

## The role of environmental and social disclosure in enhancing the quality of accounting profits: an applied study in the Bank of Asia of Iraq

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**Abstract :** The research aims to measure environmental and social disclosure and its reflection on the quality of accounting profits while demonstrating the importance of disclosure of the environmental and social dimension and its impact on enhancing the quality of accounting profits, as well as the benefits of preparing reports on the environmental and social dimension and improving the information environment. Beneficiaries, including investors, can know the strength, performance and success rate of the economic unit through environmental and social disclosure, sustainability reports and the information they contain. Therefore, the greater the level of disclosure about the environmental and social dimension that the economic unit carries out through sustainability reports, it is expected to increase the quality of accounting profits and then be reflected in an increase in the value of its shares.

**Keywords:** Disclosure, disclosure of the environmental dimension, disclosure of the social dimension, quality of accounting

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**Introduction:** The business environment has witnessed significant development in recent years, which has led to the emergence of the issue of disclosing the environmental and social dimension as a basic indicator of performance, as performance is no longer limited only to financial aspects, but extends beyond it to include achieving community well-being, preserving the environment, and strengthening the economy. As a result of increased awareness of this aspect, interest in it has increased by business institutions, economic units, accounting and professional associations, as well as academics, especially after the problems faced by major global banks at the beginning of the twenty-first century. We have also witnessed calls for global initiatives aimed at preparing reports on the environmental and social dimension, with increasing interest in verifying the accuracy of these reports and ensuring the transparency of banks in their management of environmental and social aspects.

### The first topic: research methodology and previous studies

#### First: the research problem

Environmental and social disclosure is one of the latest stages of accounting development because it is considered a Reference of information necessary to achieve sustainability, as the mechanism for determining the factors that affect the degree and level of environmental and social disclosure is important for internal and external parties alike. The current trend is working

- 1- What is the level of sustainability disclosure regarding the environmental aspect through environmental indicators according'.
- 2- What is the level of social disclosure through social indicators according to GRI standards in the bank in the research sample?
- 3- What is the impact of environmental and social disclosure in enhancing the quality of accounting profits?

#### Second: the importance of research

Environmental and social disclosure is prepared disclosure as a means of reducing information asymmetry. Therefore, more complex banks have higher information processing and thus lead to less information processing by investors. In contrast, banks that search for external financing tend to incur higher costs due to information asymmetry between investors and managers. This is why banks need a medium in which there is a broad information environment to provide explanations and answers to stakeholders about the creation and formation of high-quality profits for the economic unit. Environmental and social reports are clear to stakeholders, especially capital providers because they contain appropriate information.

#### Third: Research objectives

The research aims to achieve the following:

1- Provide a framework for a concept of environmental and social disclosure and its importance in light of sustainability reports and disclosure, and the extent of the impact of the level of environmental and social disclosure in enhancing the quality of accounting profits.

2- Measuring the level of environmental and social disclosure and its reflection on the quality of accounting profits in the banks in the research sample.

#### Fourth: Research hypotheses

1-Weak disclosure of information related to the environmental aspect according to environmental indicators According to the Global Reporting Initiative (GRI) indicators.

2-Weak disclosure of information on the social axis according to social indicators According to the Global Reporting Initiative (GRI) indicators.

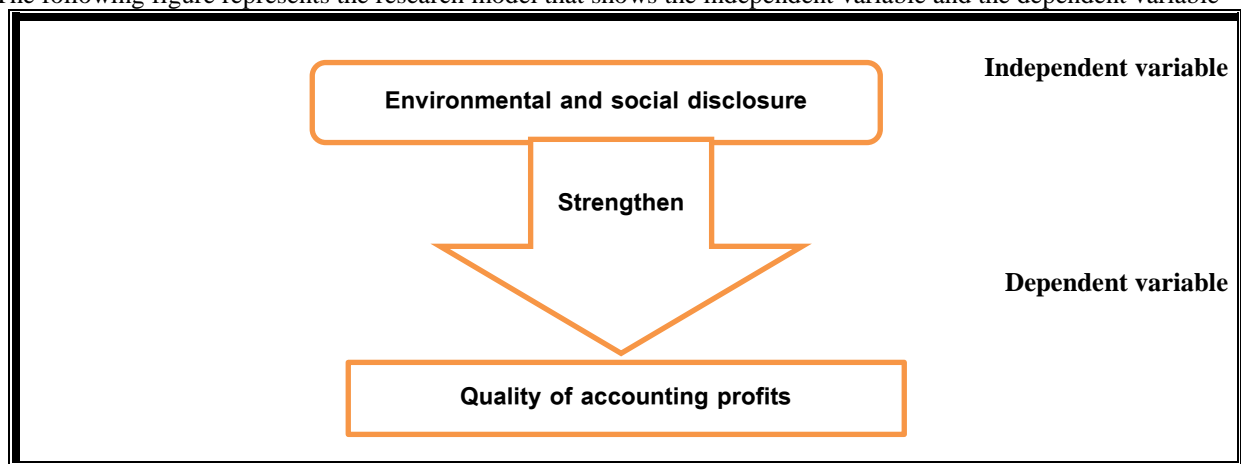
3- There is a statistically significant impact relationship between environmental and social disclosure (at least one axis) according to the environmental and social indicators According to the Global Reporting Initiative (GRI) indicators. and the quality of accounting profits according to the model (Jones, 1995). Two sub-hypotheses are derived from this main hypothesis as follows:

A - H0 Null hypothesis: There is no effect of the independent variables (environmental and social) according to the indicators of the Global Reporting Initiative (GRI) on the quality of accounting profits.

B - H1 Alternative hypothesis: There is an effect of at least one independent variable (environmental and social dimension) according to indicators in the application of (GRI) standards on the quality of accounting profits according to (to measure the quality of accounting profits use the model (Jones, 1995).

#### Fifth: The default search scheme

The following figure represents the research model that shows the independent variable and the dependent variable



#### Sixth: The research population and sample

A - Research community: The research community represents the Bank of Asia Iraq listed on the Iraqi Stock Exchange during the research period.

Research sample: The research sample is from the Bank of Asia of Iraq, which was chosen from among the best Iraqi banks based on the highest capital with the availability of financial data listed in the Iraqi Stock Exchange.

#### Second: Previous studies

1- Study (Salloum, 2023)	
Study Title	The effect of joint assurance within the banking governance framework on the quality of profits of banks listed on the Iraqi Stock Exchange
Type of Study	A thesis submitted to the Council of the College of Administration and Economics / University of Baghdad, which is part of the requirements for obtaining a Master's degree in Accounting Sciences
The study sample	The sample (probabilistic stratification) was selected from the research community in the unit, which is represented by the following job positions (financial manager, internal auditor, external auditor, and others),
Purpose of the study	1-Presenting and discussing the theoretical framework for joint assurance and bank governance mechanisms

	2- Explaining the extent of the impact of joint assurance within the banking governance framework.
the study Problem	1-Is there a role for governance mechanisms in enhancing the quality of profits? 2-Is there an impact of joint assurance on the banking governance framework?
The most important results of the study	1-The joint assurance within the governance framework has an effective impact in addressing the weaknesses in the economic unit . 2- Consistency between the conclusions of the Board of Directors, the Audit Committee and other relevant committees and other assurance providers will enhance confidence and credibility in the joint work between them.
2- Study (Al-Dulaimi, 2021)	
Study Title	The role of internal control according to the integrated COSO framework in improving sustainable development reports for Iraqi economic units
Type of Study	A thesis submitted to the Council of the College of Administration and Economics / University of Baghdad, which is part of the requirements for obtaining the degree of Master of Science in Accounting
The study sample	Iraqi oil banks: Five oil banks were selected
Purpose of the study	A comprehensive presentation of the components of the integrated COSO framework, its most important principles, focus points, and an explanation of the concept of sustainable development reports and the steps for preparing them. Explaining the role of internal control in preparing sustainable development reports in light of the application of the integrated COSO framework.
the study Problem	What is the role of internal control based on the integrated COSO framework in improving sustainable development reports for Iraqi economic units?
The most important results of the study	The interest of the banks in the research sample in the control environment component, and this indicates their interest in technical competence and ethical commitment, confirms that employees are aware of their responsibilities and duties, and also indicates the effectiveness of the role of the Board of Directors and senior management in setting financial, administrative, and organizational policies and plans.
3-(Pratiwi et al.,2021 )	
Study Title	Stock price synchronicity, sustainability reports, and earnings quality
Type of study	International Journal of Research in Business and Social Sciences 10(1) (2021) 139-148
Purpose of the study	This study aims to examine internal information in the form of sustainability reporting and earnings quality on stock price synchronization. Moreover, this study also aims to examine the moderating effect of institutional investors as an indicator of sophisticated investors. This study addresses questions
the study Problem	Firstly. Does sustainability reporting have a negative impact on stock price synchronization? secondly. Does earnings quality have a negative effect on stock price synchronization?
The most important results of the study	First, this research contributes to the growth of capital market research, especially that which investigates the associated efficient market. Secondly, this research contributes to supporting economic unity because it helps banks understand investors' information needs. Third, this research contributes to supporting investors because it helps to understand the majority of investor behavior in Indonesia, so that they can make better investment decisions.
4 - Liu ,2020	
Study Title	Unraveling the complex relationship between environmental and financial performance —— A multilevel longitudinal analysis
Type of study	A study published in the International Journal of Production Economics.

Purpose of the study	- Research whether good environmental performance can lead to superior financial performance. - Examine a multi-level framework to identify the complex relationship between environmental performance and financial return
Most important conclusions	There is a generally positive relationship between environmental performance and financial performance, with variation across sectors and industries due to heterogeneity. There is a negative relationship for some establishments in some sectors

## The second section: The theoretical framework of the research

### First: Environmental and social disclosure

#### 1. The concept of environmental and social disclosure

It is for financial reports to include all information, whether quantitative or descriptive, that helps users evaluate the environmental and social performance of the economic unit (Mustafa, 2021: 60). It is an essential means of disclosure and transparency about the economic unit's policies and short- and long-term strategies regarding environmental activities to stakeholders to provide Proof that they are responsible for their operation and the resulting impact on the environment (Alhaj & Terengganu, 2019:2). Lisene sees disclosure of the environmental and social dimensions as: the necessary means to transfer information about the financial and non-financial performance of economic units to those with direct and indirect interests (Lisene, 2015: 13-14). Al-Awad believes that environmental and social disclosure increases the quality of disclosure to include financial and non-financial information that affects the decisions of users of that information, which is an improvement in transparency and communication. This improvement addresses social, economic and environmental aspects, as well as the administrative structure of the economic unit. The goal of this expansion is to provide a comprehensive picture that reflects the interactions between these aspects and the governance methods followed. It is expected that this improvement will have a positive impact on the performance of the economic unit, both internationally and locally, and thus achieve better well-being for society (Al-Awwad et al., 2018: 58). The environmental and social dimension report is seen as the basic document used to communicate the performance of the economic unit with regard to all pillars. The three bottom lines: are economic, environmental and social. Sustainability reporting is often referred to as corporate social responsibility (CSR) or environmental, social, and governance (ESG) reporting (Braun, 2018:902). Environmental and social disclosure tends to provide information on issues such as environmental impact, labor practices, product safety, and innovation. (2020:67, Doupnik) the researcher believes that environmental and social disclosure is important for economic units that integrate a mix of financial and non-financial goals, and these goals include social responsibility, environmental protection, poverty alleviation, and stakeholder commitment. Furthermore, in order to strive for full environmental and social sustainability, economic units must address the financial, social and environmental impacts of their businesses.

#### 2- The importance of environmental and social disclosure

The importance of environmental and social disclosure is as follows:

1-Enhancing the reputation of the economic unit and enhancing its competitive position in the market. This disclosure contributes to providing financial and non-financial information about the performance of the environmental and social dimension, which contributes to estimating the expected market value of the economic unit in the future. This type of disclosure also enables current and potential investors and creditors to make informed investment decisions and reduces information discrepancies between investors and stakeholders (Al-Sarraf, 2021: 208).

2- Public request for disclosure of environmental and social dimension reports: By using the information, the public can better evaluate the economic unit and make consumer decisions based on the values and principles espoused by the economic unit. Sustainability reporting therefore contributes to enhancing transparency and promoting positive interaction between economic units and the public. (Abdul Rahim, 2015: 41)

#### 3- The goal of environmental and social disclosure

Preparing environmental and social disclosure reports, which is an activity of economic units, has two general purposes: First, evaluate the environmental and social disclosure of the economic unit; Secondly, communicating the efforts and progress in the environmental and social disclosure procedures of the economic unit to stakeholders. The first objective of environmental and social disclosure is that within each business sector, economic units need to create an increasingly valuable economic community while using environmental standards and natural resources in a sustainable manner, while at the same time cooperating with the social goals of the community to be achieved. Able to contribute to environmental and social disclosure; Which leads them to the conclusion that there is an important need for economic units to use tools to monitor, manage and disclose performance in the field of the environmental and social dimension. With regard to not obligating economic units to disclose according to a unified framework for preparing environmental and social reports; Therefore, the increasing number of published reports is part of the decisions taken by economic units. Community expectations regarding the business sector in the economic unit put pressure on the economic unit to report on environmental and social disclosure. These motives have previously been

mentioned in the Sustainability Reports Reference among those motives that drive economic units to operate sustainably. This can be explained by the fact that economic units first evaluate the reasons they should take into account (Tristan, 2014) (Horgren, 2021: 548).

#### **4- Benefits of environmental and social disclosure**

Environmental and social disclosure, based on integrity, high values and a long-term approach, provides clear benefits to economic units and a positive contribution to the well-being of society. Economic units that follow a more sustainable approach enjoy positive benefits, including the following:

- 1- Enhancing brand value and reputation. Environmental performance is used by a large number of people when judging economic units. For this reason, a sustainable business unit strategy represents an excellent opportunity for the business unit to increase brand value and improve the business image (Romiguer, 2011:11).
- 2- Attract and retain customers. Environmental and social disclosure helps customers differentiate between similar products and service providers, with equal price and performance. Customers see environmental and social disclosure as key purchasing criteria and are willing to pay a premium or compromise on performance. On the other hand, existing customers will have an additional reason to maintain their confidence in the products offered by economic units that rely on environmental and social disclosure. (Vasylieva, 2017: 350)
- 3- Reducing operating costs and increasing revenues. Operating costs can be reduced through environmental and social disclosure practices such as reducing waste and eliminating health and safety risks. Environmental and social disclosure can not only bring cost benefits but will also have a positive impact on revenues

#### **5- Characteristics of environmental and social disclosure information**

The framework that is compatible with the current stage of development for environmental and social responsibility accounting can include the following characteristics:

- 1- Suitability must be present in the information included in the environmental and social dimension report. This characteristic focuses on the relationship of the information to the goal for which it was prepared. You must familiarize yourself with the information contained in the report. Relevance is that it should be able to meet the needs of its users.
- 2- Understandability, and ensuring clarity, this requires an emphasis on coordinating the information contained in the environmental and social dimension report with all its users, and therefore this framework is fundamentally required and must be adhered to when preparing this report. (Badawi and El-Beltagy, 2013: 129)
- 3- Flexibility: Environmental and social disclosure must remain able to serve the needs of its beneficiaries in changing circumstances. Flexibility is one of the basic and necessary criteria that must be available to ensure effective communication, especially for a report whose subject elements are characterized by movement, as the environmental and social processes imposed by responsibility for sustainability may change from year to year depending on climate change (Li, Z., Jia, 2023: 59).

#### **6- Environmental and social disclosure strategies**

The Technical Preparedness Working Group (TRWG) and the International Sustainability Standards Board (ISSB) believe that environmental and social disclosure strategies are:

- 1- The purpose of environmental and social financial disclosure is to enable users of general-purpose financial reports to understand the economic entity's strategy for addressing significant sustainability-related risks and opportunities that it reasonably expects to affect its business model, strategy and cash flows in the short, medium or long term.
- 2- The economic entity must disclose information that enables users of general-purpose financial reports to understand its assessment of the current and expected impacts and disclose a description of the current and expected impacts of significant risks and opportunities related to the environmental and social dimension on its value chain for the production of goods or services, such as supply chains, operations and power. Operations, marketing, distribution channels, assets or inputs. ( 2021:26·TRWG&ISSB) (Latan , 2018:67)

#### **7- Reasons and motivations for environmental and social disclosure**

There are motives that encourage working in a sustainable manner, and the level of their performance is also disclosed through preparing and disclosing reports. Otherwise, there are reasons and motivations that make economic units not disclose sustainability. The two groups of motives are identified as follows:- (Schiehlé & Wallin, 2014:29)

First: Motives for environmental and social disclosure:-

- Work to strengthen capacity so that you can progress towards identified goals
- Facilitating environmental strategic procedures.

Second: Reasons for refraining from environmental and social disclosure:

- Confusion and uncertainty about what disclosure provides to the economic unit.
- Competitors not disclosing environmental and social dimension reports.

#### **8- Advantages of environmental and social disclosure**

Sustainability disclosure provides many advantages to economic units and society as a whole. Here are some of the main advantages: (Alotaibi,2021:252)

1- Environmental and social dimension reports help improve the image of the economic unit in society, leading to increased sales, achieving competitive advantages, and improving financial performance as a whole.

2- Legitimizing the economic unit's activities and products and improving its reputation as a responsible economic unit that manages the efficiency of operations on environmental and social issues. By providing new, potentially less expensive financial references to investors concerned about social and environmental issues, it helps reduce risk through easier access to lenders.

3- Improving the credit rating of the economic unit and thus the financial success of the economic unit and helping it attract long-term capital

#### **9- Environmental and social disclosure approaches**

1- Voluntary disclosure approach:

This approach is based on identifying market effectiveness and stakeholders' needs for social and environmental information. If there is an urgent need for this information, sectors are asked to meet these needs voluntarily. This approach aims to disseminate the required information on social and environmental dimensions without imposing mandatory laws.

2- Mandatory disclosure approach:

According to this approach, sectors must provide social and environmental information in line with applicable regulations and laws. The main objective of preparing these reports is to prevent fraudulent activities and protect investors. It also aims to convey information reliably to stakeholders. The main difference between the two approaches is the optional or mandatory nature of providing information. The voluntary disclosure approach allows economic units to determine the scope of the information they wish to share, while the mandatory disclosure approach imposes the provision of information in accordance with legal controls. Disclosure of environmental and social dimension information remains voluntary except in some cases. Countries such as South Africa. (Çaliyurt, 2020: 55)

#### **Second: The quality of accounting profits**

##### **1-The concept of quality of accounting profits**

Understanding earnings quality is crucial in accounting and financial economics, but there are wide debates regarding its definition and measurement. The list of candidate metrics includes several elements, such as: continuity of earnings, predictability, asymmetric recognition of losses, continuity of earnings, size of accruals, additional accruals to income, absolute value of discretionary or abnormal accruals, as well as the extent to which accruals are converted into cash. The complexity of measuring earnings quality stems from the inability of prior research to analyze the portion of earnings resulting from earnings management separately from the portion resulting from the underlying earnings process. (Dichev et al, 2013:13).

Schroeder believes that earnings quality analysts and other users of financial statements should be interested in the quality of an economic unit's declared earnings because it allows them not only to evaluate past performance but also to forecast future cash flows, which in turn affects securities prices. However, since the 1970s, research has indicated that although reported earnings have some effect on stock prices, the effect is minimal. Accounting profits are affected by revenue recognition policies and methods, and the need to match revenues and expenses in certain periods (Schroeder et al, 2011:170).

The concept of "quality earnings" has been interpreted differently in the accounting literature. High-quality earnings have been defined as those attributable to persistence, stability, predictability, conservatism, and accuracy in reflecting the economic condition of an economic unit, and are believed to be strongly linked to past, current, and future cash flows. (Papadopoulos,2018:20).

##### **2- The importance of the quality of accounting profits**

Earnings quality is an important determinant of cash holding, a finding consistent with the argument that economic units with low levels of earnings information have greater difficulty obtaining external financing and thus accumulate larger cash reserves as a reserve for future financing needs. Maintaining more cash than economic units in the main market, a result that can be attributed to less stringent listing requirements, more flexible regulatory oversight and lower levels of financial disclosure, leads to reducing the ability of those economic units to obtain external financing from investors. Related to this, the information conveyed by earnings quality is a more important determinant of key market cash reserve levels. There is evidence that earnings quality significantly and negatively affects the cash reserves of profitable economic units but not of loss-making economic units

##### **3- Parties and areas interested in the quality of profits**

Earnings quality is vital to all beneficiaries of financial reports, particularly current and future investors and creditors. However, the interest of each category of these beneficiaries varies according to its specific focus. The concerned parties continue to view profits as a basic indicator of the performance of the economic unit, and the following is a review of the parties interested in the quality of profits and its areas of interest: (Al-Tamimi et al., 2014: 167)

1- Current and potential investors

The interest of investors - whether current or potential - towards economic units is greatly concerned with their ability to distribute profits and the continuity of these distributions, as well as the amount of those profits. It is clear that the payment of the dividend depends largely on current profits and the availability of the necessary liquidity, in addition to taking into account other factors and variables. This is greatly reflected in investors' assessment of the value of investment in the economic unit and their expectations for future financial returns. (Al-Saadi, 2012: 62)

2- Creditors and suppliers

Both creditors and suppliers seek to understand the sustainability and strength of the economic unit by assessing its liquidity and ability to bear obligations. The amount of declared profits is an important indicator for them, as they see that sufficient liquidity plays a major role in their decisions regarding granting loans and extending credit to the economic unit. However, they realize that complete reliance on the amount of profits, especially if it is exaggerated, may hide the weak ability of the economic unit to meet obligations. This may mislead lenders and incorrectly push them to continue providing financing, extending the loan period, or agreeing on deferred sales deals. (Al-Tamimi et al., 2014: 168)

**4- High-quality earnings characteristics**

High-quality profits exhibit several characteristics that make them reliable indicators of the financial performance of an economic unit. These characteristics include:

1- Sustainability: Economic units that are socially responsible and contribute positively to the communities in which they operate are more likely to generate high-quality profits. This involves considering the environmental and social impacts of business activities. (Dichev et al., 2013:13) High-quality profits are sustainable over the long term, they are not the result of short-term accounting manipulations or one-time events and are created through environmentally and socially responsible business practices, ensuring that the activities of the economic unit do not deplete resources or harm Society (Hamid, 2020:26)

2- Consistency: Consistency of profits reflects the stability of an economic unit's income over time. An economic unit with fixed profits is often considered more reliable by investors.

3- Transparency: Transparent financial reporting ensures that an economic unit's financial statements accurately reflect its economic reality. Clear and comprehensive disclosures contribute to earnings transparency.

**5-Techniques used to evaluate earnings quality**

Earnings quality refers to the reliability and sustainability of an economic unit's reported earnings. Investors and analysts often use different techniques to evaluate earnings quality to make informed investment decisions. Here are some common techniques: . (Schroeder et al,2011:170-171)

1- Revenue recognition policies: Analyze the economic unit's recognition policies and revenues to ensure their compliance with accounting standards (such as Generally Accepted Accounting Principles or International Financial Reporting Standards). Evaluate the consistency of revenue recognition methods over time.

2- Expense recognition policies: Examining the economic unit's expense recognition policies and ensuring that they are consistent with accounting standards. and evaluate consistency in the treatment of operating expenses and timeliness of cost recognition.

**6- Factors affecting the quality of profits**

1- Audit quality

When audit quality is high, auditors will limit management's unreasonable choices of accounting methods and prevent incorrect presentation of the economic unit's funds. However, when the audit quality is low, not only does the auditor not place any restrictions on the manager, he may also advise him on how to avoid GAAP and help managers present a false financial position of the economic unit. Discretionary accruals are known as a reflection of management's authority and discretion, and auditing them is considered very difficult. The higher the quality of the audit and the lower the discretionary accruals, the higher the quality of accounting profits. (2015:198, Anvari)

2- Administrative ownership

Administrative ownership is the largest ownership of shares by the management of the economic unit. Administrative ownership can be defined as the percentage of shares owned by managers.

Administrative ownership is the percentage of ownership by the Board of Directors and the Board of Commissioners of the shares of the economic unit. The administrative ownership structure has several roles or functions that can be viewed from two perspectives: The agency approach and the asymmetric information approach. The agency approach

views the managerial ownership structure as a tool to reduce agency conflicts between claims against the economic unit so that the economic unit increases managerial ownership to align the manager's position with shareholders so that they act in accordance with the shareholders' wishes. As ownership increases, the proportion will correspond to the position of managers who own portions of shares of economic units and have less incentive to manage or process earnings and accounting information. As the ownership level of managers increases, the interest gap between managers and shareholders will decrease. Therefore as management ownership increases, incentives to manage earnings will decrease. A decrease in earnings management will increase earnings quality and the level of management ownership can limit earnings management activities so earnings quality remains high (Ariyanto:2020:257)

#### **7- Determinants of earnings quality**

##### **1- Characteristics of the economic unit**

The operating characteristics of the economic unit, widely known, are related to the quality of profits, such as the performance of the economic unit, debts, and the size of the economic unit.

Economic unit performance: Whether poorly performing economic units engage in accounting methods to improve their profits and thus reduce the quality of profits. Specifically, poor performance provides incentives for the economic unit to manage earnings.

As for debt, if high financial leverage indicates that the economic unit faces difficulties in obtaining debt or future borrowing, it is possible that managers in economic units with high financial leverage may take measures to enhance income or manipulate financial statements to avoid violating such a measure that could reduce the quality of debt.

Profits relative to other decisions

The size of an economic unit in terms of revenues, assets and workforce affects its characteristics. Larger economic units may have more references and capabilities, allowing for different operating models compared to their smaller counterparts. (379: Dechow, 2010)

##### **2- Financial reporting practices**

In general, the idea that the choice of accounting method leads to lower quality of earnings because managers make opportunistic choices rather than choices that improve the informativeness of earnings does not have much support. Investors appear to adjust their valuation decisions to reflect information that is not reported (e.g., R&D expenditures) and investors also appear to adjust their valuations when they anticipate earnings management. A potential advantage of principles-based standards is that removing alternative accounting treatments for a transaction in favor of a single principle reflecting underlying performance would result in a more informative earnings number because it reduces the opportunities for earnings management. (Dichev, 2012:22)

#### **8- Earnings quality metrics**

Measures based on the qualitative characteristics of accounting information

The concept of earnings quality has been considered vague, despite ongoing attempts to find a theoretical basis that would make it more precise and clear. Many studies have shown that there are several ways to measure earnings quality, and this concept is multidimensional. Accordingly, the process of choosing an earnings quality measure depends on several factors, including the availability of information and the model used to estimate it.

Each earnings quality model aims to achieve a specific goal, and although each measure provides a specific criterion, each model contributes to providing a comprehensive view of expected earnings. According to this concept, profits are of high quality if the basic qualitative characteristics of accounting information are provided in them, which are relevance and faithful representation. (Obaid, 2023: 44)

These qualitative characteristics of accounting information are basic requirements for achieving financial reporting objectives. This includes avoiding risks that could affect the achievement of these characteristics. According to the latest update issued by a joint project between the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB), net profit is a key focus in accounting. Given the importance of net profit, this concept plays a crucial role in enabling users of financial statements to make correct and informed economic decisions (Ewert, 2011:16).

##### **Firstly - Relevance**

Accounting information has the characteristic of relevance when it is effectively relevant to the decision-making process and thus plays a vital role in guiding the user's economic decisions. This information helps the user evaluate past, current and future events, whether confirming or changing expectations.

The term "earnings relevance" is defined as the ability of accounting information to summarize data that affects companies' stock prices, regardless of the relevance of this data. The relevance of profits can be understood as an indicator of the quality of profits based on the idea that accounting numbers must be able to show information that may be hidden (Saud, 2012:15). Therefore, the relevance of profits expresses the ability of one or more accounting numbers to interpreting changes in stock prices. Explaining differences in stock prices through earnings relevance is a



measure of earnings quality. Earnings that are a strong and efficient explanation of large changes in stock prices are desired. Thus, earnings with high explanatory power are an indicator of higher quality, as they are able to explain large differences in stock prices. Shares in a comprehensive and comprehensive manner (Ewert, 2011: 16)

The relevance of profits to stock prices is measured by using the following equation:

$$P_{i,t}/P_{i,t-1} = \beta_0 + \beta_1 EPS_{i,t}/P_{i,t-1} + e_{i,t}$$

whereas:

$P_{i,t}$  The closing price for the current year.

$P_{i,t-1}$  The closing price for the previous year.

$\beta_0$  and  $\beta_1$ : parameter values

$EPS_{i,t}$  operating earnings per share for the current year.

$e_{i,t}$ : Estimation error (residuals).

Operating profit per share was used because it is considered a more accurate representation of the economic unit's activity compared to comprehensive profit. Both sides of the equation were divided by the closing price at the end of the previous year, with the aim of avoiding the combined effect of volume on profitability and price. The greater the correlation between earnings and stock prices, the more relevant it is. The sub-characteristics emerging from the suitability characteristic are predictability, confirmatory value, and relative importance, which can be explained as follows:

#### 1- Predictability

The property of predictability indicates that information is characterized by its ability to improve the probability of accurate predictions about the outcome of events. This characteristic is also understood to mean that profits can be predicted and, therefore, the ability of profits to predict themselves. This shows that information has a high predictive value if it is able to help users predict future profits using the square root of the variance of the estimated error of the (profit continuity) equation, which is done through the following equation (Al-Araji, 2014: 56)

$$Pred_{i,t} = \sqrt{\sigma^2(\epsilon_{i,t})}$$

whereas :

$Pred_{i,t}$ . The ability to predict the profits of economic unit (i) during the period (t).

$\sqrt{\sigma^2(\epsilon_{i,t})}$  :It is the variance of the estimated error of the earnings continuity equation for the company (i) during the period (t) if large values for (Pred) indicate less predictable earnings and thus lower earnings quality.

#### 1- Confirmatory Value

Confirmatory value refers to the ability of accounting information to provide users with confirmation of their previous decisions or to change their assessment of those decisions. Information has confirmatory value when it is used to confirm previous decisions or change future decisions. Earnings information is relevant when it allows confirmation or correction of prior information. The closer the value of profits is to the value of operating cash flow, the more relevant it is to users of financial statements in making correct economic decisions

The availability of the confirmatory value of profits is measured by using the following equation: (Kieso et al, 2020:126)

$$FV_t = [|PE_{Bt+1}| - |PE_{At+1}|]$$

whereas:

$FV_t$  :The confirmatory value of profits.

$PE_{Bt+1}$  An error in predicting profits and cash flows for the next year before taking the current year's profits into account.

$PE_{At+1}$ : An error in predicting profits and cash flows for the next year after taking the current year's profits into account

If the value of (FVt) is negative, this is evidence that the profits have an affirmative value.

#### 2- Materiality

Materiality indicates that information is material if its omission, misrepresentation, or omission would influence the decisions users of the financial statements make based on that information. Information can be important because of its volume, nature, or both. The concept of earnings quality relates specifically to the relative importance of earnings themselves. Since the use of information about profits plays an important role in many fields, the number of users of profits reflects their relative importance in making decisions. (Ubaid,; 43:2023)

### **Third: The impact of environmental and social disclosure on the quality of accounting profits**

Disclosure of environmental and social performance by economic units can affect the quality of accounting profits. Disclosing the dimensions of sustainability aims to provide useful information that helps them make various decisions

#### **1-The effect of disclosing environmental performance on the quality of accounting profits**

Disclosure of environmental performance is the method through which the accounting unit can inform all beneficiaries of its various activities that have environmental impacts, and their implications on the financial statements, provided that this is achieved through the quality of the profits attached to them, and perhaps the most prominent activities that have impacts on the environment, and are accustomed to... Community benefits are activities related to protecting the environment and preserving its natural resources and activities related to consumer protection. Information of an environmental nature is commensurate with its nature, as it is included in the main lists. Financial information as long as it can be estimated in a reasonable way, and events indicate the possibility of achieving it. As for non-financial information of a quantitative environmental nature, it is included in an interim quantitative estimate attached to the financial statements if it is of high relative importance, or within the clarifications supplementing the financial statements (Mustafa, 2021: 89).

There are a number of studies that have addressed the benefits of environmental performance disclosure reports for capital providers, which means that the benefits of preparing sustainability reports in economic units have exceeded the cost. In addition, economic units that publish sustainability reports can improve the complex information environment in the economic unit and can alleviate information asymmetry between the management of the economic unit and external stakeholders (Lee & Yeo, 2016:3).

#### **2-The effect of disclosing social performance on the quality of accounting profits**

The study (Al-Jundi, 2016: 401-402) indicated that disclosing social performance has a positive impact on raising the adequacy of the quality of profits itself because providing information about social performance is useful in explaining the circumstances and methods by which economic measurement was carried out, especially in cases where In which the final measurement is subject to doubt or lack of clarity of the information used in the measurement, in addition to the increased need to identify acceptable explanations for the accounting procedures used to clarify their impact on society and the surrounding environment, which necessitates seeking to develop accounting and the reports it produces in the direction of the social dimension.

Economic units can benefit from disclosing sustainability and implementing social responsibility in multiple ways. These benefits include enhancing communication with stakeholders and achieving integration between its vision, mission and principles. Its commitment to social responsibility can also contribute to continuous improvements in its activities and practices, such as reducing risks and protecting its reputation.

In the same context, it shows that social responsibility is considered an opportunity to achieve success, as it can be a Reference of creativity and competitive advantage. It is important for economic units not to focus on tensions with society, but rather they must identify points of intersection and choose specific social issues to confront them. It should also set a social agenda for itself and add attention to social responsibility as part of its value creation process, leading to increased quality of profits and enhanced market superiority. (Ashraf, 2014: 92)

As a study (5, 2014: Gherghina) showed, using a sample of 52 American companies listed on the New York Stock Exchange, the results revealed a positive effect of social responsibility on the quality of profits, showing that economic units that adopt the concept of social responsibility benefit from an increase in the number of customers and their sales. This confirms the high quality of profits as a result of adopting the principles of social responsibility. The research also shows that there is an increasing preference among customers and clients for economic units that pay attention to social responsibility. This preference can be attributed to a growing awareness of social issues, as customers show more interest in business units that seek to achieve a positive impact on society. Overall, the results indicate that business units' commitment to social responsibility enhances not only their reputation in the market, but also their positive impact. It improves the quality of its profits by attracting more customers and increasing sales volume.

The study (Nguyen et al, 2015: 212) also aimed to examine the relationship between the disclosure of economic units listed on the Vietnam Stock Exchange about sustainability and the quality of profits during the period from 2010 to 2013, using content analysis of annual reports to measure the extent of the economic units' commitment to social responsibility. The study showed an impact Positive significance of sustainability disclosure on the quality of the company's profits in the year following the disclosure. Specifically, the results revealed that Vietnamese economic units that actively disclose their social responsibilities achieve a positive impact on the quality of their profits in the time period following the disclosure. It is worth noting that the preference for economic units to disclose their social responsibility showed a positive impact on their value on the stock exchange. In short, economic units that highlight their commitment to social responsibility in their reports achieve an improvement in the quality of their profits, and disclosure of social responsibility can contribute to raising their value on the stock exchange.

The study (Fodio et al, 2013:9) also found a positive impact of social responsibility indicators, human resources management and community development, on the quality of profits, by examining the relationship between environmental and social responsibility and the quality of profits, for a sample of economic units.

### **3-Forms of the relationship between environmental and social disclosure and the quality of accounting profits**

The relationship between the disclosure of environmental and social dimension practices and the quality of accounting profits has been a topic of interest in academic research, as many studies have explored how the extent of environmental and social disclosure by economic units can affect the reliability and quality of their accounting profits.

The nature of this relationship can take different forms:

#### **1- Interrelationship:**

Some studies suggest a correlation, whereby economic units with poor disclosure of environmental and social dimension information tend to compensate for lower quality of accounting earnings through increased narrative disclosure. In contrast, economic units with strong environmental and social disclosure may reduce narrative disclosure, maintaining high-quality accounting earnings. 20) (Yip, 2011)

#### **2- Integrative relationship:**

Alternatively, a complementary relationship may exist, whereby economic units with high-quality financial reporting also enhance the quality of accounting earnings by providing comprehensive environmental and social disclosure. In this scenario, environmental and social disclosure works synergistically with financial reporting to improve the overall quality of information available to stakeholders.

Understanding the relationship between environmental and social disclosure and accounting earnings is critical for investors, analysts, and other stakeholders. High-quality accounting earnings provide a more accurate reflection of an economic unit's financial performance, and environmental and social disclosure can play a role in influencing and shaping perceptions of an economic unit's long-term viability, risk management practices, and the responsibility of economic units.

It is important to note that the specific nature of this relationship may vary across industries, regions and individual economic units. In addition, regulatory environments and reporting standards can influence the way economic units approach sustainability disclosure and its integration with financial reporting.

In general, research in this area highlights the interconnectedness between environmental and social dimension reporting and financial reporting, with an emphasis on the need for a comprehensive and integrated approach to economic unit disclosure to provide a comprehensive view of the economic unit's performance and environmental and social dimension practices. (Abu Jabal, 2023: 83 )

### **4- Important factors in enhancing the relationship between sustainability disclosure and earnings quality:**

(Al-Dulaimi, 2022:92)(Aggarwal, 2013:51)(Shehata, 2023:16).)20: Castello and Lozano, 2011(

#### **1- Enhancing transparency**

Environmental and social disclosure can enhance transparency in an economic unit's operations by providing additional information about its environmental and social practices and this increased transparency may contribute to a more comprehensive understanding of the economic unit's overall performance, risk management and long-term sustainability.

#### **2- Influencing investors' decisions**

Comprehensive environmental and social disclosure may influence investors' decisions. Investors are increasingly taking environmental and social factors into account when making investment choices. If the economic unit provides detailed and reliable information on sustainability, this can positively impact investor confidence, which may lead to a higher valuation and lower cost of capital.

#### **3- Creating value in the long term**

Economic units that integrate environmental and social disclosure into their business strategies and disclose relevant information are often viewed as more forward-thinking. Such economic units may focus on long-term value creation, risk mitigation, and flexibility, which can positively impact the quality of accounting earnings over time.

**The third section: measuring the level of environmental and social disclosure and the quality of the bank's accounting profits, the research sample, and testing the hypotheses.**

#### **Firstly- A brief overview of the bank, sample of the study:**

The existence of a developed banking system capable of attracting financial references, allocating them efficiently and effectively and then re-employing them in viable and beneficial investment areas in any country in a way that can encourage investments within this country and contribute effectively and efficiently to achieving environmental and social development in various fields and levels. All of them in a way that can achieve economic and social well-being in general.

According to the letter of the Ministry of Commerce, Company Registration Department, Sh/H/19255, on 04/07/2017, the activity of the United Financial Transfer Company was transferred to the Asia Iraq Islamic Bank for Investment

and Finance, and a license to amend the activity was granted according to the letter of the Central Bank of Iraq / Banking Department No. /9/3/ 4934 on 03/05/2018. The bank began its banking activity on 04/15/2018 and carries out banking, financial, credit and investment activities in accordance with the provisions of Islamic Sharia through the main branch in Baghdad. A plan has also been prepared to open other branches in the city of Baghdad and the provinces, and the bank seeks to develop Banking work, by meeting the banking needs of its customers, achieving the highest levels of coordination among them, developing methods for performing banking services using modern technology and communications, consolidating the concepts of banking work, following unified systems and procedures for this purpose, using the latest available technologies and applying the highest professional standards. Related to the banking business, the bank works to establish the principle of dealing with the Islamic banking system as the first option for banking and to contribute an effective role in the advancement of the Islamic economic system to achieve the principle of solidarity, in accordance with the financial inclusion system and taking into account Islamic social goals. The bank is committed to providing modern, quality Islamic banking solutions and services by adopting Principles of Islamic economics locally and internationally, working within one team spirit, training cadres in banking, and accepting advice from everyone for the benefit of the community.

**Second: Measuring the level of environmental and social disclosure and the quality of accounting profits for the bank in the research sample**

This research aims to measure the level of environmental and social disclosure as well as the quality of accounting profits in a sample of banks listed on the Iraq Stock Exchange for the period (2018-2023), so this research will be an introduction to the next research in order to measure the correlation and impact between environmental and social disclosure and the quality of accounting profits.

1- Measuring the level of environmental and social disclosure in the research sample bank:

In order to measure the level of environmental and social disclosure in the bank in the research sample, the focus will be on the environmental axis and the social axis, and the level of environmental and social disclosure in the bank in the research sample for the period (2018-2023) can be measured according to these axes, as shown in the following:

First: The environmental axis:

The environmental axis includes a set of indicators, namely energy consumption inside and outside the drain, energy density, reducing energy consumption, reducing service requirements for energy, water withdrawal, water drainage, water consumption, gas emissions from drain devices, gas emission intensity, reducing gas emissions, compliance with environmental laws, disclosing noise pollution, and using friendly materials. For the environment and disclosure of environmental violations, the level of disclosure of information on the environmental axis of the Bank of Asia Iraq can be measured for the period (2018-2023), as shown in the following table.

Schedule (1 )

The level of disclosure of information on the environmental axis of the Bank of Asia Iraq for the period (2018-2023)

Sequence	Indicators	2023	2022	2021	2020	2019	2018
1	Energy consumption inside the bank	-	-	-	-	-	-
2	Energy consumption outside the bank	-	-	-	-	-	-
3	Energy density	-	-	-	-	-	-
4	Reducing energy consumption	√	√	√	√	√	√
5	Reducing energy requirements for services	√	√	√	-	-	-
6	Draw water	-	-	-	-	-	-
7	Drainage	-	-	-	-	-	-
8	Water Consumption	√	√	√	√	√	√
9	Gas emissions from banking devices	-	-	-	-	-	-
10	Gas emission intensity	-	-	-	-	-	-
11	Reducing gas emissions	√	√	√	√	√	√
12	Compliance with environmental laws	√	√	√	√	√	√
13	Disclosure of noise pollution	-	-	-	-	-	-
14	Use environmentally friendly materials	√	-	√	-	√	√
15	Disclosure of environmental violations	-	-	-	-	-	-
Total disclosures ÷ total requirements		6 ÷ 15	5 ÷ 15	6 ÷ 15	4 ÷ 15	5 ÷ 15	5 ÷ 15
= Level of disclosure		40%	33.3%	40%	26.7%	33.3%	33.3%

Reference: Prepared by researcher based on bank reports and statements.

It is clear from the table above that the level of disclosure of information on the environmental axis of the Bank of Asia Iraq for the years 2018, 2019, 2020, 2021, 2022, 2023 was (33.3%), (33.3%), (26.7%), (40%), (33.3%). %, (40%) respectively, as it is noted that the highest level of disclosure was during the years 2021 and 2023, while the lowest level of disclosure of information on the economic axis was during the year 2020.

The level of disclosure of information on the environmental axis of the bank in the research sample can be measured for the period (2018-2023), as shown in the following table:

Schedule (2)

The level of disclosure of environmental axis information for the Bank of Asia Iraq research sample for the period (2018-2023)

The bank	2023	2022	2021	2020	2019	2018
Bank of Asia Iraq	40%	33.3%	40%	26.7%	33.3%	33.3%

Reference: Prepared by researcher based on the previous tables.

It is clear from the table above that the level of disclosure of environmental axis information for the Bank of Asia Iraq research sample for the years 2018, 2019, 2020, 2021, 2022, 2023 was 33.3% 33.3% 26.7% 40% 33.3% 40%, respectively, as it is noted that the highest level Disclosure was during the year 2023, while the lowest level of disclosure of economic axis information was during the year 2020.

Second: The social axis:

This axis includes a set of indicators, namely hiring new employees, distributing incentives to employees, maternity leaves, childcare, employees being covered by the health care system, employee training programs, diversity in the management and employee body, human rights agreements, commitment to human rights policies and procedures, providing the best services, supporting projects, providing facilities to customers, and contributing to Humanitarian cases, contribution to community service, disclosure of customer complaints, and compliance with laws of a social nature. The level of disclosure of information on the social axis of the Bank of Asia Iraq can be measured for the period (2018-2023), as shown in the following table:

Schedule (3)

**The level of disclosure of information on the social axis of the Bank of Asia Iraq for the period (2018-2023)**

Sequence	Indicators	2023	2022	2021	2020	2019	2018
1	Recruiting new employees	-	-	-	-	-	-
2	Distribute incentives to employees periodically	√	√	√	√	√	√
3	Maternity and childcare leave	√	√	√	√	-	-
4	Employees are covered by the health care system	-	-	-	-	-	-
5	Employee training programs	√	√	√	√	√	√
6	Diversity in management and employees	√	√	√	√	√	√
7	Human rights agreements	-	-	-	-	-	-
8	Commitment to human rights policies and procedures	√	√	-	-	-	-
9	Protecting customers and providing the best services	√	√	√	√	√	√
10	Supporting small and medium enterprises	√	√	√	√	√	√
11	Providing facilities to customers	√	√	√	√	√	√
12	Contributing to humanitarian situations	-	-	-	-	-	-
13	Contributing to community service	√	√	√	√	√	√
14	Disclosing customer complaints	√	√	√	√	√	√
15	Compliance with laws of a social nature	√	√	√	√	√	-
Total disclosures ÷ total requirements		15 ÷ 11	15 ÷ 11	15 ÷ 10	15 ÷ 10	15 ÷ 9	15 ÷ 8
Level of disclosure =		%73.3	% 73.3	%66.7	%66.7	%60	%53.3

Reference: Prepared by researcher based on bank reports and statements.

It is clear from the table above that the level of disclosure of information on the social axis of the Bank of Asia Iraq for the years 2018, 2019, 2020, 2021, 2022, 2023 was (53.3%), (60%), (66.7%), (66.7%), (73.3%) %, (73.3%) respectively, as it is noted that the highest level of disclosure was during the years 2022 and 2023, while the lowest level of disclosure was during the year 2018.

The level of disclosure of information on the social axis of the bank in the research sample can be measured for the period (2018-2023), as shown in the following table:

Schedule (4)

The level of disclosure of information on the social axis of the bank in the research sample for the period (2018-2023)

the years	2023	2022	2021	2020	2019	2018
Bank of Asia Iraq	73.3%	73.3%	66.7%	66.7%	60%	53.3%

Reference: Prepared by researcher based on the previous tables.

It is clear from the table above that the level of disclosure of social axis information for the Bank of Asia Iraq research sample for the years 2018, 2019, 2020, 2021, 2022, 2023 was 53.3% 60% 66.7% 66.7% 73.3% 73.3%, respectively, as it is noted that the highest level Disclosure was during the years 2022 and 2023, while the lowest level of disclosure was during the year 2018.

. The level of environmental and social disclosure of the bank in the research sample for the period (2018-2023) can be clarified through the following table:

Schedule (5)

The level of environmental and social disclosure of the bank in the research sample for the period (2018-2023)

Sustainability themes	The bank	2023	2022	2021	2020	2019	2018
Environmental	Bank of Asia Iraq	40%	33.3%	40%	26.7%	33.3%	33.3%
Social		73.3%	73.3%	66.7%	66.7%	60%	53.3%
Average		%56.6	%53.3	%55.3	%46.7	%46.6	%43.3

Reference: Prepared by researcher based on the previous tables.

It is noted from the table above that the bank sample of the study varied in its disclosure of the sustainability axes, as it is noted that the disclosure of information on the social axis obtained the highest percentages during the years of the research, while the disclosure of information on the environmental axis obtained the lowest percentages during these years.

Second: Measuring the quality of accounting profits in the bank sample of the research

For the purpose of measuring the quality of accounting profits in the bank in The research sample, which is expressed in the value of optional benefits for the period (2018-2023), will rely on the modified (Jones, 1995) model, and the steps can be followed, which are calculating the total benefits, estimating the model parameters, and then non-entitlement is calculated. Finally, the optional benefits are calculated Through which earnings management can be measured. These steps are as follows:

1- Calculating total dues:

Total receivables are the non-cash portion of income. Total receivables are measured by the difference between operating income on an accrual basis and income on a cash basis for each bank in the research sample, according to the following model:

$$TACijt / Aijt-1 = NI_{it} - CFO_{it}$$

whereas :

TACijt / Aijt-1: The total receivables of the bank (i) during the year (t).

NI<sub>it</sub>: Net income of bank (i) during year (t).

CFO<sub>it</sub>: The operating cash flow of the bank (i) during the year (t).

The total receivables of the bank in the research sample can be calculated for the period (2018-2023), as shown in the following table:

Schedule (6)

Calculating the total receivables of the bank for the research sample for the period (2018-2023)

the years	TACijt / Aijt-1 [(1) - (2)] ÷ (3)	Aijt-1 (3)	CFOit (2)	NIit (1)
2018	-0.01556	145673089	10885372	(1703965)
2019	-0.05404	128577270	13136496	136210
2020	-0.0852	200781707	(16139082)	722380

<b>2021</b>	<b>-0.01753</b>	336464614	13658418	(1073209)
<b>2022</b>	<b>0.10133</b>	190811122	(63557607)	1355540
<b>2023</b>	<b>0.15182</b>	322890242	6651231	1625629

Reference: Prepared by researcher based on the final accounts of the research sample. From the previous table, the lowest value of the total receivables of the Bank of Asia Iraq was (-0.0852), which was during the year 2020, while the highest value was (0.15182), which was during the year 2023. It is also from the previous table that the values of the total receivables fluctuated during the period. From 2018 to 2023 as a result of the fluctuation of both the net income and operating cash flows of the Bank of Asia Erg during these years. The reason for this fluctuation is due to the instability of the financial performance of Bank of Asia during the specified years of research. It is also noted that there are negative values for total receivables ( $TAC_{ijt}/A_{ijt-1}$ ), which resulted from higher operating cash flows than the bank's net income in the research sample in some years.

## 2- Calculating non-optional dues:

Non-optional receivables are that part of the receivables that the bank's management does not have the ability to influence and through which it does not have the ability to influence the accounting numbers by reducing or increasing them because it results from the normal activity of the bank. Non-optional receivables can be calculated through the following model:

$$NDAC_{ijt} / A_{ijt-1} = \alpha 1 (1/A_{ijt-1}) + \alpha 2 [(\Delta REV_{ijt} - \Delta REC_{ijt})/A_{ijt-1}] + \alpha 3 (PPE_{ijt}/A_{ijt-1})$$

whereas :

$NDAC_{ijt} / A_{ijt-1}$ : Non-optional receivables of the bank (i) during the year (t) on the total assets of the bank (i) at the beginning of the year (t).

$\Delta REV_{ijt}$ : The change in bank (i) revenues between period (t) and (t-1).

$\Delta REC_{ijt}$ : The change in the balance of the receivables account of bank (i) between period (t) and (t-1).

$PPE_{ijt}$ : Total property, buildings and equipment, which represents the net fixed assets account of the bank (i) during the year (t).

The non-optional receivables of the research sample bank can be calculated for the period (2018-2023) as shown below:

Schedule (7)

Calculating the non-optional receivables of the bank for the research sample for the period (2018-2023)

the years	$NDAC_{ijt} / A_{ijt-1}$ (1) + (2) + (3)	$\alpha 3 (PPE_{ijt}/A_{ijt-1})$ (3)	$\alpha 2 [(\Delta REV_{ijt} - \Delta REC_{ijt})/A_{ijt-1}]$ (2)	$\alpha 1 (1/A_{ijt-1})$ (1)
2018	<b>0.02932</b>	<b>0.05999</b>	<b>-0.03753</b>	<b>0.00686</b>
2019	<b>0.07682</b>	<b>0.12751</b>	<b>-0.05847</b>	<b>0.00778</b>
2020	<b>0.00765</b>	<b>0.08437</b>	<b>-0.0817</b>	<b>0.00498</b>
2021	<b>0.00904</b>	<b>0.04237</b>	<b>-0.0363</b>	<b>0.00297</b>
2022	<b>0.00983</b>	<b>0.17241</b>	<b>-0.16782</b>	<b>0.00524</b>
2023	<b>0.03735</b>	<b>0.1168</b>	<b>-0.08255</b>	<b>0.0031</b>

Reference: Prepared by researcher based on the final accounts of the Bank of Asia. It is clear from the previous table that the lowest value of non-optional receivables for Bank of Asia was (0.00765) during the year 2020, while the highest value was (0.07682), which was during the year 2019. From the previous table, the values of non-optional receivables fluctuated ( $NDAC_{ijt}/A_{ijt-1}$ ) of the bank in the research sample as a result of the fluctuation of both revenue amounts and debtors' account balances and the fluctuation of the total amounts of real estate, property and machinery during the research years extending from 2018 to 2023. It is also noted that there are negative values for non-optional receivables ( $NDAC_{ijt}/A_{ijt-1}$ ) as a result of The presence of negative values in the change in bank revenues in the research sample.

## 3- Calculating optional dues:

Optional dues are represented by the difference between the total dues and the non-optional dues of the bank in the research sample for the period (2018-2023), and the optional dues of the bank in the research sample can be calculated according to the following model:

$$DAC_{it} / A_{it-1} = TAC_{ijt} / A_{ijt-1} - NDAC_{ijt} / A_{ijt-1}$$

Whereas:

$DAC_{it} / A_{it-1}$ : Optional receivables of the bank (i) during the year (t) on the total assets of the bank (i) at the beginning of the year (t).

$\epsilon_{it}$ : random error.

$\alpha 1, \alpha 2, \alpha 3$ : model parameters for bank (i).

The optional receivables of the bank in the research sample can be calculated for the period (2018-2023) as shown below:

Schedule (8)

Calculating the bank's optional dues for the research sample for the period (2018-2023)

the years	DA <sub>Cit</sub> / A <sub>it</sub> -1 (1)-(2)	NDAC <sub>ijt</sub> / A <sub>ijt</sub> - (2)	TAC <sub>ijt</sub> / A <sub>ijt</sub> -1 (1)
2018	-0.5307	0.02932	-0.01556
2019	-0.70346	0.07682	-0.05404
2020	-11.13725	0.00765	-0.0852
2021	-1.93916	0.00904	-0.01753
2022	10.30824	0.00983	0.10133
2023	4.06479	0.03735	0.15182

Reference: Prepared by researcher based on the final accounts of the bank, the research sample.

It is noted from the previous table that the lowest value of the optional dues for the Bank of Asia Iraq was (-11.13725), which was during the year 2020, while the highest value was (10.30824), which was during the year 2022. It is also noted from this table that there is a fluctuation in the values of the optional dues, and it was This is a result of the fluctuation in both the total receivables and the non-optional receivables of the bank in the research sample during the years of the research.

After determining the optional receivables of the research sample bank for the period (2018-2023), this bank will be classified into years in which there is quality profits and banks in which there is no quality profits, depending on the practice of earnings management in the bank. If the bank practices earnings management, this indicates a lack of quality profits. And vice versa, this classification is based on a comparison between the absolute value of the optional receivables and the average absolute value of these receivables. If the absolute value of optional receivables is less than the average absolute value of optional receivables, the bank can be classified as practicing earnings management during the years of research, and therefore there is no quality earnings for the bank. These practices came about through making administrative decisions that are consistent with the objectives set by the bank's management upon disclosure. About information in financial statements with the intention of achieving profits and special goals, as well as carrying out the process of manipulating accounting numbers by exploiting the flexibility of accounting rules and procedures and the options for measurement and disclosure practices in them to transform financial information into what the data preparer desires to obtain the desired results instead of disclosing it in a neutral and fair manner. However, if the absolute value of the optional benefits is greater than the average absolute value of the optional benefits, the bank can be classified as not practicing earnings management during the years of study, and thus there will be high-quality profits for the bank, which means that the bank's management does not intentionally manipulate the preparation of external financial statements and reports. . This is to obtain special gains and benefits for the bank and its management during a certain period, as well as not to shade shareholders and other decision makers and influence contracts that depend on the accounting numbers in those reports. Therefore, if the absolute value of the optional receivables is less than the average absolute value of the optional receivables, the bank can be classified However, it is a practitioner of earnings management, and therefore there is no quality in the bank's profits, and vice versa. That is, if the absolute value of the optional accruals is greater than the average absolute value of the optional accruals, then the bank can be classified as not practicing earnings management, and therefore there is quality in the bank's profits.

Thus, it is possible to measure the level of quality of accounting profits of the bank in the research sample for the period (2018-2023), as shown in the following table:

Schedule (9)

Measuring the level of quality of the bank's accounting profits in the research sample for the period (2018-2023)

the years	Earnings quality (yes/Nothing)	The difference between the absolute value of discretionary accruals and their average	Average absolute value of optional accruals	Absolute value of optional entitlements
2018	Nothing	-4.2499	4.7806	0.5307
2019	Nothing	-4.07714	4.7806	0.70346
2020	yes	6.35665	4.7806	11.13725
2021	Nothing	-2.84144	4.7806	1.93916
2022	yes	5.52764	4.7806	10.30824
2023	Nothing	-0.71581	4.7806	4.06479

Reference: Prepared by researcher .

The table above shows both the absolute value of discretionary receivables and the average absolute value of these receivables for the research sample bank in order to determine the presence or absence of quality in the profits of each bank from the research sample bank. It is noted that the Bank of Asia Iraq had good quality profits during the years



2020 and 2022, while there was no good quality profits for this bank for the years 2018, 2019, 2021, and 2023. The Credit Bank of Iraq had good quality profits during the years 2018 and 2021, while there was no good quality profits for this bank for the years 2019, 2020, 2022, and 2023. Also, the Territory Commercial Bank had good quality profits during the year 2023, while there was no good quality profits for this bank for the years 2018, 2019, 2020, 2021, 2022. While the National Bank of Iraq had good quality profits during the years 2018 and 2021, while there was no good quality profits for this bank for the years 2019, 2020, 2022, 2023. The Commercial Bank of Iraq had good quality profits during the years 2023, while there was no good quality profits for this bank for the years 2018, 2019, 2020, 2021, 2022.

Based on the above, all the hypotheses of the current research were accepted through the existence of a correlation and influence between environmental and social disclosure on the quality of accounting profits.

The fourth section

First: Conclusions

Presenting the most important conclusions reached by the researcher after completing the theoretical and applied (practical) aspects of the study, which are as follows:

1- There is an impact between the disclosure of environmental performance using GRI indicators and the quality of accounting profits for Bank of Asia Iraq, which is listed on the Iraq Stock Exchange, according to the study (Jones, 1995).

2- The percentage of disclosure of information related to the environmental axis was 33.3%, 33.3%, 26.7%, 40%, 33.3%, and 40%, respectively, while the percentage of the social axis was 53.3%, 60%, 66.7%, 66.7%, 73.3%, 73.3%.

3- An analysis of the average values of the equation (Jones, 1995) for the banks in the research sample for the period (2018-2023) shows a higher quality of profits in the years 2020 and 2022 compared to the years 2018, 2019, 2019, 2021, and 2023 for the banks in the research sample.

4- Through the statistical analysis of the research, it is clear that the banks in the research sample are more interested in the social dimension than in the rest of the dimensions because it has a greater impact on all activities and weak interest in the environmental dimension.

5- Paying attention to environmental and social dimensions and indicators is of increasing importance to economic units, as they achieve internal and external benefits over time. This will attract investors and lenders, satisfy stakeholders, and increase the quality of profits, which will reflect positively on the company and society.

Second: Recommendations

Based on the conclusions reached by the researcher mentioned above, he recommends the following:

1- Adapting the conceptual framework of financial accounting in a way that is consistent with the requirements of achieving environmental and social disclosure.

2- Iraqi companies must follow an organized and systematic approach that includes protecting and preserving references and mitigating the impact of the risks of their activities and operations on society.

3- The necessity of relying on environmental and social standards and indicators in all banks for the purpose of giving beneficiaries, investors, all stakeholders, and regulatory bodies a unified report based on the standards indicators without differences in them.

4- Spreading environmental and social awareness and educating investors and workers in all commercial banks about the importance of environmental and social disclosure.

5- Banks should demonstrate their contributions through social and environmental disclosure, as they are part of the community in which they operate and gain its satisfaction. Thus, they can achieve sustainable value in the short, medium, and long term.

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