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**Research Article**

# Examining the Moderating Role of Risk Management on the Relationship Between Social Responsibility and the Performance of Companies Listed on the Iraq Stock Exchange

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**ABSTRACT**

The impact of corporate social responsibility (CSR) activities on company performance remains a subject of debate, with conflicting empirical findings persisting over several decades. Research on CSR in Persian Gulf countries is limited, leaving questions about the generalizability of Western findings to these regions. This study investigates the effect of CSR disclosure on the performance of companies in Iraq, using a large panel of firms from the Middle East. The results reveal a positive and significant relationship between CSR and company performance. Additionally, while risk management capacity strengthens the link between CSR disclosure and performance, the influence of other stakeholders does not serve as a moderating factor. These findings align with recent literature, including the works of Nyangolan et al. (2019), Iska (2022), and Koh et al. (2022). The study makes significant contributions by being the first to apply a large panel of Middle Eastern companies to this research area and by examining the moderating roles of stakeholders and family ownership. The insights provided can help market participants and researchers understand the implications of CSR and enhance its impact on financial performance. Specifically, by improving CSR disclosures, companies in developing Arab Middle Eastern countries can strengthen their performance. Furthermore, the study highlights the importance of integrating customer-centric policies and after-sales services into CSR programs to boost overall company performance.

**Keywords:** Risk Management, Social Responsibility, Performance

## 1. INTRODUCTION

Corporate social responsibility (CSR) refers to the ethical considerations related to a company's behavior and decision-making in areas such as human resource management, environmental conservation, occupational health, social interactions, and customer relations. According to Davis (2007), CSR involves the conscientious duty of private sector business managers to make decisions that not only benefit the institution but also enhance the overall welfare of society. The evaluation of organizational performance and its related metrics has undergone transformations with the increasing emphasis on social and environmental responsibilities. Recognizing these factors is now considered essential for the long-term sustainable performance of organizations (Sikka, 2011). Organizations are required to allocate resources to fulfill their responsibilities towards all stakeholders. Managers incur these costs to foster a favorable perception among stakeholders, maintaining the belief that meeting societal expectations will engender positive sentiment toward the company and thus improve its overall effectiveness.

A business unit's commitment to adopting CSR in every aspect has a significant impact on its financial performance. In fact, this commitment to CSR encourages a business unit to reduce energy and material consumption, thereby improving the natural environment. The study of waste management and related issues has become a focus of academic research. According to Sidhanta and Kapoor (2010), the use of social media has significantly increased over

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the years. Thus, integrating CSR initiatives leads to long-term business prosperity, which ultimately drives economic expansion, enhances corporate competitiveness, and improves financial performance (Sun, 2010). The inherent role of CSR has the potential to enhance organizational standing, boost efficiency and profitability, and ultimately ensure the company's sustainable longevity (Cardit & Sirwan, 2010).

The implementation of enterprise risk management (ERM) facilitates managers' ability to identify and assess potential risks inherent in uncertain conditions, ultimately aligning these risks with value creation for stakeholders (Khedmipour & Mehrhani, 2014). ERM is a critical internal organizational practice, overseen by the board of directors and implemented by employees, especially managers, at various hierarchical levels within the organization. To fully leverage the benefits of ERM, cultivating a risk-tolerant culture within the organization is essential. This requires the consistent commitment of managers to analyze and address uncertainties inherent in the business environment.

According to Joe and Rahimi (2013), uncertainty in the business environment can result in both favorable and unfavorable outcomes for an organization. Effective business leadership involves harnessing the beneficial outcomes of the business environment, including opportunities and appropriate exposure. The presence of uncertainties within an organization can create risks, which in turn can have both positive and negative consequences. Skillfully managing risk and appropriately leveraging existing risks can create favorable prospects for the organization, thereby enhancing the efficiency of investment. To clarify, a company has the capacity to exert control over its investments through risk management, thereby transforming risks into favorable conditions (Vance, 2019). Corporate social responsibility (CSR) can be considered a form of corporate investment, and understanding the impact of CSR disclosure on financial performance has attracted the attention of researchers. Existing literature suggests that the correlation between CSR disclosure and corporate financial performance (CFP) is not straightforward but rather highly complex. For instance, the effect of CSR disclosure may be influenced by various mediating or moderating factors (Zhang, 2018). Therefore, Shan (2018) recommends incorporating moderating variables into the analysis, rather than solely clarifying the precise nature of the relationship between CSR disclosure and financial performance. Important dimensions for businesses to consider include reputation, customer satisfaction, productivity, access to capital, corporate image, stakeholder influence capacity, and visibility, among others.

Numerous studies provide supportive evidence (Kagar Nurit et al., 2015; Faheem, 2017), while others have observed a negative correlation between CSR and performance (Dee et al., 2011; Manjapour & Rangabour, 2017). Nolte et al. (2016) suggested that their study results could be considered neutral or unbiased. Research by Galbreath and Juan (2012) shows no definitive evidence proving an unequivocal correlation between CSR and financial performance. The contradictions in research findings are primarily attributable to divergences in the conceptual foundations of CSR approaches (Bremer & Millington, 2008), differences in contextual factors (such as country-specific variations), and discrepancies in measurement techniques and variables used in the studies (McWilliams & Siegel, 2000; Ullmann, 1985; Wang, Dou, & Jia, 2016). Nevertheless, it is plausible that alternative explanations for these varied empirical findings may exist.

The aim of this study is to investigate the impact of enterprise risk management (ERM) on the relationship between CSR and corporate performance, using a representative sample of companies. Findings by Botright (2011) and Godfrey et al. (2009) suggest that a company's involvement in CSR initiatives acts as a governance mechanism that protects stakeholder interests, a claim with global relevance. Current empirical studies indicate that companies participating in CSR initiatives prioritize the interests of all stakeholders, thus facilitating ERM. This process requires evaluating the potential risks associated with all stakeholders. However, these studies fail to clarify the simultaneous impact of these measures on corporate financial performance. Research by Cheng et al., along with Botright (2011) and Godfrey et al. (2009), serves as a starting point for exploring moderating variables that influence this correlation.

Therefore, this study aims to examine the moderating effect of risk management on the relationship between CSR and corporate performance. The primary research question focuses on investigating the moderating role of risk management in the CSR-performance relationship.

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## 2. THEORETICAL FOUNDATIONS

### 2.1. Financial Performance

In English, the term "performance" refers to the completion of a task or the execution of an activity that leads to achieving desired goals (Kazem, 2015). Performance is also defined as focusing on objectives that help a company maintain compliance and foster growth (Idris & Al-Ghalibi, 2009). Al-Ghazwi suggests that performance means the completion and execution of tasks that guide a company toward sustainability in the economic environment (Al-Ghazwi, 2009). Researchers believe that performance is a key subject in all organizational analyses, and it is impossible to imagine an organization that does not assess and measure its performance. Companies rely on performance evaluation to provide feedback to managers about achieving strategic goals (Crowns et al., 2010). Corporate performance evaluation involves measuring and examining how resources and assets are utilized to achieve the company's objectives. Financial and operational performance measurement is the foundation for many decisions, such as rewards, investment decisions, stock prices, stock risks, and many other factors. These decisions must be based on evaluation results and aligned with the business processes of the entities. Therefore, corporate performance is assessed based on the achievement of short-term and long-term objectives (Khaleghi Moghaddam & Barzideh, 2003). In 2006, Abdelghani defined the concept of financial performance evaluation as analyzing a company's financial situation to understand its ability to create financial value and meet future challenges, relying on financial statements and other reports.

#### 2.1.1. Social Responsibility

In general, voluntary disclosure of information is a mechanism that helps control and reduce issues related to information asymmetry. Corporate social responsibility (CSR) disclosure is also a tool used to reduce information asymmetry between managers and investors (Hedlin & Morris, 2012). Khalaf (2009) defines CSR disclosure as a method through which companies inform society about their various social activities. Sun Yai and Lin (2012) believe that CSR disclosure is a mechanism for solving agency problems, and companies can increase both the quantity and quality of their disclosures to enhance their CSR transparency. Most findings from past studies suggest that investors require CSR disclosures because the information it contains influences their investment decisions. Institutional investors, for example, use CSR disclosures as an important source of information when deciding whether to retain or divest from a specific company. As such, managers should view CSR disclosure as an effective tool for communicating with institutional investors to attract them (Saleh, Zulkifli & Muhammad, 2010). The development of the internet has significantly increased the amount of information available to shareholders and improved their ability to monitor company activities. Companies worldwide have increasingly used the internet as a fundamental communication mechanism, to the extent that their websites are considered vital components of corporate image (Budisostio & Emilia, 2008). CSR disclosure signals that a company is not only focused on large profits but also aligns its strategies with the benefits of responsible social and environmental investments. In today's business environment, neglecting the importance of CSR reporting can create a negative perception, not only among the public but also among shareholders and investors. Companies that integrate CSR disclosure into their business policies enjoy market advantages and competitive benefits (Ogorelec, 2004). As the business environment rapidly changes, companies are forced to develop reporting strategies that help create competitive advantages (Boros, 1997). Increasing stakeholder pressure compels companies to develop robust reporting strategies (Boros, 1997). The use of the internet significantly enhances a company's ability to convey relevant information to its key shareholders (Walton et al., 1997). Companies looking to encourage engagement with stakeholders should make it easy for them to connect with relevant individuals in the organization by providing detailed contact information in their environmental reports and on their websites.

#### 2.1.2. Risk Management

Enterprise Risk Management (ERM): Over the past two decades, ERM has grown rapidly within organizations, with shareholders, regulators, professional bodies, and rating agencies advocating its use for better corporate governance (Bhimani, 2009; Swain & Collier, 2013; Power, 2007). ERM is a relatively new concept, and several studies continue to explore how risk managers influence decision-making processes within organizations (Meidl & Carbo, 2016). But what exactly is ERM? According to Dickinson (2001), ERM is a systematic and integrated approach to managing all the risks a company faces. Werbrogg et al. (2003) describe ERM as an effort to manage all of a company's risks comprehensively, with a structured responsibility to assist management in maximizing the value of the company's assets.

Nocco and Stulz (2006) state that ERM is a coordinated and strategic framework for observing all risks. Wu et al. (2015) define ERM as an integrated approach to managing risks within an organization, aiming to find the most effective ways to address those risks. According to Elamri and Davidao (2016), ERM can be viewed as a risk management process that manages both financial and non-financial risks, such as operational and strategic risks, in an integrated manner. Finally, the Risk and Insurance Management Society (2011) defines ERM as a strategic discipline within business, aimed at supporting the organization in achieving its objectives by addressing a full range of risks and managing their impacts.

Value of the Company and ERM: From the perspective of maximizing corporate value, it is not immediately clear why companies should manage risk. Risk mitigation and implementation of risk controls can be costly, potentially limiting many profitable opportunities and thus reducing the company's value. However, corporate risk management literature explains why companies manage risks. Smithson and Simkins (2005) reviewed the empirical literature on risk management and corporate value, concluding that, although limited, there is some evidence that risk management increases company value.

Nocco and Stulz (2006) noted that companies that successfully implement an effective ERM program gain a long-term competitive advantage over those that manage risks separately (traditional risk management). However, evidence on the impact of ERM on corporate value is mixed. Hoyt and Liebenberg (2011) identified a statistically and economically significant increase in corporate value for companies that had implemented ERM programs. However, Lin, Wen, and Yu (2012), in a study of ERM adoption in the U.S. insurance industry, found a negative correlation between ERM and company value. McShane, Nair, and Rustenburg (2011), using ERM ratings from S&P, found a positive relationship between corporate value and traditional risk management. However, they did not observe a further increase in value for companies that achieved higher ERM ratings. Grice, Lourty, Phillips, and Shimpi (2015), in a survey on risk management practices in the insurance industry, found that ERM improves operational performance, which includes higher cost efficiency, revenue efficiency, and return on assets. Lin et al. (2012) also observed that the market reacted negatively to ERM adoption.

Over the past two decades, enterprise risk management has rapidly evolved within organizations, with shareholders, regulators, professional bodies, and rating agencies advocating its use for better corporate governance and internal control (Bhimani, 2009; Swain & Collier, 2013; Power, 2007). ERM is a relatively new phenomenon, and several studies are still exploring how risk managers influence decision-making processes within organizations (Meidl & Carbo, 2016).

ERM involves identifying, analyzing, and controlling the economic risks or potential threats that could impact the assets and earnings of a business (Zandhesami & Savouji, 2012). Essentially, risk management is a system designed to organize responses to uncertainties with potential deviations. It functions like a forward-looking radar, scanning for uncertainties to identify and avoid significant risks or discover important opportunities (Dari & Hamzei, 2010).

In other words, risk management is not only used to limit potential downsides but also to identify, develop, and exploit opportunities. Moreover, it is considered a powerful and dual-purpose tool for both defense and offense in today's competitive financial services market (Anderson, 2006).

### 2.2. Explaining the Relationship between Social Responsibility and Financial Performance

Previous research supports the notion that higher corporate social responsibility (CSR) disclosure scores are associated with better financial performance. For example, studies by Adenay and Ahmed (2015) using multivariate analysis of data from 500 companies in the UK observed a positive relationship between CSR disclosure and financial performance. These conflicting findings could be due to several reasons. Firstly, studies use different criteria to measure performance, and the impact of CSR may vary across different types of organizational performance (Plouza, 2009). Secondly, and more importantly, despite Wood and Jones (1995) identifying the issue of stakeholder misalignment two decades ago, researchers still show reluctance to address the significant role of stakeholders. These issues and others contribute to the persistence of contradictions in research in this area (Orlitzky et al., 2003). Given

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these conflicting findings, the question arises: what is the impact of CSR on performance? A review of the CSR literature shows insufficient and inconclusive evidence at the organizational level indicating whether CSR leads to an increase or decrease in organizational performance. Specifically, while direct relationships are mentioned more often than inverse or no relationships in the studies, evidence suggests that this conclusion changes when considering specific types of organizational performance. This research will use revenue as the organizational performance variable, as it is theoretically relevant to a broad range of stakeholders, meaning (1) revenue is important to various stakeholders, and (2) it can be influenced by stakeholders. Woo et al. (2018) found that CSR in commercial banks affects all dimensions of social life, ensuring balanced and sustainable economic development for the community. They also noted that an important factor in a bank's success is its organic link to its social environment. Salman and Weheb (2019) in their study "CSR and its Impact on Bank Financial Performance: Applied Research in the National Bank of Iraq" found no support for the hypothesis that "CSR impacts bank financial performance." Al-Harbi and Abu Khashbah (2019) found a direct and significant relationship between CSR activities and profitability ratios, noting that the importance of various CSR dimensions is prioritized as follows: community, customers, product quality, employees, and finally, the environment. They also mentioned that CSR disclosure was mostly qualitative and did not include quantitative information such as the costs of these activities. Taha Hassan (2022) in "CSR and Company Performance: The Role of Financial Reporting Quality and Intellectual Capital" indicated that in the critical business environment of Saudi companies in 2020, CSR did not impact corporate performance. He also found that the interaction of CSR with financial reporting quality and intellectual capital positively affected corporate performance, highlighting the importance of financial reporting quality and intellectual capital in the impact of CSR on performance. Wood and Jones (1995) argue that a direct relationship between performance and CSR can only be expected when a theoretical framework links the two. Mahoney and Roberts (2007) pointed to a significant positive relationship between environmental performance and financial performance. Van der Welde and colleagues (2005) also demonstrated a significant positive relationship between CSR and financial performance. 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Corporate s. According to what has been discussed, the first research hypothesis is as follows.

First hypothesis: There is a positive and significant effect between social responsibility and financial performance

### 2.3. The Role of Risk Management on the Relationship between Social Responsibility and Financial Performance

Major transformations in the business environment, such as globalization and rapid technological changes, have increased competition and made management more challenging. Effective risk management, based on valid conceptual principles, forms an essential part of this decision-making process (Yarahmadi & Khorasani, 2008). Risk management can be described as the process of identifying, assessing, and implementing control and corrective actions for potential accidental risks, which specifically pertain to possible events that may result in damage or failure to change the current status (Babaei & Moinzanjani, 2006). On the other hand, risk can be defined as various events or conditions that might prevent an organization from achieving its goals (Roy, 2008). The International Organization for Standardization defines risk as the combination of the probability of an event and its effects. Thus, identifying all potential risks in a process and their likelihood is a core component of an organization's risk assessment. Accordingly, corporate risk management can be defined as a continuous and organized process throughout the organization to determine, assess, and make decisions regarding responses and reporting about opportunities and threats that impact achieving goals (Mousavi Shiri et al., 2013). Corporate risk management is a structured, sustainable, and ongoing process across the organization, aimed at identifying, assessing, and deciding on responses to opportunities and threats affecting the achievement of organizational goals (Internal Auditors Association, 2004). The primary goal of risk management is to maximize shareholder value (Kozlowski, 2004; Lagili & Zaqal, 2005; Beasley et al., 2008; Pagach & Warr, 2011; Hoit & Liebenberg, 2011). The international literature on integrated risk management argues that organizations can improve their performance by implementing risk management. Designing and developing risk management systems can help reduce direct and indirect costs, financial expenses, income variability, and negative changes in financial markets (Florio & Leoni, 2017). In today's competitive environment, the survival of businesses depends on continuous performance improvement to maintain and enhance competitiveness and achieve greater benefits. This is achieved through setting objectives, planning, controlling, managing risks, and subsequently measuring company performance to assess success in achieving predetermined goals. Evaluating company performance through accounting and economic criteria assesses the company's status compared to past trends, competitors, and predetermined goals, using the results to identify strengths and weaknesses, develop future plans and objectives, and reward managers and employees (Ebrahimi, 2007).

According to what was stated, the following is the second research hypothesis.

Second hypothesis: Risk Management strengthens the relationship between social responsibility and financial performance.

## Research Methodology

The statistical population of this study consists of companies listed on the Iraq Stock Exchange from 2015 to 2022. The sample for this study is selected using a purposive sampling method based on the following criteria:

1. To ensure comparability of information, companies must have a fiscal year ending in December, and there should be no changes in the fiscal year during the study period.

2. To ensure homogeneity of the data, companies must not be banks, insurance companies, or other financial intermediaries.

3. The data related to the selected variables in this research must be accessible.

4. Companies should not have experienced consecutive trading interruptions exceeding 6 months during the study period.

5. Companies must have been listed on the Baghdad Stock Exchange before 2015 and should not have been delisted during the study period.

After applying the conditions above, the number of research samples ultimately reached approximately 33 companies.

## 3. RESEARCH MODEL

Based on the research by Olsen et al. (2016) and Emma Garrig Mara et al. (2021), the hypothesis models of the study are as follows:

Model of Hypothesis Testing Based on Olsen et al. (2016):

$$FP_{\ it} = \beta 0 + \beta 1CSR_{it} + \beta 2A\ Size_{it} + \beta 3Leverage_{it_{i,t}} + \beta 4Sales\ Growth_{i,t} + \beta 5\ \ age_{\ it} + \beta 6\ AUDTYP_{\ it} + \beta 7\ Duality_{it_{it}} + \beta 8\ Fsizeit_{it} + \beta 9\ BINED_{\ it} + \sum \beta Kyeart + \varepsilon_{i,t} \quad (1)$$

$$FP_{\ it} = \beta 0 + \beta 1CSR_{it} + \beta 2ERM_{it} + \beta 3CSR_{it} * ERM_{it} + \beta 4\ Size_{it} + \beta 5Leverage_{it_{i,t}} + \beta 6Sales\ Growth_{i,t} + \beta 7\ \ age_{\ it} + \beta 8\ AUDTYP_{\ it} + \beta 9\ Duality_{it_{it}} + \beta 10\ Fsizeit_{it} + \beta 11\ BINED_{\ it} + \sum \beta Kyeart + \varepsilon_{i,t} \quad (2)$$

### The Dependent Variable

$BP_{i,t}$: Tobin's Q is a common measure for company value. This measure is market-based and is considered a primary dependent variable. It has a forward-looking aspect and may capture the company's performance (Gerged et al., 2021). Tobin's Q is calculated as the ratio of total assets minus the book value of equity plus the market value of equity to total assets. This measure operates better than other accounting ratios and is less impacted by accounting practices (Banos-Caballero et al., 2014).

### Independent Variable

$CSR_{i,t}$: The scales developed by Turker (2009), Bai and Chang (2015), Youn, Lee, and Lee (2018), and Su and Swanson (2019) were adapted to measure corporate social responsibility towards three key stakeholders: employees, customers; and society (Aguinis & Glavas, 2012). The CSR variable thus emerges as a second-order reflective construct made up of three first-order reflective constructs, namely: CSR Society; CSR Customers; CSR Employees, and CSR Products and Services.

### Modifier Variable

$ERM_{i,t}$: The moderating variable in this research is corporate risk management, which will be calculated using a combination of 4 variables. (Gordon et al., 2009). Risk management is defined by Gordon et al. (2009) as comprising four objectives: strategic risk management, operational risk management, reporting risk management, and compliance risk management (Möller, 2007). Each of the corporate risk management tools is defined as follows:

Strategic Risk Management (ERM1)

In any industry, a strategy focused on sales and customer orientation will indicate better strategic performance compared to competitors. Therefore, the strategy factor is considered as the ratio of sales to the industry's average sales (Gordon et al., 2009).

$$Strategy = \frac{sales_i - Average_{sales}}{\sigma Sales}$$

**Sales:** Revenue from Sales and Services

- **Average_Sales:** Represents the average revenue from sales and services per year in each industry.
- **σSales:** Represents the standard deviation of revenue from sales and services per year in each industry.

### Operational Risk Management (ERM2)

Better performance leads to increased efficiency and effectiveness, reducing the likelihood of organizational failure.

Thus, asset turnover, defined as sales divided by total assets, is used as a measure of higher operational efficiency (Gordon et al., 2009).

Operation=(sales) / (total assets)

Regulatory Compliance Risk Management (ERM3)

One effective tool in this area is accepted auditing standards (Akif et al., 1994). The auditor and the auditing process act as external oversight. Therefore, the metric used in this research to measure compliance with regulations is the ratio of auditor fees to total assets.

$$Compliance = \frac{Auditor\ Fees}{Total\ Asset}$$

eporting Risk Management (ERM4)

In this context, reporting refers to the reliability of reporting (Gordon et al., 2009). Accurate and precise reporting is critical for the success of an organization in all dimensions. The goal of accurate and precise reporting should be the main driver of all risk management activities. To measure the quality of financial reporting, the absolute value of non-normal accruals is used (Johnson et al., 2002). In this case, the reporting reliability metric is the relative ratio of the absolute value of normal accruals divided by the sum of the absolute value of both normal and non-normal accruals. The reason for using both types of accruals is that normal and non-normal accruals can be negative, so their relative strength is better measured through their absolute values.

$$\frac{TA_{i,t}}{A_{i,t-1}} = \alpha_1(\frac{1}{A_{i,t-1}}) + \alpha_2(\frac{\Delta REV_{i,t}}{A_{i,t-1}}) + \alpha_3(\frac{PPE_{i,t}}{A_{i,t-1}}) + +\varepsilon_{i,t}$$

**Control Variables**

**LEV (Leverage):** Defined as the total debt divided by the total assets of the company.

**Bsize (Board Size):** The logarithm of the number of board members.

**Duality**: A dummy variable that is 1 if the CEO is also the Chairman of the Board and 0 otherwise.

**Size:** The natural logarithm of the company's total assets.

**AUDTYP (Audit Quality)**: 1 if audited by the Iraqi Board, and 0 otherwise.

**INED (Board Independence)**: The number of independent directors divided by the total number of board members.

**GROWTH:** The ratio of current year's sales to the previous year's sales.

**Age:** The year the company was established

## 4. RESULTS

**Table 2.** The descriptive statistics.

### *4.1. Data on Descriptive Statistics*

Descriptive statistics of the main variables of this research are presented in Table 1.
Tobin's Q can be interpreted as a score above 1, meaning that the firm is creating value and a score below 1, meaning that the firm is destroying wealth. The mean value variable (Tobin's Q) in this study is 3.080, which shows that the companies create value.

**Table 1.** Descriptive statistics of main variables

| Varbilae | Mean | Median | Max | Min | Std.dev |
|---|---|---|---|---|---|
| **QTOBIN** | 3.080 | 2.401 | 14.627 | 0.413 | 2.676 |
| **CSR** | 0.197 | 0.176 | 0.564 | 0.000 | 0.107 |

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| | | | | | |
|---|---|---|---|---|---|
| **ERM** | 0.255 | 0.238 | 0.822 | -0.083 | 0.194 |
| **LEV** | 0.071 | 0.197 | 1.898 | 0.102 | 0.902 |
| *Bsize* | 1.901 | 1.945 | 2.305 | 1.384 | 0.201 |
| *size* | 22.845 | 22.467 | 26.890 | 19.328 | 1.420 |
| *INED* | 0.776 | 0.801 | 1.942 | 0.149 | 0.216 |
| **GROWTH** | 0.114 | 0.016 | 13.320 | -0.906 | 0.977 |
| **Age** | 3.304 | 3.406 | 4.330 | 0.696 | 0.517 |

**Table 2.** Descriptive statistics of qualitative variables

| Varbilae | Status | Frequency | Percentage % |
|---|---|---|---|
| | 0 | 99 | 36 |
| *AUDTYP* | 1 | 165 | 64 |
| | Total | 264 | 100.00 |
| | 0 | 178 | 70 |
| *Duality* | 1 | 86 | 30 |
| | Total | 264 | 100.00 |

### 4.1. Data Analysis and Main Results

All variables are stable, as illustrated by the fact that the significance level is less than 0.05 in the table above**.**

**Table 3:** The results of Levin, Lin Vecho's unit root test for the analysis of stability

| *Variable* | *p-value* |
|---|---|
| **QTOBIN** | 0.000 |
| **CSR** | 0.000 |
| **ERM** | 0.000 |
| **LEV** | 0.000 |
| *Bsize* | 0.000 |
| *size* | 0.000 |
| *INED* | 0.000 |
| **GROWTH** | 0.000 |
| **Age** | 0.000 |
| *AUDTYP* | 0.000 |
| *Duality* | 0.000 |

This study employed the Durbin and Wu–Hausman test to test endogeneity. The results of this test for research equations are reported in Table 4. Since the p-value is larger than 0.05, there is no endogeneity for the models.

**Table 4:** Results of Durbin–Wu–Hausman test

| **Equation** | **Test** | $\chi^2$ | **p-value** | **Result** |
|---|---|---|---|---|
| 1 | Durbin | $\chi^2 = 1.754$ | 0.463 | H0 is rejected (there is no endogeneity) |
| | Wu-Hausman | F=0.911 | 0.532 | H0 is not rejected (there is no endogeneity) |

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| | | | | |
|---|---|---|---|---|
| 2 | Durbin | $\chi^2 = 2.130$ | 0.293 | H0 is rejected (there is no endogeneity) |
| | Wu-Hausman | F=1.600 | 0.462 | H0 is not rejected<br>(there is no endogeneity) |

In accordance with the integration test results in Table 5, the null hypothesis of data integration at the 99% confidence level is rejected. Therefore, a panel data model should be utilized to estimate the coefficients of these models.

**Table 5.** The results of pooling.

| Equation | F Statistic | p-value |
|---|---|---|
| 1 | 11.45 | **0.000** |
| 2 | 8.33 | 0.000 |

The F-Limer test indicated that the fixed effects model is more suitable than the pooled OLS model. The Hausman test further confirmed the preference for the fixed effects model over the random effects model, ensuring consistent and efficient estimates. The Breusch-Pagan LM test validated the random effects model's superiority over pooled OLS for certain variables. Diagnostic tests addressed heteroscedasticity, multicollinearity, and autocorrelation issues, applying necessary corrections. Ultimately, the fixed effects model with robust standard errors was selected for the analysis.

In Table 6, the Hausman test statistic is 3.03. For the first research model, since the table's is greater and the null hypothesis (i.e., the proper model is the random effect model) is not rejected, the efficient model is the random-effects model.

**Table 6.** The results of the Hausman test

| Equation | $\chi^2$ Statistic | p-value |
|---|---|---|
| 1 | 3.03 | **0.963** |
| 2 | 2.23 | 0.983 |

**Table 7.** The results of the first and second models

| Variable (BF) | GLS Regression | | | | | 2SLS Regression | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Equation (1): | | | | | Equation (2): | | | |
| | Coef | Std. Err | Statistic t | Prob | VIF | Coef | Std. Err | Statistic t | Prob |
| CSR | 8.211*** | 0.567 | 14.484 | 0.000 | 1.183 | 5.801 | 0.775 | 7.648 | 0.000 |
| ERM | - | - | - | - | | 2.786 | 0.628 | 4.423 | 0.000 |
| ERM * CSR | - | - | - | - | | 27.088*** | 10.430 | 2.600 | 0.009 |
| LEV | -3.024*** | 0.990 | -3.060 | 0.002 | 1.367 | -1.987*** | 0.728 | -2.730 | 0.007 |
| *Bsize* | -0.222 | 0.282 | -0.790 | 0.432 | 1.083 | -0.066 | 0.202 | -0.330 | 0.744 |
| *size* | 9.103** | 4.516 | 2.020 | 0.044 | 1.137 | 1.893 | 3.276 | 0.580 | 0.564 |
| *INED* | -0.090 | 0.735 | -0.120 | 0.903 | 1.231 | -0.479 | 0.525 | -0.910 | 0.362 |

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| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| GROWTH | 1.701 | 1.209 | 1.410 | 0.160 | 1.069 | 0.549 | 0.875 | 0.630 | 0.531 |
| Age | 1.294*** | 0.366 | 3.540 | 0.00 0 | 1.083 | 0.090 | 0.276 | 0.320 | 0.746 |
| *AUDTYP* | -0.310 | 0.409 | -0.760 | 0.448 | 1.089 | -0.134 | 0.292 | -0.460 | 0.646 |
| *Duality* | 0.096 | 0.376 | 0.260 | 0.798 | 1.148 | 0.159 | 0.269 | 0.590 | 0.553 |
| _cons | 0.400 | 1.180 | 0.340 | 0.735 | ---- | 0.811 | 2.055 | 0.390 | 0.694 |
| $\chi^2$ Statistic | | 26.21(0.000) | | | | | | 31.91(0.000) | |
| $R^2$ | | 0.516 | | | | | | 0.613 | |
| Adjusted $R^2$ | | 0.492 | | | | | | 0.595 | |
| Durbin-Watson Statistic | | 1.917 | | | | | | 1.753 | |
| AIC | | 761.46 | | | | | | 792.156 | |

As Table 7 shows and based on the VIF values, it is evident that the independent variables are not collinear. Because every VIF value is less than 5, Table 7 indicates with 99% confidence that the social responsibility variable has a positive and significant effect on the company's performance. Because its significance level is less than 0.01 and its coefficient is greater than 8.211 and positive.

In the second model, the social responsibility variable moderated by information technology has a significant effect on the company's performance with 99% confidence. It is because its significance level is less than 0.01. It also has a growing moderating function. The second hypothesis is supported with a 99% degree of confidence since the . Risk management * CSR variable has a significant level of 0.009, and its coefficient value is equal to 27.088 and positive.

## 5. DISCUSSION AND CONCLUSION

For several decades, there has been no theoretical consensus on the impact of corporate social responsibility (CSR) activities on company performance, and conflicting empirical findings have emerged. Additionally, there has been insufficient research on CSR in Persian Gulf countries, making it unclear how findings from Western studies can be generalized to these countries.

In this study, we examined the impact of CSR disclosure on the performance of companies in Iraq. The findings indicate that:

There is a positive and significant relationship between CSR and company performance. Except for the capacity of risk management, which strengthens the relationship between CSR disclosure and company performance, the influence of other stakeholders does not play a moderating role. These findings are generally consistent with recent theoretical and empirical literature, such as the works of Nyangolan et al. (2019), Iska (2022), and Koh et al. (2022). Our study contributes to the literature in several ways: While previous studies have examined the impact of CSR on company performance in some Arab countries, this is the first study to use a large panel of companies from the Middle East to investigate this impact. This study examines, for the first time, the moderating role of stakeholders and family ownership in the relationship between CSR disclosure and financial performance. As a result, this study can help market participants and researchers better understand the implications of CSR and how to enhance its impact on financial performance. Specifically, by providing insights into company performance and various dimensions of CSR, this study helps stakeholders in developing Arab Middle Eastern countries improve their performance through better disclosure of social activities. There is a consistent relationship between CSR and financial performance. Therefore, company managers should align their CSR programs and activities with financial metrics to enhance their appeal to investors, particularly investment companies. Without strong financial incentives, some companies may neglect CSR, even though investing modestly in companies with high CSR performance could be beneficial. Moreover, customer capacity affects the relationship between CSR and financial performance. Therefore, managers should pay particular attention to customers and include specific sections in CSR programs to ensure customer well-being. This includes offering policies such as deferred payment options and providing after-sales services. It is also recommended to focus on customer needs, complaint resolution, and satisfaction, as these factors contribute to improved company performance.

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