



Research Article



## The Impact of Accounting Strategy on Financial Risks in Iraqi Commercial Banks

**Wisam Khalaf Nejres**

University of Kirkuk, Administration & Economics

Email: [wisamkhalaf@uokirkuk.edu.iq](mailto:wisamkhalaf@uokirkuk.edu.iq)

**Abstract:** The study aims to find the impact of Accounting Strategy on financial risks in Iraqi commercial banks. This study used the quantitative approach. Historical data were used to measure financial risks for the period from 2005 to 2023. While primary data represented by the questionnaire were adopted to measure Accounting Strategy. The results of this study concluded that Accounting Strategy negatively affects financial risks when combining risk dimensions. It is also having a negative effect on liquidity risks in Iraqi commercial banks. But, it does not have effect on the exchange rate risk, credit risks and interest rate risks. The results of the study demonstrate the importance of Accounting Strategy in reducing financial risks. This study focused on Iraqi commercial banks in the banking sector only. Future studies can focus on other markets and sectors. The implications indicate that banks need to be rational when making decisions regarding the strategy followed to reduce financial risks. In addition, Iraqi commercial banks should be concerned and committed to applying Accounting Strategy to achieve the desired goals. The originality of this study lies in providing insight into the importance of Accounting Strategy in reducing financial risks. The results reached by this study are important for shareholders, managers, investors.

**Keywords:** Strategic accounting, financial risks, financial volatility, Credit risk, liquidity risk



Copyright © Author(s). This is an open-access article distributed under the terms of the Creative Commons Attribution License (CC BY).

## INTRODUCTION

Rapid adaptation to the dynamic environmental changes that financial institutions face at all economic levels, in order to capitalize on opportunities and mitigate risks, has become crucial for success and survival. Therefore, institutions must possess the ability to adapt to these dynamic changes to achieve strategies that align with expectations. In recent years, financial institutions have focused on highlighting the importance of accounting strategy in developing and understanding this concept more clearly and precisely, recognizing its crucial role in adapting to change [1], [2], [3].

Amidst the intense competition banks face due to rapid changes, accounting strategy is fundamental in enabling them to adapt. Accounting strategy possesses the capabilities to allow banks to quickly transition to new strategies and develop financial products. By enhancing the use of accounting strategy, banks can capitalize on opportunities arising from these changes and mitigate risks [4].

Strategic sensitivity is considered a cornerstone in light of rapid changes, playing a vital role in enabling institutions to adapt easily. The importance and prominence of accounting strategy

became evident during times when many institutions faltered due to these rapid changes, as it supported many organizations in mitigating risks and seizing opportunities [5], [6]. Accounting strategy entails rapid responses to changes and anticipated market shifts, responding in a manner consistent with market demands. Banks that operate with flexibility are better equipped to withstand sudden shocks by proactively preparing solutions and developing alternatives. Furthermore, lean operations facilitate banks' ability to find the right paths to keep pace with changes, capitalize on opportunities, and mitigate risks [8], in addition to reducing costs and increasing efficiency [9]. Flexibility is an effective means of establishing assurances that enable institutions to proactively address risks before they occur [6]. Therefore, accounting strategy is a crucial element in the relationship between financial risk and risk management.

Moreover, financial risk is a problem affected by rapid changes, and it is a serious phenomenon that has led many researchers to focus on finding solutions to mitigate it [10], [11], [12], [13], [14].

The results of these studies indicate that numerous factors influence financial risks, and that mitigating these risks yields positive returns for banks. Furthermore, strategic management that adapts to market fluctuations, which banks adopt in their operations, contributes to reducing the risks they face. Therefore, the relationship between accounting strategy and financial risk is clear, given its role in adapting to sudden market changes and diversifying investments to mitigate risk through risk distribution. It is also a vital tool in mitigating financial shocks. Flexible and rapid adaptation improves financial performance and effective management during times of crisis.

This paper is structured as follows: a review of the literature related to accounting strategy and financial risk; the methodology employed in this study, which involves fieldwork and the use of historical data to collect and verify data; and finally, a discussion of the study's findings and conclusions, along with the formulation of appropriate recommendations.

The importance of this theory is based on the good approach to managing the risks that institutions suffer as a result of rapid changes in the markets. This theory was developed by David. The model adopted in risk management consists of assessing the risks of institutions that disrupt work, then working to find ways to improve performance to reduce those risks and then exploit opportunities. Risk management has an important role in addressing the internal and external disruptions of institutions, which contributes to improving work at the internal and external level of the institution. One of the most significant problems affecting institutional work is the sudden changes in economies, which disrupt operations and increase risks. This makes administrative work more difficult both inside and outside institutions. Therefore, institutions need to carefully choose a strategy that suits these changes, taking into account the capabilities of the people they deal with, whether companies or individuals. A good and well-thought-out analysis of events in advance facilitates the development of solutions before administrative problems escalate and helps achieve the desired goals. Strategic management and strategic accounting are fundamental to administrative work, so relying on them to prepare and choose appropriate methods for administrative work will make solutions available to reduce financial risks.

#### literature review

indicate that the importance of accounting strategy is increasing at all times and at all economic levels due to the support it provides to institutions when they are exposed to administrative problems resulting from sudden market fluctuations. Therefore, many studies have focused on this topic, such as [1], [15], [2], [16], [17], [3], [18]. These studies have emphasized the importance of accounting strategy in various fields, as well as its crucial role in dealing with changes and finding important ways to overcome crises. The study by [19] concluded that flexibility plays an important role in dealing with fluctuations in unstable markets and addressing problems in more flexible and faster ways. The study by [20] also confirmed that institutions that deal in a flexible manner are more secure than institutions that are more rigid and committed to instructions that limit flexibility when exposed to shocks, and that financial flexibility varies from one economy to another according to the economic policy in that country.

Furthermore, the risks faced by financial institutions, particularly commercial banks, are complex and influenced by numerous factors and determinants. Many studies have focused on financial risks because this problem is the most complex and potentially devastating for financial institutions [21], [22], [23], [24]. However, the findings of these studies indicate that results vary due to differences in market conditions, whether volatile or stable. Other studies have also shown

that institutions that hold more cash than they need are more vulnerable to risk than those that balance invested funds with funds available to meet needs when necessary. A clear correlation between performance and risk has also been reported across different market conditions [10]. Based on the above discussion, the relationship between accounting strategy and financial risk is clear. Despite the importance of this relationship and the role of accounting strategy in mitigating financial risk—a problem that continues to hinder many financial institutions operating in volatile markets—this relationship has not been explored in either local or international studies, to the best of the researcher's knowledge. Therefore, this study aims to establish the link between these variables to mitigate risk and to clarify the relationship between accounting strategy and financial risk. Furthermore, this study can significantly contribute to the existing literature on the variables under investigation.

#### Hypotheses: Accounting and Risk

Accounting strategy has become an urgent necessity for many organizations due to the constant changes in the business environment. It is also considered an important tool for confronting and adapting to these changes. Previous studies indicate that accounting strategy contributes to building capabilities and innovations that enable organizations to change and adapt smoothly, helps manage uncertainty and financial risks, and supports the rapid transfer of resources and mitigation of risks. Flexibility also contributes effectively to the implementation of decisions and the necessary actions to address organizational problems [25]. Other studies have highlighted the important role of strategic flexibility and its relationship to leadership and management styles [26]. Accounting strategy is also closely linked to human resources [3] and plays a significant role in improving company performance [27].

Furthermore, numerous studies have explored the relationship between accounting strategy and performance, such as [the study title is missing in the original text].

The results of these studies have demonstrated the important role of strategic flexibility in improving organizational performance, providing a clear picture of its crucial role in enhancing risk management within financial institutions. Flexibility also plays a significant role in boosting financial performance, contributing to the growth and survival of institutions in the market [44]. Other research concluded that accounting strategy has a significant impact on improving responses to disruptions caused by rapid market changes. Financial risks can also be managed through a rapid response to changes, enabling the capitalization of opportunities and the mitigation of risks [43].

Furthermore, accounting strategy represents the dynamic transformation of capabilities—capabilities that can adapt to changes in the environment and the original strategy. Accounting strategy can also enhance performance by enabling rapid response and appropriate adaptation to sudden changes [28]. Therefore, organizations with good flexibility are less susceptible to the impact of sudden changes, while other organizations must adopt strategic flexibility to cope with the complexities of transactions and sudden shifts. Financial institutions, such as banks, which experience high levels of uncertainty and dynamic change, require the aforementioned approach, as the strength derived from strategic flexibility stems from the ability to adapt to rapid changes in the environment [29].

While other studies have focused on the role of accounting strategy in improving bank performance [37], other studies have explored the link between financial risk and performance [30], [31], [32], [33]. These studies concluded that good performance reduces the financial risks faced by financial institutions. Therefore, we can conclude that accounting strategy has a positive relationship with performance and plays a significant role in mitigating financial risks. Previous research has also demonstrated that accounting strategy can play a crucial role in reducing financial risks through agile solutions in volatile environments. Based on the above, the following main hypotheses can be formulated:

H1 There is a negative impact of Accounting Strategy on financial risk in Iraqi commercial banks

H1a There is a negative impact of Accounting Strategy on credit risk in Iraqi commercial banks.

H1b There is a negative impact of Accounting Strategy on exchange rate risk in Iraqi commercial banks.

H1c There is a negative impact of Accounting Strategy on liquidity risk in Iraqi commercial banks.

H1d There is a negative impact of Accounting Strategy on interest rate risk in Iraqi commercial banks.

## Study Structure

The theory adopted in this study was discussed along with the selected variables, and hypotheses were formulated to measure the interaction between all variables. The study relied on risk management theory. The independent variable was accounting strategy, while financial risk was selected based on prior studies. The aim of this model was to determine the impact of accounting strategy on financial risk in Iraqi commercial banks. Figure (1) illustrates the impact of flexibility on financial risk in Iraqi commercial banks.

Countries worldwide pay particular attention to the banking sector due to its crucial role in economic growth. The banking sector is also fundamental in providing financing across various sectors, including investment [41]. Therefore, countries continuously strive to maintain this vital sector. Many economies still suffer from fluctuations that can lead to the collapse of these important institutions. Consequently, many countries are seeking appropriate solutions to keep pace with developments. Iraq is one such country, working regularly to identify administrative systems that can improve performance and mitigate the risks it faces. Despite the ongoing work and efforts of the banking sector in general, and Iraqi banks in particular, there is still a need for development and the acquisition of expertise that can contribute to the most effective use of resources. Institutions possessing the capabilities to choose the appropriate strategy during times of volatility are better able to manage the risks they face. Banks also need a mechanism to follow and implement in order to achieve effective risk management. The Central Bank of Iraq has confirmed that many Iraqi commercial banks lack the policies and capabilities to choose a strategy that can keep pace with changes and effectively manage risks. Furthermore, many Iraqi banks suffer from fluctuations that increase the risks they face. A sound economy requires a sound banking system with the appropriate flexibility and agility to keep up with developments. Previous research has aimed to identify the reasons for increased financial risks in Iraqi banks, with sudden fluctuations highlighted as a primary cause that hinders the achievement of objectives.

## METHOD

### Research Design

This study employs a descriptive and analytical approach. This approach comprises two aspects: a theoretical framework and a field study. The theoretical framework focuses on logical description and the use of analytical processes to arrive at the desired results. The field study utilizes primary data to measure accounting strategies, while historical data is used to assess financial risks. A questionnaire was distributed to all administrative levels across various departments involved in decision-making and financial and administrative operations. Over 300 valid questionnaires were collected for statistical analysis out of a total of 400 distributed in paper format. Secondary data was collected from 16 out of 25 commercial banks for the period from 2005 to 2023.

### Study tool

After a thorough review of the literature related to the research variables, the researcher formulated the questionnaire, which included the following sections:

Section One: This section focused on demographic variables, specifically collecting data on age, gender, qualifications, and experience. The questions in this section were closed-ended.

Section Two: This section addressed accounting strategies and consisted of six items. These items were based on the five-point Likert scale. Secondary data for measuring financial risk was based on the following formulas: Liquidity risk was calculated as the ratio of liquid assets to total assets, credit risk as the ratio of total loans to total deposits, interest rate risk as the ratio of interest income to total assets, and exchange rate risk as the standard deviation of the foreign exchange rate [34], [35], [36].

### Statistical Tests

The analyses demonstrating the impact of accounting strategy on financial risks in Iraqi commercial banks were conducted using the Statistical Package for the Social Sciences (SPSS version 23), which is used for statistical and inferential operations. Statistical methods appropriate to the research objectives were employed, including reliability (AVE), percentages, deviation tests, Cronbach's alpha, standard deviation, frequency distribution, and arithmetic mean.

## Validity and Reliability

**Table 1.** The Reliability for the Study Variables

| Variables           | Cronbach's<br>alpha<br>value | CR       | AVE            |
|---------------------|------------------------------|----------|----------------|
| Accounting Strategy | <b>0.948</b><br><b>0.948</b> | 92<br>92 | 0.756<br>0.756 |

Source: Prepared by researchers based on field study.

Table (1) shows that the Cronbach's alpha value is consistent with the recommended threshold of 0.60 or higher. The CR value is consistent with the recommended threshold of 0.70 or higher. The AVE values are also consistent with the recommended threshold of 0.50 or higher. Therefore, the results indicate that the reliability criteria are good.

**RESULT AND DISCUSSION**

Discussing the results of the analysis and testing hypotheses  
Characteristics of the study sample

**Table 2.** Demographic variables of the study sample

| Variables     | Categorization      | Frequency | Percent |
|---------------|---------------------|-----------|---------|
| Age           | From 21 to 25 years | 99        | 32.5    |
|               | From 26 to 35 years | 80        | 26.3    |
|               | From 36 to 45 years | 71        | 23.4    |
|               | From 46 to 55 years | 50        | 16.5    |
|               | From 56 to 65 years | 4         | 1.3     |
| Gender        | Male                | 105       | 34.5    |
|               | Female              | 199       | 65.5    |
|               | Diploma             | 94        | 30.9    |
| Qualification | B.sc                | 110       | 36.2    |
|               | M.SC                | 25        | 8.2     |
|               | PHD                 | 10        | 3.3     |
|               | Other               | 65        | 21.4    |
| Job title     | Top management      | 11        | 3.6     |
|               | Director/Assistant  | 7         | 2.3     |
|               | Director            |           |         |
|               | Senior executives   | 15        | 4.9     |
|               | Other               | 271       | 89.1    |
| Experience    | Less than 5 Years   | 125       | 4.11    |
|               | 6 to 10 years       | 140       | 46.1    |
|               | More than 10 years  | 39        | 12.8    |

**Source:** Prepared by researchers based on field study.

The study found that the majority of respondents fell within the 21-35 age range, with a significant female majority. Furthermore, most held a bachelor's degree. Regarding their professional experience, most had between 6 and 10 years of service. This suggests that the respondents possessed the necessary information for the study.

**Table 3.** Descriptive analysis of Accounting Strategy

| Accounting Strategy                                                                      | N   | Mean  | Std. Deviation |
|------------------------------------------------------------------------------------------|-----|-------|----------------|
| 1. If circumstances change, our organization can easily change its current plans.        | 292 | 2.473 | 1.242          |
| 2. Is prepared to react in a modified and viable manner.                                 | 292 | 2.526 | 1.218          |
| 3. Can control a shift in strategy.                                                      | 292 | 2.569 | 1.285          |
| 4. Has the necessary practical knowledge to make shifts in daily routines and practices. | 292 | 2.588 | 1.334          |
| 5. Can pro-actively develop a new project.                                               | 292 | 2.582 | 1.307          |
| 6. Can shift projects with a high probability of success.                                | 292 | 2.483 | 1.210          |

**Source:** Prepared by researchers based on field study.

Table (3) shows the minimum and maximum values of the standard deviation and arithmetic mean from the responses obtained from employees working in the Iraqi commercial banking sector. The results were as follows: Item (4) had an arithmetic mean of (2.588), the highest value among the responses, as it focused on the bank's knowledge of how to adapt to change in operations when necessary. The standard deviation for the same item was (1.334), the highest value among the responses. Returning to the table, Item (1) had the lowest value among the six responses, with an arithmetic mean of (2.473), and its standard deviation was (1.242), the lowest value among the responses.

**Table 4.** Statistical summary of the quantitative variables

| Variables             | Mean  | Median | Std. Dev. | Variance | Min   | Max   |
|-----------------------|-------|--------|-----------|----------|-------|-------|
| ▪ Dependent variable: |       |        |           |          |       |       |
| Financial Risks       | 0.566 | 0.542  | 0.23      | 0.05     | 0.060 | 1.803 |
| 1) Credit risk        | 0.739 | 0.597  | 0.70      | 0.50     | 0.002 | 4.525 |
| 2) Liquidity risk     | 0.523 | 0.568  | 0.27      | 0.07     | 0.012 | 0.985 |
| 3) Interest rate risk | 0.040 | 0.029  | 0.04      | 0.00     | 0.000 | 0.333 |
| 4) Exchange rate risk | 0.960 | 0.995  | 0.56      | 0.32     | 0.025 | 1.929 |

**Source:** Prepared by researchers based on field study.

Table (4) shows that Iraqi commercial banks are exposed to financial risks at varying rates, ranging from (0.060 - 1.803) with a median of (0.542). The standard deviation of the risks to which these banks are exposed is (0.239), indicating that the actual values of the risks to which each bank is exposed fall within the range of  $(0.542 \pm 0.239)$ . Based on the median values, it is clear that the most significant risks to which these banks are exposed are exchange rate risk (0.995), followed by credit risk (0.597), then liquidity risk (0.568), and finally interest rate risk (0.029).

## Hypothesis testing

There is a negative impact of Accounting Strategy on Financial Risk in Iraqi commercial banks.

**Table 5.** Testing the first hypothesis of the study "Linear Regression Analysis"  
Method: Partial Least Squares (PLS) with Satorra-Bentler

| Paths                                    | Expected signal | Unstandardized Coefficient | Standardized Coefficient | Std. Err. | z stats. | p >  z |
|------------------------------------------|-----------------|----------------------------|--------------------------|-----------|----------|--------|
| 1. Financial Risks Equation:             |                 |                            |                          |           |          |        |
| 2. Accounting Strategy → Financial Risks | -               | -0.193                     | -0.912                   | 0.089     | -2.171   | 0.030* |

**Source:** Prepared by researchers based on field study.

Table (5) shows that accounting strategy has a negative impact on financial risk. Based on the non-standard regression coefficient, increasing the accounting strategy by one point leads to a decrease in the financial risk to which Iraqi commercial banks are exposed, with a decrease of (0.193) points on average. This indicates that financial risk will decrease by 19.3% as a result of the increase in the use of the accounting strategy. These results are consistent with the correlation matrix, which shows an inverse relationship between accounting strategy and financial risk. This aligns with the theoretical framework of this study, which concluded that accounting strategy reduces financial risk.

There is a negative impact of Accounting Strategy on credit risk in Iraqi commercial banks.

**Table 6.** Testing the second hypothesis of the study "Linear Regression Analysis"  
Method: Partial Least Squares (PLS) with Satorra-Bentler

| Paths                                 | Expected signal | Unstandardized Coefficient | Standardized Coefficient | Std. Err. | z stats. | p >  z |
|---------------------------------------|-----------------|----------------------------|--------------------------|-----------|----------|--------|
| 1. Credit Risks Equation:             |                 |                            |                          |           |          |        |
| 2. Accounting Strategy → Credit risks | -               | -0.043                     | -0.478                   | 0.071     | -0.606   | 0.544  |

**Source:** Prepared by researcher based on the data from the field study.

Table (6) shows that the accounting strategy has no effect on credit risk. Based on the non-standard regression coefficient (-0.478), increasing the accounting strategy by one point does not lead to a decrease in the credit risk to which Iraqi commercial banks are exposed. This indicates that credit risk will not decrease as a result of increased use of the accounting strategy, even though the sign is negative and it could have decreased when combined with other financial risks.

There is a negative impact of Accounting Strategy on Liquidity Risks in Iraqi commercial banks.

**Table 7.** Testing the the third hypothesis of the study Linear Regression Analysis  
Method: Partial Least Squares (PLS) with Satorra-Bentler

| Paths                                    | Expected signal | Unstandardized Coefficient | Standardized Coefficient | Std. Err. | z stats. | p >  z |
|------------------------------------------|-----------------|----------------------------|--------------------------|-----------|----------|--------|
| 1. Liquidity Risks Equation:             |                 |                            |                          |           |          |        |
| 2. Accounting Strategy → Liquidity risks | -               | -0.266                     | -1.076                   | 0.080     | 3.331    | 0.001* |

**Note:** \*\*, \* indicates statistical significance at the 1%, 5% level respectively  
Source: Prepared by researcher based on the data from the field study.

Table (7) shows that the accounting strategy has a negative impact on liquidity risk. Based on the non-standard regression coefficient, increasing the accounting strategy by one point will reduce the liquidity risk to which Iraqi commercial banks are exposed to a mean of (0.266) points. This indicates that liquidity will decrease by 26.6% as a result of the increase in the use of the accounting strategy. These results are consistent with the correlation matrix, which shows an inverse relationship between the accounting strategy and liquidity risk. This aligns with the theoretical framework of this study, which concluded that the accounting strategy reduces liquidity risk.

There is a negative impact of Accounting Strategy on Interest rate Risks in Iraqi commercial banks.

**Table 8.** Testing the fourth hypothesis of the study "Linear Regression Analysis"  
Method: Partial Least Squares (PLS) with Satorra-Bentler

| Paths                                        | Expected signal | Unstandardized Coefficient | Standardized Coefficient | Std. Err. | z stats. | p >  z |
|----------------------------------------------|-----------------|----------------------------|--------------------------|-----------|----------|--------|
| 1. Interest rate Risks Equation:             |                 |                            |                          |           |          |        |
| 2. Accounting Strategy → Interest rate Risks | -               | -0.133                     | -3.413                   | 0.128     | -1.041   | 0.298  |

**Note:** \*\*, \* indicates statistical significance at the 1%, 5% level respectively  
Source: Prepared by researcher based on the data from the field study.

Table (8) shows that the accounting strategy has no effect on interest rate risk. Based on the non-standard regression coefficient, increasing the accounting strategy by one degree will not lead to a decrease in the interest rate risk to which Iraqi commercial banks are exposed. This is because the probability value is greater than 5%, indicating that interest rate risk will not decrease as a result of increasing the use of the accounting strategy. This aligns with the theoretical findings of this study, which concluded that the accounting strategy has a negative correlation with interest rate risk.

There is a negative impact of Accounting Strategy on Exchange rate risk in Iraqi commercial banks.

**Table 9.** Testing the fourth hypothesis of the study "Linear Regression Analysis"  
Method: Partial Least Squares (PLS) with Satorra-Bentler

| Paths                                       | Expected signal | Unstandardized Coefficient | Standardized Coefficient | Std. Err. | z stats. | p >  z |
|---------------------------------------------|-----------------|----------------------------|--------------------------|-----------|----------|--------|
| 1. Exchange rate Risks Equation:            |                 |                            |                          |           |          |        |
| 2. Accounting Strategy → Exchange rate risk | -               | -0.179                     | -0.357                   | 0.102     | -1.753   | 0.080. |

**Note:** \*\*, \* indicates statistical significance at the 1%, 5% level respectively

**Source:** Prepared by researcher based on the data from the field study.

Table 9 shows that accounting strategy can affect exchange rate changes at 0.100. Based on the non-standard regression coefficient, increasing the accounting strategy by one point can lead to a decrease in the exchange rate risk to which Iraqi commercial banks are exposed. This is because the probability value is less than 10%, indicating that exchange rate risk can be reduced by increasing the use of the accounting strategy. As demonstrated in the preceding tables, overall financial risk decreases with the use of the accounting strategy, thus enhancing and improving financial risk management in a manner appropriate to the continuous changes in the Iraqi market.

## CONCLUSION

This study aimed to find the impact of Accounting Strategy on financial risks in Iraqi commercial banks. Accounting Strategy is adopted in keeping pace with changes as a form of management that limits the risks to which banks are exposed. Also, banks that operate flexibly are able to identify risks and opportunities in advance, which allows for preparation for those changes. The results of this study concluded that Accounting Strategy has a negative impact on financial risks in general. There is also a negative impact of Accounting Strategy on liquidity risks. While there was no strong impact of Accounting Strategy on exchange rate risks, as the impact rate was at 10%. It also did not affect credit risks and interest rate risks. These results illustrate the important role of Accounting Strategy in reducing financial risks.

In addition, Accounting Strategy plays an important role in providing banking services because it has the ability to provide the necessary times when needed, as it reduces financial setbacks, increases confidence among investors, and enables banks to deal with borrowers. The results also concluded that Accounting Strategy is underused within Iraqi commercial banks. Therefore, the level of knowledge of employees in Iraqi commercial banks is low in the methods of dealing and practicing Accounting Strategy, so many employees need to develop skills in practicing risk management. Moreover, the results concluded that the reason for the increase in financial risks in Iraqi commercial banks is due to sudden changes and not dealing flexibly with these changes. Accounting Strategy has a clear role in dealing with these changes. It also has the appropriate methods to adapt to these fluctuations to contribute to improving administrative work to avoid the risks that banks are exposed to.

### Suggestions

Based on the results of the study, Iraqi banks need to follow a set of proposals to reach a strategy that reduces financial risks. Understanding the use of Accounting Strategy to reduce risks is considered one of the basics of this study. Therefore, Iraqi commercial banks should work on developing skills that remove obstacles to the practice of flexible work in Iraqi banks. Accounting Strategy is considered one of the basic pillars that contribute to enhancing the capabilities of institutions to facilitate work in volatile and unstable times. It also plays an important role in improving the administrative level to reduce financial risks. Therefore, Iraqi commercial banks need to focus on using Accounting Strategy in stable and volatile times.

In addition, banks need to focus on working more quickly and more flexibly. It is also necessary to focus on addressing liquidity risks more flexibly because Accounting Strategy has a negative and adverse effect on these risks. Banks also need to follow the appropriate mechanism and study the decisions taken more accurately to be consistent with the expected changes. These adaptations cannot be made unless the flexibility of liquid resources is achieved. All these proposals should be consistent with the path followed by banks to reduce financial risks.

Moreover, the procedures followed by these banks should be planned to be consistent with reducing the obstacles to adopting the practice of Accounting Strategy. This mechanism requires the development of skills for all administrative levels to be able to practice flexibility in a way that contributes to reducing risks. These skills can be developed through leadership that contributes to directing its employees in a manner that is consistent with Accounting Strategy.

## REFERENCES

- [1] Lirios, C. G., Balderas, W. I. A., and Crisanto, G. P., "Organizational Flexibility in the Literature From 2021 to 2024," *Journalism*, vol. 14, no. 1, pp. 1–10, 2024.
- [2] Kafetzopoulos, D., and Katou, A. A., "Expanding Accounting Strategy through organizational culture, industry 4.0 and market orientation," *International Journal of Productivity and Performance Management*, vol. 73, no. 5, pp. 1305–1325, 2024.
- [3] Yang, L., and Gan, C., "Cooperative goals and dynamic capability: the mediating role of Accounting Strategy and the moderating role of human resource flexibility," *Journal of Business & Industrial Marketing*, vol. 36, no. 5, pp. 782–795, 2021.
- [4] Dehghan-Dehnavi, H., Nadafi, G., "Can Accounting Strategy bring profitability to firms through product innovation? *Modern Economy and Business Quarterly*, 30, 1-4," 2011.
- [5] Nkuda, M. O., "Strategic agility and competitive advantage: Exploration of the ontological, epistemological and theoretical underpinnings," *British Journal of Economics, Management & Trade*, vol. 16, no. 1, pp. 1–13, 2017.
- [6] Khoshnood, N. T., and Nematizadeh, S., "Strategic agility and its impact on the competitive capabilities in Iranian private banks," *International Journal of Business and Management*, vol. 12, no. 2, pp. 220–229, 2017.
- [7] Anggraini, W., and Sudhartio, L., "Strategic Agility in Environmental Turbulence A case of Banking Sector in Indonesia," In *SU-AFBE 2018: Proceedings of the 1st Sampoerna University-AFBE International Conference, SU-AFBE 2018, 6-7 December 2018, Jakarta Indonesia* (p. 109). European Alliance for Innovation, 2019.
- [8] Kurniawan, R., Budiastuti, D., Hamsal, M., and Kosasih, W., "The impact of balanced agile project management on firm performance: the mediating role of market orientation and strategic agility," *Review of International Business and Strategy*, 2020.
- [9] Dehaghi, A. K., and Navabakhsh, M., "Study the effect of organizational factors to implementing the agility strategy in Isfahan Municipality," *International Journal of Academic Research in Business and Social Sciences*, vol. 4, no. 1, 315, 2014.
- [10] Hamdi, K., and Hassen, G., "Economic policy uncertainty effect on credit risk, lending decisions and banking performance: evidence from Tunisian listed banks," *Journal of Economic and Administrative Sciences*, vol. 38, no. 2, pp. 287–303, 2022.
- [11] Martín-Oliver, A., Ruano, S., and Salas-Fumás, V., "How does bank competition affect credit risk? Evidence from loan-level data," *Economics Letters*, 196, 109524, 2020.
- [12] Naifar, N., "Does climate change affect sovereign credit risk? International evidence," *Borsa Istanbul Review*, 23, S84-S95, 2023.
- [13] Ruan, J., and Jiang, R., "Does digital inclusive finance affect the credit risk of commercial banks?," *Finance Research Letters*, 62, 105153, 2024.
- [14] Lassoued, N., "What drives credit risk of microfinance institutions? International evidence," *International Journal of Managerial Finance*, vol. 13, no. 5, pp. 541–559, 2017.
- [15] Shahzad, S., and Jasińska, E., "Renewable Revolution: A Review of Accounting Strategy in Future Power Systems," *Sustainability*, vol. 16, no. 13, 5454, 2024.

- [16] Bashir, M., "The influence of Accounting Strategy on SME performance: is business model innovation the missing link?," *International Journal of Innovation Science*, vol. 15, no. 5, pp. 799–816, 2023.
- [17] Beraha, A., Bingol, D., Ozkan-Canbolat, E., and Szczygiel, N., "The effect of Accounting Strategy configurations on product innovation," *European Journal of Management and Business Economics*, vol. 27, no. 2, pp. 129–140, 2018.
- [18] Yousuf, A., Lorestani, V. Z., Oláh, J., and Felföldi, J., "Does uncertainty moderate the relationship between Accounting Strategy and companies' performance? evidence from small and medium pharmaceutical companies in Iran," *Sustainability*, vol. 13, no. 16, 9157, 2021.
- [19] Shimizu, K., and Hitt, M. A., "Accounting Strategy: Organizational preparedness to reverse ineffective strategic decisions," *Academy of Management Perspectives*, vol. 18, no. 4, pp. 44–59, 2004.
- [20] Arslan-Ayaydin, Ö., Florackis, C., and Ozkan, A., "Financial flexibility, corporate investment and performance: evidence from financial crises," *Review of quantitative finance and accounting*, 42, pp. 211–250, 2014.
- [21] Sudarsono, H., Anto, M. H., and Perdana, A., "Financial Risk Determinants in Islamic Rural Banks: Static and Dynamic Models," *Jurnal Ekonomi Pembangunan*, vol. 22, no. 01, pp. 54–72, 2024.
- [22] Ali, L., and Dhiman, S., "The impact of credit risk management on profitability of public sector commercial banks in India," *Journal of Commerce & Accounting Research*, vol. 8, no. 2, pp. 86–92, 2019.
- [23] Al-Eitan, G. N., and Bani-Khalid, T. O., "Credit risk and financial performance of the Jordanian commercial banks: A panel data analysis," *Academy of Accounting and Financial Studies Journal*, vol. 23, no. 5, pp. 1–13, 2019.
- [24] Canh, N. P., Schinckus, C., Su, T. D., and Chong, F. H. L., "Institutional quality and risk in the banking system," *Journal of Economics, Finance and Administrative Science*, vol. 26, no. 51, pp. 22–40, 2021.
- [25] Radomska, J., "The concept of sustainable strategy implementation," *Sustainability*, vol. 7, no. 12, pp. 15847–15856, 2015.
- [26] Dhar, B. K., Stasi, A., Döpping, J. O., Gazi, M. A. I., Shaturaev, J., and Sarkar, S. M., "Mediating role of Accounting Strategy between leadership styles on strategic execution: A study on Bangladeshi private enterprises," *Global Journal of Flexible Systems Management*, vol. 23, no. 3, pp. 409–420, 2022.
- [27] Xiao, H., Yang, Z., and Hu, Y., "Influencing mechanism of Accounting Strategy on corporate performance: the mediating role of business model innovation," *Asia Pacific Business Review*, vol. 27, no. 3, pp. 470–492, 2021.
- [28] Farnese, M. L., Fida, R., and Livi, S., "Reflexivity and flexibility: Complementary routes to innovation?," *Journal of Management & Organization*, vol. 22, no. 3, pp. 404–419, 2016.
- [29] Cingöz, A., and Akdoğan, A. A., "Accounting Strategy, environmental dynamism, and innovation performance: An empirical study," *Procedia-Social and Behavioral Sciences*, 99, pp. 582–589, 2013.
- [30] Alm Mustafa, H., Nguyen, Q.K., Liu, J., and Dang, V.C., "The impact of COVID-19 on firm risk and performance in MENA countries: Does national governance quality matter? PloS one, vol. 18, no. 2, e0281148," 2023.
- [31] Muriithi, J.G., "Effect of financial risk on financial performance of commercial banks in Kenya (Doctoral dissertation, COHRED, JKUAT)," 2016.
- [32] Wani, A.A., and Ahmad, S., "Relationship between financial risk and financial performance: An insight into the Indian insurance industry," *International Journal of Science and Research*, vol. 4, no. 11, pp. 1424–1433, 2015.
- [33] Zhao, Y., Elahi, E., Khalid, Z., Sun, X., and Sun, F., "Environmental, Social and Governance Performance: Analysis of CEO Power and Corporate Risk," *Sustainability*, vol. 15, no. 2, 1471, 2023.
- [34] Panda, S., and Mohanty, R.K., "Effects of exchange rate volatility on exports: Evidence from India," *Economics Bulletin*, vol. 35, no. 1, pp. 305–312, 2015.

- [35] Taiwo, J. N., Ucheaga, E. G., Achugamonu, B. U., Adetiloye, K., and Okoye, O., "Credit risk management: Implications for bank performance and lending growth," *Saudi Journal of Business and Management Studies*, 2, pp. 584–590, 2017.
- [36] Steven, S., and Toni, N., "The Effect of Bank Capacity and Loan to Deposit Ratio on Profitability and Credit Risk," *International Journal of Multicultural and Multireligious Understanding*, vol. 7, no. 11, pp. 1–9, 2020.
- [37] Mohsin, H.J., Al-Frijawy, J., Hameed, A.T., Hani, L.Y.B., and Al-Alawneh, N.A.K., "Accounting Strategy and its Impact on Raising the Performance of Banks," *Journal of Social Commerce*, vol. 2, no. 1, pp. 11–23, 2022.
- [38] Alan, T.L.C., Ngai, E.W.T., Karen, K.L.M., "The Effects of strategic and manufacturing flexibilities and supply chain agility on firm performance in the fashion industry," *European Journal of Operational Research*, 259, pp. 1–14, 2016.
- [39] Huesch, M.D., "Are there always synergies between productive resources and resource deployment capabilities? *Strategic Management Journal*, vol. 34, no. 11, 1288-1313," 2013.
- [40] Li, Y., Li, P. P., Wang, H., and Ma, Y., "How do resource structuring and Accounting Strategy interact to shape radical innovation?," *Journal of Product Innovation Management*, vol. 34, no. 4, pp. 471–491, 2017.
- [41] Mahmood, S., Qadeer, F., and Ahmed, A., "The role of organizational learning in understanding the relationship between total quality management and organizational performance," *Pakistan Journal of Commerce and Social Sciences*, vol. 9, no. 1, pp. 282–302, 2015.
- [42] Nadkarni, S., and Narayanan, V. K., "Strategic schemas, Accounting Strategy, and firm performance: The moderating role of industry clockspeed," *Strategic management journal*, vol. 28, no. 3, pp. 243–270, 2007.
- [43] Sriboonlue, P., Ussahawanitchakit, P., and Raksong, S., "Strategic innovation capability and firm sustainability: Evidence from auto parts businesses in Thailand," *AU-GSB e-JOURNAL*, vol. 8, no. 1, 2015.
- [44] Sushil., "Managing flexibility: Developing a framework of flexibility maturity model," *Managing Flexibility: People, Process, Technology and Business*, pp. 3–19, 2016.
- [45] Yang, T., Li, A., Xu, J., Su, G., and Wang, J., "Deep learning model-driven financial risk prediction and analysis," 2024.