

Arab American University

Faculty of Graduate Studies

Department of Administrative & Financial Sciences

Master Program in Accounting and Auditing



**The Moderating Role of Woman in the Board of Directors on the
Impact of Disclosing Corporate Social Accountability on their
Performance: Evidence from Palestine Stock Exchange**

Aseel Jamal Ali Khalaf

202212148

Supervision Committee:

Dr. Kamel Abu-kuwiek

Dr. Sharif Abu-Karsh

Dr. Yaser Shaheen

**This Thesis Was Submitted in Partial Fulfilment of the Requirements
for the Master Degree in Accounting & Auditing**

Palestine, Feb / 2026

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Thesis Approval

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This thesis was defended successfully on 17.2.2026 and approved by:

Thesis Committee Members:

Name	Title	Signature
1. Dr. Kamel Abu-kuwiek	Main Supervisor	
2. Dr. Sharif Abu-Karsh	Member of Supervision Committee	
3. Dr. Yaser Shaheen	Member of Supervision Committee	

Palestine, Feb / 2026

Declaration

I declare that, except where explicit reference is made to the contribution of others, this thesis is substantially my own work and has not been submitted for any degree at the Arab American University or any other institution.

Student Name: Aseel Jamal Ali Khalaf

Student ID: 202212148

Signature: Aseel Khalaf

Date of Submitting the Final Version of the Thesis: 10.4.2026

Dedication

I am proud to say that my parents were the foundation of everything I needed, so I turned to them for guidance throughout my life. They were the first people to be my support system, the one to inspire me when I felt uncertain about each step toward becoming who I am today, and they provided me love and unconditional support. Additionally, I have a husband who has been my partner in life, and he has been my greatest supporter. His patience, support, and encouragement gave me the strength to follow my dreams and accomplish the amazing things I wanted to accomplish in life.

I have a brother and a sister that have always walked alongside of me, and they supported me with their kind words, generosity, and compassionate presence when my spirit was low. I sincerely appreciate their presence, love, and support in my life. Without the prayers, sacrifices, and endless support of each of you, this dissertation would not be possible. From the depths of my heart, thank you!

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I would like to also thank my examiners, Dr. Sharif Abu Karsh and Dr. Yaser Shaheen, for their feedback, suggestions, and evaluations of my work. Their feedback and suggestions have improved the quality of my thesis.

Lastly, I would like to express my appreciation and thanks to my family, friends, and everyone else who contributed, either directly or indirectly, to the completion of this thesis. All of their support and encouragement were appreciated and made this possible.

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Abstract

The purpose of the present study was to explore how the presence of women on the boards of directors (WOB) functions as a mediator/moderator between CSR and FP; an important consideration given that over 40% of companies (48 companies) listed on the PEX have very limited social disclosures and have very few women on their boards. The sample of this study was purposive and included 13 Financial Services companies from these 48 companies that were appropriate for the purpose of the study due to access to data and relevance to the research objectives as identified from the research review of the literature.

A quantitative methodology with panel data was used to assess CSR using an index based on four dimensions (environment, employee, community, customer) and FP using the metrics of ROE, EPS, EVA, and Tobin's Q (a commonly used composite measure of FP). WOB were measured as a percentage of female board members compared to male board members. The analysis of this data used a FIXED EFFECTS regression model, which applies appropriate statistical techniques to ensure the validity and reliability of these findings for panel data.

The study results suggest that the financial market appears to value transparency and the presence of women on boards of directors over time, as measured by Tobin's Q, while in the short term, companies experience negative impacts on their books in terms of ROE

and EPS. The presence of Women on Boards (WOB) and the relationship between Corporate Social Responsibility Disclosure (CSR) and Financial Performance (FP) is not stronger but rather a negative moderating impact on market value.

The authors recommend that future studies focus their efforts on measuring substantive performance related to Corporate Social Responsibility (CSR) through actual social investment and environmental impact as opposed to the mere presence of disclosures regarding CSR. Additionally, the qualitative role of women in boardrooms should also be analyzed, including their roles on committee memberships and whether or not they are independent, to help ascertain their true impacts on the moderating effects. Finally, the authors recommend that future studies utilize advanced econometric techniques such as the Generalized Method of Moments (GMM) to address issues related to the possibility of endogeneity, thus providing a clearer basis for drawing conclusions regarding cause-and-effect relationships, while expanding the range of studies to cover industries beyond the MENA region and potentially expanding the range of studies beyond only developing economies.

Keywords: women on the boards of directors (WOB), Corporate Social Responsibility Disclosure (CSR), Firm Performance (FP).

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List of Definitions of Abbreviations

Abbreviations	Title
CSR	Corporate Social Responsibilities
CSRD	Corporate Social Responsibilities Discloser
ICSRD	Corporate Social Responsibilities Discloser Index
CG	Corporate Governance
FP	Firm Performance
EPS	Earnings Per Share
EVA	Economic Value Added
ROE	Return On Equity
TQ	Tobin's Q
PEX	Palestinian Exchange
WOB	Woman On the Board of Director
Lev	Leverage
FS	Firm Size
FET	Financial Entity Type

Chapter One: General Framework of Study

1.1. Introduction

Researchers, scholars and business leaders are increasingly focused on CSR and CSRD because CSR has increasingly become one of the main components of a company's business strategy since it demonstrates an organization's commitment to ethical behavior, social justice and environmental sustainability. The CSR theory stresses that a primary benefit of an organization being socially responsible is that it enhances the organization's image and builds loyalty among its customers leading to sustainable profit. CSR also enhances a company's credibility and increases stakeholders' confidence in the reliability of the company's financial information by allowing greater transparency of the organization's CSR activities through the CSRD.

The growing globalization has increased the demands on companies to transparently report social contributions, creating a shift in focus toward CSR (Corporate Social Responsibility) and CSRD (Corporate Social Responsibility Disclosure) as strategic factors in world business. The majority of developed nations have instituted a variety of initiatives and incentives to encourage sustainability disclosures, particularly concerning environmental and social issues (e.g., non-discrimination and child labour) (Tarda et al., 2023). In contrast, most developing nations, including several in the Arab world, have yet to pursue similar initiatives pertaining to social responsibility. The Arab countries of Bahrain, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, Syria, and the UAE all report very low rates of CSRD, indicating that CSRD is still a new concept to these nations and has been primarily implemented with limited aspects of global CSRD Reporting Standards (Tarda et al., 2024). Similarly, Palestine also demonstrates this trend, where there is widespread consensus that CSRD is insufficient. This indicates that there is a need for stronger policies and strategies to institutionalise CSR (Alia & Mardawi, 2021). The main challenge for Palestine is a weak CSR culture and low levels of corporate awareness in regard to the principles and benefits of CSR; therefore, most CSR efforts in Palestine have focused primarily on humanitarian, legal and ethical dimensions.

As from the above paragraph, the fact that corporate governance (CG) has been a major area of academic research is due to its pivotal role in governing the relationship between management and all stakeholders in relation to the company's long-term viability. Good governance is often synonymous with social responsibility as both concepts require policies that take into account that the company not only strives to be profitable, but also that it must do so while practising both morally and socially acceptable conducts (Tarda et al., 2024). With respect to the above, the effectiveness of corporate governance has a direct impact on corporate performance, and governance structure and characteristics of the board of directors are two of the main factors. More recently, there has been the increased awareness of gender diversity on boards. It is believed that having female representation on boards (WOB) allows for a more diverse set of experiences and perspectives, providing an opportunity to improve the quality of decision-making and performance of the board, as well as outcomes (Nwude & Nwude, 2021).

While there is a wealth of literature surrounding the relationship between corporate social responsibility disclosure (CSR) and firm performance (FP), little research has been conducted into how women on boards (WOB) influence this relationship (Wang et al., 2024). Many researchers have found that gender-based diversity in leadership results in better CSR outcomes. However, as noted previously, much of this research has not been done within the Palestinian context and as such, sufficient studies examining how WOB moderates the relationship between CSR and FP (Saleh et al., 2021) are missing. Therefore, the purpose of this study is to address this gap by investigating the role of WOB as a moderator between CSR and FP, using recent data obtained from the Palestinian Exchange (PEX) for the years 2017-2023, which includes only banks and insurance companies.

1.2. Research Problem

Despite increasing attention paid to CSR, there still seems to be considerable debate about how CSR is linked to FP. The amount of existing literature that discusses CSR and FP has resulted in many inconclusive results and conflicting results (Li et al., 2018; Zhao et al., 2019). Furthermore, when companies do not adequately disclose information about their CSR activities, they create an information gap that inhibits investors, especially institutional investors, from being able to accurately assess

companies (Abdelhaq & Dwekat, 2024).

Furthermore, empirical research reveals discrepancies between the findings of this association between CSRD and CG and how they are affected by WOB (Wang & al. 2024). The board of directors is an integral part of the corporate governance framework; therefore, its ability to function effectively is influenced by multiple factors including resource diversity, human capital, and gender mix on the board (Chang & al. 2024). Some literature has also suggested that female board members are beneficial in improving the quality of decision-making, particularly with respect to CSR investments or company performance, due to their distinct skills, expertise, and experience (Issa & Fang, 2019).

Nonetheless, CSR practices are low and inadequate in developing nations similar to Palestine (Hassan et al., 2024). Accordingly, research portrayed that Palestinian companies have insufficient knowledge and execution of CSR in Palestine (Alia & Mardawi, 2021). Palestinian firms dedicate a small portion of their profit toward CSR initiatives, resulting from different levels of institutional CSR culture along with a lack of consciousness within these businesses regarding CSR (Zaid, 2019). Furthermore, the political and economic surroundings facing Palestinian businesses limit their capability to establish complete and sustainable CSR strategies.

Consequently, due to the uncertainty surrounding the effect of WOB on both CSRD and FP, as well as low levels of CSRD in Palestinian businesses and positive or negative results or both (in the literature) being inconsistent across different studies, there is also a lack of research on the effect of WOB moderating between CSRD and FP.

1.3. Research Questions

Based on previous issues, the following research questions are formulated to address the identified gaps:

The fundamental research Questions

- What is the effect of moderating factor of WOB on the relationship between CSRD and FP?

The sub-research questions:

- What is the impact of CSRD on FP among firms listed on the Palestinian Exchange?
- What is the impact of WOB on FP among firms listed on the Palestinian Exchange?
- Does the presence of WOB moderates the relationship between CSRD and FP?

1.4. Purpose of the research

In this study, we analyze the influence of women's representation on company boards (WOB) on the effectiveness of corporate social responsibility disclosure (CSRD) to increase firm performance (FP) using evidence from publicly traded companies on the Palestinian Exchange. In particular, we are interested in how the presence of women on boards affects the relationship between CSRD and FP. Thus, this research will close some of the gaps in the literature regarding these relationships. Additionally, it will provide insights into how CG, gender diversity, CSR activities, and the contributions of female directors affect the performance of organizations in Palestine's unique socio-economic and institutional setting.

To achieve this purpose, the study is guided by the following objectives:

The fundamental research objective

- To explore the effect of moderating factor of WOB on the relationship between CSRD and FP.

The sub-research objectives

- To explore the relationship between CSRD and FP in the Palestinian Exchange.
- To explore the relationship between WOB and FP in the Palestinian Exchange.
- To investigate the role of WOB as a moderator factor on the relationship between CSRD and FP in the Palestinian Exchange.

1.5. Research Significance and Justifications

Practical and theoretical implications

1.5.1. Theoretical contribution: This research adds to the current understanding of CSR through focusing on the unique framework of the PEX . Many studies exploring the connection between CSR and FP have been lead in advanced nations (Al Frijat et al., 2024). Consequently, there is a significant absence of research in developing regions, including the Middle East and Arab countries, with a particular scarcity of studies focusing on Palestine. Therefore, analyzing the interplay between CSR, WOB, and FP in Palestine provides valuable proof from a developing country, particularly within the Arab world, which faces unique challenges such as a feeble legal system, ongoing conflict, poor socioeconomic conditions, and institutional weaknesses. This context, characterized by these specific factors, has not been previously studied in a similar manner.

1.5.2. Practical contribution: The study provides insight into the potential impact of Corporate Social Responsibility Disclosure (CSR D) on Financial Performance (FP) in the context of developing countries, as well as the impact of Women on Boards (WOB). It demonstrates how the presence of women on boards will increase the relationship between CSR D and FP. Prior research has suggested that a diverse board will produce better strategic decisions and ultimately higher levels of FP. For the first time, this research examines if WOB enhances the positive relationship between CSR D and FP; therefore, this research offers empirical support for gender diversity initiatives. In addition, the incorporation of gender diversity into the model addresses a significant gap in the research on this subject matter in developing countries, especially in the Arab world. A second limitation with current research is the lack of understanding of CSR D's context, particularly in environments of conflict. The present research examines if the behaviour of a state with instability is similar to that of countries with stable political environments regarding the relationship between WOB and CSR D and its impact on FP, which provides a basis for further research in regions of turmoil, conflict, and socio-political unrest.

The findings of this research can serve as evidence for policymakers and regulatory agencies within Palestine on how investing in CSR delivers mutual benefits to both major corporations and small to medium-sized enterprises. Additionally, this study can support

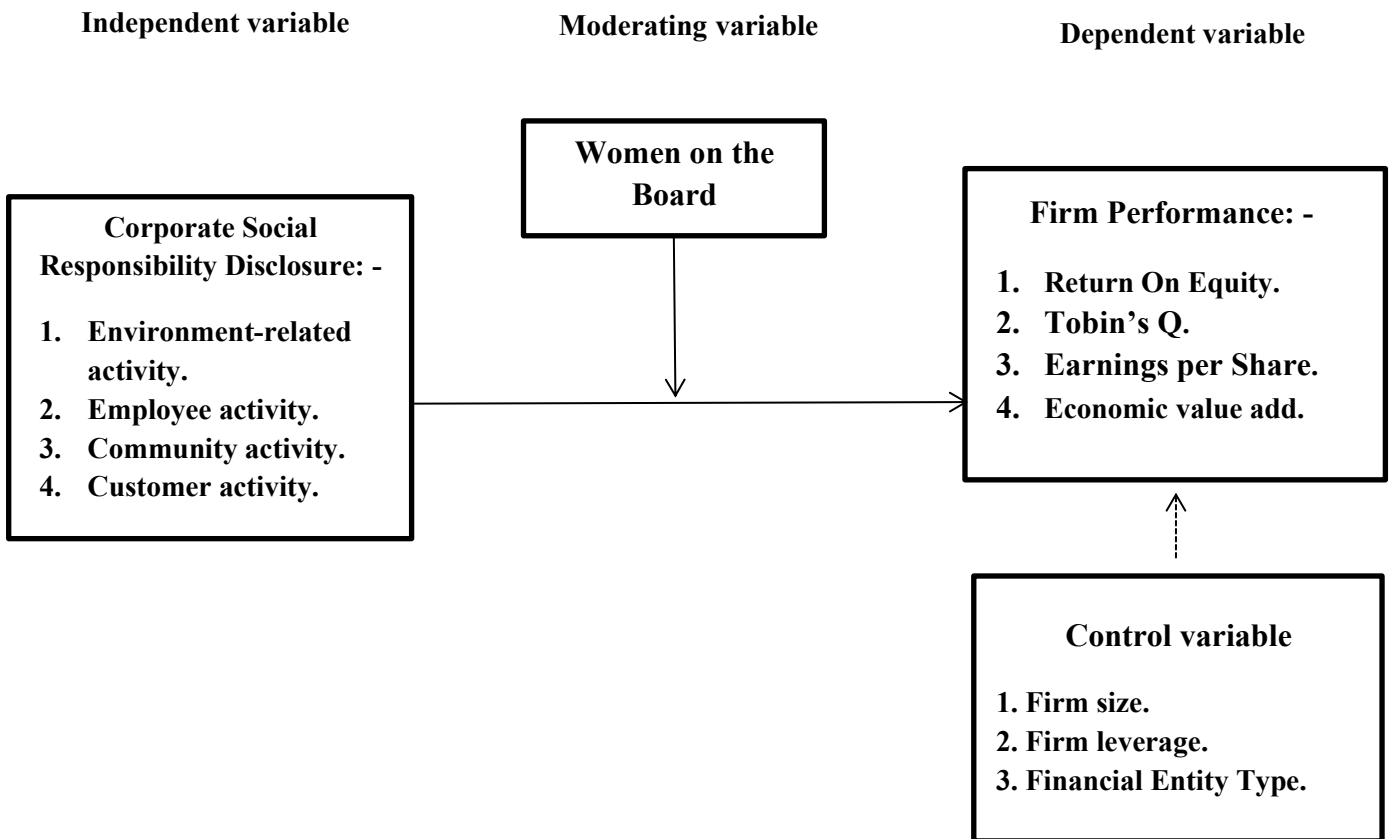
regulations promoting transparency in the reporting of CSR activities and gender-inclusive policies for the board of directors, creating a more sustainable and equitable business landscape. By examining the relationship between CSRD and FP, as well as WOB, this research fills an important gap in the current literature; furthermore, the research also will contribute to an understanding of how CG relates to policy creation and to the overall economic and social environment, making the research a valuable addition to both academic literature on the topic and also on how companies can formulate their strategies.

1.6. Research scope

The purpose of the present study is to examine how Women's Inclusion on Boards affects the relationship between Corporate Social Responsibility Disclosures and Firm Performance for all publicly traded Banks and Insurance Companies on the Stock Market of Palestine between 2017-2023 (this research uses as a sample a total of 6 Banks and 7 Insurance Companies who have been listed on the Stock Market of Palestine (PEX) through 2024).

The goal of the study is to determine how the Addition of Women to Corporate Boards improves the CSR Initiative's ability to enhance Firm Performance through the establishment of a more Balanced Board of Directors. The study will also examine how increasing the number of Women in Leadership Positions will provide Candidates with greater access to Leadership Roles within the Palestinian Market, where significant research has yet to be conducted regarding both CSR Initiatives and Board Gender Diversity. In summary, the goal of the present study is to expand understanding of how CSR Initiatives can strengthen Firm Performance through the Addition of Women to Corporate Boards.

1.7. Study model



Source: The author according to the literature review

1.8. Research Hypotheses

Main Hypothesis (H1): The presence of Women on the Board (WOB) strengthens the association between Corporate Social Responsibility Disclosure (CSR) and Firm Performance (FP).

Sub-hypotheses for testing H1:

H1a: There is a positive relationship between CSR and FP.

H1b: WOB is positively associated with FP.

H1c: WOB strengthens the relationship between CSR and FP.

1.9. Operational definitions

CSRD: reflects a firm's commitment to act ethically and contribute positively to the sustainability of society, considering both the social and environmental impacts of its actions, rather than focusing solely on social consequences (Wirba, 2024). According to (UNIDO, 2022; Iberosi, 2023), CSRD serves as a resource for a firm to environmental, social imperatives and balance economic, while simultaneously meeting the expectations of both shareholders and stakeholders.

FP: s a comprehensive measure of a company's ability to achieve its strategic and operational objectives. It includes financial performance, such as profitability, revenue, and return on investment, as well as non-financial performance, such as product and service quality, customer satisfaction, innovation, operational efficiency, and the company's social and environmental practices (Al-Sammarraee, Al-shareeda & Algasra, 2021).

WOB: It refers to the presence and participation of female members in the firm's Board of Directors, which is a central body elected by shareholders to oversee the management and strategic decision-making of the firm, as it has become a critical element in CG and diversity, which has received increasing attention in recent years (Chang et al., 2024).

1.10. Organization of the study

Chapter 1: Introduction

This chapter serves as an introduction to the research project and will present the main ideas behind how WOB would moderate the relationship between disclosure of CSR information and firm performance. It also discusses how this topic is relevant within the Palestinian Exchange, specifically focusing on the significance of CSR initiatives as well as increased gender diversity in boardrooms. Finally, this chapter provides an outline for subsequent chapters of the Thesis by outlining: Problem Statement; Research Objectives; Research Questions; Hypotheses; Scope and Study Outline.

Chapter 2: Literature Review

In this chapter, existing research on CSR, board diversity, and FP will be reviewed to provide a general overview of each topic's theoretical basis and empirical evidence linking female participation on corporate boards with CSR and FP as moderating variables. Furthermore, this chapter will provide additional information regarding previous studies and theories developed by researchers which form the basis for the hypotheses and conceptual framework in this study.

Chapter 3: Methodology

In this chapter, the overall outline will be created for my study. Whereas my study includes a description of how a research design, methods of data collection, sampling techniques and an analytical framework were developed, it also provides a rationale for each form of methodology employed to gather information for this research. Further, throughout this chapter I will highlight any ethical issues in performing this research and any limitations placed on the results.

Chapter 4: Results and Analysis

Chapter four covers the analysis and findings of the study of the moderating role of women on corporate boards and how women are perceived to influence the CSR and FP relationship. Using the hypotheses developed for the research study, the results of the statistical analysis will provide insight into the theoretical and practice applications of the findings.

Chapter 5: Conclusion and Recommendations

This concluding chapter will highlight the overall findings from the research and inform conclusions that may be drawn from the analysis of the collected data, as described within this thesis. In addition, it will also provide suggestions for ways that managers can implement these results as they relate to their current policies or business sectors and identify future research opportunities tied to this research project. This chapter will also identify the impact of these findings regarding corporate governance, gender diversity and social responsibility as they relate to companies located in Palestine. Finally, this chapter will summarize the overall significance of this research project as well as present some of the opportunities for stakeholders that were created as a result of this research project.

Chapter Two :Theoretical framework and literature review

2.1. Overview

The objective of the current study is to establish a framework to support future empirical research regarding the impact of female board members on the relationship between corporate social responsibility (CSR) and firm performance (FP). Specifically, the objective is to provide a foundation for understanding and developing empirical evidence that can demonstrate the relationship between board of directors (BOD) and FP. Additionally, this review will discuss current trends in CSR research and highlight some of the gaps that currently exist in the literature which can be addressed through the additional research conducted for this chapter. For this study, the focus is on the specific case of Palestine, and as such, the literature review will provide an overview of the research and theories that have been developed in other countries, followed by a detailed review of the relevant research and theories that have been developed in Palestine in relation to the topics of Women on BODs and Corporate Social Responsibility.

2.2. Corporate Social Responsibility (CSR)

With the increasing scrutiny and expectation of society on how businesses act and operate, more and more companies are starting to consider their roles in business beyond just making a profit and starting to help societies at large with both charitable donations as well as larger integrated ways to help solve the problems of society. CSR began as a series of isolated charitable efforts that were accomplished on an ad hoc basis, but over time these charitable efforts were organized into a more structured way of being productive for society. CSR's argument was framed by Howard Bowen, who asked a fundamental question to the business community: What responsibilities to society do businessmen have? This foundational concept earned Bowen the title of "Father of CSR." As CSR has evolved over time, many businesses have adopted CSR as part of their corporate strategy due to criticism from surrounding communities about how businesses are doing business in developing countries. As a result, many businesses are being forced to adopt more transparency and accountability (Andruszkiewicz et al., 2024).

While corporate social responsibility (CSR) does not have one standard meaning, typically CSR is defined by the combination of several areas, including volunteerism and stakeholder involvement, as well as the various levels of Carroll's pyramid—economic, legal, ethical, environmental, and social responsibilities. The definition of CSR has evolved to reflect the fact that CSR is no longer only about an individual or small group but is now an organizational commitment to supporting sustainable development and promoting the well-being of communities. With this new perspective on CSR, organizations found that implementing CSR can improve employee awareness, productivity, lower costs, increase profitability, etc. In today's business world, CSR has become a strategic tool for enhancing an organization's reputation, helping with branding/marketing, and ensuring brand sustainability in the long run.

2.2.1. CSR definition

Corporate Social Responsibility (CSR) is an approach taken by organisations to benefit the communities they do business in, and as such, there's no legal obligation for organisations to follow CSR. Interest in CSR continues to increase; however, definitions for CSR vary and are unclear because of a lack of a single definition that all stakeholders adhere to. Therefore, it is open to interpretation, which has resulted in variations as to how the term is viewed (Alia & Barham, 2020). Social responsibility, according to Howard Bowen, describes an owner's obligation to apply policies or make decisions that reflect the community's social tradition and values, and this connection illustrates the image of CSR as a philanthropic effort (Wirba, 2024).

Ayala del Pino (2021) emphasises the fact that CSR requires a corporation to consider aspects of society, environment, human rights, etc., when developing its governance and strategic plans, as well as relationships with stakeholders regarding the corporation's actions and reactions to those actions. As previously mentioned by Freeman, the stakeholder perspective asserts that corporations are accountable not only to their shareholders but also to those individuals and groups who may be positively or negatively affected by their business activities. For example, what is the philosophy of Friedman, who believes that stakeholders are the primary entities upon whom the survival of a corporation is based (i.e., employees, customers, suppliers, government agencies, financial institutions)? The Friedman philosophy emphasises the need for corporations to

embrace ethical and caring values beyond profit maximisation; he also believes that it is vital for corporations to consider the needs of every stakeholder, especially the local community and environment in which they operate (Wirba, 2024). As a result, CSR transcends the legal obligations of a corporation to encompass not only the economic and legal responsibilities to society but also the ethical responsibilities as they relate to the impact of corporation activity on the environment and society (Alawamleh & Giacaman, 2021).

According to several studies, CSR's purpose is associated with the development and implementation of sustainable development through proper governance by engaging all stakeholders (Huan et al., 2021). As a result, CSR is viewed as a significant contributor to sustainable development through win-win initiatives between companies and society, allowing the company to align its regional, national, and/or global missions with those of other companies in the community or the environment (Mahmud et al., 2020). Furthermore, it is believed that when CSR is viewed as the mechanism for balancing economic and environmental needs while meeting shareholders' and stakeholders' demands, it will be implemented in such a way to optimize economic value (United Nations Industrial Development Organization UNIDO, 2022).

The purpose of this research project is to utilize one definition of Corporate Social Responsibility (CSR) and incorporate the ability to voluntarily incorporate all socially, environmentally and economically responsible actions into a company's strategy and operations for the purpose of achieving sustainable development through improving quality of life for everyone in society, including all stakeholders as well as providing compliance with the law. Corporations choose to adopt responsible business practises voluntarily which positively affects the environment and society as well as take into account all stakeholder interests including those of the shareholders, employees, customers and local communities. The triple-bottom-line approach and stakeholder theory provide a framework for ensuring a conducive balance between economic, social and environmental goals.

2.2.2. CSR importance

Globally, CSR has become a central part of many businesses as it has several advantages (Shrestha et al., 2025). Some examples of this include:

- ❖ **Achieving Sustainable Development:** CSR can help businesses achieve their strategy and support the company as an organization so that they will be able to continue to grow as a sustainable entity in terms of not only environmental sustainability, social age, and financial success (ZRAQAT et al., 2021).
- ❖ **Increasing Customer Loyalty:** As CSR helps companies in gaining legitimacy (to have their company treated fairly), to gain a flow of resources (to have their customers provide funding), and to be able to create and attract consumers due to trust and emotional tie to products sold by the brand, CSR can increase customers' customer loyalty and affect how much they will spend with the brand (Moon et al., 2024).
- ❖ **Improving Company's Reputation and Having a Competitive Advantage:** CSR can improve a company's reputation by having a commitment to responsible business practices that create trust with customers and the community (Nguyen et al., 2021). CSR also has a positive effect on the company's competitive advantage as companies that address community concerns (social, economic, and environmental issues) gain a competitive advantage by creating a better position in the marketplace and having more transparency and credibility with consumers overall (Mahmood & Khan, 2023).

Building strong relationships with stakeholders: Stakeholder relationships are very important, and the development of positive relationships with customers, employees, and local communities is a main way to provide this positive relationship development via CSR, which aligns with the Stakeholder Theory (Freeman, 1984) that suggests that businesses should consider the impact of their actions on all stakeholders affected by the business.

In summary, this research shows how critical CSR is to the success of stakeholders by being a significant component of an overall effective business strategy to provide value to stakeholders through CSR resulting in overall successful business strategies. Additionally, CSR enhances a business's reputation and image, provides benefits to the marketplace, supports the overall economy through sustainable business practices, and develops a safe workplace for employees, resulting in enhanced employee performance. CSR also aids in developing trust and loyalty between consumers and businesses; assists

in creating jobs/sustainable community development programs within the local community; lessens the negative effects of the environment; and provides environmentally friendly investing alternatives to investors.2.2.3. Theories of CSR

2.2.3.1. Agency theory

Agency theory, introduced by Jensen and Meckling in 1976, establishes a conceptual framework for analyzing the interactions between an organization's owners, or principals, and its managers, or agents. Managers manage the day-to-day operations of a corporation on behalf of its owners, who may be unable to do so because of the size of the firm, geographic dispersion of the owners, or the need for specific skills or experience. Furthermore, while it is the expectation that management will act in the best interests of the owners, the fact that managers own a portion of the business creates potential for conflicts of interest (known as principal-agent problems). Furthermore, agency theory indicates that by providing enhanced levels of CSR, corporations provide mechanisms for minimizing agency issues and aligning the interests of owners and managers (Maali et al., 2021).

In developing countries, agency issues become more pronounced because there is an owner versus manager divide creating a demand for additional governance procedures such as strong audit committees who can help ensure that CSR efforts are also beneficial to shareholders (Ali et al., 2023). Furthermore, according to the theory of boards as governance mechanisms, boards should be used to provide oversight over the decisions made by managers and provide protection to investors (Attarit et al., 2025). One of the proven ways to improve both CSR and Financial Performance is through implementing gender diversity within the corporate boardroom. Gender diversity breaks down barriers to transparency and accountability which result in a positive impact on both CSR and Financial Performance by enabling women to reduce unethical behaviours, identify materially misleading financial statements and improve the quality of financial statements issued by the company (Muhammad et al., 2025). In addition, when boardroom diversity is present it improves management's ability to effectively address challenges and ultimately leads to better financial performance and sustainability.

2.2.3.2. Stakeholder theory

Stakeholder theory looks at an organization's relationships with all of the different groups it interacts with. Including employees, customers, environmental regulators, governmental agencies, and shareholders. While these different stakeholder groups each play a distinct role in influencing (and/or being influenced by) the company through its actions and decisions (Freeman, 1984). Freeman was the first person to apply stakeholder theory to business management. He identified that companies could no longer manage their stakeholders as separate entities. By effectively managing their relationships with stakeholders, they could achieve their strategic objectives and maintain a competitive advantage. This is where CSR as a mechanism for enhancing relations with stakeholders comes into play. Companies that invest in socially responsible initiatives will strengthen their relationships with their various stakeholder groups by meeting their diverse (and sometime conflicting) needs (Rashid, 2021).

At a higher level of Corporate Social Responsibility (CSR), a company is able to improve its financial performance through increased capital investments from its stakeholder base and creating valuable assets for long-term viability and growth (Saleh et al., 2021). The link between characteristics of boards of directors and CSR commitment has been studied before, showing that women have superior board representation improves relationships with stakeholders, supportingly with the development of socially responsible behaviours (ARDITO et al., 2020). According to stakeholder theory, women on corporate boards have Improved relationships with all stakeholders, positively impacting financial performance, providing further support for the importance of female representation in corporate strategic decisions (SALEH et al., 2021).

This research project aims to examine the relationship between Corporate Social Responsibility Exposure (CSR Exposure) and firm performance through the lenses of Agency Theory and Stakeholder Theory and to determine if a women member's presence on the Board of Directors modifies this relationship. Agency Theory posits that higher levels of CSR Exposure promote transparency between shareholders and executives and thereby mitigate information asymmetry, which, in turn, enhances financial performance. Stakeholder Theory maintains that firms with higher levels of CSR Exposure will experience improved financial success because they have been responsive to their many

different stakeholder's (i.e., customers, employees, communities, etc.) needs and expectations and therefore enjoy reputations that are advantageous to attaining superior financial results.

The presence of women on corporate boards contributes to enhancing the quality of corporate governance by providing alternative perspectives, increasing accountability, and decreasing potential sources of conflict; thus, benefiting the relationship between female directors and firm performance. Additionally, demonstrating that the company values diversity and inclusion can improve its relationships with its stakeholders and improve firm performance.

Furthermore, improved board diversity has a complementary effect on the ability of a company's corporate social responsibility (CSR) disclosures to improve firm performance (FP) because it promotes accountability and supports more inclusive and responsible decisions. Therefore, female directors on corporate boards are critical to enhancing the relationship between a company's CSR disclosures and its FP.

2.2.4. CSR disclosure (CSRD)

The rise in the number of companies producing CSR reports has established legitimacy for many firms and improved the perception of their brands over time . Due to the difficulties associated with determining a company's CSR performance, CSR reporters are typically viewed as offering proof of a company's commitment to social responsibility (Wang et al., 2025). CSRD (Corporate Sustainability Reporting Directive) is the manner in which companies report to the public regarding the social and environmental impacts of their corporate economic activities . This process aids creating an improved level of transparency and accountability . CSR reports represent another means of publicly providing data on the social and environmental initiatives and policies related to CSR , which provides investors, employees , customers and communities with a means to evaluate whether or not the organisation demonstrates a high level of commitment and accountability toward CSR (Ukpe et al. , 2024). The premise under which CSR reports and their contents are produced assumes that CSR reports and their contents provide an accurate representation of a company's social performance and thereby reduce the information asymmetry between the company and the report user (Christensen et al., 2021).

While there has been a growing body of evidence indicating that many businesses exaggerate their CSR commitments and accomplishments, this tendency occurs within a larger pattern of CSR decoupling -- where real CSR performance does not align with reported CSR activity (García-Sánchez & Morey, 2021). Thus, as a result of this phenomenon, both shareholders and stakeholders alike are misled by the decoupling of CSR to a lesser extent than through more traditional CSR metrics. Ultimately, this decoupling inhibits any genuine effort to identify responsible companies.

Companies are confronted with an increase in ethical, environmental, and social expectations plus the type of accountability needed to protect them from harming others because of the introduction of CSRD into their operations. If businesses fail to achieve their stakeholder expectations, Tarighi and others (2022) indicate that such failure could result in damage to their business or reputation. Khatib and Nour state businesses can improve their corporate branding by adopting CSRD. Nwude and Nwude further state that CSRD enables businesses to show transparency and accountability with respect to their business practices, thereby enhancing stakeholder confidence in the accuracy of their financial reports and providing increased funds to the businesses that adopt CSRD. There are two principal methods of implementing CSRD. The first is via traditional accounting, which focuses on identifying, measuring, and reporting economic activities in monetary terms. Through this method, financial information is documented regarding the costs and benefits associated with an organization's environmental and social activities and should be included in all economic and financial decisions made by managers. The second, and the most common, method is through communications from organizations to their respective societies (Alia & Barham, 2020).

Reporting CSR activity in its entirety helps sustain an organization's ability to be accountable and transparent by various means such as reporting on both social responsibility and the impact of these activities socially, environmentally, or economically. The results of this report indicate that while CSR reporting does show that companies are being socially responsible, some organizations may not have the same level of success as to what they state or imply to have accomplished in their CSR activities, thus creating a disparity between actual performance and the information reported about it. Such a disparity could cause a loss of trust with stakeholders, which

then results in negative implications for the organization's long-term success. In addition, effective reporting of CSR activity enhances the reputation of the company, creating a sense of trust with stakeholders, and attracting additional investment.

2.3. Firm Performance (FP)

Performance refers to how well a company can use both human and material resources to meet both the financial and non-financial goals of a company in an efficient manner. Performance is a measure of how effectively, in relation to the costs involved, an organisation has achieved its objectives. The concept of performance has evolved over time from where it originated as a way to evaluate the results of sports competitions to now being one of the key parameters for assessing the quality of corporate performance and how the adopted goals and strategies affect the outcome of organisations. As the business environment continues to change rapidly and competition continues to become more intense at both local and global levels, performance is no longer simply a measure of efficiency and performance has become a key factor in evaluating an organisation's ability to respond to changes and also a key factor that determines the success and sustainability of organisations in many different markets and economies.

2.3.1. The Concept of FP

Due to its dependent variable role in countless studies looking to assess the success of firms in fulfilling their business strategies and managing their resources appropriately, the importance of financial performance (FP) to the business community has evolved considerably (Mohammed and Kinyua, 2023). Since FP is an incredibly broad concept and is measured using a variety of firm-specific methods and metrics based on the firm's strategic goals, no definitive or universally recognized definition of FP currently exists. Arokodare and Asikhia (2020) refer to FP as the ongoing progress made toward improving the financial metrics of an organisation, such as profit after tax, return on asset, return on equity, net income margin, return on investment, and all other related measures. However, Taouab and Issor (2019) have a wider interpretation of FP that includes not only profitability, but also growth, market value, total return to shareholders, economic value added, and customer satisfaction, and in conjunction with FP are consistent with the expectations of all stakeholders.

According to Eneh et al. (2024), among other things, "firm" or "FP" is a term describing how well a company has generated profits and value for its stakeholders, including but not limited to shareholders, workers, clients, and creditors. Their definition includes an emphasis on a comprehensive evaluation of the company's operational effectiveness, profit generation, and overall financial condition; therefore, FP represents an important yardstick to measure company success and sustainability within the marketplace. "Firm performance," viewed from an economic perspective, is the efficient management of a firm's human and material resources in achieving its objectives (Nguyen et al., 2021).

In addition to their work cited above, Palepu et al. (2020) emphasize that the assessment of financial performance (FP) evaluates a company's ability to generate profits and provide value to all stakeholders through its business strategies, operational effectiveness, financial condition, and profitability. Financial performance will also result in the establishment of growth plans that will lead to an apples-to-apples comparison of companies and allow for well-informed decisions to be made. Furthermore, companies' strong financial performance affords them the opportunity to reduce the risk of loss and increases the chances of a company continuing to operate to achieve maximum shareholder confidence (Marashdeh, 2014).

In this study, FP (Financial Performance) appears to have been defined as a complete assessment of a company's ability to produce profits and create value for all stakeholders by assessing the efficiency of operations and other factors related to profitability and financial well-being, based on the resources available to support the achievement of strategic goals and plans for growth, thereby enhancing continuity, building confidence of shareholders, and contributing to long-term viability and success of the firm.

2.3.2. Performance measurement

- The subject of how accurately FP can be measured remains contentious, with the most frequently used indicators of performance being determined by factors such as the business itself, the environment in which it operates (industry) and the purpose of the research (Al Frijat et al., 2024). For example, there are countless ways to measure FP, and there is a plethora of specific indicators that can be categorized into three main types:

financial-based, operational-based, and non-financial based. Using commonly referred to definitions of "financial indicators," return on investment (ROI), return on assets (ROA), earnings per share (EPS), economic value added (EVA), and Tobin's Q (TQ) are all examples of financial indicators that can be used to evaluate a company's performance based on its overall financial profitability and efficiency. Examples of operational indicators are all sales growth, asset turnover, and employee productivity; these show how well the company performs internally. Examples of Non-Financial Indicators are environmental, social, and governance (ESG); for example, they could include things like how well board diversity is practiced within the company, what the company's carbon footprint is, or how many customers are satisfied with the company's performance. The balanced scorecard and triple bottom line are examples of complete measurement systems that integrate financial social and environmental performance. This research utilized four separate indicators of FP: ROE, EPS, EVA, and TQ.

- **ROE** is a financial metric that reflects the amount of income a company generates in relation to the total shareholder equity recorded or capitalized on the company's financial statements (Lin et al., 2020).
- **EPS** is the net income after deducting the preference dividend divided by the company's outstanding shares (Kaur & Dave, 2021).
- **EVA** "is the balance of the after-tax net operating profit of central enterprises minus the cost of capital" (Li, 2023).
- **TQ**, named after economist James Tobin, is a financial metric used to assess the valuation of a company. It compares the market value of a company to the replacement cost of its assets (de Oliveira & Basso, 2024). TQ is calculated by dividing the market value of a company by the replacement cost of its assets. If TQ is greater than 1, it suggests that the market value of the firm is higher than the replacement cost of its assets.

2.4. Women on the board of director (WOB)

The directors on the board of directors play an important role in leading and supervising a company's strategic direction and ensuring that the management of the company acts in the best interests of its shareholders and other stakeholders. The board of directors provides key policies, supervises the performance of the executives, and protects the long-

term success of the company. Women have increasingly come to be viewed as important members of the governing body with an increasing focus on fostering diversity and inclusion. The addition of women to boards provides diverse perspectives that contribute to richer decision-making which will lead to more innovative strategies and improved organizational performance. As there are still many boards that do not have women represented, policy changes are needed to increase participation of women on boards and create a stronger corporate governance framework.

2.4.1. Development of WOB

Researchers and policymakers, as well as the media, are increasingly concerned about board diversity. Several countries have now taken action to make sure that there are more women on company boards and that there are greater amounts of gender-equitable representation in corporate leadership. Corporate boards have Canadian-based corporate leaders, including male-dominated positions; hence the calls for the inclusion of women in those positions are strong. The continued presence of women, through social movements, resulted in a change in policies, such as Norway's 2003 quota law, which mandates that listed companies include 40% women on their corporate boards. As numerous European countries implemented similar policy changes, women gained representation on corporate boards (Smith et al., 2022). However, barriers to women being promoted to senior corporate roles still exist, including: (1) the presence of unconscious bias and (2) a lack of mentoring opportunities (Smith et al., 2021). With a focus on diversity extended beyond gender to include race, social background, and economic status, true diversity produces improved organizational decision-making (Ng, 2020). Broader definitions of diversity lead to increased long-term success of corporations through the promotion of social justice and increased corporate effectiveness.

This study highlights that while there has been significant progress in increasing gender diversity on boards through various policies, challenges such as unconscious biases and mentoring deficiencies remain significant barriers to women's advancement in corporate leadership. Additionally, it emphasizes the growing recognition that diversity, including gender, race, and social background, contributes to better decision-making and long-term business success.

2.4.2. The Impact of WOB Performance

The governance function of the board is vital to the success or effectiveness of a business in that boards are a primary source of resources, information, strategic direction (advice) and they provide the necessary oversight to assist in achieving the overall objectives of the business (Pfeffer & Salancik, 1978). Therefore, with the advent of gender diversity as a current factor in corporate governance and an important factor for creating transparency and efficient decision-making (Muhammad et al., 2025), we have found that companies with gender-diverse boards have a greater capacity to comprehend and respond to the needs and desires of their many and diverse stakeholders, resulting in developing stronger and more sustainable relationships. Our data also confirms the previous studies and their conclusion that gender diversity helps to improve financial performance (Brahma et al., 2021).

Furthermore, the presence of women on a board of directors enhances the quality and accuracy of the financial disclosures made by the company, as they tend to be more exacting and transparent than men and are thereby a means of reducing misleading financial reports and enhancing the credibility of disclosures (Lemma et al., 2022). Moreover, women on boards have a greater commitment to ethical behavior than men and are therefore more diligent in monitoring management and improving the quality of decisions made on behalf of the company. Women also show greater caution in recognizing income and assets and impose stricter control on positive news compared to negative news (Zahid et al., 2025).

This study highlights significant progress in increasing gender diversity on corporate boards. Board diversity positively impacts financial performance by improving transparency, decision-making, ethical standards, and disclosure credibility. Female directors also enhance responsiveness to stakeholder expectations, strengthening overall organizational performance.

2.5. Palestinian Situation

2.5.1. Overview of Palestinian firms

Palestinian firms operate in a complex business environment influenced by a range of political and economic challenges, foremost among them the Israeli occupation,

restrictions on movement and trade, and internal political division. Despite these difficulties, many Palestinian companies have demonstrated significant adaptability, particularly in the service, commercial, and small-to-medium-sized industrial sectors. Most economic activities are concentrated in the West Bank, where the private sector predominates under the supervision of governmental bodies such as the Ministry of National Economy and the Palestinian Capital Market Authority. These companies increasingly strive to improve governance practices and financial disclosure in an effort to attract investment and enhance their competitiveness in local and regional markets. However, structural constraints imposed by the political and economic circumstances remain a major obstacle to their growth and sustainability. This economic environment is further complicated by movement restrictions, land disputes, and the broader effects of the Israeli-Palestinian conflict, which delay the development of government institutions and directly impact FP in Palestine (Abuamsha & Shumali, 2022).

2.5.2. Palestinians Public Sector

The monetary regulation authority for both the capital and currency markets is the PMA, which regulates all financial services in the State of Palestine and is responsible as a governing body of the PLEX and oversees the trading and dealing within the PEX. The PLEX regulates the trading of publicly held companies and is governed by the PCMA. The PCMA has five major components to its code, namely; advisory meetings, shareholders' rights, corporate governance, assessments and reporting transparency. Hassan et al. (2016) cite the board of directors of public shareholding companies must have at least 5 and no more than 11 members. All board members must be independent from the company and the chair of the board shall not be in a legal association with the activities carried out by the company. In addition; shareholders appoint the external auditors at the annual shareholder meeting based on the credentials of the external auditors as presented by the recommendations from the board of directors and review committee, and also approve the external auditor's fee. External auditors must have the highest level of integrity and have the appropriate professional qualifications.

Two fundamental laws regulate the disclosure and reporting rules applicable to publicly listed companies on the PEX. They are Securities Law No. (12) of 2004, which mandates that the companies file an annual report with the authority and develop various

other financial statements such as the balance sheet, income statement, and cash flow statement; and Capital Market Authority Law No. (13) of 2004, which lays down provisions related to the content of the annual report, including statistical comparisons and supplementary notes. All companies must develop their financial statements and reports consistent with International Financial Reporting Standards. However, the Companies Act does not require any disclosure of social sustainability-related information in annual report disclosures or the related notes in annual reports.

2.5.3. Palestinians' economic sectors

According to the 2024 report from the Palestinian Capital Market Authority, there are 48 companies listed on the Palestine Stock Exchange, distributed across five main economic sectors: Banks and Financial Services, Insurance, Investment, Industry, and Services. These companies represent a diverse range of financial, industrial, and service institutions, reflecting the diversity of the Palestinian economy (Palestine Exchange, 31/12/2024).

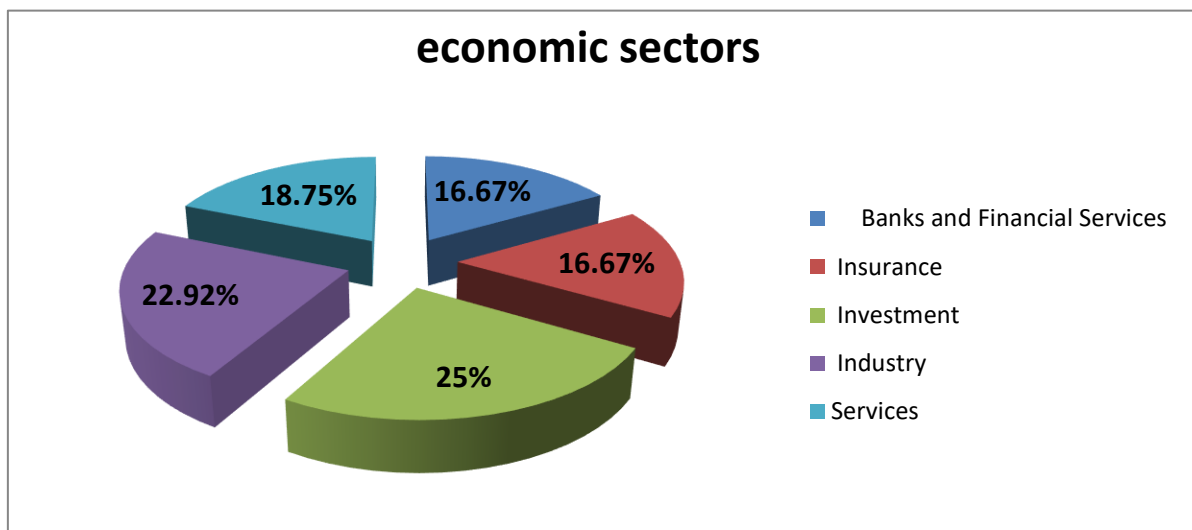


Figure (2.1): Palestinians Economic Sectors

2.5.4. CSRD in Palestine

Palestine suffers from weak awareness of CSR, partly due to the absence of a clear culture around the concept, as well as a lack of understanding among companies about the benefits and principles of CSR (Alhih et al., 2018). Additionally, Palestine faces a shortage of institutions specializing in CSR regulation, along with the absence of government oversight and laws requiring companies to allocate a portion of their budgets

for CSR activities (Saleh et al., 2021). Additionally, the absence of government oversight and laws requiring companies to allocate a portion of their profits to social activities further complicates the situation, with most initiatives limited to charitable donations. Furthermore, despite no legal requirements mandating profit allocation for CSR, corporate social disclosure remains weak, with Palestinian companies lagging behind neighboring and developed countries in CSRD rates (Alia & Barham, 2020). Therefore, there is a pressing need to strengthen governance mechanisms and improve CSR reporting to bridge these gaps and enhance transparency. In this context, empirical evidence suggests that diversity in boardrooms, particularly increased female representation, is linked to better CSR performance. This diversity fosters ethical governance, enhances corporate transparency, and improves responsiveness to employee expectations, communities, and environmental concerns (Muhammad & Migliori, 2023).

Based on the above, and in order to reach the objective of the study, this study will focus on exploring the relationship between CSRD and female representation within companies, particularly in the banking and insurance sectors in Palestine, and its impact on FP. It will examine how gender diversity in boards of directors can contribute to improving CSR practices, enhancing governance, and increasing the effectiveness of financial and operational decision-making. Additionally, the study will investigate the role of female representation in promoting institutional sustainability, which contributes to strengthening the competitiveness of Palestinian companies in facing economic and social challenges, thereby enhancing their effectiveness in achieving their economic and social goals.

2.6. Previous Literature

2.6.1. Previous Studies in Arabic

1) Shehada et al., (2024): The effect of CSRD on financial performance: This study examines the effect of CSRD on the FP of Palestinian Exchange companies. It analyzes annual reports from 13 financial companies over the period 2010-2016, focusing on CSR disclosure's clarity and presence. Using Pooled OLS regression, the study finds a relatively low level of CSRD and no significant impact on financial performance as measured by ROA and Tobin's Q. This research contributes valuable empirical evidence from Palestine, an emerging economy with limited studies on this topic.

2) Saud (2024). The relationship between CSR dimensions and financial performance in the Iraq public listed companies: firm size as a moderator: The study examines the relationship between CSR dimensions and financial performance in Iraqi companies, focusing on the moderating role of firm size. Using data from 27 companies (2016-2019) and regression methods (fixed effects, random effects, pooled OLS), financial performance was measured by Return on Assets (ROA), Net Profit Margin (NPM), and Earnings Per Share (EPS). Results show that employee and product dimensions positively impact ROA and EPS, while environmental and governance dimensions negatively affect ROA, NPM, and EPS. The community dimension positively relates to all three indicators. Firm size significantly moderates these relationships, boosting investor confidence in larger firms. The study recommends clear policies to enhance CSR considering firm size in Iraq.

3) Ihab Aly Khalil & Moharram, (2024): The Effect of Board of Directors Diversity on ESG (Environmental, Social, Governance) Firm Performance: This research explores the relationship between board diversity and ESG performance in Egyptian companies, focusing on gender, educational background, and cultural diversity. Multiple regression analysis reveals that board diversity significantly affects financial performance, especially ROA and ROE, with no effect on EPS. When considering ESG performance, board diversity continues to positively influence ROA and ROE, but remains insignificant for EPS.

4) Ahmed et al., (2024): The moderating role of board gender diversity on the relationship between audit committee characteristics and financial performance: This study analyzes the impact of audit committee characteristics—size, activity, and gender diversity—on the financial performance of Egyptian banks. It also examines the moderating role of board gender diversity. Using multiple regression analysis on data from 2018 to 2022, the findings reveal that audit committee size negatively affects financial performance, though insignificantly. Gender diversity within the audit committee is positively linked to both ROA and ROE, with the frequency of board meetings showing a negative yet insignificant effect. The study concludes that board gender diversity strengthens the relationship between audit committee characteristics and financial performance.

5) Awwad et al., (2023): Women on boards: an empirical study on the effects on financial performance and corporate social responsibility: This study investigates the effect of female representation on boards of directors on both FP and CSR in Palestinian companies listed on the Palestine Exchange from 2010 to 2020. The findings show that women's presence on boards positively impacts both FP and CSR, although environmental and employee-related disclosures are lower. The study also notes the generally low representation of women on the boards in Palestinian companies.

6) Almarayeh, (2023): Board gender diversity, board compensation and firm performance.: This study examines the link between board gender diversity, board compensation, and corporate FP in Jordan. Analyzing 510 observations from 2009 to 2018, the results indicate that board gender diversity does not enhance FP (EPS, DIVY and ROA). However, board compensation positively correlates with FP (EPS, DIVY and ROA), suggesting that higher compensation may lead to better financial outcomes.

7) Saleh et al., (2021): Does board gender enhance Palestinian firm performance? The moderating role of corporate social responsibility: This research investigates the effect of gender diversity on company performance, considering CSR as a mediator, using data from the Palestine Exchange between 2010 and 2017. The results indicate that board gender diversity has a positive but insignificant impact on FP (ROE). However, when CSR acts as a moderating factor, this impact becomes positive and significant.

8) Dwaikat, N., Qubbaj, I. S., & Queiri, A. (2021). Gender diversity on the board of directors and its impact on the Palestinian financial performance of the firm: This study examines the impact of gender diversity in boards of directors on the performance of non-financial Palestinian companies during the period 2008–2015, using the two-stage least squares (2SLS) method to address the issue of endogeneity. Gender diversity was measured by the percentage of women on the board and a dummy variable indicating the presence of at least one woman. Financial performance was evaluated using two indicators: Return on Assets (ROA) and Return on Equity (ROE). The results show that female representation remains low (around 8%), but has a positive and statistically significant relationship with ROA and ROE when analyzed using the 2SLS method. This

suggests that women contribute to improved governance and oversight, in line with both agency theory and resource dependence theory.

9) Buallay et al., (2020). Corporate social responsibility disclosure and firms' performance in Mediterranean countries: a stakeholders' perspective: This study aims to explore the relationship between CSR and firms' operational, financial, and market performance (measured by ROA, ROE, and Tobin's Q (TQ) in Mediterranean countries from a stakeholder perspective. The study adopts a quantitative approach using cross-sectional and time-series data for 203 listed companies in six Mediterranean countries over the period from 2008 to 2017, totaling 1,689 observations. The theoretical model is based on stakeholder theory, while the practical model includes one independent variable (CSR) and three dependent variables (ROA, ROE, and TQ). The results show that CSR has a negative impact on operational and market performance, while it has no significant effect on financial performance.

10) Saleh, M. W., & Islam, M. A. (2020). Does board characteristics enhance firm performance? Evidence from Palestinian listed companies: This study examines the impact of board characteristics on the performance of non-financial firms listed on the Palestine Securities Exchange (PSE) during the period 2011–2016, using panel data consisting of 150 observations. Data analysis was conducted using both random-effects and fixed-effects models to ensure result accuracy. The findings reveal that larger board size, higher meeting frequency, and greater financial knowledge among board members are positively associated with firm performance, which was measured using the Return on Equity (ROE) indicator. However, the study found no relationship between board gender diversity and firm performance. Overall, the results suggest that board effectiveness plays a significant role in enhancing financial performance, especially in the absence of legal quotas for female representation on corporate boards in Palestine.

2.6.2. Previous Studies in Foreign Languages

1) Wang et al., (2024). Board gender diversity and firm performance: Recent evidence from Japan: This study aims to analyze the impact of gender diversity on the board of directors on the performance of Japanese companies, using data from 1,990 publicly listed firms during the period 2006–2023. The study employed a fixed-effects

regression model and the two-stage least squares (2SLS) method to address endogeneity, using the equal opportunity policy as an instrumental variable. Financial performance was measured using two indicators: ****Return on Assets (ROA)**** and ****Return on Equity (ROE)****. The findings revealed that gender diversity has a negative and statistically significant impact on firm performance.

2) Tran et al., (2023): Level of corporate social responsibility disclosure and financial performance: This study explores how factors like firm size, age, current ratio, and audit firm type influence CSR and its impact on financial performance for companies listed in Vietnam. The study, using data from 109 firms between 2016 and 2020, finds that larger and older firms, as well as those audited by specific firms, disclose more CSR information. Higher CSR levels are positively linked to better financial performance (ROA and ROE), highlighting CSR's role in improving corporate results.

3) Lemaiyan & Chelogoi, (2023): Board Gender Diversity and Financial Performance: Does CSR Disclosure Matter? This study examines the impact of gender diversity on corporate boards and its effect on financial performance in Kenya. Using data from 43 listed companies from 2011 to 2017, the results show that gender diversity positively affects company performance (ROE), but CSR does not significantly influence this relationship. The study suggests that increasing female representation on boards can enhance financial performance and CSR efforts.

4) Yuniawati, (2023). The effect of corporate social responsibility disclosure on stock prices through financial performance: This study aims to examine the impact of CSR on stock prices, both directly and indirectly through financial performance, using data from LQ45 companies listed on the Indonesia Stock Exchange from 2019 to 2021. Financial performance is measured using ROE, ROA, and EPS. The study adopts a quantitative approach and applies path analysis to explore the relationships among variables. The findings reveal that CSR has a direct and significant positive impact on stock prices. CSR also significantly influences ROE and ROA, but has no significant effect on EPS. While EPS has a significant direct effect on stock prices, ROE and ROA do not. Furthermore, the study concludes that financial performance indicators (ROE, ROA, and EPS) do not serve as effective intermediary variables between CSR and stock

prices. This suggests that investors may respond directly to CSR activities regardless of traditional financial metrics.

5) Singh et al., (2022): Does board gender diversity impact financial performance?

This study investigates the effect of gender diversity on corporate boards and its impact on the financial performance of firms in India's IT sector, after the Companies Act 2013 mandated female directors. Using fixed-effects panel data regression, the results show no significant correlation between gender diversity and financial performance (Tobin's Q), suggesting limited benefits from gender-diverse boards in the IT sector.

6) Hosny & Elgharbawy, (2022): Board diversity and financial performance: empirical evidence from the United Kingdom:

This research investigates the impact of board diversity on financial performance measured by (ROA and Tobin's Q), considering various diversity dimensions. The study, analyzing FTSE 350 companies from 2013 to 2019, finds that gender and skill diversity positively influence financial performance, while tenure, education, and network diversity show no significant effect. Nationality diversity negatively affects financial performance, and gender diversity among executive directors is linked to lower market-based performance.

7) Dilrukshi (2022). CSR and Financial Performance in Listed Manufacturing Companies in Sri Lanka:

The aim of this study was to determine the relationship between CSR and financial performance in the manufacturing sector in Sri Lanka. A quantitative methodology was adopted, where CSR was considered the independent variable and measured using a CSR index, while financial performance was the dependent variable, measured by ROE and ROA. Data was collected from annual reports and secondary sources for the period from 2014 to 2019. The sample included 30 companies out of 38 listed manufacturing firms, with a total of 150 observations. The data was analyzed using E-Views software, Pearson correlation, and linear regression analysis to assess the relationship between the variables. The study found a statistically significant positive relationship at the 5% level between CSR and financial performance, particularly with ROE. The study recommended that manufacturing firms should give greater attention to CSR practices as a means to enhance their financial performance.

8) Laksmi & Hasri, (2022). Influence of DSRD on FP of manufacturing companies listed on Indonesia Stock Exchange: his study aimed to examine the impact of CSRD on financial performance, measured by ROA, ROE, and EPS. The sample consisted of 31 manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2016 to 2019, selected using purposive sampling. Data were analyzed using SPSS version 21. The findings revealed a significant positive impact of CSRD on both ROA and ROE, while no significant effect was found on EPS. These results highlight the importance of CSRD in enhancing a company's public image and profitability, offering useful insights for corporate decision-making, investment strategies, and policy evaluation regarding mandatory CSR practices in Indonesia.

9) Kahloul et al., (2022): Does Corporate Social Responsibility reporting improve financial performance? The moderating role of board diversity and gender composition: This research examines how CSR reporting affects FP and the moderating role of board gender diversity. Using data from French companies listed on the SBF 120 from 2008 to 2015, the study finds that CSR reporting does not significantly impact performance when measured by Tobin's Q. However, a negative relationship is found when using ROA. The study also shows that gender diversity enhances the positive effect of CSR reporting on FP.

10) Aziz, M. F., & Haron, R. (2021). Corporate social responsibility disclosure and financial performance of Shariah PLCS in Malaysia: This study aims to analyze CSRD in Shariah-compliant public listed companies in Malaysia and its relationship with financial performance. The sample includes 175 companies listed on the Main Market of Bursa Malaysia during the period from 2007 to 2017. The results show that the level of CSRD in these companies remains low. The study also reveals a positive relationship between CSRD and financial performance, measured by ROA and Tobin's Q. Conversely, there is a negative relationship between the number of Muslim directors and financial performance.

11) Sameer, (2021). Impact of corporate social responsibility on organization's financial performance: The main objective of this study was to measure the level of CSRD and to examine the relationship between CSRD and FP among public companies

in the Maldives. The research adopted a mixed-method and longitudinal approach, covering the period from 2014 to 2018. Data were collected from the annual reports of companies listed on the Maldives Stock Exchange (MSE), using judgmental sampling. Analysis was conducted using STATA 15 software through panel data regression. The findings revealed a significant negative relationship between certain CSR dimensions—such as diversity and environmental initiatives—and financial performance indicators like ROA, ROE, and EPS, particularly when firm size was controlled. The study concludes that CSRD does not contribute positively to financial performance in the context of a developing country like the Maldives and may even have an adverse effect. Additionally, the CSR framework used in the study was not specifically tailored to the Maldivian context, and the small sample size limits the generalizability of the results.

12) Fahad & Busru, (2021). CSRD and firm performance: evidence from an emerging market: This study aimed to analyze the impact of CSRD on FP in the emerging market of India, focusing on both **profitability (ROA)** and **firm value (Tobin's Q)**. The research employed panel data analysis for a sample of 386 companies listed in the BSE 500 index over the period from 2007 to 2016, covering the major players in the Indian capital market. The findings revealed a **tendency toward a negative impact** of CSRD on both profitability and firm value. This negative effect was primarily driven by the **environmental** and **social** components of CSRD .

13) Khatib, S. F. A., & Nour, A. (2021). The impact of corporate governance on firm performance during the COVID-19 pandemic: Evidence from Malaysia: This study aims to analyze the impact of the COVID-19 pandemic on the relationship between corporate governance and firm performance, using a sample of 188 non-financial Malaysian companies during 2019 and 2020. The study used several performance indicators, including ROA, ROE, Earnings Before Interest and Taxes (EBIT), and Profit Margin (PM). The results revealed that board gender diversity had a positive and significant effect on firm performance during the crisis, contributing to the improvement of both ROA and ROE. However, prior to the pandemic, gender diversity had a negative association with performance. This shift highlights the importance of gender diversity in enhancing firm performance during times of uncertainty compared to normal conditions.

2.7. Axis of the study

2.7.1. The relationship of CSRD and FP

2.7.1.1. The relationship of CSRD and ROE

The literature generally indicates conflicting evidence regarding the relationship between corporate social responsibility disclosure (CSRD) and financial performance (FP), particularly return on equity (ROE). Saleh et al. (2021) conducted a study in Palestine which found no statistically significant association between board gender diversity and ROE, however their analysis did find that when CSR was included as a moderating variable, the relationship became statistically significant and positive. Research conducted by Tran et al. (2023), Yuniawati (2023), Laksmi & Hasri (2022), and Dilrukshi (2022) among companies operating in Vietnam, Indonesia, and Sri Lanka, respectively, demonstrated that CSR documentation was positively correlated to FP when measured using ROE. In contrast, Buallay et al. (2020) did not identify a similar association in companies based in the Mediterranean region. Similarly, Sameer (2021) found evidence of an inverse relationship between certain aspects of CSR, such as diversity and environmental programs, and FP in terms of ROE in companies located in the Maldives when adjusted for the size of the company.

2.7.1.2. The relationship of CSRD and EPS

There has been varied response from various studies on the connection between CSRD and EPS. SAUD (2024) found that employee-related and product-related CSR dimensions made a positive contribution toward EPS; while, contrary, the environmental and governance CSR dimensions had a negative impact on EPS. Conversely, YUNIAWATI (2023) and LAKSMI & HASRI (2022) found no significant connection between CSRD and EPS. Further, SAMEER (2021) conducted research in the Maldives and found certain CSR dimensions had an inverse association with EPS, when factoring firm size into the equation. Therefore, the relationship between CSRD and EPS appears to differ depending on the type of CSRD being evaluated, as well as the particular economic and regulatory environment being experienced in that organization.

2.7.1.3. The relationship of CSRD and EVA

The literature review revealed that all the previous research found no studies measuring the relationship between corporate social responsibility development (CSRD) and

economic value added (EVA) as performance measures. Most of the research studied the more typical financial performance measurement metrics (e.g., return on assets [ROA], return on equity [ROE], earnings per share [EPS]) that did not include EVA as a primary measure in the analysis. The lack of EVA in each study illustrates the need for additional research opportunities like this one. Furthermore, EVA is one of the newest and best ways to measure the true wealth of shareholders that has been created by an enterprise. Thus, examining the relationships between CSRD and EVA will present additional research opportunities in the future, especially for developing countries that want to improve transparency and financial sustainability.

2.7.1.4. The relationship of CSRD and Tobin's Q

Different studies around different nations, economies and periods of time show differing results when studying the relationship from Corporate Social Responsibility Disclosure (CSRD) to Tobin's Q: For instance, in Malaysia, Aziz & Haron (2021) found that there is a positive relationship between CSRD and Tobin's Q in Shariah compliant organizations. Alternatively, there are also examples of research that have shown negative impacts from CSRD to Tobin's Q. Buallay et al. (2020) found in Mediterranean countries as an example of negative impacts from CSRD to Tobin's Q in addition to Fahad & Busru (2021) which found a negative relationship between CSRD and Tobin's Q for companies in India. Other examples with mixed results from Shehada et al. (2024) which report no relationship between CSRD and Tobin's Q for companies operating in Palestine as well as Kahloul et al. (2022) with similar findings for firms within France are found in prior research as well.

2.7.2. The relationship of WOB and FP

2.7.2.1. The relationship of WOB and ROE

The studies indicate differing relationships between the WOB and ROE. While the majority of studies found a positive association between the WOB (all studies except Wang et al.) and a WOB that contributed to improved FP, many studies showed statistically significant (all studies except Wang et al. and Saleh & Islam) positive relationships between gender diversity and ROE — particularly in the studies done by Ihab Aly Khalil & Moharram (2024), Ahmed et al. (2024), Dwaikat et al. (2021) and Lemaiyan & Chelogoi (2023). When CSR moderated the relationship between WOB and ROE, Saleh et al. (2021) found that the relationship became statistically significant. In

addition, Khatib & Nour (2021) reported that while gender diversity positively influenced organisations during the COVID-19 crisis, it negatively impacted organisations during normal times. However, Wang et al. (2024) found that the WOB and ROE adversely affected organizations in Japan and Saleh & Islam (2020) found that the WOB was not statistically related to ROE.

2.7.2.2. The relationship of WOB and EPS

The existence of WOB and EPS remains undefined or statistically irrelevant according to many recent publications. Research by Dr. Ihab Aly Khalil & Dr. Moharram (2024) identified that while board gender diversity is a form of board diversity, it did not significantly influence earnings per share regardless of whether viewed through the lens of traditional financial performance or ESG performance. Likewise, Almarayeh (2023) demonstrated that there was no contribution of gender diversity on boards to increasing melted eps. Therefore, the current literature does not support a definitive positive association between the presence of WOB and eps at this time, thereby indicating the need for additional research in this area, particularly within different economic environments.

2.7.2.3. The relationship of WOB and EVA

The studies summarised suggest that the link between the representation of women on boards (pondus to the board) and EVA is not clearly defined, based on the paucity of research that directly assesses this relationship. None of the studies reviewed by the authors addressed significantly positive or negative associations between women on boards and EVA, indicating that there is little to no empirical evidence supporting the influence of women on this measure of performance. Thus, further research is warranted to clarify and identify the relationship between the presence of women on boards and EVA.

2.7.2.4. The relationship of WOB and Tobin's Q

Data from studies show different ways in which women being on boards has influenced Tobin's Q. As identified by Hosny and Elgharbawy in a study of boards in the UK, overall gender diversity on boards positively impacted financial performance across sectors, implying that greater female representation increases a company's market value; however, when analyzing the gender diversity of only those executive directors serving on a board

(as opposed to all levels), a negative impact on market performance was found. Contrasting this country-specific finding, Singh et al. also performed a study in India using only IT sector public companies but found that there was no statistically significant relationship between gender diversity on boards and company-level Tobin's Q and therefore concluded that gender diversity likely does not provide much improvement to financial performance (using Tobin's Q).

2.7.3. The role of WOB as a moderator factor on the relationship between CSRD and FP

Research has shown that Women on Boards (WOB) play an important role in moderating the relationship between Corporate Social Responsibility Disclosure (CSRD) and Financial Performance (FP). As Kahloul et al. (2022) states, Gender Diversity on a Corporate Board enhances the positive impact of CSR Reporting on FP by providing a reinforcing presence of Women. Similarly, Awwad et al. (2023) found that Women's Representation on a Corporate Board positively influences FP and CSRD. Therefore, Gender Diversity on Boards serves to reinforce the link between CSRD and FP, particularly where there are supportive policies for Women's participation in Corporate Governance.

2.8. Contribution of this study

This research furthers the work of several studies by exploring an area of CSRD and FP using the first EVA measurement. It also seeks to resolve the diverse literature regarding the relationship of CSRD and EPS as reported by many previous authors. It investigates for the first time the relationship between WOB and EVA, and again considers WOB's relationship with the firm value as measured by Tobin's Q because findings in previous studies are inconsistent on this topic. Lastly, it considers how WOB influences the relationship between CSRD and FP and how this has not been addressed in earlier studies.

Chapter Three :Research Methodology

3.1. Introduction

This chapter presents the applied research methodology to examine the moderating role of the presence of Women on the Boards of directors in the relationship between CSR Disclosure (CSR D) and Firm Performance (FP). This research will use only numerical means to explore just how much corporate social responsibility disclosures can have an effect on firm performance. This chapter will discuss why this research will only be using a quantitative method and will provide details on how the research was conducted including: Research participants; sources of data; method for collecting and analyzing data; measuring instruments; and the process for developing an appropriate statistical model.

3.2. Population and Sample

Utilizing a longitudinal database, a sample was drawn from an original total of 48 participating firms on PEX 2023 with both financial and non-financial companies involved. Among those, 15 have been sampled for the purposes of conducting a study analyzing financial institutions included in either the banking or insurance industry. The banking and insurance sector listed on the Palestine Exchange was chosen because of its economic importance and its strict oversight by the Palestinian Monetary Authority, which promotes transparency and disclosure, increases data reliability, reduces information asymmetry, and makes studying the impact of disclosure on company performance more accurate and clear.

The research sample was determined using the following criteria for each of the financial firms: listed on the PEX during the sample period of (2017 – 2023), provide audited financial data available on the PEX website over the same period (2017 – 2023), and their shares were traded over the sample period (2017 – 2023). From these criteria, we identified our initial population of participating financial firms; however, because Safa Bank and Tamkeen Insurance Company did not meet all three criteria, we did not include these firms in the study. Therefore, the final research sample comprised 13 financial

institutions analyzed for a period of seven years between 2017 and 2023, giving a total sample size of 91 firm-year observations (13 firm/year × 7 years)

Table (3.1)
Summarize the sample composition.

#	Company Name	Ticker	Sector	Included in Study Sample
1	Arab Islamic Bank	AIB	Banking	Yes
2	Bank of Palestine	BOP	Banking	Yes
3	Palestine Islamic Bank	ISBK	Banking	Yes
4	Palestine Investment Bank	PIBC	Banking	Yes
5	Quds Bank	QUDS	Banking	Yes
6	Safa Bank	SAFABANK	Banking	No (Excluded)
7	The National Bank	TNB	Banking	Yes
8	Al-Ahlia Insurance Group	AIG	Insurance	Yes
9	Global United Insurance	GUI	Insurance	Yes
10	Al Mashreq Insurance Company	MIC	Insurance	Yes
11	National Insurance Company	NIC	Insurance	Yes
12	Palestine Insurance Company	PICO	Insurance	Yes
13	Palestinian Takaful Insurance	TIC	Insurance	Yes
14	Tamkeen Palestinian Insurance	TPIC	Insurance	No (Excluded)
15	Trust International Insurance	TEUST	Insurance	Yes

3.3. Data Collection

The research made use of secondary sources as the primary method of data collection. The foremost focus of this piece of research included the use of annually published financial records by companies listed on the Palestine Exchange (PEX) for the period of 2017 until 2023. Various sources of information were used to ensure accurate and complete technical data. These sources included: DataStream database, financial

statements, board reports, annual reports, and guides to all publicly traded companies. The researcher used the website of the Palestine Exchange to obtain data concerning various financial and managerial aspects related to their research study.

3.4. Measurement of the Variables

3.4.1. Independent Variables – CSR

To assist in determining Corporate Social Responsibility Disclosure (CSR) by corporations on the Palestine Exchange, a comprehensive checklist was created that included (4) types of disclosures: environmental, employment, community, and customer. Using content analysis, data was obtained from each corporation's annual report (10) certain areas of disclosures were counted and assigned (1) point if the item was disclosed and (0) point if the item was not disclosed. The total number of points can be calculated as the total number of disclosed items within the report for each corporation. Therefore, the overall Corporate Social Responsibility Disclosure Index (ICSRD) could be calculated as the total amount of disclosed items divided by the total checklist items to find the percentage of CSR for each corporation for each year of the time frame for this study. The final ICSRD would be calculated as follows:

$$ICSRD = \sum_{j=1}^e e_j/e$$

Whereas:

ICSRD= Index of CSR

e_j = Analysis of attributes (1 if a disclosure item is identified, 0 otherwise).

e = Maximum number of items a company can disclose (20).

Table (3.2)

Component of Corporate Social Responsibility Disclosure Index for Banks and Insurance Firms.

Social Responsibility Disclosure Index		
Environmental Responsibility Disclosure		Weight 25%
Item	description	Mark out of 5 for each item
1	Disclosure of energy and water consumption and reduction of waste	
2	Recycling policies and reduction of paper pollution	
3	Support for renewable energy projects or green financing	
4	Implementing environmental standards in branches and buildings	
5	Participating in environmental awareness campaigns	
Disclosure of responsibility towards employees		Weight 25%
Item	Description	Mark out of 5 for each item
1	Providing a safe and healthy work environment	
2	Equality and non-discrimination policies	
3	Training and professional development opportunities	
4	Compliance with labor and social security laws	
5	Supporting work-life balance	
Disclosure of responsibility towards society		Weight 25%
Item	Description	Mark out of 5 for each item
1	Participating in supporting education and health	
2	Donations to community organizations	
3	Supporting volunteer initiatives	
4	Financing small and medium-sized enterprises	
5	Promoting financial inclusion for marginalized groups	

Table (3.2)

Component of Corporate Social Responsibility Disclosure Index for Banks and Insurance Firms (Continued).

Social Responsibility Disclosure Index		
Disclosure of Responsibility to Customers		Weight 25%
Item	Description	Mark out of 5 for each item
1	Providing fair and transparent financial services	
2	Clearly disclosing fees and benefits	
3	Providing services for people with special needs	
4	Protecting the privacy of customer information	
5	Effectively handling customer complaints	

Source: Shehada et al., 2024; Al Frijat et al., 2024; Sudiyatno et al., 2024; Alia & Barham, 2020; Alia & Mardawi, 2021.

3.4.2. Moderating Variables – WOB

According to Khatib and Nour (2021), Woman on Board (WOB) refers to women's representation on corporate boards. The percentage of female directors on the board (female board members divided by total board members) has been calculated in this research. Furthermore, the definition and calculation agreed with the definition and calculation of women on board (WOB) as outlined in previous research conducted by Khatib and Nour (2021), Jabari and Muhamad (2021), Dwaikat et al. (2021), Soare et al. (2022), and others who have researched the effect of Corporate Governance on CSR.

3.4.3. Dependent Variables – FP

Prior research has provided substantial literature that has studied financial performance using numerous measures such as: Return on Assets (ROA), Return on Equity (ROE), Earnings Per Share (EPS), Tobin's q (TQ), market-to-book value ratio (MV/BV), revenue growth, and employee productivity (Hashem & Al-Khalieh, 2021).

This study will use financial performance measures from four common traditional performance indicators of financial performance which include: EPS, ROE, TQ and EVA; these were selected as they provide a comprehensive assessment of profitability,

efficiency and market value of the banks and insurance companies listed on the PEX. The Table 3.3 below provides details related to measurement, of the variables for this study.

Table (3.3)
description of the Measurement of Dependent variables.

Variables	Abbreviation	Measurement	Reference
Return on equity	ROE	net income divided by equity.	(Lin et al., 2020; Shehada et al., 2024; Alawi, 2024; Al Frijat et al., 2024)
Tobin`s Q	Tobin`s Q	dividing the market value of a company by the replacement cost of its assets	(de Oliveira & Basso, 2024).
Earnings Per Share	EPS	the net income after deducting the preference dividend divided by the company's outstanding shares	(Kaur & Dave, 2021; Al Frijat et al., 2024)
Economic Value Added	EVA	is the balance of the after-tax net operating profit of central enterprises minus the cost of capital	(Li, 2023).

3.4.4. Control Variables

To address the likelihood of external influences affecting the findings, and relying upon a comprehensive assessment of existing research, the study handles different variables as indicated in table (3.4).

Table (3.4)

description of the Measurement of control variables.

Variables	Abbreviation	Measurement	Reference
Leverage	Lev	The ratio of total liabilities to total assets	(Alia & Mardawi, 2021)
Firm Size	FS	The natural log of total assets	(Alia & Mardawi, 2021)
Financial Entity Type	FET	as a dummy variable, coded 0 for banks and 1 for insurance companies.	(EFMA Conference Paper, 2023).

3.5. Study models

Main Model: The effect of moderating factor of WOB on the relationship between CSR and FP.

$$FP_{it} = \beta_0 + \beta_1 CSR_{it} + \beta_2 WOB_{it} + \beta_3 CSR_{it} * WOB_{it} + \beta_4 FS_{it} + \beta_5 Lev_{it} + \beta_6 FET_{it} + \epsilon_{it} \text{ -- Model 1}$$

Whereas: -

FP = Firm Performance measured by (ROE, EPS, Tobin's Q and EVA).

CSR = Corporate Social Responsibility Disclosure

WOB = Woman on Board of director.

FS = Firm Size.

Lev = Leverage.

FET = Financial Entity Type.

β = Model coefficients.

ϵ_{it} = error for firm i , for year t

Sub-models

Direct relationship H1a: The impact of CSRD on FP.

$$FFP_{it} = \beta_0 + \beta_1 CSRD_{it} + \beta_2 FS_{it} + \beta_3 Lev_{it} + \beta_4 FET_{it} + \epsilon_{it} \text{ -- Model 1a}$$

Whereas: -

FFP = Firm Performance measured by (ROE, EPS, TQ and EVA).

CSRD = Corporate Social Responsibility Disclosure

FS = Firm Size.

Lev = Leverage.

FET = Financial Entity Type.

β = Model coefficients.

ϵ_{it} = error for firm i , for year t

Direct relationship H1b: The impact of WOB on FP.

$$FFP_{it} = \beta_0 + \beta_1 WOB_{it} + \beta_2 FS_{it} + \beta_3 Lev_{it} + \beta_4 FET_{it} + \epsilon_{it} \text{ -- Model 1b}$$

Whereas: -

FFP = Firm Performance measured by (ROE, EPS, Tobin's Q and EVA).

WOB = Woman on Board of director.

FS = Firm Size.

Lev = Leverage.

FET = Financial Entity Type.

β = Model coefficients.

ϵ_{it} = error for firm i, for year t

Moderating relationship H1c: The presence of WOB moderates the relationship between CSRD and FP.

FFP $it = \beta_0 + \beta_1$ CSRD $it + \beta_2$ CSRD * WOB $it + \beta_3$ FS $it + \beta_4$ Lev $it + \beta_5$ FET $it + \epsilon_{it}$ - - Model 1c

Whereas: -

FFP = Firm Performance measured by (ROE, EPS, TQ and EVA).

CSRD = Corporate Social Responsibility Disclosure

WOB = Woman on Board of director.

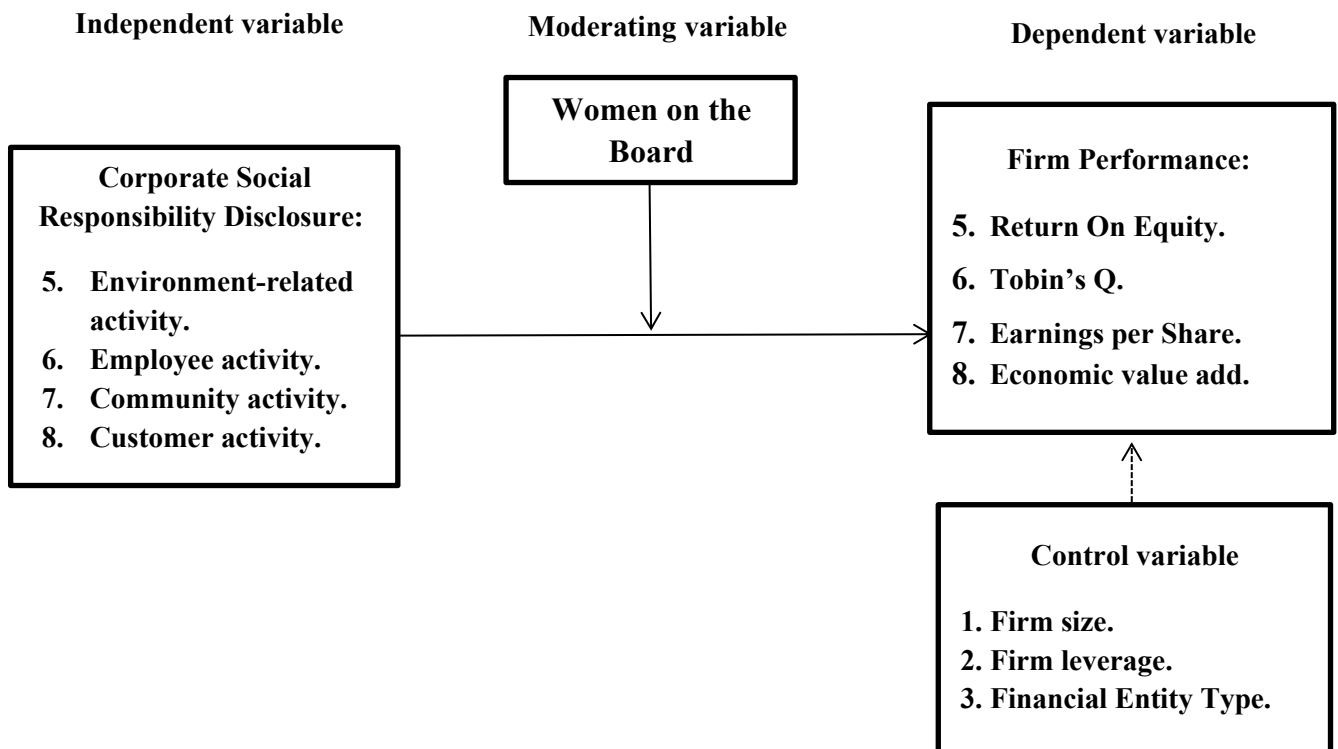
FS = Firm Size.

Lev = Leverage.

FET = Financial Entity Type.

β = Model coefficients.

ϵ_{it} = error for firm i, for year t



Source: The author according to the literature review

3.6 Statistic Measurement

This study will employ the following statistical techniques:

1. Descriptive Statistics: we will present a number of statistical measures, such as the mean, maximum, and minimum values for every variable, through this process. These metrics provide a summary of the data's properties.
2. Correlation matrix (Pearson Correlation Coefficient): this method helps in determining the degree of association between variables, and allows us to evaluate the strength of the relationships between variables. It shows the relationship between variables in terms of direction (positive or negative) and strength (from 0 to ± 1), where proximity to ± 1 indicates a strong relationship.
3. Panel Data Regression – Fixed Effects Model with Driscoll-Cray Standardized Errors: to test the study hypotheses, panel data regression using a fixed effects model was employed. Robust Driscoll-Cray standardized errors were used to correct for variance, serial correlation, and cross-sectional dependency, providing more reliable statistical inference.

4. Hausman Test: this test determines the appropriate choice for multiple linear regression analysis, so that the random effects model or the fixed effects model will be chosen, based on the probability value or level of significance (probability) of (Chi-Square). If its value is less than 5%, the fixed effects model is used, and if it is greater than 5%, the random effects model is used.
5. Mediation Analysis (Interaction Limit): to investigate the impact of women's presence on boards of directors on the relationship between corporate social responsibility (CSR) disclosure and financial performance, the interaction limit (CSR disclosure \times women's presence on boards) was incorporated into the regression models.
6. Rigidity Validation – System GMM Estimation: as a robustness validation, a dynamic system GMM (Arellano-Bover/Blondell-Bond) was applied to address potential interference, reverse causation, and dynamic effects on financial performance measures.

Chapter Four: Hypothesis Testing and Results

4.1. Introduction

This chapter presents the analysis and interpretation of statistical results for a study investigating the relationship between **Corporate Social Responsibility Disclosure (CSR)** and **Firm Performance (FP)** among companies listed on the Palestinian Exchange. A key focus of the study is the **moderating role of Women on the Board of Directors (WOB)** in this relationship. The analysis employs Fixed-Effects (FE) regression with Driscoll-Kraay standard errors to address potential issues of heteroscedasticity, autocorrelation, and cross-sectional dependence in panel data.

4.2. Preliminary Analysis

4.2.1. Descriptive statistics

Data was screened for outliers using box plots, and no outliers were detected. Descriptive statistics for the study variables are presented in table (4.1).

Table (4.1)

Descriptive statistics for study variables

Variable	Obs	Mean	Std. Dev.	Min	Max
CSR	91	0.56	0.17	0.25	0.85
WOB	91	0.09	0.12	0.00	0.45
ROE	91	0.09	0.07	-0.15	0.29
EPS	91	1.81	1.52	-0.20	6.29
TOBINSQ	91	0.91	0.25	0.43	1.52
EVA	91	7500940	12400000	-6026069	66100000
FS	91	8.51	0.70	7.58	9.85
LEV	91	0.70	0.18	0.32	0.93
FET	91	0.54	0.50	0.00	1.00

Palestinian banks and insurance companies report an average of 56% of corporate social responsibility (CSR), which indicates a relatively moderate – but growing commitment relative to other comparable geographical areas and international levels, although there are economic and regulatory challenges that the Palestinian economy

experiences that impact companies operating in that economic environment. Female representation on boards continues to be average (9%), demonstrating gender-diversity gaps that were also documented in prior studies. However, there is a consensus among various scholars on the importance of having diverse boards as a means of improving CSR and transparency in corporate governance. The average ROE (return on equity) is 9% and EPS (earnings per share) is 1.81, which analysts believe is healthy given the persisting political and economic uncertainty associated with the region's continuing conflicts. However, the average TQ (Tangible Book Value per share) of less than one shows that these companies remain undervalued in the financial markets, and this is partly due to the level of risk and operating constraints associated with conducting business in Palestine. In light of these financial results, the average EVA (economic value added), combined with the average leverage ratio of 70%, demonstrate both value creation and reliance on the amount of debt, which is typical of the financial markets within the region. Therefore, the results also support the need to promote diversity on boards, strengthen the disclosure obligations of companies, and help develop trust among stakeholders within the Palestinian financial sector as a means to improve performance, increase resilience, and enhance transparency, as recommended by academic theory and recent research studies.

Table (4.2)
Correlation Matrix

CSR	WOB	ROE	EPS	TOBINSQ	EVA	FS	LEV	FET
CSR	1							
WOB	0.5769*	1						
ROE	-0.1107	-0.1171	1					
EPS	-0.2225*	-0.0952	0.8574*	1				
TOBINSQ	-0.4093*	-0.0144	-0.2053	0.0428	1			
EVA	0.3508*	0.6170*	0.2009	0.1324	-0.0066	1		
FS	0.5495*	0.5284*	0.0608	0.2783*	0.2814*	0.6616*	1	
LEV	-0.0624	0.2376*	-0.0215	-0.0437	0.6928*	0.2809*	0.1142	1
FET	-0.5281*	-0.3278*	0.092	0.3639*	0.3258*	-0.4989*	-0.9332*	-0.0693

From the correlation matrix, we can see many of the key relationships between variables of Palestinian financial institutions. Corporate social responsibility disclosures (CSR) have a statistically significant positive relationship with the presence of women on boards ($r = 0.5769$), economic value added (EVA; $r = 0.3508$), and firm size (FS; $r = 0.5495$). This indicates that companies with relatively high levels of women's representation on their boards, larger company sizes, and greater levels of value creation are likely to disclose more information related to CSR activities. These results are consistent with stakeholder theory and resource dependence theory which contend that firms that have diversity on their boards and are relatively well capitalized are often perceived as being more socially accountable. CSR also has a statistically significant negative relationship with TQ ($r = -0.4093$) and FET ($r = -0.5281$), which suggests that market valuation (TQ) and sectoral variation (banks vs. insurance companies) have a clear inverse impact on the amount of information disclosed related to CSR activities. In addition to these well-defined negative associations, the large positive correlation between WOB, FS, and EVA suggests that companies with gender-diverse boards tend to be larger companies that create more value compared to their peers. Furthermore, the significant negative correlation of firm size and FET ($r = -0.9332$) indicates that significant structural sectoral differences exist across banks and insurance companies. These relationships further elucidate how the interaction of diversity in governance, firm size, and profitability shape the CSR activities of Palestinian financial institutions' and ultimately their respective financial performance within the context of the Palestinian financial market which, despite its limitations, is changing and growing rapidly.

OLS assumptions test

The Ordinary Least Squares (OLS) assumptions were systematically tested to evaluate the model's adequacy and ensure the validity of statistical inference prior to applying the Fixed Effects Panel Regression Model.

Table (4.3):
OLS assumptions test results

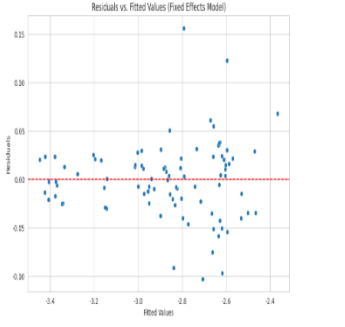
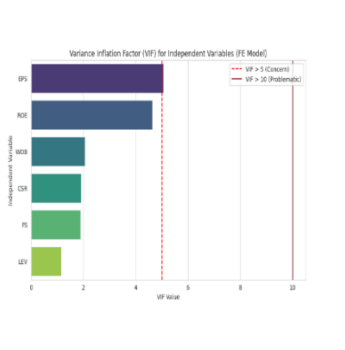
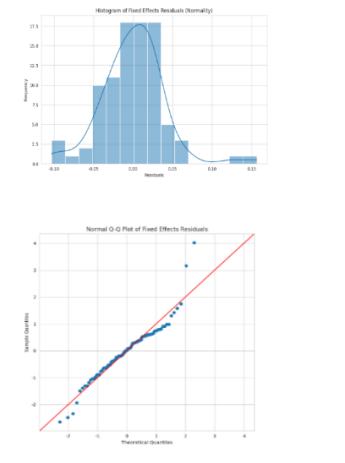
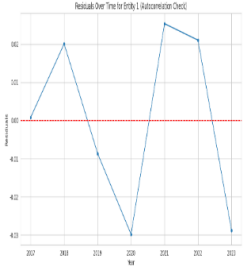
Assumption	Test/Visualization	Result	Interpretation
Linearity		Acceptable	The plot shows no obvious systematic pattern. The residuals are scattered randomly around the zero line, suggesting the linear specification is appropriate for the Fixed Effects model.
No Multicollinearity		Acceptable	After removing the absorbed variable FET, all VIF values are below the conservative threshold of 5, except for EPS (5.06), which is borderline but generally considered acceptable in a Fixed Effects context where VIF is less critical. The multicollinearity issue is significantly mitigated.
Normality of Residuals		Acceptable	The Q-Q plot shows the residuals lying much closer to the 45-degree line, and the histogram is closer to a bell shape. While perfect normality is rare in real-world data, the distribution is significantly improved and is acceptable for inference due to the large sample size and the use of robust standard errors.

Table (4.3):
OLS assumptions test results (continued)

Assumption	Test/Visualization	Result	Interpretation
<p>Homoscedasticity & No Autocorrelation</p>		<p>Corrected</p>	<p>The Fixed Effects model inherently controls for unobserved, time-invariant heterogeneity, and the use of Cluster Robust Standard Errors (CRSE) explicitly corrects the standard errors for any remaining issues of heteroscedasticity and autocorrelation. The residual plots (1_fe_residuals_vs_fitted.png and 4_fe_residuals_over_time.png) show a much more random pattern, confirming the effectiveness of the model choice.</p>

The Fixed Effects Panel Regression Model successfully addresses the severe OLS assumption violations. The resulting visualizations now reflect a statistically sound model, providing a reliable basis for inference.

All visualizations for the corrected model are attached for your review.

4.2.2. Primary regression analysis

To test the proposed hypotheses, a Fixed-Effects (FE) panel regression model with Driscoll-Kraay standard errors was employed. This estimator is robust to cross-sectional dependence, heteroscedasticity, and autocorrelation, making it suitable for our panel dataset. The analysis was conducted using four distinct models, one for each firm performance (FP) proxy. The results for the direct effects of Corporate Social Responsibility Disclosure (CSR) and Women on the Board (WOB), as well as their interaction term (CSR * WOB), are presented in Table 1.

Table (4.4)

Fixed-Effects Regression with Driscoll-Kraay Standard Errors

Dependent Variable	Independent Variable	Coefficient	t-statistic	P-value	R-squared
ROE	CSRD	-0.564	-3.49	0.013**	0.214
	WOB	-0.41	-0.92	0.395	
	CSRD * WOB	0.826	1.31	0.237	
EPS	CSRD	-1.011	-3.74	0.010**	0.189
	WOB	-0.977	-1.21	0.272	
	CSRD * WOB	2.007	1.78	0.125	
TOBINSQ	CSRD	0.272	7.13	0.000***	0.352
	WOB	0.512	6.21	0.001***	
	CSRD * WOB	-0.634	-6.47	0.001***	
ln_EVA	CSRD	-8.44	-1.03	0.345	0.095
	WOB	0.476	0.06	0.956	
	CSRD * WOB	7.711	0.43	0.684	

Note: All models include control variables for Firm Size (FS), Leverage (LEV), and Financial Entity Type (FET). * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

4.3. Testing hypotheses

In the following analysis the study will test the main hypotheses which was WOB strengthening the association between CSRD and FP, through the following sub hypotheses

4.3.1. H1a: There is a positive relationship between CSRD and FP.

Hypothesis H1a proposed that a higher level of Corporate Social Responsibility Disclosure would be associated with improved Firm Performance. To test this, a regression model utilizing fixed effects with Driscoll-Kraay standard errors was employed to ensure robustness against heteroscedasticity, autocorrelation, and cross-sectional dependence.

Table (4.5)

Test Summary of Hypothesis H1a: The relationship between CSR and FP.

FP Proxy	CSR Coefficient	P-value	Conclusion on H1a
ROE	-0.564	0.013**	Rejected
EPS	-1.011	0.010**	Rejected
TOBINSQ	0.272	0.000***	Supported
ln_EVA	-8.440	0.345	Rejected

*Note: *, **, *** denote significance at the 10%, 5%, and 1% levels, respectively. *

Summary of Results:

The results for H1a are mixed and highly dependent on the performance metric used.

ROE and EPS: A statistically significant negative relationship is observed between CSR and both Return on Equity (ROE) and Earnings per Share (EPS). For every unit increase in CSR, ROE decreases by 0.564 units and EPS decreases by 1.011 units, on average. Therefore, H1a is rejected for these accounting-based measures.

Tobin's Q: A statistically significant positive relationship is found. The coefficient of 0.272 indicates that increased CSR is associated with a higher market valuation relative to asset replacement cost. H1a is supported for this market-based measure.

EVA (ln_EVA): The relationship between CSR and Economic Value Added is negative but statistically insignificant (p-value 0.345). Thus, H1a is rejected for this value-based performance measure.

Discussion of Results and Integration with Prior Research

The mixed findings from H1a are not entirely unexpected and reflect the ongoing academic debate surrounding the CSR-FP link. The divergence in results based on the performance proxy underscores the multidimensional nature of both constructs and the influence of contextual factors.

1. The Negative and Significant Relationship with ROE and EPS

Multiple studies in poorly managed environments have shown a negative correlation between accounting-based measures (e.g., ROE; EPS) and CSR based on the following analyses. Some researchers have identified a detrimental link between CSR and accounting measures. For example, Sameer (2021) investigated the Maldives and identified that the costs associated with engaging in CSR had a negative influence on ROE and EPS. Similarly, Fahad and Busru (2021) examined India and concluded that the high initial costs of engaging in CSR negatively impacted the companies' financial performance. As stated in the Literature (Alia and Barham 2020; Saleh et al. 2021) regarding CSR in Palestine, there is a "lack of awareness of CSR", "a lack of government oversight and laws", and the majority of the CSR programs in Palestine have only been implemented as "charitable donations".

Agency Theory Perspective: From an agency theory perspective, the perception of the expenses incurred while providing CSR reports may be interpreted by investors as a distraction from the profit-maximising activities due. Chargeable costs associated with CSR are likely to artificially decrease short-term profitability (ROE, EPS). Managers may seek to create value for themselves through their CSR activities at the expense of the value received by shareholders and may be an example of agency costs.

Stakeholder Theory Limitation: The negative findings indicate that stakeholders in the Palestinian market (particularly those focused on short-term returns) may not have yet assigned a value to CSR as a means of achieving a short-term financial return. The expense to provide CSR programs and reports may exceed the available, minimal, reputational rewards of engaging in CSR in the Palestinian marketplace at this time.

2. The Positive and Significant Relationship with Tobin's Q

By contrast the strong positive association between Tobin's Q & CSR is also consistent with another body of literature. For example, Aziz & Haron's (2021) study from Malaysia. There is a very strong direct positive correlation between Tobin's Q & CSR. This suggests 2 things: Firstly, that investors consider Tobin's Q to be a forward-looking, market-based measure of the investor's expectations about the future growth potential and risks related to a company. Secondly, from the perspective of a signaling theory framework, the weak overall CSR culture means that companies that participate in

voluntary CSR sends a strong signal to the marketplace about their level of transparency, modernity and managerial excellence; thus, lowering the level of information asymmetry (Christensen et al, 2021). This increased level of transparency appears to be rewarded by investors in the form of a higher market valuation because investors believe the companies have lower long-term risk and potential for sustainable growth regardless of whether the company is currently producing profits.

In Palestine, where the business environment is complex, CSR can help achieve strategic legitimacy in the eyes of international investors & partners. Such enhanced reputation is directly incorporated into the market value of business; therefore explaining the positive relationship between TC & Tobin's Q, despite the negative impact on short term accounting profits.

3. The Insignificant Relationship with EVA

The insignificant finding for EVA addresses a specific gap in the prior research that was noted in this study, and was supported by the literature scan, in which none of the articles examined the relationship between CSR and EVA. The EVA measure reflects the "true" economic profit of the firm after measuring and accounting for the cost of all capital.

The Cost of Capital factor suggests there is a positive impact of CSR on the going concern value of the overall firm, as measured by Tobin's Q; however, CSR does not appear to be translating into increased levels of economic profit to the firm after accounting for the cost of capital, as represented by the EVA measure. It is noted that the expenses associated with CSR activities (i.e. negative effect on ROE) may be eliminating any potential benefits of the CSR activities (i.e. lower cost of capital, improved operational efficiency) thereby resulting in a net neutral effect on the EVA; therefore, it reinforces the need to move to value-based measures (such as EVA) to provide a more complete picture of the firm's value.

4.3.2. H1b: WOB is positively associated with FP.

The second hypothesis was H1b, which projected greater amounts of Women on the Board would result in better Firm Performance due to the various different viewpoints and enhanced oversight and improved decision making that come with gender diversity.

A fixed effects model with Driscoll-Kraay standard errors has also been used for this analysis in order to determine the existence of the direct relationship.

Table (4.6)

Test Summary of Hypothesis H1b: WOB is positively associated with FP

FP Proxy	WOB Coefficient	P-value	Conclusion on H1b
ROE	-0.410	0.395	Rejected
EPS	-0.977	0.272	Rejected
TOBINSQ	0.512	0.001***	Supported
ln_EVA	0.476	0.956	Rejected

Summary of Results

Findings from Hypothesis 1b (H1b) mirror very closely to findings from Hypothesis 1a (H1a); therefore, H1b clearly demonstrates a systematic pattern depending on the metrics utilized to evaluate performance.

When looking at return on equity (ROE) and earnings per share (EPS), the results indicate that there was a statistically insignificant negative relationship between the amount of women on boards (WOB) and both ROE and EPS; therefore, H1b is not supported for either ROE or EPS, which are considered accounting measures of generating profit.

When evaluating the Tobin's q (TQ), however, there is a positive statistical relationship with a coefficient of 0.512, which suggests that as the number of female board members increases, the market value of those companies will also increase significantly. Therefore, H1b is supported for TQ, which is a market measure of generating profit.

When evaluating economic value added (EVA) using the natural logarithm of EVA (ln_EVA), there is a positive but not statistically significant relationship with a very high p-value of 0.956; therefore, H1b is not supported for ln_EVA.

The discussion surrounding the findings of H1b offers a more refined narrative that challenges and supports existing literature related to gender diversity on boards with an emphasis on the Palestinian context.

1. The Insignificant Relationship with ROE and EPS

The absence of an important and positive connection among WOB (Women on Boards) along with short-term accounting metrics like ROE (return on equity) and EPS (earnings per share) supports past research which has shown similar results to date. For example, Saleh & Islam (2020) found no connection between WOB and ROE in Palestine, while Almarayeh (2023) examined Jordan and also didn't find any increase in EPS by having women on boards. Singh et al. (2022) studied companies in India's information technology (IT) sector and demonstrated that there was no correlation between board diversity (BD) and overall financial performance.

From an agency theory point of view, there are two possible reasons that can explain why there is no connection among WOB and short-term performance metrics (ROE/EPS). First, the benefit women create through the improved monitoring and reduction of unethical behaviour as directors (Muhammad et al., 2025) may not lead to an increase in profit due to constraints within the economy in which the firm operates. Second, the application of resource dependence theory would suggest that the networks and resources associated with BD in providing what is expected would be less effective in an economy with political and economic restrictions, including the situation in Palestine. Therefore, the barriers that firms face—i.e., movement restrictions, land disputes, and the overall increased impact caused by the Israeli-Palestinian conflict—will have a greater effect on a firm's short-term performance than any incremental improvements created through the governance stated as a benefit of BD.

2. The Positive and Significant Relationship with TQ

The relationship between TQ and WOB is a significant and positive relationship. This finding is consistent with research by Hosny & Elgharbawy (2022) which shows that gender diversity is positively related to performance in the UK based on market indicators. Thus, the findings provide the strongest evidence to date about how much value investors place on gender diverse boards.

The results strongly confirm the legitimacy of the signalling theory. Investors trading on the Palestine Exchange appear to view the presence of female directors as a signal that an organisation has better practices for governance and modern management and is committed to inclusivity. This adds to an organisation's legitimacy and reputation, which is captured in the organisation's market value. As noted in the literature, female directors "enhance transparency and facilitate effective and efficient decision making" (Muhammad et al., 2025), and thus the market rewards this reduction in perceived risk associated with female directors and the potential for long term sustainability of organisations even when current earnings are not directly impacted.

3. The Insignificant Relationship with EVA

This study fills a major gap in the literature by examining the WOB-EVA relationship. The findings show that the presence of WOB is not yet reflected in measurable improvements in firms' economic profit in Palestine, just as has been found with CSRD.

The gap between the TQ result and the EVA result is noteworthy because it indicates that while the market expects gender-diverse boards to create more value over time (and therefore have a higher TQ), they have not yet achieved such expected value in terms of real economic profit once the cost of all capital has been taken into account. As a result of the operational and strategic changes caused by the gender-diverse boards, it may take time (longer) for the EVA to show significant improvement, or the benefits will be of an intangible (e.g., better reputation, employee morale) and not entirely reflected by this financial measure over time.

4.3.3. H1c: WOB strengthen the relationship between CSRD and FP.

This research indicated that WOB positively moderate the relationship between CSRD and FP based on the theoretical assumption that boards with both genders enhance both the credibility and effectiveness of CSR through improved outcomes. A regression analysis incorporating an interaction term (CSRD * WOB) using fixed effects with Driscoll-Kraay standard errors was employed to determine the strength of support for these hypotheses.

Table (4.7)

Test Summary of Hypothesis H1/H1c : WOB strengthening the association between CSR and FP/ WOB strengthen the relationship between CSR and FP.

FP Proxy	CSR * WOB Coefficient	P-value	Conclusion on H1/H1c
ROE	0.826	0.237	Rejected
EPS	2.007	0.125	Rejected
TOBINSQ	-0.634	0.001***	Rejected (Significant, but negative)
ln_EVA	7.711	0.684	Rejected

Summary of Results

The interaction term (CSR * WOB) has a statistically insignificant relationship with Return on Equity (ROE), Earnings per Share (EPS), and Economic Value Added (EVA) Performance measures, which suggests that the presence of WOB does not substantially impact the relationship between CSR and each of these performance measures. Therefore, the hypotheses H1/H1c have been rejected for the three performance measures.

TQ also had a statistically significant interaction effect ($p < .01$); however, the coefficient was negative ($\beta = -0.634$). This contradicts our expectations of a positive interaction. WOB, according to these findings, significantly weakened the relationship between CSR and market value and, as such, both hypotheses H1/H1c have been rejected due to this factor alone.

The rejection of the primary hypothesis provides critical context for further investigation into prior studies in this area, as it provides a significant challenge to our theoretical and empirical understanding of how institutional context affects business performance.

1. The Insignificant Moderation on ROE, EPS, and EVA

Due to an absence of sufficient moderating effects for either accounting or value-based measures, CSR and WOB had little effect in compensating for any structural or economic obstacles facing the Palestinian economy. This finding is in contrast to the results of Kahloul, Barghouthi and Bhatti in France (2022) and Awwad et al. in Palestine (2023), who showed that WOB had an additive effect on WOB outcomes in respective settings.

Theoretical Re-evaluation: From a Stakeholder Theory (Yang, 2019; Ardito, 2020) perspective, this indicates that while female directors may possess different perspectives and ethical commitments, when there is not sufficient commitment to the primary stakeholders (such as consumers and suppliers) during periods of macroeconomic instability, the money spent on both CSR and pursuit of board diversity cannot be expected to generate immediate returns on expenses incurred through operational efficiencies or revenue growth.

2. The Significant but Negative Moderation on TQ

This is the most intriguing and counter-intuitive result. While both CSR and WOB individually had a strong, positive relationship with TQ (from H1a and H1b), their interaction is negative. This indicates a substitution effect rather than a complementary one from the market's viewpoint.

Skepticism Within the Market and "Over-Signaling" of Investor Perception in the Palestinian Market suggest that both CSR & WOB represent overlapping signals of "Modern Governance". When a Firm has already made significant commitments to CSR, the addition of a Gender Diverse Board does not lead to an additional "Positive" signal within the Market. On the contrary, the addition of a Gender-Diverse Board may actually result in skepticism by the Market in relation to the Firm having over-invested in "Non-Traditional" / "Soft" Governance initiatives at the expense of the Firm's Core Business Fundamentals. In essence, the Market is possibly questioning whether a Firm is over-focusing on social governance in an Economy, whereby Survival & Basic Profitability are the primary challenges faced by Companies.

Conclusion to Prior Studies – The elements mentioned above support the assumption that governance mechanisms have positive moderating influences on the relationship between governance mechanisms. Therefore, the relationship between governance mechanisms appears not to have a universal predictor/model but instead is contingent upon the market's developmental level and the market's associated expectations. The relationship between governance mechanisms may appear to be complementary in maturing markets; whereas in emerging markets or high-risk markets, such as in the Middle Eastern market, they may appear to be redundant or suggest a misalignment of strategic priority.

Robustness Check with System GMM

To address potential endogeneity and dynamic panel biases, a robustness check was conducted using the two-step System Generalized Method of Moments (GMM) estimator. The results are presented in Table (4.8)

Table (4.8)

Robustness Check: System GMM Estimation

Dependent Variable	Independent Variable	Coefficient	z-statistic	P-value
ROE	CSRD	-0.4	-2.19	0.028**
	WOB	-0.157	-0.59	0.558
	CSRD * WOB	0.366	0.91	0.365
EPS	CSRD	-0.719	-1.82	0.068*
	WOB	-0.133	-0.12	0.901
	CSRD * WOB	0.631	0.53	0.598
TOBINSQ	CSRD	-0.138	-0.53	0.595
	WOB	0.846	1.35	0.177
	CSRD * WOB	-0.558	-0.79	0.427
ln_EVA	CSRD	-5.606	-1.29	0.197
	WOB	2.699	0.23	0.816
	CSRD * WOB	11.289	0.81	0.418

Note: * $p < 0.10$, ** $p < 0.05$.

The System GMM results provide mixed support for the primary findings:

* There is still a negative association between Corporate Social Responsibility Disclosure (CSR) and accounting performance, specifically ROE ($\beta = -0.400$, $p < 0.05$) and EPS ($\beta = -0.719$, $p < 0.10$). Therefore, the relationship between CSR and accounting performance is robustly negative.

* For TQ in the primary Fixed Effects (FE) model, both the positive direct effects of CSR/WOB and their significant negative interaction become statistically insignificant in the System Generalized Methods of Moments (GMM) model. Thus, it appears that the earlier identified relationships with respect to market-based performance (e.g., TQ) may not be robust but rather reflective of endogeneity or dynamic misspecification.

4.4. Discussion

This research aims to better understand the relationship between Corporate Social Responsibility Disclosure (CSR), gender diversity on boards and corporate financial performance in the specific context of the Palestine Exchange. There are many ways to measure these relationships; however, research shows that one of the strongest measures of corporate performance is profitability as measured by return on equity (ROE). Across all methods of analysis, the strong negative association between CSR and ROE supports the argument that CSR represents a cost to companies in developing countries where there may not be significant stakeholder pressure or demand for CSR-related activities and expenditures are considered to be a loss of available immediate financial capital.

Limited support exists for the proposed positive direct and moderating effects of female board members. While the primary fixed effects (FE) model suggested that both women on boards (WOB) and corporate social responsibility disclosure (CSR) have a positive impact on market valuation individually, these results were not as strong when using the more stringent system generalized method of moments (GMM) estimation technique. The one statistically significant moderating effect found was negative, thus not supporting the theoretical expectations. This indicates that the market's valuation of CSR initiatives may be more complicated than simply requiring greater board gender diversity, and therefore will vary based on the specific governance and institutional context within which they occur.

In summary, these results emphasize that we should not presume the generalizability of the performance implications associated with CSR initiatives and the characteristics of governance. For instance, the proposed notion that engaging in CSR will positively influence the Palestinian Firms' market strategy may impose a tradeoff between improving a company's market perception relative to its short-term accounting returns; that board gender diversity is not a variable that has been proven to have a definitive impact upon the degree in which CSR positively affects market perception. Thus, additional future research is needed to assist in identifying the specific linkage of costs and benefits associated with CSR and governance factors; further analysis may wish to explore the influence of national culture and/or institutional quality upon the relationships discussed.

Chapter Five :Discussion and Conclusion

5.1. Introduction

The purpose of this chapter is to identify and relate the importance of the findings of this study to what is presently known, thereby completing the original purpose of the study, which was to determine if the presence of women on boards of directors impacts or modifies the relationship between corporate social responsibility disclosure (CSR) and firm performance (FP) in the Private Equity (PE) industry. The outcomes of this (4) Chapter will be assessed in terms of both theoretical and practical implications; limitations; and a summary and recommendations for further studies.

5.2. Synthesis of Key Findings

The empirical results of this study are mixed, highlighting the complex and context-dependent nature of the relationships between CSR, WOB, and FP, particularly within the unique socio-economic and institutional environment of Palestine. The findings are synthesized below in relation to the three sub-hypotheses.

5.2.1. The Direct Effect of CSR on Firm Performance (H1a)

The findings for the hypothesis H1a, “There is a positive relationship between CSR and FP” are inconclusive; there is mixed evidence regarding a positive correlation between CSR and firm performance among the performance proxies. Under the accounting measure cases, both ROE and EPS show statistically significant negative correlations with CSR leading to rejection of H1a. Under the market measure case, TQ shows a statistically significant positive correlation with CSR supporting H1a. Under the value-based measure case, ln EVA shows no statistically significant correlation with CSR again leading to a rejection of H1a.

The negative relationship between short-term accounting measures (ROE, earnings per share, etc.) and the Agency Theory perspective in settings that have poorly established governance (weak) and/or low regulatory pressures (low) is well supported by the literature on Palestine. As noted in the literature, many CSR initiatives in Palestine are viewed as high-cost, non-mandatory activities, and therefore, take valuable resources away from core profit-generating activities. As such, it may appear

that the short-term implementation and/or disclosure costs of CSR exceed any short-term financial benefits (resulting in current profitability diminished). There is similar evidence of this from other difficult institutional settings (e.g., Sameer, 2021; Fahad & Busru, 2021).

In contrast, the key distinction in this study is between TQ and the firm-level proxy for CSRD. The significance of this distinction can be assessed via an analytical parallel to Signalling Theory. Those firms that choose to engage in CSRD appear to be sending a positive signal to the market indicating that they are behaving transparently, managing quality effectively, and have a long-term plan. Because of the significant amount of information asymmetry and political uncertainty present in today's business environment, investors appear to reward this positive signal with higher valuations because they feel they are assuming lower long term risks and greater potential for sustainable growth through investment. Consequently, it can be concluded that CSRD is serving as a strategic mechanism for providing justification and attracting capital to a firm, even if it may slow the creation of accounting profits at least temporarily.

The insignificant EVA result confirms the complexity, indicating that CSRD is recognized by the market but the costs of adopting CSRD have completely absorbed any potential value; thus resulting in no net impact to the true economic profit after the cost of capital has been accounted for.

5.2.2. The Direct Effect of Women on the Board on Firm Performance (H1b)

H1B results indicate that WOB correlates positively with FP and that the two entities were found to be related in a mixed manner in terms of women's seats on boards and firm performance, based upon differing measures of performance. In cases where ROE and EPS were used as accounting metrics for firm performance, the relationships were not significantly correlated leading to rejection of the hypothesis that WOB was significantly associated with FP. However, the TQ measure of value-based performance produced a positive significant relationship resulting in acceptance of the hypothesis that WOB was positively associated with FP. The ln EVA indicator of market performance also produced an insignificant relationship resulting once again in the rejection of the hypothesis that WOB had a positive impact on FP.

The lack of statistically significant positive association found between WOB and short-term accounting performance (ROE, EPS) is consistent with similar studies conducted in other developing countries (Saleh & Islam, 2020). Further, the Resource Dependence Theory posits that while female members of boards of directors provide valuable resources, knowledge and differing perspectives, their ability to contribute immediately to profit increases is mitigated by the prevailing political and economic restrictions in existence in Palestine.

But the substantial positive impact of female representation on corporate governance indicates strong support for the Resource Dependence Theory, as well as the Signaling Theory. Female directors provide a signal to stakeholders that the organization is committed to adopting new approaches to corporate governance, including greater diversity and improved monitoring. The market values this signal highly because it views boards with a higher representation of women as being better at making strategic decisions and more proficient in meeting the demands of numerous stakeholders; thus, increasing the company's market value.

5.2.3. The Moderating Effect of Women on the Board (H1c)

The results for H1c: “**WOB strengthens the association between CSRD and FP**”, showed mixed evidence about whether women on the boards strengthen the association between CSRD and firm performance, because the interaction effect changed across performance measures. When accounting indicators such as ROE and EPS were used, the moderating effect was statistically insignificant, which led to rejecting the hypothesis. When market performance was measured through TQ, the interaction term showed a statistically significant negative moderating effect, which supported the hypothesis. When value-based performance was assessed using ln EVA, the moderating effect was statistically insignificant, which again led to rejecting the hypothesis.

The rejection of the moderating hypothesis for accounting-based and value-based measures suggests that the presence of women on the board does not significantly alter the immediate, short-term financial impact of CSRD. The costs associated with CSRD remain a dominant factor in the short-term profitability equation, regardless of board composition.

The most counter-intuitive and theoretically rich finding is the **significant negative moderating effect on TQ**. This result contradicts the initial hypothesis and challenges the conventional wisdom that WOB uniformly enhances the benefits of CSR.

This finding can be interpreted through a nuanced application of **Agency Theory** and the specific context of the PEX:

1. **Increased Scrutiny and Higher Expectations:** A strong positive signal (according to H1a) for CSR will be enhanced with the presence of WOB and possibly shift market expectations higher. A proportionally higher expectation for a gender-diverse board can lead to a greater expectation from market participants that the board has the ability and ethical obligation to implement substantive CSR, not just symbolic disclosures. If market participants perceive that firms with a WOB-led board have not matched CSR with substantively equivalent activities, then the initial positive signal will be diminished. The market may also be punishing the perceived gap between the high-level signal (WOB + CSR) compared to the perceived substantive implementation of CSR under conditions of constraint.

2. **"Tokenism" and Board Effectiveness:** With 9.5% being such a low level of average WOB representation it is likely that the marketplace could perceive that there are only a few women being represented at this level as representative of "tokenism." When these token female directors continue to promote costly CSR activities that do not provide immediate profit, the marketplace may interpret this as a conflict on the board or as an ineffective allocation of resources. As such, this will directly effect the relative market value of such an organisation compared to an entity with high levels of CSR but a less examined traditional board structure.

3. **Contextual Constraint:** Due to Palestine's singularly high levels of political and economic uncertainty, the WOB -enhanced CSR strategy will likely never achieve its maximum strategic potential in full. There is a good chance that the market will continue to apply an excessive discount to the long term value of WOB-enhanced CSR strategies because, of that continued high level of volatility, they are very uncertain as to whether or not that strategy can be successfully implemented.

It can be said that the moderating factor is not a strengthening factor, but rather a complex interaction. Both CSRD and WOB are independently rewarded by the market (as demonstrated by their TQ ratings), but in combination this forms a complex relationship, where there may be an added penalty imposed by the market if there is perceived underperformance or insufficient action taken behind the disclosure of either element.

5.3. Contribution and recommendations

Theoretical Contribution

This study makes several significant theoretical contributions:

- 1. Contextualizing CSRD and WOB in Developing Economies:** Through the use of variables most recently developed in the Corporate Governance Research Institute (CGRI) framework, the study provides rare empirical evidence from one of the least studied regions on earth: The Middle East. The study also identifies that the weaknesses in the institutional context, coupled with significant degrees of political instability, and the relatively new development of a cultural orientation toward Corporate Social Responsibility (CSR) can greatly affect the relationships previously established in developed market economies.
- 2. Nuanced View of Performance Metrics:** The study highlights how essential it is to use various performance proxies. The discrepancy between accounting (negative), market (positive), and value-added (not significant) measures reveals the varied level of impact CSRD and WOB have on organisations. Therefore, it is important that researchers expand their analyses beyond just one type of measurement to consider the total breadth of the impact corporate governance and social responsibility have on companies.
- 3. Challenging the Positive Moderation Paradigm:** The discovery of a significant negative moderating effect of Globalization of Board of Directors on the Relationship between Corporate Social Responsibility Disclosures and Total Quality Management is a new and innovative addition to the field. It contradicts the simplistic view that increased diversity on a board will result in a greater benefit from corporate social responsibility disclosures. Instead, it shows a more complex dynamic where Globalization of Board of Directors may create a greater level of scrutiny from the

marketplace when social responsibility disclosures are not supported by apparent substantive action and therefore lead to a penalty to be applied against the stock of the company when the stock is not supported by apparent substantive action. This adds to the Body of Knowledge regarding Agency Theory in a non-western culture context.

Practical and Policy Implications

This research has implications for several groups: (1) managers, (2) regulators, and (3) investors doing businesses in Palestine. Managers will need to think of the CSR directive as a mechanism to create greater market value, or higher levels of transparency seen by the market, but at the expense of profits in the short-term. In turn, to utilize market-gains from improved transparency and convert these into operational performance, firms will need to fully integrate CSR values into their day-to-day strategy. Regulators at the PEX can use the positive effects of women on the boards and CSRD on TQ as economic justification to introduce board gender quotas and unified CSR reporting rules that strengthen market signals and reduce the negative moderating effect observed in the models. Investors should evaluate firms with a long-term lens because the positive market reaction indicates future value potential, yet they should also assess the substance of CSR practices, since the negative interaction effect signals investor sensitivity to weak or symbolic CSR activity when women serve on boards.

5.4. Limitations

While this study provides robust and novel insights, it is subject to several limitations that should be considered when interpreting the results:

1. **Geographical and Sectoral Scope:** The study is limited to banks and insurance firms listed on the PEX. The findings may not be generalizable to other sectors (e.g., industrial, services) or to other developing economies with different institutional and cultural contexts.
2. **Measurement of Variables:** The study measures CSRD through a disclosure index that captures the amount of information disclosed rather than the quality or substance of the activities, which limits how the negative moderating effect can be interpreted. Women

on the boards are measured using a dummy variable or the percentage of female directors, a method that does not reflect their actual influence, expertise, or committee roles.

3. Endogeneity and Causality: While the Fixed-Effects model addresses unobserved firm-specific heterogeneity, the possibility of reverse causality (i.e., high-performing firms are more likely to appoint women and disclose CSR) cannot be entirely ruled out.

5.5. Summary and Conclusion

This study examined how CSRD, women on the boards, and firm performance interact in the Palestinian Exchange and found that the market rewards transparency and board diversity with higher valuation through TQ but penalizes these practices in the short term through lower ROE and EPS. The main hypothesis was rejected because women on the boards did not strengthen the relationship between CSRD and performance; instead, they produced a negative moderating effect on market value, which indicates that high disclosure combined with female board presence increases market scrutiny and can lead to a discount when governance signals do not match substantive CSR outcomes. The study concludes that firms in Palestine need to move from symbolic disclosure and board diversity to deeper integration of social responsibility and gender equality into business strategy to achieve consistent financial gains.

5.5.1. Recommendations for Future Research

Based on the findings and limitations, future research should:

- 1. Investigate Substantive CSR:** Future studies should develop and use a measure of *substantive* CSR performance (e.g., actual social investment, environmental impact) rather than just disclosure to re-examine the moderating effect of WOB.
- 2. Explore Qualitative Factors of WOB:** Research should qualitatively or quantitatively assess the *influence* and *role* of female directors (e.g., committee membership, independence) to determine if these factors, rather than mere presence, drive the moderating effect.
- 3. Expand Scope:** The study should be replicated across other sectors and other developing economies in the MENA region to test the generalizability of the negative moderating effect.

- 4. Address Endogeneity:** Employ advanced econometric techniques, such as Generalized Method of Moments (GMM), to more robustly address potential endogeneity issues and establish a clearer causal link.

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الدور المعتدل للمرأة في مجلس الإدارة على تأثير الإفصاح عن المسؤولية الاجتماعية للشركات على أدائها: أدلة من بورصة فلسطين.

أسيل جمال علي خلف

أسماء لجنة الإشراف:

د. كامل أبو كويك

د. ياسر شاهين

د. شريف أبو كرش

ملخص

هدفت هذه الدراسة إلى فحص الدور المعدّل لوجود النساء في مجالس الإدارة (WOB) في العلاقة بين الإفصاح عن المسؤولية الاجتماعية للشركات (CSR) والأداء المالي للشركات (FP) المدرجة في بورصة فلسطين (PEX)، وذلك في ظل انخفاض مستوى الإفصاح الاجتماعي ومحدودية تمثيل النساء في مجالس الإدارة. تكوّن مجتمع الدراسة من 48 شركة مدرجة في بورصة فلسطين، تم اختيار عينة قصدية مكوّنة من 13 شركة مالية منها، وذلك استنادًا إلى توافر البيانات وملاءمتها لأهداف الدراسة. واعتمدت الدراسة المنهج الكمي باستخدام بيانات بانل مستخرجة من التقارير السنوية للشركات محل الدراسة خلال الفترة 2017-2023.

تم قياس الإفصاح عن المسؤولية الاجتماعية للشركات (CSR) باستخدام مؤشر يشمل أبعاد البيئة، والموظفين، والمجتمع، والعملاء، في حين تم قياس الأداء المالي باستخدام مؤشرات العائد على حقوق الملكية (ROE)، وربحية السهم (EPS)، والقيمة الاقتصادية المضافة (EVA)، ونسبة توبن (Tobin's Q). كما تم قياس وجود النساء في مجالس الإدارة بنسبة تمثيل الإناث في المجلس. وقد تم تحليل البيانات باستخدام نموذج الآثار الثابتة (Fixed Effects)، مع تطبيق الأساليب الإحصائية المناسبة لضمان متانة ودقة النتائج في إطار بيانات البانل.

وأظهرت نتائج الدراسة أن السوق يكافئ الشفافية وتتوّج مجالس الإدارة على المدى الطويل، كما هو موضح من خلال نسبة توبن (Tobin's Q)، في حين لوحظت آثار سلبية قصيرة الأجل على كل من العائد على حقوق الملكية (ROE) وربحية السهم (EPS). إضافةً إلى ذلك، بيّنت النتائج أن وجود النساء في مجالس الإدارة لم يُعزّز العلاقة بين الإفصاح عن المسؤولية الاجتماعية والأداء المالي، بل كان له أثر تعديلي سلبي على القيمة السوقية.

وبناءً على هذه النتائج، توصي الدراسة بأن تركز الأبحاث المستقبلية على قياس الأداء الجوهري للمسؤولية الاجتماعية للشركات، مع إعطاء الأولوية للاستثمار الاجتماعي الفعلي والأثر البيئي الحقيقي بدلاً من الاكتفاء بالإفصاح الشكلي. كما تؤكد الدراسة على أهمية تحليل الدور النوعي للنساء في مجالس الإدارة، بما في ذلك عضوية اللجان والاستقلالية، لتوضيح مدى إسهامهن الفعلي في الدور التعديلي. علاوة على ذلك، يُنصح بتوسيع نطاق الدراسات ليشمل قطاعات مختلفة ودولاً نامية أخرى في منطقة الشرق الأوسط وشمال أفريقيا (MENA) لاختبار قابلية تعميم النتائج، مع استخدام تقنيات قياسية متقدمة مثل طريقة المربعات الصغرى المعممة (GMM) لمعالجة مشكلات التباطؤ الداخلي (Endogeneity) وتعزيز القدرة على استنتاج علاقات سببية أكثر دقة.

الكلمات المفتاحية: المرأة في مجلس الإدارة، الإفصاح عن المسؤولية الاجتماعية للشركات، أداء الشركات.