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THE IMPACT OF IMPLEMENTING IFRS 9 REQUIREMENTS ON THE EFFICIENCY OF RISK MANAGEMENT PRACTICES: AN EXPLORATORY STUDY OF THE PERSPECTIVES OF EMPLOYEES IN IRAQI COMMERCIAL BANKS

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ABSTRACT

Although the Central Bank of Iraq has been mandated to implement IFRS 9, its impact on efficiency of risk management practices in Iraqi commercial banks is not sufficiently studied. Iraqi studies so far have focused mainly on earnings management, expected credit losses and capital adequacy but rarely on this relationship from banking professionals' point of view; hence, this paper investigates how applying IFRS 9 requirements affects risk management efficiency in Iraqi commercial banks. A quantitative survey approach was used with an electronic questionnaire administered over four months to a purposive sample of 117 accountants, financial officers and administrative staff from 44 bank branches in Baghdad and other Iraqi governorates. The measurement scales were reviewed by ten experts and high reliability was found. Data were analyzed using SPSS through descriptive statistics and simple linear regression. Medium levels of implementation of IFRS 9 and efficiency of risk management were found. Disclosure was the weakest area of implementation while continuous monitoring of risk and use of accounting information in risk-related decisions were the weakest aspects of risk management. Also, implementation of IFRS 9 had positive and statistically significant effect on risk management efficiency. This study provides practitioner-based empirical evidence from the understudied Iraqi banking sector to archival research by showing practical implications of standard implementation. The Central Bank of Iraq and bank management should enhance disclosure and continuous risk monitoring to improve IFRS 9 implementation and risk management practices.

Keywords: IFRS 9; expected credit loss; risk management efficiency; Iraqi commercial banks; practitioner perceptions

INTRODUCTION

The efficiency and effectiveness of market monitoring of banks depend largely on timely, consistent and reliable information about performance and risk exposures (Stephanou 2010). IFRS 9 attempts to improve this information by replacing the incurred-loss approach with an ECL model that requires forward looking provisioning. Provisioning is a double-edged sword though: it carries significant risk of unintended consequences (Giner & Mora 2019). How it affects bank risk and efficiency of risk management practices is therefore unclear. On one hand forward looking provisions give the market richer information reflecting a bank's risk management capabilities. Detailed disclosures provide signals about risk

management practices and strengthen investor monitoring; transparency also gives investors direct power to discipline banks by demanding higher returns (Flannery & Thakor 2006; Hovakimian & Kane 2000); while discretion embedded in the model facilitates prediction of future losses and mitigates procyclicality of bank behavior (Bushman & Williams 2012). On the other hand, subjectivity and forecasting required under IFRS 9 expand management's discretion. Weakening market monitoring increases bank risk (Albrahimi, 2019; Bushman & Williams, 2012). The complexity of discretionary provisions can also discourage market participants from scrutinizing bank behavior because forward-looking provisions create opacity in financial reporting (Wall & Koch, 2000). Large loan loss provisions may also signal good loan management and ability to withstand economic downturns which could induce banks to assume more risk (Beatty & Liao, 2011; Bouvatier & Lepetit, 2012; Bushman & Williams, 2012)

The Iraqi context makes this debate particularly salient. IFRS Standards are required only in Iraq for banks, and they are not specifically named in law so there has been some confusion about legal basis for adoption (Al-Mashhadani & Abd Mohammed ,2018). CBI directed banks in 2016 to move from unified accounting system to international standards, updated the requirement in 2019 to require compliance with IFRS 9 and issued an amended instruction with ECL guidance in March 2020 (IFRS Foundation n.d.). Iraqi studies report mixed results: Al-Mashhadani & Abd Mohammed (2018) found earnings management declined in Iraqi listed private banks after IFRS 9 impairment requirements were applied; Ahmed & Loukil (2026) found a positive and significant effect of ECL model on capital adequacy but Jasim & Al-Mashhadani (2022) concluded that IFRS 9 has not been fully applied in Iraqi banks and that banks differ in how they calculate expected credit losses. Despite this regulatory mandate, it is not clear whether IFRS 9 requirements have improved the efficiency of risk management inside Iraqi commercial banks. This study therefore asks (1) to what extent do Iraqi commercial banks apply IFRS 9 requirements? (2) Do applying these requirements affect the efficiency of risk management practices?

The evidence is limited by three things. First, most of it is theoretical or archival data from developed or multi-country samples and looks at market outcomes rather than how the standard changes daily risk management practices

inside banks; second the Iraqi literature has been on earnings management, methods for calculating expected credit losses and capital adequacy (Ahmed & Loukil, 2026; Al-Mashhadani & Abd Mohammed, 2018; Jasim & Al-Mashhadani, 2022) without any direct link between IFRS 9 and risk management efficiency; third evidence on how practitioners who prepare, use and supervise these provisions see the standard is missing in emerging and post-conflict banking systems such as Iraq where institutional constraints, lack of data and weaker market discipline may make effects different from those in advanced economies. This paper fills these gaps by investigating effect of applying IFRS 9 requirements on efficiency of risk management practices in Iraqi commercial banks from the views of staff directly involved. It uses a survey design and collects data through a structured questionnaire from 117 respondents (accountants, financial officers and administrative managers) working in 44 Iraqi commercial banks. We focus on banks because commentary suggests that IFRS 9 affects their financial statements much more than those of other firms (Albrahimi, 2019; Deloitte, 2019; Gomaa et al., 2019; KPMG, 2016). Change in the standard is also believed to have been driven by pressure from bank prudential bodies and information asymmetry problems specific to banks (Giner & Mora, 2019; Zeff, 2012). Because IFRS 9 is relatively new standard work has used short observation windows to estimate its effects (DeFond et al., 2015). Instead, we rely on practitioners' perceptions which can capture implementation effects archival data may not yet reflect. Forward-looking provisioning should improve timely recognition of losses and transparency and detailed projections such as lifetime expected credit losses should strengthen stakeholders' disciplining role and confidence in banks' risk management. This expectation is supported by Cohen and Edwards (2017) who state that bank regulators and supervisors were the most vocal critics of IAS 39 which provided backward-looking provisions leading to excessive risk taking in lending and so advocated forward looking provisioning under IFRS 9. Hence, we expect that applying IFRS 9 requirements has a statistically significant positive effect on efficiency of risk management practices in Iraqi commercial banks.

The study adds to the literature in several ways. First, it provides field evidence for Giner and Mora (2019), Gomaa et al. (2019) and (Novotny-Farkas

,2016)'s theoretical analyses on expected impact of IFRS 9 in banking sector; second practitioner-based evidence from Iraq (rarely studied context); third its results may help CBI and bank management identify where implementation needs most support.

Theoretical Background, Literature Review, and Hypothesis Development

Theoretical Foundations

The way a bank reports and discloses information is one of the main drivers of how it takes risks (Bleck & Liu, 2007; Hutton et al., 2009; Jin & Myers, 2006). There are three theories that explain why a change in accounting standard (e.g., IFRS 9) may influence risk management inside banks: Agency theory (Jensen & Meckling, 1976) says managers have room to pursue their own interests because there is asymmetric information among managers, shareholders, regulators and borrowers. Detailed disclosure on loan quality and creditworthiness narrows this asymmetry and reduces agency problems between bankers and customers (Giner & Mora, 2019). Signaling theory (Spence, 1973) says banks make accounting choices to signal quality. Earlier and larger loan loss provisions for example might be read by market participants as evidence of good loan management. Institutional theory (DiMaggio & Powell, 1983) says regulation forces organizations into prescribed practices because pressure from regulation does so.

This is true for Iraq where Central Bank forced banks to comply with IFRS 9 Accounting standards also influence bank behavior through two channels: their effect on supervision and quantitative regulatory requirements (e.g., minimum capital ratios) (Barth & Landsman, 2010).

Because regulatory capital is computed from accounting figures a change in the standard gives banks strong incentives to change their economic behavior (Beatty & Liao, 2014). Firm-level evidence shows that one set of high-quality global standards improves disclosure comparability and transparency (DeFond et al., 2011; Tan et al., 2011); capital providers can monitor risk-taking (DeFond et al., 2015; Hutton et al., 2009; Jin & Myers, 2006). Bleck & Liu (2007) claim mark-to-market accounting principle of IFRS gives capital providers early warning signals in line with analysts' persistent demand for fair value information from global banks (Bischof et al., 2014). By extension, the forward-looking requirements of IFRS 9 may alert both market and bank management earlier to emerging risks. They also reflect the preference of bank regulators for financial stability (Giner & Mora, 2019). Cohen &

Edwards (2017) say forward looking provisions leave banks better placed to withstand crises since early loss recognition speeds up cleaning of balance sheets but lowers capital and dampens later lending (Cohen & Scatigna, 2016) adds that earlier and larger losses reduce earnings and capital so limit banks' capacity for risky investment**.**

IFRS 9 Requirements

The International Accounting Standards Board issued IFRS 9 Financial Instruments in July 2014, and it came into effect in January 2018 replacing IAS 39 (IASB, 2014; Caruso et al., 2021). IAS 39 was too complex, inconsistent with how entities manage their risks and led to credit losses being recognized too late in the credit cycle (Caruso et al., 2021). Three major changes were introduced by the standard (Caruso et al., 2021). The first is classification and measurement of financial instruments. It depends on entity's business model and whether contractual cash flows are solely payments of principal and interest or not. If both tests pass, then instruments are measured at amortized cost or fair value through other comprehensive income, if not they are measured at fair value through profit or loss. The second and most relevant for risk management is ECL model. Banks have to recognize expected losses from origination and update them each reporting date instead of waiting for objective evidence of impairment. Exposures are allocated to three stages under this model. Stage 1 covers exposures where there is no significant increase in credit risk and carries a 12-month ECL. Stage 2 covers exposures where there is a significant increase in credit risk and Stage 3 covers credit-impaired exposures. Both have lifetime ECL that incorporates forward looking information (e.g., macro variables) (Caruso et al., 2021). The third change is a new hedge accounting framework that ties accounting more closely to how entities manage their risks.

These requirements are not accounting exercise only. They require material investment in models, information technology, data collection, risk management, governance and human resources (Caruso et al., 2021). Basel Committee also expects board and senior management to be responsible for a sound documented independently validated ECL methodology (BCBS, 2015). Applying IFRS 9 requirements therefore in this study means the extent to which the bank implements these three components and their supporting processes.

Efficiency of Risk Management Practices

Risk management is the set of processes through which an organization identifies, assesses, responds to and monitors the risks that affect its objectives (COSO, 2017). For credit risk in banks Basel Committee organizes sound practice around four elements: appropriate credit risk environment; sound process for granting credit; appropriate credit administration measurement and monitoring; adequate controls over credit risk (BCBS, 2000). Efficiency of risk management practices is then the extent to which these processes work effectively in identifying measuring monitoring controlling a bank's risks, so losses are anticipated managed before they happen. This notion works naturally with IFRS 9. The standard requires banks to estimate default probabilities and loss rates, track changes in credit quality exposure by exposure and use forward looking information. These are all tasks under identification measurement and monitoring functions that make up efficient risk management (efficiency is a perceptual construct here since respondents who work with these processes know best how well they do it).

Review of Previous Studies

The case for a positive effect (Giner and Mora ,2019) say disclosure of risk information on loans increases market discipline over banks; Deloitte (2013) says the additional disclosure around IFRS 9 reduces uncertainty over loan valuation so banks can take only relevant risks and estimate expected credit losses which might support lending decisions (inputs to this estimation are also needed – nature, likelihood and timing of risks); banks decide whether to invest in loans or raise capital from market (Kim et al. ,2020) add shift to ECL improves timeliness of loan loss recognition especially risky banks World Bank also says IFRS 9 gives banks incentives to follow sound credit risk management and rigorous provisioning practices (Caruso et al., 2021) Provisioning behavior evidence is consistent with this too. In US banks expected-loss provisioning increases lending while delayed provisioning decreases it because banks using the latter have bigger capital shortfalls in crises (Beatty & Liao-, 2011). Markets also like high provisions because they signal that a bank is not procyclical (Bushman & Williams, 2012; Liu et al., 1997). In European banks IFRS 9 adoption reduced systematic risk exposure through capital

transitional arrangements of Basel Committee (Dong & Oberson, 2021).

The case for a negative effect. Forward-looking provisioning is also a double-edged sword (Bushman, 2016; Bushman & Landsman ,2010). The same discretion that allows richer information can also enable opportunistic reporting and reduce transparency (Wall & Koch, 2000). (Novotny-Farkas ,2016) says high capital requirements and large provisions imply managers have more incentive under IFRS 9 to delay loss recognition and manage earnings. (Bushman ,2016) says capital inadequacy from early large provisioning plus lower transparency increases incentives for risk taking/risk shifting. In a sample of 27 countries (Bushman & Williams ,2012) find that the effect of forward-looking provisions depends on managerial discretion: opportunistic managers can use them to smooth earnings and weaken checks on risk taking whereas timely loss recognition supports sound risk management. (Novotny-Farkas ,2016) also reports that collective impairment made provisioning in Spain less transparent. (Gebhardt & Novotny-Farkas ,2011) say that the incurred-loss rule of IAS 39 improved bank accounting quality so replacing it with expected losses might degrade that quality.

Measurement error is another issue: noise and bias in estimates reduce market participants' ability to judge performance and risk (Plantin et al., 2008). Volatility from fair value and forward-looking provisions may discourage risky investment but the same features amplify expected gains and so encourage risk taking when information has errors (DeFond et al., 2015; Li, 2017). IFRS 9 and IFRS 7 require more detailed disclosure, but wider managerial judgment also increases managers' control over what is presented — managers disclose what keeps investors loyal to the bank. (Nichols et al. ,2009) argue that bank managers can use their information advantage by smoothing earnings in ways that suit capital providers. A delay in moving assets from Stage 1 to Stage 2 may lead to a "too little too late" outcome for investors and regulators (Novotny-Farkas, 2016). Subjectivity also undermines comparability since IFRS 9 does not require disclosure of back-testing (which would reveal inputs, assumptions and techniques behind provisions) (IASB ,2013). Using Greek government bonds (Gebhardt ,2016) shows that complex impairment calculations and discretion under IFRS 9 delay provision and make them smaller than fair value losses. Albrahimi (2019) reports that IFRS 9

weakens market discipline over bank risk taking because leverage is less responsive to changes in risk.

The IFRS Foundation's literature review for the post-implementation review of IFRS 9 shows this split: some studies find more timely loss recognition and less earnings management after adoption; others find banks did not detect significant increases in credit risk on time; capital constrained banks delayed recognition; coverage ratios became less comparable across banks (IFRS Foundation, 2024). Evidence from practitioners. Studies based on practitioners' views are fewer. A survey of 51 financial institutions showed respondents were divided over whether the standard changes credit risk management — some saw no change in fundamentals of credit risk but expected volatility of reserves to require active management: others (McKinsey & Company & IACPM, 2017). Many adopters had invested in early-warning and watch-list processes and 49% of IFRS 9 adopters planned to strengthen their early-warning mechanisms because of three stage structure (McKinsey & Company & IACPM, 2017). More than 60% expected challenges from availability, quality or timeliness of internal data (McKinsey & Company & IACPM, 2017).

A World Bank survey of supervisory authorities in 91 jurisdictions (who also reported on behalf of banks they supervise) found data availability and quality, modelling risk, over reliance on managerial judgement and staff capacity as the main implementation challenges (Caruso et al., 2021). Of respondents where the standard was in force only 34 (52%) saw no substantial material effect on banks; 22% saw a positive effect and 34% a negative one while closer alignment between accounting and risk management functions was seen as a potential benefit (Caruso et al., 2021). In Jordan (Eyalsalman et al. ,2024) found that IFRS 9 implementation had a negative impact on bank profitability and credit risk reduced performance because of inadequate credit risk management and efficient credit policies required.

Evidence from Iraq. Studies of Iraqi banks are mixed. (Al-Mashhadani & Abd Mohammed ,2018) found earnings management decreased after IFRS 9 impairment requirements were applied; (Ahmed and Loukil ,2026) found ECL model had positive and significant effect on capital adequacy; (Jasim & Al-Mashhadani ,2022) concluded that IFRS 9 has not been fully applied in Iraqi banks,

banks calculate expected credit losses differently and employees need training on the standard but none of these studies looked at how the standard affects risk management practices from the perspective of those who apply it.

Hypothesis Development

The discussion shows that IFRS 9 can strengthen or weaken risk management depending on how it is applied. Three mechanisms support a positive effect: First, the ECL model forces banks to build or adapt models for default probability and loss; collect better credit data; track changes in credit quality — so identification and measurement of risk become stronger (Caruso et al., 2021). Second, three-stage structure makes monitoring and early detection of deterioration more valuable so banks will strengthen early-warning systems (McKinsey & Company & IACPM, 2017). Third, standard brings accounting and risk management closer together which supervisors recognize as a benefit too (Caruso et al., 2021). Regulatory oversight by the Central Bank reinforces compliance (Cohen & Edwards, 2017) consistent with role bank regulators played in shaping the standard. Weak data, model risk, scarce skills and managerial discretion may reduce benefits (Caruso et al., 2021; Novotny-Farkas, 2016). We expect the positive mechanisms to prevail among practitioners surveyed here for two reasons: they work directly with the standard's requirements and so are in a good position to observe its effects on internal processes. Also, disclosure and estimation requirements reduce information asymmetry (Giner and Mora 2019; Deloitte 2013).

H1: Applying IFRS 9 requirements has a statistically significant positive effect on the efficiency of risk management practices in Iraqi commercial banks.

RESEARCH METHODOLOGY

Research design, population, and sample.

The study is quantitative in nature and survey based. A structured questionnaire was used to gather primary data on the application of IFRS 9 requirements and efficiency of risk management practices from practitioners who work with them directly (accountants, financial officers and administrative staff in Iraqi commercial banks are employees most closely involved in applying IFRS 9 in impairment estimation, staging and disclosure. The sample was selected by purposive sampling so that respondents directly involved in financial reporting and risk-related functions were included. The respondents work in 44 bank branches

located in Baghdad and several other Iraqi governorates. The questionnaire was administered electronically through an online link over a period of four months (allowing the study to reach respondents from different locations). Final sample consists of 117 respondents.

Data collection instrument

The questionnaire has two sections for each variable of the study (ten items in each section). The first section measures application of IFRS 9 requirements and the second efficiency of risk management practices. Respondents rated each item on a Likert type scale. Content validity was established by showing the questionnaire to ten experts who gave feedback which was used to change wording and content of items before distribution.

Measurement of variables

Independent variable: application of IFRS 9 requirements. This variable captures how much the bank applies the requirements of IFRS 9 in four areas (classification and measurement of financial instruments items 1–3; expected credit loss model items 4–7; hedge accounting item 8; related disclosures items 9–10) (IASB, 2014). It is measured as mean score of ten items. Dependent variable: efficiency of risk management practices. This variable measures how well the bank identifies (items 1–2), assesses and measures (items 3–4), monitors (items 5–6) and mitigates (items 7–8) its risks following the risk management process described by COSO (2017) and BCBS (2000). Two further items (9–10) measure contribution of accounting information and risk management to decision making and financial stability, respectively. It is measured as mean score of ten items.

Data analysis and empirical model

The data were analyzed using the Statistical Package for the Social Sciences (SPSS). Descriptive statistics were used to describe respondents' views, and regression analysis was used to test the hypothesis. H1 was tested with the following model: $REM_i = \alpha + \beta_1 IFRS9_i + \varepsilon_i$ where REM_i is the efficiency of risk management practices as perceived by respondent *i*, IFRS9_i is the application of IFRS 9 requirements, α is the intercept, β_1 is the coefficient of interest, and ε_i is the error term. A positive and statistically significant β_1 supports H1.

RESULTS AND DISCUSSIONS

Reliability and Normality

Table 1 shows Cronbach's alpha for the two scales. The values are 0.881 for the ten items measuring application of IFRS 9 and 0.899 for the ten items measuring efficiency of risk management practices. Both exceed the 0.70 threshold recommended by Nunnally (1978) for research instruments, so there is good internal consistency. Neither value exceeds 0.90 so item redundancy is low (Tavakol & Dennick, 2011).

Table 1. Reliability statistics

Scale	Number of items	Cronbach's alpha
Application of IFRS 9 requirements	10	0.881
Efficiency of risk management practices	10	0.899

Descriptive Statistics

Mean scores are interpreted using five equal class intervals of width 0.80: 1.00–1.80 (very low), 1.81–2.60 (low), 2.61–3.40 (moderate), 3.41–4.20 (high), and 4.21–5.00 (very high).

Table 2. Descriptive Statistics: Application of IFRS 9 Requirements

No	Statement	Mean	SD	Skewness	Kurtosis	Level
1	The Bank applies the classification requirements for financial instruments in accordance with IFRS 9.	3.32	0.925	−0.342	−0.040	Moderate
2	The Bank adopts the principles specified in the standard for the measurement of financial instruments.	3.54	0.924	−0.081	−0.807	High
3	The Bank distinguishes between financial instruments based on the nature of their cash flows.	3.40	0.881	−0.195	−0.445	Moderate
4	The Bank employs the expected credit loss (ECL) model to estimate credit risk.	3.39	0.973	−0.007	−0.527	Moderate
5	The Bank conducts periodic assessments of the probabilities of credit default.	3.58	0.985	−0.286	−0.463	High
6	The Bank takes into account expected future changes when estimating credit losses.	3.39	1.000	−0.174	−0.507	Moderate
7	The Bank updates credit loss allowances in line with changes in risk levels.	3.57	0.813	−0.239	0.106	High
8	The Bank applies the hedge accounting requirements set out in IFRS 9.	3.50	0.988	−0.230	−0.548	High
9	The Bank discloses information regarding financial instruments and their associated risks.	3.15	0.906	0.113	−0.082	Moderate
10	The Bank provides relevant financial information concerning financial instruments in accordance with the requirements of the standard.	3.13	1.055	0.098	−0.678	Moderate
	Overall mean of the scale	**3.40**				**Moderate**

Table 2 shows that respondents rated the overall level of IFRS 9 application (mean = 3.40) moderately high; four items were rated very high: periodic assessment of default probabilities (q5, mean = 3.58), updating loss allowances in line with changes in risk levels (q7, mean = 3.57), measurement principles application (q2, mean = 3.54) and hedge accounting requirements application (q8, mean = 3.50). The two disclosure items were rated lowest (q9, mean = 3.15; q10, mean = 3.13); so, disclosure is the weakest implementation area. Standard deviations ranged from 0.813 to 1.055 (moderate dispersion in views). Skewness (−0.342 to 0.113) and kurtosis (−0.807 to 0.106) were within ±1 range considered typical for an approximately normal distribution.

Table 3. Descriptive Statistics: Efficiency of Risk Management Practices

No	Statement	Mean	SD	Skewness	Kurtosis	Level
1	The bank possesses effective mechanisms for identifying banking risks.	3.38	0.955	−0.117	−0.493	Moderate
2	The bank accurately determines the sources of potential risks.	3.40	1.009	−0.110	−0.519	Moderate
3	The bank employs appropriate methods for assessing banking risks.	3.35	0.968	−0.409	−0.301	Moderate
4	The bank periodically measures the level of risk facing its activities.	3.38	0.935	0.014	−0.615	Moderate
5	The bank continuously monitors changes in risk levels.	3.21	0.999	−0.443	−0.339	Moderate
6	The bank maintains an effective early-warning system for risks.	3.26	0.968	−0.267	−0.190	Moderate
7	The bank takes appropriate measures to mitigate potential risks.	3.23	0.959	0.056	−0.622	Moderate
8	The bank has effective plans in place to address risks when they occur.	3.39	0.900	0.074	−0.413	Moderate
9	Accounting and financial information contribute to improving risk management decisions.	3.16	0.871	−0.164	−0.218	Moderate
10	Risk management practices contribute to enhancing the bank's financial stability.	3.38	1.001	−0.243	−0.348	Moderate
	Overall mean of the scale	**3.31**				**Moderate**

The results in Table 3 show that efficiency of risk management practices was moderate overall (mean = 3.31) and all ten items were in the moderate range. Respondents were most positive about identifying sources of potential risks (q12, mean = 3.40) and having plans to address risks when they occur (q18, mean = 3.39). Continuous monitoring of risk levels (q15, mean = 3.21) and contribution of accounting information to risk management decisions (q19, mean = 3.16) scored lowest so monitoring is a relative weakness. Standard deviations ranged

from 0.871 to 1.009, skewness −0.443 to 0.074 and kurtosis −0.622 to −0.190 so normality assumption for regression is reasonable.

Hypothesis testing

Table 4. Simple Linear Regression of Risk Management Efficiency on IFRS 9 Application

Predictor	B	SE	β	t	p
Constant	1.477	0.291		5.073	< 0.001
Application of IFRS 9 requirements	0.541	0.084	0.514	6.433	< 0.001

Note: Dependent variable: efficiency of risk management practices. $R = 0.514$, $R^2 = 0.265$, adjusted $R^2 = 0.258$, standard error of the estimate = 0.597, $F(1, 115) = 41.380$, $p < 0.001$.

The results in Table 4 show that application of IFRS 9 requirements is positively and statistically significant ($B = 0.541$, $\beta = 0.514$; $t = 6.433$; $p < 0.001$). One point increase in the application score translates to a 0.541-point increase in perceived risk management efficiency. The model explains 26.5% of variance in the dependent variable ($R^2 = 0.265$), correlation between them is positive and moderately strong ($r = 0.514$) and effect size is large by conventional standards ($f^2 = 0.36$; Cohen, 1988). H1 is therefore supported.

Discussion

Level of IFRS 9 application. Iraqi commercial banks apply requirements of IFRS 9 at a moderate level (mean = 3.40) sitting on the upper edge of the moderate band which implies compliance is real but incomplete as (Jasim & Al-Mashhadani ,2022) reported that it has not been fully applied and banks differ in how they calculate expected credit losses. Institutional theory (DiMaggio & Powell, 1983) provides an explanation: directives from the Central Bank of Iraq in 2016, 2019 and 2020 pushed banks towards adoption but coercive pressure alone does not guarantee models, data and skills needed for full implementation. The pattern across items is interesting. The highest rated practices were periodic assessment of default probabilities (3.58), updating loss allowances in line with changes in risk (3.57) and application of measurement principles (3.54). These are the operational core of ECL model, but they are also the tasks accountants and financial officers do routinely, so respondents know how to rate them. Hedge accounting (3.50) has a relatively high score, but this should be interpreted carefully as hedging instruments are rarely used in Iraqi banks, and rating may reflect familiarity with requirement rather than practice.

Disclosure items scored lowest (3.15 and 3.13 respectively). That shows that complex judgment-based estimates combined with no back-testing disclosure reduce transparency (IASB, 2013; Wall & Koch, 2000) and matters theoretically too: agency and signaling theories (Jensen & Meckling, 1976; Spence, 1973) predict disclosure narrows information asymmetry and quality signals so weak disclosure reduces market facing benefits of standard even where internal practices improve. Efficiency of risk management practices. Risk management efficiency was moderate too (mean = 3.31) and every item was in the moderate range. Banks are better at identifying risks and sources (3.40), planning responses (3.39) than continuous monitoring (3.21), mitigation (3.23) and early warning (3.26). This is same weakness McKinsey and IACPM (2017) reported where many institutions planned to strengthen early-warning and watch-list processes because of three stage structure and it reflects data and capacity constraints Caruso et al. (2021). The lowest item contribution of accounting information to risk decisions (3.16) shows that the closer alignment between accounting and risk functions supervisors expect from IFRS 9 has not yet happened in full.

Effect of IFRS 9 on risk management efficiency. The regression confirms H1: applying IFRS 9 requirements increases ($B = 0.541$, $\beta = 0.514$, $t = 6.433$, $p < 0.001$) perceived efficiency in risk management: a one-point increase in application is associated with a 0.541-point rise in perceived efficiency. The model explains 26.5% of variance and has a large effect size ($f^2 = 0.36$; Cohen, 1988). This fits the argument that forward looking provisioning strengthens risk identification, measurement and monitoring because banks must model default and loss, track exposure by credit quality exposure and update estimates each period (Caruso et al., 2021; Deloitte, 2013; Giner & Mora, 2019; Kim et al., 2020). It also matches Iraqi evidence of beneficial effects (Al-Mashhadani & Abd Mohammed, 2018; Ahmed & Loukil, 2026). The finding contradicts the more pessimistic literature (Albrahimi, 2019; Novotny-Farkas, 2016; Bushman & Williams, 2012) that managerial discretion may be abused opportunistically and discipline weakened: Central Bank direct supervision constrains this discretion and practitioners who work with the standard directly are less aware of its internal benefits than market level risks.

Implications. For bank management monitoring early-warning systems and disclosure are where implementation needs most investment; for Central Bank they mean supervision goes beyond formal compliance to model validation, data quality and staff training (BCBS, 2015). Limits of interpretation About 73.5% of variance is unexplained so data quality, staff expertise, governance and bank size also probably influence efficiency too. Both variables were measured from the same respondents with one instrument so common method bias could inflate relationship. The study is cross sectional (perceptions), so it shows association not proven causation. Future work might combine survey data with archival indicators (provision coverage/non-performing loan ratios etc.) and add control variables.

CONCLUSIONS

Application is happening but not complete yet. Banks are applying IFRS 9 a lot but not across all of its requirements consistently. In practice this means the standard is in day-to-day work, but some banks don't have models, data or staff to apply it fully.

The technical core is stronger than the reporting around it. Practitioners see banks as fairly good at estimating default likelihood, updating loan loss allowances and measuring financial instruments. They see them less good at explaining these estimates to outsiders so the standard is being absorbed internally faster than communicated.

Risk management works but it's reactive not proactive. Banks are seen as reasonably good at spotting where risk comes from and planning for when it happens; less so at watching risk continuously and flagging deterioration early enough so problems get dealt with once they happen rather than planned for.

Banks applying IFRS 9 more fully are perceived to manage risk better. The more a bank follows the standard's requirements, the better staff perceive its identification, assessment, monitoring and mitigation of risk to be (strong enough in practice not just detectable statistically); so, hypothesis supported.

The standard is helpful but it's not the whole picture. Almost three quarters of the differences in risk management quality are things other than compliance with IFRS 9 (data quality, staff expertise, governance and bank size). Adopting the standard will make practice better but won't make a weak risk function strong.

The benefits are inside the bank not market-side. Disclosure is weakest area and accounting information only

moderately used in risk decisions so standard seems to sharpen management's view of risk more than it gives investors, depositors and regulators a clearer one. Market discipline benefit promised by standard is still largely unrealized.

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