
The Relationship between Environmental Disclosure and Financial Performance of Industrial companies with Using a New Theory: Literature Review

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ABSTRACT

This paper primarily examines the link between the environmental disclosure of industrial companies in Iraq and their financial performance. The inductive approach used in this paper entails surveying, studying, comparing and summarizing all papers published in prominent accounting journals in the past nineteen years. The paper found that environmental disclosure is weak in Iraq compared to developing countries in the analyzed studies. It also found that financial performance and environmental disclosure have a more positive relationship (61.29%) than negative (38.71%). The researchers used the accountability theory as a new theory in determining the link between both variables. Hence, this paper attempts to determine the link between environmental disclosure and financial performance among industrial companies in Iraq using the accountability theory.

Keywords: Environmental Reporting, Environmental Disclosure, Financial Performance and Iraqi Industrial companies.

1. INTRODUCTION

This paper primarily investigates the current level of environmental disclosure by Iraqi industrial companies in order to determine the prevalence of environmental disclosure practices in the said companies using the accountability theory. This paper also sets out to establish the link between environmental disclosure practices and financial performance in the said companies.

There is an increase in the practice of environmental disclosure in the last two decades whereby many companies have started using environmental information to enhance their reputation and to improve their competitive edge (Ali & Rizwan, 2013). Meanwhile, Iraqi industrial companies are losing their credibility among consumers because of the pressure from the financial markets (Anmar Adnan Khudhair, Norlia Mat Norwani & Azam Abdel Hakeem Khalid Ahmed, 2019). People have become uncertain and hesitant to invest in these companies owing to the unstable economic growth. To address this issue, industrial companies are convinced that environmental disclosure will enable them to rebuild their credibility and regain the public's trust (Al-Shaer, Salama & Toms, 2015). Various complex activities are being practiced by these companies. However, these activities are substantially intricate for the public who are unfamiliar with field operation. Thus, environmental disclosure has become important for companies to demonstrate their concern towards the society (Amiruddin, 2016).

One of the important reasons for the fall of many industrial companies is the lack of transparency and disclosure in their environmental reports and statements on top of their failure to show real data and information that reflect their financial situation (Almarah, Norwani, Khalid & Aljajawy, 2019). This may result in the existence of information asymmetry among managers and owners. Based on the stakeholder theory, the unevenness of information tends to occur among the directors and priority stakeholders of the company (Nwanji & Howell, 2007). Hence, this paper aims to investigate the link between environmental disclosure and financial performance in Iraqi industrial companies listed on the Iraqi stock exchange. In addition, this paper also presents the history of the Iraqi stock exchange, environmental disclosure in Iraq, definition of financial performance, the theoretical framework and ending with the overall conclusion.

2. LITERATURE REVIEW

2.1 The Iraq Stock Exchange (ISX)

Previously known as the Baghdad Stock Exchange, the Iraq Stock Exchange (ISX) was established by the Coalition Provisional Authority (CPA) Order No. 74 on April 18, 2004 as a sui generis independent non-profit organization (Asaad, 2014). The same order also established the Iraq Securities Commission and the Iraq Depository. The establishment of the stock exchange was primarily to transform the country from being a non-transparent and centrally-planned economy into a free-market economy via a vigorous private sector (Talmon, 2013).

The ISX began operating on June 24, 2004 under the supervision of an independent commission i.e. the Iraq Securities Commission which was modeled similar to the US Securities and Exchange Commission. Also supervising the Board of Governors, this body originally acted as the link between the nation's earlier state-maintained stock exchange and

the current independent exchange (Michaels, 2008). The 125 companies in the Iraqi Stock Exchange represents nine different sectors in 2019 (www.isx-iq, 2019). Even so, the emerging Iraqi financial market has an almost non-existent impact on the relative financial markets in the region's economic activity because of the weakness of the banking system and the monetary policies in support of the market's movement; the Iraqi economy does not have sufficient capacity to withstand the shocks hence when the shocks occurred, the impact is visible on all the economic sectors (Hisham & Emad, 2018; Well & Darwish, 2017). The 25 industrial companies in the Iraqi securities market represent 25 different industries (www.isx-iq, 2019).

2.2 Environmental Disclosure

Company environmental disclosure has become the topic of many studies and has been much debated since the 1980s. The studies had investigated the characteristics and patterns of environmental disclosure including a variety of explanatory factors that influence environmental disclosure practices (Tilt, 2001; Gao, Heravi & Xiao, 2005; Eugénio, Costa Lourenço & Morais, 2010; Mohamed & Ibrahim, 2014). Many studies have asserted the significance of environmental disclosure as a crucial phenomenon in achieving numerous objectives (Gray & Sinclair, 2001). Lodhia (2001) argued that environmental disclosure is not a traditional or habitual phenomenon; it differs from one country and sector to another on top of being interpreted using different theoretical frameworks. This article aims to review and discuss the previous studies to identify any significant gaps in environmental disclosure literature as a justification for undertaking this paper. In addition, it provides background material regarding different theoretical frameworks and methodological choices to provide the basis for the researchers to deal with the issues which affect the financial performance through environmental disclosure in Iraqi industrial companies.

Furthermore, environmental accounting data disclosure in Iraq according to Abboud (2018) in supporting competitiveness in the modern manufacturing environment is therefore important, as environmental accounting plays a role in improving the effectiveness and efficiency of the operational processes in these industrial facilities. Jawad and Aqeel Hamza Habib (2018) assessed the voluntary disclosure level in several listed companies on the Iraqi stock market by analyzing their year-end annual reports (31 December 2015). The results showed that the companies' average percentage of voluntary disclosure is fairly low at 31.6%, which is statistically and significantly different from the average percentage of voluntary disclosure among companies in the business sectors including in terms of the nature of information disclosed. However, there were no statically significant differences found in the average percentage of disclosure between the private and mixed sectors. Rubaie, Basi and Aboud Razak (2018) showed that the general environmental reporting in their sampled financial statements was at a moderate level and that there was a significant relationship between the banks' characteristics of size and profitability (ROA) and their financial leverage with such disclosure level. In addition, the researchers concluded that environmental disclosure is weak in Iraq compared to that of developing countries based on the analyzed studies. However, their financial performance showed a positive effect (Haninun & Denziana, 2018).

2.3 Financial Performance

The financial progress and conditions of a company are defined based on its financial performance which is determined by the boards in the organization (Carton & Hofer, 2010). It gives instant response to the organization's objective attainment, which is clarified by monitoring the organization's efficiency and profitability via its operating profits, investment returns and returns on assets. Furthermore, the size of the organization is determined based on the degree of sales and cash flow (Ramli & Sobre Ismail, 2013; Hanoon, Rapani, & Khalid, 2020).

Generally, financial performance is defined as the particular measure of the success of a company in using the properties from its main mode of business to produce profits. It is also a method of determining the outcome of a company's policies and processes in the form of financial achievements (Okafor, 2018; Al-Waeli, Hanoon, Ageeb, & Idan, 2020). In addition, ROA, ROS and ROI are accounting ratios that show the effectiveness and efficiency of the management in using the company's corporate assets and equity to increase inventory revenue and sales so as to generate higher profits (Raza, Ilyas, Rauf & Qamar, 2012; Al-Waeli, Ismail, & Khalid, 2020).

2.4 Environmental Disclosure and its Relationship with Financial Performance

For the past years, numerous empirical studies have attempted to investigate the effect of environmental information disclosure on financial performance or profitability and came up with inconclusive results; hence, the debate on this matter continues. Several inquiries established a positive connection between the two variables (e.g. Al-Tuwajri, Christensen & Hughes, 2004; Gozali, How & Verhoeven, 2002; Stanwick & Stanwick, 2000) whilst others discovered a negative correlation (e.g. Abd Rahman, Yusoff & Wan Mohamed, 2009).

Interestingly, one study by Meng, Zeng, Shi, Qi and Zhang (2014) discovered a positive correlation between the two variables under a voluntary setting, but a negative link under a mandatory setting. Meanwhile, Roberts discovered that protected social and environmental disclosures are positively linked to financial performance (Smith, Yahya & Marzuki Amiruddin, 2007). Hence, it can be concluded that companies that publish high current levels of financial statements disclosure tend to portray relatively good financial performance in the past. This occurrence supports the argument that a certain extent of profit is essential for a company prior to it devoting its resources to fulfill stakeholder demands (Fu-Ju Yang, 2010; Ullmann, 1985).

Schleicher, Tahoun and Walker (2010) discovered that companies that had encountered loss have a more positive tone, while companies that had encountered declination provide a more negative tone. Shehu Usman Hassan (2008) asserted that the revelation is a tool to diminish the costs of the agency that comes from managers who are not acting for their own self-interest. When the investors understand the business through the disclosure, it will enhance the company’s importance. The disclosure allows for the increased observation on the company by the investors leading to its increased financial performance. A positively linked company value and disclosure level signifies the company’s positive financial performance. This will urge the company to disclose more comprehensive details to the stock market to avoid the undervaluation of its shares in the future (Clarkson et al., 2008). In addition, in a prior analysis of 31 studies, researchers found that environmental reporting is positively correlated to financial performance hence proving a positive relationship between the two variables.

2.5 Research Gap and Systematic Literature Review

According to the table 1, there are 31 studies were analyzed by the researchers to determine the effect of environmental disclosure on financial performance. The mentioned studies in the following table did not address the use of the accountability theory. Most studies used the legitimacy theory, political economy theory, property theory and shareholder theory. Accountability theory contributes to the company’s disclosure of environmental issues to society, government authorities and internal parties. The increase in environmental disclosure in companies at present contributes to attracting investors in the future, which leads to the companies’ improved financial performance, reduced possibility of being imposed with penalties, and enhanced reputation.

The following studies did not address the role of the disclosure using the three important indicators in maintaining a high financial performance level. Therefore, the following table presents the nature of the correlation between environmental disclosure and financial performance in the studies selected. The purpose of analyzing these studies in a table 1 is to reach the nature of the relationship between the two variables in different environments and countries to address the problem of financial performance using the theory of accountability.

Table1

Systematic Literature Review on the environmental disclosure-financial performance relationship

Authors	Sample	Purpose of the study	Results of the study
Almarah et al. (2019)	Twenty-five corporations listed on the Iraqi stock exchange (ISX).	To investigate the link between transparency and corporate financial performance.	With ROE and ROI as dependent variables), FNF was found to significantly and positively affect financial performance whilst BD was found to have a meaningful and negative impact on the dependent variables. This

			study provides literature evidence as a record about transparency indexes and corporate financial performance in Iraq.
Yin, Li, Ma & Zhang (2019)	A total of 676 companies employed in the heavy-polluting industry.	To elaborate on the correlation between environmental disclosure and profitability based on the symbolic-style and substantive-style disclosures.	There is a positive correlation between the two variables for both the disclosure types. However, the symbolic-style disclosure contributes more to profitability than the substantive-style.
Al-Dhaimesh & Al Zobi (2019)	A sample of 11 banks operating in Jordan.	To investigate the impact of sustainability disclosures (economic, environmental and social) on the financial performance of the selected Jordanian banks for the period of 2013–2017.	Sustainability disclosure has a statistically significant impact on the sampled Jordanian banks' financial performance. Specifically, the economic and social disclosures positively affect the banks' returns on equity (ROE). Meanwhile, the environmental disclosure had no effect on ROE.
Oti & Mbu-Ogar (2018)	A sample of 5 oil and gas companies.	To examine the effect of environmental and social disclosures on the financial performance of the sampled Nigerian oil and gas companies.	Social disclosures on employee health and safety and community development have no significant effects on the sampled companies' financial performance. Meanwhile, the environmental disclosure of waste management

positively and significantly affects the companies' financial performance.

Shonhadji Nanang (2018)	Listed companies on the Indonesian Stock Exchange (BEI) for the period of 2013-2017.	To determine the correlation between the company assets' profitability and growth rates with environmental disclosure as moderated by environmental performance.	The profitability variables were found to have no impact on the company assets' environmental disclosure. Meanwhile, the companies' variable growth rates significantly affect environmental disclosure.
Lyndon M. Etale & Otuya (2018)	13 quoted oil and gas companies on the Nigerian Stock Exchange (NSE) for the period of 2012–2017.	To examine the link between the companies' environmental responsibility reporting and their financial performance.	The companies' financial performance is significantly and positively correlated to their environmental responsibility reporting.
Haninun & Denziana (2018)	Manufacturing companies listed on the Indonesian Stock Exchange and d PROPER program for the period of 2010–2014.	To gather empirical proof of the impact of environmental performance and disclosure on financial performance.	There is a positive and significant relationship between environmental performance and disclosure with financial performance.
Hu, Chang, Dong, Meng & Hao (2018)	97 listed Chinese energy-intensive companies for the period of 2000–2014.	To evaluate the companies' capital market performance via loan availability and capital cost.	The companies' environmental disclosure has a significant and positive effect on loan availability. Meanwhile, capital cost is less sensitive

			to environmental disclosure.
Nwaiwu & Oluka (2018)	Quoted Nigerian oil and gas companies.	To empirically examine the relationship between the companies' environmental disclosure and their financial performance.	Adequate environmental disclosures and compliance to corporate environmental regulations positively and significantly affect the companies' financial performance.
Deswanto & Siregar (2018)	Listed companies on the Indonesian Stock Exchange (IDX) for the period of 2012-2014.	To investigate the direct and indirect relationships between the companies' environmental disclosure with their financial performance, environmental performance, and company value.	One of the five key findings is that concurrent and lagged financial performance has no effect on environmental disclosures.
Uwuigbe et al. (2018).	All quoted Deposit Money Banks on the Nigerian Stock Exchange for the period of 2014-2016.	To examine the link between the banks' sustainability reporting and their company performance.	The banks' market price per share significantly and negatively impacts their sustainability reporting. Additionally, the banks' sustainability reporting significantly and positively impacts their revenue generation.
Whetman (2018)	Ninety-five public trading companies in America for the period of 2015-2016.	To examine the effect of the companies' corporate sustainability reporting on their financial performance.	The companies' sustainability reporting positively and significantly affects their equity returns, assets returns, and profit margin in the following year.

Li, Zhao, Sun & Yin (2017)	950 observations on 475 listed companies in China for the period of 2013-2014.	To analyze the link between the companies' environmental performance and disclosure with their financial performance.	Corporate environmental performance has a U-shaped and non-linear relationship with environmental disclosure; environmental performance insignificantly affects financial performance; environmental disclosure negatively affects financial performance.
Patrick & Uche (2017)	Ten quoted manufacturing companies on the Nigerian Stock Exchange for the period of 2006-2016.	To investigate the effect of the companies' corporate environmental reporting on their financial performance by employing a quantitative research design and secondary data attained from their annual reports and accounting statements.	The companies' environmental reporting, operating performance and company size have no significant correlations. Additionally, the companies' corporate environmental reporting has no impact on their financial leverage.
Abubakar, Mose & Inuwa (2017)	Three cement and four drink companies in Nigeria for the period of 2011-2015.	To empirically assess the effect of the companies' environmental reporting on their financial performance.	The companies' environmental disclosure quantitative (EDQN) positively and insignificantly affects their ROA (0.707) and EPS (0.616). However, it negatively and insignificantly affects ROE (0.756).
Ahmadi & Bouri (2017)	40 major French companies (index CAC 40).	To examine the relationship between the companies' environmental disclosure, financial attributes and environmental	The companies' environmental disclosure index has a positive association with their environmental performance.

		performance using different environmental disclosure sub-categories.	
Utile, Iorbee & Agbe (2017)	Listed Nigerian manufacturing companies.	To determine the effect of the companies' environmental reporting (ECI), waste management reporting (WMI) and air pollution reporting (API) on their financial performance.	The companies' environmental reporting significantly affects their financial performance.
Kasbun, Teh & Ong (2016); Tho, Goh, Thai & Teh (2016)	A hundred listed firms on the Main Board of Bursa Saham Malaysia for the period of 2009- 2013.	To investigate the link between the companies' environmental disclosures and their financial performance.	Only the companies' environmental disclosure is positively linked to their Earnings Per Share (EPS). Additionally, it was found that larger firms disclose more environmental information with better disclosure quality.
Kiende Gatimbu & Masinde Wabwire (2016)	32 Kenyan firms listed on the Nairobi Securities Exchange.	To assess the effect of the companies' corporate environmental disclosure on their financial performance.	Environmental disclosures with a P-value <0.05 positively and significantly affect the companies' mean financial performance.

Kasbun et al. (2016)	200 Malaysian Public Listed Companies.	To investigate the effect of the companies' sustainability reporting on their financial performance.	The companies' economic, social and environmental sustainability disclosures have a positive effect on their financial performance based on their Return on Assets and Return on Equity.
Qiu, Shaukat & Tharyan (2016)	FTSE350 index firms for the period of 2005-2009.	To investigate the relationship between the companies' environmental and social disclosures and their profitability and market value.	Past profitability is found to be a driving factor of current social disclosures. Yet, there is no strong evidence suggesting a link between environmental disclosure and profitability.
Malarvizhi & Matta (2016)	85 firms in the chemical, energy and metal sectors listed on the Bombay Stock Exchange (BSE).	To gain insight on the existence of any links between the companies' Corporate Environmental Disclosure (CED) and their performance.	The companies' environmental disclosure level has no significant effect on their performance.
Nor, Bahar i, Adnan, Kamal & Ali (2016)	100 Malaysian companies involved in market capitalization for 2011.	To examine the prevalence of environmental disclosure in the companies and its effect on their financial performance.	The companies' overall environmental disclosure significantly affects their profit margin.
Odia & Imagbe (2015)	The big five and small five Nigerian companies.	To examine the link between the companies' corporate social and environmental disclosures, social and environmental performance and financial Performance using the	The companies' financial performance has a negative and significant correlation with their social and environmental disclosures indicating that financial performance does not drive corporate social and environmental disclosures.

Simultaneous Equation
approach.

Tze San, Wei Ni, Boon Heng & Sin Huei (2015)	120 publicly listed manufacturing companies in Malaysia.	To examine the companies' environmental disclosure trend.	The Environmental disclosures can be grouped under pollution abatement or other environmental information. The companies' environmental disclosures have a significant and positive correlation with their financial performance.
Saleh, Zulkifli & Muhamad (2013)	A total of 229 random Malaysian companies chosen using Excel's random number generator.	To investigate the relationship between the companies' environmental disclosure practices and their overall performance.	The companies' environmental disclosure has an insignificant effect on their return on assets, but a significant effect on their return on equity. Meanwhile, the companies' size, leverage and industry sensitivity significantly affect their overall performance.

Hamad (2013)	Five large mixed-industrial companies in the Iraqi manufacturing sector for the period of three successive years.	To elaborate on the growing significance of disclosure and transparency due to globalization, open borders and free information access as a way to attract investments, to develop the states of economy, and to improve financial performance.	The Iraqi companies demonstrate poor information disclosures particularly on their corporate financial results, operational objectives, substance risks, shareholdings, and other information for the Governing Council and executive directors.
Reddy & Gordon (2010)	A total of 68 listed companies i.e. 17 on the New Zealand Stock Exchange (NZX) and 51 on the Australian Stock Exchange (ASX).	To investigate the impact of the companies' sustainability reporting on their financial performance. The reports are provided on a voluntary basis as additional information for the stakeholders.	The cross-sectional analysis results of both countries' combined datasets prove that the contextual factors of industry type pose a significant effect on the companies' abnormal returns.
Shariful, Binti Yusoff & Binti Wan Mohamed (2009)	A total of 250 companies listed on the Bursa Malaysia, Singapore Stock Exchange and Thailand Stock Exchange.	To investigate the effect of the companies' voluntary environmental disclosure on their financial performance.	The companies' performance was not affected by the extent of their environmental disclosure i.e. whether detailed or superficial.
Sarumpaet (2006)	A total of 87 sampled Indonesian companies.	To examine the effect of the companies' environmental performance on their financial performance.	The companies' financial performance has no significant effect on their environmental performance, but their sizes, stock exchange listings and ISO 14001 do. This suggests that the governmental environmental rating is

greatly consistent with international environmental certifications.

Stanwick & Stanwick (2000)	A total of 469 companies listed on Forbes 500 in 1994.	To investigate the prevailing environmental disclosure practices of the relatively large companies and the effect of those disclosures on their financial performance.	The high performing companies have a higher prevalence of environmental policies in place and/or higher demonstrations of environmental commitment than low performing companies.
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2.6 Theoretical Framework

The following section presents the new theory in this paper considered to be a topical and sensitive matter in the extractive sectors that complement the other theories in this area. The researchers propose the use of the accountability theory for determining the effect of the Iraqi companies' environmental reporting on their financial performance

Accountability Theory

This is consistent with the argument put forth by Brien, Stapenhurst and Johnston (2008), which state that accountability exists in the relationship between an individual and the direction that requires the individual to saddle with the task or function. The concept of accountability is also seen as a state of 'commanding and requesting for reasons' for the conduct, which occurs at various social or environmental constructs such as within families and within and between companies (Roberts & Scapens, 1985). The findings from past studies highlighted the usefulness of the theory in explaining environmental issues in different developing countries. The poor environmental accountability to stakeholders in the industrial companies in Iraq is attributed to the weak regulations by the government. The 2009 law on the protection of the Iraqi environment was not applied on the companies that polluted the environment. This is due to the non-deterrence of these companies or personal interests that prevented the spending of these costs under the pretext of it being a waste of public money (Chalabi, 2011). It is concluded that a company's environmental report was adopted as a voluntary means of environmental accountability (Kamal Hassan, 2012). Therefore, it could be argued that from the perspective of the accountability theory, an individual is obliged to undertake specific actions or to desist from doing so. The company is an important environmental and social construct and is a component of the larger society that

interacts with the larger society. The presence of a moral-social contract between the companies and the larger society represents the disclosure about environmental issues that may affect the society (Deegan, 2002; Mathews, 1995).

The researcher used an inductive approach by surveying, studying, comparing and summarizing all papers investigating the two variables that had been published in prominent accounting journals in the last 19 years. The appraisal was to generalize the nature of the relationship between environmental disclosure and financial performance.

Overall, the researchers analyzed 31 previous studies dealing with the correlation between the two studies variables. A total of 19 studies or 61.29% showed that environmental disclosure is positively linked to financial performance. Meanwhile, 12 of the studies or 38.71% indicated a negative correlation between the variables as shown in Table 2. The researchers ultimately concluded the positive and significant relationship between environmental disclosure and financial performance. Specifically, the companies' financial performance is increased as a result of proper environmental reporting which attracts investors, eases penalties on companies and removes fines imposed by the authority.

Table 2

The summary of previous studies on environmental disclosure-financial performance relationship

Authors	The relationships	percentage
(Abubakar et al., 2017; Ahmadi & Bouri, 2017; Al-Dhaimesh & Al Zobi, 2019; Almarah et al., 2019; Hamad, 2013; Haninun et al., 2018; Hu et al., 2018; Kasbun et al., 2016; Kiende Gatimbu & Masinde Wabwire, 2016; Lyndon M. Etale & Otuya, 2018; Nor et al., 2016; Nwaiwu & Oluka, 2018; Ong et al., 2016; Reddy & Gordon, 2010; Saleh et al., 2013; San et al., 2015; Utile et al., 2017; Whetman, 2018; Yin et al., 2019).	Positive	61.29%
(Deswanto & Siregar, 2018; Egbunike Amaechi Patrick & Uche, 2017; Li et al., 2017; Malarvizhi & Matta, 2016; Oti & Mbu-Ogar, 2018; Qiu et al., 2016; Sarumpaet, 2006; Shariful et al., 2009; Shonhadji Nanang, 2018; Stanwick & Stanwick, 2000; Odia & Imagbe, 2015; Uwuigbe et al., 2018).	Negative	38.71%

Furthermore, after analyzing the 31 studies, it was found that most had used the same theories to support the current variables i.e. 16.13% had used the legitimacy, shareholders, political economy, voluntary disclosure and signal theories; 35.4% had used the legitimacy and shareholder theories, and 48.39% had not used or referred to any of the theories as shown in Table 3. Most studies on the correlation between these two variables had used the legitimacy, stakeholder, political economy and voluntary disclosure theories. Most of the studies did not use the accountability theory, which is one of the theories that support the relationship between environmental disclosure and financial performance as it is the responsibility of the companies to disclose environmental issues to the community and external parties. It is also the companies' responsibility to tackle the environmental damage in the community. Non-disclosure consequently leads to an overall weak financial performance.

Table 3

Theories used in previous studies on the relationship between environmental disclosure and financial performance

Authors and year	Theories	Percentage
(Haninun et al., 2018; Li et al., 2017; Nwaiwu & Oluka, 2018; Qiu et al., 2016; Odia & Imagbe, 2015).	Legitimacy, shareholder, political economy, voluntary disclosure, and signal theory.	16.13%
(Abubakar et al., 2017; Almarah et al., 2019; Hamad, 2013; Oti & Mbu-Ogar, 2018; Saleh et al., 2013; Shonhadji Nanang, 2018; Tze San et al., 2015; Utile et al., 2017; Uwuigbe et al., 2018; Whetman, 2018; Yin et al., 2019).	Legitimacy and shareholder theory.	35.48%
(Ahmadi & Bouri, 2017; Deswanto & Siregar, 2018; Hamad, 2013; Kasbun et al., 2016; Kiende Gatimbu & Masinde Wabwire, 2016; Lyndon M. Etale & Otuya, 2018; Ong et al., 2016; Patrick & Uche, 2017; Sarumpaet, 2006; Shariful et al., 2009; Stanwick & Stanwick, 2000; Utile et al., 2017; Uwuigbe et al., 2018; Whetman, 2018; Al-Dhaimesh & Al Zobi, 2019).	These studies have not used any of the theories.	48.39 %

3. CONCLUSIONS

The study obtained mixed results ranging from positive, negative to statistically insignificant relationships, relying on the measures of disclosure, financial performance, sample selection and control variables i.e. company size, industry and risks. Out of the total of 31 studies, 19 had demonstrated a positive correlation between the variables whilst 12 showed a short-term negative correlation. They show that various indicators of environmental disclosure results in varied effects on the different financial performance measures. Hence, most of the studies indicate that environmental disclosure improves corporate reputation and financial performance. In the case of the Iraqi companies, it could result in various synergies and benefits. A theoretical framework that encompasses the legitimacy, stakeholder and agency theories demonstrate a strong support of environmental disclosure as shown in the 31 analyzed studies. Five of the previous studies had used the legitimacy, shareholder, political economy, voluntary disclosure and signal theories whilst 11 had used the legitimacy and shareholder theories. The remaining 14 studies did not use any of the theories to support their investigation. The researchers also found that no previous studies had investigated the link between these two variables using the accountability theory. Finally, the researchers concluded that environmental disclosure is weak in Iraq compared to that of the developing countries, based on the studies analyzed.

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