
THE IMPACT OF EARNINGS QUALITY CONSIDERING SOCIAL RESPONSIBILITY ON FINANCIAL PERFORMANCE-AN ANALYTICAL STUDY IN THE IRAQI BANKING SECTOR

¹Researcher: Intisar Khalaf Khadr

Faculty of Economics and Management,
Department of Accounting, University of Sfax
Women0270@gmail.com

²Professor: Hoda Bin Mabrouk

GFC Laboratory University of Sfax – Tunisia
Houda.benmabrouk.ihecs@gmail.com

Abstract

The current research aims to demonstrate the impact of the quality of profits considering social responsibility on financial performance in the Iraqi banking sector, and to identify the nature of the relationships that bring together the variables. To achieve the objectives of the study, the researcher used the descriptive analytical approach, and Iraqi commercial banks were identified as a research community, and the study was chosen. Banks (Bank of Baghdad, Iraqi Investment Bank, Middle East Bank) as a research field in Iraq. It required surveying the opinions of managers and workers in the banks under study, including accountants and auditors. The research sample consisted of (managers in all bank departments, consultants, accountants, and auditors), and (45) questionnaires suitable for analysis were distributed. The use of the statistical package program (SPSS) and the program (Excel) in statistical analysis, and the use of the correlation coefficient and linear regression to demonstrate the correlation and influence relationships between the research variables. The research reached several results, the most important of which is the existence of significant and varying correlations and influence between the research variables (quality of profits, social responsibility and financial performance) in the banking sector. The research presented a set of recommendations, the most important of which is that the management of banks seeking to achieve social responsibility should establish its concept by codifying it in the internal systems of the banks to become an effective performance and alternative to environmental policy tools.

Keywords: quality of profits, social responsibility, financial performance.

Introduction

Financial performance represents great importance in banking institutions, given the scarcity of financial and economic resources, compared to the great need for them. One of the most important challenges that banking institutions face is how to optimally use these resources to

achieve their goals. Assessing and analyzing the financial performance of banks is considered one of the important tools that provides the necessary information for both internal and external parties interested in the bank's activity. On the other hand, corporate social responsibility has received increasing attention recently, as it has become an ethical basis and standard, and social responsibility is also one of the important matters for institutions. Banking, and falls within the scope of its activities, because investing in social responsibility activities is one of the matters that banks must take into consideration, especially in its impact on financial performance. Profits are one of the important items in the financial statements, due to the information it contains that indicates the level of the bank's financial performance. It is an indicator of future operating performance, in addition to financial information used to make future decisions.

The first Section - Research Methodology

First: the Research Problem

As a result of the global financial crisis and political turmoil in the Middle East and Iraq in particular, and their negative impact on the Iraqi banking sector, which depends primarily on accepting deposits from customers, which constitutes 85% of the nature of banks' work, which was reflected in the financial performance of banks in Iraq (Al-Ali et al. 2017). In response to this situation, there appears to be an urgent need to evaluate the financial performance of the Iraqi banking sector, and what factors can help improve the financial performance in the Iraqi banking sector. Many studies have indicated that the quality of earnings is considered one of the most important factors that can improve financial performance (Wwert and Wagenhofer, 2011), and a study (Steen, 2016) indicated that the quality of earnings has a positive effect on financial performance, given its importance in meeting the various objectives of stakeholders. The Authority contributes significantly to reducing information discrepancies between internal and external parties, and providing information that reflects the true financial position of the bank. The quality of profits is one of the important indicators on which current and potential investors of the bank rely. In addition to the quality of profits, non-financial data plays an important role in improving financial performance (Zhong and Gao, 2017). Banks disclose social information in order to improve their image and protect themselves from societal blame (Nour et al, 2020). Previous studies indicate that banks Those that disclose their social information have less information asymmetry and greater solidarity among stakeholders, which leads to improved financial performance. In the same context, (Zeng et al, 2019) indicated that disclosure of social responsibility is linked to financial performance in the long term, as participation in social activities increases customer loyalty. Therefore, this study came to answer the following questions:

1. Do the banks in the research sample differ in their adoption of the study variables?
2. Does the quality of earnings affect financial performance in the Iraqi banking sector?
3. Does the quality of profits affect social responsibility in the Iraqi banking sector?
4. Does social responsibility affect financial performance in the Iraqi banking sector?

Second: The importance of research

1. **Theoretical importance:** The importance of the study lies in the fact that it addresses one of the most important scientifically tangible topics, which is the quality of profits and their impact on financial performance, in light of social responsibility in the Iraqi banking sector, which has become one of the controversial topics in the recent period, in addition to that it is considered a broad field that requires... Delving into it with research, exploration, and understanding, in addition to this study addressing the dimensions of earnings quality represented by (continuity of earnings, predictive ability of earnings, and smoothness of earnings), which could help the Iraqi banking sectors increase accuracy and reliability in making their future decisions.
2. **Practical importance:** It can be highlighted by helping users of financial statements know to what extent the quality of profits can affect financial performance in light of social responsibility in the Iraqi banking sector, in addition to that this study will be important to many internal and external parties that depend on Financial statements and data for decision-making, as bank profits express important inputs into the process of making financial, investment and other decisions for banks in general.

Third: Research objectives

This research aims to achieve the following:

1- Identify the impact of earnings quality on financial performance in the Iraqi banking sector. The following objectives arise from it:

- A. Identify the impact of continuity of profits on financial performance in the Iraqi banking sector.
- B. Identify the impact of the predictive ability of profits on financial performance in the Iraqi banking sector.
- C. Identify the impact of smooth earnings on financial performance in the Iraqi banking sector.

2- Identify the impact of the quality of profits on financial performance in the Iraqi banking sector considering social responsibility. The following sub-objectives emerge from it:

- A. Identify the impact of continuity of profits on financial performance in the Iraqi banking sector considering social responsibility.
- B. Identify the impact of the predictive ability of profits on financial performance in the Iraqi banking sector considering social responsibility.
- C. Identify the impact of smooth profits on financial performance in the Iraqi banking sector considering social responsibility.

Fourth: Research model

This paragraph presents the hypothetical research scheme by presenting the research variables, where the researcher adopted the quality of profits as an independent variable, social responsibility as a mediating variable, and financial performance as a dependent variable, as shown in Figure (1).

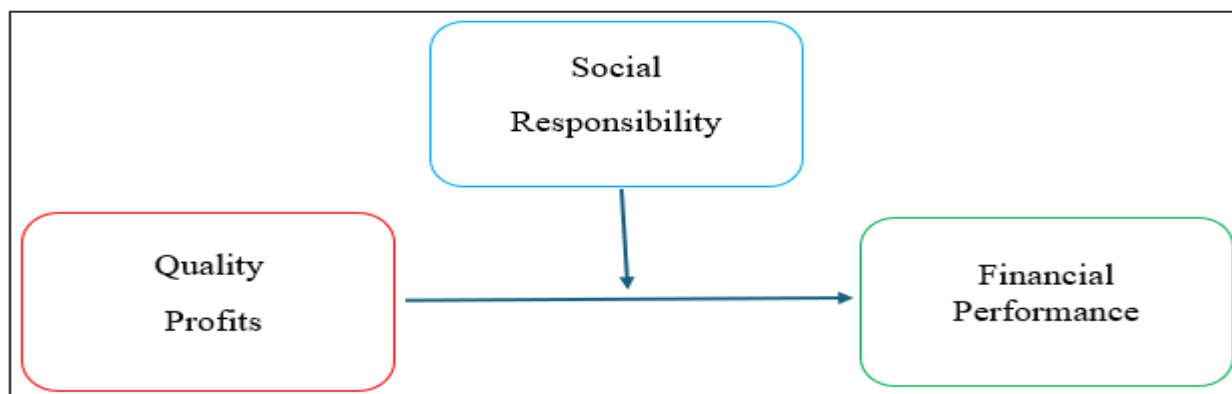


Figure (1) Research model
Source: Prepared by the researcher

Fifth: Research hypotheses

The research hypotheses include the following:

1. The banks in the research sample do not differ in their adoption of the study variables.
2. The quality of profits does not affect financial performance in the Iraqi banking sector.
3. There is no effect on the quality of profits on social responsibility in the Iraqi banking sector.
4. There is no effect of social responsibility on financial performance in the Iraqi banking sector.

Sixth: Research methodology

To achieve the research goal, the descriptive analytical method is used to achieve the research goal because it is the most widely used method in studying social and human phenomena and is compatible with the topic of the study, which seeks to clarify the impact of the quality of profits on financial performance considering social responsibility.

Seventh: The research population and sample

The research population will be from all Iraqi banks listed on the stock market, while the research sample will be limited to the Iraqi Investment Bank, the Bank of Baghdad, and the Middle East Bank.

Eighth: Tests of the research tool

The research tool (the questionnaire) and its approved standards were subjected to validity and reliability tests, as follows:

1. The credibility of the questionnaire: Validity refers to the ability of the questionnaire to measure what it was designed for, and this is one of the most important conditions that must be met in building standards. Losing this condition means that the scale is not valid, and its results cannot be relied upon. To test the validity of the scale, there are multiple methods used. The researcher is part of them, which are:

- Apparent honesty: This is done by presenting the form to several (9) arbitrators, taking into account all comments and amendments proposed by them to evaluate the validity of these paragraphs.
- Content validity: To test the content of the questionnaire, the researcher tested the internal consistency between the research variables by finding correlations between them by relying on the correlation coefficient, and from observing the correlation matrix of the studied variables it becomes clear that there is a high percentage of internal consistency between those variables and reached (0.882). At the same time, it indicates the veracity of the construction of its contents and the validity of its stability.

2. Reliability of the questionnaire: In which it is proven that the questionnaire measure gives the same results if it was re-applied to the same research community again, and then the reliability coefficient (Alpha Cromback) was used. The value of Cronbach's alpha was 78%, which is an acceptable percentage, as shown in the table. (1).

Table (1) Test of reliability of the scale instrument

Search scale	Cronbach Alpha	Pearson	Spearman brown	Guttman
Total	0.781	0.780	0.813	0.812

Source: Prepared by the researcher based on the outputs of the statistical program (SPSS-23).

Ninth: Limits of research

The limits of the search can be determined by:

1. Time limits: Repeat the research in the period from 3/1/2024 to 6/25/2024, the time limits for the research.
2. Spatial boundaries: The spatial boundaries of the research included the Bank of Baghdad, the Iraqi Investment Bank, and the Middle East Bank.
3. Human limits: The research identified a non-random (intentional) sample, which was represented by bank managers, accountants, and auditors.

The second section - the theoretical framework of the research

First: the quality of profits

1. The concept of earnings quality: Earnings quality is a multidimensional concept and there is no single definition for it. However, many researchers have provided definitions of earnings quality, which are summarized as saying that high-quality earnings are those that the accounting methods and estimates used to create them are free of bias, and according to (Thaer (Wafa, 2021: 193) The quality of earnings is less management of earnings and recognition of losses in a timely manner. (Ullah, 2018: 72) defines the quality of earnings as the ability of earnings to meet the basic purpose of financial statements, which is to provide useful information to investors, creditors, and users, which they can Through which to evaluate the company's cash flow expectations. The quality of earnings is an important

criterion in evaluating the financial health of a company, and it is what investors, creditors, and other users of financial statements consider. There are seven qualitative characteristics of earnings, which are considered among the most important criteria for evaluating the quality of earnings, as presented by (Li, 2019: 418). These criteria include accrual quality. Continuity of earnings, predictability of earnings, smoothness of earnings, importance of earnings, timeliness of earnings, and maintenance of earnings. When measuring the four attributes (accrual quality, continuity of earnings, predictability of earnings, and smoothness of earnings), currency and earnings are reference structures and are therefore measured using accounting information only. Each of these features represents a different dimension of the quality of accounting information. The three features are the importance of earnings, timeliness of earnings, and maintenance of earnings. Market-based information (dividend and stock yields) is another informational dimension of earnings and is of particular importance to investors (Kiy & Zick, 2020: 640). Earnings are considered important criteria for evaluating performance and thus determining the value of a company, as the quality of earnings is characterized by the most important features of financial information through which organizations can predict their ability to reach and maintain future profits. The quality of a company's profits is revealed by rejecting any anomalies, accounting tricks, or events. Once removed, the real numbers may distort financial performance. Once removed, profits derived from higher sales or lower costs can be clearly seen. Factors external to the company can affect the assessment of the quality of profits, for example during periods of high inflation, where the quality of profits is considered poor by many. Most companies' sales figures are also overstated. In general, conservatively calculated profits are more reliable than those calculated by aggressive accounting policies. The quality of profits can be eroded by accounting practices that hide poor sales or increased business risk.

(Song & Sun, 2018: 10) define the quality of profits as one of the important aspects in evaluating the financial situation of the economic unit, and (Rogers & Layton, 2018: 250) define it as the number of profits achieved as a result of the bank's work, which reflects the extent of the credibility of the profits achieved in enhancing property rights. Private, defined by (Kukanaja & Planinc, 2020: 101) as the profits announced by the company that reflect the true reality of the financial operations in the organization and the economic essence of economic activities.

The researcher developed a procedural definition that summarizes that the definition of profit quality is the profits resulting from the bank's commercial activities, which express the honesty and realism of the bank's real profits, and which can measure the bank's current performance.

2. The importance of the quality of profits: The importance of the quality of profits lies in the smoothness and continuity of cash flows more than the smoothness and continuity of receivables, as investor interest has recently increased in the quality of profits after large and international companies announced non-permanent gains as part of their quarterly reports, as it derives its importance and purpose. The quality of profits is as important as the profits themselves, as profits are an essential input into the process of making investment and financial decisions, and the quality of profits is an essential aspect in the process of evaluating

the financial performance of institutions and their financial reports. Likewise, the quality of profits is a basic indicator in stating the financial health of institutions and also an indicator of the distribution of profits by Management is also used for investment decisions. (Gupta & Mangla, 2022: 1640) believe that increasing the quality of profits in banking institutions works to increase the market value of the institution's assets, which improves the competitive position of the institution with the remaining institutions, and the quality of profits is considered a reliable financial indicator for institutions that serve customers in making investment decisions, as it is The quality of profits is one of the most important sources of information for investors and clients to evaluate the performance and risks of the institution. From the point of view of (Johnston, 2020: 28), profit in most organizations is the reward that business owners want to achieve from taking risks and making investments without the possibility of making a profit, where profit, such as the positive cash flows that it helps to create, can be viewed as the main factor. For a successful and valuable business, a business that fails to make a profit and instead suffers sustained losses struggles for profitability. The profit motive is strong in almost all businesses.

3. Dimensions of the quality of earnings: The quality of earnings can be used as an input into the analysis of corporate governance, and given the importance of the issue of the quality of accounting earnings, (Zulfadli & Amiruddin, 2021: 168) identifies three dimensions or characteristics that characterize the quality of accounting earnings, which are (continuity, predictive, smoothness) and were adopted in This research is the most consistent with the requirements of the current research and was addressed as follows:

- Continuity: The profit number is the most important evidence upon which investment decisions are based and helps provide many useful information such as evaluating the company's current performance and predicting its future, showing the quantity and manner of distributing its stock dividends, and is the basis on which taxes are relied upon. Some financial analysts believe that investors invest in more stable companies. Companies with stable and regular profits are characterized by higher quality profits compared to companies with unstable profits.
- Predictive: Predictive ability is considered one of the most prominent characteristics of the information that participants in the stock market rely on. Predictive value means the extent to which the information can contain predictive ability, thus enabling information users to estimate the future and form an estimated picture. Good information is what enables the user to form expectations about future results. And improve its capabilities in this field.
- Smoothness: Earnings smoothness is the attempt of managers to reduce abnormal variations in earnings (Shi, 2021: 16). The relationship between earnings smoothness and earnings quality is controversial. On the one hand, low-variance earnings can be of high quality because they can be predicted with less error (Chen & Komal, 2018: 283) On the other hand, if managers frequently resort to earnings management to smooth profits, these manipulations will create noise in accounting information, which reduces the quality of profits.

Second: Social responsibility

1. The concept of social responsibility: Corporate social responsibility (CSR) has received great attention from many researchers, associations and international organizations, but there is no agreement on defining a unified definition or concept for it, so its definitions have varied based on multiple viewpoints, as the World Business Council defined it for Sustainable Development (WBCSD) Corporate Social Responsibility is defined as the continuous commitment of business companies to ethical behavior, contributing to achieving economic development, and working to improve the quality of life and living conditions facing the workforce and their families, in addition to local communities and society as a whole (Sroka & Szántó, 2018: 118 The World Bank defines it as a commitment by companies to contribute to sustainable development by working with their employees, their families, the local community, and society as a whole to improve people's standard of living in a way that serves trade and development at the same time, and is integrated into the company's ongoing activities, while the European Union defines Corporate social responsibility is defined as: "the concept according to which companies include social and environmental considerations in their work and in their interaction with stakeholders on a voluntary basis." The study (Gillan & Starks, 2021: 66) defined corporate social responsibility as the company's responsibility towards the effects and results of It occurs as a result of carrying out its activities and decisions that affect the environment and society, through transparency and the company's ethical behavior that is consistent with sustainable development and the well-being of society, taking into account the expectations of stakeholders and interested parties and its commitment to the laws of the International Organization for Standardization (ISO 26000), and as the researcher (Mahrani & Soewarno, 2018: 34) pointed out that corporate social responsibility means the extent to which stakeholders are treated in an ethical manner by companies, in a way that is consistent with the principles of civil societies, and in a way that achieves the creation of high standards of living, as well as maintaining the profitability of individuals inside and outside the company. On the other hand, the most comprehensive definition came from (Iglesias & Singh, 2020: 160), where he defined corporate social responsibility as the responsibilities and obligations that business companies must undertake towards society, so that this commitment works to maximize the positive effects of the activities that they undertake. Corporations over society

(Latapí & Davídsdóttir, 2019: 20) defined social responsibility as a strategic choice that ensures the organization achieves many benefits for society, the organization and the state by improving the quality of work life for employees and society. Gillan & Starks (2021: 66) defined it as a feeling of commitment on the part of organizations towards setting specific social standards during the strategic decision-making process. (Ashrafi & Magnan, 2018: 876) defined it as the continuous commitment of business companies to ethical behavior and contributing to achieving economic development. Husni (2020: 110) defined it as the commitment of decision makers to carry out activities that protect and improve society in general. (Ferrell & Hair, 2019: 495) defined it as the responsibilities and obligations that business companies must undertake towards society.

The researcher developed a procedural definition, summarizing that the definition of social responsibility is the individual's responsibility for himself and his responsibilities towards

his community through his understanding of his role in achieving his goals and his concerns for others through his positive relationships and participation in solving public problems to achieve societal goals.

2. The importance of accounting for social responsibility: Accounting for the social responsibility of banks serves both the company and society. It represents two types of responsibilities and interests, represented by the social responsibility that seeks to reach social welfare, and the second, private responsibility to reach quick-access benefits, and based on these the importance of accounting for corporate social responsibility can be summarized as follows: (Chuah & Ramayah, 2020: 262)

- Accounting is concerned with the issue of comparability of financial statements, which led to considering unifying the basis of comparison and disclosing events related to the company. The importance of this topic appeared after the demand for the necessity of considering social costs as an essential element of the total cost, for example We find that some companies have special programs to combat pollution and control them to identify them.
- Accounting for social responsibility helps companies survive, continue, and grow by relying on providing services to society. For the company to continue, it must fulfill the demands and needs of society.
- Financial reports containing data related to social costs leads to improving companies' results and making them more reflective of practical reality, and thus accounting for corporate social responsibility can be viewed as having multiple purposes.
- The expansion of the movement of demands to achieve equal employment opportunities free of discrimination, and this included all organizational levels within the company, whether at the level of middle management or workers.
- The company's good reputation is only achieved through social goals and the extent of the company's moral commitment to social contribution.
- Achieving the social welfare of society leads, as a result, to increasing profits for companies operating in that society, as increasing profits is closely linked to the intellectual and cultural level of society.

3. Dimensions of social responsibility: Social responsibility focuses on a set of basic dimensions, and the dimensions of social responsibility were identified by adopting a model (Khalil and Hassan, 2015: 149), as it believes that corporate social responsibility is the responsibility of profit-making and non-profit organizations for their impact on stakeholders and the environment. nature and wider society. It focuses on accountability and transparency in corporate actions that include social, ethical, environmental and economic efforts, which are often voluntary and placed within and outside market and commercial transactions:

- The economic aspect: The debate over corporate social responsibility has spanned the academic literature for decades, and much of the discussion has resulted from a lack of understanding of the economic consequences of socially responsible behavior on the part of for-profit corporations. Friedman paved the way for much of the discussion in his 1970 Times article, "The Social Responsibility of Business." It is to increase profits." This

article resonated with economists because it confirmed the traditional view that providing social services is the role of government and that managers are fiduciary agents of shareholders and need only focus on increasing the wealth of those shareholders (Kim & Qian, 2018: 1102).

- **Environmental aspect:** Companies use human capital and resources, which tend to be limited, in producing goods and services. Their activities release particles, materials, and gases into the air, water, and soil, many of which have a negative impact on the environment. To achieve their goals, organizations today need to consider society and the environment in which they operate. The concept of corporate social responsibility involves activities such as providing support to society and ethical behavior in business as it is researched (Flammer, 2018:1320).
- **The social aspect:** The last dimension of social responsibility is its performance in relation to communities and social justice, often referred to as social impact. While there is no easy solution to reduce social costs while improving corporate performance, social impact should not be overlooked. The social impact of a company's operations is looked at internally and externally and ensures the company's entire operations across the supply chain are socially responsible and ethical (Cui & Na, 2018: 568).

Third: Financial performance

1. The concept of financial performance: Financial performance has an extremely important strategic position within institutions because it performs important functions to measure the efficiency and management of the company in employing and exploiting its resources. Consistent financial performance is used as a tool to measure the current development of the organization and potential growth in the future, despite the presence of many indicators that financial performance is estimated, but choosing the appropriate ratios depends on the studied characteristics of the institution. (Nguyen & Malagila, 2020: 71) believes that financial performance is the achievement of the company's financial performance for a specific period covering the collection and allocation of financing, measured by capital adequacy, liquidity, financial solvency, efficiency, financial leverage, and profitability. (Abbas and Zainab, 2022: 234) define it as the company's ability to manage and control its own resources. Cash flow, balance sheet, profit losses, and capital changes can be the basis of information for company managers to make decisions. It is important to understand fundamental analysis and technical analysis, and it is necessary to learn finance to understand behavior. Financial management of the company through economics, financial management and accounting. As for (Uhrenholt et al, 2022: 335), financial performance is defined as the company's financial position over a certain period that includes the collection and use of funds measured by several indicators of capital adequacy ratio, liquidity, financial leverage, financial solvency, and profitability. Financial performance is the company's ability to manage and control its resources (Uhrenholt et al, 2022: 336), and from the point of view (Cho & Young, 2019: 343) that financial performance is a measure of the extent to which the company is able to achieve profit, profit, or revenues, and how to measure the financial performance of the company in creating profits, especially companies in the

industry Financial services, such as banking, can be found in financial statements, as financial statements consist of the balance sheet, revenues, cash flow, and changes in capital. These financial statements are usually prepared and reported in annual periods.

The researcher developed a procedural definition stating that the definition of financial performance is a measure of the results of institutions' operations from an economic perspective and is part of monitoring when compared to planned standards to issue judgments that help in making financial decisions.

2. The importance of financial performance: The importance of the institution's financial performance appears due to its ability to show the results that stakeholders aspire to, in order to provide a service to those to whom the financial statements will be used by the contributing parties and stakeholders in the institution. The importance of performance lies in identifying the weaknesses and strengths and taking measures to ensure the protection of citizens. Strength, in order to develop it and work to prevent the penetration of areas of weakness and provide solutions and correct them. (Akben, 2019: 3643) believes that the importance of financial performance is crystallized in determining the company's financial strengths and weaknesses by correctly establishing relationships between the various items of the balance sheet and the profit and loss account. Financial analysis can be performed by the company's management or by parties outside the company, i.e. the owners. Trade creditors, lenders, investors, our union lab, analysts and others (Hou, 2019: 23) The nature of the analysis will vary depending on the purpose of the analyst and the technique frequently used by the analyst does not necessarily need to serve the purpose of other analysts due to the difference in interests. The importance of financial performance can be concluded through:

- Ensuring improved performance and error-free nature of financial management are two of the many dimensions of financial performance analysis.
- Mitigating financial and business risks.
- A standard tool for measuring the level of success of an organization's financial performance.
- Gain a competitive advantage.
- Identify the company's strengths and correct them.
- Imposing liquidity control and preparing the monthly and annual budget.
- Making financial and administrative decisions after making information and data available for control and planning.

3. Financial performance objectives: Financial statements reveal important facts related to the administrative performance and efficiency of the company in general. Performance objectives are to understand the information contained in the financial statements with the aim of knowing the company's weaknesses and strengths and setting expectations regarding the company's prospects, thus enabling analysts to make decisions. Related to operating the company and increasing investment in it. (Galdeano & Ahmed, 2019: 1539) defines the organization's financial performance objectives:

- Evaluate the current profitability and operational efficiency of the company.
- Different departments to judge the financial health of the company.

-
- Ensure the relative importance of the various components of the company's financial position to determine the reasons for the change in profitability of the company's financial position.
 - Judging the company's ability to repay its debts and evaluating the company's short-term as well as long-term liquidity position by analyzing the financial statements of various companies,
 - Concentration of economic power and pitfalls in the financial policies followed.
 - Providing the basis for numerous measures relating to licensing, supervision, controls, price setting, profit caps, profit freezing, tax subsidies and other concessions to the corporate sector.
 - Assist management in self-evaluation and shareholders (owners) and others in judging management performance.

Fourth: The relationship between the study variables

Financial statements issued by companies use accrual-based accounting because of their relevance to measure an organization's financial performance, their ability to show the true financial condition and predict future cash flow, and their ability to predict future stock price movement. The Financial Computing Standard Council supports this by indicating that information related to. The profits of enterprises and their components measured by accumulation generally provide a better indicator of an enterprise's performance than does information on current cash receipts and payments. Furthermore, financial accounting also states that earnings information was often used as a measure of a company's performance in addition to other measurements such as return on investment. And something related to earnings per share (Ibtihaj and Zainab, 2021: 149). Earnings information resulting from accrual accounting is closely linked to the quality of profits and is very important for users of financial statements, such as the investor and the creditor, who use it as a basis for economic decision-making, especially those related to the contracting decision and the investment decision. In addition, the financial statement can also be used indirectly as one of the quality indicators for the standard. Financial reporting as made by standard setters, the quality of earnings can be used to make decisions regarding corporate management practices. In addition, it can also be used as a basis for determining a company's salary allocations. Low-quality earnings only cause an unexpected transfer of prosperity, for example if a company uses excessive earnings. Indicators of the manager's performance may occur, and excessive compensation may occur. From the perspective of making investment decisions, it is important for investors to know the quality of a company's earnings to enable them to reduce information risk (Sroka & Szántó, 2018: 121). Investors tend to calculate information risk by analyzing financial information so that the information does not have a significant risk of loss and investors do not expect Low quality earnings information because it indicates poor resource allocation Therefore, it can be concluded that high quality earnings information is a sign of reduced information risk as investors seek minor information risk and this information can be seen from how good the company's earnings are.

Earnings quality is an important part of financial reporting as stated in the company's obtained earnings and this happens because investors will buy the future earnings coming

from the current year's earnings reported by the company and the cases of multinational companies like Enron, WorldCom and Xerox are the concrete cases related to the problem of earnings quality and the problem Is "Are the quality of current earnings good? Current earnings are said to be good in quality if earnings can be used as reliable indicators of future earnings or have a strong correlation with future operating cash flow. Therefore, the company can make the accounting policy favorable to each occupation so that the earnings that have been Obtaining high quality leads to sustainable company operation.

The third section - the applied framework for the research

First: Testing the first main hypothesis: To test the above hypothesis, the researcher decided to use the weighted arithmetic mean, standard deviation, and relative importance to rank the importance of the dimensions for the banks in the study sample. It is clear from the results presented in Table (2) that:

Table (2) Variation of the banks in the study sample in adopting the study variables

	Variables	Baghdad Bank			Investment Bank			Middle East Bank		
		Arithmetic mean	Relative importance	standard deviation	Arithmetic mean	Relative importance	standard deviation	Arithmetic mean	Relative importance	standard deviation
1	Economic side	2.92	58.33	1.44	4.18	83.67	1.25	3.10	61.95	1.39
2	Environmental side	3.24	64.80	1.54	4.13	82.67	1.22	3.02	50.40	1.59
3	Social side	3.20	64.00	1.44	4.48	89.54	1.04	3.03	60.50	1.09
4	Quality profits	3.25	65.07	1.63	4.31	86.13	1.12	3.40	68.00	1.69
5	Financial performance	3.10	62.00	1.67	4.62	92.33	0.69	2.76	55.12	1.40

Source: Prepared by the researcher based on the results of the electronic calculator

A- The value of the weighted arithmetic mean for the economic aspect variable in the Bank of Baghdad was (2.92) and its relative importance reached (58.33%). This variable ranked fifth in terms of its importance from the point of view of the bank. The value of the weighted arithmetic mean for the above variable for the Investment Bank was (4.18) with a relative importance of (83.67%), and ranked fourth in terms of degree of importance from the point of view of the Investment Bank, and the value of the weighted arithmetic mean of the variable for the Middle East Bank was (3.1) with a relative importance of (62%) and ranked second on the scale. The priorities of the bank.

B- The weighted arithmetic mean of the environmental aspect variable in the Bank of Baghdad reached (3.24), with a relative importance of (64.80%). This variable came in second place in terms of its importance from the point of view of the aforementioned bank, and the value of the weighted arithmetic mean of the above variable in the Investment Bank reached (4.13).) with a relative importance amounting to (82.67%), and it was ranked fifth

in terms of degree of importance from the point of view of the aforementioned bank, and the value of the weighted arithmetic mean of the variable in the Middle East Bank was (30.5) with a relative importance amounting to (60.40%) and it was ranked fourth on the scale. The priorities of the bank.

C- The value of the weighted arithmetic mean for the social aspect variable in the Bank of Baghdad was (3.2), with a relative importance of (64%). This variable ranked third in terms of its importance from the point of view of the aforementioned bank, and the value of the weighted arithmetic mean for the above variable in the Investment Bank was (4.48) with a relative importance of (89.67%), and ranked second in terms of degree of importance from the point of view of the Investment Bank, and the value of the weighted arithmetic mean of the variable in the Middle East Bank was (3.03) with a relative importance of (60.5%) and ranked third in the scale. The priorities of the bank.

D- The weighted arithmetic means of the profit quality variable in the Bank of Baghdad reached (3.25), with a relative importance of (65.07%). This variable ranked first in terms of its importance from the point of view of the bank, and the weighted arithmetic mean value of the above variable in the Investment Bank reached (4.31). With a relative importance of (86.13%), it was ranked third in terms of degree of importance from the point of view of the Investment Bank, and the value of the weighted arithmetic mean of the variable in the Middle East Bank was (3.4), with a relative importance of (68%), and it was ranked first in the bank's list of priorities. The mentioned.

E- The value of the weighted arithmetic mean for the financial performance variable in the Bank of Baghdad was (3.1), with a relative importance of (62%). This variable ranked fourth in terms of its importance from the viewpoint of the bank, and the value of the weighted arithmetic mean for the above variable in the Investment Bank was (4.62) with a relative importance of (92.33%). It was ranked first in terms of degree of importance from the point of view of the Investment Bank. The value of the weighted arithmetic mean of the variable in the Middle East Bank was (2.8) with a relative importance of (56%). It was ranked fifth in the list of priorities of the bank.

The above results indicate acceptance of the hypothesis (H1), meaning (the banks in the research sample differ in their adoption of the study variables).

Second: Testing the second main hypothesis: Table (3) indicates the estimation of the parameters of the simple regression model to measure the effect of earnings quality on financial performance.

Table (3) The influential relationship between the earnings quality variable and financial performance

Variables	CONSTANT	Quality profits	(F)	Sig	(R ²)
	B0	B1			
Financial performance	28.400	25.751	49.25	0.090	0.98

Source: Prepared by the researcher based on the results of the electronic calculator

The following is evident from the table: -

A- The value of (F) calculated for the simple regression model was (49.25) and the significance level of (F) reached (9%), which means that there is a statistically significant impact relationship between the two variables at the mentioned level, and thus accepting the existence hypothesis (H1) and rejecting the null hypothesis (H0). Meaning, there is a statistically significant relationship between the quality of profits and financial performance. The advanced results explain that for every (100) decision to reject the null hypothesis, there will be (9) wrong decisions.

B - It is also clear from the value of the explanation coefficient (R^2) of (0.98), that the percentage of changes that occur in financial performance that is explained by the quality of profits is (98%), while the remaining percentage of (2%) is due to the contribution of other variables not included in Sample.

Third: Testing the third main hypothesis: Table (4) indicates estimating the parameters of the simple regression model in order to measure the effect of earnings quality on social responsibility.

Table (4) The influential relationship between the earnings quality variable and social responsibility

Variables	CONSTANT	Quality profits	(F)	Sig	(R^2)
	B0	B1			
Social Responsibility	53.81	32.23	249.25	0.04	0.995

Source: Prepared by the researcher based on the results of the electronic calculator

The following is evident from the table: -

A- The value of (F) calculated for the simple regression model was (249.25) and the level of significance of (F) reached (4%), which means that there is a statistically significant impact relationship between the two variables at the male level, which means accepting the existence hypothesis (H1), and rejecting the null hypothesis (H0), meaning there is a statistically significant relationship between the quality of profits and social responsibility. The above results explain that out of every (100) decisions to reject the null hypothesis, there will be (4) wrong decisions.

B - It is also clear from the value of the explanation coefficient (R^2) of (0.995), that the percentage of changes that occur in social responsibility is explained by the quality of profits is (995%), while the remaining percentage of (0.5%) is due to the contribution of other variables not included in Sample.

Fourth: Testing the fourth main hypothesis: Table (5) indicates estimating the parameters of the simple regression model to measure the impact of social responsibility on financial performance.

Table (5) The influential relationship between the social responsibility variable and financial performance

Variables	CONSTANT	Social Responsibility	(F)	Sig	(R ²)
	B0	B1			
financial performance	15.77	21.27	165.91	0.05	0.993

Source: Prepared by the researcher based on the results of the electronic calculator

The following is evident from the table:

A- The value of (F) calculated for the simple regression model reached (165.91) and the significance level of (F) reached (5%), which means that there is a statistically significant impact relationship between the two variables at the mentioned level, and thus accepting the existence hypothesis (H1) and rejecting the null hypothesis (H0).), meaning there is a statistically significant impact relationship between social responsibility and financial performance. The above results explain that out of every (100) decisions to reject the null hypothesis, there will be (5) wrong decisions.

B- It is also clear from the value of the explanation coefficient (R²) of (0.993), that the percentage of changes that occur in financial performance that social responsibility explains is (993%), while the remaining percentage of (0.7%) is due to the contribution of other variables not included in Sample.

Section Four: Conclusions and recommendations

First: Conclusions

1. The earnings quality policy emerged as a result of the high flexibility to choose between accounting policies and estimates that are permitted within the limits of generally accepted accounting principles.
2. The quality of profits serves internal management and does not serve the user of the financial statements because it seeks to achieve the interests of internal management, even if it is at the expense of the user of the lists.
3. The study found, through the statistical measure, the homogeneity of the sample members, which was demonstrated by the standard deviation, and the weighted arithmetic mean measure showed that it exceeded the default arithmetic mean (3) for most questions, which is a positive indicator of the answers to the questionnaire questions.
4. There is an impact on the quality of profits on financial performance in the Iraqi banking sector.
5. There is an impact on the quality of profits on social responsibility in the Iraqi banking sector.
6. Social responsibility has an impact on financial performance in the Iraqi banking sector.
7. There is an impact on the quality of profits on financial performance in the Iraqi banking sector considering social responsibility.

Second: Recommendations

1. Preparing qualified, trained and specialized cadres in the field of financial performance evaluation to carry out their activities with high efficiency and credibility, and in a manner that explains to those familiar with the results of the financial performance evaluation all important matters.
2. Given the importance of devices and equipment in enhancing employee satisfaction and enhancing the company's performance at the same time through accuracy and speed in performing various activities, it is necessary for senior management in companies to search for everything new in the field of technical devices and equipment to keep pace with the developments taking place in This field, in addition to continuous follow-up to provide applications and update them to ensure their use.
3. We recommend publishing the financial data on the Internet to allow researchers, financial institutions, and financial analysts to benefit from it for the purposes of evaluating financial performance.
4. Providing the necessary financial support by allocating sufficient financial investments in the banks' budget to support the provision of the necessary information technologies.
5. Paying attention to the rise in costs in general and salaries and commodity requirements in particular, especially in the last year, to reduce them as much as possible.
6. Study the reasons for the decline in profitability ratios, especially the rate of return to assets and the rate of return to sales, especially in recent years.
7. The current reality of banks requires changing the company's capital to suit its current situation and the size of its assets.
8. Diagnosing cases in the practice of earnings management that lead to reconsidering the financial statements and thus influencing share prices in the stock market, for example delaying or introducing revenue recognition points.
9. Bank management seeking to achieve social responsibility must establish its concept by codifying it in the banks' internal systems to become an effective and alternative tool for environmental policy tools.

References

1. Abbas Abd, Zainab Makki, (2022), Evaluating the financial performance of Iraqi banks through analysis of the (performance-importance) matrix, an applied study in a sample of commercial banks listed on the Iraqi Stock Exchange for the period (2006 - 2020), Iraqi Journal of Administrative Sciences, Volume 18, Issue 74, Pages 217-244.
2. Akben-Selcuk, E. (2019). Corporate social responsibility and financial performance: The moderating role of ownership concentration in Turkey. Sustainability, 11(13), 3643.
3. Ashrafi, M., Adams, M., Walker, T. R., & Magnan, G. (2018). How corporate social responsibility can be integrated into corporate sustainability: A theoretical review of their relationships. International Journal of Sustainable Development & World Ecology, 25(8), 672-682.
4. Chen, S., & Komal, B. (2018). Audit committee financial expertise and earnings quality: A meta-analysis. Journal of Business Research, 84, 253-270.

5. Cho, S. J., Chung, C. Y., & Young, J. (2019). Study on the Relationship between CSR and Financial Performance. *Sustainability*, 11(2), 343.
6. Chuah, S. H. W., El-Manstrly, D., Tseng, M. L., & Ramayah, T. (2020). Sustaining customer engagement behavior through corporate social responsibility: The roles of environmental concern and green trust. *Journal of Cleaner Production*, 262, 121348.
7. Cui, J., Jo, H., & Na, H. (2018). Does corporate social responsibility affect information asymmetry?. *Journal of business ethics*, 148(3), 549-572.
8. Ferrell, O. C., Harrison, D. E., Ferrell, L., & Hair, J. F. (2019). Business ethics, corporate social responsibility, and brand attitudes: An exploratory study. *Journal of Business Research*, 95, 491-501.
9. Flammer, C. (2018). Competing for government procurement contracts: The role of corporate social responsibility. *Strategic Management Journal*, 39(5), 1299-1324.
10. Galdeano, D., Ahmed, U., Fati, M., Rehan, R., & Ahmed, A. J. M. S. L. (2019). Financial performance and corporate social responsibility in the banking sector of Bahrain: Can engagement moderate?. *Management Science Letters*, 9(10), 1529-1542.
11. Gillan, S. L., Koch, A., & Starks, L. T. (2021). Firms and social responsibility: A review of ESG and CSR research in corporate finance. *Journal of Corporate Finance*, 66, 101889.
12. Gillan, S. L., Koch, A., & Starks, L. T. (2021). Firms and social responsibility: A review of ESG and CSR research in corporate finance. *Journal of Corporate Finance*, 66, 101889.
13. Gupta, A., Singh, R. K., & Mangla, S. K. (2022). Evaluation of logistics providers for sustainable service quality: Analytics based decision making framework. *Annals of Operations Research*, 315(2), 1617-1664.
14. Hou, T. C. T. (2019). The relationship between corporate social responsibility and sustainable financial performance: Firm-level evidence from Taiwan. *Corporate Social Responsibility and Environmental Management*, 26(1), 19-28.
15. Husni, H. (2020). The effectiveness of the social responsibility program for Islamic religious education through the participatory action research method. *The Social Studies: An International Journal*, 6(1), 103-116.
1. Ibtihaj Ismail, Zainab Jumaa, (2021), Social Responsibility in Light of Crises with Reference to the Covid-19 Pandemic and Its Reflection on the Value of Banks, "An Applied Study," *Warith Scientific Journal*, Volume 3, Special Issue, Pages 140-150.
16. Iglesias, O., Markovic, S., Bagherzadeh, M., & Singh, J. J. (2020). Co-creation: A key link between corporate social responsibility, customer trust, and customer loyalty. *Journal of Business Ethics*, 163(1), 151-166.
17. Johnston Grant, L. (2020). Quality assurance within non-professional translation teams: action research in the non-profit sector.
1. Khalil Ibrahim, Hussein Ahmed, (2015), Social Responsibility in Islamic Thought and Prospects for Activating it in the Age of Globalization, *Kirkuk University Journal of Administrative and Economic Sciences*, Volume 5, Issue 1, Pages 139-159.

-
18. Kim, K. H., Kim, M., & Qian, C. (2018). Effects of corporate social responsibility on corporate financial performance: A competitive-action perspective. *Journal of management*, 44(3), 1097-1118.
 19. Kiy, F., & Zick, T. (2020). Effects of declining bank health on borrowers' earnings quality: evidence from the European sovereign debt crisis. *Journal of Business Economics*, 90(4), 615-673.
 20. Latapí Agudelo, M. A., Jóhannsdóttir, L., & Davídsdóttir, B. (2019). A literature review of the history and evolution of corporate social responsibility. *International Journal of Corporate Social Responsibility*, 4(1), 1-23.
 21. Li, V. (2019). The effect of real earnings management on the persistence and informativeness of earnings. *The British Accounting Review*, 51(4), 402-423.
 22. Mahrani, M., & Soewarno, N. (2018). The effect of good corporate governance mechanism and corporate social responsibility on financial performance with earnings management as mediating variable. *Asian Journal of Accounting Research*.
 23. Nguyen, T. H. H., Ntim, C. G., & Malagila, J. K. (2020). Women on corporate boards and corporate financial and non-financial performance: A systematic literature review and future research agenda. *International Review of Financial Analysis*, 71, 101554.
 24. Rogers, A., Radcliffe, D., Babyack, S., & Layton, T. (2018). Demonstrating the value of community development: An inclusive evaluation capacity building approach in a non-profit Aboriginal and Torres Strait Islander organisation. *Evaluation Journal of Australasia*, 18(4), 234-255.
 25. Shi, W. (2021). Analyzing enterprise asset structure and profitability using cloud computing and strategic management accounting. *PloS one*, 16(9), e0257826.
 26. Song, M., Wang, S., & Sun, J. (2018). Environmental regulations, staff quality, green technology, R&D efficiency, and profit in manufacturing. *Technological forecasting and social change*, 133, 1-14.
 27. Sroka, W., & Szántó, R. (2018). Corporate social responsibility and business ethics in controversial sectors: Analysis of research results. *Journal of Entrepreneurship, Management and Innovation*, 14(3), 111-126.
 28. Sroka, W., & Szántó, R. (2018). Corporate social responsibility and business ethics in controversial sectors: Analysis of research results. *Journal of Entrepreneurship, Management and Innovation*, 14(3), 111-126.
 1. Thaer Kamel, Wafaa Abdul Amir, (2021), The impact of the quality of accounting profits using the sustainability model (continuity of profits) on the company's performance, applied research in a sample of commercial banks listed on the Iraq Stock Exchange, *Journal of the University College of Science*, Volume 13, Issue 2, pages 182-202.
 29. Uhrenholt, J. N., Kristensen, J. H., Rincón, M. C., Jensen, S. F., & Waehrens, B. V. (2022). Circular economy: Factors affecting the financial performance of product take-back systems. *Journal of Cleaner Production*, 335, 130319.
 30. Ullah, S. (2018). Corporate Environmental Disclosure and Earnings Quality: Evidence from Malaysian Firms. *Arthatama*, 2(2), 64-84.

31. Xu, J., & Liu, F. (2021). Nexus between intellectual capital and financial performance: An investigation of Chinese manufacturing industry. *Journal of Business Economics and Management*, 22(1), 217-235.
32. Zulfadli, M., Hajering, H., & Amiruddin, A. (2021). THE EFFECT OF BUDGET PARTICIPATION, TOTAL QUALITY MANAGEMENT, AND ENVIRONMENTAL UNCERTAINTY ON MANAGERIAL PERFORMANCE KI IN PT. TONASA LINES SHIPPING IN PANKEP DISTRICT. *Jurnal Ilmu Manajemen Profitability*, 5(1), 156-171.