


**MEASURING THE LEVEL OF VOLUNTARY DISCLOSURE IN COMMERCIAL BANKS
AND ITS EFFECT ON IMPROVING FINANCIAL PERFORMANCE: AN APPLIED STUDY
ON NUMBER OF COMMERCIAL BANKS IN THE IRAQI STOCK EXCHANGE**



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ARTICLE INFO	ABSTRACT
<p>Article history:</p> <p>Received 21 November 2022</p> <p>Accepted 30 January 2023</p>	<p>Purpose: The aim of this study is to know the impact of voluntary disclosure on the financial performance of Iraqi commercial banks. It is able to attract the largest number of investors, as the information and data contained in the financial reports no longer truly reflect its financial position.</p>
<p>Keywords:</p> <p>Voluntary Disclosure; Financial Performance; Return on Assets; Return on Equity; Earnings per Share.</p>	<p>Theoretical framework: Voluntary disclosure plays a pivotal role in reducing the cost of financial analysts obtaining the necessary information to build their predictions about profits and cash flows achieved in the future, and thus will contribute to rationalizing investors' decisions and thus improving the efficiency of financial markets.</p>
	<p>Design/methodology/methodology: The study population consists of (15) commercial banks listed in the Iraqi Stock Exchange, and a ten-year time series has been selected and the period extends from (2010-2019), government and Islamic banks have been excluded due to the difference in the privacy of applicable regulations.</p>
	<p>Find: The results of the study showed a positive and moral impact of voluntary disclosure on financial performance, while the effect of voluntary disclosure on the rate of return on assets and the rate of return on equity was also positive, while the effect of voluntary disclosure on earnings per share was negative, and in the end, the researcher recommended a set of recommendations Perhaps the most important of them is the need for intervention by bodies, unions and the government in order to put in place a set of instructions, controls, laws and legislations necessary to regulate the process of voluntary disclosure, while clarifying the advantages that can accrue to banks from this disclosure.</p>
	<p>Research, practical and social implications: This study has dealt with the issue of voluntary disclosure in the academic and administrative fields, where the researcher hopes that the Iraqi banking sector and stakeholders will benefit from this study as it establishes, theoretically and practically, the logical connection of the relationship between voluntary disclosure and financial performance.</p>
	<p>Originality/value: The study's originality value by measuring the impact of voluntary disclosure on the level of financial performance for the first time in Iraqi commercial banks for the period from (2010-2019) except for governmental and Islamic banks due to the difference in the specificity of the applicable regulations.</p>
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MEDINDO O NÍVEL DE DIVULGAÇÃO VOLUNTÁRIA EM BANCOS COMERCIAIS E SEU EFEITO NA MELHORIA DO DESEMPENHO FINANCEIRO: UM ESTUDO APLICADO SOBRE O NÚMERO DE BANCOS COMERCIAIS NA BOLSA DE VALORES IRAQUIANA

RESUMO

Objetivo: O objetivo deste estudo é conhecer o impacto da divulgação voluntária no desempenho financeiro dos bancos comerciais iraquianos. É capaz de atrair o maior número de investidores, pois as informações e dados contidos nos relatórios financeiros não mais refletem verdadeiramente sua posição financeira.

Referencial teórico: A divulgação voluntária desempenha um papel fundamental na redução do custo dos analistas financeiros na obtenção das informações necessárias para construir as suas previsões sobre os lucros e fluxos de caixa obtidos no futuro, e assim contribuirá para racionalizar as decisões dos investidores e, assim, melhorar a eficiência das operações financeiras mercados.

Desenho/metodologia/metodologia: A população do estudo consiste em (15) bancos comerciais listados na Bolsa de Valores do Iraque, e uma série temporal de dez anos foi selecionada e o período se estende de (2010-2019), governo e bancos islâmicos foram excluídos devido à diferença na privacidade dos regulamentos aplicáveis.

Resultados: Os resultados do estudo mostraram um impacto positivo e moral da divulgação voluntária no desempenho financeiro, enquanto o efeito da divulgação voluntária na taxa de retorno dos ativos e na taxa de retorno sobre o patrimônio também foi positivo, enquanto o efeito da divulgação voluntária sobre o lucro por ação foi negativo e, ao final, o pesquisador recomendou um conjunto de recomendações Talvez a mais importante delas seja a necessidade de intervenção de órgãos, sindicatos e governo para a implantação de um conjunto de instruções, controles, leis e legislações necessárias para regular o processo de divulgação voluntária, ao mesmo tempo em que esclarece as vantagens que podem advir dessa divulgação para os bancos.

Pesquisa, implicações práticas e sociais: Este estudo tratou da questão da divulgação voluntária nos campos acadêmico e administrativo, onde o pesquisador espera que o setor bancário iraquiano e as partes interessadas se beneficiem deste estudo, pois estabelece, teórica e praticamente, a lógica conexão da relação entre divulgação voluntária e desempenho financeiro.

Originalidade/valor: O valor de originalidade do estudo medindo o impacto da divulgação voluntária no nível de desempenho financeiro pela primeira vez em bancos comerciais iraquianos para o período de (2010-2019), exceto para bancos governamentais e islâmicos devido à diferença no especificidade dos regulamentos aplicáveis

Palavras-chave: Divulgação Voluntária, Desempenho Financeiro, Retorno sobre Ativos, Retorno sobre Patrimônio Líquido, Lucro por Ação.

MEDICIÓN DEL NIVEL DE DIVULGACIÓN VOLUNTARIA EN LOS BANCOS COMERCIALES Y SU EFECTO EN LA MEJORA DEL DESEMPEÑO FINANCIERO: UN ESTUDIO APLICADO SOBRE EL NÚMERO DE BANCOS COMERCIALES EN LA BOLSA DE VALORES IRAQUÍ

RESUMEN

Propósito: El objetivo de este estudio es conocer el impacto de la divulgación voluntaria en el desempeño financiero de los bancos comerciales iraquíes. Es capaz de atraer a la mayor cantidad de inversionistas, ya que la información y los datos contenidos en los informes financieros ya no reflejan verdaderamente su posición financiera.

Metodología: La población de estudio consta de (15) bancos comerciales que cotizan en la Bolsa de Valores de Irak, y se ha seleccionado una serie temporal de diez años y el período se extiende desde (2010-2019), los bancos gubernamentales e islámicos han sido excluidos por la diferencia en la privacidad de la normativa aplicable.

Conclusiones: Los resultados del estudio mostraron un impacto positivo y moral de la divulgación voluntaria sobre el desempeño financiero, mientras que el efecto de la divulgación voluntaria sobre la tasa de rendimiento de los activos y la tasa de rendimiento del capital también fue positivo, mientras que el efecto de la divulgación voluntaria sobre las ganancias por acción fue negativa, y al final, el investigador recomendó un conjunto de recomendaciones. Quizás la más importante de ellas es la necesidad de intervención de los organismos, los sindicatos y el gobierno para establecer un conjunto de instrucciones, controles, leyes y legislaciones necesarias para regular el proceso de divulgación voluntaria, aclarando al mismo tiempo las ventajas que pueden derivarse para los bancos de esta divulgación.

Implicaciones de la Investigación: Este estudio ha abordado el tema de la divulgación voluntaria en los campos académico y administrativo, donde el investigador espera que el sector bancario iraquí y las partes interesadas se beneficien de este estudio, ya que establece, teórica y prácticamente, la lógica conexión de la relación entre la divulgación voluntaria y el desempeño financiero.

Palabras clave: Divulgación Voluntaria, Desempeño Financiero, Retorno sobre Activos, Retorno sobre Capital, Ganancias por Acción.

INTRODUCTION

Due to the development of economic life in general and the development of banking, increase their activities in particular, it leads to the emergence of many modern accounting ideas necessary to cope with the changes of economic life (SAEED et al., 2022). One such idea is the term voluntary disclosure, which has received great attention in most countries including Iraq. Moreover, it is an important subject due to its role in reducing economic problems, particularly unemployment and poverty. It is the private sector responsibility to provide the right environment, preserve resources, recruitment, training, and develop human capacities to achieve development (Alzabari et al., 2019). Voluntary disclosure attracted the attention of many researchers and became an urgent necessity for active organizations in a highly competitive and rapidly evolving environment. Studies indicated that the increase voluntary disclosure level reflected a positive impression on the efficiency and effectiveness of an economic organization's performance among investors. (Hamrouni & Benkraiem, 2015) Voluntary disclosure is one of the means to ensure the protection of investors' and shareholders' rights. It increases the value of stakeholders, affecting the performance of the company as a whole, its reputation and the transparency of its reports. Users need new and clear information, which attracts them and improves financial reporting.

Objective of the work or research problem

The researchers note that the study problem is the users' mistrust of financial reports; information and data included in the published financial statements, particularly after the world financial crisis in 2008, and the downfall of some major companies in developed countries. Due to lack of disclosure and transparency in financial reports, lack of real data and information that reflect their financial conditions, and the subsequent difference of information between parties within and outside economic units, this has put considerable pressure on companies to respond to different parties' interests in achieving greater transparency and disclosure as confirmed by the (Madalina study, 2017) study. Financial reports play an important role in informing stakeholders about the financial and operational performance of companies. They serve as a detecting tool for the activities and operations of these companies, enabling stakeholders to better understand how to manage these reports. The studying problem is the reality of the Iraqi market in general and the commercial banking sector in particular. The low level of voluntary

disclosure in the financial reports it publishes have negative effect on its financial performance. Here we note that increasing the level of disclosure of financial and non-financial information will contribute to the credibility of information, reduce the state of risk, increase confidence and encourage investment, and achieve a state of information uniformity among users. Finally, through this study, the researcher seeks to highlight the reality of commercial banks operating in Iraq to increase voluntary disclosure then show the effect on those banks' financial performance. So, it possible to draft the study's problem in the following main questions:

- What are the requirements of voluntary disclosure in financial reports of Iraqi banks that make them satisfactorily significant and enable their users to make their decisions correctly and precisely?

- What is the effect of voluntary disclosure on Iraqi banks' financial performance?

The study main goal is to analyze the information of voluntary disclosure of commercial banks and study the effect of disclosure on the financial performance of different indexes related to the return on assets rate, the return on equity rate, and earnings per share.

Justification

The previous studies of the Arab and foreign countries aimed at showing the effect of voluntary disclosure on the financial performance of industrial companies. (Most previous studies have been discussed business environments of advanced industrialized or trading countries as the United States, China, Canada, Sweden, Australia and France, and some developed Asian countries as Indonesia and Malaysia). But our study here discussed voluntary disclosure by developing a model to measure the effect of voluntary disclosure on financial performance of commercial banks. The study is one of the rare studies that discussed Iraqi business environment.

The researchers hope that this study will contribute to adding knowledge and benefit to future researchers. The study importance lies in the following:

1. Many international bodies are interested in the voluntary disclosure that will increase international initiatives and leading experiences of some countries in this direction.
2. Finding an experimental and applied evidence to interpret the relationship between the voluntary disclosures and financial performance indexes of commercial banks.

The study was divided into five sections. The first section discussed the introduction; the second section focuses on the most relevant previous studies, and the theoretical framework.

Section three addressed the study hypotheses. Section four dedicated to the practical part. Finally, the conclusion sums up the study findings.

LITERATURE REVIEW

Studies of voluntary disclosure are various whether locally, regionally or globally. This diversity gives weight for this topic. Therefore, the researchers reviewed some of these studies related to the study topic; (Wangari, 2014) study attempted to prove the effect of voluntary disclosure on the financial performance of commercial banks in Kenya, where the company's performance was measured using return on equity. A voluntary disclosure index was developed from (47) elements for the period (2013-2008). The study found there was a positive relationship between (Financial, social, and forward-looking disclosure, board disclosure) and return on equity. The relationship of public and strategic disclosure and return on equity was negative. Finally, it is noted that the study concluded that companies should tend towards financial and social disclosure and disclosure of the board to increase their performance. (punze, 2018) study: It attempted to reveal the relationship of voluntary disclosure and financial performance of industrial companies in Russia. (35) companies of services and industry were selected to identify the level of commitment to voluntary disclosure, which was reached (19%) and this high percentage for joint stock companies. The study found there was a relationship of statistical significance between voluntary disclosure and the return on assets rate and the return on equity rate. But, these companies lack of interest in disclosing information about market share.

(Mohammed, 2019) study: tried to display the influence of voluntary disclosure of intellectual capital information on the financial performance of companies in the Egyptian stock exchange. The study revealed that there was no effect of statistical significance of voluntary disclosure of intellectual capital on each of the indexes (return on assets, return on equity, and return on share). But, the study found that there was an effect of statistical significance of voluntary disclosure of intellectual capital on the index of market value to book value. (Charumathi and Ramesh; 2020) study: It attempted show the influence of voluntary disclosure of companies on the company's value from a market value perspective. The study depended on (81) elements of financial and non-financial information. The study found a positive correlation between voluntary disclosure and company value. The market gave higher value to companies that disclosed their financial, social, and environmental information and governance voluntarily. This result affects emerging economies in India, and this study was supported by disclosure theories as agency, stakeholders, and positive accounting theory.

(Kamran & Asna, 2020) study: It tried to show voluntary disclosure according to governance mechanisms as the company's performance evaluation according to the clients' views in the capital market to increase the value of the company. (Tobin's Q) scale to measure the company's performance was adopted combined market evaluation with financial performance. The study found that voluntary disclosure increases the company's performance evaluation, and this effect increases with sound governance mechanisms. (Metwaly, 2021) study: It focused on the influence of voluntary disclosure on the companies' financial performance that applied international financial reporting standards in Egypt. The study used framework data model and the main findings were that Egyptian companies interested in voluntary disclosure, and this interest increased following the adoption of (IFRS). So, voluntary disclosure had a positive influence on financial performance (Flayyih et al., 2022). If (IFRS) were applied, it would have a positive and significant effect on financial performance. The study recommended making the companies aware of the important effect of voluntary disclosure on the interpretation of the companies' financial performance. Also, it called for applying of (IFRS) that have an effective influence on the interpretation of companies' financial performance. (Nathan.et.al; 2021) study: attempted to show the effect of companies' voluntary disclosure on banks profitability in Egyptian banking sector in (2019-2013).

The study adopted descriptive analysis to describe the relationship between independent and dependent variables. The study concluded that there was a correlation between companies' voluntary disclosure (Company governance, forward-looking information, social responsibility, risk management, and customers) and bank profitability (return on equity, return on assets and net interest margin). Furthermore, the study shed light on the importance of disclosure index in improving banks profitability.

Development of study hypotheses

Theory is considered the interpretive framework of the study and it directs the study towards success. Therefore, the study creates the hypothesis and contributes to its development. It is necessary when engaging in certain study, the researchers should address the theoretical frameworks that dealt with it in various aspects. The phenomenon of commercial banks, which is the study sample, is known to different developed societies. This is why many intellectuals, theorists, and reformers of different specialties, whether social, psychological or educational give priority and importance to their analysis.

Analysis of the relationship between the voluntary disclosure, financial performance, and hypotheses foundation

The study importance stems from discussing voluntary disclosure, which becomes one of the important fields recently. The information it provides increases investors' confidence in these reports and contributes to develop decision-making aspect. To develop their economic performance in general and their financial performance in particular, banks must provide additional information voluntarily. Accounting studies considers voluntary disclosure as an important issue that has attracted the attention of many researchers. (Hamrouni and Benkraiem; 2015) To reveal the importance of voluntary disclosure and its effect on financial performance, the researcher addressed some studies to derive the study hypotheses. The studies include the following:

(Zimmeow;2033) study attempted to reach a non-financial disclosure index so the investors will be able to evaluate a company or bank's ability to create value. Disclosure in its current form limited to financial disclosure is no longer sufficient to meet information needs. Non-financial information is more important than financial information. The absence of disclosure of the company activities could put its shareholders at risk of profit manipulation.

(Haniffa & Cooke; 2005) study: It tried in a sample of (139) Malaysian companies to examine the influence of the voluntary disclosure on social responsibility and financial performance. It found there was a positive relationship between the voluntary disclosure of social information and the financial performance of companies as measured by Return on equity. (Adewale and Rahmou; 2014) study on two banks in Nigeria, which aimed to examine the nature of the relationship between voluntary social responsibility disclosures and financial performance. The study found a positive correlation between social responsibility costs and the bank's financial performance measured by profit after tax. (Ahmed et al., 2014) study aim at enhancing the financial performance of companies, raising its reputation through expanding the disclosure of its social responsibility. The study concluded that there was a positive relationship between voluntary disclosure of their social responsibility and financial performance depending on two indices: return on assets and return on equity. (Hwang, 2017) study: The study results showed that increasing the level of voluntary disclosure has a positive effect on the financial performance of the study sample. The study found a positive relationship between voluntary disclosure and the rate of return on assets, while there is no significant relationship between voluntary disclosure and the rate of return on equity. (Richard, 2018) study: It attempts to measure the relationship between voluntary disclosure and financial performance. It measured voluntary disclosure through the dimensions of general information, management, social, and

environmental responsibility, analyses of financial statement information, audit, and future information. Financial performance was measured through the rate of return on assets and the rate of return on equity.

(Nathan, et al, 2021) study showed there was a relationship between voluntary corporate disclosure and bank profitability. This study highlighted the voluntary disclosure index in increasing banks' profitability. (Gerged, et al. 2021) study: It revealed there was a positive relationship between environmental voluntary disclosure and return on asset. The relationship of environmental voluntary disclosure and the (Tobin 'QI) index was positive but stronger relationship. The study recommended that corporate directors should pay attention to voluntary disclosure as an important tool for distinguishing successful companies.

Based on what is mentioned above, it can be said that the studies referred to the positive effect of relationship between voluntary disclosure of its information, whether financial or non-financial, or its social and environmental activities, on financial performance based on the theories mentioned above. Therefore, the study hypotheses are crystalized as the following:

First main hypothesis H1: "There is an acceptable level of voluntary disclosure in Iraqi banks."

Second main hypothesis H2: "There is an effect of statistical significance of voluntary disclosure in the financial performance of the study sample."

The sub-hypotheses were founded based on the main hypothesis and as follows:

The first sub-hypothesis H2.1: "There is an effect of statistical significance of voluntary disclosure on the financial performance measured by the return on equity".

Second sub-hypothesis H2.2: "There is an effect of statistical significance of voluntary disclosure on the financial performance measured by the return on asset".

Sub-hypothesis III H2.3: "There is an effect of statistical significance of voluntary disclosure on the financial performance measured by earnings per share."

The above-mentioned studies tackled voluntary disclosure in the academic and administrative fields. The researchers hope that bank sector in Iraq and stakeholders will benefit from this study as it establishes theoretically and operationally logical link between voluntary disclosure and financial performance. Based on what aforementioned, the researchers can refer to the advantages of this study as the following:

1-This study is a continuation for previous studies, but its research methodology is developed depending on content analyzing method of financial reports.

2- The studies that discussed the effect of voluntary disclosure components on developing financial performance are rare. Therefore, there is a gap in accounting studies related to Iraq business environment.

3- This study is limited to commercial banks due to their great importance; they are the first sector implements international accounting standards.

CONCEPTUAL FRAMEWORK

Theoretical framework is an essential part of scientific research. It helps researchers to realize the scientific and theoretical background of the study problem, how to formulate it to clarify its goals. Researchers through theoretical framework can learn about the principles, grounds, and concepts of theory related directly to the study (Al-Assaf, 1995). Through scientific studies and research, there is no single theory that can explain the company voluntary disclosure alone, but there is a combination of theories. The researchers tried to introduce theories that have interpretive power for the motives of voluntary disclosure to show their influence on financial performance. (Al-Jawheri, 2017; Al-tae & Flayyih, 2022) The theories are the following:

Agency theory

It can be said that it is a generalization of the proprietary theory, which is based on the contract whereby the agent achieves certain activities in favour of the client and also gives a mandate to make decisions on his behalf (Flayyih & Khiari, 2023). The relationship is based on benefit. (Hieu and Lan, 2015) Also, this theory holds that modern companies are owned by a group of shareholders, but managers run them in which the interest of each one is different. (Donleavy, 2018) Moreover, the theory described voluntary disclosure as a mechanism and means of reducing the costs arising from conflicts of interest between managers and shareholders on the one hand, and between the company and its creditors on the other hand. (2016 Alqatamin).

The stakeholders theory

It is an administrative ethical theory focuses on management strategy. It lays the fundamental foundations of ethical values in business and established for the values and interests of stakeholders related to the companies. (Freeman & Wicks, 2003) Also, it is able to interpret management voluntary disclosure to show that management responsibility is not limited make profits for shareholders, but it should provide financial and non-financial

information for the concerned parties. (Watson et al., 2016) The supporters of this theory see that the disclosure of financial and non-financial information has a positive influence on financial performance through its positive effect on the workers' motivation and productivity. Furthermore, workers will be satisfied and contribute to attracting the best competencies from the labour market and preserving its employees, and reducing the rate of employment turnover. (Saleh et.al., 2011; Flayyih and Khiari 2022).

Signal theory

This theory is designed to reduce the problems of irregularity of information in the labour market. In this theory, voluntary disclosure is a good signal about performance of companies. It presents some of its non-mandatory information required by laws and regulations to investors, to show its image that it is better than other companies operating in the market and its purpose is to attract investments and improve its positive reputation. (Shehata; 2014).

The theory of legitimacy

The theory stems from the view that there is a social contract between the company and the society. Through this theoretical perspective, voluntary disclosure can be utilized to show the company compliance to social standards. (Bhuyan, 2018) This theory attempts to preserve its legitimacy via several strategies, using voluntary disclosure of social and environmental data as a tool to deal with society demands and needs (Cotter and Najah; 2011).

Economic theory

The voluntary disclosure of financial and non-financial information, social and environmental activities will contribute to reducing the non-regularity of information between managers and users of information from outside parties, especially investors. Therefore, the agency problems and costs decrease. It should be noted that all these issues will be reflected positively on the financial performance of the company or bank. (Khlif et al., 2015).

Based on what is mentioned earlier, voluntary disclosure is done for different motives. It examines more than one relationship; there is a relationship between the department and its current and prospective contributors and lenders, or its relationship with society it works in, and its responsibility towards society (Nikkeh et al., 2022). All the above theories agree that voluntary disclosure helps reduce the inconsistency of information between managers and stakeholders. Moreover, It refers to the bank good performance and being distinguished from other banks, and it gives a positive picture of the bank in case of positive participation towards

its social responsibilities (Abass et al., 2022). Also, it increases profits distribution when performance improves to contribute to the reduction of the cost of the capital. Finally, it changes the stakeholders' views towards bank.

MATERIAL AND METHODOLOGY

The study was designed to examine the research hypotheses based on their goals and limitations. The relationship between the independent variable (voluntary disclosure) and the dependent variable (financial performance) was analyzed using quantitative models in addition to control variables used as modified variables between the relationships of variables

Selection the applied study sample and its source of data

The study population is the commercial banks in the Iraqi Stock Exchange (2019-2010). A 10-year time span is selected for the study, where (15) commercial banks are selected whose shares are still working in the Iraqi stock exchange.

Table (1) Study Sample

Data	No. of Banks
Study population	43
Minus:	
Government banks	(3)
Islamic banks	(17)
Disqualified commercial banks	(8)
Study sample banks	15

Source: Prepared by the authors (2022).

The researchers depend on financial reports published on the official website of the Iraq Stock Exchange to collect data. They used (Excel) for data collection before processing them with (Eviews-v9).

The Study Model and Measuring its Variables

Based on previous references, financial and accounting studies, the researchers designed a model consisting of an independent variable (voluntary disclosure) and a variable (financial performance) in addition to controlling variables.

$$ROE_{it} = B_0 + B_1 VD_{it} + B_2 SMVR_{it} + B_3 ROSG_{it} + B_4 CA_{it} + B_5 DOM_{it} E_{it}$$

$$ROA_{it} = B_0 + B_1 VD_{it} + B_2 SMVR_{it} + B_3 ROSG_{it} + B_4 CA_{it} + B_5 DOM_{it} E_{it}$$

$$EPS_{it} = B_0 + B_1 VD_{it} + B_2 SMVR_{it} + B_3 ROSG_{it} + B_4 CA_{it} + B_5 DOM_{it} E_{it}$$

The points of voluntary disclosure are clarified via the following table:

Table (2) axes of measuring voluntary disclosure level

No.	Information type	Targeted group	No. of items
1	General information	All categories and stakeholders	10
2	Information of company strategy	Investors and financial analysts	5
3	Information about company governance	Investors and related parties	12
4	Future information	Investors and financing bodies	10
5	Information about shareholders	Investors, financing agencies and financial analysts	7
6	Information about risk management	Investors and financial analysts	8
7	Information about financial performance	Investors, suppliers and financing bodies	29
8	Review accounting policy	Investors, suppliers and financing bodies	4
9	Information about non-financial performance	Investors, suppliers and financing bodies	17
10	Information about environmental and social responsibility	All Categories	8

Source: Prepared by the authors (2022).

Table (3) the study independent, dependent, and controlling variables

Variables	Variable and its measurement	Method of measuring
independent	Voluntary disclosure (VD)	Give value (1) on bank disclosure on the item and (0) for non-disclosure.
dependent	Financial performance (perf.)	Return on equity = net profit after tax/gross of equity.
		Return on assets = net profit after tax/total assets.
		Earnings per share = net profit after tax/number of shares.
Ration of sales growth (ROSG)		Sales growth ratio = (current year sales - previous year sales)/previous year sales.
Controlling variables	Bank's age (CA)	From the date of establishment until the end of the measurement year.
	Market value to book value (SMVR)	Market Value to Book value = Market Value/Book Value of Bank shares.
	Application of Int. standards (DUM)	Give No. (1) for the year international standards are applied, and (0) for the year international standards are not applied.

Source: Prepared by the authors (2022).

RESULTS AND DISCUSSIONS

The study statistical analysis and hypotheses testing

The researcher relied on a range of statistical methods and methods to test the research hypotheses:

- 1- The multiple regression test and (paneldate) were used and based on financial records and reports.

2- Binomial Test was used to test whether the significance is acceptable or unacceptable level of the value of views of the study sample.

1- The regression equation was used to test and analyze the correlation and effect between independent and dependent variables. Statistical analysis was conducted to test hypotheses using (Eviews)

Test of the first main hypothesis H1

“There is an acceptable level of voluntary disclosure in Iraqi banks”

To test the hypothesis, the observations of the sample were divided into two groups based on the value (VD):

- Observations of acceptable level were (VD) value was (more than 0.50) and given number (1).
- Observations of unacceptable level were (VD) value was (less than 0.50) and given number (0).

Through using (Binomial Test) to test the significance of the acceptable/unacceptable level of (VD) value. The results are the following:

Table (4) results of the test of the first main hypothesis

Binomial Test					
VD	Category	N	Observed Prop	Test Prop	Exact Sig (2-tailed)
Acceptable level	1	105	0.70	0.50	0.000
Unacceptable level	0	45	0.30	0.50	
total		150	1.00		

Source: Statistical analysis results Eviews

It is noted from the above table;

- The number of observations of an acceptable level (VD) was (105) out of (150) observations; (70%).
- The number of observations of an unacceptable level (VD) was (45) out of (150); (30%).

The significance of (2-tailed) and (Exact Sig) test was 0.000, which is less than the acceptable error in social sciences and predetermined by (0.05). It means that the sample data provided a convincing evidence to accept the study hypothesis. There is an acceptable level of voluntary disclosure in Iraqi banks.

This result agreed with the (Richard, 2018) study, which measured the voluntary disclosure through its dimensions of general information, management, social and environmental responsibility, analysis of financial information, review, and future information. It agreed with (punze:2018) study that found an acceptable level of voluntary disclosure.

Test of the second main hypothesis H2: “there is an effect of statistical significance of voluntary disclosure on the financial performance of sample study banks.”

1- Test of first sub-hypothesis H1.3: “There is an effect of statistical significance of voluntary disclosure of financial performance measured by the return on equity.”

The purpose of this hypothesis is to show the effect of voluntary disclosure on financial performance as measured by the return on equity. To verify the validity of the hypothesis, the model of the following regression equation was designed:

$$ROE_{it} = B_0 + B_1 VD_{it} + B_2 SMVR_{it} + B_3 ROSG_{it} + B_4 CA_{it} + B_5 DOM_{it} E_{it}$$

(Eviews) and (panel data) are used to perform the regression;

Table (7) The results of multiple regression test to show the effect of voluntary disclosure on the return on equity

Dependent variables: ROE				
variables	Coefficients	Std.Error	t-Statistic	prob
C	- 0.557201	0.230546	-2.416879	0.0169
VD	0.122576	0.056851	2.156098	0.0327
SMVR	1.002168	0.139253	7.196723	0.0000
ROSG	0.559323	0.106238	5.264826	0.0000
CA	-0.006448	0.011182	-0.576655	0.5651
DUM	-0.226350	0.149673	-1.512292	0.1327
R:Square	0.600638	Mean dependent var		-3.33333
Adjusted R-Squared	0.586772	S.D. dependent var		1.000035
S.E.of regression	0.642851	Akaike info criterion		1.993369
Sum.squared resid	59.50901	Schwarz criterion		2.113795
Log likelihood	-143.5027	Hannan-Quinn criter		2.042294
F-Statistic	43.31510	Durbin-Watson stat		1.191377
Prob(F-Statistic)	0.000000			

Source: Statistical analysis results Eviews.

The table shows that the determination coefficient (R Square) is (0.600638), which represents the explanatory power of the model. The independent variable (voluntary disclosure) and the used control variables explain the value by (60.0638%) of the dependent variable (financial performance as the rate of return on equity).

The standard deviation of the (S.E.of regression) was (0.642851), which is low. As long as the error is low, it would be statistically better. The table shows that the coefficients identified the direction of the relationship between variables via coefficient (B). The value of constant

regression equation (B0) was (0.122576). The value of inclination of regression equation (B1) equivalent to independent variable, voluntary disclosure was (0.122576). It showed the effect of the independent variable on the dependent variable by (B) coefficient. The positive value of (B1) indicated there was an indirect effect between the independent and dependent variables or, in other words, any increase in the independent variable by one degree will lead to an increase by (12.2576%) of the dependent variable (financial performance with return on equity), where all other variables outside this model will be constant.

The calculated value (F) was (43.3151%) and is undoubtedly greater than its tabular value because its level of probability (t-Statistic prob) is (0.0000) and is much lower than the acceptable error value in social sciences, which is (0.05) and indicates the appropriateness of the statistical model used in the hypothesis test.

The probability value (t-Statistic prob) was (0.0327) and it represents the level of significant relationship and it is statistically significant because it is lower than the acceptable error level in social sciences (0.05). It means that the sample data provided convincing evidence to accept the hypothesis. The results do not agree with (Wangari, 2014), which showed a negative relationship between public and strategic disclosure and return on equity. Also, it did not agree with (2017: Hwang) and (Abed: 2018) studies, which revealed there are no statistical differences between financial performance (measured by the rate of return on equity) and this relationship is not statistically relevant in banks sector. The results did not agree with (Fauzi.et.al, 2007) revealed there was no relationship between voluntary disclosure of social responsibility and financial performance measured by return on equity.

The study results agreed with (Wangari, 2014) study that revealed a positive relationship between financial and forward-looking disclosure and social disclosure and return on equity. The study agreed with (Punze, 2018) that displayed a positive statistical effect relationship of voluntary disclosure on the rate of return of equity, in addition to (Mtwali; 2021, Ibrahim; 2019, Omar et al.; 2014, Ismail 2018; 2011 Adelopo , Haniffa and Cooke;). All these studies indicated that the higher the level of disclosure of financial, non-financial, social and environmental information voluntarily, it will contribute to better financial performance of the company, organization or bank. Increasing disclosure is an important tool of proving the company's positive contribution to the development of society to acquire, maintain or restore its legitimacy in society.

Testing the second sub-hypothesis H2.2

“There is an effect of statistical significance of voluntary disclosure on financial performance measured by the return on assets.”

The purpose of this hypothesis is to show the effect of the voluntary disclosure on financial performance measured by the return on assets. To show the validity of the hypothesis, the model of the following regression equation was designed:

$$ROA_{it} = B_0 + B_1 VD_{it} + B_2 SMVR_{it} + B_3 ROSG_{it} + B_4 CA_{it} + B_5 DOM_{it} + E_{it}$$

By using (EViews) and (paneldata), the results were the following:

Table (8) The results of multiple regression test to show the effect of voluntary disclosure on the return on assets

Dependent variables : ROA				
variables	Coefficients	Standard . Error	t-Statistic	prob
C	0.085654	0.279157	0.306830	0.7594
VD	0.141870	0.068838	2.60917	0.0411
SMVR	0.378445	0.168615	2.244425	0.0263
ROSG	0.584185	0.128638	4.541308	0.0000
CA	-0.012864	0.013540	-0.950101	0.3437
DUM	-0.441010	0.181232	-2.433396	0.0162
R:Square	0.414434	Mean dependent var		-2.677777
Adjusted R Square	0.394101	S.D. dependent var		1.000003
S.E.of.regression	0.778397	Akaike info criterion		2.376019
Sum squared resid	87. 24997	Schwarz criterion		2.496444
Log likelihood	-172. 2014	Hannan-Quinn criter		2.424944
F-Statistics	20. 38315	Durbin-Watson stat		1.120587
Prob(F-Statistic)	0.000000			

Source: Statistical analysis results Eviews.

The table shows that the determination coefficient (R Square) is (0.414434), which represents the explanatory power of the independent variable, dependent variable to explain (% 41.4434) of the dependent variable (return on assets). The standard deviation of the (S.E.of.regression) was (0.778397) which is low. As long as the error is low, it would be statistically better. The table shows that the coefficients identified the direction of the relationship between variables via coefficient (B). The value of constant regression equation (B₀) was (0.085654). The value of inclination of regression equation (B₁) equivalent to independent variable, voluntary disclosure was (0.141870). It showed the effect of the independent variable on the dependent variable by (B) coefficient. The positive value of (B₁) indicated there was an indirect effect between the independent and dependent variables or, in other words, any increase in the independent variable by one degree will lead to an increase by

(14,1870%) of the dependent variable (return on assets), where all other variables outside this model will be constant.

The calculated value (F) was (20.38315) and is undoubtedly greater than its tabular value because its level of probability (t-Statistic prob) is (0.0000) and is much lower than the acceptable error value in social sciences, which is (0.05) and indicates the appropriateness of the statistical model used in the hypothesis test.

The probability value (t-Statistic prob) was (0.0411) and it represents the level of significant relationship and it is statistically significant because it is lower than the acceptable error level in social sciences (0.05). It means that the sample data provided convincing evidence to accept the hypothesis. The study results agreed with (Fauzi et al., 2007) study that revealed lack of correlation between voluntary social responsibility disclosures and financial performance measured by return on assets. (Al-Najjar: 2015) study showed that social responsibility activities related to community service, product improvement and human resource development did not were not effect of statistical significant with return on asset.

The study results agreed with (Metwaly: 2021, Abed: 2018, Omar and others: 2014, Ibrahim: 2019, Ismail: 2018) studies and (Punze, 2017: Hwang, 2014; Malik, Nadeem, Mwangi & Jerotich: 2013, ;2011 Adelopo) studies. The emergence of indirect relationship meant that the bank sector interested in the application of voluntary disclosure rules and laws. These measures will increase the confidence of the society and lead to more investors in the banking sector and contribute to increased profits the value of its assets.

Testing the second sub-hypothesis H3.3:

“There is an effect of statistical significance of voluntary disclosure on financial performance measured by the profit of shares.”

The purpose of this hypothesis is to show the effect of the voluntary disclosure on financial performance measured by profit of shares (EPS). To show the validity of the hypothesis, the model of the following regression equation was designed:

$$EPS_{it} = B_0 + B_1 VD_{it} + B_2 SMVR_{it} + B_3 ROSG_{it} + B_4 CA_{it} + B_5 DOM_{it} E_{it}$$

By using (EViews) and (paneldata), the results were the following:

Table (9) the results of multiple regression test to show the effect of voluntary disclosure on the profitability of shares

Dependent variables : EPS				
Variable	Coefficients	Std.Error	t-Statistic prob	prob
C	-0.563206	0.237020	-2.376194	0.0188
VD	0.109915	0.058448	1.880575	0.0620
SMVR	0.998941	0.143164	6.977592	0.0000
ROSG	0.559123	0.109221	5.119185	0.0000
CA	-0.006554	0.011496	-0.570154	0.5695
DUM	-0.200043	0.153877	-1.300023	0.1957
R:Square	0.577847	Mean dependent var		-5.333333
Adjusted R-Squared	0.563189	S.D. dependent var		0.999981
S.E.of.regression	0.660904	Akaike info criterion		2.048762
Sum squared resid	62.89834	Schwarz criterion		2.169187
Log likelihood	-147.6571	Hannan-Quinn criter		2.097687
F-Statistic	39.42176	Durbin-Watson stat		1.357727
Prob(F-Statistic)	0.000000			

Source: Statistical analysis results Eviews.

The table shows that the determination coefficient (R Square) is (0.577847), which represents the explanatory power of the independent variable, dependent variable to explain (57.7847 %) of the dependent variable (shares profit). The standard deviation of the (S.E.of.regression) was (0.660904) which is low. As long as the error is low, it would be statistically better. The table shows that the coefficients identified the direction of the relationship between variables via coefficient (B). The value of constant regression equation (B0) was (0.577847). The value of inclination of regression equation (B1) equivalent to independent variable, voluntary disclosure was (0.109915). It showed the effect of the independent variable on the dependent variable by (B) coefficient. The positive value of (B1) indicated there was an indirect effect between the independent and dependent variables or, in other words, any increase in the independent variable by one degree will lead to an increase by (10,9915%) of the dependent variable (shares profit), where all other variables outside this model will be constant. The calculated value (F) was (39.42176) and is undoubtedly greater than its tabular value because its level of probability (t-Statistic prob) is (0.0000) and is much lower than the acceptable error value in social sciences, which is (0.05) and indicates the appropriateness of the statistical model used in the hypothesis test.

The probability value (t-Statistic prob) was (0.0620) and it represents the level of significant relationship and it is statistically significant because it is lower than the acceptable error level in social sciences (0.05). It means that the sample data provided convincing evidence to refuse the hypothesis and accept null hypothesis.

The study result did not agree with (Abed, 2018, Al-Arud and Al-Harbi, 2019:, Ibrahim, 2019) which revealed that voluntary disclosure affects financial performance (measured by

earnings per share) due to the different companies political or economic environment or because of the different sample of companies or the sector under investigation.

CONCLUSION

The essential aim of the study is to determine and indicate the effect of voluntary disclosure on the financial performance of commercial banks in Iraq stock market. The researcher attempted to address the study problem to answer the questions raised. The study was divided into two aspects. The first one is related to the theoretical framework in which the researchers focused on the most important schools and theories that dealt with this topic in addition to the previous studies. The researchers developed the study (5) hypotheses; (2) main hypotheses and (3) sub-hypotheses. The second aspect related to the application side. The researchers used a number of statistical methods and tools to test hypotheses like descriptive and in-depth statistics. After getting the results, they can be used scientifically in addition to the most important suggestions and recommendations. The most important results gained from this study indicated that Iraqi banks have an acceptable level of voluntary disclosure based on the number of observations, about (70%). In respect to financial performance, the level was unacceptable. The number of observations was about (39%). Depending on the multiple linear regression models, the statistical results proved that there was a positive and significant relationship with voluntary disclosure of financial performance in relation to the rate of return on assets and the rate of return on equity. The relationship between voluntary disclosure and financial performance in relation to earnings per share was negative and insignificant.

The researchers introduced the following recommendations:

The Iraqi Stock Exchange needs to establish rules of voluntary disclosure to comply with the requirements of the global market and to reduce the inconsistency of information between management and investors, which will rationalize decision-making. The researchers recommended that the bodies responsible for establishing laws, regulations, rules and instructions should establish local committees to monitor the work of companies and banks in Iraqi stock market in line with the requirements of the international standards. The researchers referred to banks to encourage the importance of voluntary disclosure of non-financial information to serve decision makers, especially as the term societal responsibility of the organization grows in promoting the principles of sustainable development. Finally, the researchers consider that the teaching of voluntary disclosure in accounting curricula for all higher educational levels increases awareness of the importance of this trend to help the principle of full transparency of maximum credibility and reliability.

The study was limited to commercial banks and did not include Islamic banks, which makes it difficult to disseminate the results obtained from the study population. In conclusion, the researchers point to the possibility of conducting future studies included all government, Islamic, and commercial banks towards voluntary disclosures in relation to regarding social responsibility and sustainability. An analytical study can be done depending on the approach of intermediate variables in the relationship between voluntary disclosure and financial performance.

LIMITATIONS OF THE STUDY

The researchers modified financial data prepared in accordance with local GAAP standards into IFRS-compliant data, with the aim of applying mathematical models. Also, there is no funding support for researchers in the process of research preparation and publication.

SUGGESTIONS FOR FUTURE WORK

Future work Are:

1. The impact of voluntary disclosure in earnings management.
2. The mediating role of voluntary disclosure in the relationship between corporate governance and financial performance.

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