

# The Role of Accounting for the Costs of Social Responsibility in Enhancing the Company's Performance: A Case Study on Baghdad Soft Drinks Company

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**Abstract:** The research aims to shed light on the concept of accounting for the costs of social responsibility, to define the theoretical framework for accounting for the costs of social responsibility, and to know the extent to which accounting for the costs of social responsibility contributes to enhancing the performance of companies. The data necessary to test that role were collected by conducting an informational content analysis of the Baghdad Soft Drinks Company, which was chosen as a case study in the current research. The company's financial reports for the period (2016-2018) were viewed through its disclosures through the Iraq Stock Exchange. The research concluded that the increase in the costs of social responsibility can help improve the performance of companies in the long term and that there is a direct link with the final results, as the interest of companies in disclosing the costs of social responsibility and accounting for them gives a positive image to external parties of the company's commitment to ethical and social standards of behavior, and thus enables the company to obtain a sustainable competitive advantage.

**Keywords:** Accounting for the costs of social responsibility, Company performance.

## Introduction:

Today, companies across the world face many challenges, due to the rapid developments taking place in the environment surrounding companies. The company is part of the society in which it operates, as it derives from this society all the raw materials, human resources, and material resources it needs. In return, the company provides the community with the goods, services, information, and others it needs. Despite the existence of these challenges, companies must change their view of society, especially after raising awareness of it. It has become unacceptable to stop at the company's economic goals without achieving the social goals. It has become necessary for the company to adhere to its duties and responsibilities towards the society in which it operates, and to evaluate its social performance. The maximization of profits is no longer the only goal of economic companies, but rather the commitment to invest part of their profits in order to achieve the welfare of society, to provide voluntary services, to preserve the environment, to give the public a positive image of economic unity, and to establish a base of customers.

This led to the emergence of the so-called social responsibility cost accounting used as a tool for evaluating social performance. Accounting for social responsibility is a tool to achieve the company's competitiveness, ensure its continuity, and improve its economic, social and environmental performance, because it is one of the modern technologies that help create a work dynamic that is able to keep pace with the various developments and changes facing the company. Therefore, the research aims to highlight the accounting procedures for the costs of social responsibility in the company in question, and to analyze its role in enhancing the performance of that company.

### **The first axis: research methodology and previous studies**

#### *First: Research problem:*

As a result of the rapid developments in the economic, social and environmental fields that led to a wide development in the competitive environment between companies, traditional financial information does not meet the requirements and needs of users in order to make decisions more accurately, efficiently and effectively because it focuses on financial information and only the main users. As a result of the intensity of competition and the increase in users' demand for financial information, companies focus on economic, environmental and ethical determinants in order to be able to create value for the company and to maintain it in the short, medium and long term, taking into account the role of environmental, social and economic activities in enhancing the company's performance. Here, it is necessary to know the extent to which accounting for the costs of corporate social responsibility contributes to enhancing the company's performance. Therefore, the main research problem can be identified by the following question:

***(Is there a role for accounting for the costs of social responsibility in enhancing the company's performance?)***

#### *Second: Research importance:*

The importance of the research stems from the importance of accounting for the costs of social responsibility, as it is one of the topics that have received wide attention from international accounting organizations, as well as by researchers interested in accounting sciences, and the role it plays in improving the company's performance. As well as the importance of accounting for the costs of social responsibility in achieving social welfare.

#### *Third: Research objectives:*

The research aims to shed light on the concept of accounting for the costs of social responsibility. Social responsibility has become necessary in our current world. Its effective impact on the performance of companies and society is well known, as social responsibility is capable of bringing about a change in a healthy and environmental lifestyle and achieving well-being for members of society. It also aims to identify the extent to which the company in question practices social activities and commitment to social responsibility. As well as identifying the role played by social responsibility accounting in enhancing the company's performance. The most important goals to be achieved are as follows:

1. Determine the theoretical framework for the company's performance.
2. Find out the extent to which accounting for the costs of social responsibility contributes to evaluating companies' performance.
3. Statement of the role of accounting for the costs of social responsibility in enhancing the company's performance.

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*Fourth: Research hypothesis:*

The research is based on a basic hypothesis represented by (accounting for the costs of social responsibility can contribute to enhancing the company's performance).

*Fifth: Research method:*

The research relies on two basic scientific research approaches:

1. The descriptive approach: It is related to the theoretical side, through literature and scientific publications related to the subject of the research, such as books, university theses, and periodicals, whether they are Arabic or foreign.
2. The Applied Approach: This is done through the data and information of the Baghdad Soft Drinks Company published in the Iraq Stock Exchange, for the period from 2016-2018.

*Sixth: Research limits:*

1. Spatial limits: The research was conducted on Baghdad Soft Drinks Company.
2. Temporal limits: The limits of the research were confined between the period 2016-2018.

*Seventh: Previous Studies:*

There are many studies that dealt with accounting for social responsibility, and some of these studies implicitly indicated the repercussions of social responsibility costs on the company's performance. Among these studies are the following:

1. (Adeneye & Ahmed, 2015):

The research aimed to find the impact of corporate social responsibility on the company's performance. Corporate social responsibility was measured using its indicators, and the company's performance was measured using market value, company size, and return on capital. Then, descriptive statistics, regression, and correlation analysis were conducted for 500 companies in the United Kingdom. The results showed that there is a statistically significant positive relationship between corporate social responsibility, market value, and return on capital. However, the research did not find any significant relationship between corporate social responsibility and size.

2. (Simionescu & Gherghina, 2014):

The research aimed to empirically investigate the relationship between corporate social responsibility and corporate performance using accounting-based performance measures, in addition to market-based companies' performance measures for a sample of companies listed on the Bahrain Stock Exchange during the period 2008-2011. The research found a negative relationship between Social responsibility and accounting-based performance measures. In addition, there is a positive correlation between social responsibility and market-based corporate performance measures.

3. (Selcuk & Kiymaz, 2017):

The research aimed to find a relationship between the company's performance and the social responsibility of the companies listed on the Istanbul Stock Exchange during the period 2009-2011. The content analysis of annual reports - Turkish company websites - has been used for any socially responsible activities. The research found a negative relationship between CSR and financial performance, which means that companies that disclose more information about CSR initiatives in their annual reports have lower return on assets.

4. (Ijeoma & Oghogomeh, 2014):

The aim of the research was to determine the contribution of corporate social responsibility to organizational performance. The purpose of this research is to determine the contribution of CSR to the company's after-tax profits and to ensure that there is a significant contribution of CSR to the company's after-tax profits. The data source for this research was secondary data obtained from the Central Bank of Nigeria Statistical Bulletin 2010 and Annual Reports 2008-2012 of three public limited companies operating in Nigeria. The statistical tool used was regression analysis and line graph analysis. The research concluded that corporate social responsibility was able to explain and contribute significantly to enhancing the company's performance.

5. (Rodriguez-Fernandez, 2016):

The aim of the research was to investigate the bidirectional relationship between corporate social responsibility and financial performance in companies. The research dealt with the relationship of social responsibility with the financial performance of a group of Spanish companies registered on the Madrid Stock Exchange. The conclusions drawn from the research conducted on companies listed on the Madrid Stock Exchange show positive relationships in both directions (i.e. social responsibility is profitable and the profitable is social). The results of this analysis are evidence that all social policies increase financial resources. Conversely, increased financial performance leads to greater social benefits. This research encourages all members of the Board of Directors to seriously consider investing financial resources in developing policies that enhance the levels of components of social behavior in order to contribute globally to the improvement of society.

6. (Okafor, 2018):

The research aimed to ascertain the impact of environmental costs on the company's performance. To achieve this goal, the research benefited from the financial reports of the oil and gas companies listed on the Nigerian Stock Exchange for the years (2006-2015). Regression analysis using statistical analysis (SPSS) was used. The results of the statistical analysis concluded that the better environmental performance positively affects the value of the company. In addition, environmental accounting provides the company with an opportunity to reduce environmental and social costs and improve its performance.

7. (Al-Tamimi & Abd, 2015):

The aim of the research was to verify the opinion that "the economic and social goals in the long term are not contradictory in nature, but rather complementary with their basic objectives." The research relied on the analytical descriptive approach. Various sources have been relied upon from previous studies and research. The research reached a set of results, including the existence of a correlation between economic performance and social performance that requires clear frameworks for measurement and disclosure, and that the disclosure of social responsibility leads to positive results affecting the financial performance and contributes to adding value to the company.

It is noted from previous studies that there is still a great interest in social responsibility. The importance and dimensions of social responsibility have been tested and their impact on the company's performance in general and on the financial performance in particular, but none of these studies have touched on the costs of social responsibility and its impact on the company's performance.

After addressing the introduction, the research methodology and some previous studies related to the research variables, the remainder of the research will be reviewed within four axes. First: a statement of the concept of corporate social responsibility and the most important dimensions that it may include.

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Second: the concept of evaluating the company's performance and its importance. Third: hypothesis testing. Fourth: review of the most important conclusions and recommendations.

### **The second axis: The conceptual framework for accounting for the costs of social responsibility**

*First: The concept and dimensions of corporate social responsibility:*

Corporate Social Responsibility is defined as actions that promote certain social benefits, beyond the interests of the company and those required by law, and CSR activities not only affect investing stakeholders such as shareholders and debt holders, but also affect non-investing stakeholders such as customers and society social organizations, and others (Buchanan et al., 2018: 80).

The study (Raza et al., 2021: 1104) indicated that corporate social responsibility is an innovative way to link relationships and create value for stakeholders (society, shareholders, suppliers, customers, employees, and the environment), and build a culture of shared values among stakeholders. Employees are viewed as a group of core internal stakeholders of any organization.

The study (Kao et al., 2018: 156) see that social responsibility from the perspective of stakeholders has a positive impact on the financial performance of companies, since companies have relationships with various stakeholders, including government, competitors, consumers, and environmental advocates, as it can lead to Increasing social spending leads to better relationships with stakeholders. As well as reducing the social cost of companies and this positively affects the financial performance of the company.

The study (Mahmoud et al., 2018: 5) showed that the most common dimensions in the definitions given to corporate social responsibility are:

1. The economic dimension: From the society's point of view, the company should make profits from its goods and services to maintain its competitive position, but the aim of this dimension is to create economic benefits for both shareholders and society. The concept of social responsibility has been integrated into the work of executive management, and managers are responsible for adopting those strategies that can achieve profit and help satisfy shareholders.
2. Social Dimension: Based on the economic dimension, society wants the company to follow the rules and regulations of social behaviour. In order for a company to fulfill its economic responsibility by fulfilling its obligations to society, managers should develop company policies. The goal is not to violate the rules of that community in order to comply with the social contract between the company and the community.
3. Voluntary dimension: The voluntary dimension represents all voluntary work directed towards improving society and has a strategic value, or it is all activities that the company willingly performs for the benefit of society. For example providing funding for students, or helping mothers to work by providing a free care center. Voluntary aspects differ from ethical aspects, in the sense that voluntary actions are not considered from an ethical perspective. The public has a desire for companies to give money or services for the betterment of society, but a company is not judged to be immoral if it does not act accordingly (Serrano-Archimi et al., 2018: 4).
4. Environmental dimension: This dimension is represented by all the costs sacrificed in order to protect the members of society and the environment surrounding the company. Companies work to prevent environmental damages surrounding them resulting from their industrial activities, which include the costs of air pollution and weeds as well as the costs of water (Al-Bayati, 2019: 199).

*Second: The concept of accounting for the costs of social responsibility:*

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There are many points of view in giving a specific concept of accounting for the costs of corporate social responsibility. (Bessong & Tapang, 2012: 38) defined it as measuring a set of costs of activities concerned with measuring the social performance of companies and the role of these activities in preserving the environment and providing various services to their local communities directly or indirectly and communicating these results so that the community can evaluate the social performance of those company. The study (Gholami et al., 2012: 10112) indicated that it is a measure of the social effects (social costs and benefits) arising from the activities of the economic unit with the aim of preparing reports and presenting them to society.

A study (Madhi & Talal, 2018: 463) indicates that accounting for the costs of social responsibility is characterized by a set of goals as follows:

1. Disclosure of the costs of the company's activities, which have social impacts on workers' health and environmental pollution. This goal shows the need to provide appropriate data on the social performance of the company, the extent to which it contributes to the achievement of social goals, and the communication of data to the beneficiaries, whether internal or external alike.
2. Evaluating the company's social performance, by determining whether the economic unit's strategy and objectives are in line with social priorities on the one hand, and with the ambition of the economic unit for individuals through achieving a reasonable percentage of profits on the other hand.
3. Determining and measuring the net social contribution of the economic unit, which does not only include elements of the internal and private costs and benefits of the organization, but also includes elements of social external costs and benefits that have an impact on the segments of society.

*Third: Areas of Accounting for the costs of social responsibility:*

As a result of the dynamic nature that characterizes the social and economic environment from one period to another - and the multiplicity of parties benefiting from social responsibility - several areas have been identified for accounting for the costs of social responsibility, as follows: (Al-Zaheem, 2015: 168)

1. The field of human resources: This field includes the impact of the company's activities and costs on the people working in it as human resources that contribute effectively to achieving its objectives. On this basis, the company's social responsibility in the field of human resources represents an internal field of social responsibility accounting.
2. The field of environmental protection: It includes a set of costs of social activities and accounting for them, which aims to reduce the negative impacts resulting from the practice of companies' activities that may affect the surrounding environment. This field is one of the most important areas of accounting for the costs of social responsibility due to the damage caused by industrial companies to the environment such as water and air pollution and others.
3. The field of interaction with the local community: The survival of companies and their long-term continuity depends on the degree of their interaction with the community and the surrounding environment, as they represent social economic entities. Therefore, the goal of determining the costs of activities within the company is to achieve the welfare of the community and raise the economic, social and scientific level, in a way that leads to creating an acceptable impression of unity in the surrounding environment.

### **The third axis: the concept of company performance and its importance**

*First: The concept of Company performance:*

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The performance of the company according to (Plevny, 2014: 136) is defined as the ability of the company to increase the value of investment in its commercial activities as much as possible. As (Muhammad & Al-Taie, 2021: 67) indicated that the company's performance is the company's ability to represent itself abroad, using performance indicators that characterize the company's activities and achievements related to its objectives and thus attract new investments to the company.

*Second: The importance of enhancing corporate performance:*

The process of enhancing the company's performance is of great importance because it is a continuous process to improve the company's performance in general, on an ongoing basis, as enhancing performance is a necessity for all shapes and sizes of companies, and the importance of enhancing the performance of companies lies in the following: (Maktouf & Hussein, 2020: 197).

1. The data generated from the performance appraisal reports represent a reference or indicator for the manager and executive managers to make decisions.
2. Companies that follow systems to enhance the efficiency and effectiveness of corporate performance manage the resources of these companies in a strategic direction that helps them distribute those resources to achieve the goals and objectives of the company.
3. It helps to build a competitive advantage for companies compared to the performance of other similar companies.

As (Behn, 2003: 588) showed that the importance of enhancing corporate performance is as follows:

1. Responding to the demands of officials and the public to know the company's performance.
2. Conduct in-depth examinations of performance problems and provide potential corrections in line with the company's objectives.
3. Focusing on performance helps motivate employees, which contributes to the success of the company.
4. Focusing on performance helps in identifying deficiencies and opportunities for improvement.
5. Performance appraisal helps support the company's strategic planning.
6. Improving the company's work helps achieve higher levels of public satisfaction.

*Third: The dimensions of company performance:*

The study (Adeneye & Ahmed, 2015: 152) indicated that the most common dimensions in the given definitions of company performance are:

1. The dimension of the market value: it is the price at which the asset can be sold in the market, and for shares, for example, their market price may be equal to, higher, or less than the book value of the share, depending on the profitability of the enterprise, and the assessment of the market value depends on a group of factors That affect the market value, such as the general economic situation, the amount of profits expected to be distributed, inflation rates and interest rates (Salman & Abdul-Hamza, 2020: 176).
2. The dimension of the rate of return on capital employed: It is the return or financial return generated from employing the company's resources in the activities of investing money in profitable assets, and it is measured by several indicators at the end of the year (Ismael & Al-Araji, 2022: 123).

*Fourth: The factors affecting the company's performance:*

There are several factors that affect the level of performance of the company in general, which are briefly as follows: (Salman, 2007: 75).

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1. Management: It is one of the factors affecting the overall performance of the company, because it deals with all parties within the company. It is in direct contact with the production processes and the level of workers' performance. She is responsible for managing the company. Therefore, it is important to pay attention to it and develop it in a way that is in line with the rapid technological development and in a way that does not hinder this development.
2. Location: The company's performance is affected by proximity or distance from markets and energy sources. As well as the availability of means of transportation and its proximity to industrial areas that affect production. In addition to the environmental, climatic and other influencing factors.
3. Workers and their level of skill: The human resource is one of the decisive factors in the production process. The measure of the efficiency of using human labor is labor productivity, and its increase will lead to increased production and raising the level of performance and then the national income. The presence of qualified staff requires preparing them on a studied scientific basis that includes training, qualifying and raising their efficiency, which leads to an increase in their productivity.
4. The level of technology used: The development of science and technology in any society is one of the important factors for development plans and gives an effective and rapid feedback in future planning. It also supports sound scientific foundations in progress and advancement of society towards the ladder of progress and civilization. This means that the introduction of modern technological methods leads to increased productivity, work efficiency and improved performance.

*Fifth: The relationship between accounting for the costs of social responsibility and company performance:*

The study (Cahan et al., 2015) indicated that reporting the costs of corporate social responsibility is of great importance in financial markets, due to the investors' exploitation of CSR information to reduce information mismatches and incorporate that information into their investment decisions (Cahan et al., 2015: 34), and this also helps in improving the competitive advantage of the company and its reflection on its performance (Melo & Garrido-Morgado, 2012: 15). A study (Wang et al., 2018) also showed that CSR companies tend to behave more ethically and generate higher profits, compared to non-CSR companies (Wang et al., 2018: 77). A study (Zairi & Peters, 2002) indicated that increasing awareness of social responsibility helps in improving the performance of companies in the long term and that there is a direct link with the final results. The interest of companies in social responsibility and accountability for it gives a positive image to external parties of the company's commitment to ethical and social standards of behavior, and thus enables the company to obtain a sustainable competitive advantage.

#### **The fourth axis: The measuring variables and testing the hypothesis:**

*First: Measuring Variables:*

The research includes two main variables, the first is the independent variable, which is accounting for the company's social responsibility costs, which includes the most important costs that the company includes for social responsibility, which are: economic costs, social costs, voluntary costs, and environmental costs. This is in agreement with the study (Mahmoud et al., 2018: 5). The second variable is the dependent variable expressed by the company's performance, and it was measured through two main dimensions: the market value of the company, and the return on capital, based on a study (Adeneye & Ahmed, 2015: 152). Table (1) shows the representative phrases for each of the research variables.

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**Table (1): Phrases representing the search variables**

Independent variable	Dimensions	Data sources
Accounting for the costs of social responsibility	Economic	Financial Statements
	Social	Financial Statements
	Voluntary	Financial Statements
	Environmental	Financial Statements
Dependent variable	Dimensions	Data sources
Company performance	The market value of the company	Financial Statements
	The return on the company's capital	Financial Statements

Source: The table was prepared by the researchers.

*Second: Research Society and Sample:*

The study population represents the financial statements of the Baghdad Soft Drinks Company, which are published in the Iraq Stock Exchange, and for the period from 2016-2018 due to the fact that these companies give importance to the information that the company can provide, and the reflection of that information in making many decisions, including decisions that concern investors. In addition to its role in increasing and raising the efficiency of the company's performance.

*Third: The reality of accounting for the costs of social responsibility and its relationship to performance:*

This research includes three sections:

- The first section is represented in the reality of accounting for the costs of social responsibility in the company: the costs of social responsibility are represented by the costs that have been spent by the company as a result of carrying out its social responsibilities in an optional or mandatory form, and this concept depends on the actual cost as a basis for measurement.
- The second section is to determine the company's performance. Performance measurement is not limited to the financial standard only to reflect the true picture of the company's success, but companies need at the present time a more comprehensive vision in determining and evaluating their performance.
- The third section is the contribution of accounting for the costs of social responsibility to the company's performance: The process of measuring and disclosing social responsibility costs contributes to addressing some deficiencies in the financial statements. It also contributes to enhancing the company's social and economic performance, as investors' focus is not limited to the economic aspects of making their decisions, but rather other aspects such as the social, environmental, and other aspects. Table (2) shows the costs and values of the research variables as follows:

**Table (2): Costs and values of research variables**

First: Independent variable	2016	2017	2018
1. Economic costs			
a. production costs	192,256,563,560	206,560,572,841	234,495,604,732
b. production services	15,512,774,459	22,386,894,106	21,162,902,431
Total economic costs	207,769,338,019	228,947,466,947	255,658,507,163
2. Social costs			
a. Social security	1,287,321,533	1,196,410,44	1,498,989,257
b. Workers insurance	22,861,250	21,662,114	35,770,000

Total social costs	1,310,182,783	1,218,072,554	1,534,759,257
3. Voluntary costs	8,500,000	6,985,000	7,900,000
Total volunteer costs	8,500,000	6,985,000	7,900,000
4. Environmental costs			
a. consumed water costs	6,000	1,411,370	0
b. electricity costs	2,397,797,707	1,688,180,000	1,706,600,000
Total environmental costs	2,397,803,707	1,689,591,370	1,706,600,000
Total Summation	211,485,824,509	231,862,115,871	258,907,766,420
Mean	52,871,456,127	57,965,528,967	64,726,641,605
Second: Dependent variable	2016	2017	2018
1. Market value	133,000,000,000	177,333,333,333	177,333,333,333
2. Return on capital	37,781,404,761	42,040,982,334	49,011,514,083

Source: The table was prepared by the researchers based on the company's lists.

From Table (2), we conclude that increasing awareness of social responsibility helps in improving the performance of companies in the long term and that there is a direct link with the final results. The interest of companies in social responsibility and accountability for it gives a positive image to external parties of the company's commitment to ethical and social standards of behavior, and thus enables the company to obtain a sustainable competitive advantage. This is consistent with the results of a study (Zairi & Peters, 2002).

The company's data also indicates that paying attention to the costs of social responsibility activities may not add a market value to the company. It is noted from table (2) that despite the increase in the costs of social responsibility, the market value of the company in the year (2018) did not change, reaching (177,333,333,333) dinars compared to the year (2017). ) whose market value also reached (177,333,333,333), and this is consistent with the findings of the study (Selcuk & Kiymaz, 2017: 49). It is also concluded that the percentage of economic costs for the year (2016) to the total economic costs amounted to 30% and that this percentage increases almost regularly from year to year, as the percentage of economic costs for the year (2017) and (2018) respectively reached 33% and 36% This means that the rate of increase in economic costs amounted to about 3% from one year to the next, and when compared with the return on capital for the same years, it is noted that the rate of increase in the rate of return on capital amounted to 4%. The results show that the higher the economic costs, the higher the return on the company's capital. This relationship helps in sustaining and raising the company's economic performance. This is consistent with the findings of (Han et al., 2016: 77) and (Karagiorgos, 2010: 101).

The results also showed that there is a positive relationship between social costs and the return on capital, as it is noted that the slight increase in social costs affects the profitability of the company and improves the reputation of the company economically, and this helps to win loyalty to it on the part of its employees and suppliers, and create a future competitive advantage, and this It reflects positively on the performance of employees within the company, and this is consistent with the results of the study (Qiao, 2020: 500). The study also concluded that the decrease in the voluntary costs of social responsibility led to an increase in the return on capital. Institutions adopting voluntary costs reduces their profitability and competitiveness, as they pay many additional costs that would reduce the efficiency of the company's financial performance. This is consistent with the results of the study (Matin, et al., 2011: 668). As for the environmental costs, it is noticed that the environmental costs decreased from (2,397,803,707) in the year (2016) to (1,689,591,370) in the year (2017), with a slight increase in the year (2018), in which the environmental costs amounted to (1,706,600,000). This is a rather good indicator for the company, as it works to reduce the pollution rate from year to year, and this reflects positively on the company's

performance and is consistent with the results of the study (Derila et al., 2020: 41), and the study (Okafor, 2018).

The above discussion leads to our research hypothesis: Accounting for the costs of social responsibility can contribute to company performance.

### **The fifth axis: conclusions and recommendations**

Based on the theoretical framework of the research and the conclusions that were discussed, the researchers reached a set of conclusions and recommendations.

#### *First: Conclusions:*

1. Accounting for the costs of social responsibility is of great importance in raising the efficiency of corporate performance.
2. Paying attention to the costs of social responsibility activities may not add market value to the company. The results indicate that despite the increase in the costs of social responsibility, the market value of the company in the year (2018) did not change, reaching (177,333,333,333) dinars compared to the year (2017), whose market value also amounted to (177,333,333,333).
3. The percentage of economic costs for the year (2016) to the total economic costs was 30%. This percentage increases almost regularly from year to year. The percentage of economic costs for the years (2017) and (2018), respectively, amounted to 33% and 36%. This means that the rate of increase in economic costs amounted to about 3% from one year to the next, and when compared with the return on capital for the same years, it is noted that the rate of increase in the rate of return on capital is 4%. The results show that the higher the economic costs, the higher the return on the company's capital.
4. The slight increase in social costs may affect the company's profitability, improve the company's economic reputation, gain loyalty from its employees and suppliers, and create a future competitive advantage.
5. The companies' adoption of voluntary costs reduces their profitability and competitiveness, because they pay many additional costs that would reduce the efficiency of the company's financial performance.
6. The decrease in environmental costs in the company for the year (2016) from (2,397,803,707) dinars to (1,689,591,370) dinars in the year (2017) led to an increase in the return on capital from (37,781,404,761) dinars to (42,040,982,334) dinars. This means a decrease in environmental costs from year to year that reflects positively on the company's performance.

#### *Second: Recommendations:*

1. The need to strengthen awareness by Iraqi local organizations, as well as in the Iraq Stock Exchange, of the importance of paying attention to the costs of social responsibility activities.
2. The need to enhance government agencies' awareness of the factors affecting social responsibility and its impact on companies' performance.
3. Conducting training courses for accountants on how to prepare reports on the costs of social responsibility for enterprises, given the absence of such reports on the Iraqi environment, and therefore the absence of the level of expertise for accountants for enterprises, as well as ignorance of the extent of the impact of these reports on the company's performance.

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