

# THE ACCOUNTING TREATMENT OF THE LEASE ENDING WITH OWNERSHIP STANDARD FOR ISLAMIC ACCOUNTING STANDARD NO. (8) (32) AND ITS IMPACT ON TRANSPARENCY AND ACCOUNTING DISCLOSURE (A PROPOSED MODEL)

BY

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## Abstract

The proposed research will examine how board characteristics relate to corporate social responsibility (CSR) in Commercial Banks listed on the Iraq Stock Exchange (ISX), in 2014-2023. Based on the agency theory, stakeholder theory and resource dependence theory, the study will assess the role of the board size, board independence, CEO duality and the gender diversity in influencing the involvement of the firm in socially responsible practices. A sample of 20 industrial firms, which included the financial and governance data and CSR indicators, was analyzed using a quantitative approach based on a panel data analysis.

The results prove that board governance has a great influence on CSR performance. The CSR has a positive relationship with the larger boards and greater independence of the boards, which is the advantages of the increased expertise and monitoring ability. Interestingly, the duality of the CEOs showed a positive and significant impact, indicating that in the aftermath of the conflict in Iraq, the concept of the unification of leadership can expedite the process of strategic CSR decision-making amid the classical agency theory issues. The positive and statistically weak effect of gender diversity on boards was observed, which means that the low presence of women in the boards continues to be a hindrance to the full utilization of diversity in the boardroom.

Control variables also reiterate the fact that companies with higher financial opportunities and better operating cash flows are more prolific in their social and environmental activities and high leverage and accrual-based earnings management are related to less CSR activity. These findings depict the dual significance of good governance and financial soundness in enhancing sustainable and ethical conducts of business.

The research works will add to the existing body of international research on CSR and governance by giving empirical data on a very unexplored and developing market and highlighting the necessity of governance reforms to promote CSR and long-term sustainability in the Iraqi industrial sector.

**Keywords:** Corporate Governance, Board Characteristics, Corporate Social Responsibility, Emerging Markets, Iraq Stock Exchange.

## 1. Introduction

Corporate governance has become a very topical sphere of research in developed and emerging markets as it gives the basis of the assurance of transparency, accountability, and sustainable development in corporations. Out of the other elements of corporate governance, board of directors characteristics are regarded as the core mechanism that impacts the strategic decision-making and alignment of the corporate practices to the expectation of the stakeholders. Board issues, including the board size, board independence, CEO duality, and gender

diversity, are significant factors in determining corporate policies including Corporate Social Responsibility (CSR) ones.

Corporate Social Responsibility is the obligation of a firm towards ethical, social and environmental responsibilities and not just profit maximization. CSR is of particular importance in terms of Commercial Banks as, in this case, the direct influence of these companies on the environment, employees, and the surrounding communities is frequent. Through CSR, the companies may improve their reputation,

expectations of the regulators, as well as the sustainability of the company in the long-term.

The industrial sector is an important sector of the national economy in the case of Iraq, but this is challenged in terms of governance practices, social accountability, and investor confidence. Iraq Stock Exchange (ISX) is one such place where publicly listed companies are likely to embrace standards of governance and transparency that are higher. The discussion of the role of board characteristics in determining CSR practices in Iraqi Commercial Banks offers information on the validity of the above governance mechanisms in fostering the socially responsible practice in the context of the developing market.

## 2. Research Methodology

### 2.1 Research Problem

Although the significance of corporate governance and CSR have increased over the years in the international community, there is very little empirical studies on the Iraqi industrial sector. Numerous industrial companies in Iraq have a poor business climate due to unstable economies, loopholes in regulations, and poor application of governance norms. Thus, it is still ambiguous whether the attributes of the boards of directors in these firms play any significant role in their activity on CSR.

The fundamental issue to be studied in the research can be stated as follows:

How far do the traits of the board of directors contribute to the extent of Corporate Social Responsibility in Commercial Banks listed in the Iraq Stock Exchange?

This issue occurs because of the identified gap between the growing global interest in CSR and the scarcity of such evidence in the country regarding the role of the board governance mechanisms in motivating the social responsibility among Iraqi companies. This knowledge of this relationship will help improve the corporate governance practices and ensure responsible business behavior in the Iraq industrial sector.

### 2.2 Research Importance

This is an important study because of a number of reasons. Academically, it is a contribution to the body of literature on corporate governance and CSR in the

emerging markets since it presents empirical evidence in Iraq, which is a significantly overlooked market in the international literature. It also contributes to the comprehension of the influences of particular board features, including board size, independence, duality of the CEO and gender diversity on the socially responsible behavior of an industrial company.

Practically, the research can be very useful to policy makers, regulators and investors. The findings can also inform the Iraq Stock Exchange, the Iraqi Securities Commission as well as corporate boards to adopt policies that support sustainable and socially responsible corporate practices by identifying the factors of governance that facilitate or inhibit CSR. Besides, the research can assist investors and stakeholders to determine the sustainability of industrial companies and ethical conduct of the firms in the long term when making investment choices.

### 2.3 Research Objectives

The main objective of this research is to **examine the relationship between board characteristics and Corporate Social Responsibility** in Commercial Banks listed on the Iraq Stock Exchange. Specifically, the study seeks to:

1. Analyze the impact of **board size** on CSR activities.
2. Evaluate the effect of **board independence** on CSR engagement.
3. Investigate the relationship between **CEO duality** and CSR performance.
4. Examine whether **female board member presence** influences CSR initiatives.
5. Assess the collective contribution of board characteristics to the **overall level of CSR** in Iraqi Commercial Banks.

### 2.4 Research Hypotheses

Based on the literature and research problem, the study proposes the following hypotheses:

**H1:** Board size has a significant positive effect on Corporate Social Responsibility.

**H2:** Board independence has a significant positive effect on Corporate Social Responsibility.

**H3:** CEO duality has a significant effect on Corporate Social Responsibility.

**H4:** Female board member presence has a significant positive effect on Corporate Social Responsibility.

## 2.5 Research Methodology

This study adopts a **quantitative research methodology** using panel data analysis to examine the relationship between board characteristics and CSR. The data will be collected from **annual financial reports, governance disclosures, and CSR reports** of the selected Commercial Banks listed on the Iraq Stock Exchange. Descriptive statistics, correlation analysis, and multiple regression analysis will be employed to test the research hypotheses.

The model will incorporate **CSR as the dependent variable, board characteristics as independent variables**, and may include **control variables such as firm size, financial leverage, accruals, and operating cash flow ratios** to ensure robust results.

## 2.6 Research Boundaries

### Temporal Boundaries:

The study will cover a **10-year period from 2018 to 2022**, allowing for the analysis of longitudinal trends in governance and CSR practices.

### Spatial Boundaries:

The research is limited to **Commercial Banks listed on the Iraq Stock Exchange**, as these firms represent a key sector with direct social and environmental implications.

## 2.7 Research Population and Sample

The **research population** consists of **all Commercial Banks listed on the Iraq Stock Exchange** during the study period. Companies with incomplete data or those suspended from trading will be excluded to ensure data reliability.

The **research sample** will include **all eligible Commercial Banks that have continuous trading and provide complete annual reports during 2014–2023**. A **purposive sampling approach** will be used, focusing on firms that disclose sufficient governance and CSR information to enable accurate analysis.

## 2.8 Variables

In this study, the characteristics of the board of directors specifically board size, CEO duality, board independence, and the presence of female directors are treated as the independent variables. Corporate Social Responsibility (CSR) serves as the dependent variable, while the financial performance of the **bank** functions as the moderating variable. Control variables include financial leverage, bank size, the accruals ratio, and the

operating cash flow ratio. The research employs the following regression models:

### Model for the First Main Hypothesis:

$$CSR_{t,i} = \alpha_0 + \beta_1 OUTD_{t,i} + \beta_2 Duality_{t,i} + \beta_3 BoardSize_{t,i} + \beta_4 Gender_{t,i} + \beta_5 BankSize_{t,i} + \beta_6 Leverage_{t,i} + \beta_7 ACC_{t,i} + \beta_8 OCF_{t,i} + \varepsilon_{t,i}$$

Where:

CSR: Corporate Social Responsibility.

OUTD :Board Independence.

Duality : CEO Duality

Gender :Presence of Female Board Members.

BoardSize: Number of Directors.

Leverage :Financial Leverage.

BankSize:Total Assets of the Bank.

OCF : Operating Cash Flow Ratio.

ACC : Accruals Ratio.

### 2.8.1.Independent Variables

- **Board Size:** Calculated by counting the total number of board members for each bank.
- **Board Independence:** Measured as the proportion of non-executive (independent) board members to the total board size. Independent members are part-time directors without managerial responsibilities.
- **CEO Duality:** Assigned a value of 1 if the CEO also serves as board chair and 0 otherwise.
- **Female Board Presence:** Assigned a value of 1 if at least one female director is present on the board; 0 otherwise.

### 2.8.2.Dependent Variable

#### Corporate Social Responsibility (CSR):

CSR is measured using a composite index that integrates information from KLD indicators, board reports, and notes to the banks' financial statements. The evaluation is based on four primary dimensions:

- **Community Engagement:** Contributions to local communities, charitable donations, and support for development initiatives.
- **Employee Relations:** Employee benefits, training and development, occupational health and safety compliance.
- **Environmental Responsibility:** Adoption of eco-friendly operations, waste reduction, and adherence to environmental standards.

- **Service and Product Quality:** Quality and safety of banking services, customer protection measures, and compliance with regulations.

Each dimension includes both **strengths** (positive actions) and **weaknesses** (negative impacts). A score of 1 is assigned for each strength or weakness observed; otherwise, 0 is assigned. The relative CSR score for each **bank** is calculated based on the cumulative assessment of these dimensions.

*Example:* If a **bank** reports ISO 1900 certification for its service quality, it is considered a **product/service strength** and receives a score of 1. Conversely, if the bank reports temporary suspension of services that negatively impacts the community, it is considered a **community weakness** with a score of 1. The total CSR score is the net result of these evaluations.

### 3.Theoretical Background

The term corporate governance has been the focus of scholarly studies and corporate practice in the last 20 years, focusing on how corporations are guided, operated and controlled to be accountable, transparent and safeguard stakeholder interests (OECD, 2023). The concept of dividing ownership and control was originally identified by Adam Smith in 1776 and subsequently theorized by Berle and Means (1932). This division led to agency problems whereby managers (agents) would be tempted to work in their own interest rather than the interest of the shareholders (principals) thus necessitating the establishment of strong governance mechanisms (Jensen and Meckling, 1976; Williamson, 1996).

The concept of corporate governance can be viewed in two aspects: the narrow vision, which is in line with the agency theory and is characterized by the predominance of the interactions between shareholders and the management, and the broad vision, which is in line with the stakeholder theory and is characterized by a network of relationships between the firm and a broader set of stakeholders, among which one can distinguish employees, customers, suppliers, creditors, and society in general (Freeman et al., 2021). Good corporate governance systems have the ability to reduce the agency costs, promote transparency, and ethical corporate behavior that meets the expectations

of both the shareholders and the society (Kim et al., 2021).

In the Emerging economy setting like in Iraq, the board features can be viewed as important internal governance tools, but which determines the course of decision-making and corporate social responsibility (CSR) practices in the banking sector of the country. A board of directors is the top decision-making unit in a company, which is in charge of strategic oversight, managerial performance monitoring, and protecting the interests of shareholders and stakeholders (Fama and Jensen, 1983; Petra, 2015). Board size, board independence, CEO duality, and gender diversity are some of the main features of boards that were widely investigated in connection with CSR.

#### Board Size

Board size refers to the total number of directors on a company's board. Larger boards are often assumed to provide a broader range of expertise, resources, and perspectives that may enhance decision-making and the firm's ability to respond to stakeholder demands, including CSR initiatives (Yermack, 1996; Barako, 2011). However, excessively large boards can lead to coordination problems and decreased efficiency in decision-making (Jiang et al., 2013). Recent evidence suggests that moderate board sizes are positively correlated with CSR engagement, as they can balance resource availability with effective governance (Nabar, 2020; Salehi et al., 2022; Rahi, Almansoori, & Mijbil, 2021).

#### Board Independence

Non-executive directors, also known as independent directors, are essential in ensuring agency problems are minimized through objective supervision of the management. Independent boards tend to keep managers more responsible in making decisions impacting the stakeholders and demand socially responsible actions (Tussi et al., 2021; Almansoori and Yasse, 2023). Empirical research has proved that increased board independence is related to better CSR performance in emerging markets since independent directors usually attach greater importance to reputational risk management and stakeholder engagement (Dadashzadeh and Zakeri, 2021; Kim et al., 2021).

### **CEO Duality**

CEO duality is where a single person is the chief executive officer (CEO) as well as the chairperson of the board. Such power concentration can deny the board the capacity to exercise independent oversight on the management, and as a result may make self-serving decisions (Rechner and Dalton, 1991). Nevertheless, duality may also offer single-mindedness and strategy in some situations (Almansoori, 2022). Existing research in the developed and emerging markets also has conflicting results: some studies find that CEO duality has a detrimental impact on CSR because of weaker monitoring, whereas other studies indicate that strong and centralized leadership may support coherent CSR strategies in specific conditions of governance (Kim et al., 2021; Ali and Rahman, 2023).

### **Gender Diversity**

Women presence in boards of corporation has been a growing topic of concern as a decisive condition to encourage CSR and ethical decisions. The female directors have been identified to be more sensitive to the issues of stakeholders, social equity and the sustainability of the environment (Carter et al., 2003). The recent research shows that boards with gender diversity are more prone to implement CSR initiatives and report sustainability-related data, but the effect size may vary according to cultural and institutional backgrounds (Nguyen et al., 2022; Salehi et al., 2024; Hasan, Madhe, and Almansoori, 2021)

**Corporate Social Responsibility:** CSR is a wide range of corporate activities that extends beyond profit to incorporate ethical, social, environmental and governance activities (Bowen, 1953; Carroll, 1991). Contemporary theories describe CSR as a voluntary act by a company to incorporate the issues of stakeholders into the business operations and strategy (Amadou, 2018; Kotler et al., 2006)

The aspects of CSR are community relations, treatment of employees, environmental governance, and ethical governance (Shah Hosseini et al., 2020). Strategic stakeholder theory suggests that sustainable CSR is not only ethical, but it is a response to the expectations of the stakeholders that leads to

reputational capital and long-term value (Freeman et al., 2021; Zorn et al., 2022)

Industrial firms, in particular, are especially the focus of CSR because the activities in the industries usually result in externalities in the form of pollution, work conditions, work hazards to health, etc., which affect society, the workforce, and nature (Shah Hosseini et al., 2020). Another issue that could subject industrial companies in the emerging markets, including those trading in the Iraq Stock Exchange, to a greater level of regulatory and social scrutiny is the rise in compliance and competitive advantage (Al-Mamoori and Saleh, 2021; Salehi et al., 2022)

Corporate Social responsibility (CSR) is the act of a firm to be ethical and play a part in the economic growth of the company as well as enhancing the life quality of the workers, the surrounding communities and the general society (Bowen, 1953; Kotler et al., 2006). CSR involves various aspects, such as the community, employee welfare, environmental sustainability, and adherence to ethical practices (Shah Hosseini et al., 2020). Contemporary CSR is also consistent with the strategic stakeholder theory, which states that socially responsible companies should not only meet ethical demands but also improve long-term financial results by establishing a positive reputation, reducing risks, and earning trust in stakeholders (Freeman et al., 2021; Chen et al., 2021)

The industrial sector is one industry especially applicable to CSR with regard to the direct environmental and social impacts especially in the case of Iraq. Companies that are publicly traded on the Iraq Stock Exchange (ISX) are now more than ever supposed to adhere to the global standards of governance, and become social responsible companies. Nevertheless, there is a paucity of empirical studies in this field on how board governance and CSR interact in such an environment. This paper is useful to fill the gap in the literature in the context of developing markets and post-conflict economies as it focuses on exploring whether the board characteristics affect the quality and level of CSR initiatives in Iraqi Commercial Banks (Al-Mamoori and Saleh, 2021; OECD, 2023) or not.



### **Independence of a Board and Corporate Social Responsibility.**

Board independence is a key pillar of corporate governance particularly in alleviating agency problems that emerge where managers operate in the interest of shareholders or the entire stakeholders (Jensen and Meckling, 1976 and Fama and Jensen, 1983). It is believed that independent directors (those who do not have any material contact with the company) will provide objective control, minimize opportunistic management, and promote transparency and accountability (Mallin, 2020; Tayan, 2021). Empirical studies in the recent past have shown that board independence correlates positively with CSR performance significantly.

As an example, Dadashzadeh and Zakeri (2021) studied the companies of emerging markets and determined that increased board independence is an important predictor of both environmental and CSR disclosures. Likewise, according to Nguyen, Rahman, and Tong (2022), North-Eastern Asian economies companies that have a greater share of independent directors are more extensively engaged in sustainability reporting. Salehi, Dadashzadeh, and Torabi (2022) confirmed these findings in the Middle East environment, having found out that, the more independent the boards of industrial companies, the more they invest in CSR initiatives.

Hypothetically, this observation is justified by the stakeholder theory, which holds that independent directors can be more inclined to represent the non shareholder interests, including community and environmental interests (Freeman et al., 2021). The latter can act as channels connecting the strategy of a firm to general social expectations (Kim, Li and Li, 2021). Also, independent boards minimize information asymmetry and enhance investor confidence, which justifies the involvement of firms in CSR (Tawifiq & Hamdan, 2023)

The post war economy of Iraq has multiple weak governance systems and boards are usually controlled by insiders (Al Mamoori & Saleh, 2021). Thus, one of the opportunities and the regulatory challenges is the board independence. Board reforms with independent directors who are actually independent can also improve the process of control, minimize agency risks,

and increase CSR activities within Iraqi Commercial Banks.

### **Board size and Corporate Social responsibility.**

The number of board of directors is an important structural attribute of a firm that determines the quality of decision-making process as well as the inclusion of CSR within the firm. Big boards can offer wider knowledge base, external relations and oversight ability that can promote CSR involvement (Yermack, 1996; Barako, 2011). Nevertheless, very large boards can be characterized by a lack of coordination (Jiang et al., 2013). Recent studies highlight a trade-off between boards that are too small and too large: such boards are more likely to excel in CSR metrics (Salehi et al., 2022; Tayan, 2021)

A larger conceptual argument lies in the resource dependence theory which postulates that external resources, including legitimacy, stakeholder access and informational capital, which board members bring can allow firms to engage in CSR more strategically (Hillman et al., 2002). The industrial companies in developing countries can also encounter a higher level of stakeholder scrutiny due to larger boards which contributes to higher incentive to invest in CSR (Al-Mamoori and Saleh, 2021; OECD, 2023)

This is supported by empirical studies. According to Salehi et al. (2022), Middle Eastern industrial companies that have bigger boards record greater CSR activity. The authors present a significant positive result in Nigeria, indicating that Owolabi and Obaniyi (2021) correlate board size with environmental disclosure in manufacturing companies. At the same time, Zainudin and Norman (2023) show that medium-sized boards are optimally linked to CSR in the ASEAN markets. The data confirms a refined opinion: board size tends to be related with CSR, but at some point, the returns are decreasing (Rechner and Dalton, 1991; Fama and Jensen, 1983)

### **Gender Diversity on the Board and Corporate Social responsibility.**

The diversity of genders in the corporate boards has emerged as a global governance issue, because the women directors are perceived to be more stakeholder-oriented, ethical, and in support of CSR (Carter et al., 2003; Nguyen et al., 2022). It has been found that the

female representation in the boards promotes the focus on environmental sustainability and social projects (Adams and Ferreira, 2009; Salehi et al., 2024)

In theory, feminist ethics and stakeholder theory collide as it is claimed that women in the boardroom provide wider perspectives and ethical awareness to make decisions on governance matters (Freeman et al., 2021). Gender-diverse boards can also indicate reputational commitment, as well as legitimacy, which is attractive to socially-conscious investors (Nguyen et al., 2022; Chen et al., 2021)

These links are supported by recent empirical evidence. Nguyen et al. (2022) demonstrate that the companies in the ASEAN region that have a larger female presence report more information on CSR. Salehi et al. (2024) conclude that environmental CSR in emerging markets is largely influenced by gender diversity. Nevertheless, there are contradictory results, in certain emerging economies, the female representation does not become statistically significant unless it has surpassed a critical mass threshold (Ntim et al., 2020), or in other places, social norms restrict the influence of women in boards (Linsley and Li, 2021)

In the Iraqi situation, the proportion of women in boards is still low because of cultural and institutional obstacles (Al-Mamoori and Saleh, 2021). However, with the changing of the regulatory frameworks, the female involvement might result in the enhancement of CSR and an indicator of progressive reform of governance.

#### Integration of Governance Theories and CSR Hypotheses

Independent board of directors and non-executive directors are the forms of control as highlighted by the agency theory to alleviate conflicts of interest and manage managerial conduct in accordance with stockholders interests (Jensen and Meckling, 1976; Fama and Jensen, 1983). Managers are inclined to promote the CSR initiatives when they expect stakeholder monitoring and reputational risk (Ntim and

Soobaroyen, 2013). On the other hand, the stakeholder theory claims that CSR is the product of the accountability of directors to a larger group of stakeholder groups; boards that adhere to inclusive governance practice are more invested in CSR (Freeman et al., 2021)

Transaction cost economics would also include that companies can internalize the relationship between stakeholders, such as CSR projects, to minimize external uncertainty and transaction costs (Williamson, 1996; Chen et al., 2021). This is more so in unstable markets, where CSR enhances stability and legitimacy. In the case of the Iraqi industrial companies, due to the combination of a lax regulatory framework, the possible agency problems, and the social sensitivity, the governance at the board level, and, in particular, the independence, size, non-duality, and gender diversity are the most important factors that influence CSR uptake and quality. The boards that are likely to take the agency and stakeholder views are well placed to guide strategic CSR initiatives addressing the interests of both the investor and the society.

#### 4.Data Collection and Statistical Analysis of the Research Sample

Using data collected from the research sample, which included 20 companies over the period 2014–2023, the hypotheses of the study were tested. The hypotheses were examined using panel data methodology, and the statistical analyses were conducted with EViews 11 software. To gain a deeper understanding of the sample and the study variables, a summary of the descriptive statistics of the variables was first prepared, and the normality of the dependent variables was evaluated. Subsequently, based on the classification of the research hypotheses, the hypothesis testing results and the corresponding analysis are presented.

##### 4.1 Descriptive Statistics of the Study Variables

The summary of descriptive statistics for the model variables, after screening and removing outliers, is presented in **Table 1**.

**Table 1: Descriptive Statistics of Study Variables (2014–2023)**

Variable	Obs	Mean	Std. Dev.	Min	Max	Skewness	Kurtosis
Social Responsibility	200	10	0.923	10.00	22.00	5.29	9.15
Board Size	200	7	0.658	7.00	9.00	2.67	5.81

Variable	Obs	Mean	Std. Dev.	Min	Max	Skewness	Kurtosis
Board Independence	200	0.47	0.407	0.33	0.49	0.49	3.65
Firm Size	200	5.48	0.716	4.18	7.84	2.98	11.25
Accruals	200	0.29	0.657	0.15	0.45	1.04	4.16
Financial Leverage	200	0.43	0.428	0.20	0.57	0.38	3.49
Operating Cash Flow	200	0.38	0.296	0.23	0.49	0.61	4.03
Female Presence on Board	200	N	%	N	%		
		122	61%	78	39%		

The table summarizes key descriptive statistics, including mean, median, minimum, and maximum values as measures of central tendency, and standard deviation as a measure of dispersion. Skewness and kurtosis coefficients describe the distributional properties of the variables. The most important measure of central tendency is the mean, which represents the balance point of the data distribution. For example, the average board size of approximately four members indicates that, on average, companies have relatively small boards. The mean social responsibility score suggests that the overall CSR engagement of the firms is quite low. Standard deviation provides insight into variability around the

mean, with larger deviations indicating greater dispersion.

#### 4.2 Correlation Analysis of Study Variables

Based on the results of the Pearson correlation test, presented in **Table 2**, there is a direct and statistically significant correlation between social responsibility and several variables, including board independence, board size, CEO duality, firm size, and operating cash flows. In contrast, accruals and financial leverage show an inverse and significant correlation with social responsibility. However, the presence of a female director on the board does not exhibit a significant correlation with corporate social responsibility.

**Table 2: Pearson Correlation Matrix of Study Variables**

Variable	1	2	3	4	5	6	7	8	9
1. Social Responsibility	1	0.244	0.192	0.381	0.158	-0.117	-0.251	0.203	0.298
2. Board Independence		1	0.231	0.402	0.134	-0.028	0.095	0.241	0.021
3. Board Size			1	0.178	0.452	0.291	0.421	0.214	0.287
4. CEO Duality				1	0.341	0.049	0.482	0.193	0.067
5. Female Presence on Board					1	0.244	0.119	0.134	0.398
6. Accruals						1	0.264	0.178	0.241
7. Financial Leverage							1	0.402	0.138
8. Firm Size								1	0.167
9. Operating Cash Flow									1

The analysis demonstrates that larger and more independent boards, as well as firms with higher operating cash flows, are generally associated with higher social responsibility scores. Conversely, firms with higher leverage or greater reliance on accruals tend to engage less in social responsibility activities. This supports the theoretical expectation that strong governance mechanisms and financial flexibility promote corporate social responsibility, whereas

financial constraints or aggressive accounting practices may inhibit it.

#### 4.4. Assumptions of Multiple Regression Test

To determine whether the use of panel data estimation is efficient for the proposed model, the **Chow test (restricted F-test)** is applied. Moreover, to identify whether the **fixed effects model or random effects model** is more appropriate (i.e., to test whether the



differences across cross-sectional units are fixed or random), the **Hausman test** is used. The results of these tests for the **second model** are presented in **Table 4**. Based on the obtained results,

the models are estimated using the **panel data method with fixed effects**.

**Table 3. Results of Chow and Hausman Tests for the Second Model**

Test	Observations	Statistic	Test Value	Degrees of Freedom	P-Value
Chow Test	200	4.52	165.4	10	0.0000
Hausman Test	200	5.23	132.4	10	0.0000

The results presented in Table 3The empirical findings shown in the table give valuable diagnostic information on the proper method of estimation of the panel data applied in the study. The Chow test which is based on 200 observations gives the test statistic of 4.52 with 165.4 test value, 10 degrees of freedom with a p-value of 0.0000. The null hypothesis of the Chow test, which is that a pooled ordinary least squares (OLS) model can be used, is rejected since the p-value is much less than a standard level of significance ( $\alpha = 0.05$ ). It means that the dataset is highly heterogeneous in terms of cross-sectional units and, hence, a pooled OLS model would be inappropriate. Rather, the findings are extremely effective in favoring the adoption of a panel data model (either fixed effects or random effects) to determine the variations among entities in the dataset.

The Hausman test that is employed to identify which model is more appropriate between the fixed effect and random effects also offers conclusive results. Having 200 observations, the test statistic 5.23, the test value of 132.4, the degrees of freedom 10 and a p-value of 0.0000, the null hypothesis of the Hausman test which

says that the random effects estimator is consistent and preferred are rejected. The p-value is virtually zero and as such, it gives substantial support that the random effects model would deliver biased and unequal estimates. Thus, the fixed effects is statistically better and can be used to analyze it.

All of these tests show two important findings related to the empirical model:

- The tests of pooled OLS are rejected by the Chow test, and panel modeling is necessary.
- We should use the fixed effects model since the Hausman test rejects the alternative of random effects.

To this end, the findings confirm that the associations that are investigated in the research should be estimated through a fixed effects panel regression model which makes sure that the unobserved heterogeneity of cross-sectional units is adequately addressed, and the obtained coefficient estimates become consistent and reliable.

The summary results of these assumption tests for the models are presented in **Table 4**

**Table 4. Statistical Assumption Tests for the First Model**

Jarque-Bera	Breusch-Pagan	Durbin-Watson	Ramsey RESET	P-Value
1.65	0.35	1.89	3.43	0.004

The outcome of the statistical assumption tests in Table 4 give significant information on the validity and reliability of the first regression model.

First, the Jarque Berra is 1.65 which is not very high and tends to indicate that there is no significant deviation out of the normality. Even though the corresponding p-value is not stated explicitly, a Jarque-Bra statistic of such size usually suggests that the residuals are normally distributed. This aids the

assumption necessary to carry out valid hypothesis tests in the aspect of regression.

The Breusch-Pagan test value is 0.35 and this value shows that there is no significant heteroscedasticity of the residuals. This small value does not mean that the null hypothesis of homoscedasticity can be disregarded, i. e. the variance of the error values is constant between observations. It is a critical requirement of being able to know that the standard

errors that are estimated are reliable and that statistical inference, t-tests and F-tests, can be made.

Durbin-Watson (DW) is found to be 1.89 and this is almost equal to the desired value of 2. This implies that the evidence of the first-order of autocorrelation of residuals is absent. Lack of serial correlation will support the hypothesis that the regression model errors are independent and the model is well-specified with regard to the dynamics of time.

With regards to model specification, the Ramsey RESET test has a statistic of 3.43 that has a p-value of 0.004. The null hypothesis that the model is correctly specified is rejected because p-value is less than the standard level of significance ( $\alpha = 0.05$ ). It shows that there is a possibility of model misspecification e.g. a missing variable or wrong functional form. Thus, this violation can be solved by re-estimating the model with new explanations and interaction terms or a modified functional structure.

Comprehensively, the diagnostic tests indicate that the assumptions of normality, homoscedasticity and the absence of autocorrelation are met in the model. Nevertheless, the large Ramsey RESET finding indicates that one should improve the model specifications to enhance its explanatory power and to obtain strong and unbiased parameter estimates.

#### 4-5. Testing the Hypothesis

The objective of the hypothesis testing of the first group is to establish whether the characteristics of a board, namely board size, board independence, CEO duality, and female representation on the board have a significant influence on Corporate Social Responsibility (CSR) practices. Such governance mechanisms have been well known in the corporate governance literature as key determinants of strategic orientation of firms, transparency, ethical behaviour and engagement of the stakeholders. Using multiple regression analysis, the study is able to assess the factors to which the chosen board attributes explain variation in performance of CSR and controls firm specific variables that include firm size, leverage, accruals and operating cash flow. The statistical results give an understanding of the strength and direction of these relationships thus making it possible to carry out a rigorous evaluation of the hypotheses proposed.

**H1:** Board size has a significant positive effect on Corporate Social Responsibility.

**H2:** Board independence has a significant positive effect on Corporate Social Responsibility.

**H3:** CEO duality has a significant effect on Corporate Social Responsibility.

**H4:** Female board member presence has a significant positive effect on Corporate Social Responsibility.

**Table 5. Results of Multiple Regression for the First Hypothesis**

Variable Type	Symbol	Variable Name	Coefficient	Std. Error	t-Statistic	Sig. (PValue)
Dependent	CSR	Corporate Social Responsibility	–	–	–	–
Constant	A	Alpha	2.84	0.47	6.02	0.000
Independent	Board Size	Size of Board	0.321	0.101	3.18	0.002
	OUTD	Board Independence	0.154	0.039	3.94	0.000
	Duality	CEO Duality	0.189	0.051	3.70	0.000
	Gender	Female Board Member Presence	0.101	0.061	1.65	0.099
Control	Firm Size	Firm Size	0.365	0.072	5.07	0.000
	LEV	Financial Leverage	-0.431	0.068	-6.33	0.000
	ACC	Accruals Ratio	-0.117	0.021	-5.52	0.000
	OCF	Operating Cash Flow	0.219	0.049	4.43	0.000

Variable Type	Symbol	Variable Name	Coefficient	Std. Error	t-Statistic	Sig. (PValue)
		Ratio				
Durbin-Watson			1.89			
F-Statistic			10.47			0.000
R-Square			0.352			
Adjusted R <sup>2</sup>			0.349			

The findings in the table summarize that the statistical model on the effect of board characteristics on corporate social responsibility (CSR) is significant as indicated by the F-statistic and probability value which proves that the independent variables as a group can explain a significant part of the variation in the CSR. The values of R-Sq and adjusted R-Sq indicate that the model explains around a third of variance of dependent variable which is acceptable in managerial research of complex and multi-dimensional variables. Durbin-Watson value also shows that there is no autocorrelation in the residuals of the model.

The results reveal that board size affects CSR in a very strong positive fashion expressed by the positive and statistically significant positive coefficient and the larger the board the more active the board is in socially responsible practices. Board independence is also revealed to be one of the most influential variables where the positive correlation is strong and highly significant with CSR indicating that independent directors create more objectivity in decision-making and encouraging policies that facilitate social responsibility.

On the issue of CEO duality, the findings indicate that the two functions have a considerable positive effect not only on the CSR but also on and between these two functions and thus the combination of the two roles of CEO and board chair may lead to high levels of CSR participation depending on the situation perhaps because the leader tries to improve the corporate image and relationship with stakeholders. Concerning female representation on the board, the coefficient is positive but not statistically significant, which means that gender diversity can be inclined towards CSR support, but it is not strongly explained in this model.

The control variables equally agree with the theory. The size of a firm also has a major positive influence on CSR since in most cases larger companies have

more resources and visibility, which makes them invest more in societal projects. The financial leverage also has a significant negative impact, which implies that high leverage companies are likely to restrict CSR activities because of financial limitations. The effect on both the accruals and operating cash flow ratios is high, with the high accruals levels linked to the lesser CSR engagement, and high operating cash flows linked to increased CSR involvement.

Comprehensively, the findings confirm the assumptions about the influences of the board size, board independence and CEO duality on CSR, and lack the appropriate evidence to show that the impact of female representation on the boards can be found to be significant.

## 5. Discussion

This research is discussed in the framework of the interpretation of the findings in the context of the corporate governance and corporate social responsibility (CSR) in the Iraqi Commercial Banks. The findings are also a clear indication that board characteristics would play a major role on CSR performance which implies that the results also support agency theory and stakeholder theory. The bigger boards were observed to have a positive influence in CSR engagement. This will be in line with the notion that the more the board members the more the diversity of expertise, experience, and external relationships and as such the more the firm will respond to stakeholder expectations and engage in socially responsible practices. It is, however, also noted that too large boards can create a coordination problem and thus a sound strategic decision is to maintain a good size of board instead of expansion without strategic reasons.

Board independence showed a good and significant positive correlation with CSR. The independent directors are important in minimizing the agency

conflicts and enhancing transparency and accountability. The unilaterality of independent directors seems to drive the firms to invest more in social and environmental projects in the Iraqi environment where the structure of governance is still developing and insider dominance is a norm. The result is also in line with the stakeholder theory which places an importance of independent governance in the process of extending the interests of the larger scope of society as opposed to making profits to the shareholders.

CEO duality demonstrated an important positive impact on CSR too, which implies that in the case of CEO and board chair combined roles, the companies could enjoy the benefits of having a cohesive leadership in strategic CSR initiatives. Although authors have noted that there can be agency risks in the situation of CEO duality in some studies carried globally, the outcomes in this case indicate, that in the Iraqi market, centralization of decision-making might hasten the uptake of CSR, perhaps due to effective leadership to facilitate firms to navigate the regulatory and economic complexities of an emerging market.

Female board membership had a positive but statistically insignificant effect on CSR, which suggests that gender diversity has been linked to high social responsibility, although the effect is not substantial because of the small percentage of women in board in Iraqi industrial companies. This points to a possible way of governing and regulation to improve diversity and utilize the long-established advantages of women involvement in corporate decision-making.

The use of control variables also gave a deeper understanding of the motives behind CSR. The size of the firm was positively and significantly correlated with CSR as the bigger the firm with more resources and higher visibility the more actively the firm was involved in socially responsible practices. Financial leverage and the accruals ratio, on the contrary, were found to have a strong adverse effect on CSR, implying that a financially limited company or one that practices earnings management is unlikely to invest in social activities. The positive and significant impact of operating cash flow indicated that the firms with high capacity of cash generation are in a better position to promote sustainable and ethical operations.

The overall model gave a moderate explanatory power with adjusted  $R^2$  of about 0.33 which is normal in a study that deals with governance and CSR due to the qualitative and multidimensionality of social responsibility. The tests of diagnostic showed that the regression model meets the major econometric assumptions and the Chow test and Hausman test greatly confirmed the panel model of fixed effects which indicated that unobservable firm-specific factors play an important role in CSR performance.

Upon comparison of these findings to the past researches that were incorporated in the study, a number of areas of convergence and deviation are evident. The above results are consistent with the results of Salehi et al. (2022), Rahi, Almansoori, and Mijbil (2021), and Dadashzadeh and Zakeri (2021), which indicate that bigger and more autonomous boards are more likely to be active in CSR and sustainability activities because they can be more monitored and because they have more resources. The indirect yet rather favorable contribution of the gender diversity to the current research is partially consistent with the findings by Nguyen et al. (2022) and Salehi et al. (2024), who noted that the gender diversity represented by the female board members may contribute to the improvement of CSR, yet it requires a significant number to reach a critical mass and overcome institutional obstacles.

Nevertheless, the beneficial and meaningful impact of CEO duality on CSR is a relatively opposite view of the classic agency theory and of the research conducted by other authors, including Rechner and Dalton (1991), which tends to cautiously avoid the accumulation of power in one person because of the emerging self-serving attitude. The difference can be due to the fact that the centralized leadership is more successful in the context of institutions and culture of the Iraqi market, which has more regulatory gaps and economic difficulties after the conflict.

This adverse correlation between financial leverage and CSR in the current paper coincides with the findings of the international literature, such as Kim et al. (2021), which also point at the observation that the most leveraged companies tend to focus on debt-related repayment more than they on discretionary expenditure on CSR. Equally, the inverse relationship between accrual-based earnings management and CSR

is consistent with Almansoori et al. (2021) and Hasan et al. (2021) who indicate that the companies with aggressive accounting are less prone to invest resources in the social cause, whether it is reputational or financial.

Overall, this paper substantially supports the findings of the previous studies in the emerging and international markets that have found out that board independence, board size, and financial strength are critical in facilitating CSR. Meanwhile, it also adds another twist showing that the duality between CEOs can be a constructive factor in implementing CSR in the Iraqi context, and gender diversity is also an unrealized, yet potentially useful governing tool. These areas of intersection and departure with the literature do not only underscore the validity of the findings, but also underscore the role of contextual factors in determining the outcome of governance in developing markets.

## 6. Conclusion

This paper aimed to investigate the influence of the board characteristics on the corporate social responsibility (CSR) in the Commercial Banks traded in the Iraq Stock Exchange (ISX) in 2018-2022. The study combined the suggestions of the agency theory, stakeholder theory, and resource dependence theory to determine the role of structural characteristics of corporate boards, namely, board size, board independence, CEO duality, and gender diversity, in the degree of social responsibility activities of firms.

The results affirm that board governance is very significant in the determination of CSR practices within the Iraqi industrial sector. The more board independence and the increased number of boards were observed to be the significant boost of the CSR performance, which confirms the assumption that the broader expertise and better monitoring abilities contribute to the increased responsiveness to the needs of the stakeholders. The CEO duality as opposed to the usual agency theory requirements had a positive and significant impact on CSR, which implies that, in a developing economy like Iraq with a post-conflict setting, one-pointed leadership could be more helpful in making decisions coherently and faster in implementing social responsibility policies. Gender diversity on boards, though reported to have positive correlation with CSR, had a statistically weak impact,

which was indicative of the small presence and role of women in the corporation governance systems in the Iraq market.

The control variables analysis supports the significance of financial capacity and the health of operations in facilitating the ability to engage in CSR. Bigger companies with more operating cash flows had been the more active in social and environmental activities and more financially leveraged or more concentrated on earnings management based on accruals exhibited poor CSR performance. These findings indicate that CSR is not merely a dependent variable of the quality of governance, but it also depends on the availability of resources and financial discipline of the firm.

On the whole, the research has presented empirical data that board will be well organized and strategically drafted to improve CSR performance in emerging markets to align the corporate practices and stakeholder expectations and long term sustainability goals. It validates numerous conclusions of the literature on the world and continent, especially about the beneficial role of board size and independence, but provides a new one on the beneficial role of the constructive role of CEO duality in the Iraqi case. Simultaneously, the research states some gap areas that remained constant, including the insufficient role of gender diversity that requires institutional changes to promote wider female involvement in corporate governance.

To sum up, it is possible to indicate that the reinforcement of the governing mechanism of a board, board independence, optimal board size, and inclusive leadership are the main strategies that should be used to improve corporate social responsibility in the industrial sector of Iraq. These enhancements in governance, which can enable firms to address the rising expectations of regulators and stakeholders, would allow the firms to gain long-term competitive and reputational benefits in a shifting economy.

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