Comprehensive identification and ranking of factors affecting the credibility of financial reports in Iran in the light of stakeholder theory and organizational legitimacy theory

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Abstract

Financial reports are essential for illustrating social realities and providing a solid informational foundation to meet the demands of financial markets and assess market economic performance. However, financial reports are not currently fulfilling their intended role due to issues with their quality, stability, and dynamics, and existing literature has yet to offer a suitable framework to address these issues. This study introduces a new concept aimed at enhancing the credibility of financial reports, both now and in the future. Adopting a comprehensive approach, we identify and rank the factors that influence the explanation and realization of this concept. The theoretical framework supporting this new concept includes stakeholder theory and organizational legitimacy theory. The research methodology comprises two parts: the first involves theme analysis based on interviews with 18 experts, and the second uses the fuzzy Delphi method to analyze and rank components through a questionnaire administered to 60 participants. The four expert groups involved in the study were accounting information providers, accounting information users, independent and internal auditors, and financial and accounting researchers, all carefully selected via snowball sampling for their expertise and insights. The research was conducted in the latter half of 2022. Findings reveal that the factors affecting the credibility of financial reports, ranked by their influence, include profit quality, audit report content, stock status, market performance, the quality of the accounting information system, organizational culture, specific non-financial company characteristics, financial ratios, corporate governance, audit quality, mandatory and optional disclosures, and risk analysis.

Keywords: credibility of financial reports, stakeholder theory, organizational legitimacy theory, fuzzy Delphi method.

1. Introduction

The outcome of the financial accounting process is the delivery of financial information to various users, both internal and external, primarily through financial statements. Specifically, financial reporting encompasses those financial reports created and presented to meet the informational needs of external users. Financial reports aim to address these external users' informational needs and demands. According to the accounting standards drafting board, financial reporting extends beyond financial statements to include informational tools or methods that handle data provided by the accounting system, either directly or indirectly. Financial reports aim to be useful for decision-making(Amir Azad et al 2018). Statement of Financial Accounting Concepts No. 1 (SFAS1) highlights "significance and effectiveness" and "reliability" as key characteristics that enhance the usefulness of information for decision-making. These features are essential for transforming information into a more valuable product. Without these characteristics, the information is not helpful. Ideally, the accounting method should yield information that possesses both features to be considered beneficial. Reliability is relative and depends on the accuracy of the information, which is determined by how well a measure or figure in the financial statements can be reviewed and verified. This concept is an "honest measurement criterion" (Schroeder et al., 2009). Financial market participants require financial information to make economic decisions and are more likely to invest in a unit when this information is deemed valid and of high quality. The primary objective of financial reporting is to facilitate capital exchange between investors and companies. The degree of investor confidence in financial reports is contingent on their validity. Typically, companies ensure the credibility of their financial statements through independent audits, which verify the accuracy of the disclosures. The main aim of auditing financial statements is to validate their credibility. However, the effectiveness of the audit in enhancing financial statement credibility depends on the auditor's independence and the audit's thoroughness. Improved credibility of financial reports can boost investor and creditor confidence, aiding in debt contracts and informing investors about company performance. Consequently, enhanced credibility can improve a company's access to external financial resources, increasing its investment potential for new projects. The validity of financial reports documents and quantifies the capital allocation process. Assessing the economic impact of credit is challenging since, like quality, it is not inherently observable and is an internal and external estimate revealed through financial and non-financial effects (Shroff, 2020). quality as the extent to which financial statements reflect the underlying economic performance of a company, and reporting credibility as the faith investors have in the accuracy of the financial statements presented to them. From a theoretical perspective, one of the primary purposes of financial reporting is to facilitate capital allocation by increasing contracting efficiency and reducing information asymmetry among capital market participants (Watts and Zimmerman1978; Kothari et al. 2010). Improvements in reporting quality serve to provide investors with more accurate information and thus can reduce information asymmetry and increase contracting efficiency. Thus, improvements in reporting credibility can increase a company's access to external finance and ultimately lead to increases in investment and investment efficiency.(Shroff.2015). Information about sustainable development accounting factors, managers and policy makers can Provide more transparent information to stakeholders by formulating appropriate policies and standards In sustainable development accounting, which leads to social welfare and environmental protection. For future generations, the growth of the capital market and increasing the credibility of financial reports.(Abbasi Astamal and Zeynali.2021). The literature on accounting and finance frequently discusses the need for distortion-free financial reports (Farouk, 2018). The rise in accounting scandals globally during the early 21st century highlighted the weaknesses in financial reporting credibility. The surge in fraud cases, compounded by the bankruptcies of major companies like Enron, WorldCom, Adelphi, Cisco, Lucent, and Xerox, raised significant concerns about financial report reliability. In response, the accounting and auditing professions sought solutions, including shifting from rules-based to principles-based accounting standards, enhancing auditor independence and corporate governance to protect shareholder interests, and regulating the accounting and auditing professions to rebuild public trust (Nikomram and Badavarnahandi, 1388). Opportunistic behavior by managers has further eroded confidence among actual and potential investors. Recent financial scandals have intensified worries about the effectiveness of independent auditors in preventing financial report manipulation, exacerbated by rising audit failures in the capital markets, which has heightened concerns about audit quality (Valury, 2005). Nevertheless, external monitoring mechanisms, such as auditing, are crucial for restoring stakeholder trust (Abdali & royaee, 2012). However, relying solely on audits for trust in corporate accounting information is insufficient. A comprehensive approach is necessary to assess the credibility of financial reports, considering both quantitative and qualitative factors, including monetary and non-monetary aspects. Measuring financial report quality often involves assessing accrual items and other optional components. Still, credibility can also be gauged through factors such as audit quality, corporate governance, accounting information system quality, stock and market performance, financial ratios, risk analysis, audit report content, organizational culture, profit quality, specific non-financial and financial characteristics of the company, and mandatory and optional disclosures. The accounting and financial literature indicates that assessing financial report credibility needs to be more adequately addressed, revealing a significant gap. Thus, this research aims to develop a suitable model to explain and rank these factors comprehensively. This will advance the accounting and financial literature and open new practical research avenues in accounting, auditing, and finance. Identifying these factors is crucial as they influence investor decisions and other financial report users, enhancing trust in the financial reporting system, leading to more informed decisions, and optimizing resource allocation. Given the importance of financial reporting, the main research question is: What are the indicators and influencing factors in determining the credibility of financial reports, and what is the importance and priority of each?

2. Theoretical literature (theoretical principles)

To grasp the concept of credibility, one must first understand the concept of truth, which underpins the accounting profession's reputation. Truth in accounting is emphasized in ethical codes, accounting regulations, authoritative texts, and the auditor's issuance of a "true and fair opinion." In his classic critique, McNeil (1970) highlighted the crucial role of truth in accounting. Accounting serves as the language of commerce, with accounting professionals acting as translators relied upon by many for accurate information. If these translators fail to convey the truth or present information mixed with partial truths, users may be misled in their decision-making, potentially resulting in significant losses (Nørreklit et al., 2007). The absence of truth or doubt surrounding its presence can profoundly impact the accounting profession, its practice, and its regulation. Truth is a practical and urgent concern in accounting. The primary purpose of financial statements (or financial reports in general) is to deliver financial information based on reliable evidence helpful to existing and potential stakeholders for various purposes, such as management, decision-making, and investment . Thus, truthfulness is essential to financial reports (FASB). Validity is a crucial characteristic of useful accounting information. Information is considered valid when: (1) it is verifiable, (2) it accurately reflects the outcomes of financial and non-financial activities and the financial and non-financial status of a company, (3) its monetary value is significant enough to impact user decisions, and (4) it is objective.

Reliable reports significantly impact stakeholders' decisions and resource allocation. However, the validity of financial reports involves a subjective evaluation of financial and non-financial factors. In other words, the report should be free from manipulation and distortion, accurately reflecting the company's financial status and performance, which enhances its usefulness for forecasting and predicting future cash flows (Damagum et al., 2014). The greater the value and credibility of financial reports, the more reliable the financial statements are for investors, strengthening the connection between financial statement items and stock prices, thereby reducing risk and increasing stock returns . Credibility means financial reports offer reliability and trust, relying on relative assurance rather than absolute certainty. The role of the independent auditor and audit is to enhance the credibility of the financial reports presented by company management for users' benefit (Hass Yeganeh & Khaleghi Baygi, 2003). Creditors and investors evaluate the creditworthiness of an organization's financial reports before granting loans or investments, considering the type of audit report and the quality of the reports themselves. While financial reports are helpful through auditing, this usefulness depends on the quality of auditing institutions, corporate governance mechanisms, disclosure and transparency levels, and the application of accounting standards, as creditors do not rely solely on audited information (Sheikhi, 2022). To ensure desirable financial reporting, it is necessary to have an independent auditor's report, practical cooperation and oversight from internal and independent audit committees, and a solid corporate governance system. Such mechanisms enhance the monitorability of the financial reporting process and help maintain quality and reliability. Corporate governance supports expertise, independence, and a balance of power among board members and committees, acting as the board’s supervisory arm and overseeing all aspects of the economic unit. Important corporate governance characteristics and mechanisms related to accountability, transparency, and monitoring include the board members' financial knowledge, the audit committee's presence and independence, and internal and independent audits. The significance of these mechanisms is reflected in the principles and guidelines of corporate governance from regulatory authorities and academic studies (Payvandi & Khorram, 2014). In the face of competitive pressure and environmental instability, mistakes impacting stakeholders can threaten a business’s survival.

Focusing on stakeholders can help avoid the costs of conflicting decision-making processes, as comprehensive approaches in stakeholder theory and organizational legitimacy mitigate such conflicts (Bagheri & Sadeghian, 2015).

2.1. Theory of organizational legitimacy

This theory states that an organization is legitimate when its value system is formed according to the accounting system and as a part of society, and where there is a mismatch, the organization's legitimacy is threatened. According to the assumptions of this theory, organizations must be responsive to external demand and society's expectations to maintain their legitimacy (Mehrani Vakrami, 2015). Establishing legitimacy leads to understanding the organization's responsibility and the reliability and trustworthiness of reports (Wil & Chau, 2023). Legitimacy depends on time. What is considered legitimate now may not be regarded as legitimate in the future due to changes in social values (Hoque, 2018); companies must continuously adapt to the needs of society. According to the legitimacy theory, increasing organizational transparency shows that the organization has the same goals as society. When companies strategically use corporate social responsibility reporting, society often considers it credible (Nielsen, Thomsen, 2007). According to the legitimacy theory, corporate disclosure responds to environmental forces (economic, social, and political), and disclosures give legitimacy to the relevant actions.

2.2. Theory of organizational legitimacy and credibility of financial reports

Martens and Bui (2023), from the theoretical perspective of the relationship between the legitimacy theory and the credibility of financial reports, state that the application of the legitimacy theory in financial reporting by highlighting the environmental consequences of business increases the awareness of users and ultimately helps the credibility of the company. Wil and Chau (2023) The information about the organization that is potentially unavailable to the public constantly threatens the company's credibility. As a result, it is reasonable to assume that this information, which was not made public, becomes a time bomb for the organization's reputation and threatens its credibility (Buallay & Ajmi, 2019). According to the theory of legitimacy, disclosing information in annual reports and other methods to legitimize companies' decisions and performance directly affects society's concerns and improves the company's legitimacy. Legitimacy theory explains corporate social responsibility disclosure (Martens & Bui, 2023).

Legitimacy theory suggests that businesses must operate within the boundaries of socially acceptable behavior for businesses to succeed. Otherwise, they risk their future profitability. Those with this point of view believe that the voluntary disclosure of a company's social initiatives in its annual report can legitimize that company in the eyes of the public, and the public accepts the credit reports presented by the companies. This helps the managers to shape public opinion. Although financial reporting is mainly based on existing laws and standards, the validity of financial reports based on legitimacy theory can create public trust in companies. This way, organizational legitimacy is expected to increase the company's credibility, and financial reports should be made available to the public.

2.3. Stakeholder theory

Stakeholder theory shows that business entities disclose and report voluntary information to satisfy stakeholders' interests and obtain more information (Buallay & Ajmi, 2019). Since companies and financial institutions have diverse and abundant stakeholders and their stakeholders are more comprehensive than other economic sectors, they must obtain social acceptance, adhere to social contracts with society, and fulfill their stakeholders' expectations. There is also much pressure. Harrison et al. (2019) believe that the dual application of stakeholder theory in accounting research includes (1) an explanation for reporting the content of financial statements or sustainability reporting and (2) a means to expand accounting practice beyond the priority of stakeholders (holistic view); In other words, it expresses the increase of usefulness in financial reports. Clark (2014) states that the traditional accounting theory that reflects the rights of the company and the theory of property rights and the maximization of shareholders' wealth is assumed to be synonymous with maximizing the company's value. Still, by paying attention to the theory of stakeholders, it is beyond its traditional position. The theory of stakeholders meets a wide range of needs in accounting that uses models of capital circulation and stakeholders, including social, environmental, public sector, and non-profit disclosures, to increase the usefulness of financial reports.

2.4. Stakeholder theory and credibility of financial reports

Harrison et al. (2019) state that although the priority of shareholders remains the dominant paradigm, the lack of convergence between the cognitive structure and the cultural and social characteristics of accounting is felt as a kind of backwardness of the stakeholder theory in financial reporting compared to other theories. The goal of financial reporting is to be closely related to the information needs of users, including economic decision-making (in line with the priority of shareholders) and stewardship (in line with the stakeholder theory), has been strongly disputed by the accounting profession, because the presentation of reports based on the perspective of stewardship has somehow regressed and economic decision-making (aligned with the priority of shareholders) has become the dominant paradigm. Freeman introduced the stakeholder theory in 1984 and considered the principal value of this theory to be social responsibility. For a company to reduce information asymmetry, social responsibility reporting should balance stakeholders and financial reporting. Therefore, stakeholder theory should be applied to companies to facilitate stakeholder communication. Stakeholder theory is essential to corporate social responsibility so the company can maintain its position and reputation in society. The more voluntary disclosures and reports are, the more the stakeholders' trust in the (financial and non-financial) reports is strengthened and ultimately gives credit to the financial reports. Harrison et al (2019) state that the flow of financial accounting research shows that stakeholder theory provides a more prosperous and more inclusive explanation than economic theories in examining the impact of stakeholders on standard setting, profit management, and voluntary disclosure. Pressure to minimize information asymmetry, reduce transaction costs, reduce unwanted scrutiny by stakeholders, and legitimize actions after a reputational breach, research shows that adopting a strategic stakeholder orientation requires more significant levels of accountability, quality, Higher profits, higher levels of voluntary disclosure and adoption of more conservative accounting; As a result of adopting the theory of beneficiaries, the predictability and reliability of profit and social benefits and these factors increase the credibility of financial reports in the capital market.

2.5. Experimental background of the research

Okoh and Jide (2023) examined the impact of independent auditor quality on the credibility of financial reporting in Nigerian banks, analyzing data from 16 banks over a decade, from 2012 to 2021. Their findings indicate that the audit firm's size, tenure, and the auditor's industry expertise significantly affect the credibility of financial reporting in Nigerian banks. However, auditor independence did not have a significant effect on this credibility. Among the statistically significant factors, only the size of the audit firm and audit independence negatively impacted financial reporting credibility. To ensure auditor independence, it is recommended that audit fees be increased, as lower fees compared to the industry average can lead to compromised service delivery and standards.

Antoa and Yusran (2023) explored the factors influencing the quality of accounting information in stock companies in Indonesia. They used a targeted sampling method to research with 126 prominent financial managers and accountants and employed multiple linear regression analysis. Their results, grounded in agency theory, demonstrate that the internal control system, information technology, adherence to accounting standards, and the role of internal auditors positively and significantly impact the quality of financial information. While the competence of human resources also positively affects financial report quality, this effect was insignificant. These findings suggest that improvements in internal control systems, information technology, accounting standards application, and internal auditing enhance financial information quality. Better financial report quality reduces information asymmetry and improves company performance. In contrast, transparency in information, as emphasized by agency theory, aids in managing and holding managers accountable, contributing to overall organizational performance.

Sutrisna et al. (2022) explored the factors influencing the credibility of financial reporting. They found that the competence of human resources, information technology, internal control systems, and adherence to accounting standards all impact financial reporting credibility.

Indriani et al. (2019) conducted research titled "Analysis of Factors Affecting the Desirability of Financial Statements Using Information Technology." They found that human resources competence does not significantly affect the desirability of financial statements, whereas the internal control system positively and significantly impacts it. Their study also revealed that information technology does not enhance or diminish the effect of human resources competence on financial statement desirability. However, it does weaken the influence of the internal control system on financial statement desirability.

Tontiset & Kaiwinit (2018) examined "Factors Affecting the Reliability of Financial Reporting in Thai Public Companies," concluding that accountants' professional ethics, the quality of the accounting information system, an influential audit committee, and the audit firm's quality are crucial for reliable financial reporting. They identified a positive and significant relationship between financial reporting reliability, the audit committee's effectiveness, and the audit firm's quality.

Mitchell et al. (2017), in their research "How Transparency in Accounting and Corporate Governance Leads to Crediting of Financial Reports," concluded that the demand for transparency varies among stakeholders. Transparency is essential for public accountability and increasing trust in financial reports. Their study identified transparency factors such as accurate application of standards across the organization, compliance with higher quality standards, principles-based rules, reliability, comparability, fair value reporting, and access to disclosed information. These factors include complete and detailed information, voluntary recognition, openness, and simplicity. They found that transparency factors boost trust by enhancing the credibility of financial reports, improving market performance and investor confidence, creating a level playing field, aligning managerial and agent interests, enhancing decision-making, reducing surprises, and ultimately increasing the credibility of financial statements.

2.6. Local Studies

Mehrani et al. (2019). Identifying the components of financial reporting based on the concept of a business model (BM) in this research using the opinion of experts and the method of theme analysis of the following components: 1-Transparency and validity, including full disclosure of information in all business sectors 2- Social accountability, including corporate social responsibility, corporate governance, environmental accounting and sustainable development 3- Justice and fairness in the distribution of social, economic and political reports; 4- Key drivers including the cost structure of income streams and value statement and drivers of assets, liabilities, and equity 5- Presenting and disclosing the reengineering of financial statements and using the SWOT analysis method in business; and 6- Stakeholder management including analysis, participation, interests and expectations of stakeholders were identified.

Vafaipour et al. (2021). In a study titled Providing a Financial Reporting Readability Model Based on Social Responsibility Disclosure, Professional Ethics, and Tone Management (reporting Tone), the readability of financial reporting as a factor affecting the credibility of financial statements and investment decisions of companies, social responsibility, and professional ethics has a positive effect and meaning. Tone management has a significant and opposite effect on the readability of financial reporting. Providing a comprehensive model to measure the readability of financial reporting can increase the understanding and knowledge of investors and researchers in capital markets.

Mohammadian et al. (2022), in a study titled Prioritizing Indicators Affecting the Readability of Financial Reporting using the ordinal Priority Approach (OPA) based on the opinion of experts, the indicators affecting the readability of financial reporting are corporate governance, financial criteria, Risk, analytical ethics, normative ethics, practical ethics, profit management, the accuracy of management forecasts, the amount of ownership of institutional investors, the number of company resources from debt, the size of the company and the age of the company. Among the above 12 indicators ranked using the ordinal priority method (OPA), The indicators of corporate governance, profit management, the accuracy of management forecasts, the amount of ownership of institutional investors, and financial criteria received the top ranks.

Barzideh et al. (2022) have studied the model of disclosure improvement in financial reporting. The research findings are presented using theme analysis in three sections on disclosure platforms in Iran, current problems of disclosure in financial reporting, and solutions to improve disclosure. The existing challenges in implementing standards, reducing the quality of some audit reports, not providing some relevant information, and, in some cases, the existence of information overload are among the existing problems. Improving the process of developing and implementing standards, providing guidelines on disclosure, and improving audit quality can improve disclosure and thus improve the effectiveness of financial reporting.

3. Research methodology

From the point of view of the implementation process (and the type of data), the present research is qualitative because it collects information about the factors affecting the credit of financial reports through interviews. From the point of view of the result of implementation, it is of a fundamental type, which is done to discover the nature of phenomena and testing theories, and expand the existing knowledge. In fact, it creates a conceptual framework so that the factors affecting the credibility of financial reports can be recognized in a comprehensive and grouped manner; From the point of view of execution logic (or reasoning type), it is inductive type; Because in this research, the interviewees, according to their experiences regarding the results of the phenomena, raise the factors affecting the credibility of financial reports, and the researcher compiles the model of financial reports by examining the relationships between these factors; From the point of view of the time dimension, it was temporary; because the interviews were conducted in the last quarter of 2022; From the objective point of view, it is exploratory for three reasons: firstly, less researches have been done on the subject of the research, secondly, this research has led to the presentation of a theory and framework for the credit of financial reports, and thirdly, it has led to the expansion of concepts in accounting texts. There are different methods of theme, each of which follows specific processes. In this research, the proposed 6-step method of Brown and Clark has been used Ghasemi et al(2019). This method's theme analysis process is designed in six steps: 1. Getting to know the data; 2. creating primary codes; 3- searching for themes; 4. Revision of themes; 5. Defining and naming themes; and 6. After reviewing the texts and in-depth and semi-structured interviews to analyze the data (interviews), the researcher became familiar with the depth and scope of the data content and began to repeatedly read the data and the data actively (searching for meanings and patterns). Three stages of open, axial, and selective coding were used. This method for analyzing qualitative data is one of the clusters of methods that focuses on identifying the semantic pattern in a data set. This analysis is the process of identifying patterns or themes in qualitative data. The goal of thematic analysis is to identify themes, that is, patterns in important or exciting data, and use these themes to answer research questions or to tell something about an issue (Brown & Clark, 2013). Considering that the principles and rules governing the validity of financial reports reflect the interaction between the four main groups of accounting information producers, accounting information users, the auditing profession and researchers, and annual financial reports are the result of the interaction and interaction between the performance of these four groups, and this research using theme analysis Through interviews with these four groups. He presented a model, so based on this, the statistical community of the research consists of these four groups. Considering the size of the statistical community, to select the statistical sample of the index members of each of these four groups as representatives of these four groups, respectively: 1- Accountants, representatives of accounting information providers; 2- auditors, members of the profession; 3- Shareholders, investors, etc., representing users of accounting information; and 4- University professors and faculty members are assumed to be accounting researchers. In theme analysis, samples are generally selected purposefully. For the research, the snowball or chain sampling method was used for the interview. Snowball or chain sampling is the selection of connected participants that guide the researcher to other people in the same community (Sajjadi, Kazemi, 2015). They were selected by the topic, and at the end of the interview, they were asked to introduce other informed and knowledgeable people to the research topic. In cases where there was a need to get the opinions of people with unique experiences to complete the model and create a theory, or in a particular field, the interviewees were asked to introduce experts with appropriate experiences. According to the above explanations, for the richness of the research, an effort was made to interview people who have personally experienced the subject of the research and have high knowledge and experience in this field (Mashaikhi et al., 2012). After conducting 18 interviews with experts, the collected data reached saturation, and there was no need to conduct new interviews. The average duration of each interview was 45 minutes. Table 1 shows the profiles of the experts who were interviewed.

Table 1. Profile of interviewees

	Ph.D	**Master's degree**
Accountant or financial manager	3	1
Auditor (internal and independent)	1	2
Faculty members and academics	9	0
Shareholder or investor and creditor	1	1

The researcher's analytical model and selected analytical approach are the most crucial factors in determining the analysis method. This model dictates what information will be analyzed and the method of analysis. The study's objectives, hypotheses, and analytical model guide the choice of research analysis methods. Additionally, using different tools in the analysis can enhance the accuracy of the chosen method. It is essential to pair the best method with the most suitable tool, as the effectiveness of both the method and tool significantly impacts the results of the analysis (Ezzati, 2016: 74). After identifying the main and sub-themes, the second step involves collecting expert opinions through a semi-structured Delphi questionnaire and screening indicators using the fuzzy Delphi method. Subsequently, factors are prioritized using the L-hour pairwise comparison questionnaire with a 9-point scale and the Fuzzy Network Analysis Process (FANP) method. Delphi method experts are not randomly selected but chosen for their expertise in specific areas related to the research topic. Four groups were used to assess the importance of indicators: university faculty members, accountants, financial managers, internal and independent auditors, and investors and creditors, each consisting of 15 experts for a total of 60 experts, as illustrated in Table 2 below.

Table 2. Profile of interviewees

	Ph.D	Master's degree
Accountant or financial manager	9	6
Auditor (internal and independent)	2	13
Faculty members and academics	11	4
Investor and creditor shareholding	2	13

Therefore, a mixed methodology with an exploratory research plan has been used in this research. In this research, the following two main questions have been answered: A- What factors affect the credibility of financial reports in Iran? B- What is the prioritization of factors affecting the credibility of financial reports in Iran?

4. Research findings

This research to identify and screen the main indicators obtained through theme analysis, including 254 sub-themes and 13 main themes (profit quality, audit report content, stock status, and market performance, quality of accounting information system, organizational culture, specific non-financial characteristics of the company, financial ratios, corporate governance, audit quality, specific financial characteristics of the company, mandatory and optional disclosure) are effective for crediting financial reports. The conceptual model of the main indicators of the research from the point of view of the extracted experts is presented in Figure (1) below.

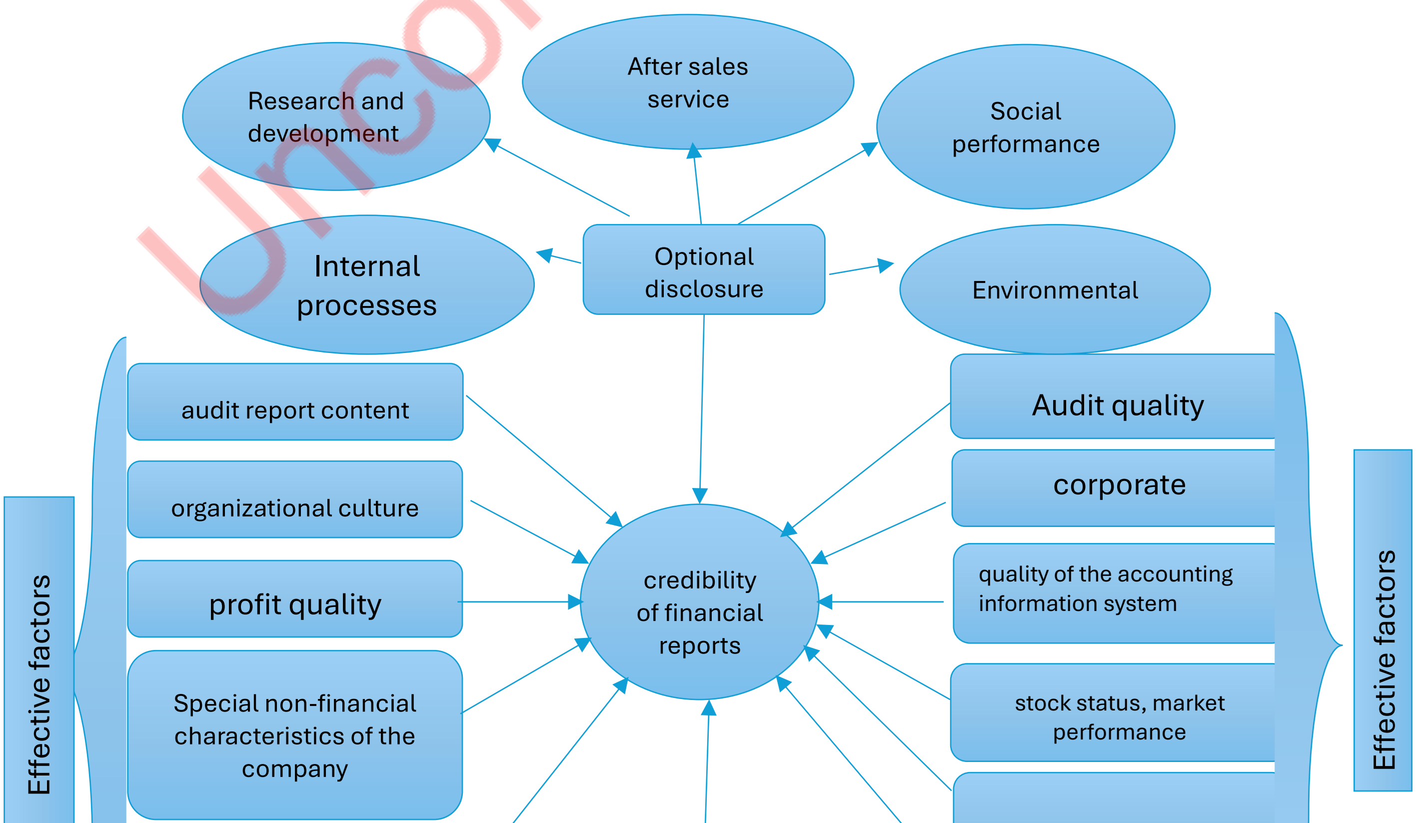

Figure 1. The conceptual model of the main indicators

4.1. Identifying the final indicators in explaining the comprehensive model for assessing the credibility of financial reports

In the first step, the fuzzy method was used to screen and identify the final indicators of the research. Based on the expert interviews conducted and the results of the qualitative analysis through theme analysis, a total of 254 factors were identified in the form of 13 main themes, and the fuzzy Delphi approach was used to screen the indicators and identify the final indicators. Although experts use their mental skills and abilities to make comparisons, it should be noted that the traditional process of quantifying people's views cannot fully reflect the human thinking style. In other words, fuzzy sets are more compatible with linguistic and sometimes ambiguous human explanations. Therefore, it is better to use fuzzy sets (using fuzzy numbers) to make long-term predictions and decisions in the real world (Kahraman et al., 2009). In this study, triangular fuzzy numbers have been used to fuzzify the experts' points of view. Experts' opinions about the importance of each index have been collected with a 9-degree phase spectrum. It is shown in Table 3.

Table 3. 9-degree fuzzy spectrum for valuing indicators

1 (completely unimportant)	Fuzzy value	Triangular fuzzy equivalent
2	$\tilde{1}$	(1،1،1)
3	$\tilde{2}$	(1،2،3)
4	$\tilde{3}$	(2،3،4)

5	$\tilde{4}$	(3،4،5)
6	$\tilde{5}$	(4،5،6)
7	$\tilde{6}$	،7)6(5،
8	$\tilde{7}$	(6،7،8)
9 (quite important)	$\tilde{8}$	(7،8،9)
1 (completely unimportant)	$\tilde{9}$	(9،9،9)

Various methods have been proposed to gather the opinions of n respondents. These aggregation methods are experimental methods presented by different researchers. For example, a conventional method for consolidating a set of triangular fuzzy numbers is the minimum l, the geometric mean m, and the maximum u (Cheng et al., 2009; Su et al., 2010; Wu and Fang, 2011; Su and Chen, 2011). Habibi et al(2015)

Equation 1

$$F_{AGR} = \left(min\{\mathrm{l}\}, \prod\{m\}, max\{u\}\right)$$

Equation 2

$$F_{AGR} = \left(min\{\mathrm{l}\}, \left\{\frac{\sum m}{n}\right\}, max\{u\}\right)$$

Equation 3

$$F_{AVE} = \left(\left\{\frac{\sum l}{n}\right\}, \left\{\frac{\sum m}{n}\right\}, \left\{\frac{\sum u}{n}\right\}\right)$$

Each triangular fuzzy number resulting from the aggregation of experts' views for the Jam index is shown below:

$$\tau_j = (L_j, M_j, U_j)$$

$$L_j = \min(X_{ij})$$

$$M_j = \sqrt[n]{\prod_{i=1}^{n} X_{ij}}$$

$$U_j = \max(X_{ij})$$

In the above relationships, the index i refers to the expert. So that:

- X_ij: the evaluation value of the ith expert from the jth criterion
- L_j: the minimum number of evaluations for the jth criterion
- M_j: the geometric mean of the experts' assessment of the performance of the jth standard
- U_j: the maximum number of evaluations for the jth criterion

The fuzzy average method (Relation 1) is used in this study.

4.2. De-fuzzification of values

Usually, summing the averages of triangular and trapezoidal fuzzy numbers can be summarized by a cutoff value that is the best corresponding average. This operation is called de-fuzzification. There are several methods for defuzzification. In most cases, the following simple method is used for defuzzification (Cheng et al., 2009; Su et al., 2010; Wu and Fang, 2011):

Equation 4

$$x_m^1 = \frac{L + M + U}{3}$$

Another simple method for defuzzifying the mean of triangular fuzzy numbers is as follows:

Equation 5

$$F_{ave} = (L, M, U)$$

$$x_m^2 = \frac{L+2M+U}{4};\ x_m^3 = \frac{L+4M+U}{6} x_m^1 = \frac{L+M+U}{3};$$

$$\text{Crisp number} = Z* = \max\left(x_{max}^1, x_{max}^2, x_{max}^3\right)$$

The values of x_max^i do not differ much and are always close to M. M means the mean obtained by summing the possible values of m from different triangular fuzzy numbers. However, the deterministic value of the largest calculated x_maxi is considered (Bujadziv and Bujadziv, 2007). In this study, the above relation 5 is used for de-fuzzification. The fuzzy average and the de-fuzzified output of the values related to all the main variables and their indicators have been calculated. However, the limitation of the volume of the article does not allow presenting all of them, so in Figure 4 below, these findings are an example of the main variables (a) audit quality, (b) corporate governance mechanisms, and (c) the quality of the accounting information system is presented. In addition, it should be mentioned that the general figures of these findings for the main variables of the research are presented in Table 5 below.

Table 4. Findings for the main variables of the research

Variable	Indicator	Min.	Geometric mean	Max.	Fuzzy average	De-fuzzing	Result	Rank
Audit quality	Identification and appropriate management of audit risk	5	7.68	9	(5,7.68,9)	7.45	acceptance	54
	Audit opinion based on evidence and without consideration of pressures	5	7.29	9	(5,7.29,9)	7.19	acceptance	123
	Type of ownership of the auditing firm	5	7.8	9	(5,7.8,9)	7.58	acceptance	34
	Using the opinions of non-financial experts in the audit process	5	7.76	9	(5,7.76,9)	7.51	acceptance	42
	Evaluating the employer's internal control structure before accepting the job	5	7.8	9	(5,7.8,9)	7.58	acceptance	36
	The quality rating of the audit institute	5	7.62	9	(5,7.62,9)	7.37	acceptance	73
	Absence of claims related to audit malpractice	5	7.61	9	(5,7.61,9)	7.40	acceptance	68
	Being a trustee of the stock exchange, the audit institution	4	7.22	9	(4,7.22,9)	7.02	acceptance	175
	The age of the audit institution	4	7.31	9	(4,7.31,9)	7.12	acceptance	154
	Good reputation of the auditing firm	3	7.3	9	(3,7.3,9)	7.03	acceptance	171
	The level of education of auditors and their relevance to the field of auditing	5	8.18	9	(5,8.18,9)	7.83	acceptance	16
	Risk taking of auditors	4	7.51	9	(4,7.51,9)	7.22	acceptance	116
	The number of certified accountants employed by the auditing firm	5	7.47	9	(5,7.47,9)	7.31	acceptance	96

	Absence of unusual fees	5	7.37	9	(5,7.37,9)	7.20	acceptance	120
	Failure to provide non-audit services	4	7.43	9	(4,7.43,9)	7.20	acceptance	121
	Use of information technology in auditing	5	7.72	9	(5,7.72,9)	7.48	acceptance	47
	The appropriateness of the audit fee	3	7.39	9	(3,7.39,9)	7.13	acceptance	147
	Absence of time budget pressure	6	8.25	9	(6,8.25,9)	7.96	acceptance	8
	Audit market share	5	7.3	9	(5,7.3,9)	7.16	acceptance	136
	Independence and impartiality of the auditor towards the management of the unit under review	6	8.09	9	(6,8.09,9)	7.90	acceptance	12
	Mastering the laws and regulations related to auditing	5	7.48	9	(5,7.48,9)	7.32	acceptance	93
	The structure and composition of the board of directors in terms of expertise and work experience	5	7.73	9	(5,7.73,9)	7.53	acceptance	38
	Ownership concentration ratio	6	7.64	9	(6,7.64,9)	7.51	acceptance	41
	Institutional ownership ratio	4	7.62	9	(4,7.62,9)	7.37	acceptance	75
	Financial knowledge of the board of directors	5	7.87	9	(5,7.87,9)	7.54	acceptance	37
Corporate governance mechanism	Evaluation, management and continuous control of risk in the business unit	5	7.67	9	(5,7.67,9)	7.44	acceptance	59
	Existence of audit committee and effective internal audit unit	4	7.62	9	(4,7.62,9)	7.33	acceptance	90
	The composition and expertise of the members of the audit committee and the internal audit unit	4	7.62	9	(4,7.62,9)	7.33	acceptance	89
	The size of the audit committee	5	7.68	9	(5,7.68,9)	7.45	acceptance	52
	Composition or independence of the board of directors	5	7.67	9	(5,7.67,9)	7.40	acceptance	67
	Effective internal control structure	5	7.46	9	(5,7.46,9)	7.30	acceptance	98

	Tenure of senior managers	4	7.54	9	(4,7.54,9)	7.32	acceptance	92
	Punitive measures for managers who engage in fraudulent reporting	5	7.35	9	(5,7.35,9)	7.23	acceptance	114
	The number of annual meetings of the board of directors and the attendance of members	5	7.38	9	(5,7.38,9)	7.25	acceptance	108
	The power of the CEO	6	8.07	9	(6,8.07,9)	7.88	acceptance	13
	The amount of accrual items	5	7.52	9	(5,7.52,9)	7.35	acceptance	82
	Financial staff skills and expertise	5	7.6	9	(5,7.6,9)	7.40	acceptance	69
	Professional ethics of financial report preparers	4	7.84	9	(4,7.84,9)	7.47	acceptance	50
	Compliance with international financial reporting standards	3	7.88	9	(3,7.88,9)	7.50	acceptance	43
	Use of fair value criteria	6	8.28	9	(6,8.28,9)	8.02	acceptance	7
	Moving towards intelligent information systems	4	7.31	9	(4,7.31,9)	7.12	acceptance	153
	Short reporting focusing on important issues	4	8.18	9	(4,8.18,9)	7.75	acceptance	22
Accounting information system quality	Paying attention and following forward information (future prediction)	3	7.66	9	(3,7.66,9)	7.36	acceptance	79
	Full compliance with the qualitative characteristics of financial information	5	8	9	(5,8,9)	7.75	acceptance	21
	Establishment of a suitable system for calculating the cost of products	4	8.28	9	(4,8.28,9)	7.90	acceptance	11
	Using an extensible financial reporting language	5	7.27	9	(5,7.27,9)	7.14	acceptance	146
	Interim financial reporting	5	7.26	9	(5,7.26,9)	7.17	acceptance	133
	Measuring intellectual capital disclosure	5	7.58	9	(5,7.58,9)	7.34	acceptance	84
	Proper connection to legal financial and tax systems	5	7.72	9	(5,7.72,9)	7.48	acceptance	47

	The existence of an approved and valid accounting software system	5	8.56	9	(5,8.56,9)	8.12	acceptance	4

In this test, the de-fuzzified value greater than 7 is accepted, and any index with a score less than 7 is rejected (Wu and Fang, 2011). It should be noted that 75 indicators had an average value of less than 7 and were therefore removed from the table, and 179 indicators were approved. Figure 5 shows the 13 main indicators for ranking the important indicators for assessing the credibility of financial reports.

Table 5. De-fuzzification of the main criteria for assessing the credibility of financial reports

The standard is original		**Deffuzy**	**Rank**
Audit quality		7.380	9
Corporate governance mechanism		7.420	8
Accounting information system quality		7.520	4
Stocks and market performance (status of transactions and stock prices)		7.570	3
Financial ratios (analysis of the company's financial status and performance)		7.440	7
Risk analysis		7.190	18
Content of the audit report		7.690	2
The state of organizational culture		7.500	5
Profit quality		7.760	1
Special non-financial characteristics of the company		7.460	6
Specific financial characteristics of the company		7.370	10
Mandatory disclosure	General company information	7.250	15
	Information about employees	7.190	18
	Growth and innovation	7.090	20
	Expressing vision, goals and strategy	7.250	15
Optional disclosure	Social performance	7.250	15
	Environmental activities	7.270	12
	research and development	7.150	19
	Information about internal processes	7.300	11

	Activities related to after-sales services	7.260	13

5. Conclusion

Reliable financial and non-financial reports that greatly impact users' decisions on resource allocation depend on these reports' credibility (Kamyabi et al., 2012). However, the credibility of financial reports is essentially a subjective evaluation that the reports are free from manipulation and distortion and accurately represent the financial status, conditions, and operational performance of a business entity. This credibility encompasses the company's reported financial statements' accuracy and usefulness in forecasting future cash flows (Damagom et al., 2014).

The purpose of this research is to identify and rank the factors affecting the credibility of financial reports by recognizing that the quality of financial reports is different from the credibility of financial reports. According to the opinion of financial experts and the review of accounting and financial literature, credit reports are not only a financial element that only includes the impact of accounting figures on market parameters but also includes non-financial factors that are based on the theory of stakeholders and the theory of legitimacy and emphasis on behavioral accounting factors (such as Organizational culture) and other non-financial and non-monetary variables affecting financial statements have been identified and explained in order to be a beginning for the development of capital market research and the decision model approach for investors and lenders regarding the assessment of financial statements in accounting and financial literature. The research findings show that 13 main components affect the credibility of financial reports, but the amount and how these affect them are different. Based on the ranking done with the fuzzy Delphi method, respectively, the components of profit quality, the content of the audit report, stocks and market performance (status of transactions and stock prices), the quality of the accounting information system, the state of the organizational culture, the specific non-financial characteristics of the company, financial ratios (analysis of the situation and performance corporate finance), corporate governance mechanism, audit quality, company's financial characteristics, and discretionary disclosure affect financial statements. In addition to matching the scientific and theoretical foundations of the research, the above results are consistent with the current literature's relevant research. Therefore, investors and creditors are advised to pay attention to all the existing parameters identified and explained in the current research, which are the basis of the credibility of financial reports in their economic decisions. The components identified in this research are not only financial components, but many non-financial components also affect the credibility of financial reports. These findings confirm that accounting information and components are not used in isolation, as professional investors give significant weight to financial accounting alternatives, including qualitative and quantitative non-financial sources. Information about the name of the company and its management, information about the industry and its competitors, information about the company's product markets, and even information about corporate governance and the general state of the country's macroeconomics affect the credibility of financial reports. Finally, it can be said that auditors enter the credit of financial reports as exogenous shocks. In this research, the quality of profit was the most important issue for investors and creditors. Because investors and creditors pay more attention to the company's performance than the financial situation. This is because the profitability of the company is the first priority for these two.

6.Recommendation for further research

For future studies, considering that operationalizing and measuring the credibility component of financial reports has been proposed for the first time in the present research, this new research area will require more and deeper investigations. Among them (1), it is suggested that valid scientific approaches be used to extract and formulate appropriate quantitative and qualitative models to measure the credibility of financial reports. (2) Considering that the present research was carried out following the theories of organizational legitimacy and stakeholders, it is suggested that future studies extract effective components on the credibility of reports based on the theory of representation because in the context of the theory of representation, the reliability of financial statements It is seen as a tool to fulfill the duties and responsibilities of managers and the board of directors towards external users, while the stakeholder theory considers the advantages of financial statement disclosure in terms of profit (Quoc et al. 2024).

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