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Article

Quality and innovations in the financial reporting as a way to increase attractiveness for institutional investors

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Zohrab Ibrahimov,
Ph.D., Associate Professor, Azerbaijan State University of Economics (UNEC), Republic of Azerbaijan
ORCID ID, 0000-0001-5520-4666
email: z.ibrahimov@unec.edu.az
Sakina Hajiyeva,
Ph.D., Associate Professor, Azerbaijan University of Tourism and Management, Republic of Azerbaijan
ORCID ID, 0000-0002-1031-9379
email: s.hajiyeva@atmu.edu.az
Vuqar Nazarov,
Ph.D., Associate Professor, Azerbaijan University of Tourism and Management, Republic of Azerbaijan
ORCID ID, 0000-0001-9856-7184
email: v.nazarov@atmu.edu.az
Azar Mazanov,
Azerbaijan University of Tourism and Management, Republic of Azerbaijan
ORCID ID ORCID: 0000-0002-6944-6292
email: azar.mazanov@atmu.edu.az
Jalil Baghirov,
Mingachevir State University, Republic of Azerbaijan
ORCID ID, 0000-0003-4873-425X
email: jalilbagirov@gmail.com

Correspondence author: z.ibrahimov@unec.edu.az

QUALITY AND INNOVATIONS IN THE FINANCIAL REPORTING AS A WAY TO INCREASE ATTRACTIVENESS FOR INSTITUTIONAL INVESTORS

Abstract. *At the present stage of global development there is a transition from understanding the financial statements of enterprises not only as a source of quantitative indicators of the company's development but also as a reputable tool for its reliability and readiness for transparent relations with counterparties. Investment decision-making has always been characterized by balancing profitability and reliability of capital investment. Accordingly, this requires increasing emphasis on the quality and complexity of companies' financial reporting, allowing you to maximize the amount of information provided to potential investors. The article aims to test the hypothesis about the impact of qualitative characteristics of financial reporting on the attractiveness of companies to investors. The study analyzes the evolution of financial reporting, the causes and consequences of innovative approaches to its preparation, and the dissemination of national and international standards. The second stage of the analysis involves modeling the impact of financial reporting and investment attractiveness of enterprises at the national level through economic and mathematical modeling (the specificity of the model is determined by testing the quantitative input data). According to the results of the study of financial reporting quality indicators, the general parameter is the strength of auditing and reporting standards, which the World Economic Forum assesses based on a survey of business leaders. Indicators of the country's investment attractiveness calculated by the World Bank's global statistical base were chosen as dependent variables. Calculations are performed on panel data for a sample of more than 20 countries (Azerbaijan, Belgium, Bulgaria, Canada, China, Czech Republic, Germany, Spain, Estonia, Georgia, Ghana, Greece, Hungary, India, Israel, Italy, Japan, Kazakhstan, Lithuania, Morocco, Mexico, Mongolia, New Zealand, Romania, Turkey, United States) over ten years. The obtained results of calculations are the basis for finding ways to improve further the quality of financial and nonfinancial disclosure of companies to increase their competitiveness in the investment market.*

Keywords: financial reporting, investment attractiveness, quality, standards, innovation, modeling.

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Introduction. The globalization of investment processes has the effect of increasing the movement of cross-border capital and intensifying international cooperation. In such conditions, information support of investment processes becomes very important, allowing private and institutional investors to make sound decisions on investment management. Thus, a very important factor for developing investment processes is a transparent environment for investment. In particular, Yelnikova and Barhaq (2020) considered various ratings and indices as tools for information support of investment processes. Such tools make it possible to assess the country's international position in terms of its attractiveness for investment, development of investment environment infrastructure, and reliability of invested funds. In addition, the rating positions of individual companies also comprehensively characterize them in terms of guarantees of return on invested capital. At the same time, investments are quite complex about several other economic processes and consequences. In particular, Agnihotri and Arora (2019) investigated investment processes in terms of the three effects they create – the effect of competition, the effect of scale, and the effect of knowledge. Accordingly, to assess the effects created in the economy, it is important to assess the volume of inflows and outflows of investment and the performance of companies that have become objects of investment. That requires appropriate information support, first of all, expanded reporting of companies. At the present stage, investment processes take place in conditions of intense competition, which requires comprehensive coverage of the benefits and advantages of investment projects. Thus, high-quality documentation and a well-built investment budget largely determine management decisions for investment projects (Darchia, 2022).

Al-Khonain and Al-Adeem (2020) noted that quality financial reporting is part of effective corporate governance. The information component of the company's policy determines the quality of management decisions, its recognizability, and reputation. On the other hand, in the knowledge economy, the driving force of growth and business performance are innovations in any of its components (Yelmi et al., 2021). Nowadays, the reporting of companies, which aims to highlight both financial and nonfinancial indicators of their operation, is becoming more widespread. Such innovative reporting expands the range of key users who want to receive information about the state and operation of the company (Suarez and Vargas, 2021). At the same time, assessing the real benefits for investors provided by improved financial reporting is important. Thus, information support must meet certain uniform standards of perception in the world to ensure the comparison of information about different objects of investment and its adequate interpretation. Accordingly, in this context, it becomes relevant to study the processes of financial reporting of companies, as well as to determine the real benefits of intensifying investment processes due to improving the quality of financial reporting and its compliance with uniform international standards.

Literature Review. By studying the determinants of the development of investment processes, scientists confirmed their complexity and diversity. Thus, the incentives for developing private investment are a well-built system of state support, high profitability, moderate taxation, and well-developed infrastructure (Singh, 2019). At the same time, in the age of digital development and social media, one of the keys to business success is the openness of information data that allows stakeholders to make investment and management decisions and is the key to innovative development (Delanoy and Kasztelnik, 2020). At present, companies' financial statements are evaluated not only based on quantitative indicators of key financial indicators but also on qualitative requirements including relevance, reliability, comparability, and clarity of the information presented in company reports (Renkas et al., 2016). In this direction, the research related to assessing the quality of financial reporting is gaining relevance. Thus, in particular, Tang et al. (2016) proposed their own index of financial reporting quality, which includes several qualitative and quantitative characteristics of reporting and audit data.

Biddle et al. (2009) examined the relationships between the quality of companies' financial reporting and the effectiveness of investment decisions. An important conclusion from their study is the identified patterns of greater resilience to changing macroeconomic conditions and maintaining projected investment levels in companies with a higher level of quality financial reporting. It confirms the fact that an in-depth and qualitative analysis of the financial condition of companies, the results of which are comprehensively covered in their financial statements, allows assessing the real state of the investment object not only at the moment but also in the future, which meets the expected investment conditions. Accordingly, it reduces the risks of investors leaving and losing investment flows.

The results of improving the quality of financial reporting must also be reflected in increased investment efficiency in developing countries. Thus, a study conducted using private companies (Chen et al., 2011) showed that, in particular, the quality of financial reporting could stimulate the effectiveness of investment in limiting the tax minimization of corporate profits. At the same time, the connection between the quality of financial reporting, the general protection of investors' rights, and compliance with the norms of financial and tax reporting were also revealed.

Business innovation has already become a traditional component of its competitiveness. At the same time, regional analysis indicates the uneven distribution of innovation processes. In particular, in the South Caucasus region, business innovation has increased significantly over the last decade. Still, Armenia and Georgia have been more innovative in terms of countries, while Azerbaijan has shown moderate growth (Niftiyev et al., 2021). Information support and innovation development must become an integral part of the operation of companies in various industries, both commercial and social (Vasyliev et al., 2021; Lazorenko et al., 2021). At the same time, researchers have shown that the financial reporting system also allows companies to maintain significant competitive advantages in the context of ensuring their innovative development (O'connell et al., 2021). For example, an organized financial reporting system has detailed information about financial results, actual results obtained in the period, all internal processes, market trends, and actions of competitors. In particular, the quality of accounting information has a confirmed positive effect on the company's profitability, which is increasing in the context of increasing corporate responsibility for the inaccuracy of financial statements (Wulandari and Rahman, 2004). It indicates a positive synergy of economic agents.

The largest global innovation of the last decades in the financial reporting system was the development and implementation of international financial reporting standards (IFRS), which are designed to ensure the unity of information space for analyzing the performance of companies, facilitate international cooperation and communication between countries. That should also simplify the analysis procedure in the investment decision-making process. At the same time, like any innovation process, implementing international financial reporting standards has advantages and disadvantages. In particular, Ball (2006) confirmed that the undoubted advantage of implementing uniform international financial reporting standards is their widespread dissemination. Moreover, it is achieving convergence with certain national financial reporting standards in countries that have not joined the process while warning of the possibility of deviations in the interpretation of IFRS at the level of individual countries, which can lead to actual inconsistencies in the data presented in the reports, the real situation. Accordingly, the above lead to significant errors in the comparative analysis of individual companies from different countries at the international level. At the same time, researchers have found that adopting IFRS has positively impacted the quality of accounting in companies. In particular, their adaptation has provided greater relevance to accounting results, better recognition of losses, and better profit management (Barth et al., 2008).

Daske et al. (2008) analyzed the impact of the introduction of international financial reporting standards on the performance of companies that have adopted these standards. In particular, it was found that the introduction of IFRS increases the market liquidity of companies, and the positive impact is pronounced in countries with better legislation for companies, which stimulates improved transparency of their activities. Another study by Jeanjean and Stolowy (2008) for the three countries that first adopted IFRS confirmed that the introduction of IFRS has improved the quality of company profit management.

A very important conclusion could be drawn from a study of the relationship between the implementation of IFRS and corporate innovation conducted by Zhang et al. (2022). Thus, the authors found that the introduction of IFRS has a significant impact on improving the innovation activity of companies. However, it only works for a sample of those corporations that were characterized by a significant level of information asymmetry before the implementation of IFRS. That confirms the importance of quality information support of corporate activities to increase its investment attractiveness and ensure certain innovation processes. At the same time, there are additional positive synergies, as innovative companies are usually quite attractive objects for different categories of investors due to the expectation of significant profits in the future.

The next stage of innovative development in the enterprise reporting system was the development of integrated reporting and building the International Integrated Reporting Framework (IIRF), which companies could voluntarily adopt from around the world. Importantly, Hsiao et al. (2022) concluded that the adoption of the IIRF is more done by companies to achieve common goals of sustainable development than to ensure some qualitative changes directly in the company's management and reporting system.

Boolaky and O'Leary (2011) conducted a thorough study to determine the strength of auditing and reporting standards. In particular, it was determined that the determinants of the strength of auditing and reporting standards were factors of corporate governance and shareholder protection, the regulatory framework, market and financial indicators, the level of international cooperation, and higher education. Thus, previous research points to the crucial importance of innovative development and improving the quality of financial reporting to improve the relevance of accounting information to the needs of final beneficiaries and increase the attractiveness of investment objects. At the same time, additional research is needed to determine the final effects of increasing the quality of financial reporting because of its impact on the movement of investment flows, which determined the purpose and objectives of this study.

Methodology and research methods. The research aimed at studying the strength of the role of auditing and reporting standards in ensuring investment processes by using quantitative methods to assess causation. Thus, a sample of quantitative research variables was formed in the first stage.

An indicator of financial reporting quality Strength of auditing and reporting standards (SARS) is chosen, which is evaluated from 1 to 7, where 1 is the worth mark, and 7 is the best mark. The World Economic Forum generates data on the index of the strength of auditing and reporting standards on an annual basis.

Also, a sample of seven indicators characterizing investment processes in the economy was formed for the analysis, namely:

- Foreign direct investment, net inflows, current US$ (fdi_inf);
- Foreign direct investment, net outflows, current US$ (fdi_out);
- Net investment in nonfinancial assets, current LCU (nonf_inv);
- Foreign direct investment, net inflows, % of GDP (fdi_inf_gdp);
- Foreign direct investment, net outflows, % of GDP (fdi_out_gdp);
- Net investment in nonfinancial assets, % of GDP (nonf_inv_gdp);
- Portfolio investment, net, current US$ (portf_inv);
- Portfolio investment, bonds, current US$ (portf_bond).

The statistical sample of data on the above dependent variables that characterize the investment development of the country formed according to the World Bank.

A sample of 26 countries from different regions of the world was formed for the calculations, which are characterized by several differences in the organization of the reporting and audit system, have different characteristics of the investment environment, regulatory framework, and general level of development. The sample included: Azerbaijan, Belgium, Bulgaria, Canada, China, Czech Republic, Germany, Spain, Estonia, Georgia, Ghana, Greece, Hungary, India, Israel, Italy, Japan, Kazakhstan, Lithuania, Morocco, Mexico, Mongolia, New Zealand, Romania, Turkey, United States.

The total analysis period covers the years 2008-2018, based on available statistics.

Empirical calculations are performed in the following sequence:

1. Analysis of input statistics using descriptive statistics.
2. Carrying out of the correlation analysis for regularities definition in dynamics of development of indicators of the force of audit standards and the reporting and parameters of receipt of investments.
3. Choice of the form of panel regression using Broysch-Pagan and Hausman tests.
4. Implementation of panel regression modeling and interpretation of the obtained results.

Results. At the first stage of the study, the input data of the sample should be analyzed. Table 1 presents descriptive statistics of input independent and dependent variables. In particular, it is possible to determine a fairly high variability of input data due to the wide sample of countries with different approaches to the organization of financial reporting, as well as a significant degree of volatility of indicators of investment processes in their economies.

Table 1. Summary statistics of Strength of auditing and reporting standards and investment indicators for the set of 26 countries' data

Variable		Mean	Std. Dev.	Min	Max	Observations
SARS	overall	4.906672	0.7015605	3.371624	6.415604	N=285
	between		0.6679543	3.63862	6.254711	n=26
	within		0.2469707	3.780419	5.606806	T-bar=10.9616
fdi_out		3.45e+10	7.73e+10	-1.30e+11	4.37e+11	N=286
			6.94e+10	-5.76e+07	3.17e+11	n=26
			3.64e+10	-4.12e+11	2.14e+11	T-bar=11
fdi_infl		3.49e+10	7.64e+10	-6.40e+10	5.11e+11	N=286
			7.14e+10	1.00e+09	3.09e+11	n=26
			3.01e+10	-1.13e+11	2.37e+11	T-bar=11
nonf_inv		3.81e+11	1.29e+12	3.25e+08	7.19e+12	N=220
			1.27e+12	5.95e+08	6.46e+12	n=26
			1.40e+11	-2.01e+11	1.27e+12	T-bar=0.46154
fdi_infl_gdp		3.949692	7.847146	-40.0811	54.16925	N=286
			3.017139	0.2968476	12.8561	n=26
			7.265947	-46.07911	53.24937	T-bar=11
nonf_inv_gdp		2.440365	2.576417	0.035152	14.6028	N=220
			2.584364	0.049587	12.40049	n=26
			0.7456806	-1.549587	4.700193	T-bar=0.46154
portf_inv		-6.12e+09	9.08e+10	-8.10e+11	2.83e+11	N=286
			5.96e+10	-2.47e+11	1.34e+11	n=26
			6.94e+10	-5.69e+11	2.73e+11	T-bar=11
portf_bond		8.25e+09	1.69e+10	-8.40e+09	9.42e+10	N=104
			1.08e+10	2.13e+08	3.16e+10	n=12
			1.26e+10	-2.49e+10	7.08e+10	T-bar=0.66667

Sources: developed by the authors.

Before performing calculations, the level of correlation between the selected indicators should be assessed (Table 2). Thus, according to previously obtained data, it could be noted that there is a rather weak correlation between the quality of financial reporting and indicators of foreign and domestic investment in the economy. The correlation between the strength of auditing and reporting standards and absolute indicators of foreign direct investment in their absolute expression must be direct. In contrast, the relationship with the same indicators in their ratio to GDP is inverse. A negative correlation is also observed for portfolio investment indicators. It should also be noted that the correlation between individual indicators of investment processes is unstable. It indicates a wide range of content of the sample of statistical indicators and the feasibility of calculations separately for each parameter of the characteristics of investment processes.

Table 2. Correlation matrix of indicators of financial reporting and investment processes indicators

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) sars	1.000	0.155	0.119	-0.251	-0.087	-0.010	-0.574	-0.248	0.255
(2) fdi_inf	0.155	1.000	0.909	-0.070	-0.053	0.065	-0.308	-0.277	0.482
(3) fdi_out	0.119	0.909	1.000	-0.058	-0.061	0.135	-0.267	-0.065	0.422
(4) nonf_inv	-0.251	-0.070	-0.058	1.000	-0.225	-0.075	0.236	0.056	-0.045
(5) fdi_inf_gdp	-0.087	-0.053	-0.061	-0.225	1.000	0.211	0.072	0.087	-0.091
(6) fdi_out_gdp	-0.010	0.065	0.135	-0.075	0.211	1.000	0.295	0.041	0.081
(7) nonf_inv_gdp	-0.574	-0.308	-0.267	0.236	0.072	0.295	1.000	0.246	-0.331
(8) portf_inv	-0.248	-0.277	-0.065	0.056	0.087	0.041	0.246	1.000	-0.752
(9) portf_bond	0.255	0.482	0.422	-0.045	-0.091	0.081	-0.331	-0.752	1.000

Sources: developed by the authors.

The next stage of evaluation is related to determining the impact of the quality of the financial reporting system on the parameters of investment development. According to the input data testing, panel regression modeling was chosen by the method of generalized least squares with random effects. The first area of research includes the parameters of foreign direct investment, which characterize the cross-border movement of capital primarily from large institutional investors. Thus, Table 3 shows the results of assessing the impact of the strength of auditing and reporting standards on the net inflow of foreign direct investment, measured in millions of US dollars. The criteria of adequacy of the model characterize a sufficient level of its quality, allowing interpretation of the results. The results confirm the positive impact – for example, with the growth of the strength of auditing and reporting standards per unit, the economies of the countries have an additional inflow of foreign direct investment in the amount of almost 12 billion US dollars. It confirms that comprehensive disclosure of information about the activities of companies is important for all beneficiaries of its activities and is a factor that attracts investment of additional resources.

Table 3. Results of the assessment of the impact of the Strength of auditing and reporting standards on the foreign direct investments inflows (2008–2018)

Variable	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]
SARS	11800.000*	7130.000	1.65	0.099	-2220.000	25700.000
Constant	-22800.000	37700.000	-0.60	0.546	-96600.000	51100.000
Adequacy criteria						
Mean dependent var		35006840806.579	SD dependent var			76462196737.906
Overall r-squared		0.029	Number of obs			285.000
Chi-square		2.716	Prob > chi2			0.099
R-squared within		0.008	R-squared between			0.034

Notes: * – statistical significance at the 90 % (Wald criterion).

Sources: developed by the authors.

In the next step, the hypothesis of a decrease in investor activity due to insufficient disclosure of information about the object of investment was tested. Thus, the evaluation results (Table 4) indicate the relationship between the outflow of foreign direct investment in their absolute terms and changes in the quality of financial reporting and auditing of companies was statistically insignificant. At the same time, it is important that the constructed model, according to the adequacy criteria, was of insufficient quality to determine a reasonable evaluation result. That points to the fact that decisions to discontinue investment are based not only on evaluating the performance of publicly disclosed companies but are likely to be based on an analysis of a wide range of factors, including those directly related to the owner's relationship with the company management, return on equity, etc. It requires additional research and a broader list of determinants of foreign direct investment outflows.

Table 4. Results of the assessment of the impact of the Strength of auditing and reporting standards on the foreign direct investments outflows (2008–2018)

Variable	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]
SARS	3390.000	8370.000	0.41	0.685	-13000.000	19800.000
Constant	17800.000	43100.000	0.41	0.679	-66600.000	102000.000
		Adequacy criteria				
Mean dependent var		34602070834.196		SD dependent var		77400823892.339
Overall r-squared		0.081		Number of obs		285.000
Chi-square		0.165		Prob > chi2		0.685
R-squared within		0.001		R-squared between		0.123

Sources: developed by the authors.

The next studied indicator is the net investment in nonfinancial assets (fixed assets, inventories, valuables, and non-produced assets), measured in LCU millions. This indicator is indicative primarily for assessing the activity of institutional investors within the country. Therefore, Table 5 shows no statistically significant impact of the strength of auditing and reporting standards on net nonfinancial investments. At the same time, according to the criteria of significance, the constructed model is adequate. It points to the fact that investments in real objects are almost independent of the quality of disclosure of the status of investment objects.

Table 5. Results of the assessment of the impact of the Strength of auditing and reporting standards on the nonfinancial investments (2008–2018)

Variable	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]
SARS	-73000.000	47500.000	-1.54	0.126	-167000.000	20700.000
Constant	744000.000***	235000.000	3.16	0.002	279000.000	1210000.000
		Adequacy criteria				
Mean dependent var	382546890410.959		SD dependent var		1292567774430.717	
R-squared	0.012		Number of obs		219.000	
F-test	2.359		Prob > F		0.000	
Akaike crit. (AIC)	11865.130		Bayesian crit. (BIC)		11871.908	

Notes: *** – statistical significance at the 99 % (Wald criterion).

Sources: developed by the authors.

The next stage of the study is concerned with assessing the impact of the quality of financial reporting on the country's investment development indicators, measured concerning GDP. Table 6 shows the relationship between the strength of auditing and reporting standards and foreign direct investment inflows concerning GDP was statistically significant. A high level of adequacy characterizes the built model. The estimated impact is positive – for example, the improvement in the country's assessment of the strength of auditing and reporting standards per unit corresponds on average to an increase in foreign direct investment inflows of 3.377% of GDP.

Table 6. Results of the assessment of the impact of the Strength of auditing and reporting standards on the foreign direct investments inflows (ratio to GDP) (2008–2018)

Variable	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]
SARS	3.377*	1.822	1.85	0.065	-0.212	6.966
Constant	-12.639	8.953	-1.41	0.159	-30.269	4.991
Adequacy criteria						
Mean dependent var		3.930	SD dependent var			7.854
R-squared		0.013	Number of obs			285.000
F-test		3.434	Prob > F			0.000
Akaike crit. (AIC)		1939.318	Bayesian crit. (BIC)			1946.623

Notes: * – statistical significance at the 90 % (Wald criterion).

Sources: developed by the authors.

At the same time, the calculations showed that as the strength of audit and reporting standards increases, so does the outflow of foreign direct investment from the country concerning GDP (Table 7). Thus, some investors do not aim to adhere to the most transparent investment process. Accordingly, they increase the reliability of investments but only focus on the return on invested capital.

Table 7. Results of the assessment of the impact of the Strength of auditing and reporting standards on the foreign direct investments inflows (ratio to GDP) (2008–2018)

Variable	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]
SARS	1.168**	0.512	2.28	0.023	0.164	2.172
Constant	-3.796	2.540	-1.50	0.135	-8.773	1.182
Adequacy criteria						
Mean dependent var		1.934	SD dependent var		6.103	
Overall r-squared		0.018	Number of obs		285.000	
Chi-square		5.194	Prob > chi2		0.023	
R-squared within		0.008	R-squared between		0.132	

Sources: developed by the authors.

At the same time, there is an inverse relationship between the quality of financial reporting and nonfinancial investment parameters, as shown in Table 8.

Table 8. Results of the assessment of the impact of the Strength of auditing and reporting standards on the nonfinancial investments (ratio to GDP) (2008–2018)

Variable	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]
SARS	-0.412*	0.239	-1.72	0.085	-0.880	0.057
Constant	4.466***	1.262	3.54	0.000	1.992	6.939
Adequacy criteria						
Mean dependent var		2.433	SD dependent var			2.580
Overall r-squared		0.233	Number of obs			219.000
Chi-square		2.965	Prob > chi2			0.085
R-squared within		0.004	R-squared between			0.250

Notes: *** – statistical significance at the 99 % (Wald criterion); * – statistical significance at the 90 %.

Sources: developed by the authors.

Thus, the growth of auditing and reporting standards in the country per unit is associated with a decrease in net nonfinancial investment by 0.4% of GDP. It indicates a very important fact that with the growing level of financial disclosure of companies, institutional investors prefer to invest in financial instruments, which probably leads to the diversion of invested capital from real investment objects if it is not necessary to maintain the company's viability.

At the next stage of the study, the impact of financial reporting on the parameters of portfolio investment was assessed. This direction of investment is important for both institutional and other private investors, as it characterizes the opportunities for diversified investment of investment resources, which also ensures the reliability of investments and aims to maximize the profitability of the investment portfolio. Thus, two portfolio investment indicators were selected for the calculations - general and debt securities only, measured in millions of US dollars.

The results presented in Table 9 indicate the absence of a statistically significant effect of changes in the level of portfolio investment under the influence of auditing and reporting standards. The constructed model turned out to be inadequate, which indicates the need for additional research.

Table 9. Results of the assessment of the impact of the Strength of auditing and reporting standards on the portfolio investments (2008–2018)

Variable	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]
SARS	-4770.000	12600.000	-0.38	0.705	-29400.000	19900.000
Constant	17300.000	62800.000	0.28	0.784	-106000.000	140000.000
Adequacy criteria						
Mean dependent var		-6141144180.196	SD dependent var			90991428871.063
Overall r-squared		0.004	Number of obs			285.000
Chi-square		0.144	Prob > chi2			0.705
R-squared within		0.000	R-squared between			0.011

Sources: developed by the authors.

Similar to the previous results, conducted calculations showed the impossibility of forming a final conclusion on the impact of the quality of reporting and auditing on investments in debt securities due to the lack of sufficient significance of the results (Table 10).

Table 10. Results of the assessment of the impact of the Strength of auditing and reporting standards on the portfolio investments (bonds) (2008–2018)

Variable	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]
SARS	6320.000	4540.000	1.39	0.164	-2580.000	15200.000
Constant	-20900.000	20400.000	-1.03	0.305	-60800.000	19000.000
Adequacy criteria						
Mean dependent var		8251209134.615	SD dependent var			16865557588.241
Overall r-squared		0.058	Number of obs			104.000
Chi-square		1.935	Prob > chi2			0.164
R-squared within		0.006	R-squared between			0.190

Sources: developed by the authors.

Conclusions. The study shows the importance of information support to stimulate investment processes. Thus, in particular, some relationships determine the relationship between the quality of financial reporting and the results of companies. At the same time, improving the financial results of enterprises makes them more attractive objects for investment. In particular, the calculations confirm that improving the strength of auditing and reporting standards significantly impacts investment parameters. Thus, in particular, the positive impact of improving the quality of financial reporting on the inflow of foreign direct investment, both in absolute terms and concerning the country's GDP, was confirmed. At the same time, with the improvement of auditing and reporting standards, the outflow of foreign direct investment from the country continues. In addition, qualitative changes in the corporate reporting system are accompanied by diverting funds from nonfinancial investment processes. The expected impact of reporting quality on portfolio investment parameters has not been confirmed. It indicates the need for further research, particularly on a comprehensive study of the determinants of investment processes. Also promising is the direction of analysis of the impact of financial reporting quality on investment processes, taking into account the level of return on investment, as well as in terms of groups of countries with different initial conditions of the investment environment and regulatory investment processes.

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Зограб Ібрагімов, Ph.D., доцент, Азербайджанський державний економічний університет (UNEC), Азербайджанська Республіка

Сакіна Гаджієва, Ph.D., доцент, Азербайджанський університет туризму та менеджменту, Азербайджанська Республіка

Вукар Назаров, Ph.D., доцент, Азербайджанський університет туризму та менеджменту, Азербайджанська Республіка

Азар Мазанов, Азербайджанський університет туризму та менеджменту, Азербайджанська Республіка

Джаліл Багіров, Мінгечавірський державний університет, Азербайджанська Республіка

Якість та інновації фінансової звітності як шлях до підвищення привабливості для інституційних інвесторів

На сучасному етапі глобального розвитку відбувається перехід від розуміння фінансової звітності підприємств не лише як джерела відображення кількісних індикаторів розвитку компанії, а й до як репутаційного інструмента її надійності та готовності до транспарентних відносин з контрагентами. Прийняття інвестиційних рішень завжди характеризувалось пошуком балансу між прибутковістю та надійністю вкладення капіталу. Відповідно, це вимагає зростання акцентів на якості та комплексності фінансової звітності компаній, що дозволяє максимізувати обсяг наданої для потенційних інвесторів інформації. Мета статті полягає в перевірці гіпотези щодо впливу якісних характеристик фінансової звітності на привабливість компаній для інвесторів. Дослідження передбачає аналіз еволюції фінансової звітності, причин та наслідків появи інноваційних підходів до її складання, поширення національних та міжнародних стандартів. Другий етап аналізу передбачає моделювання впливу фінансової звітності та інвестиційну привабливість підприємств на рівні країни за допомогою економіко-математичного моделювання (специфіку моделі визначено шляхом тестування вхідних кількісних даних). За результатами дослідження індикаторів якості фінансової звітності узагальнюючим параметром обрано індекс сили стандартів аудиту та звітності, який оцінюється Всесвітнім економічним форумом на базі опитування лідерів бізнесу. У якості залежних змінних обрано індикатори інвестиційної привабливості країни, розраховані світовим банком. Емпіричне дослідження проведено на основі панельних даних, сформованих для вибірки з 26 країн світу (Азербайджан, Бельгія, Болгарія, Канада, Китай, Чеська Республіка, Німеччина, Іспанія, Естонія, Грузія, Гана, Греція, Угорщина, Індія, Ізраїль, Італія, Японія, Казахстан, Литва, Марокко, Мексика, Монголія, Нова Зеландія, Румунія, Туреччина, США) за 10 років. Отримані результати розрахунків є підґрунтям для та пошуку шляхів подальшого удосконалення якості розкриття фінансової та не фінансової інформації компаній для підвищення їх конкурентоспроможності на інвестиційному ринку.

Ключові слова: фінансова звітність, інвестиційна привабливість, якість, стандарти, інновації, моделювання.