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The Role of Corporate Social Responsibility (CSR) Disclosure in Reducing Earnings Management and its Impact on Investor Confidence : A comparative study of a sample of Iraqi banks

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Abstract:

The research addresses the problem of varying levels of social responsibility disclosure in the banks included in the study sample, and the impact of this on earnings management and investor confidence, relying on the descriptive analytical approach and financial data analysis using SPSS version.27. The research aims to demonstrate the role of social responsibility disclosure in reducing earnings management practices, and to analyze its impact on investor confidence, as well as to test the mediating role of earnings management in the relationship between social responsibility disclosure and investor confidence, through a comparative study of a sample of Iraqi banks that included the Commercial Bank of Iraq, the Gulf Commercial Bank, and Al Mansour Bank for the period 2019–2022The research relied on corporate social responsibility disclosure as the independent variable, earnings management as the mediating variable, and investor

confidence as the dependent variable, measured by earnings per share. The research found a clear disparity among the banks in the study sample in terms of levels of corporate social responsibility disclosure and investor confidence. The results also showed a strong and statistically significant positive correlation between the Commercial Bank of Iraq and Al-Mansour Bank in investor confidence levels, while each bank demonstrated independence in its earnings management practices, with no significant correlation found Among them. The research recommends the need to enhance transparency in social disclosure and reduce practices of manipulating accounting profits, which contributes to presenting an honest financial picture that reflects the actual performance of banks and supports investor confidence in the Iraqi banking environment

**Keywords:** Investor confidence, Corporate Social Responsibility (CSR) disclosure, Earnings management

## **Introduction**

The contemporary business environment has witnessed rapid developments in accounting disclosure. Attention is no longer limited to traditional financial information but has expanded to include the disclosure of non-financial aspects, most notably corporate social responsibility (CSR) disclosure. CSR disclosure is a modern mechanism for enhancing transparency and improving the quality of accounting information, as it plays a role in reducing information asymmetry between management and investors.

Conversely, earnings management practices are among the most prominent challenges facing the credibility of financial reports. Some managements resort to using accounting flexibility to achieve specific objectives that may not reflect the company's true performance, which weakens investor confidence and affects the efficiency of financial markets.

From this perspective, the study of the relationship between the level of corporate social responsibility (CSR) disclosure and earnings management practices, and the extent to

which this impacts investor confidence, is of particular interest, especially in emerging markets, including the Iraq Stock Exchange, which is witnessing a gradual development in disclosure and governance requirements.

## **Research Problem**

The research problem lies in the significant disparity in the level of CSR disclosure among companies, contrasted with the continued practice of certain earnings management practices. This raises questions about the extent to which non-financial disclosure can reduce these practices and the impact of this on investor confidence in financial reports. The problem can be formulated in the following main questions:

- Does CSR disclosure reduce earnings management?
- Does CSR disclosure enhance investor confidence?
- Does earnings management affect investor confidence? 4- Does earnings management mediate the relationship between corporate social responsibility (CSR) disclosure and investor confidence?

## **Importance of the Research**

The importance of this research lies in:

- 1- Highlighting the role of CSR disclosure in enhancing transparency and the quality of accounting information.
- 2 -Demonstrating the impact of non-financial disclosure in reducing CSR practices.
- 3-Clarifying the relationship between CSR and the level of investor confidence in financial reports.
- 4- Supporting regulatory bodies' efforts to develop disclosure requirements and enhance governance.
- 5-Providing practical evidence from an emerging market environment that contributes to the impact of accounting literature.

## **Research Objectives**

This research aims to:

- 1-Test the impact of CSR disclosure in reducing the profit cycle.
- 2 -Analyze the impact of CSR disclosure on investor confidence.
- 3-Measure the impact of CSR on investor confidence.
- 4 -Demonstrate the mediating role of CSR in the relationship between CSR disclosure and investor confidence

## **Research Hypotheses**

- 1-There is a statistically significant effect. Disclosing Social Responsibility in Earnings Management In the banks included in the study sample
- 2-There is a statistically significant effect of disclosing social responsibility on investor confidence. In the banks included in the study sample
- 3 -There is a statistically significant effect of earnings management on investor confidence. In the banks included in the study sample
- 4-Earnings management plays a statistically significant mediating role in the relationship between corporate social responsibility disclosure and investor confidence in banks in the study sample.

## **Theoretical Framework:**

### **Disclosing Social Responsibility:**

### **Definition of Corporate Social Responsibility and its Importance:**

It is defined as a set of procedures and policies aimed at integrating stakeholders' expectations by achieving the three minimum standards, which include the social, economic, and environmental dimensions (Aguinis and Glavas, 2012). Corporate social responsibility refers to corporate citizenship, achieved by integrating ethical, social, environmental, human rights, and consumer-related aspects into the company's business operations and core strategies. This involves strengthening ties with stakeholders and

going beyond the limits of legal responsibility obligations by increasing investment in human capital, the environment, and stakeholder relations. It is also defined as a set of Comprehensive policies and practices integrated into industrial and commercial operations, as well as decision-making processes across all departments and divisions of the company, including issues related to business ethics, social and environmental concerns, human rights, and the rights of workers and consumers (Hsu et al., 2019).

### **Importance of Social Responsibility:**

Social responsibility is of paramount importance to organizations, society, and the state. For organizations:

The importance of social responsibility is evident in its role as a method that enables a company or organization to achieve the following (Al-Taweel, 2016: 58):

- Strengthening and improving the company's relationship with stakeholders
- Reducing the company's internal operating costs
- Better prioritization and coordination of processes
- Identifying non-financial impacts and keeping pace with the needs and requirements of society
- Identifying and utilizing the company's inherent potential

For the State: Once industrial institutions adopt social responsibilities, the state reaps a range of benefits. Therefore, the importance of social responsibility for the state is highlighted by the following (Salman, 2022: 844):

- Reducing the burdens borne by the state in fulfilling its educational, cultural, health, and social duties.
- Maximizing the returns the state receives due to institutions' awareness of the importance of fair and proper contributions to bearing social costs.
- Contributing to technological development and the possibility of eliminating unemployment and other situations where the modern state alone cannot fulfill all its tasks without private economic institutions playing their role in this regard.

For Society: The importance of social responsibility for society is highlighted by the following (Ya'qub, 2021: 104):

- Achieving social stability as a result of the availability of justice, sovereignty, and the principles of equal opportunities.
- Improving and developing the quality of services provided to society.
- Raising awareness of the importance of full integration between institutions and various groups with shared interests.
- Increasing education and social awareness among individuals, which contributes to achieving political stability and a sense of social justice.

### **Objectives of Responsibility Social**

Adopting a corporate social responsibility philosophy enhances a company's reputation and brand, and increases stakeholder satisfaction by engaging the community in providing their opinions and perspectives, thus achieving a sustainable competitive advantage for companies in the market. The objectives of corporate social responsibility (CSR) are numerous, including: (Al-Taweel, 2016: 59)

- Examining the company's current and potential customers and the positive and negative impacts they experience when purchasing, using, and consuming the company's products.
- Understanding the relationship between certain individual characteristics of managers and their level of awareness of the importance of practicing social responsibility towards employees in those companies.
- Aiming to represent the community's expectations of the company's initiatives in the area of its responsibilities.
- Aiming to expand the positive impact of business activities and reduce negative impacts.

### **Accounting Disclosure of Social Responsibility**

Accounting disclosure is considered the primary and most effective means of communicating business results to stakeholders, supporting their decisions, especially those related to finance and investment. The principle of disclosure dictates that financial reports must contain all the necessary information to provide users with a clear and accurate picture of the company. Disclosing the extent to which companies fulfill their social responsibilities has become a matter of interest to all parties equally, and disclosing CSR is considered one of the principles of senior management's commitment to the company. Through its social responsibilities, it contributes to achieving sustainable development for society and the economy (Ibrahim, 2014).

As Hassan (2010) explained, social responsibility disclosure is voluntary in most cases, aiming to determine the extent of respect for the natural environment and the company's contribution to achieving social justice, considering this an extension of new business practices.

Accounting disclosure can be classified into two categories: mandatory disclosure, which represents the minimum information that must be disclosed in light of regulations, rules, and standards; and voluntary disclosure, which is represented by the company's freedom to choose the type of information disclosed that supports the decision-making process and increases the company's value (Al-Hawashi, 2017). Malik and Kanwal (2018) defined social responsibility disclosure as the voluntary disclosure of qualitative and quantitative information provided by organizations to inform or influence a group within society. Quantitative disclosures may be financial or non-financial.

#### •Benefits of Social Responsibility Disclosure

Many previous studies have addressed the benefits that accrue to a company from its commitment to and disclosure of social responsibility, whether within financial statements or through separate reports. These benefits include:

- 1 -Social responsibility disclosure helps the company achieve competitive advantages, enabling it to obtain international environmental and quality certifications such as ISO 26001 and ISO 14001. This certification, known as the Environmental Business Strategy, not only improves environmental performance but also promotes a sustainable supply chain strategy and enhances company profitability. It regulates the requirements for

incorporating an environmental management system to meet environmental obligations while addressing environmental risks (Riaz and Saeed, 2020).

2 -Social responsibility disclosure improves the financial performance of companies, as companies that effectively commit to social responsibility tend to achieve better financial results (Farha Naseem et al., 2020; Al-Khalialeh, 2016).

3 -Social responsibility disclosure reduces costs by enhancing operational efficiency, for example, by transforming waste from an incurred expense into a costly one. Companies as Sources of Income (Al-Sakhawi, 2015)

4 -Disclosing social responsibility increases a company's ability to recruit and retain employees. Commitment to social responsibility leads the company to improve its human resources practices or utilize activities that enhance employee morale, such as training and education, and address aspects of human well-being like security, self-esteem, belonging, health and safety, work-life balance, and workplace diversity. This, in turn, increases employee engagement, organizational participation, and employee desire to join the company (Duthler and Dhanesh, 2018).

**Trends in Social Responsibility: Social responsibility trends can be categorized as follows:** (Abdullah, 2021: 59-62)

The first trend: Focusing on the company's performance in its economic function. A company can achieve optimal social outcomes through its success in fulfilling its economic role. Achieving increased productivity, profits, and healthy economic growth levels positively impacts the company's ability to address and analyze societal problems. Achieving societal well-being is one of the company's goals and concerns. The renowned economist Milton Friedman emphasized that a company has only one social responsibility: to fulfill this responsibility by utilizing its role and competitiveness in the labor market without any deception. The second approach: Balancing profitability with social objectives. Proponents of this approach attribute social changes in society to the role of companies in achieving a balance between profitability and social objectives. They believe that achieving long-term profits helps the company to continue, grow, and expand. They consider the company to be socially responsible and to strive for profits in safe ways, which is the ultimate and sustainable goal.

## •Earnings Management

The concept of earnings management is increasing in importance and occupying a prominent place in accounting and management literature, as it is considered an ethical issue of particular importance. Researchers focus on understanding the reasons and methods by which managers manipulate earnings and the effects this may have on the future performance of companies. Othman explained that earnings management is implemented through management's use of personal choices during the preparation of financial reports in order to present them differently from reality to mislead stakeholders about the company's economic performance (Othman, 2022: 163). Other studies, such as those by Rahman, Tash, and Dhuri, show that manipulation of financial position and earnings is done to incentivize investors and participants in financial markets or to influence their various investment decisions (Rahman and (CHowdhury.2020:390)

## •Motives for Earnings Management

Earnings management affects the quality of financial statements and the information they contain, thus misleading users of these statements when making decisions. When management resorts to earnings management, it means it has specific motives it wishes to achieve, such as contractual, capital market, or organizational motives. Each of these motives can be explained as follows:(Adam, 2016:140-143)

**Contractual Motives:** These constitute a fundamental factor in earnings management when accounting data forms the basis for regulating certain contractual relationships with external parties, which significantly affect the allocation of resources to meet the costs associated with these relationships. The goal of this organization is to achieve job security benefits and obtain additional advantages during negotiations with unions. Contractual motives vary according to Mahmoud's division into basic categories, including loan contracts and management compensation contracts. Regarding loan contracts, these contracts are written in a specific way to restrict management actions that may benefit company stakeholders at the expense of creditors, as they may lead to additional costs if earnings are not managed correctly. The cost to compensation committees and creditors is considered on both the financial and administrative levels. Management compensation contracts are used to understand the motives for earnings

management, as company managers postpone income recognition if the profit targets specified in the compensation programs are not achieved (Mahmoud, 2020:65).

**Capital Market-Related Motives:** Capital market-related motives are a fundamental element of earnings management strategies. Accounting information is a vital source upon which investors and analysts rely in making their decisions. Managers manipulate stock prices when issuing new shares to increase their value, and some companies incur unusual expenses in the same year to generate profits in subsequent years. A company's financial market-related motives can be divided into main categories (Magrath, 2002, p. 50):

a) **Earnings Forecasts:** Earnings forecasts are of paramount importance to earnings management, as they represent target figures that management aims to achieve to avoid stock price declines in the financial markets. Management's efforts focus on accurately reporting earnings figures to ensure stock price stability.

B- **Stock Options:** Determining management compensation and bonuses in the form of stock options is considered a neutral strategy that enables a balance of managers' interests. This is achieved by choosing accounting adjustments that increase the share price on the option grant date. These options reinforce the desire to raise the company's market value, and management demonstrates its efficiency by manipulating net profit to convince investors of effective performance and encourage them to increase demand for its shares in the financial markets.

**Regulatory Motives:** An economic unit may be of interest to the state and public opinion, which makes it subject to government decisions and imposes taxes and political costs. This motivates management to manipulate net profit to influence the state by reducing pressure on it through lower taxes and political fees (Matar, 2003: 4).

- **Social Responsibility and its Role in Limiting Profits:** Corporate social responsibility extends over four main dimensions: the economic dimension, the legal dimension, the ethical dimension, and the social dimension. The ethical dimension is considered one of the main dimensions of social responsibility, where the company is responsible for protecting investors by improving the level of disclosure in financial statements (Chih). et.al, 2008:183) Earnings management occupies an important place in the context of corporate social responsibility, and companies that are committed to social responsibility

must be more transparent in their financial reports, which reduces the likelihood of them adopting earnings management methods (Rezayi and Hadizade, 2014: 57). The inverse relationship between social responsibility and earnings management is evident in the level of information fairness in financial statements. Companies committed to social responsibility demonstrate greater transparency in their financial reports, making them less prone to employing earnings management techniques (Hajawiyah, 2020: 1351-1366). Numerous studies have confirmed that socially responsible businesses are more focused on creating and strengthening long-term relationships with their various stakeholders. Prioritizing stakeholder satisfaction is crucial for the company's survival and continued operation, rather than solely focusing on maximizing current profits and benefits, which can negatively impact stakeholders due to long-term losses and erode trust (Rahman and Chowdhury, 2020: 391). Furthermore, commitment to social responsibility reduces the likelihood of engaging in questionable accounting practices, particularly those related to economic performance and reputational damage. Social responsibility offers a positive outlook regarding... Regarding the company's reputation, if the company relies on personal judgment and discretion, social responsibility can restrict the company's management from engaging in earnings management practices. The greater the social responsibility, the less the earnings management tends to be. Transparency and accountability are among the principles of corporate social responsibility, aiming to reduce the possibility of internal parties abusing information to achieve their desired goals at the expense of external parties. Companies that prioritize social responsibility strive to meet the expectations of their stakeholders. Consequently, these companies prioritize transparent disclosure and presenting an honest picture of their financial position. Therefore, disclosing true and fair profits is vital for social responsibility, as it provides external parties with a basis for trust in the company's operations. This is specifically related to social responsibility.

### **Scientific aspect of the research**

Model description for the variables in the research sample: The independent variable was identified as the level of social disclosure, quantified as percentages for the banks in the research sample, while the mediating variable was denoted by B. Earnings manipulation (assessed through working capital accruals) Concerning cash flows The dependent

variable denotes b) Investor confidence, quantified by "earnings per share" as an indicator of confidence.

Table(1) describing the variables for the sample of banks (Commercial, Gulf, Al Mansour)

Year	variable	Its type
2022-2019	Level of social disclosure	independent variable
	Earnings Management	Intermediate variable
	Investor confidence	dependent variable

Source: Prepared by the researcher

The descriptive analysis of variables by bank (Commercial, Gulf, Al Mansour) reveals significant discrepancies in investor confidence levels, as indicated by the earnings per share (EPS) index for the banks within the study sample. The Commercial Bank of Iraq boasts the highest overall EPS of 0.0654, propelled by a substantial increase in 2020 when EPS reached 0.1418. This strongly indicates the bank's capacity to attract investments despite subsequent swings. Al Mansour Bank has demonstrated stability and consistent, incremental growth, with earnings per share (EPS) rising from 0.0331 in 2019 to 0.0506 in 2022, yielding an overall average of 0.0606. This bolsters the assurance of investors pursuing stable returns and minimal risks. The results for Gulf Commercial Bank indicated a significant decline in investor confidence, evidenced by a negative average profitability of -0.0057, influenced by the steep downturn experienced in 2020. This profitability deficit signifies a substantial disparity between the net profits generated and the extensive quantity of the bank's shares, adversely impacting external values and investors' decisions concerning the bank's shares. Overall, these findings correlate the efficacy of financial performance and profit generation with the degree of trust afforded to the bank, thereby facilitating the examination of the relationship between this trust and social disclosure practices, as well as the mitigation of profit manipulation

Table(2) of investor confidence metrics for banks within the research sample

Earnings per share – Al Mansour	Number of shares	Net profit after tax Al – Mansour	Earnings per share – Gulf Business	Number of shares	Net profit after – tax the Business Bay	Earnings per share Iraqi – Commercial Bank	Number of shares	Net profit after tax Iraqi – Commercial	Year
0.0331	250,000,000,000	8,278,258,676	-0.0131	300,000,000,000	3,931,357,837	0.0262	250,000,000,000	6,554,326,000	2019
0.0280	250,000,000,000	7,005,133,190	-4.9236	300,000,000,000	1,477,089	0.1418	250,000,000,000	35,456,553,000	2020
0.0325	250,000,000,000	8,117,891,662	-0.0168	300,000,000,000	5,038,769,658	0.0520	250,000,000,000	13,009,256,000	2021
0.0506	250,000,000,000	12,651,511,991	-0.0171	300,000,000,000	5,131,100,435	0.0466	250,000,000,000	11,661,802,000	2022
0.0606	—	—	-0.0057	—	—	0.0654	—	—	overall average

Source: Compiled by the researcher utilising available reports from a selection of banks

The table below, which examines the corporate social responsibility (CSR) disclosure data of the banks in the study sample, indicates a discrepancy in their commitment to social standards. The Commercial Bank of Iraq distinguished itself as the most concentrated bank in this sector, achieving the highest overall disclosure rate of 20.289% in the initial year before stabilising at 17.390%. This was apparent in its pronounced focus on recruitment, training, and marketing, indicating a strategy designed to improve the bank's public image. The Gulf Commercial Bank had a stable and consistent disclosure level of 17.390% during the study period, with a marginal advantage in diversity and equal opportunities at 2.898% relative to other banks. This signifies a standard corporate transparency policy, although it does not extend to other domains such as health and safety or human rights. In contrast, Al Mansour Bank exhibited the lowest degree of social disclosure at merely 4.347%. Its social participation was confined to recruitment, marketing, and signage, with a total lack of other essential indicators. This indicates a deficiency in implementing comprehensive CSR strategies. All three banks exhibit comparable characteristics. The absence of transparency regarding critical issues such as labour relations, occupational health, and human rights indicates that social disclosure in the Iraqi banking sector prioritises promotional and employment facets over substantive social sustainability, potentially undermining investor confidence in the pursuit of comprehensive social transparency.

Table(3) for assessing the disclosure of information pertaining to the social dimension of banks within the research sample

Al- Ma nsu r	Al- Ma nsu r	Al- Ma nsu r	Al- Ma nsu r	Busi ness Bay	Busi ness Bay	Busi ness Bay	Busi ness Bay	Iraqi trad e	Iraqi trad e	Iraqi trad e	Iraqi trad e	Items
2.8 98 %	2.8 98 %	2.8 98 %	2.8 98 %	4.34 8%	4.34 8%	4.34 8%	4.34 8%	4.34 8%	4.34 8%	4.34 8%	4.34 8%	Employment
0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	Labor/Management

												Relations
0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	Occupational Health and Safety
0%	0%	0%	0%	4.34 8%	4.34 8%	4.34 8%	4.34 8%	4.34 8%	4.34 8%	4.34 8%	4.34 8%	Training and Education
0%	0%	0%	0%	2.89 8%	2.89 8%	2.89 8%	2.89 8%	1.44 9%	1.44 9%	1.44 9%	1.44 9%	Diversity and equal opportunities
0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	Non-discrimination
0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	Freedom of association and collective bargaining
0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	child labor
0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	Forced or compulsory labor
0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	security practices
0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	Indigenous peoples'

												rights
0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	Human Rights Assessment
0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	local communities
0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	Evaluating suppliers in relation to their impact on society
0%	0%	0%	0%	1.449%	1.449%	1.449%	1.449%	2.898%	2.898%	2.898%	2.898%	Public policy
0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	Customer health and safety
1.449%	1.449%	1.449%	1.449%	2.898%	2.898%	2.898%	2.898%	2.898%	2.898%	2.898%	5.797%	Marketing and labeling
0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	Customer privacy
0%	0%	0%	0%	1.449%	1.449%	1.449%	1.449%	1.449%	1.449%	1.449%	1.449%	Social and economic complianc

												e
4.3 4%	4.3 4%	4.3 4%	4.3 47 %	17.3 90%	17.3 90%	17.3 90%	17.3 90%	17.3 90%	17.3 90%	17.3 90%	20.2 89%	Total percentage s

Source: Compiled by the researcher from published reports of a sample of banks; the values (0%) represent the lack of explicit disclosure of the index.

The table below presents the earnings management indicators for the banks included in the study sample. There is a significant disparity in the levels of receivables and their correlation with operating cash flows, indicative of the differing accounting policies employed and the degree of dependence on estimated items in the preparation of financial statements. Al Mansour Bank exhibits a variation in the percentage change of working capital relative to cash flows, having reported negative cash flows in recent years. Nonetheless, the receivables ratios persisted at average levels, attaining 0.0269, suggesting efforts to manipulate earnings to reconcile the operating cash deficit and uphold a stable perception among shareholders. The analysis of the Commercial Bank of Iraq indicates substantial discrepancies and considerable volatility in its ratios. The accruals ratio transitioned from a negative value of -1.0550 in 2019 to markedly positive and negative values in the following years. This is an accounting metric indicative of aggressive earnings management via discretionary accruals to address considerable fluctuations in cash flows, which encountered a notable deficit in 2022. The data indicates financial and accounting instability at the Gulf Commercial Bank. The negative average ratios indicate a decline in the capacity to produce adequate operating cash flows to accommodate fluctuations in working capital. This necessitates that management regularly utilise earnings management techniques to enhance the bank's financial performance. These results suggest that banks with inadequate real cash flows are more likely to engage in earnings management through the manipulation of accrual accounting timing. This elucidates the variations in investor confidence in these institutions, as discerning investors recognize that earnings derived from accounting accruals possess inferior quality compared to those generated from actual cash flows

Table(4) for Measuring Earnings Management in Banks within the Research Sample

Al Mansour Bank						
( $\Delta WC / CFO$ ) t-1 (6)	CFO (5)	$\Delta WC$ (4)	( $\Delta WC / CFO$ ) t-0 (3)	CFO (2)	$\Delta WC$ (1)	Year
-43045709395	0.3932	4024328959	0.0153	26159369545 9	0.3778	2019
- 17225609639 7	-0.0420	-16928133390	0.3932	-43045709395	-0.4352	2020
- 55366615743 7	0.0086	7245739968	-0.0420	- 17225609639 7	0.0506	2021
-73288908768	-0.0325	-4770880993	0.0086	- 55366615743 7	-0.0411	2022
-45927082748	0.0200	-2442559351	0.0269	-43255359579	0.0029	average
Commercial Bank of Iraq						
( $\Delta WC / CFO$ ) t-1 (6)	CFO (5)	$\Delta WC$ (4)	( $\Delta WC / CFO$ ) t-0 (3)	CFO (2)	$\Delta WC$ (1)	Year
21364643000	-0.6279	-7868740000	-1.0550	7458094000	0.4271	2019
88682288000	0.4032	-13415608000	-0.6279	21364643000	1.0311	2020
- 11353116300	-1.6214	35762636000	0.4032	88682288000	-2.0247	2021

0						
33585248000	-5.0014	18408633200 0	-1.6214	- 11353116300 0	-3.3800	2022
13224982428	-1.0385	29378799423	-0.2785	4177863659	-0.7599	average
Gulf Commercial Bank						
( $\Delta$ WC / CFO) t-1 (6)	CFO (5)	$\Delta$ WC (4)	( $\Delta$ WC / CFO) t-0 (3)	CFO (2)	$\Delta$ WC (1)	Year
6287320440	-0.9673	-8286913759	-4.5783	1810025906	3.6110	2019
-18048171856	-0.1176	-6081763749	-0.9673	6287320440	0.8497	2020
27764316365	0.1243	2123966590	-0.1176	-18048171856	0.2419	2021
35056205788	-0.1857	3451896422	0.1243	27764316365	-0.3100	2022
12764917684	- 0.28657 5	-2198203624	- 1.38472 5	4.453E+09	1.0981 5	average

Source: Compiled by the researcher utilising available reports from a selection of banks

Assessing the correlation among variables for a sample of banks (Commercial, Gulf, Al Mansour)

The correlation analysis results reveal a robust and statistically significant positive relationship between Commercial Bank and Al Mansour Bank, evidenced by a Pearson correlation coefficient of 0.948 and a significance level of 0.014, signifying a genuine and strong positive correlation between the two entities. The findings indicate a weak and statistically insignificant negative correlation of -0.302 between Commercial Bank and Al Khaleej Bank, as well as a moderately strong yet statistically insignificant negative

correlation of -0.520 between Al Khaleej and Al Mansour. This indicates that the sole variable exhibiting a correlation is between the Commercial Bank and Al Mansour Bank.

Table (5) results of the correlation analysis between investor confidence and earnings per share (EPS) for banks in the research sample

Correlations

		Commercial	Gulf	Al-Mansur
Commercial	Pearson Correlation	1	-0.302	0.948 *
	Sig. (2-tailed)		0.621	0.014
	N	4	4	4
Gulf	Pearson Correlation	-0.302	1	-0.520
	Sig. (2-tailed)	0.621		0.369
	N	4	4	4
Al-Mansur	Pearson Correlation	0.948 *	-0.520	1
	Sig. (2-tailed)	0.014	0.369	
	N	4	4	4

\*. Correlation is significant at the 0.05 level (2-tailed).

The correlation analysis between investor confidence and earnings per share for the banks in the research sample reveals a strong positive correlation, statistically significant at the 0.01 level for all banks. The Commercial Bank and the Gulf Bank exhibit the highest positive correlation of 0.946, with a significance level of 0.000, indicating a strong relationship between the two variables. Simultaneously, Al Mansour Bank exhibited robust positive correlations with the Commercial Bank and the Gulf Bank, attaining values of 0.643 and 0.630, respectively, at statistically significant levels. This affirms that the enhancement in earnings per share is intrinsically associated with bolstering investor

confidence across all banks in the research sample, albeit to differing extents, with the most significant increases observed in the Commercial Bank and the Gulf Bank.

Table( 6) of results of the correlation analysis between the variable (social axis) of the banks in the research sample

### Correlations

	Commer cial	Gulf	Al- Mansur
Comm Pearson ercial Correlation	1	946 **	643
Sig. (2-tailed)		000	003
N	19	19	19
Gulf Pearson Correlation	946 **	1	630 **
Sig. (2-tailed)	000		004
N	19	19	19
Al- Mansu r Pearson Correlation	643	630 **	1
Sig. (2-tailed)	003	004	
N	19	19	19

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The research sample demonstrates a total lack of statistical significance in all relationships, as all significance levels (Sig) exceeded 0.05. This signifies that the earnings management practices of each of the three banks are autonomous and do not adhere to a cohesive or interrelated framework. Despite a seemingly

robust positive correlation coefficient of 0.881 between Commercial Bank and Gulf Bank, it was not statistically significant (0.119). Simultaneously, Al Mansour Bank exhibited minimal and statistically insignificant positive correlations with both Commercial Bank (0.337) and Gulf Bank.(0.280)

Table (7) of results of correlation analysis related to the variable (earnings management) for banks in the research sample.

### Correlations

		Commer cial	Gulf	Al- Mansur
Comm ercial	Pearson Correlation	1	881	337
	Sig. (2-tailed)		119	663
	N	4	4	4
Gulf	Pearson Correlation	881	1	280
	Sig. (2-tailed)	119		720
	N	4	4	4
Al- Mansu r	Pearson Correlation	337	280	1
	Sig. (2-tailed)	663	720	
	N	4	4	4

### Conclusions

- 1- Al Mansour Bank attained the highest average earnings per share (0.0654), indicating robust confidence and stability, whereas Gulf Commercial Bank

exhibited a notable decline with a negative average (-0.0057) due to the earnings disparity relative to the number of shares.

- 2- Disclosure in Iraqi banks predominantly emphasises conventional elements (employment and training) at minimal rates, with the Commercial Bank exhibiting the highest disclosure rate (20.289%), whereas Al-Mansour Bank demonstrates the lowest rate (4.34%), accompanied by a total lack of disclosure regarding human rights and local communities.
- 3- Evidence suggests that banks, particularly Gulf and Commercial institutions, are engaging in profit management through the manipulation of accounting receivables to address operational cash shortfalls or enhance their financial presentation to shareholders.
- 4- The analysis revealed a robust positive correlation (0.948) between the Commercial Bank and Al Mansour Bank regarding investor confidence, whereas no statistical significance was found in the profit management relationships among the three banks, indicating that each bank adheres to an independent pattern in this regard.

- **Recommendations**

- 1- Banks, particularly Al Mansour Bank, should expand their disclosures to encompass human rights, environmental, and community responsibility matters to improve their public perception and guarantee sustainability. To enhance social transparency
- 2- It is essential to enhance internal controls and external audits to mitigate the manipulation of accounting entitlements and to guarantee that reported profits accurately represent the bank's actual operating cash flows.
- 3- Gulf Commercial Bank is advised to reassess its capital structure and rectify the disparity between net profits and the substantial number of shares to enhance earnings per share and subsequently restore investor confidence.
- 4-The shift from arbitrary or selective disclosure to systematic and thorough corporate disclosure that conforms to international standards for social responsibility.

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