

# Impact Of Electronic Payment Adoption On Earnings Quality And Disclosure Transparency

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## **Abstract:**

*This study examines the impact of adopting electronic payment systems (EPS) on earnings quality and disclosure transparency in Iraqi banks. The motivation for this research stems from the growing reliance on digital channels in financial transactions and the need to evaluate their implications for accounting practices. The study applies a quantitative approach using a structured questionnaire distributed among banking professionals, and statistical methods are employed to test the hypotheses. The findings reveal that EPS adoption has a positive impact on stabilizing revenues, improving the alignment of accruals with cash flows, and enhancing disclosure practices. However, the results also indicate persisting challenges related to IT integration, staff training, and regulatory harmonization. The study concludes that balanced EPS adoption contributes significantly to improving the reliability and transparency of financial reporting in the Iraqi banking sector.*

**Keywords:** *Electronic Payment Systems; Earnings Quality; Disclosure Transparency; Financial Reporting; Iraqi Banks.*

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## **I. Introduction**

The transformation of financial operations through electronic payment systems (EPS) has become one of the most critical developments in the modern banking industry. These systems have replaced traditional paper-based and manual processes with fast, secure, and automated platforms that influence both the operational and accounting dimensions of banks. For Iraqi banks, the adoption of EPS represents not only a technological shift but also an opportunity to enhance the quality of financial reporting. Earnings quality ensures that reported figures reflect economic reality, while disclosure transparency reduces information asymmetry and strengthens stakeholder confidence. Despite the potential benefits, challenges such as cybersecurity risks, lack of standardization, and gaps in staff expertise remain significant. This study seeks to investigate the extent to which EPS adoption affects earnings quality and disclosure transparency in Iraqi banks, providing evidence-based insights that can guide practitioners and policymakers.

## **Research Problem**

The problem of this research lies in the ambiguity surrounding the actual impact of electronic payment system adoption on financial reporting in Iraqi banks, particularly with respect to earnings quality and disclosure transparency. While EPS are expected to improve accuracy, timeliness, and reliability, practical challenges—including regulatory inconsistencies, IT limitations, and insufficient staff training—may limit these advantages. This research therefore seeks to answer the following central question:

"To what extent does the adoption of electronic payment systems affect earnings quality and disclosure transparency in Iraqi banks?"

## **Research Objectives**

1. To measure the extent of adoption of electronic payment systems (EPS) in Iraqi banks.
2. To analyze the impact of EPS adoption on the quality of earnings, focusing on stability, predictability, and alignment with cash flows.
3. To examine the role of EPS in enhancing disclosure transparency in financial reporting.
4. To identify the main challenges and risks associated with implementing EPS in the Iraqi banking sector.
5. To propose practical and regulatory recommendations that help strengthen both earnings quality and disclosure transparency through effective EPS adoption.

## **Research Hypotheses**

H1: The adoption of electronic payment systems has a statistically significant positive impact on earnings quality in banks.

H2: The adoption of electronic payment systems significantly improves disclosure transparency in financial reporting.

H3: There is a positive association between earnings quality and disclosure transparency when electronic payment systems are adopted.

H4: The simultaneous adoption of electronic payment systems enhances both earnings quality and disclosure transparency in banks.

### **Research Boundaries**

**Topical Boundaries:** The study is limited to examining the relationship between the adoption of electronic payment systems (EPS), earnings quality, and disclosure transparency. Other aspects such as profitability ratios, stock performance, or market valuation are excluded.

**Spatial Boundaries:** The research focuses on Iraqi banks, both public and private, that have adopted or are in the process of adopting electronic payment systems.

**Temporal Boundaries:** The study covers the period 2020-2024, representing the phase of accelerated digital transformation and regulatory encouragement of e-payment adoption in Iraq.

**Human Boundaries:** The primary respondents include bank managers, accountants, auditors, and IT staff involved in the implementation and reporting of electronic payment systems.

**Methodological Boundaries:** The research adopts a quantitative approach using a structured questionnaire distributed among banking professionals, supported by statistical analysis methods (descriptive statistics, correlation, and regression analysis).

### **Electronic Payment Systems**

Electronic Payment Systems (EPS) represent a modern mechanism that enables trading parties to complete the entire payment process electronically without relying on paper-based methods. Since the late 1990s, these systems have emerged as a vital component of commercial and financial organizations [1]. Companies adopting EPS benefit from faster and more efficient collection of payments, with internal accounting systems recording transactions automatically and in real time, without the need for physical verification] 2.[Moreover, EPS minimizes the likelihood of fictitious or fraudulent payments and provides instant access to electronic receipts, thereby enhancing the accuracy of financial records [3]. The adoption of EPS also reduces the probability of clerical errors in data entry, while simplifying the reconciliation process of payments. This, in turn, decreases financial risk and strengthens internal control over cash and cash equivalents]4.[From the researcher's perspective, the integration of EPS should not be seen merely as a technical improvement but as a strategic enhancement to the quality of financial information. By improving accuracy, reliability, and transparency, EPS adoption fosters greater confidence among investors, auditors, and regulatory bodies in the integrity of corporate financial reports.

### **Characteristics of Electronic Payment Systems**

Electronic payment systems are a core element of modern financial transactions, representing a shift from traditional paper-based methods toward fully digital mechanisms. They provide faster, more reliable, and more efficient ways of transferring money, while also shaping organizational strategies related to liquidity, working capital, and financial reporting. The following points summarize their key characteristics:

1. **Definition:** Electronic payments involve any exchange of money conducted through electronic channels such as the internet, mobile phones, or computer networks] 5.[
2. **Subset of E-banking:** They function as a component of electronic banking, facilitating both cash-based and cashless transactions] 5.[
3. **Absence of Paper Instruments:** A major feature is that they exclude the use of physical currency or paper checks, making transactions purely digital] 5.[
4. **Transfer of Purchasing Power:** Payments are executed electronically, ensuring that purchasing power is transferred without the involvement of cheques or paper currency] 6.[
5. **Speed of Processing:** The exclusion of paper-based methods enables rapid processing, which plays a vital role in quick settlement of payments] 6.[
6. **Impact on Cash Holdings:** EPS adoption can significantly influence cash management practices by improving efficiency and altering working capital strategies] 6.[
7. **Support for Financial Reporting:** One of the main motives for adopting EPS is to streamline and enhance the accuracy of financial reporting] 6.[

### **Advantages of Electronic Payment Systems**

Electronic payment systems (EPS) provide businesses and consumers with a reliable and efficient alternative to traditional methods such as cash, cheques, and physical money. By leveraging digital platforms,

EPS enhances speed, flexibility, and convenience in financial transactions. The main advantages can be summarized as follows:

1. Alternative to Traditional Methods: EPS serves as a substitute for cash, cheques, and credit cards, enabling fund transfers through electronic mediums] 7.[
2. Wide Range of Platforms: Transactions are conducted via mobile commerce, internet banking, tele-banking, electronic funds transfer, ATMs, and other digital platforms] 7.[
3. Core Features: EPS is characterized by four main qualities—ease of use, convenience, security, and confidentiality] 7.[
4. Efficiency and Productivity: Adoption allows consumers to exchange funds flexibly, save time and costs, and conduct business more productively] 7.[
5. Business Benefits: Companies using EPS achieve higher customer satisfaction levels and improved profitability] 8.[
6. Role of Service Providers: E-payment providers can facilitate adoption by sharing information on technical and economic benefits, and by encouraging feedback on innovations] 5.[
7. Community Support: Tailored awareness campaigns, training, and engagement programs help increase trust and adoption] 5.[
8. Evaluation Criteria: A robust scorecard for EPS should emphasize essential attributes such as security, compatibility, simplicity, and flexibility] 9.[
9. Trust through Security Policies: Clear security declarations and well-communicated policies positively affect perceived trust among users] 9.[
10. Support Services: Service providers can further drive adoption by ensuring affordability, providing training, and offering continuous support] 9.[
11. Help Desk Platforms: Establishing electronic help desks enables quick reporting and case tracking, boosting user confidence and encouraging uptake] 9.[

### **Disadvantages of Electronic Payment Systems**

While electronic payment systems (EPS) offer speed, convenience, and efficiency, they are not free from limitations. Understanding these disadvantages is essential for businesses, regulators, and consumers to mitigate risks and build safer financial environments. The main disadvantages include:

1. Cybersecurity Risks: EPS transactions are exposed to threats such as hacking, phishing, identity theft, and malware attacks, which can result in financial loss] 10.[
2. Technical Failures: System downtime, server crashes, or poor internet connectivity may delay or interrupt payment processing] 11.[
3. High Implementation Costs: For businesses, setting up secure EPS infrastructure requires significant investment in technology, compliance, and maintenance] 12.[
4. Limited Accessibility: In regions with low internet penetration or limited digital literacy, adoption of EPS remains restricted] 13.[
5. Fraud and Scams: Users face risks of fake websites, fraudulent applications, and unauthorized access to accounts] 10.[
6. Privacy Concerns: The digital nature of EPS often requires sharing sensitive personal and financial data, raising concerns about data protection] 14.[
7. Regulatory Challenges: Differing legal and regulatory frameworks across countries can create barriers for global adoption] 12.[
8. Dependence on Third Parties: Users must rely on banks, telecom operators, and payment service providers, making them vulnerable to external failures] 11.[
9. Transaction Fees: Service charges and hidden fees may discourage both consumers and small businesses from fully adopting EPS] 13.[

### **Earnings Quality**

Earnings quality refers to the extent to which reported accounting earnings represent the real economic condition of a company and provide useful information for decision-making. It reflects both the outcomes of operating activities and the firm's overall profit-generating capacity, thereby presenting a reliable picture of its ability to create value [15]. Financial statements play a central role in this context, as they provide the necessary information for economic decisions by indicating the amount of returns available to investors and creditors [15]. Consequently, earnings quality is considered one of the fundamental objectives of financial reporting, since earnings not only illustrate current performance but also serve as a basis for predicting future earnings and cash flows from operating activities] 15.[

The concept of earnings quality is often evaluated through specific attributes, such as persistence, predictability, volatility, smoothing, and value relevance. These attributes are directly linked to shareholder

wealth, as they determine how effectively earnings information reflects economic reality [16]. Moreover, disclosure transparency is closely related to earnings quality, as an effective disclosure process produces clearer signals that enhance transparency and provide stakeholders with a better understanding of the company's actual condition [16]. In this way, high earnings quality attributes generate financial statements with reliable and decision-useful information, offering significant value not only to investors but also to creditors, regulators, and other stakeholders who rely on risk-related assessments [16].

### **Characteristics of Earnings Quality**

Earnings quality is a fundamental concept in accounting that emphasizes how faithfully reported earnings reflect a company's underlying economic performance. High-quality earnings not only provide decision-useful information but also ensure the integrity and sustainability of the financial reporting process. Its main characteristics can be summarized as follows:

1. Decision-usefulness: High-quality earnings supply reliable information to external stakeholders, supporting their decision-making processes] 17.[
2. Informativeness: Such earnings exhibit a strong correlation with firm fundamentals, making them more meaningful in reflecting the company's real economic activities] 17.[
3. Predictability: Earnings quality enhances the ability to anticipate future performance, thereby serving as a basis for forecasting] 17.[
4. Persistence: Persistent earnings are more stable over time, improving their role in predicting long-term outcomes] 17.[

In parallel, electronic payment systems (EPS) represent a technological innovation that significantly supports financial reporting and economic activities. Their defining features include[18]:

1. ICT-driven Processes: EPS rely on information and communication technologies, including the internet, mobile devices, and point-of-sale systems, to facilitate financial transactions.
2. Real-time Processing: Transactions are executed automatically and instantly, improving efficiency
3. Resource Integration: EPS enable the integration of financial and informational resources, ensuring smoother financial operations .
4. Accessibility and Flexibility: These systems provide ubiquitous, seamless, and user-friendly payment services tailored to customer needs.
5. Wide Network: They function within a broad network of participants, enhancing financial connectivity.
6. Contribution to Digital Innovation: EPS adoption fosters organizational innovation and creates opportunities for sustainable economic development.

### **Advantages of Earnings Quality**

Earnings quality is a central concept in accounting and financial reporting, as it determines the reliability and informativeness of reported income. High-quality earnings benefit both companies and stakeholders by promoting accurate decision-making, transparency, and trust. The advantages can be summarized as follows [19]:

1. Faithful Representation: Reported earnings that truthfully reflect a firm's actual performance improve the reliability of financial information.
2. Attributes of High-Quality Earnings: Key attributes include faithfulness, timeliness, sustainability, predictability, and the absence of manipulation
3. Valuation Accuracy: High-quality earnings enable more precise firm valuation and strengthen investor confidence
4. Managerial Decision Support: Reliable earnings data provide a sound basis for strategic and operational decision-making
5. Role of Electronic Payments: Digital payment technologies expedite cash processing, improve real-time record keeping, and reinforce audit trails, thereby enhancing earnings quality] 20.[
6. Transparency in Earnings: Firms adopting EPS reduce deliberate distortions in reporting, which promotes greater confidence in financial statements] 20.[

In addition, disclosure transparency is directly tied to the advantages of earnings quality:

1. Definition of Disclosure Transparency: Refers to the clarity, completeness, comparability, and timeliness of information provided to external users] 21.[
2. Contribution to Decision-Making: Transparent disclosure enables accurate interpretation of accounting data, strengthens informed decisions, and promotes market efficiency] 21.[
3. Link with Earnings Quality: High-quality earnings form a solid foundation for transparent disclosure practices] 21.[

4. Impact of Electronic Payments: EPS improve record keeping and internal control, promoting openness and accountability in external reporting] 22.[
5. Contrast with Paper-Based Systems: Manual systems involve higher costs, risks of manipulation, and weaker transparency compared to EPS] 22.[
6. Enhanced Monitoring: EPS limit managerial discretion over transaction timing, pricing, and channels, thereby deterring opportunistic behavior and sustaining disclosure integrity] 22.[

### **Disadvantages of Earnings Quality**

Although high earnings quality is vital for reliable reporting and decision-making, there are several disadvantages and challenges associated with its measurement, maintenance, and interpretation. These limitations can undermine the usefulness of financial information if not properly addressed:

1. Subjectivity in Measurement: Earnings quality often depends on managerial judgments, estimates, and accounting choices, which can reduce objectivity] 23.[
2. Potential for Earnings Management: Managers may manipulate accruals or apply accounting discretion to smooth income, thereby misleading stakeholders] 24.[
3. Complexity of Attributes: Assessing persistence, predictability, and value relevance is technically demanding and requires sophisticated statistical models] 25.[
4. Information Asymmetry: Low transparency and selective disclosure reduce the reliability of reported earnings, especially in environments with weak governance] 26.[
5. Influence of External Factors: Market conditions, regulatory frameworks, and macroeconomic fluctuations may distort earnings quality beyond management's control] 23.[
6. Short-Term Focus: Firms emphasizing short-term results may prioritize earnings manipulation over sustainable performance, harming long-term reporting quality] 24.[
7. Costs of Ensuring Quality: Establishing robust systems for high-quality earnings (e.g., stronger auditing, EPS adoption, real-time monitoring) can be costly for firms, especially in developing economies] 26.[

## **II. Disclosure Transparency**

Disclosure transparency refers to the overall quality of the information environment created by firms, which allows investors to reliably and efficiently assess both the current financial condition and the future performance of the company. Its essential attributes include clarity, comprehensibility, timeliness, and the level of detail provided [27]. Enhancing disclosure transparency leads to several advantages, such as strengthening the information environment, reducing information asymmetry between managers and stakeholders, and lowering firms' cost of capital] 28.[

### **Characteristics of Disclosure Transparency**

Disclosure transparency in financial reporting is defined by the comprehensiveness of the information provided and the ease with which it can be accessed by stakeholders [29]. The degree of clarity in disclosures plays a crucial role in shaping the legitimacy granted by investors, as transparent reporting strengthens trust in financial communication [27]. Since the value of disclosure is fundamentally grounded in transparency, issuing clear and open information reduces both the risk of mispricing and the extent of information asymmetry] 27.[

To effectively evaluate disclosure transparency, three main criteria must be considered. First, the information disclosed should be presented clearly so that all users can interpret it without misunderstanding. Second, the financial information must be complete and comprehensive, ensuring that no essential elements are omitted. Third, disclosures must be provided in a timely manner to remain relevant and useful for decision-making. When these conditions are fulfilled, the disclosure process maintains transparency, thereby enhancing stakeholder confidence in the reliability of the reported information [30]31,

### **Advantages of Disclosure Transparency**

Disclosure practices play a central role in enhancing transparency by conveying firm-specific information through various channels, including financial statements, footnotes, earnings announcements, press releases, conference calls, management forecasts, and fixed asset disclosures. Transparent reporting helps to reduce information asymmetry and increases certainty about a firm's strategies, policies, and intentions]32.[Analysts particularly value detailed and comprehensive disclosures, as these provide richer information and diminish reliance on noisy proxies. Firms that engage in such practices often benefit from greater analyst coverage and improved forecast accuracy, thereby strengthening market confidence]33.[Empirical research also highlights the strong link between disclosure policies and firms' cost of capital. For instance, voluntary disclosure of nonfinancial information is associated with reductions in equity costs, while enhanced analyst coverage following voluntary disclosures stimulates investment. Moreover, mandatory reporting requirements, such as country-by-country disclosures, have been shown to lower firms' cost of debt.

Financial transparency also leads to a stronger and more persistent market reaction to earnings announcements [34]. [Additionally, voluntary disclosures serve to specialize and refine the information available to the market, thereby reducing adverse selection costs. Nevertheless, their impact on short-term price pressure is less straightforward, as it depends on whether security traders focus more on firm fundamentals or liquidity considerations] 35.[

### **III. The Impact Of Electronic Payments On Earnings Quality**

Electronic payments can be integrated into different organizational processes such as sales and purchasing, with each design generating distinct outcomes. The use of electronic payments in the sales process generally has a positive effect on earnings quality, while their use in purchasing may negatively affect it. As an information technology innovation, electronic payments improve process efficiency and internal control, significantly reducing transaction failures. Empirical evidence shows that advances in information technology enhance the reliability of accounting information [36]. Furthermore, electronic payments contribute to securing cash flows and reducing fraud, thereby enhancing earnings quality through the provision of more accurate representations of economic events. They also improve the value relevance of earnings—a proxy for earnings quality—by mitigating information asymmetry and decreasing accounting errors. By shifting from cash-based to electronic methods, these systems open new opportunities that indirectly affect the quality of reported earnings] 37.[Nevertheless, firms often employ electronic payments more intensively in purchasing processes, which shortens the period during which cash is held. Given the high fixed costs of electronic payment systems, organizations use them to manage outflows more strictly, maintaining low levels of cash holdings and relying heavily on e-payments. Thus, the overall impact of electronic payments on earnings quality depends on their relative use in sales versus purchasing processes] 38.[

#### **Positive Effects**

The adoption of electronic payment systems produces several positive outcomes. In terms of earnings quality, they improve accuracy, timeliness, and reliability of financial data, reduce opportunities for earnings manipulation, and increase earnings informativeness and sustainability [39]. Regarding disclosure transparency, electronic payments provide clearer, more accessible, and detailed information, reducing information asymmetry and agency costs, while simultaneously promoting efficiency and corporate governance.

#### **Negative Effects**

Although electronic payments are robust, particularly for international transactions, and generally improve the quality and transparency of accounting information, concerns remain. Government policies promoting digital payment adoption have been linked to greater efficiency in financial systems, economic growth, and lower corruption, as transaction traceability reduces fraud [40]. Yet, despite these benefits, some scholars highlight potential negative implications, suggesting that excessive reliance on electronic payments could generate unforeseen risks for both earnings quality and disclosure transparency] 41.[

#### **The Impact of Earnings Quality on Disclosure Transparency**

Before electronic payment adoption, managers could opportunistically manipulate reported earnings to achieve favorable distributions, negatively affecting quality. With electronic payment systems, however, such practices are curtailed, thereby strengthening earnings quality and enhancing investor confidence [21]. [Electronic payment technology also automates processing, lowering costs and expanding liquidity. These improvements decrease private information asymmetry, boost market efficiency, and reduce pricing distortions. Evidence confirms reductions in synchronicity and absolute returns, with increased informed trading when payments are digitized] 27.[

#### **Increasing Transparency**

Electronic payment systems—ranging from cash, cheques, to card-based methods—are now central to the technology-driven economy and widely adopted globally [27]. They provide secure and convenient alternatives by ensuring immediate settlement, data traceability, and verification of receivables. Empirical evidence connects digital investments with quicker product introductions and more efficient price-to-market information flow, which directly improves both earnings quality and disclosure transparency [28]. Transparent disclosure allows firms to communicate openly with investors, facilitating efficiency in capital markets. Moreover, research suggests that management assertions within disclosures influence investor responses as strongly as numerical data, especially in complex contexts [42]. However, poorly timed or inadequately prepared disclosures may heighten systemic risks, reflecting the principle of materiality: while greater transparency often supports stability, it can also amplify contagion risks if mismanaged] 42.[

### **Potential Risks**

Agency theory highlights information asymmetry resulting from uneven shareholder positions, which may promote insider trading and opportunistic behavior. While electronic payment adoption improves accuracy and credibility of financial data, thereby reducing agency costs from loan contracts, it can simultaneously expose firms to risks. This dual role suggests that while earnings quality supports disclosure transparency, vulnerabilities remain [43]. From another perspective, corporate finance theory posits that electronic payment adoption can improve earnings quality but may also heighten exposure to risks in less competitive environments [37]. Consequently, its role in enhancing disclosure requires nuanced assessment] 44.[

## **IV. The Impact Of Electronic Payments On Disclosure Transparency**

Electronic payments influence disclosure transparency in both positive and negative ways. On one hand, they enforce transaction recording, reducing asymmetry and enhancing transparency, thereby enabling companies to secure external financing more competitively [45]. On the other hand, in the absence of strong monitoring and safeguarding mechanisms, these systems may increase the risks of unreliable transaction values.

### **Increasing Transparency**

The use of platforms such as ACH, PayPal, Stripe, and Venmo significantly strengthens disclosure practices by making information public, improving reliability, and supporting transparency [28]. Firms that adopt electronic payment systems demonstrate higher transparency levels, as payment ratios are positively associated with disclosure quality] 27.[

### **Potential Risks**

Nonetheless, vulnerabilities exist. Historical corporate scandals illustrate how weak payment systems can undermine disclosure credibility [29]. Security flaws in electronic payment platforms may allow fraud by insiders or external actors. To safeguard against such risks, thorough and real-time recording, coupled with digital certification, is essential, though this adds complexity to the payment process] 46.[

## **V. Strategic Recommendations**

Empirical findings suggest that adopting electronic payments can strengthen both earnings quality and disclosure transparency. Firms should carefully evaluate advantages and potential drawbacks before selecting a system suited to their operations. At a national level, implementing electronic payment infrastructures can support better financial reporting practices. Legislators must consider implications for earnings quality and disclosure transparency when drafting banking policies. Governments should also provide timely risk alerts and prioritize operational security in EPS design. Further research is encouraged to expand empirical evidence and enhance generalizability of results [28] ,[46.[

## **VI. Conclusion**

Electronic payments influence earnings quality and disclosure transparency in multifaceted ways. On the positive side, they enhance internal controls, reduce manipulation, and promote timely financial disclosures. Conversely, they also introduce risks of fraud, errors, and systemic vulnerabilities. Thus, while EPS adoption generally improves financial reporting integrity, firms must ensure robust safeguards and balanced adoption strategies. Future studies should explore these dynamics further to deepen understanding and inform regulatory practices.

### **The practical side**

**Table No. 1 Age distribution**

Category	n Number of individuals	percentage	Cumulative
<25	14	7.0	7.0
25–34	76	38.0	45.0
35–44	60	30.0	75.0
45–54	28	14.0	89.0
55+	22	11.0	100.0

The data show that the largest group of respondents falls within the 25- 34 age range (38%), followed by 35-44 (30%), indicating that the majority of participants are relatively young to middle-aged, which may suggest a workforce with strong adaptability to digital financial systems.

**Table No. (2) Distribution of years of service**

Category	n	percentage	Cumulative
<3	42	21.0	21.0
3–5	46	23.0	44.0
6–10	60	30.0	74.0
>10	52	26.0	100.0

Most respondents have between 6-10 years of service (30%), while a significant proportion also have more than 10 years (26%). This distribution reflects a balanced workforce that combines both experienced employees and relatively newer staff, enhancing the diversity of organizational perspectives.

**Table (3): Distribution of academic achievement**

Category	n	percentage	Cumulative
High School	9	4.5	4.5
Diploma	28	14.0	18.5
Bachelor's	101	50.5	69.0
Master's	51	25.5	94.5
Doctorate	11	5.5	100.0

The majority of respondents hold a Bachelor's degree (50.5%), followed by Master's degree holders (25.5%). This indicates a relatively high academic qualification level among participants, which suggests that the surveyed population has the educational background necessary to understand and implement advanced accounting and accounting and financial technologies.

**Table B: E-Payment Adoption Indicators**

Code	Statement	N	Mean	Std. Dev.	(Strongly Disagree)	(Disagree)	(Neutral)	(Agree)	(Strongly Agree)
B1	The bank achieves a material share of transactions through electronic channels.	220	3.65	0.84	0.5%	7.3%	34.1%	43.2%	15.0%
B2	The share of e-channel fees in total fees is increasing.	220	3.72	0.88	0.5%	7.7%	30.5%	42.3%	19.1%
B3	The active digital user base is steadily expanding.	220	3.6	0.88	0.9%	8.6%	35.0%	40.5%	15.0%
B4	Multiple channels are available (mobile, internet, QR, contactless, NFC).	220	3.69	0.9	0.5%	8.2%	33.6%	37.3%	20.5%
B5	The distribution of POS/acceptance devices is sufficient to serve customers.	220	3.79	0.87	0.5%	7.3%	26.4%	45.0%	20.9%
B6	The capture of digital transactions and settlements is complete and well-integrated.	220	3.77	0.9	0.9%	6.8%	28.6%	41.8%	21.8%
B7	E-payment KPIs are periodically disclosed in reports.	220	3.74	0.94	1.4%	7.7%	29.1%	39.1%	22.7%
B8	Accounting policies accurately reflect digital fees and their timing.	220	3.76	0.88	0.9%	5.5%	31.8%	40.5%	21.4%

Comment: The results show that banks have widely embraced e-payment adoption, with mean values ranging from 3.60 to 3.79. This indicates that most banks agree on the integration and expansion of digital channels. Particularly, the sufficiency of POS distribution and completeness of digital transaction settlements are rated the highest, suggesting that operational infrastructure is well-developed. However, while KPIs disclosure and accounting policies alignment are positively rated, they highlight areas that still need stronger regulatory consistency and transparency.

**Table C: Earnings Quality Indicators**

Code	Statement	N	Mean	Std. Dev.	(Strongly Disagree)	(Disagree)	(Neutral)	(Agree)	(Strongly Agree)
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C1	E-payment adoption has made operating revenues more stable.	220	3.57	0.88	0.9%	9.5%	35.0%	40.5%	14.1%
C2	Operating profit volatility declined after expanding digital channels.	220	3.55	0.85	0.9%	8.6%	37.3%	40.9%	12.3%
C3	Short-term earnings predictability has improved.	220	3.58	0.85	0.5%	9.5%	35.0%	41.8%	13.2%
C4	Accrual rates have become more aligned with cash flows.	220	3.63	0.83	0.5%	7.3%	35.0%	43.2%	14.1%
C5	Controls and reconciliations reduced revenue recognition errors related to digital transactions.	220	3.59	0.84	0.5%	7.3%	39.1%	39.1%	14.1%
C6	The quality of settlements for digital fee revenues has improved.	220	3.66	0.78	0.0%	7.3%	31.4%	49.5%	11.8%
C7	Gaps between earnings and operating cash flows have narrowed.	220	3.53	0.74	0.5%	6.4%	39.5%	46.8%	6.8%
C8	Reliance on highly sensitive accrual estimates has decreased.	220	3.48	0.79	0.0%	9.5%	41.8%	39.5%	9.1%

Comment: Earnings quality indicators show moderate improvement following the adoption of e-payments. With mean scores between 3.48 and 3.66, banks acknowledge that digital channels help stabilize revenues, reduce profit volatility, and improve alignment between accruals and cash flows. Nevertheless, reliance on sensitive accrual estimates remains an area requiring further control, as reflected by the relatively lower score in item C8.

**Table D: Disclosure Transparency Indicators**

Code	Statement	N	Mean	Std. Dev	(Strongly Disagree)	(Disagree)	(Neutral)	(Agree)	(Strongly Agree)
D1	Disaggregation of revenue by channel (digital/non-digital) is presented in the notes.	220	3.66	0.91	1.4%	8.2%	30.9%	41.8%	17.7%
D2	Clear disclosure of whether the bank is principal or agent in transaction fees.	220	3.74	0.93	0.5%	9.1%	29.5%	37.7%	23.2%
D3	Presentation of key judgments: timing of recognition, variable consideration, constraints.	220	3.78	0.9	0.9%	5.9%	30.5%	39.5%	23.2%
D4	Contract balances (assets/liabilities) and their changes are presented regularly.	220	3.86	0.88	0.0%	6.4%	27.3%	40.5%	25.9%
D5	Disclosure of policies for refunds, discounts, and withholdings.	220	3.68	0.85	0.0%	7.7%	33.6%	41.4%	17.3%
D6	Presentation of objectives and policies for managing operational and credit risks of digital channels.	220	3.73	0.91	1.4%	7.7%	27.3%	43.6%	20.0%
D7	Maturity/liquidity analysis for receivables of digital fees.	220	3.38	0.94	2.7%	14.1%	35.5%	38.2%	9.5%
D8	Disclosure of credit risk and expected losses (IFRS 9) for related balances.	220	3.5	0.89	1.4%	10.9%	36.8%	38.6%	12.3%

Comment: Disclosure transparency results highlight substantial progress in banks' reporting practices, with average scores mostly above 3.5. The highest mean is for the regular presentation of contract balances (D4), which demonstrates growing adherence to IFRS standards. However, disclosure of maturity analysis for receivables (D7) is relatively weaker, suggesting that liquidity-related disclosures still require improvement.

**Table E: Control Variables Related to E-Payment Adoption**

Code	Statement	N	Mean	Std.	(Strongly Disagree)	(Disagree)	(Neutral)	(Agree)	(Strongly Agree)
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				Dev.	Disagree)				Agree)
E1	Asset quality (non-performing loans) is stable.	220	3.3	0.89	2.3%	13.6%	45.0%	30.5%	8.6%
E2	Capital adequacy (Tier-1) is within safe levels.	220	3.38	0.92	1.8%	13.2%	41.8%	31.8%	11.4%
E3	Income structure is increasingly fee-based.	220	3.24	1.01	5.0%	15.0%	42.3%	26.4%	11.4%
E4	The bank has a technology infrastructure that supports high-quality disclosure.	220	3.46	0.86	0.5%	12.3%	38.6%	37.7%	10.9%
E5	Written policies/procedures exist for managing e-payment data.	220	3.76	0.71	0.0%	1.4%	35.9%	48.2%	14.5%
E6	Staff receive training on IFRS 15 and IFRS 7 for digital channels.	220	3.68	0.72	0.0%	5.0%	31.8%	53.2%	10.0%
E7	IT systems are integrated with the accounting system to facilitate disclosure.	220	3.88	0.68	0.0%	0.9%	27.3%	55.0%	16.8%
E8	Regular internal audit of e-payment operations and revenues is performed.	220	3.49	0.73	0.5%	5.9%	44.5%	42.3%	6.8%

Comment: Control variable results demonstrate supportive organizational structures and processes that enable effective e- payment adoption. High scores for IT integration (E7) and written policies (E5) show that the technical and regulatory foundations are solid. However, asset quality stability (E1) and income structure diversification (E3) remain moderate, suggesting that banks still face challenges in aligning traditional financial health with digital transformation efforts.

## **VII. Findings**

- 1 .The adoption of electronic payment systems in Iraqi banks is still at a moderate level, with variance between state-owned and private banks in terms of infrastructure and service diversification.
- 2 .The use of EPS contributed to reducing errors and delays in recording revenues, which positively influenced the stability of earnings.
- 3 .Despite improvements, the alignment between accruals and cash flows remains partial, indicating a need for stricter accounting integration with EPS.
- 4 .EPS adoption improved the timeliness of financial reporting, yet gaps remain in the completeness of disclosure, especially concerning liquidity and risk exposures.
- 5 .Staff training on EPS and accounting standards (IFRS 7, IFRS 15) is limited, affecting the ability to fully reflect digital revenues in financial reports.
- 6 .Variations in IT infrastructure across banks cause inconsistencies in reporting quality, especially in disclosure transparency.
- 7 .While EPS enhanced operational efficiency, cybersecurity risks and regulatory fragmentation continue to limit the full benefits of adoption

## **VIII. Recommendations:**

- 1 .Banks should accelerate investment in modern EPS infrastructure (POS, mobile, internet banking) to achieve full coverage and enhance service reliability.
- 2 .Strengthen accounting integration between EPS and financial systems to ensure that revenues and accruals are consistently reflected in line with cash flows.
- 3 .Develop a unified framework for EPS-based disclosure standards to reduce inconsistency among Iraqi banks.
- 4 .Implement continuous training programs for accountants and auditors on IFRS requirements for digital revenues and EPS operations.
- 5 .Enhance cybersecurity policies and risk management frameworks to protect financial data and maintain stakeholder trust.
- 6 .The Central Bank of Iraq should provide regulatory guidance and harmonization to ensure standardized adoption of EPS across the banking sector.
- 7 .Promote collaboration between banks to establish shared digital platforms that reduce costs and improve disclosure comparability.

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