more effective financial reporting practices. Investing in financial education and training programs for SME stakeholders could yield significant improvements in transparency, accuracy, and compliance with reporting standards.

The results also show that there is a positive correlation (0.618) between EFRP and AAT. This suggests that SMEs that adopt modern accounting technology tend to have more effective financial reporting practices. SMEs in Kurdistan should consider investing in and adopting advanced accounting software and tools to streamline processes, reduce errors, and improve data accuracy in financial reporting.

Table 6: Correlation coefficient tests

	EFRP	LFL	AAT	AFE	VIF
EFRP	**1**				2.015
LFL	0. 713*	**1**			1.019
AAT	0.618*	0.439*	**1**		2.856
AFE	0.701*	0.567*	0.483**	**1**	2.990

** Significant at 0.01 level.*

Meanwhile, there is a strong positive correlation (0.701) between EFRP and AFE. This indicates that SMEs with better access to financial expertise tend to have more effective financial reporting practices. SMEs should prioritize recruiting or consulting with financial experts to ensure accurate financial reporting, compliance with regulations, and strategic financial decision-making.

There is a moderate positive correlation (0.439) between LFL and AAT and another one of 0.567 between LFL and AFE. The former suggests that SMEs with higher financial literacy levels are more likely to adopt modern accounting technology. This suggests that initiatives aimed at improving financial literacy could indirectly lead to increased adoption of technology, further enhancing financial reporting capabilities. The latter implies that SMEs with better financial literacy also tend to have improved access to financial expertise. Enhancing financial literacy not only improves internal financial management but also facilitates better collaboration with financial experts, contributing to more informed decision-making and reliable financial reporting.

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Overall, these correlation coefficients provide valuable insights into the interconnectedness of financial literacy, technology adoption, access to expertise, and the effectiveness of financial reporting practices in Kurdistan's SMEs, aligning with the theme of revolutionizing financial reporting to overcome challenges in the region's business landscape. Meanwhile, the VIF values of 2.015 (EFRP), 1.019 (LFL), 2.856 (AAT) and 2.990 (AFE) were less than 3 indicating that no multicolliearity was observed.

4.6 Results and discussions

From the provided regression analysis results shown in Table 7, it can be noted that improvements in higher levels of financial literacy by 1 unit significantly enhance the the effectiveness of financial reporting practices by 0.690 units. As a result, hypothesis 1 was accepted. These findings are further supported by Kizza (2019) and Yakob et al. (2021), both of whom showcased a significant positive impact of financial literacy on SME performance, with Yakob et al. (2021) specifically emphasizing the critical role of understanding financial concepts. These studies collectively underscore the importance of financial literacy as a catalyst for improving the effectiveness of financial reporting practices in SMEs. The literature consistently demonstrates a positive correlation between higher levels of financial literacy and the effectiveness of financial reporting practices among SMEs, aligning with the principles of agency theory. Thabet, Ali, and Kantakji (2019) uncovered a positive relationship between financial attitude and behavior with financial literacy. Similarly, Togun et al. (2023) highlighted the mediating role of financial literacy in enhancing the relationship between financial inclusion and SME performance. Applying the principles of agency theory to these results, we can deduce that higher levels of financial literacy among SME owners and managers empower them to act as effective principals in monitoring and evaluating financial reporting processes. With a deeper understanding of financial concepts and practices, principals are better equipped to oversee and control the actions of agents (managers) responsible for financial reporting. This leads to enhanced transparency, accuracy, and compliance in financial reporting practices, thereby reducing agency costs and mitigating agency conflicts.

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Table 7: Regression analysis results.

Regression analysis results						
	Coefficients		**Model summary**		**ANOVA**	
	Estimate	**p. Value**	**R^2**	**Adj. R^2**	**F-stat.**	**Sig.**
LFL	0.690	0.000				
AAT	0.455	0.001	0.830	0.826	27.045	0.000
AFE	0.298	0.000				

Drawing further, the findings also show that a 1-unit improvement in AAT significantly enhances the effectiveness of financial reporting practices by 0.455 units. As a result, hypothesis 2 was accepted. These findings align with the principles of principal-agent theory, where informed principals (owners and managers) utilize technology to monitor and control financial reporting processes effectively. Greater adoption of accounting technology enables principals to access real-time financial metrics, enhance data accuracy, and streamline accounting procedures, thereby reducing agency costs and conflicts. The literature underscores a positive correlation between the adoption of accounting technology, particularly Information and Communication Technology (ICT), and the effectiveness of financial reporting practices. Peace, Ezejiofor & Okoye (2015), Omar (2023), Tenyukh, Pelekh & Khocha (2022), and Yerdavletova (2015) collectively highlight the significant improvements in efficiency, timeliness, and transformative impacts on modern accounting procedures attributed to technology adoption. Moreover, the use of digital technologies such as cloud computing, Robotic Process Automation (RPA), and artificial intelligence (AI) is identified as further enhancing accounting and auditing efficiency (Tenyukh, Pelekh & Khocha, 2022). These technologies automate repetitive tasks, improve data analysis capabilities, and provide insights for informed decision-making, reinforcing the positive impact of technology adoption on financial reporting effectiveness.

Lastly, by accepting hypothesis 3, the results showing that increased access to financial expertise is positively associated with the effectiveness of financial reporting practices by 0.298. Cohen et al. (2013) highlighted the importance of audit committee members possessing both accounting and industry expertise, as they were found to perform better in monitoring the financial reporting process. This emphasizes the role of specialized financial knowledge in ensuring accuracy and transparency in reporting. Setiyawati Iskandar and Basar (2018) further supported this notion by showcasing that the competence of internal accountants, coupled with the application of accrual-based government accounting standards, significantly improved the quality of financial reporting. The expertise of internal stakeholders and adherence to standardized accounting practices contributed to enhanced reporting quality. Additionally, Abernathy et al. (2015) noted a positive correlation between audit committee accounting expertise and financial reporting timeliness. Audit committee members with financial expertise were able to expedite reporting processes, indicating the efficiency gains associated with specialized knowledge. These findings collectively underscore the crucial role of financial expertise in enhancing the effectiveness of financial reporting practices. Access to knowledgeable professionals, adherence to accounting standards, and the application of industry-specific expertise contribute to improved accuracy, timeliness, and transparency in financial reporting.

Conclusions

The main emphasis of the study was to investigate the nuanced relationship between audit quality and agency dynamics within the Kurdish corporate landscape. The study also sought to provide evidence-based insights that can serve as a foundation for refining corporate governance practices and shaping tailored policy recommendations specific to Kurdistan. Our study revealed that:

- Higher financial literacy levels among SME owners and managers lead to more effective financial reporting practices. This positive impact is evident across various studies, highlighting the critical role of financial knowledge and understanding in improving reporting quality.
- Since an improvement in the adoption of accounting technology significantly enhances the effectiveness of financial reporting practices, SMEs should prioritize investing in financial literacy programs for owners, managers, and key personnel, alongside training programs focused on the adoption and effective use of accounting technology. These initiatives can improve

understanding, skills, and confidence in leveraging technology for financial reporting.

- The research findings underscore the critical role of financial expertise in enhancing the effectiveness of financial reporting practices. Access to knowledgeable professionals with accounting and industry-specific expertise contributes significantly to the accuracy, transparency, and timeliness of financial reporting.

Theoretical contributions

The findings contribute to enriching agency theory by highlighting the pivotal role of financial expertise in mitigating agency conflicts and improving the effectiveness of financial reporting practices. This emphasizes the importance of informed principals (owners, managers) with specialized financial knowledge in aligning interests and ensuring transparency. The results deepen our understanding of the dynamics influencing financial reporting practices in SMEs. They emphasize that access to financial expertise is a crucial factor in achieving accurate, timely, and transparent reporting, providing valuable insights into the mechanisms driving reporting effectiveness.

Practical implications

The results offer practical guidance for SMEs in enhancing financial reporting practices. They emphasize the importance of recruiting, training, and leveraging financial experts to improve reporting accuracy, efficiency, and transparency, translating theoretical insights into actionable strategies. Access to financial expertise helps SMEs mitigate risks, ensure compliance with accounting standards, and maintain transparency in reporting. Practical applications of financial expertise contribute to risk management strategies, regulatory compliance, and stakeholder trust. By leveraging financial expertise, SMEs can improve reporting efficiency, reduce errors, and streamline financial processes. This leads to cost savings, increased productivity, and better utilization of resources, contributing to organizational sustainability and growth.

QALAAI ZANISTSCIENTIFIC JOURNAL
A Scientific Quarterly Refereed Journal Issued by Lebanese French University – Erbil, Kurdistan, Iraq
Vol. (10), No (2), Summer 2025
ISSN 2518-6566 (Online) - ISSN 2518-6558 (Print)

The study is without limitations and one of the limitations is the study's reliance on self-reported data and the cross-sectional nature of the study. Many studies in the literature may rely on cross-sectional designs, which can limit the ability to establish causality between financial expertise and financial reporting effectiveness. Longitudinal studies or experimental designs could provide deeper insights into causal relationships. The study's findings could be influenced by selection bias, particularly if participants self-select or if there are biases in the sampling process. Researchers should employ rigorous sampling techniques and consider potential biases in their analyses.

Recommendations

Based on our findings, we offer the following recommendations for stakeholders, policymakers, and practitioners in Kurdistan:

- Since higher levels of financial literacy enhance the effectiveness of financial reporting practices, SMEs should invest in financial literacy programs for owners, managers, and key personnel. These programs should cover basic financial concepts, reporting standards, and financial analysis techniques to enhance understanding and decision-making.
- SMEs should prioritize investing in financial literacy programs for owners, managers, and key personnel, alongside training programs focused on the adoption and effective use of accounting technology. These initiatives can improve understanding, skills, and confidence in leveraging technology for financial reporting.
- SMEs should prioritize enhancing access to financial expertise by recruiting or consulting knowledgeable professionals with accounting and industry-specific experience. This includes appointing competent audit committee members, hiring skilled internal accountants, and collaborating with external financial advisors.

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شۆڕشێک لە پراکتیکەکانی ڕاپۆرتکردنی دارایی: زاڵبوون بەسەر ئاستەنگەکان لە کارگە بچووک و مامناوەندەکانی کوردستان

پوختە:

ئەم توێژینەوەیە هەوڵدەدات ئاڵۆزییەکانی ئەم پرسە بدۆزێتەوە بە پشکنینی پەیوەندی نێوان خوێندەواری دارایی، وەرگرتنی تەکنەلۆژیا و دەستڕاگەیشتن بە شارەزایی دارایی، و کاریگەرییە بەکۆمەڵەکانیان لەسەر کاریگەریی پراکتیکەکانی ڕاپۆرتکردنی دارایی. مۆدێلێکی پاشەکشەی فرەیی بە بەکارهێنانی ١٨٠ پرسیارنامە کە لە CFO، ژمێریار، تۆماری داتاکان دارایی، کارمەندانی تەکنەلۆژیای دارایی، بەڕێوەبەرە گشتیەکان، و خاوەن SME ی ٣٠ کۆمپانیا بچووک و ناوەندەکانی هەولێر کۆکرابوونەوە، خەملێندرا. دۆزینەوەکان دەریانخست کە ئاستی بەرزی خوێندەواری دارایی لە نێوان خاوەن و بەڕێوەبەرانی SME دەبێتە هۆی پراکتیکەکانی ڕاپۆرتکردنی دارایی کاریگەرتر. هەروەها جێگیرکرا کە باشتربوونی وەرگرتنی تەکنەلۆژیای ژمێریاری کاریگەریی پراکتیکەکانی ڕاپۆرتکردنی دارایی بە شێوەیەکی بەرچاو بەرز دەکاتەوە. دۆزینەوەکانی توێژینەوەکە جەخت لەسەر ڕۆڵی گرنگی شارەزایی دارایی دەکەنەوە لە بەرزکردنەوەی کاریگەریی پراکتیکەکانی ڕاپۆرتکردنی دارایی. بەو پێیەی ئاستی بەرزی خوێندەواری دارایی کاریگەریی پراکتیکەکانی ڕاپۆرتکردنی دارایی بەرز دەکاتەوە، کۆمپانیا بچووک و ناوەندەکان پێویستە وەبەرهێنان لە بەرنامەکانی خوێندەواری دارایی بۆ خاوەنەکانیان، بەڕێوەبەران و کارمەندانی سەرەکی بکەن. پێویستە کۆمپانیا بچووک و ناوەندەکان وەبەرهێنان لە بەرنامەکانی خوێندەواری دارایی بۆ خاوەنکاران، بەڕێوەبەران و کارمەندانی سەرەکی لە پێشینەدا دابنێن، شانبەشانی بەرنامەکانی ڕاهێنان کە سەرنجیان لەسەر وەرگرتن و بەکارهێنانی کاریگەرانەی تەکنەلۆژیای ژمێریارییە.

QALAAI ZANISTSCIENTIFIC JOURNAL
A Scientific Quarterly Refereed Journal Issued by Lebanese French University – Erbil, Kurdistan, Iraq
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ISSN 2518-6566 (Online) - ISSN 2518-6558 (Print)

ثورة في ممارسات إعداد التقارير المالية: التغلب على العقبات في المؤسسات الصغيرة والمتوسطة في كردستان

الملخص:
يسعى هذا البحث إلى كشف تعقيدات هذه القضية من خلال دراسة التفاعل بين الثقافة المالية، واعتماد التكنولوجيا، والوصول إلى الخبرة المالية، وتأثيرها الجماعي على فعالية ممارسات إعداد التقارير المالية. تم تقدير نموذج الانحدار المتعدد باستخدام 180 استبيانًا تم جمعها من المديرين الماليين والمحاسبين ومحاسبي الحسابات وموظفي التكنولوجيا المالية والمديرين العامين وأصحاب الشركات الصغيرة والمتوسطة في 30 شركة صغيرة ومتوسطة في أربيل. وأظهرت النتائج أن ارتفاع مستويات الثقافة المالية بين أصحاب ومديري الشركات الصغيرة والمتوسطة يؤدي إلى ممارسات أكثر فعالية لإعداد التقارير المالية. وقد ثبت أيضًا أن التحسن في اعتماد تكنولوجيا المحاسبة يعزز بشكل كبير من فعالية ممارسات إعداد التقارير المالية. تؤكد نتائج البحث على الدور الحاسم للخبرة المالية في تعزيز فعالية ممارسات إعداد التقارير المالية. وبما أن المستويات الأعلى من الثقافة المالية تعزز فعالية ممارسات إعداد التقارير المالية، فيجب على الشركات الصغيرة والمتوسطة الاستثمار في برامج الثقافة المالية للمالكين والمديرين والموظفين الرئيسيين. ويجب على الشركات الصغيرة والمتوسطة إعطاء الأولوية للاستثمار في برامج الثقافة المالية للمالكين والمديرين والموظفين الرئيسيين، إلى جانب برامج التدريب التي تركز على اعتماد تكنولوجيا المحاسبة واستخدامها بشكل فعال.