Pakistan Journal of Life and Social Sciences
www.pjlss.edu.pk
https://doi.org/10.57239/PJLSS-2024-22.2.001139

RESEARCH ARTICLE

The Impact Of Governance Mechanisms On The Disclosure Of Social Responsibility And Its Reflection On The Quality Of Financial Reports And The Economic Performance Of Banks Listed On The Iraq Stock Exchange

Inas Nasrat Suleiman[1*] , Moufida Ben Saada[2]

[1]PhD Student, Faculty of Economics and Management, Sfax University, Tunisia
Assistant Professor, Tikrit University, Iraq
[2]Associate Professor, Research Unit Accounting, Finance and Economic Modeling (MOCFINE), Higher Institute of Computing Science and Management, Kairouan University, Tunisia

ARTICLE INFO

Received: Sep 18, 2024

Accepted: Nov 25, 2024

Keywords

Governance mechanisms
Quality of financial reports
Financial performance
Iraq market

***Corresponding Author**

Enas.nasrat@tu.edu.iq

ABSTRACT

The purpose of this study is to determine the influence of the determinants of social responsibility disclosure on the quality of financial reporting and the extent to which it affects the economic performance of banks listed on the Iraq Stock Exchange. Based on the nature of the problem addressed by the study and the objectives and hypotheses to be tested, the study relied on a combination of inductive and deductive approaches. For the inductive approach, the researcher reviewed the existing accounting literature to serve the research topic, more accurately identifying the dimensions of the problem and its components and developing the study's theoretical framework. Hypotheses were also formulated; appropriate methods were determined to test them using readily available resources and references and constructing the study's theoretical background through desk research. The deductive approach emphasizes analyzing relevant premises, hypotheses, and facts and then deriving the results. In addition, practicality was considered by conducting research and analyzing the data collected on the research population. The study included banks listed on the Iraq Stock Exchange, and (27) banks were selected. The study's main findings are that corporate Social Responsibility (CSR) plays a vital role in demonstrating the banks' concern for the environment and surrounding communities. It requires CSR to show stakeholders that the banks are interested in the risks generated by their environment and the surrounding communities—social issues. Companies need to publish information about social responsibility regularly and be willing to interact with stakeholders to enhance mutual understanding.

1. INTRODUCTION

In recent years, formulating and implementing corporate social responsibility policies has become one of the critical goals of banks. Corporate social responsibility, including the banking industry, has become essential to institutions' strategy. Social responsibility is an obligation of banks. Contribute to the economic, social, and environmental well-being of the communities they interact with (Aivaz et al., 2024: 1-3). Corporate social responsibility is a means of combining economic (profit-making) interests with environmental and social interests (the primary goal of disclosure standards is to ensure appropriate communication, reliability, and physical information to meet the purposes relied on by stakeholders in annual reports, as it can instill confidence in stakeholders, help them make informed decisions, and make the banking industry more trustworthy (Navinan et al., 2024: 2). Social responsibility disclosure affects the financial performance of banks because social responsibility is directly proportional to profitability, which means that social responsibility disclosure is essential to improving the efficiency and competitiveness of banks (Aliamutu & Mkhize, 2024:111-114).

Study problem

The banking industry faces challenges in terms of environmental sustainability as it consumes large amounts of resources such as electricity and paper and generates waste. At the same time, the obligation to balance ethical and social commitments with financial performance creates a potential conflict of interest. As trust in the banking industry erodes, banks are at a crossroads and must meet the demands of shareholders and broader stakeholders. However, the banking industry is not immune to CSR scandals such as money laundering. In 2012, HSBC highlighted the ongoing challenges facing banks in managing their social role (Giannopoulos et al., 2024: 2)

Thus, banks can achieve better CSR management due to lower agency costs, the potential for revenue/profit generation through more effective stakeholder engagement, good governance policies, and reduced information asymmetry due to better CSR management practices that are more comprehensive, credible, and transparent. Better performance (AlAjmi et al.,2023:360).

Given this background, the research questions can be formulated based on the following main questions:

What is the impact of the determinants of social responsibility disclosure on the quality of financial reporting? To what extent do they affect the financial performance of banks listed on the Iraq Stock Exchange?

This leads to the following sub-questions:

1. To what extent are banks listed on the Iraq Stock Exchange committed to disclosing social responsibility?
2. What are the determinants of social responsibility disclosure by banks listed on the Iraq Stock Exchange?
3. What is the impact of the determinants of social responsibility disclosure on the quality of financial reporting of banks listed on the Iraq Stock Exchange?
4. What is the impact of the relationship between the determinants of social responsibility disclosure and financial reporting quality on the financial performance of banks listed on the Iraq Stock Exchange?

Fifth: Objectives of the study

The main objectives of the study are to determine the impact of the determinants of social responsibility disclosure on the quality of financial reporting and the extent of its effect on the economic performance of banks listed on the Iraq Stock Exchange and to derive the following sub-objectives:

1. To identify the factors that affect the level of social responsibility disclosure by banks listed on the Iraq Stock Exchange.
2. To study the relationship between social responsibility disclosure and financial reporting quality and how such disclosure can improve transparency and credibility.
3. To assess the extent to which banks listed on the Iraq Stock Exchange comply with social responsibility disclosure standards.
4. Analysis of the impact of social responsibility disclosure on financial performance indicators.
5. To analyze the role of financial reporting quality as a mediating factor that improves or reduces the impact of corporate social responsibility disclosure on financial performance.
6. To make recommendations to motivate Iraqi listed banks to improve social responsibility disclosure and increase transparency, which will help improve their financial performance and enhance investor confidence.

Sixth: The importance of studying

1- Theoretical importance:

This study contributes to the literature on social responsibility disclosure, especially in the banking context, by providing a theoretical framework linking the determinants of social responsibility disclosure to the quality of financial reporting. As the study focuses on the relationship between social responsibility disclosure and the quality of financial reporting, it improves the scientific understanding of this relationship and its impact on financial performance, especially in a country like Iraq, where there is a lack of research. This study also fills the existing knowledge gap in literature. The Impact of Accounting Social Responsibility Disclosure on the Quality of Financial Reporting and Its Impact on the Financial Performance of Listed Banks in Iraq.

2- Applied importance:

The study provides valuable information to banks listed on the Iraq Stock Exchange on the importance of improving social responsibility disclosure and its direct impact on the quality of financial reporting, thereby improving economic performance. The study's practical results can help regulators and banks improve governance practices and increase transparency and social responsibility by international standards, which can help enhance investor confidence. The study can also provide practical references for the banking sector to develop strategies to improve financial performance through social responsibility disclosure practices.

Limitations of the study

This study was conducted within the following limits:

1- Spatial boundaries: The spatial limitation of this study is limited to banks listed on the Iraqi Stock Exchange, and (27) banks were selected.

2- Time limits: The study targeted the financial information of banks for the period from (2023-2024)

3- Objective limits: The study is limited to examining the impact of the determinants of social responsibility disclosure on financial reporting quality and its effect on the economic performance of banks listed on the Iraqi Stock Exchange.

Study Methodology

Due to the nature of the research problem and the objectives and hypotheses it sought to test, the study relied on a combination of inductive and deductive approaches.

The first topic: the theoretical side

The concept of social responsibility of banks:

Private banks are obliged to use a portion of their annual retained earnings to implement various forms of social development work for the benefit of society and in coordination with the relevant authorities (Ayoub and Qasim, 2021: 208).

Success factors of social responsibility in banks:

Many factors affect the success of financial institutions in fulfilling their social responsibilities. The most important factors can be summarized as follows (Al-Fashni et al., 2024: 11-12):

1. Preparation and planning for implementing clear goals and continuous evaluation of performance and results.
2. Cultivate customers' awareness, participation, and sense of belonging to the bank and increase customers' trust in the bank.
3. Everyone, from officials to employees, is entirely sure and convictional. Stakeholders are also confident about social responsibility issues, believing it is a must and even proud of and like it.
4. Do not succumb to negativity and criticism. Have a clear vision of your social role and the main problems you want to solve.
5. Pay attention to the development of clear plans for returns and other commercial activities, provided that these activities are central to the activities of banking institutions carried out by the Central Bank.

Start with small and limited goals, which will gradually grow over time to achieve large projects and programs because one of the main obstacles that banks pay attention to is that they want to launch large, huge, and numerically demanding projects, which will not harm these goals in the long run.

Dimensions of social responsibility that must be considered in the banking sector

Social responsibility has many dimensions, but only four dimensions have been mentioned repeatedly in previous literature on the banking industry: environmental, ethical, philanthropic, economic, and legal. We elaborate on them as follows (Anjulo & Amentie, 2024:128):

1. Environmental Responsibility:

Environmental responsibility refers to the company's commitment to continue sustainable and environmentally friendly activities and operations. These activities include reducing greenhouse gas emissions, recycling plastics, cleaning the environment, etc. In general, it is about taking initiative and responsibility in conducting business to maintain a good and safe environment for the health of all living beings. The company's environmental responsibility includes not harming the local environment and not exploiting and using natural resources to leave a good impression on society because many customers are sensitive to environmental issues related to products and services. The environmental dimension of corporate social responsibility has a significant impact on customers and society as a whole. (Anjulo & Amenities,2024:128)

2. Moral Responsibility:

The purpose is that the organization operates according to ethical principles, operates according to correct standards, and does not do things that harm others because ethical values are the driving force behind the formulation of laws and regulations, and ethical responsibilities are the basis for promoting and promoting ethical norms. It is considered beyond legal responsibilities. Ethical values are an aspect that distinguishes an organization from other organizations. Employees are proud to work in an ethically responsible organization. The higher the organization's ethics, the more motivated the employees are to work in it, and the more talented the employees are to dress. (Al Sharifi & Ali, 2023:224)

3. Charitable Responsibility:

It represents the top of the pyramid and may not be one of the requirements for working in a banking institution. Still, it supports the community by organizing voluntary activities (Ali and Hassoun, 2024: 354). The characteristics of philanthropic responsibility are its voluntariness and discretion, distinguishing it from other non-selective parts. "philanthropy" includes corporate practices that meet social standards, adhere to ethical behavior, and actively participate in actions or initiatives. Philanthropy contributes to the well-being or positive reputation of others. It can be manifested through corporate contributions such as financial donations, community development leadership resources, artistic support, or educational initiatives.(Aldoski, 2024:297-298)

4. Economic Responsibility:

This is a responsibility that institutions must be aware of as they have to provide high-quality services at a reasonable cost. As part of this responsibility, the institution must generate enough profit to compensate the various contributions of the stakeholders. (Ghali et al., 2020: 46-47)

5. Legal Liability:

It is based on principles of environmental protection, occupational safety, justice, and consumer protection law. It contains a wide range of elements that organizations should respect, respect relations with consumers and workers of different races and nationalities, and strengthen religious beliefs and contribute to their improvement, such as, for example, the right to safety, the right to express opinions, and the right to access information, as well as the prevention of environmental damage caused by the misuse of resources or pollution of water, air, and land (Abdellatif et al., 2022: 16). Carol also designed a pyramid of social responsibility.

The concept of financial reporting:

Financial reporting is a communication between a company and the outside world that presents financial and non-financial information. This report aims to provide helpful information about a company's performance and operations to assist stakeholders in making economic decisions (Bendouba, 2023: 43).

Financial reporting quality is defined as more complete, fair, and accurate reports that provide more helpful forecasting or confirmation information about the company's basic economic situation and performance. This suggests financial reports should reflect essential economic events (Gol Mohammadi Shuraki, 2021: 46).

It is also defined as the preparation of financial reports by the applicable financial reporting framework, which helps ensure that the content is provided to users promptly while avoiding significant distortions so that the financial reports reflect the company's economic situation in a specific period and at a particular point in time (Abu Jabal et al., 2023: 199).

The primary purpose of financial reporting quality assurance is that financial reports truthfully reflect the company's actual economic situation at a specific time (Abu Jabal et al., 2023: 199).
Therefore, the quality of financial reports is expected to enable stakeholders to use this information to evaluate economic performance. They expect this information to help them measure the integrity of the reporting company and make correct financial decisions. To make proper decisions, the information in the financial reports must be presented appropriately to make decisions about allocating resources in the organization (Yusran, 2023:3).

Definition of financial performance in institutions:

Financial performance refers to reviewing, studying, and analyzing data and information disclosed in a company's financial statements, reports, and other public materials over a certain period to achieve the indicators and results necessary to evaluate the company's past performance. It helps predict future performance (Al-Shalahi and Shaheen, 2022: 799).

Financial performance is the result or performance achieved by the company's management in performing its tasks and achieving the company's goal of generating profits. The company's management provides information about the company's financial situation, which needs to come from certain parties to support their decision-making process (Nurjanah,2024:89).

The second topic: the practical side

Study population and sample:

The research population is the entire vocabulary of the phenomenon studied by the researcher. Hence, the research population is all the people who are the subjects of the research problem. Based on the research problem and its objectives, the target group includes the number of listed institutions on the Iraq Stock Exchange, while the research sample is eligible financial institutions, the most important of which is that there is data for the six years for testing, namely: (2017, 2018, 2019, 2020, 2021, 2022**).**

1- The mechanism for selecting the institutions under study:

The (132) institutions listed on the Iraq Stock Exchange were selected as the community for the study:

1. Non-financial institutions were excluded because their accounting system differed from the 61 financial institutions.
2. 21 financial institutions that ceased operations after 2003 due to events and wars in Iraq were excluded.
3. 12 financial institutions that did not have sufficient data for the five years selected in the study (2017-2022) were excluded.
4. Financial institutions (insurance companies and banking companies) (11) were excluded.
5. The remaining (27) financial institutions had complete data for the study period, as shown in the following table:

Table 1: Institutions under study

	Organization Name	**property**	**type**	**Its capital**	**Her age**
1	National Bank of Iraq	Mixed	Commercial	250000000000	27
2	Commercial Bank of Iraq	Mixed	Commercial	300000000000	30
3	Iraqi Islamic Bank for Investment and Development	Mixed	Islamic	250000000000	30
4	National Islamic Bank	Mixed	Islamic	251000000000	17
5	Iraqi Investment Bank	Mixed	Commercial	25000000000	29
6	Gulf Commercial Bank	Mixed	Commercial	300000000000	23
7	Erbil Commercial Bank	Mixed	Commercial	265000000000	13

8	International Development Bank	Mixed	Commercial	250000000000	11
9	International Islamic Bank	Special	Commercial	250000000000	17
10	Mansour Investment Bank	Mixed	Commercial	250000000000	17
11	Mosul Bank for Development and Investment	Mixed	Commercial	252500000000	21
12	Elaf Islamic Bank	Private	Commercial	250000000000	20
13	Bank of Baghdad	Mixed	Commercial	250000000000	30
14	Cihan Bank for Investment and Islamic Finance	Private	Islamic	255000000000	14
15	Sumer Commercial Bank	Mixed	Commercial	250000000000	23
16	Trans Iraq Investment Bank	Private	Commercial	264000000000	16
17	Trust International Bank	Private	Commercial	250000000000	13
18	Islamic World Bank	Private	Commercial	250000000000	7
19	South Islamic Bank	Mixed	Islamic	400000000000	16
20	Iraqi Middle East Investment Bank	Private	Commercial	400000000000	23
21	Al Rahaj Islamic Bank	Private	Islamic	250000000000	18
22	Union Investment Bank of Iraq	Private	Commercial	250000000000	16
23	Al Ataa Islamic Bank	Private	Islamic	250000000000	16
24	Iraqi Credit Bank for Investment	Mixed	Commercial	250000000000	24
25	Al Qurtas Islamic Bank	Private	Islamic	250000000000	9
26	Commercial Regional Bank	Special	Commercial	250000000000	15
27	Noor Iraq Islamic Bank	Private	Islamic	250000000000	13

Source: Prepared by the researcher

2- Mechanisms for selecting (accrediting) indicators:

The researcher relied on previous studies that dealt with optional indicators.

It is a peer-reviewed research product published in a reputable journal and applied to Arab societies closely related to Iraqi society. The selected social responsibility disclosure indicators were submitted to the supervisor, who modified and selected them. The questionnaire consisted of 81 items divided into 5 main sections with 22 subsections each:

1. Internal corporate governance mechanisms (28) elements distributed on 8 sub-axes.
2. External corporate governance mechanisms (9) elements distributed on three sub-axes.
3. Social responsibility disclosure (17) elements distributed on five sub-axes.
4. Financial reporting quality consists of (18) elements distributed on six sub-axes.
5. Financial performance (9), distributed on two axes.

The questionnaire sent to the selected banks contained (73) voluntary disclosure indicators in the appendix as the leading indicators disclosed by the study sample, which are as follows:

- The questionnaire was sent directly to (27) banks, and for each bank, the questionnaire was sent directly to each bank and all the responses were received.
- The number of questionnaires distributed was (27), and the number of questionnaires collected was (27).
- After sorting the data from the retrieved questionnaires, the results are shown in the following table:

Table 2: Compilation of data for incoming questionnaires

Pointer	Paragraph number	Paragraph text	Endorsement	Ratio
Board size	1	The Board approves and oversees the Bank's objectives, strategies, values , and business standards.	73	100
	2	The Board develops strategies to direct and manage the Bank's activities.	73	100
	3	The Board strives to strike a balance in protecting the interests of the Bank's related parties.	73	100
	4	The Board clearly defines the responsibilities and authorities of each position in the Bank.	62	84.93
	5	The Board members have diverse experiences that help them make the best strategic decisions for the Bank.	61	83.56
Percentage of independent members	6	The Board operates independently of the Bank's management.	73	100
	7	The Bank's management does not control the decisions of the Board.	61	83.56
	8	Board members do not have any financial relationships with management or their families.	66	90.41
	9	Board members do not have financial relationships with the Bank's consultants, auditors, or their families.	70	95.89
	10	The Bank's policy is to prevent Board members from receiving consulting fees or remuneration outside the scope of their Board responsibilities.	71	97.26
Number of Board Meetings	11	The Bank’s Board of Directors meets 4-6 times a year.	73	100
	12	All Board members attend meetings regularly.	73	100
	13	Record and track the implementation of decisions made at Board meetings.	73	100
Diversity of Board of Directors Expertise	14	Board members have a wide range of experience and knowledge.	73	100
	15	The diversity of the Board’s expertise ensures an effective response to corporate governance and regulatory compliance requirements.	62	84.93
	16	The diversity of expertise enables Board members to guide the Bank to sustainable growth and continuous improvement.	61	83.56
	17	The Bank’s Audit Committee is committed to establishing effective communication	73	100

Board Committees		channels between the Board, external auditors, and internal auditors, which is conducive to activating the Bank's corporate governance and control.		
	18	The Remuneration Committee determines senior management's salaries, bonuses, and benefits.	61	83.56
	19	The Nomination Committee appoints board members and employees, including the best candidates compatible with the Bank's specific skills and experience.	66	90.41
Gender diversity in the Board of Directors	20	Gender diversity on the board helps promote good governance practices and improves transparency.	70	95.89
	21	Gender diversity on the board is essential in improving a bank's reputation and attracting investment.	71	97.26
	22	Gender diversity on the board helps improve a bank's long-term financial performance.	73	100
Separation between the functions of the Chairman of the Board of Directors and the Executive Director of the Bank	23	The positions of the bank's chairman and CEO are separate.	73	100
	24	The separation of the positions of the bank's chairman and CEO strengthens the board's oversight role.	73	100
	25	The duplication of the CEO position reduces the board's independence and reduces the tendency to disclose information about the bank voluntarily.	73	100
Internal Audit	26	Internal audit helps establish adequate controls and procedures to combat financial reports and statements manipulation.	62	84.93
	27	Internal audit ensures appropriate disclosure of the methods used to audit the annual financial reports.	61	83.56
	28	Internal audit supports the board in managing and reviewing the bank's strategy and its efforts to maximize shareholder ownership.	73	100
External Audit	29	External audit ensures accountability and integrity and improves the bank's operations.	65	89.04
	30	External auditors assess the internal control system and report deficiencies to management.	55	75.34
	31	External auditors perform their duties independently and are not subject to	70	95.89

		pressure from the institution's management.		
Legislations & Laws	32	Laws and regulations help the bank's management make forward-looking investment decisions.	71	97.26
	33	The bank's management is committed to regularly updating its policies and procedures to reflect changes in laws and regulations.	73	100
	34	Laws and regulations help guide good corporate governance strategies and reduce bank risks.	73	100
Market Mechanism	35	The bank relies on market mechanisms to determine prices and interest rates related to supply and demand.	73	100
	36	The bank has the flexibility to adjust its financial and investment policies based on market changes.	70	95.89
	37	Market mechanisms help identify the real needs of customers and develop bank products and services that meet these needs.	62	84.93
Environmental Responsibility	38	The bank's management has established policies on energy conservation and transition to clean energy in its strategic plan.	61	83.56
	39	The bank's management is committed to focusing on environmental sustainability in its decisions.	70	95.89
	40	The bank strives to comply with environmental laws, directives and policies.	65	89.04
Ethical responsibility	41	The bank's management has established a code of conduct for its employees.	67	91.78
	42	The mission of the bank is aligned with the values of the local community.	68	93.15
	43	The bank management provides appropriate incentives to its employees.	69	94.52
	44	The bank imposes strict penalties on illegal and corrupt practices such as embezzlement and bribery.	71	97.26
Charitable Responsibility	45	The bank supports infrastructure projects in the local community such as building schools, hospitals, housing, etc.	71	97.26
	46	The bank helps low-income people create jobs and improve their income levels.	60	82.19
	47	QIB supports employees in meeting needs such as marriage, Hajj and Umrah.	63	86.3
	48	The bank provides facilities and services to charities such as children's centers, providing care for people with special needs, martyrs, the poor and other similar groups.	73	100
	49	The bank has procedures in place to respond to customer complaints.	73	100

Economic Responsibility	50	The bank is interested in providing special services to achieve sustainable competitive advantage.	73	100
	51	The bank is interested in providing special services to achieve sustainable competitive advantage.	62	84.93
Legal Liability	52	The bank is legally responsible to all employees without distinction.	61	83.56
	53	The bank complies with the laws for providing health and medical care to its employees.	73	100
	54	The bank is committed to conducting business in compliance with the legal provisions.	66	90.41
Convenience	55	The bank's reports meet its business needs as they contain both financial and non-financial information.	61	83.56
	56	The bank's financial reports provide clear information to shareholders, investors and stakeholders.	72	98.63
	57	The bank's financial reports provide feedback on its activities and operating results.	72	98.63
Honest representation	58	The accounting information provided by the financial reports published by the bank is a true and faithful reflection of the economic events that occurred during the financial period.	73	100
	59	The accounting information provided by the financial reports published by the bank is neutral and free from bias.	73	100
Verifiability	60	The information contained in the bank's financial reports is accurate and verifiable.	70	95.89
	61	Accounting principles themselves are used for financial reporting.	70	95.89
	62	Financial reports are a credible and honest reflection of economic phenomena.	61	83.56
	63	The ability to verify the information published in financial reports allows users to trust them.	60	82.19
Comparability	64	The financial reports published by the bank show deviations compared to previous years.	58	79.45
	65	The financial reports of the bank are comparable with those of other banks.	60	82.19
	66	The same accounting procedures are used for similar financial events from one financial period to the next.	55	75.34
Comprehensibility	67	The financial reports published by the bank are clear and simple.	70	95.89
	68	Financial information helps in making appropriate and correct decisions.	72	98.63
	69	Financial reports are presented in an organized and understandable manner.	73	100

Timely	70	The bank prepares and submits financial reports and makes them available to users in a timely manner.	73	100
	71	The bank publishes financial reports regularly and consistently.	73	100
	72	Accounting information reaches users in a timely manner which helps in making correct decisions.	73	100
Return on assets	73	The bank has a high return on capital.	73	100
	74	The bank has the ability and capacity to control and manage costs.	70	95.89
	75	The management of the bank has the ability to generate profits using its assets.	63	86.3
	76	The bank has a high profit margin.	64	87.67
Return on equity rate	77	The bank has achieved a relatively stable return on equity.	64	87.67
	78	The bank relies on debt to generate return on equity.	60	82.19
	79	The bank balances debt and return on capital to generate return on equity.	71	97.26
	80	The bank relies on lucrative financing methods such as murabaha sales and finance leases.	70	95.89
	81	The bank relies on its own funds to finance its assets	70	95.89

Source: Prepared by the researcher

It is noteworthy that the number of indicators for community engagement disclosure submitted in the questionnaire was (81) indicators, no indicator was excluded because they all reached a percentage of more than (70%), so the number of indicators selected (81) was considered as one indicator of social responsibility disclosure of banks listed on the Iraqi Stock Exchange.

First: Demographic variables of the study sample

Descriptive statistics (frequency and percentage) were used to analyze the demographic characteristics of the study sample. The results are shown in Table (10) below:

Table 3: Demographics of the study sample

Percentage (%)	**Frequency**	**Categories**	**Variable**
9.3	15	Risk Committee Member	**Job Title**
12.3	20	Audit Committee Member	
14.8	24	Department Director	
35.8	58	Internal Auditor	
27.8	45	Risk Management Employee	
100	**162**	**Total**	
0.6	1	Associate Diploma	**Educational Qualification**
63.6	103	Bachelor's Degree	
35.8	58	Master's Degree or Higher	
100	**162**	**Total**	

16.7	27	Less than 5 years	**Years of Experience**
37.7	61	5 – 15 years	
45.7	74	More than 15 years	
100	**162**	**Total**	
44.4	72	Yes	**Professional Certifications**
55.6	90	No	
100	**162**	**Total**	

Source: Prepared by the researcher

Table (10) shows the demographics of the research sample of 162 participants, with the largest category being internal auditors at 35.8%, followed by risk managers at 27.8%, representing a variety of job roles related to risk management and internal revision. The qualifications of Masters and Bachelor's graduates were evenly distributed, with Bachelor's graduates clearly dominating at 63.6%. In terms of professional experience, most participants had between 5 and 15 years of experience, indicating a high level of experience among the participants. It is noteworthy that 55.6% of the participants had professional certifications, which added to the credibility and efficiency of the sample research. These results indicate that the sample had a good level of diversity, experience, and qualifications, which in addition to the selection of these categories for the current study, also increased the accuracy and reliability of the research findings. Functionality is consistent with many studies that specifically explore the research topic, such as: B. Research: 2023), (Jaber et al., (Hubais et al., 2024), (Helvira and Yusup, 2023), (Budiman, 2023), (Samagaio and Felício, 2023), (Berisha et al., 2023), (Zunaedi et al., 2022), Tien, 2023) and Thanh),) Bekir and Ersin, 2023), (Hoai, 2022), (Kadhim et al., 2023), (Ayedh et al., 2021), (Ajara et al., 2023

The researcher concluded from the above that the sample members generally understand the internal audit work and the ethical principles that should be followed, as well as the professional standards that apply when performing daily tasks. In addition, they also understand the risk management mechanisms of banks operating in Iraq when facing crises.

1. Characterization of study variables in aggregate form:

1.1. Governance (GOV):

1.1.1. Internal Governance Mechanisms

The internal governance mechanism ratio (mean) is (0.41), which is a relatively moderate ratio. This ratio. This is the minimum disclosure ratio (Min) (0.15) and the maximum disclosure ratio (Max) (0.77). We found that the standard deviation (SD) is (0.11). This shows that there is no significant difference (i.e., weak difference) among the banks in the sample studied. This result is shown in Table (2) below:

Table 11 Summary description of internal governance mechanism variables

VARIABLES	N	Minimum	Maximum	Mean	Std. Deviation
Board size	162	0	5	3.259	1.674
Indepadm	162	0	5	3.074	1.83
Meetb	162	0	3	1.63	1.255
Board diver	162	0	3	1.852	1.181
Board commit	162	0	3	1.963	1.174
Gend diver board	162	0	3	2.222	1.069
Chair_CEO role_split	162	0	3	2.259	1.043

Internal_audit	162	0	3	1.889	1.2
Internal_govern ance _mech	162	0	26	18.148	4.972

Source: Prepared by the researcher

❖ **Characteristics of the Board of Directors**

- As shown in Table (11), the ratio of internal governance mechanisms in banks is (18.148) times (0.648) for the study sample, which is a good ratio, meaning that all banks have a good ratio of internal governance mechanisms.

- The average board size is (3.259) and the ratio is (0.652), which is the average ratio, and the standard deviation is (1.674), which indicates the average variation in the size of the board of directors of banks in the study sample.

- The average percentage of independent members is (3.074), and the percentage is between the minimum value (0) and the maximum number of members (5), which is (0.615). The standard deviation reaches (1.83), which indicates that the number of members in the institution is unequal.

- The average number of board meetings is (1.63) times, and the ratio is (0.543). The ratio is between the minimum value (0) and the maximum value (3) and the standard deviation (1.255). This indicates that there is variation in the variable of the number of board meetings in the institution.

- The board expertise diversity ratio is (1.852) and the percentage of board members is (0.617) as shown in Table (2). This is a good ratio, which means that all banks have a diverse experience on their boards.

- The board committee ratio is (1.963) and the percentage is (0.654) as shown in Table (1). This is a good ratio, which means that all banks have a good ratio on their board committees.

- The board gender diversity ratio is (2.222) and the percentage of board members is (0.741) as shown in Table (2), which is a good ratio, which means that all banks have a gender diversity on their boards.

- The separation ratio between the positions of the chairman and managing director of the bank is (2.259) and the percentage of board members is (0.753) as shown in Table (2), which is a good ratio, which means that all banks have a separation between the positions of the chairman and managing director.

- The internal audit ratio is (1.889) and the percentage of board members is (0.630), which is a good ratio as shown in Table (11), which means that all banks have a good internal audit ratio on their boards.

External Governance Mechanisms

Table 4Description of the variables of external mechanisms of governance in aggregate form

VARIABLES	**N**	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
External audit	162	0	3	2	1.19
Leg regul	162	0	3	2.407	0.994
Market mech	162	0	3	2	1.221
External _govern _mech	162	2	9	6.407	2.272

- As shown in Table (12), the ratio of the bank's external governance mechanism is (6.407) times (0.719) of the studied sample, which is a good ratio. This means that all banks have a good ratio of external governance mechanisms.

- The ratio of external audit is (2), and the ratio is (0.667), which is an average ratio. The standard deviation is (1.19), which indicates the average variation of external audit of the studied sample.

- The ratio of legislation and law is (2.407), and the ratio is (0.802) because the ratio is between the minimum value (0) and the maximum value (3). The standard deviation reaches (0.994), indicating that the bank's legislation and law are at the average level.

- The ratio of marketing mechanism is (2). The ratio is (0.667), which is between the minimum value (0) and the maximum value (3), and the standard deviation is (1.221), which indicates that there is an average level of marketing mechanism of the bank.

Social Responsibility Disclosure

Table 13 Description of aggregated form of social responsibility disclosure variables

VARIABLES	N	Minimum	Maximum	Mean	Std. Deviation
Res-envir	162	0	3	2.333	1.092
Res-ethic	162	0	4	2.259	1.651
Res-char	162	0	4	2.593	1.502
Res-econo	162	0	3	2.037	1.174
Res-leg	162	0	3	2.148	1.181
CSRD	162	1	17	11.37	4.222

- As shown in Table (13), the social responsibility disclosure rate of the bank is (11.37) times that of the research sample (0.669) (this is a good ratio, meaning that all banks have a good percentage of social responsibility).

- The environmental responsibility ratio is (2.333) and (0.778), which is an average ratio with a standard deviation of (1.092), indicating that the environmental responsibility level of the bank is good.

- The moral responsibility rate is (2.259) and the ratio is (0.565), which is between the minimum value (0) and the maximum value (4). The standard deviation reaches (1.651), which indicates that moral responsibility is at an average level.

- The philanthropic responsibility rate is (2.593), and the ratio is (0.648), which is between the minimum value (0) and the maximum value (4), with a standard deviation of (1.502), which indicates that the philanthropic responsibility is at an average level.

- The economic responsibility ratio is (2.037). The ratio is (0.679), which is between the lowest value (0) and the highest value (3), and the standard deviation is (1.174), which indicates the average level of economic responsibility of the bank.

- The legal responsibility ratio is (2.148) and the ratio is (0.716), which is between the lowest value (0) and the highest value (3), and the standard deviation is (1.181), which indicates the average level of legal responsibility.

Second: The linear correlation coefficient matrix between the variables of the first model
Table 5 shows the related transactions between the governance mechanisms (internal and external) and social responsibility disclosure of banks listed on the Iraq Stock Exchange.

Table 5: Correlation coefficient between the first model variables

	VARIABLE	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1	Ayoub _T	1																
2	Qualf	-0.114	1															
3	exper	0.024	.265**	1														
4	prof_Cer	0.045	-.397**	-0.103	1													
5	**Gov**	-0.057	-.289**	-0.099	.176*	1												
6	Board size	-0.007	-0.021	0.15	.184*	.552**	1											
7	Indepadm	-0.011	-.229**	-0.113	.281**	.265**	.188*	1										
8	Meetb	-0.096	-.230**	0.009	0.033	.595**	.277**	-0.085	1									
9	Board diver	-0.073	-.412**	-0.143	.394**	.301**	-0.094	.178*	.264**	1								
10	Board commit	-0.052	0.023	-0.023	-0.092	.358**	-0.071	-0.068	.218**	.157*	1							
11	Gend diver board	-0.1	-0.008	-0.122	-.163*	.570**	0.03	0.011	.228**	0.056	.571**	1						
12	Chair_CEO role_split	-0.054	-.167*	-.179*	-0.064	.573**	0.089	-0.01	0.102	0.031	.495**	.851**	1					
13	Internal_audit	0.036	-0.007	-0.005	-0.145	.305**	.293**	-.217**	.195*	0.12	-.241**	0.048	0.112	1				
14	External audit	0.095	0	0.149	.251**	.163*	0.131	0.017	-0.05	-.159*	-.294**	-.264**	-.180*	0	1			
15	Leg regul	-0.009	0.124	-0.018	.217**	.202*	-0.109	-.344**	.271**	0.083	-0.115	-0.051	-0.103	0.038	.567**			
16	Market mech	0.008	-.228**	-.186*	-.306**	.381**	.219**	-0.133	.219**	-.310**	0.13	.257**	.351**	0.025	-0.051	0.031	1	
17	CSRD	-0.084	-.210**	0.059	.238**	.563**	.609**	.228**	.434**	.385**	.191*	0.097	.156*	0.126	-0.082	-0.036	0.065	1

In the above table (14), we can see the correlation between board characteristics and optional disclosure, because the correlation between job title and social responsibility disclosure is (-0.08), which means that the connection is weak, which means that there is an impact relationship with the proportion of board positions, while education is correlated with (-0.210). This means that the average impact of board education on bank board seniority on social responsibility disclosure is 0.059, that is, the positive impact of board seniority on social responsibility disclosure is weak. The professional certification of the board reaches (0.238), which is also considered to be an average positive correlation.

The mutual correlation of bank governance mechanism (internal-external) is (0.563), which is at a positive average level, while the correlation of bank governance mechanism (internal-external) with social responsibility disclosure reaches the following level:

We found that the correlation between board size and social responsibility disclosure is (0.609), which means that the correlation is moderate, which means that there is an average percentage positive impact relationship between board size and board size, while the proportion of independent people on the board reaches (0.228), which is also considered to be a relatively weak positive correlation.

The correlation between social responsibility disclosure and the number of board meetings is (0.434), that is, h. The number of meetings has an impact but at a relatively average level. Regarding the diversity of board experience, its correlation percentage with social responsibility disclosure is (0.385) at an average level. In contrast, the committee board is related to social responsibility disclosure (0.191), a weak percentage. The correlation between gender diversity reaches (0.097). The impact of gender diversity on social responsibility disclosure is weak. The role separation between the chairman and the executive director is (0.156). The social responsibility disclosure index is weak, and the correlation degree of internal audit social responsibility disclosure is (0.126); that is, there is a positive but weak impact.

As for the correlation between external audit and social responsibility disclosure (-0.082), we find a weak negative correlation. While legislation and law have a negative but weak effect on social responsibility disclosure (-0.036), marketing mechanisms have a weak positive effect on social responsibility (0.065). As for the correlation between board characteristics, using the linear regression matrix in Table (8), we find that board size is correlated with board member independence. The number of directors is (0.188), with a weak positive influence, while the correlation between the number of board meetings and the size of the board is (0.277), which is a weak correlation, and the correlation with the diversity of board experience is (-0.049), which is also relatively weak. The correlation with the board committee (-0.071) is at a weak but negative level, the correlation coefficient with the gender diversity of the board (0.03) is weak, and the correlation coefficient with the separation of the positions of the director general and the CEO (0.089) is at a weak level, while the correlation coefficient between internal audit and the size of the board (0.239) and the correlation coefficient between external audit (0.113) are weak positive correlation coefficients, the correlation coefficient with legislative laws (-0.115) is a weak negative correlation coefficient, and the correlation coefficient between marketing mechanism and the size of the board (0.219) is positive but relatively weak.

The correlation between the proportion of independent directors and the number of board meetings is (-0.085), which is a weak relationship. The correlation with the diversity of board experience is (0.178), which is also weak. The correlation with the board committee is (-0.068), which is also a weak percentage, and the correlation with gender diversity of the board is (0.011), which is also a weak percentage.

The correlation coefficient of the independence characteristics of board members with the separation of functions of the chairman and CEO is (-0.01), the correlation coefficient with internal audit is (-0.217), which is harmful and weak, and the correlation with external audit reaches (0.017), which is positive but weak, while the confusion coefficient with legislation and law (-0.344) is negative on average, and the correlation coefficient with marketing mechanism is (-0.344), which is medium and negative.

The correlation between the number of board meetings and experience diversity, board committees, gender diversity, separation of roles between the chairman and managing director, and internal audit is relatively weak but has a positive impact, which is (0.264), (0.218), (0.102), (0.195), respectively. In contrast, their correlation coefficients with external audit (-0.05) are very damaging, and the correlation coefficients with legislation law and marketing mechanism are at a relatively weak but positive level (0.271), (0.219). As for the correlation between the diversity of board expertise and board committees, gender diversity of the board, separation of roles between the chairman and managing director, and internal audit, they are positive but weak, which are (0.157), (0.157).), (0.031), (0.12), respectively, while the correlation coefficients with external audit and marketing mechanisms are negative, weak, and medium (-0.159), (-0.31), and the correlation coefficient with legislation and law is positive but weak (0.083).

The correlation coefficient between board committees and the gender diversity of the board is relatively moderate (0.571). Due to the separation of functions between the chairman and managing director, internal audit, external audit, legislation and law, and marketing mechanism, the correlation coefficients are weak and equal, respectively (0.109), (0.083), (-0.249), (-0.115), (0.113). The correlation coefficient between gender diversity of the board and the separation of functions between the chairman and CEO is (0.851), which is a strong positive correlation, while the correlation coefficients with weak and lagging internal audit, external audit, legislation and law, and marketing mechanism are (0.048), (-0.246), (0.051-), (0.257).

The correlation coefficients between the separation of functions between the chairman and CEO and internal audit, external audit, legislation, and law are weak, respectively (0.112), (-0.103), (0.031), but with marketing mechanism (0.351) positive and at the average level.

The correlation coefficients between internal and external audit, legislation and law, and marketing mechanisms are weak (0.038), (0.038), and (0.025), respectively. The correlation coefficient between external audit and legislation and law (0.567) is positive on average but negative and very low with marketing mechanism (-0.051). The researchers found that the correlation coefficient between legislation and law and marketing mechanism (0.031) is positive and very low.

First: Conclusions

First, The researchers found that the size of the board of directors impacts the social responsibility disclosure of banks listed on the Iraq Stock Exchange.

1. The independence of board members does not affect the social responsibility disclosure of banks listed on the Iraq Stock Exchange.
2. The number of board meetings does not affect the social responsibility disclosure of banks listed on the Iraq Stock Exchange.
3. The diversity of board expertise affects the social responsibility disclosure of banks listed on the Iraq Stock Exchange.
4. Board committees were found to impact the social responsibility disclosure of banks listed on the Iraq Stock Exchange.
5. Gender diversity on the board of directors affects the social responsibility disclosure of banks listed on the Iraq Stock Exchange.
6. Separating the chairman's and general manager's functions hurts the social responsibility disclosure of banks listed on the Iraq Stock Exchange.
7. Internal audits negatively impact the social responsibility disclosure of banks listed on the Iraq Stock Exchange.
8. External audits negatively impact the social responsibility disclosure of banks on the Iraq Stock Exchange.
9. Legislation and laws do not affect the social responsibility disclosure of banks listed on the Iraq Stock Exchange.
10. The marketing mechanism positively impacts the social responsibility disclosure of banks listed on the Iraq Stock Exchange.

Second, the researchers found that social responsibility disclosure impacts the quality of financial reports of banks listed on the Iraq Stock Exchange.

1. Environmental responsibility negatively impacts the quality of banks' financial reports on the Iraq Stock Exchange.
2. Moral responsibility hurts the quality of banks' financial reports on the Iraq Stock Exchange.
3. Charitable responsibility positively impacts the quality of banks' financial reports on the Iraq Stock Exchange.
4. Economic responsibility hurts the quality of banks' financial reports on the Iraq Stock Exchange.
5. Legal responsibility positively impacts the quality of banks' financial reports on the Iraq Stock Exchange.

Third, the researchers found that social responsibility disclosure impacts the financial performance of banks listed on the Iraq Stock Exchange.

1. Environmental responsibility negatively impacts the financial performance of banks on the Iraq Stock Exchange.

2. Moral responsibility hurts the financial performance of banks on the Iraq Stock Exchange.
3. Philanthropic responsibility hurts the financial performance of banks on the Iraq Stock Exchange.
4. Economic responsibility does not affect the financial performance of banks on the Iraq Stock Exchange.
5. Legal responsibility negatively impacts the financial performance of banks on the Iraq Stock Exchange.

Recommendations

Given the results, the researchers make the following recommendations:

1. The relevant government authorities should formulate laws and regulations requiring Iraqi banks to properly apply corporate governance principles and mechanisms to limit bank managers' abnormal behaviors and actions.
2. The role of various board committees, including the bank's audit committee, should be fully utilized as they play a vital role in detecting fraud and manipulation when they occur.
3. Iraqi banks should require the presence of regulators and external auditors. Following the instructions and guidelines of regulators and external audit institutions is essential to improve banks' performance and increase their efficiency in issuing financial reports.
4. Conduct courses and seminars for bank employees, who should make them aware of the importance and goals of social responsibility disclosure to improve their financial performance.
5. Monitor banks that do not publish reports containing their environmental, ethical, philanthropic, economic, and legal responsibilities.

Arabic Resource:

A- Scientific Periodicals:

1. Abkar, Mohamed Ali Abdullah and Mohamed, Fadl Al-Ghali Al-Sayed Musa, and Adam, Al-Safi Muhammad Ahmed (2022), The relationship between accounting disclosure of social responsibility activities and the quality of financial reports: a field study on telecommunications companies operating in South Darfur State, Rehan Journal for Scientific Publishing, vol. 2022, p. 22, 275-303.
2. Abu Jabal, Najwa Mahmoud Ahmed, Dahshan, Hana Mohamed, and Ali, Ali Zakaria Ali (2023), The Impact of Audit Committee Characteristics and Ownership Structure on the Quality of Financial Reports - An Applied Study, Journal of Accounting Research, Faculty of Commerce, Tanta University, Volume 10, Volume 1, 181-215.
3. Aboul Fotouh, Jamal Taher, and Khraibeh, Hassan Ahmed Mohamed (2018), The Impact of Social Responsibility on Financial Performance: An Applied Study, Journal of Commercial Studies and Research, vol.38, p. 4, 845-874.
4. Ahmed, Wafaa Youssef (2016), The Impact of Measuring Credit Losses by Accounting Standards and Related Controls on the Quality of Accounting Information in Egyptian Banks, Journal of Accounting Thought, Faculty of Commerce, Ain Shams University, vol. 20, p. 7, 9-87.
5. Ismail, Ahmed Youssef Mawloud, and Al-Jazouli, Rania Hamdoun (2024), The Role of Applying Corporate Governance Rules in Enhancing Accounting Disclosure, Journal of Quantitative and Qualitative Research in Economic and Administrative Sciences, Volume 5, Volume 1, 67-87.

Theses:

1. Abu Nair, Hanan Sobhi Mohammed (2020), The Impact of Social Responsibility Accounting Disclosure on Market Performance: A Comparative Study between Jordanian Commercial and Islamic Banks, PhD Thesis, Faculty of Graduate Studies, World Islamic Sciences University, Amman, 1-147.

2. Jalloul, Naqal, and Mustafa, Dahaj (2022), The Implications of Corporate Governance on the Quality of Financial Reporting in Economic Institutions: A Field Study Distribution Directorate of Sonelgaz Adrar, Master's Thesis, Faculty of Economic, Commercial and Management Sciences, Ahmed Derayah University Adrar, Algeria, 1-47.
3. Al-Jumaili, Thaer Jadoua Shehab (2019), Internal Institutional Governance Mechanisms and their Impact on Reducing Financial Fraud in Iraqi Commercial Banks, Master's Thesis, Faculty of Economics and Administrative Sciences, Al al-Bayt University, Mafraq, Jordan, 1-80.
4. Hamayzia, Ashwaq, Ged, Henda (2022), The Role of Social Responsibility Disclosure in Improving the Quality of Financial Reporting in Economic Institutions: A Case Study of Tebessa Cement Corporation, Master's Thesis, Faculty of Economic, Commercial and Management Sciences, Larbi Tebessa University, Tebessa, Algeria, 1-87.
5. Hawamdeh, Omar Muhammad Ali (2022), The Role of Governance Rules in a Public Shareholding Company in Reducing Corruption Cases, Master's Thesis, Faculty of Law, Jerash University, Jordan, 1-101.

Scientific Conferences:

1. Al-Jeryan, Khalid Maksed Nayef, Ayed, Abdullah Mohammed Ahmed, Bin Mohammed, Zain Al-Abidin, Marzouki, Ain Lashikin Benti (2020), Corporate governance and its impact on the investor in choosing the financial market: a case study of the Iraq Stock Exchange, The Third International Conference for Graduate Students and Academics in Sharia and Law entitled "Sharia and Law Approach to Solving Contemporary Issues", held remotely at the College of Sharia and Law, on November 18, 2020, 299-310.
2. Salman, Amer Mohammed, and Jarry, Ahmed Saad (2017), The compatibility of the Iraqi environment with IFRS standards and its impact on the quality of accounting information by applying to a sample of private banks listed on the Iraq Stock Exchange, research presented to the first scientific and professional conference of the Iraqi Association of Certified Public Accountants held for the period from 18-19 October 2017, 1-31.

First: Periodicals:

1. Abbasabadi, Y. (2023). Corporate Social Responsibility and Financial Reporting Quality. International Journal of Finance, Accounting and Economics Studies, 4(3), 15-30.
2. Abdulai, I., Salakpi, A., & Nassè, T. B. (2021). Internal audit and quality of financial reporting in the public sector: the case of University for Development Studies. Finance & Accounting Research Journal, 3(1), 1-23.
3. Aboud, A., & Yang, X. (2022). Corporate governance and corporate social responsibility: new evidence from China. International Journal of Accounting & Information Management, 30(2), 211-229.
4. Adel, C., Hussain, M.M., Mohamed, E.K.A.andBasuony, M.A.K.(2019), "Is corporate governance relevant to the quality of corporate social responsibility disclosure in large European companies?", International Journal of Accounting & Information Management, 27 (2), 301-332.
5. Adu, D. A. (2022). Sustainable banking initiatives, environmental disclosure, and financial performance: The moderating impact of corporate governance mechanisms. Business Strategy and the Environment, 31(5), 2365-2399.