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The Effect of Board of Director's Characteristics on The Corporate Social Responsibility Disclosure: Earnings Management As a Moderator In Iraq Companies

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Abstract

Purpose: The purpose of this paper is to examine board characteristics like independence, size, and meetings affect a developing country's corporate social responsibility disclosures (CSRD). In addition, this study examines also the effect of earnings management on the relationship between board of director characteristics and CSRD in Iraqi companies.

Theoretical framework: According to agency theory, the manager has an opportunistic behavior, so they will use CSRD to cover EM practice. A weak board of director characteristics will increase the EM practice and CSRD to cover the EM practice. This study explores how earnings management moderates the relationship between board of director characteristics and CSRD in Iraqi companies.

Design/methodology/approach: A content analysis method was used to extract and quantify CSRD data from annual reports of 38 firms included in the Iraq Stock Exchange (ISX), covering five sectors, for the period 2016–2019. Consequently, to assess the degree of CSRD in the firm's annual reports, the CSRD index was created utilizing 52 elements classified into four categories. This research used panel data analysis to analyze the data. Multivariate regression and the software Eviews 12 were used to test the hypotheses developed.

Finding: The findings show that board independence, size, and meetings all have a significant and positive impact on CSRD in Iraqi businesses. Furthermore, the results reveal that earnings management positively influences the connection between CSRDs and the frequency of meetings. However, there is no evidence that the moderating term of EM affects CSRD when the board is independent and large.

Research, Practical & Social Implication: More efforts should be made to enhance the awareness of Iraq companies listed on the ISX on the benefits of CSR reports on the social reality. Thus, from a managerial perspective, companies have to take into account the financial and social consequences of CSRD.

Originality/value: There is a scarcity of empirical data on the link between CSR and CG disclosure in countries with socio-political instability. By presenting empirical data from a developing nation with a distinctive business environment, this study fills this research vacuum and makes theoretical and practical contributions to the CSRD literature.

Keywords: Board of Director's Characteristics, Corporate Social Responsibility Disclosure, Earnings Management and Iraqi Companies.

Introduction

In recent years, practitioners and researchers from all over the world have focused a lot of emphasis on the problem of corporate social responsibility (CSR). Many believe that businesses should be evaluated on more than just their financial performance and economic success since they are also required to act decently in society. CSR is the concept that a profit-seeking company should broaden the scope of its aims and ambitions beyond the maximization of shareholder wealth (Salehi, Tarighi, & Rezanezhad, 2017). Kiliç,

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Kuzey, and Uyar (2015) define CSR as finding a balance between a corporation's non-financial and financial objectives while working for the public benefit. Companies have acknowledged the effect of social pressure on their activities and operations. They have accepted that they are now more responsible to a broader audience of stakeholders and are subject to intensive public scrutiny rather than their shareholders and creditors only. As a result, firms are increasingly required to report on CSR activities in order to demonstrate their commitment to social and environmental problems (Adams and Zutshi 2004; Abu Qa'dan & Suwaidan, 2019). This requires the display of data that is separated across the entities' social, environmental, and economic activities (Kiliç et al., 2015). As a result, CSRD is a notion that is becoming more relevant to companies at both the national and global levels. As a result, CSRD is a critical tool for increasing transparency (Khudhair, Norwani, Khalid, & Aljajawy, 2019). We have a reputation (Tetrault Sirsly and Lvina, 2019), corporate legitimacy, accountability and awareness of firms' social and environmental practices (Chang, Oh, Park, & Jang, 2017), and performance (Saud, Yusof, & Ahmed, 2019). Despite its voluntary information, recent empirical investigations of CSRD in developing countries have shown that the quantity and quality of data supplied are still inadequate (Idan, Rapani, Khalid, & Al-Waeli, 2021). Furthermore, Almagtome, Almusawi, and Aureaar (2017) discovered that voluntary disclosure in Iraqi businesses' annual reports is still low compared to other developing countries. As a result, it's critical to identify the main roadblocks preventing Iraqi companies from engaging in CSRD, one of which is the governance structure of the companies (Ali, Frynas, and Mahmood, 2017). Since the 1970s, corporate governance (CG) has been a significant problem (Ghabayen, Mohamad, & Ahmad, 2016). Abu Qa'dan and Suwaidan (2019), amongst the most significant governance device, is the Board of Directors, which is the foundation for CSR reporting and good corporate governance (Rao and Tilt, 2016).

The Board of Directors is crucial in building strong corporate governance standards, one of which is exerting influence on CSR reporting levels (Ibrahim and Hanefah, 2016). The Board of Directors is accountable for supervising the company's operations and has responsibilities such as creating policies, providing advice, analyzing and evaluating management strategies as well as selecting a CEO (Al Fadli et al., 2020; Jizi, Salama, Dixon & Stratling, 2014). Since the Board of Directors is in charge of developing sustainable business plans and supervising the reliable use of a company's assets, it is the board that makes the most significant CSR policy decisions (Khan, Khan, & Saeed, 2019). Here, transparent disclosure policies are implemented and monitored.

Effective boards provide optimum shareholder protection, effective risk monitoring and management, and the provision of an effective control mechanism (Isa & Muhammad, 2015). As a result, businesses must regularly disclose their environmental, economic, and social performance to relevant stakeholders. Because CSRD is affected by multiple factors, values, motives and choices of those related to decision-making and policy formulation procedures of formal organizations, Haniffa and Cooke (2005) claim that board characteristic composition or mechanisms, for instance, board size and board independence, are vital CSRD's pre-requisite or determinant factors. This argument demonstrates the apparent importance of board characteristics in formal organizations. Companies have been encouraged to possess more responsibility towards a wider range of stakeholders, including creditors, managers, suppliers, customers, communities, employees, investors, and policymakers, and these characteristics have impacted the development of successful Boards of directors (Hackston and Milne, 1996).

As a result, the information of CSR data given by businesses annual reports are increasing throughout the world. With greater disclosure of CSR, a company can achieve lower cost of capital, increase market share, corporate ownership, reputation, etc., than its peers (Khan, Khan, & Saeed, 2019). Given the advantages of CSR, it may also be claimed that managers may participate in CSR not for the intended goal of demonstrating corporate stewardship to the surrounding social environment, but rather for personal gain or to conceal the impact of corporate wrongdoing (McWilliams, Siegel, and Wright, 2006).

Managers that engage in CSR for opportunistic reasons, according to Kim, Park, and Wier (2012), are more likely to mislead stakeholders. To put it another way, there is a case that CSRD may be utilized as an entrenchment tool to accomplish managers' self-interest goals by misrepresenting earnings data (Choi, Lee, & Park 2013). As a result, CSRD is a perfect way for managers to disclose their earnings management (EM) activities; perhaps to allow them to secure their positions and earn more money, or to cover up EM's opportunistic management behavior (Li, Mangena, and Pike, 2012).

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Given the aforementioned information, the purpose of this study is to ascertain the extent to which board features, such as board size and independence, influence CSRD and whether or not earnings management influences this relationship. The remainder of the document is formatted as follows: Reviewing earlier research is the focus of the second segment. The evolution of the study's hypothesis and theoretical framework are discussed in the next section. In Section 4, we present and explain our study design before providing and discussing the empirical findings. The outcomes of our empirical research are presented in the part after a discussion and robustness test. Conclusions and suggestions are given in the final part.

Literature Review

Corporate Social Responsibility Disclosures

As a consequence of the company growth and demands of society, the CSR idea was established. Many organizations and institutions throughout the globe emphasize the need of businesses considering the social, economic, and environmental impacts of their activities (O'Rourke, 2004). CSR is the process of achieving a balance between a company's financial and non-financial objectives while working in the best interests of society as a whole. Many researchers attempted to provide a simple definition of CSR reporting; however, the results revealed different definitions used in different studies. According to an understanding of the term presented at the World Business Council for Sustainable Development, "Corporate Social Responsibility is an ongoing commitment by business to function ethically and contribute to economic development while enhancing the quality of life of their families and the workforce, as well as the local community at large" (De Grosbois, 2012).

Corporate Governance

Corporate governance has become a hot debated issue over the last two decades due to growing rates of corporate failures, for example, WorldCom, Enron, Global Crossing and HIH Insurance, as well as rising global awareness of the demand for good corporate governance based on financial transparency and stakeholder accountability (Idan et al., 2021). However, contemporary literature has yet to present a unanimous definition for CG (Shleifer & Vishny, 1997). All of the current definitions of the term are built on a variety of theoretical pillars that range from constrained to expansive viewpoints (Fallah & Mojarrad, 2019). The narrow view reflects the relationship between the company and its shareholders expressed in agency theory (Idan et al., 2021). In the broader picture, the relationship between a company and its shareholders and with customers, employees, suppliers, and others is considered as CG amalgamation (Solomon, 2010). These perceptions align with the stakeholder approach; congruent with this perspective, Corporate governance is defined by, (Demirag et al., 2000) as the contractually driven relationship between the corporate management and the stakeholders via specific procedures and structures that were created to manage the company's affairs and direct its operations to achieve improved levels of performance, disclosure, transparency, and accountability. It is also for maximizing long-term shareholder interest by considering the interests of various parties (p. 301).

Consistent with the broader perspective of CG, The board plays a critical role in developing strong corporate governance procedures (Ibrahim & Hanefah, 2016; Rao & Tilt, 2016). The Board of Directors is an integral component of corporate governance that aims to safeguard the interests of shareholders. The Board of Directors is in charge of overseeing the company's operations and has responsibilities, for example, setting policies, advising, assessing, and evaluating management strategies, as well as appointing a CEO (Kavitha & Nandagopal, 2019). The ability to carry out these responsibilities may be enhanced or hampered by variables such as the size of the Board, the independence of the Board, and the regularity with which the Board meets. These characteristics influence the effectiveness of the board's functioning and procedures and serve as the basis for all of the board's other activities. This effective board denotes a sound corporate governance system (Guest, 2009; Kavitha & Nandagopal, 2019). Furthermore, a Board of Directors is responsible for assisting a business in establishing broad objectives, assisting executive functions, and ensuring that the firm has sufficient, well-managed resources at its disposal (Harjoto et al., 2015, 2015).

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EM Definitions

In the accounting literature, there are many definitions of earnings management behavior: Earnings management is "when managers utilise judgment in financial reporting and transaction structuring to adjust financial reports to either mislead some stakeholders about the company's underlying economic performance or to influence contractual outcomes that are based on reported accounting numbers," according to (Healy & Wahlen, 1999, p. 368). The bulk of EM literature demonstrates that EM entails management decision-making or support (Levitt Jr, 1998). According to (Ali Shah et al., 2011), earnings management refers to using knowledge to influence the numbers reported. Instead of reflecting the firm's actual performance or situation, it reflects what management wishes to display to stakeholders. Although the perspectives of these various functions differ, their core is the same: management's efforts to manipulate accounting numbers to benefit himself so that the accounting information provided does not reflect the actual conditions of the economic enterprise and can mislead information users.

Theoretical Framework And Hypotheses Development

Theoretical Framework

Agency Theory

According to (Michael & William, 1976, p. 308), an agency relationship is "a contract in which one or more individuals (the principals) employ another person (the agent) to perform some service on their behalf, including transferring some decision-making authority to the agent." It concerns the issues of market information asymmetry (Morris, 1987). The separation between shareholders and management causes a possible conflict called "agency conflict," which is a conflict of interest. Conflict of interest between owners and managers leads to agency issues and agency expenses (Eisenhardt, 1989). A Board of Directors is formed to oversee managers' activities to reduce expenses and agency issues (Aguilera & Jackson, 2003; Michael & William, 1976). Managers improve disclosure quality in response to internal monitoring systems and to save costs for the agency. Managers also benefit from information advantage and share information in inefficient markets to improve the value of the firm and management incentives. Managers share environmental and social information in their self-interest, according to (Ness & Mirza, 1991), and economic resources may be obtained by releasing business information, according to agency theory. Similarly, (Chintrakarn et al., 2016) found that there would be a divergence of interests because of the agency conflict, where managers may not act in the best interests of shareholders. As a consequence, instead of maximizing the company's value, managers take part in EM opportunistically for their personal interests, and investors are misinformed about the company's financial situation and market worth. CSR activities require companies to be more accountable to their stakeholders and society as a whole. Sequentially, this distracts shareholders' attention away from earnings manipulation and onto other problems, thus increasing the firm's share price.

Hypotheses Development

The research goal was to look at the impact of board characteristics on CSRD with EM as the moderator. Based on the research framework (Refer to Figure 1)

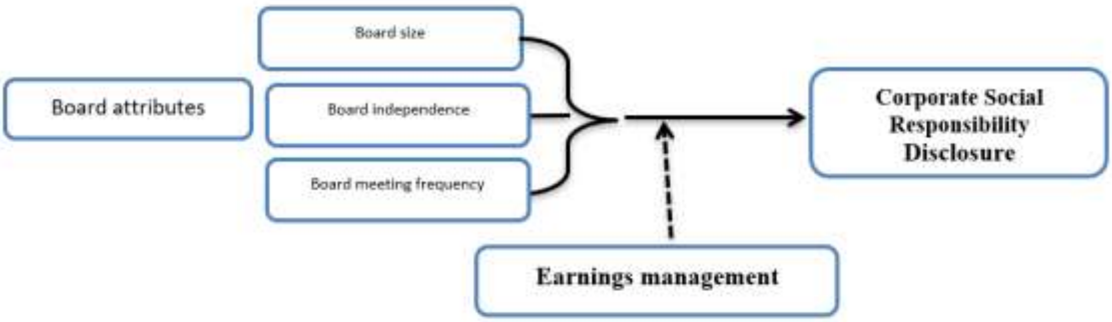

Figure 1. Research Framework

The possible board processes that influence CSRD are identified in this research. We look at how board size, board independence, and board meeting frequency affect CSRD. Meanwhile, this research looks at the EM's role as a moderator in the effect of board characteristics on CSRD in Iraqi firms.

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Board Size And CSRD

Board size is among the most significant elements of the CG agenda in deciding whether its agents successfully manage a company's operations, according to (Said et al., 2009). The board size resembles the total number of directors on the Board of Directors. The agency theory implies that the size of the Board of Directors is an essential factor in monitoring management conduct (Allegrini & Greco, 2013). According to the theory, having a large number of directors improves the board's monitoring skills, resulting in greater CSRD practice than their smaller counterparts (Kaymak & Bektas, 2017).

Literature shows varied findings in accordance with the aforementioned holistic viewpoints. According to (Shahab & Ye, 2018), and (Alotaibi & Hussainey, 2016), board size has a favourable relationship with the degree of CSRD. (Ebrahim & Fattah, 2015), on the other hand, found that CSRD had a negative impact. Meanwhile, (Giannarakis, 2014; Kiliç et al., 2015) found an insignificant connection. Therefore, with the support from the previous studies, a hypothesis was developed:

H_1: There is a significant effect of board size on the level of CSRD.

Independence Of The Board And CSRD

Independent bord signifies a "balance mechanism" which guarantees that corporate shareholders' interests are protected (Al Fadli et al., 2019). Agency theory viewed that independent directors should focus on shareholders' interests during board decision-making (Chen & Roberts, 2010; Fama & Jensen, 1983). Furthermore, board independence is a critical component of CG's structure that will aid in the resolution of agency problems as well as serve as a mechanism to promote the interests of other stakeholders, especially employees and local people (Ntim et al., 2013). Thus, the independent directors will pay more attention to improve the management's efficiency and effectiveness.

The prior research looked at the relationship between board independence and disclosure and has shown conflicting results. For example, (Ibrahim & Hanefah, 2016) found a positive connection. In contrast, several studies discovered no connection between these variables (Ebrahim & Fattah, 2015; Nurhayati et al., 2016). Meanwhile, some empirical studies (Barakat et al., 2015; Kiliç et al., 2015; Alotaibi & Hussainey, 2016) have shown a negligible link with CSRD. Based on the above arguments the following hypothesis is proposed

H_2: There is a significant effect of board independence on the level of CSRD.

Board Meetings Frequency And CSRD

The total number of board meetings held in a given year is referred to as board meeting frequency (Naseem et al., 2017). Past literature often employed board meetings as an approach to monitor the board's activity and vigilance (Haji, 2013). This means that active board members should participate in various activities, including CSRD practices, to improve the company's image. Outside directors must attend board meetings in order to understand a company's conduct and approach to management decision-making (Liao et al., 2018).

The past literature had presented mixed results for this matter. For example, several studies found a link between frequent board meetings and the CSRD, with a favorable outcome (Alnabsha et al., 2018; Naseem et al., 2017; Ntim et al., 2013). (Haji, 2013) and (Giannarakis, 2014), on the other hand, discovered that the amount of CSRD was unaffected. As a result, it's assumed that:
H_3. There is a significant effect of the board meetings on the level of CSRD.

The Moderation Effects

Shareholders' management is a technique used by management to alter the company's financial report as a deterrent to aggressive shareholder monitoring that may influence the manager's position and possibly harm the company's image (Prior et al., 2008). The practice of EM provides managers with an alternative to rely on the CSRD, which is intended to benefit society, as well as a means to conceal their EM conduct (Prior et al., 2008). To avoid losing the confidence of shareholders/stakeholders in the firms, managers devised a strategic strategy that aligned CSR with legitimacy and stakeholder perspectives.

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According to (Choi et al., 2013), managers who engage in EM are more likely to enhance the company's image and gain support from stakeholders via CSRD. This indicated that the managers are more focused on fulfilling the stakeholder's interest by establishing a positive image to show their concern for the social and environmental aspects. Furthermore, they are able to lessen the possibility of being questioned by the stakeholders due to their EM practices (Dianita, 2011).

(Prior et al., 2008) also highlighted that managers who participate in CSR must clarify the concessions of the stakeholders for their entrenchment. This is because there had been views that the managers tried to involve in CSR as opportunistic incentives for them to continue fulfilling their interests and to hide the impact of corporate misconduct or EM activities to mislead the stakeholders. Managers may utilize CSR activities as an entrenchment technique from the viewpoint of opportunistic behaviors. The "manager thinks that by fulfilling stakeholders' interests and presenting an image of social and environmental care and awareness, he/she may decrease the chance of being examined by satisfied stakeholders for his earnings management" according to this approach (Prior et al., 2008, p. 162).

Furthermore, it is believed that successful implementation of corporate governance procedures may turn CSRD into a tool for incorporating social considerations into business decision-making, which is advantageous not just to investors but also to the general environment. In their study, (Hermiyetti & Manik, 2013) discovered empirical evidence that GCG procedures had a non-significant effect on earnings management. The insignificant effect, according to Hermiyetti and Manik, stems from the existence of the GC mechanism, that only serves as a form of corporate compliance with government law and regulation, making the GC mechanism's application to become ineffective and inefficient in supervising management actions. According to agency theory, managers have opportunistic behavior, meaning they will utilize CSR activities to conceal income management practices. Earning management practice will grow due to a weak corporate governance mechanism, and CSRD will be expanded to include earning management practice. The fourth hypothesis is based on that explanation:

H_{4a}: The earnings management moderates the relationship between board size and the level of CSRD.

H_{4b}: The earnings management moderates the relationship between board independence and the level of CSRD.

H_{4c}. The earnings management moderates the relationship between board meetings and the level of CSRD.

Research Methodology

Sample And Data Collection

The data for this research came from annual reports filed by companies registered on the Iraq Stock Exchange (ISX). However, financial institutions like insurance companies, banks, diversified financial services, and real estate were excluded from this study. This exclusion is required for two primary reasons. First, there are substantial variations in how financial and non-financial businesses use accounting policies. Second, when it comes to disclosure obligations, financial firms have a distinct set of instructions and regulations than non-financial companies (Haji, 2013). As of December 31, 2019, the study population consisted of 124 ISX-listed firms. The initial sample for this research comprises 54 non-financial firms listed on ISX in five sectors after eliminating financial companies. The data selection procedure is summarized in Table 1 to illustrate the overall number of companies included in this study.

Table 1: The summary of the study population

Study Population Summary	No. of ISX listed Companies	non-financial listed firms
Total number of listed firms on ISX as of 10th December 2020	124	
Less: financial companies	-70	
Initial sample size of non-financial listed firms		54
Less: companies with unavailability of annual reports	-10	
Less: delisted or suspended firms	-6	
Total number of non-financial companies in this study	38	

Source: www.isx-iq.net

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In order to offer a fair panel of data, businesses that discontinue, neglect annual reports, or do not have full financial or non-financial data linked to research variables were removed. 16 businesses from various periods were excluded from the study's analysis as a result of reading the annual reports. Therefore, the total number of businesses in the final sample was reduced to 38. From 2016 to 2019, the data comes from annual reports of non-financial publicly outlined companies on the ISX.

Data was collected from 2016 onwards because, in 2015 - 2016, most of the companies stopped due to the war with the terrorist ISIS. Therefore, the data was not available, and the year 2019 represents the most recent evidence available in the ISX. For this research, data on CSR and board composition were gathered from annual reports of Iraqi businesses. The most significant source of CSR is a annual report (Lim et al., 2008), which must have a high degree of reliability, accessibility, and availability (Tilt, 1994). In addition, the data on EM were also collected from the company's financial data. The financial data and annual reports were downloaded from ISX and the company's websites.

Variables Measurement

Dependent variable:

The CSRD score is the study's dependent variable. To fully assess the degree of CSRD and achieve the study's objective, a content analysis technique was utilised to determine the CSRD. In several previous literatures related to CSRD, content analysis has been widely recognized (Zaid et al., 2019). The suggested checklist for voluntary CSR disclosures is based on disclosures in a number of categories, including those related to the environment, human resources, products and consumers, and community involvement. This strategy is in line with earlier studies on CSR reporting in developing 36 countries (Alshbili et al., 2018; Barakat et al., 2015; Ibrahim & Hanefah, 2016; Isa & Muhammad, 2015; Rashid, 2018; Zaid et al., 2019). This study has overlooked any further external reporting by the corporations to avoid duplicating CSR data. An evaluation of the proposed checklist using 15 yearly reports was done as a pilot test to ensure its validity. 52 checklist items have been changed as a result to make sure they are still applicable to Iraqi businesses. Two independent research assistants were asked to replicate the coding process in order to assess the reliability of the CSR reporting index. This approach is in line with the recommendations made by (Al Fadli et al., 2019). The internal consistency of CSRD was evaluated using Cronbach's alpha test. The Cronbach's alpha coefficient in this instance is 0.920 for the four categories of the disclosure index. This rating, which includes 16 items for human resources, 12 items for the community, 9 items for products and consumers, and 15 items for the environment, is regarded as satisfactory and provides great verification of the validity of the 52 items on our checklist.

The CSR score is calculated using an unweighted approach, aligning with the previous research (Barakat et al., 2015). Using an unweighted method is considered more suitable the implied assumption is that all items are evenly important, and the miss ranking of the disclosure will be avoided (Marston & Shrives, 1991). Consequently, if the business discloses an item on the checklist, a value of 1 is assigned; otherwise, a value of 0 is assigned (Ibrahim and Hanefah, 2016). Al Fadli et al., (2019) used the following method to calculate the CSRD index:

CSRD score $= \sum d_j^{52} / n_j$

n_j= Total number of items for j^{th} companies $n_{j\leq}$ 52

d_j= Equal 1 if items included in the checklist and 0 if otherwise

Table 3: Cronbach's Alpha for CSRD Dimension

Dimension	No of items	Cronbach's Alpha
CSRD Environment	15	0.870
CSRD Human Resources	16	0.907
CSRD Product and Consumer	9	0.748
CSRD Community	12	0.920
CSRD	52	0.908

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Measurement of Earnings Management (EM)

EM is a moderating variable with a strong contingent effort on the dependent and independent variables' relationship (Sekaran & Bougie, 2013). This study uses the cross-sectional modified Jones' model (Dechow et al., 1995; Jones, 1991) to obtain a proxy for discretionary accruals.The step to calculate discretionary accruals follow

1. Determine the total accruals:
   TAccit = NIit – CFOit 1

2. After calculating total accruals, we determine the value of the parameter a1, a2, a3 using the formula
   $$\frac{TACC_{it}}{TA_{i,t-1}} = a_1 \frac{1}{TA_{i,t-1}} + a_2 \frac{\Delta REV_{it} - \Delta REC_{it}}{TA_{i,t-1}} + a_3 \frac{PPE_{it}}{TA_{i,t-1}} + \varepsilon t \qquad 2$$

3. Non-discretionary accruals are calculated as follows
   $$NDACC_{it} = a_1 \frac{1}{A_{i,t-1}} + a_2 \frac{\Delta REV_{it} - \Delta REC_{it}}{A_{i,t-1}} + a_3 \frac{PPE_{it}}{A_{i,t-1}} \qquad 3$$

   Determining discretionary accruals equal the difference between total and non-discretionary accruals, the discretionary accruals were computed using the equation below.
   $$DACC_{it} = TA_{it} - NDACC_{it} \qquad 4$$
   $DACC_{it}$ is a discretionary component of accruals; NIit = net income; CFOit = cash flow from; A_{it-1} = total asset; REV_{it} = revenue firm i in period t; REC_{it} = account receivable (net) firm i in period t; PPE_{it} = fixed assets (gross) firm i in period t; $NDACC_{it}$ is non-discretionary accruals.

Data Analysis

Analysis of the data tests the hypotheses and examines the impact of board characteristics on the degree of CSRD; this research utilized panel data analysis via earnings management as a moderator variable. (Gujarati, 2009) listed some of the advantages of using panel data. Using panel data reduces collinearity between the predictor variables, gives more informative data, increases the freedom degree, and increases the data efficiency (Hsiao, 2014). In addition, the use of panel data solves the issues of omitted variables (Wooldridge, 2002).

Accordingly, the current study aims to examine 38 Companies during 2016-2019 period. Data in this study has been analyzed using Eviews statistical software . A few analyses had been performed to achieve the research objective. Descriptive statistics, correlation analysis, regression analysis, and Moderated Multiple Regression (MMR) analysis are all examples of analyses. This study's regression model is given as follows:

CSRDI = C (0) + C (1) *BSIZE + C (2) *BIND +(C3) *BMEET + Error 1

*CSRDI = C (0) + C (1) *BSIZE + C (2) *BIND +(C3) *BMEET + C (4) *EM + C (5) *BSIZE*EM + C (6) *BIND*EM + C (7) *BMEET*EM + Error* 2

CSRDI signifies the CSRD index; C0 intercept; BSIZE signifies the board size; *BIND* signifies the percentage of Board Independence; *BMEET* signifies the Board Meetings; *Error* signifies the residual or error term; EM denotes earnings management.

This study used a number of diagnostic tests that were related to the above regression equation. Skewness and kurtosis are used to check for the Normality problem for this study, and the results are shown in Table.5.the results of normality tests show that all the results are within the acceptable range between +2.0 and -2.0 for the two tests (Hair et al., 2015). Additionally, the variance inflation factor (VIF) was used to verify the multicollinearity issue . If the VIF value exceeds 10, this indicates a potential problem of multicollinearity (Ibrahim and Hanefah, 2016). As shown in Table 6, the VIF scored for the regression model of this study; all scores are below 10, and the span is between 1.075 and 1.235, which is below the concern level of 10. Therefore, there are no Multicollinearity issues in the proposed regression model. Then,

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two compulsory tests, namely, Hausman Test and Wald Test, are conducted To identify the best and appropriate model for the data analysis between the estimation models: pooled OLS, fixed-effects (FE) and random-effects (RE). Table 7 show a significant p-value of the Hausman test (P= 0.972).Therefore, The null hypothesis is accepted since the p-value is higher than 0.05. Thus, the random effects for model 1 is more appropriate than the FE model. Table 8 shows the result of the Hausman test for model 2 ; The null hypothesis is accepted since the p-value is higher than 0.05 (1.000), which is not significant; this implies that FE models are rejected, and RE models are accepted; therefore, RE is the appropriate regression for model 2.

Empirical Findings And Discussion

Descriptive Statistics Analysis

Descriptive statistics simply represents the statistical properties of the research model's variables. The descriptive statistics for the study variables are listed in Table 5 below.

Table 5: Descriptive statistics of the study variables

Variables	Obs	Unit	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
CSRDI	152	Ratio	5.77	57.69	31.84	6.227	-0.198	-0.491
Board Size (N)	152	Number	5	12	7.22	1.532	0.694	-0.121
Board Independence(%)	152	Ratio	0	56	23.046	16.057	0.859	1.202
Board Meetings (N)	152	Number	2	24	10.99	4.661	-0.316	-1.201
EM	152	Ratio	0.088	0.001	0.221	0.045	-0.103	0.012

Table 5 revealed that the CSRD average of non-financial companies in Iraq over the four years is 31.84%, which is weak disclosure. The greatest disclosure level is 57.69 %, while the lowest is 5.77 %. It's an indication that none of the companies reported all of the CSRD-related data. This huge disparity suggests that some of the companies in our sample are hesitant to provide their social and environmental data. The low level of CSRD may indicate a lack of CSR reporting experience . Low results are expected from Iraqi companies because Iraq remains a developing country with a secretive culture and weak accounting systems. In addition, the absence of mandatory regulations with regard to CSRD (Jamil et al., 2002) and the lack of powerful NGOs, unlike in developed countries, these factors are likely to contribute to the low degree of CSRD.

Furthermore, the biggest boards have 12 directors, while the smallest has five, with a mean score of 7.22. independent directors account for 23.05 % of all directors, according to the study sample. In our sample, a quarter of the board directors are non-executive directors on average. Some Iraqi companies, apart from that, do not have independent directors. Other businesses, on the other hand, have boards with independent directors in the majority; the maximum number of independent directors is 56 %.In terms of the Board of Directors meetings show that Iraqi company's frequency of board meetings with a mean value of 10.990. While the maximum frequency of board meetings consists of 24, while the minimum ones consist of two meetings a year. This means that the majority of our sample has 10 board meetings each year on average. Furthermore, the absolute value for DAC, which was utilized as a proxy for earnings management, ranges from 0.0005 to 0.2213, with a mean of 0.0881.

Correlation Matrix

Table 6 is included for analysis to determine the nature of the correlation between the dependent and independent variables and whether multicollinearity occurs due to the correlation between variables. It can be seen that CSRD score is positively associated with board size BSIZE (r = 0.241), As shown in Table 6, the correlation matrix depicts the connection between all pairs of explanatory variables utilized in the regression model. It can be seen that the CSRD is positively associated with board size BSIZE (r = 0.441),

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board independence at (r= 0.356), and board meetings frequency (r= 0.366). The CSRD is likewise positively related to the EM, which is the present study's moderating variable. Furthermore, the Pearson correlation matrix is utilized to investigate the problem of multicollinearity among independent variables (Gujarati, 2009). Given that the correlation coefficients between the independent variables range from 0.209 to 0.353, the Pearson correlation shows that the independent variables are not multicollinear. In this regard, the correlation is below the threshold that is typically considered excessive and does not surpass 0.80. (Studenmund, 2014).

Table 6: Correlation Matrix

Variables	Tolerance	VIF	CSRDI	BMEET	BSIZE	BIND	EM
CSRDI			1				
BMEET	0.845	1.183	0.441**	1			
BSIZE	0.859	1.164	0.356**	0.209**	1		
BIND	0.81	1.235	0.366**	0.299**	0.353**	1	
EM	0.93	1.075	0.447**	0.231**	0.084	-0.03	1

Notes: *, ** and *** Correlation is significant at the 0.10, 0.05 and 0.01 levels, respectively

Multiple Regression Findings

The findings of the OLS regression models analyzing the correlation between the board of directors and CSRD are presented in Table 7. The R-square value for the first model is 0.297, suggesting that the independent variables (board size, board independence, and board meetings) can explain 29.65% of the variance in the dependent variable total CSRD; the remainder is explained by factors beyond the scope of this research. According to the analysis of variance results, the F-statistic is significant at the 5% level. This indicates that the regression model is suitable for CSRD prediction model.

Table 7: Regression Analysis of Model 1

Dependent Variable: CSRD
Method: (random effects)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.712	0.069	-3.912	1.000
BSIZE	0.219	0.075	2.926	0.004
BIND	0.188	0.077	2.444	0.016
BMEET	0.340	0.073	4.625	0.000
R-squared	0.297	Prob(F-statistic)		0.0000
F-statistic	20.798	Observations		152
Hausman test	0.234 (0.972)	Wald Test		4.494 (0.000)

Model 1's findings show that crucial board of director traits are significantly linked to CSRD. In particular, we investigate the effect of board size on CSRD in Model 1. The findings show that the second relationship (sig = 0.0040 and Coeff = 0.2191) of board size (BSIZE) has a positive and significant coefficient with CSRD. this indicates that a bigger board size leads to more CSRD, which supports H_1. This finding is in line with earlier research (Barakat et al., 2015; Qa'dan & Suwaidan, 2019), revealing that board size is positively linked to CSRD. The findings also corroborate the agency theory's viewpoint, revealing that the size of the board is an essential factor to consider while monitoring management behavior (Allegrini & Greco, 2013). The theory predicted that when the number of directors is high, it can enhance the monitoring capabilities of the board, which consequently more the practice of disclosure activities than their smaller counterparts (Kaymak & Bektas, 2017). A potential reason is that a bigger Board of directors is more than likely to contain directors with a broader range of experiences, views, and education; therefore, they engage in social and environmental initiatives more effectively.

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Furthermore, the empirical results of the research indicate that board independence is linked to greater levels of CSRD. The findings show that the third relationship (sig = 0.0157 and Coeff = 0.1875) is positive and significant, indicating that more board independence leads to more CSRD, which supports H_2. Our results also suggest that the presence of independent directors may have a beneficial effect on corporate openness, resulting in increased expenditure in social activities. These findings are in line with past studies (Ibrahim & Hanefah, 2016; Sadou et al., 2017), and suggests that board independents have a strong tendency for managing corporate legitimacy and encouraging the disclosure of additional CSR data. The findings support agency theory, which argues that having independent directors improves CG practices (Fama & Jensen, 1983; Michael & William, 1976).

According to H3, the frequency of Board of Directors meetings has a favorable effect on CSRD. Table 7 shows that the best relationship is a positive and significant coefficient effect of the frequency of Board of Directors' meetings on CSRD (sig = 0.0000 and Coeff = 0.3396). this indicates that having more frequent board meetings leads to more CSRD, confirming H3's prediction of a statistically significant and positive relationship between board meeting and the amount of CSRD practice. Our findings also show that meet board members contribute to a variety of initiatives, including CSRD practices aimed at intentionally improving a company's image, and that they have a greater capacity to disseminate information to their stakeholders through effective discharge of their responsibilities, thereby improving disclosure transparency. As a result, additional meetings may place more significant pressure on managers to practice CSRD. This result supports the findings of (Jizi et al., 2014) and (Alnabsha et al., 2018). The finding is also in line with agency theory, which indicates that boards that meet more often have a more remarkable ability to effectively advise and supervise management, resulting in more transparency and disclosure (Michael & William, 1976).

The results of the moderating multiple regression analyses are shown in Table 8. The value of R-square in the second model is 0.458, signifying that the independent variables (board size, board independence, and board meetings) combined with the moderation of earning management can explain 45.81 % of the variation in the dependent variable total CSRD; the rest is explained by factors outside the scope of this study. According to the variance results, the F-statistic is significant at the 5% level, indicating that the moderation regression model is appropriate to be used as a predictive model for CSRD.

Table 8: Regression Analysis of Model 4

Dependent Variable: CSRD				
Method: (random effects)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.787067	0.144225	-5.457214	0.0000
BSIZE*EM	0.547	1.186	0.461	0.645
BIND*EM	0.099	1.582	0.062	0.950
BMEET*EM	3.813	1.585	2.407	0.017
R-squared	0.458	F-statistic		17.388
observations	152	Prob(F-statistic)		0.000
Hausman test	0.000 (1.000)			

The result of The moderating regression test of earnings management as a moderating variable on the relationship between Board Size and the level of CSRD can be seen in the table 8. The result shows that, p-value= 0.645 is no significant, Coefficient =0.547 is less than the minimum of Coefficient. The results show No association between the moderating term of earnings management and board size (BSIZE*EM) and the level of CSRD, indicating no support for H4a of the current study. In other words, the presence of earnings management does not affect the levels of CSRD with higher level of board size. Thus, the H4a hypothesis is rejected.This indicates that the size of the board does not influence the managers to manage earnings. The H4a hypothesis results agree with the results of previous studies (Visvanathan 2008), It suggests that there is no relationship between earnings management and board size.

In addition, the result of The moderating regression test of earnings management as a moderating variable on the relationship between board independence and the level of CSRD shows that-value= 0.950 is

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no significant, Coefficient =0.099 is less than the minimum of Coefficient. The results show No association between the moderating term of earnings management and board independence (BIND*EM) and the level of CSRD, indicating no support for H4b of the current study. In other words, the presence of earnings management does not affect the levels of CSRD with higher level of board independence. Thus, the H4b hypothesis is rejected. This indicates that the board independence does not influence the managers to manage earnings. The H4b hypothesis results agree with the results of previous studies Gulzar and Zongjun (2011) and Abdul Rahman and Ali (2006) revealed that a decrease in EM practices in corporations was not impacted by board independence.

Regarding to the EM moderates the relationship between the board meetings and the level of CSRD. The result show in Table 8 that, p-value= 0.017 is significant, Coefficient = 3.813 is strong. The results indicated that earnings management as significant moderating the relationship between board meetings and the level of CSRD. Thus, there is a positive association dictated between the moderate's term of board meetings and earnings management (BMEET*EM) and the levels of CSRD, which supporting H4C of the current study. The result seems to indicate the positive effect of earnings management on the levels of CSR disclosed in the companies with higher level of board meetings. The results of H4c are in line with those of earlier studies, particularly those by (Obigbemi et al., 2016; Sarkar et al., 2008), who draw a favorable conclusion about the impact of board meetings on earnings management.

The findings are consistent with agency theory, which postulates that managers occasionally use CSR initiatives to cover up unethical earning management methods. Additionally, these findings offer more empirical support for agency theory, particularly agency costs, since the frequency mechanism for BOD meetings is ineffective as an agency cost because it cannot stop or lessen the practice of earnings management in the organization. A bad corporate governance structure will lead to an increase in management practice, and CSRD will be broadened to include earning management practice.

Conclusions

The study examines the impact of board of director characteristics on the degree of CSRD in annual reports of non-financial listed companies on the Iraq Stock Exchange (ISX). Based on prior research, this study uses a self-constructed checklist with 52 elements related to CSRD. The study examines a sample of 152 annual reports from 38 companies in five different industries using both manual content and multiple regression analyses from 2016 to 2019. In this research, we look at three independent factors of a Board of Directors: board size, board independence, and the frequency of board meetings. The research also looked at the moderating impact of earnings management on the relationship between board of director characteristics and CSRD in Iraqi companies. Using text analysis to assess CSRD in annual reports of a sample of non-financial listed companies on ISX, we found that key board of director characteristics are linked to CSRD in a substantial way. In particular, Robust regression model findings revealed that board size, board meetings, and board independence had a positive relationship with corporate social responsibility disclosure. These findings show that well-designed boards (Guest, 2009; Jizi et al., 2014) may help protect all stakeholders' interests, not just the ones who appoint them.

The research also looked at how earnings management affected the relationship between board of director characteristics and CSRD in Iraqi firms. The study also found that earnings management had a favorable impact on the relationship between board meeting frequency and CSRDs. This implies that EM may significantly increase the impact of BOD meetings on CSRD. It implies that EM activities tighten the relationship between the two variables, implying that companies who engage in a lot of EM activities would utilize the CSR policy to cover the EM activities they engage in. However, there is no significant evidence that the moderating term of EM impacts in the relationship between board size and board independence with CSRD.

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