

**Arab American University**

**Faculty of Graduate Studies**

**Department of Administrative and Financial Sciences**

**Master Program in Accounting and Auditing**



**The Effect of Voluntary Disclosure on Stock Market Return of  
Companies Listed on Palestine Stock Exchange**

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

**Palestine, August/ 2025**

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**Arab American University**

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**Thesis Approval**


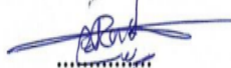

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## **Declaration**

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 other degree at the Arab American University or any other institution.

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## **Dedication**

To my dear parents, who instilled in my heart the value of diligence, and granted me immeasurable kindness and unforgettable patience,

To my mother, my first homeland, my final refuge, and the love that never grows old,

To my father, my unwavering support and my everlasting shadow

To my husband, my life partner and the heartbeat of my heart.

To my brothers and sisters, my soulmates, who have shared my life's ups and downs, and have been an unwavering support for me.

To my children, a love like no other, and a prayer answered by heaven.

To every relative who has shared their words and prayers with me.

To those who have supported me, believed in me, and accompanied me on this journey.

To my homeland, Palestine, a never-ending tale of love, and my roots that never cease to provide me with determination no matter how severe the trials.

To everyone who shared my dream and bore some of the burden on my behalf,

I dedicate this humble effort to you, as a spark on the path of knowledge and an extension of those who preceded us in building

Shireen Jamal Rabah Khalil

## **Acknowledgements**

First and foremost, I thank God Almighty for helping me continue and accomplish this thesis. I would like to express my sincere gratitude and appreciation to Dr. Sharif Abu Karsh for accepting to supervise this study, thanks to his valuable guidance, and never-ending support which played a vital role in improved this work.

My sincere grateful also go to Dr. Rasha Abbadi and Dr. Fadi Abu Diak for their significant feedback.

I also extend my grateful to all my professors in the Department of Administrative and Financial Sciences at the Arab American University, whose knowledge and mentorship have greatly contributed to my academic and personal development.

Finally, I thank everyone who supported me directly or indirectly in the completion of this work in its final form.

Shireen Jamal Rabah Khalil

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## **Abstract**

This study aimed to measure the level of voluntary disclosure in Palestine and to investigate the effect of voluntary disclosure on stock market return of companies listed on Palestine Stock Exchange, to measure voluntary disclosure, the study depended on voluntary disclosure index which consist of 50 indicators grouped into four dimensions (General Information, Corporate Governance, Social, and Environmental Information). Data used in the study was in the form of secondary panel data had been collected from companies' annual and sustainability reports which disclosed in PEX or the official companies' websites, with 120 observations resulted from a sample of 40 company listed on PEX for three years (2021 – 2023), the collected data was analyzed and the hypotheses were tested by using many statistical tools such as: Correlation Matrix, Fixed-effect and Random-effect regression models, and others, depending on these tests, the study concluded that the level of voluntary disclosure practiced in Palestine was moderate with a percentage of 45.8%. Moreover, it can be observed from the results that banking sector had the highest level of voluntary disclosure between all sectors with a percentage of 63.3%, and the year (2021) had the record for highest transparency at 47.88%. The study result revealed that all dimensions of voluntary disclosure had no significant effect on stock market return, therefore overall voluntary disclosure had no significant effect on stock market return in Palestinian market. This result indicate that Palestinian market is an inefficient market. Based on these findings, several recommendations were suggested to enhance voluntary disclosure in Palestine, these included increase the awareness of sustainability importance of ESG investments, it was also recommended that regulatory bodies should formulated an ESG disclosure framework guideline in compatible with local needs and inspired from international standards such as GRI and IFRS Sustainability.

**Keywords:** Voluntary Disclosure, Stock Market Return, VD index, ESG disclosure.

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# **Chapter One: The Problem and It's Background**

## **1.1 Introduction**

The serial Financial crises that happened in the world like Enron scandal (2002) and the Subprime mortgage crisis (2008), in addition to management and accountants ability to manipulate or use the creative accounting approaches to have a good numbers in their profitability and efficiency indicators like operating income, return on asset (ROA) , earnings per share (EPS) , return on equity (ROE ) and so on, all reasons listed above have increased the questions about the fairness, accuracy and credibility of accounting figures and financial information that provided by the corporation. Which types of information disclosure the stakeholders (investors, creditors, government, suppliers...etc.) actually need to help them make their economic decisions and decrease information asymmetry?

IFRS accounting conceptual framework emphasize that financial information provided in annual reports act like a bridge between management and stakeholders, these information must have some qualitative characteristics making it useful (IFRS, 2024) , one of these characteristics is to be relevance to economic decision making by investors and creditors who need information about linking their saving with investment opportunity to help them in predicting the future position of the firm and its value (El-Deeb et al, 2023), offering comprehensive and relevant information is important in emerging markets to bridge the knowledge disparity between insiders and investors.

The agency conflict and information asymmetry can negatively affect the allocation of resources in capital markets of an economy (Mwangi & Mwiti, 2015). They adversely affect and impair the effectiveness of information provided by firms, lack of accurate information result in investors lacking the necessary information to determine economic performance and future profitability of business venture and affect the whole capital market function (Tahir et al, 2023), however these problems can be addressed by the implementation of sound corporate governance structure, strict compliance to regulation and increase disclosure in all its types: mandatory and voluntary.

Internationally, voluntary disclosure importance has been increased due to many factors such as financial market globalization and the spread of multinational corporations, concentrating on leverage voluntary disclosure level will enhance investors relations, reduce agency costs and information asymmetry which improve stock market returns, International accounting standards focused on presentation and disclosure, for example IAS(1) dealt with Presentation of Financial Statements, IAS(20) is about Accounting for Government Grants and Disclosure of Government Assistance, and IFRS(7) dealt with Financial Instruments: Disclosures. (IFRS, n.d.)

Voluntary disclosure is the free choice for company management to provide strategic, financial and non-financial information that can be relevant to decision making, Rossignoli et al (2022) linking this type of disclosure with market efficiency, and concluded that additional and appropriate information without any duty to disclose is expected to enhance the efficiency of resources allocation, minimizing agency costs and estimation risk, therefore increasing the return to investors and enhancing the market performance as a whole .There are many forms of voluntary disclosure that the firm can imposed like ESG disclosure which refer to environmental, social, and corporate governance disclosure, the high level of relevant information has been disclosed to public enhanced the firm reputation and increased stockholder's confidence and trust which finally increased the firm value and return to stakeholders especially investors (El-Deeb et al, 2023).

Palestinian stock exchange considered as a small market compared to international or other stock exchanges in the middle east due to its size, has lower trading volumes and limited number of listed companies. Moreover, the restrictions imposed by Israeli occupation on the Palestinian market resulting in a weak regulatory environment which does not enjoy a sufficient degree of development to allow the market attract local savings or foreign ones making the market considered as an inactive emerging one. But despite these challenges, public companies listed on the Palestine Exchange (PEX) are required to prepare and distribute audited financial statements that disclose comprehensive financial performance, corporate governance details, and any directors' material interests in company transactions. These reports must be prepared in accordance with deadlines set by the PEX and the Palestine Capital Market Authority (PCMA), ensuring timely access to information for shareholders and investors. Companies must also disclose the

identity and roles of board members, key executives, and any significant business events that may affect performance (Abdelhaq et al, 2024). Therefore, this study aimed to assess the extent of voluntary disclosure practices in Palestine by utilizing a refined voluntary disclosure index for this purpose. The study intended to investigate the effect of voluntary disclosure on stock market returns of companies listed in Palestine Stock Exchange.

## **1.2 Problem Statement**

In today's financial markets, transparency and voluntary disclosure are becoming increasingly important for investor confidence and market efficiency. The high-quality accounting data is vital for numerous internal and external stakeholders, since it shapes the quality of decisions rendered. Delivering credible and confidential accounting figures and numbers is a basic requirement for an efficient and effective market. The International Financial Reporting Standards (IFRS) forced the firms to incorporate disclosures in their financial statements. These relevant and useful disclosures, will help users of financial statements to assess the timing and any risks associated with recent and expected cash flows, therefore, they would be able to determine the value of the firm and make economic decisions regarding their investments especially in the choice of securities portfolios.

An efficient and strong market is the one which provides updated information about companies' financial and non-financial performance that help investors and other stockholders to predict the stock prices. Therefore, voluntary disclosure gives the investors more information other than the information that companies obligated to disclose, this mitigating the problem of information asymmetry and agency problem that help in predicting the fluctuations in the stock prices, so far this affects the stock market returns.

Disclosure can be divided into two categories: Mandatory disclosure which refer to the information that was required to be disclosed by laws and regulations such as disclosing the audited financial statements which are regulated by IASB and prepared using IFRS standards in addition to disclosing information about directors and executive compensations, share ownership and reporting material event based on the need of timely and fair disclosing, all of these disclosures and more were regulated by Palestine

Securities Law, PEX regulations, PCMA regulations, Corporate Law in addition to some laws regulated especial sectors as banking and insurance laws. In another side, we have Voluntary (non -mandatory) disclosure which is optimal and additional to requirements such as disclosure of corporate social responsibility (CSR), disclosing management expectations and economic forecasts and detailed segment reporting.

According to Abdelhag and Dwekat (2023), Companies disclose additional information for various reasons, including enhancing their image and reputation, raising capital at a lower cost, improving relationships with customers, communities, and governments, and reducing information asymmetry and agency costs. Despite the increasing importance of voluntary disclosure, there is limited understanding of how such practices affect stock market return in emerging markets like Palestine. Many studies focused on voluntary disclosure in Palestine; for example, some studies examined the effect of several factors on voluntary disclosure, such as board of directors, corporate governance, and environmental disclosure. There is a single study that investigate the impact of voluntary disclosure on stock prices and returns and it was for the year 2014. Therefore, this study can help in updating the existing data and examine recent developments in the level of voluntary disclosure in Palestine, while exploring its effect on stock prices.

Voluntary disclosure which includes financial information reported in financial statements and non-financial information such as Social, Environmental sustainability and Corporate Governance, considered as important tool in reducing the gap between who own the information and who need it. The information disclosed must be sufficient so it can minimize the knowledge gap and make sure that shareholders are well informed about their investments, increased transparency, decrease the cost of capital, therefore increased stock market returns, this study will reveal whether more disclosure and greater openness will enhance the credibility in companies' performance, consequently better financial outcomes for Palestinian firms.

This research utilizes a refined voluntary disclosure index for assessing the level of voluntary disclosure practices in Palestine. The index used in this study has four dimensions: (General Information, Corporate Governance Information, Social Information and Environmental Information), additionally, the study will investigate the

effect of voluntary disclosure on stock market return of companies listed in Palestine Stock Exchange.

In light of the above, results of this study can mainly benefit various stakeholders especially investors through helping them make informed decisions by understanding how transparency affects stock performance, also Palestinian firms can use the findings to improve their disclosure practices and attract more investors, Policymakers can use the insights to enhance regulations that promote transparency and market efficiency, and finally researchers and students can use the updated data for further studies on corporate governance and market behavior.

### **1.3 Study Questions**

#### **Main Question:**

What is the level and effect of voluntary disclosure on stock market return of companies listed on Palestine Stock Exchange?

#### **Sub Questions:**

1. What is the effect of disclosing General Information on stock market return?
2. What is the effect of disclosing Corporate Governance information on stock market return?
3. What is the effect of disclosing Social Information on stock market return?
4. What is the effect of disclosing Environmental Information on stock market return?

### **1.4 Study Objectives**

#### **Main Objectives:**

1. To measure the level of voluntary disclosure in Palestine by using a voluntary disclosure index for this purpose.

2. To investigate the effect of voluntary disclosure on stock market return of companies listed on Palestine Stock Exchange.

### **Sub Objectives:**

1. To investigate the effect of disclosing General Information on stock market return.
2. To investigate the effect of disclosing Corporate Governance information on stock market return.
3. To investigate the effect of disclosing Social Information on stock market return.
4. To investigate the effect of disclosing Environmental Information on stock market return.

## **1.5 Null Hypothesis**

### **Main Hypothesis**

**H0-1:** There is no significant relationship between voluntary disclosure and stock market return of companies listed on Palestine Stock Exchange.

### **Sub Hypothesis**

**H0-1. a:** There is no significant relationship between General information Disclosure and stock market return.

**H0-1. b:** There is no significant relationship between Corporate Governance information Disclosure and stock market return.

**H0-1. c:** There is no significant relationship between Social Information Disclosure and stock market return.

**H0-1. d:** There is no significant relationship between Environmental Information Disclosure and stock market return.

## 1.6 Model of the Study

This study is going to investigate the relationship between two main variables, which are Voluntary Disclosure (the independent variable) and Stock Market Return (the dependent variable). For the purposes of the study, the Voluntary Disclosure will be measured using four dimensions (General Information, Corporate Governance, Social Information and Environmental Information), the study will examine the effects of these four dimensions on the Stock Market Return.

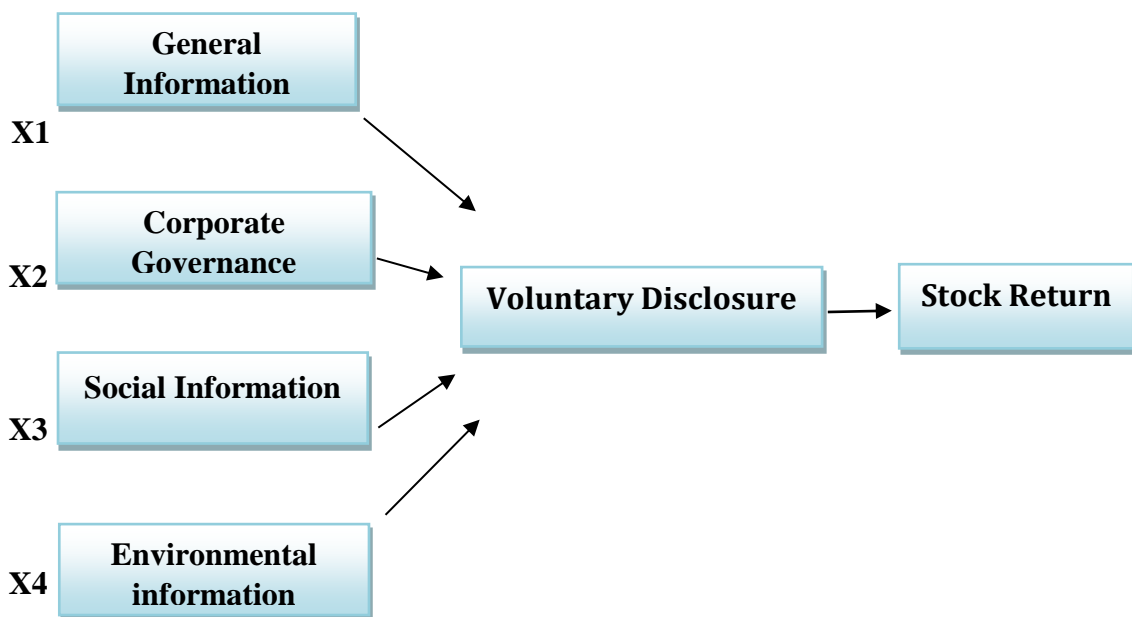


Figure 1.1: Research Model

## 1.7 Significance of the Study

Studying how voluntary disclosure affects stock market return in the Palestine Stock Exchange (PEX) is very important for both academic research and practical application. The Palestinian region faces unique economic and political challenges, world bank report “Racing Against Time” which published in September 2023 described the

Palestinian environment by fragility, conflict, and violence which poses complex and distinct challenges that impact its stability and attractiveness to investors, one of these challenges was the restricted access to international capital due to geopolitical issues, which minimize economic growth opportunities. The market also suffers from limited liquidity as a result of its small size and the investors' fear in light of political instability. Furthermore, the classification of Palestine as a high-risk environment discourages foreign investment and adversely affects market performance. These factors together prevent the development of a solid financial sector in Palestine.

Making clear and detailed financial reporting is very important. When companies share more information than what's strictly required, it can improve the market work, boost investor trust, and make Palestinian capital market more appealing to investors from both Palestine and abroad. This research aimed to show how sharing information voluntarily can affect the stock market and investor decisions in Palestine, a place with its own set of challenges. Understanding these effects is important for those in charge of making policies, regulating the market, and anyone involved in the market, helping to build a stronger and more active financial market in Palestine.

This study is important because it looks for solid proof that sharing more information can make the market work better, lower the cost of getting money, and help bring in more investments. It also fills a big gap in research, since not many studies focus on emerging markets or places with conflicts like Palestine. The results could give useful advice on how to improve the way companies share information and how regulations are set up, helping Palestinian financial market grow and connect more with the world.

## **1.8 Definitions of Terms**

In order to have a common basis of reading and understanding of this text, the following important terms are defined and facilitated to the extent of their usage in this study. These definitions are considered as key words for the study.

1. **Disclosure:** the process of providing stakeholders with information about the firm operations within a period (mandatory or voluntary), disclosure help in building an efficient and effective financial market. (Effah et al, 2023)

2. **Voluntary Disclosure:** the additional information that have been disclosed beyond what is regulated or mandated by law, in order to decrease the level of information asymmetry and agency costs. (Arena et al, 2023)
3. **ESG Disclosure:** voluntarily disclosing environmental, social and governance information about the firm to gain stakeholders confidence through increasing transparency and adherence to ethical practices. (Khandelwal et al, 2023)
4. **Disclosure Index:** checklist of some items of information used to measure the level of voluntary disclosure, can be categorized into groups like strategic information, social and environmental information, corporate governance information. (Meek et al, 1995)
5. **Stock Market Return:** Stock market return is sometimes synonymous to stock prices; it is the yield an investor obtains over a specified period of time. (Mwangi & Mwiti, 2015). Total financial gain or loss realized by Palestinian firms' investors (stock market return) can be measured by the following equation:

$$R = \frac{P1 - P0}{P0}$$

Therefore, the stock market return is the percentage change in stock prices over a specific period of time. Aaccordance to all previous studies that have been reviewed and examined, this study used the arithmetic approach to calculate stock return because it provides a straightforward and direct measure of return for each year, and it is suitable for analyzing short-term market behavior.

6. **Companies Listed on Palestine Stock Exchange (PEX):** refer to the publicly held companies that registered in the Stock Exchange which their stocks are traded in the market and they adhere to all Palestinian Capital Market Authority (PCMA) regulations related to mandatory and voluntary disclosures that include financial, social, environmental, and governance disclosures.

## **Chapter Two: Review of Related Literature and Studies**

This section from the study will start with review of the related literature which is the academic basic of the study, through presenting voluntary disclosure various definitions and theories supported voluntary disclosure and explain why companies disclosed information in relation to the four dimensions of voluntary disclosure (General Information, Corporate Governance, Social Information and Environmental Information). Then the study will address International, local, Palestinian studies which shaded the light on voluntary disclosure dimensions and discuss the knowledge gap in previous studies and the current study contribution.

### **2.1 Voluntary Disclosure (Independent Variable)**

#### **2.1.1 Voluntary Disclosure Development**

Over the decades, voluntary disclosure has evolved significantly through major developments in transparency mechanisms and governance practices and accountability standards. Through mandatory regulations, organizations could only disclose financial information to protect stockholders or market investors in the first stage. The global expansion of markets has created more demands for specific comprehensive truthful information that firms provide through their voluntary disclosures. Such disclosure benefits existing investors and prospective ones and extends to customers and society as a whole. Slowly over this period, organizations began to appreciate the significance of providing information other than that was required by law. Moreover, the increase in complexities in the business world because of terms such as globalization and technological advancement has presented greater opportunities for voluntary disclosures beyond just financial aspects. Now corporate social responsibility (CSR) reporting reflected bigger demand from society for the delivery of environmental, social, and governance (ESG) practices by companies. Companies that voluntarily went public on such issues included their environmental impact, labor practices, and corporate governance polices in order to meet stakeholders' expectations.

Walking toward sustainability developments and ethical behavior and the spread of standards for ESG reporting from initiatives like the Global Reporting Initiative (GRI) or

the Sustainability Accounting Standards Board (SASB), have changed the whole perspective of corporate transparency. Investors now not only interested in financial information but also precedent to access detailed information on a company's sustainability initiatives, risk management, and governance. Studies actually show that voluntary engagement in ESG disclosure can affect public perception about stock market performance, investments, and cost of capital, thus, making it an integral part of modern business strategy. This was supported by recent COVID-19 pandemic and the climate crisis that increased the needs for disclosure since it has now become compulsory for firms to tell how they are managing risks associated with public health, environmental sustainability, and social inequality. Hence, today, voluntary disclosures are not just about reducing information asymmetry; they define the new age commitments for corporate reputation management, risk reduction, and long-term value creation.

### **2.1.2 Voluntary Disclosure Definition**

Researchers are keeping pace with the definition of voluntary disclosure, Barako (2007) Defined it as “the discretionary release of financial and non-financial information through annual reports over and above the mandatory requirement either they are laws or accounting standards”, then Shehata (2014) defined it as “free choices on the part of company management to provide accounting and other information deemed relevant to the decision needs of users of their annual reports”.

over time, this concept evolved by researchers to include corporate governance and social and environmental aspects, Chibuzo et al (2021) study defined voluntary disclosure as “provision of useful and timely information targeted toward transparency and clearer picture of a company in term of financial performance and governance”. Awad et al (2022) defined it as “the information provided willingly to the public by management discretion” it is beyond mandatory disclosure which focused on what represented in financial statements and complementary notes which required by laws and regulations. Boateng et al (2022) stated that the voluntary disclosure is “quantity and depth of non-mandatory information or data that is contained in the management discussion and analysis in the audited annual reports”.

In (Kohardinata et al, 2023) study they concluded that Disclosure is the information reported to public through the firm annual reports, this information concludes financial statements and related footnotes, disclosure has two types; mandatory and voluntary, the voluntary disclosure is any disclosure exceeds the minimum level required by standards, laws and regulations.

Lately, Makhlouf and Almaharmeh (2024) defined mandatory disclosures as “furnishing users with financial, non-financial, quantitative and qualitative information usually governed by laws, instructions, and legislation in the country” and voluntary disclosure as “any additional information beyond compulsory disclosure”.

### **2.1.3 Voluntary Disclosure Importance**

Many researchers discussed why managers communicate and disclose changes in their firms to the outside stakeholders? What are the reasons beyond voluntary disclosure especially it is not mandatory? Healy and Palepu (2001) realized that in case of equity or debt financing, the company should increase the level of voluntary disclosure, this increase will adversely affect the information risk for investors which in turn decrease the premium demanded for bearing information risk, therefore minimizing information asymmetry between managers (insiders) and investors (outsiders) will reduce the cost of capital. In addition to this, stock compensation tools like stock options and stock rights give managers incentives to restrict insider trading in order to increase the firm stock liquidity, this can be done by increasing VD level. This reason was also mentioned in Shehata (2014) study.

Furthermore, Healy and Palepu (2001) study added to these reasons the litigation cost hypothesis; in this case managers have two probabilities, the first is managers fear from litigation if they hide bad news, and this force them to increase VD level, in another way when managers disclose some factors such as forward- looking information, they can be litigated if the real information do not match with their forecasts, in the two cases, managers must choose the correct level of VD. The researchers also presented the management talent signaling hypothesis by considering fair market value as “function of investors perception about managers ability to deal with any future change in the firm

economic environment”, (Healy & Palepu, 2001) therefore, increasing the level of VD means more favorable managers assessment by investors of their ability to respond to economic changes which in turn increase the market value. This hypothesis also discussed by Shehata (2014) and Boateng et al (2022), who explained that talent managers can be discovered by disclosing some future prediction about company economic environment, accompanied with meeting their prediction, this gave a good signal about the firm management which directly affect stock market return.

Deegan (2002) sheds light on lenders interest in addition to shareholders, he stated that lenders need information about their borrowers, as apart of risk management policies, lenders require borrowers to disclose variance social and environmental information, these disclosures contribute in attracting investment funds, moreover, managers walk toward disclosure as a compliance with industry requirements or particular code of conduct.

Shehata (2014) study discussed corporate control contest; by increasing VD level especially in poor performance cases may give a signal to audience that the company situation was under control and reducing possibility of under valuating company stocks. Moreover, increasing the level of information voluntarily available will decrease the cost of information acquisition by analyst therefore analysts who follow the firm will increase.

Krištofik et al (2016) stated in their study that one of the reasons to report non-financial information like social responsibility disclosure is satisfying the needs of all stakeholders who includes variety of different groups, investors need disclosures about their investments opportunity and risk, also these disclosure increase customer loyalty and facilitate in recruitment process for competitive employees , enhance all over company reputation and gain public support and creating long term value. The researcher found that corporate social responsibility disclosures shifting the firm from profit maximization to stakeholder’s value maximization, these disclosures minimized risks, increased profitability (financial liquidity, cash flow, stock prices) therefore increased the enterprise value.

Mandatory disclosure that required by laws and standards are insufficient for stakeholders to make their economic decisions especially in increasing diversity and complexity of companies’ operation, making pressure to increase voluntary disclosure level according to Makhlouf and Almaharmeh (2024) study.

#### 2.1.4 Theories Supported Voluntary Disclosure

Based on the importance of relevant information provided by company's management to their stakeholders in helping them making economic decisions, there are a combination of theories that have an explanatory power for the motives of voluntary disclosure and its effect on stock market return, one of these theories was **Stakeholders' theory**; Milton Friedman, the first person who present the concept of shareholders theory in his article published in (1970), from his point of view, the primary goal from any business existence is to maximize the shareholders wealth by magnify their profits, hence, the firm and its executives who serve as agents for the original principles (shareholders) must engage in practices that support this objective and keep away from other practices do not sever this goal, despite that Friedman did not support the social responsibility practices and considered them as deviation from the main purpose, but he emphasized on mitigation risks, enhancing reputation , in order to maximize profits, this can be reached by utilizing disclosure as a tool for increasing transparency and accountability, just when this disclosure be in line with the goal of wealth maximization (Friedman,2007).

Some years later Jensen and Meckling (1976) were still considered that profit maximization is the central goal. This theory had been developed by Freeman (1984) to fulfil the shortages in shareholders theory, it was stated that company responsibility was toward shareholders and any part affected from the company operations. In Van der Laan Smith et al (2005) study the beneficiary circle was expanded to conclude managers, employees, customers, communities, general public in addition to creditors and investors, they concluded that management vision must include non-shareholders interest and claims and company goal must be beyond stockholder's profit maximization. In another hand some researchers have an adverse opinion about voluntary disclosure efficiency like Khan (2019) study which considered that stakeholders for any business need information for different purposes, they vary in their needs, in their forms and intents, and how they can use the information disclosed by the firm, hence, the trade-off between these different stakeholders interests can negatively affect the overall business objectives making them more spread which influence the cost – benefit balancing, finally affect the firm long run sustainability.

In relation to **Agency theory**; In (1976), Jensen and Meckling still considered that profit maximization is the central goal, but they expanded the discussion by introduced the concept of agency theory: this theory addressed the conflict of interest between shareholders (principles) and managers (agents), they concluded that managers might not act accordance to stockholders best interests due to different motivation, agents might shrink or use corporate resources for their own benefits, the study highlighted the role of voluntary disclosure in mitigating agency costs and information asymmetry between these two sides , they argued that transparency through financial reporting and disclosure practices play vital role in balancing between managers behaviors and stockholders' interests. (Meckling & Jensen, 1976).

Shehata (2014) in his study addressed three types of risks compose the agency costs that will be minimized by increasing the VD level, these costs incurred as a result of principle-agent problem, the first is Monitoring cost; the cost incurred by principles to make sure that managers act in order to shareholders interest such as auditors existence and performance evaluation, another cost is Bonding cost; the cost that have been accepted by managers to persuade shareholders that they will not act against their interest or do any harmful acts such as accepting performance- based compensations, the final one is Residual cost which it is the decision made by managers that deviate from maximize shareholders wealth. According to these costs, Saha and Kabra (2022) stated in their study that the information had been disclosed by managers on the base of cost-benefit trade off. Then Awad et al (2022) study sheds light on this trade off, they concluded that VD has many benefits, disclosing the good profitable information may increase the firm value and secure high compensation to managers, moreover, firms need to disclose debt information to their lenders in order to gain their trust and to decrease cost of debt and increase the ability to raise funds from financial institutions, on another hand, disclosing too much information cause property costs, therefore this tradeoff is essential. Other costs appeared in Shehata (2014) study who discussed that VD level can be adversely affected by litigation costs which may managers face as a result of disclosing forward looking information especially with penalties existence against not meeting forecasts, moreover, the political costs. Thus, this cost-benefit analysis plays vital rule in determine the VD level.

### 2.1.5 General information Disclosure

Stock exchanges have concluded that their continued growth and success depends on offering a high-quality market with effective investor protection and increasing the level of oversight, thus, disclosure requirement became stricter. The first dimension of voluntary disclosure in this study is General Information which consists of diverse basic facts that help stockholders have an overview about a firm and its strategy. This dimension usually involves explaining legal structure of the firm, besides giving information about structure of ownership, business profiles and key business segments of the operation. Furthermore, general information contains such information of the company as the history, the mission and vision statements, as well as business highlights or accomplishments. Through this information, firms and companies offer further clarity about their model of operations and, as a result, strategic plans in the given market space, which makes it possible for investors and other ordinary stakeholders to know the existing possibilities for the firm in the future. It helps build investor confidence and provides companies with credibility which can in turn influence investor and stock market returns, in that market participants have the abilities to judge or evaluate the stability of such firms for growth.

The main purpose of VD is to provide stakeholders useful information that help them in their decision-making process, therefore, Companies with good performance and high profitability ratios such as ROA, ROE is more desire to disclose this good information to their investors, (Awad et al 2022). This can be an implementation of **Signaling Theory**; Spence (1973) the first economist introduced Signaling Theory in his paper, Spence advances a theory of signaling with regard to labor markets. He shows how job applicants may use educational credentials as a "signal" to indicate their productivity and competence to potential employers. As a result of reading signals, employers will have a guidebook for choosing how to hire in situations of asymmetric information about the candidate. Since its introduction by Spence, Signaling Theory has been applied in a variety of different fields-from marketing, finance, to corporate disclosure-to explain how actors such as organizations or individuals send signals to each other in order to reduce information asymmetry. Some researchers then investigated the explanatory power of this theory in explaining voluntary disclosure, Shehata (2014) stated that companies used VD as a tool to send signal to the market that they are better than competitors, to enhance

reputation, increase shareholders trust in their operations, disclosing more information than required by laws and regulations give a good signal to the market

Kohardinata et al (2023) emphasized that information is signal which sender choose what information to send and receipt choose how to translate this signal and how to interpret it, all of this in order to decrease the information asymmetry.

#### **2.1.6 ESG Disclosures (Environmental, Social, And Corporate Governance):**

Although disclosure as a function of users demand, and needs was varied from nation to nation, there is a consensus about development of disclosure concept from financial disclosures their goal was maximizing shareholders wealth, to broader concept which conclude triple bottom line aspects, as mentioned in Khandelwal et al (2023) study, our world is walking toward concentrating on behaviors and practices beyond the profit disclosed in financial statements, there are some activities other than profit, affect environment, society and people life, ethics and transparency, these activities have large impact on the firm performance, hence, companies must be sure that they correctly explain these actions and reporting and disclosing them accurately.

The 2030 Agenda for Sustainable Development, which was endorsed by all UN members in 2015, provides an integrated vision for peace and prosperity for people and the planet, both now and in the future. For the sake of all nations, developed and developing, in a global partnership, the 17 Sustainable Development Goals (SDGs) are an urgent call to action. They understand that policies that support health and education, lessen inequality, foster economic growth, address climate change, and work to preserve forests and oceans are all necessary to battle poverty and other types of deprivation. These agenda did not forget the role of corporations in building good future through meeting the Sustainable Development goals by implementing sustainable non-financial disclosures. This presented clearly in the goal number 12 target number six which stated that: “Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle”. (United Nations, n.d.). After 2022 many financial actors focused more on sustainability reporting by making ESG as emerging concept. CIOCÎRLAN et al (2024)

stated in their paper that: “1/4 of global exchanges worldwide ask listed companies to disclose the information necessary for ESG investing”.

There are some definitions of ESG disclosure presented by previous researchers: Khandelwal et al (2023) study concluded that “ESG disclosure is qualitative and quantitative reporting of data by a company on its operation based on ESG standards”, “Environmental disclosure is the disclosure of policies the company address to maintain the environment such as climate change protect it.”, “Social disclosure is the disclosure of how the company maintain relationship with its consumers, investors, creditors, employees, communities in which it operates.”, and finally “Corporate governance is the structure of leadership in the corporation, independent audit, compensations, internal control system, controls systems.” (Khandelwal et al, 2023)

Fitria (2024) stated that ESG is a standard in environmental, social and governance aspects related to company operations and also criteria that affect sustainable investors in making investment decisions. He considered indicators for ESG practices as the follow: “environmental indicators include use the renewable energy by companies, waste management programs deforestation issues, action taken by companies to face climate change”, “social indicators: they are about social relationships such as employees’ relations with companies, human rights”, “corporate governance is how the company is managed by those work with it”.

### **2.1.7 Corporate Governance Disclosure**

Financial reporting and disclosure are communication tools used by management to communicate firm performance and governance policies, without these tools, information asymmetry between management as insiders and shareholders as outsiders parties can destroyed the financial market, Barle and Means (1932) in their book titled “The Modern Corporation and Private Property”, put the foundation of the corporate governance and introduce the concept of information asymmetry, Researchers concentrate more on Corporate Governance concept as a result of corporate governance ability to influence allocation, preservation, and growth of capital, therefore strong corporate governance is important in building a strong and sustainable business in the

long term, therefore poor corporate governance is costly to investors and other stakeholders, (Khan, 2019).

In this context, Healy and Palepu (2001) article discussed the concept of lemon problem; this problem result due information differences and conflict of interest between these two parties, it is the case when the market underestimate some good news and overestimate some bad news in comparable to information available to management, all of this lead to breakdown the market function and adversely affect its efficiency, to resolve the Lemon Problem the researchers present some solution like fully disclosure of privet information by managers, moreover emphasized on financial intermediaries rule in mitigating this problem.

Corporate Governance was always linked to **Agency Theory**; Van der Laan Smith et al (2005) stated that managers are the only group who deal with all other stakeholders, they have a direct control over decision making process. Barako (2007) also emphasized on managers rule in affecting decision making process; managers have access to firm private information, they can provide credible reliable information and contribute in enhancing the firm value, or they can act according to their self-interest and provide misleading disclosures or hiding important information which adversely affect stakeholders and their investments.

Boateng et al (2022) summarized that corporate governance increased the transparency level, help in protecting shareholders interest, increased accountability, force managers to do their works in efficient way, that finally increase the confidence level in capital markets, this became in consistence with Effah et al (2023) conclusions about Corporate Governance which is an organizational relationship with its shareholders and society to promote transparency, fairness, accountability, this concept was established to protect investors interest by assess the procedures employed by shareholders to oversee managers and insiders.

### **2.1.8 Social information Disclosure**

This dimension of voluntary disclosure supported by **Legitimacy Theory**; This theory had been formulized by Dowling and Pfeffer in (1975), they suggest that

corporation seek to aligned their activities with the broader social system where it operates. After that Deegan (2002) expanded the earlier work and make a theoretical framework which explain the link between legitimacy theory and corporate disclosure, and concluded that there is an implicit contract between any corporation and the society where its operation takes place, this contract force the firm to operate in aligned manner with society values and norms, this give the firm legitimacy to continue, therefore companies use disclosures such as corporate social responsibility CSR and environmental disclosure to ensure it was operate within society norms, values and expectations , firms reported environmental and social disclosure have a credit point over other firms because they appeared doing the right thing.

Also, Shehata (2014) stated that this theory addressed a hidden contract between any corporation and the society obligated the company to work in constant with society values and perceptions, here the voluntary disclosure work as a tool to help investors and decision makers know how, when, what, and why management deal with actions related to their society. Musthafa and Arifin (2024) assert that Company sustainability depended on to what extent the company do its operation according to society values, to survive in long term the firm operation must aligned with society values, hence, to strengthen the company legitimacy, company increase their transparency and accountability by increase the VD level. And this was compatible with Fitria (2024) study who stated that in order to gain the legitimacy from the society, the company must boost ESG disclosure practices and green accounting, therefore it will be accepted by outside parties.

### **2.1.9 Environmental information Disclosure**

From **stakeholders' theory** prospective, Freeman (2001 p. 59) states “Corporation have stakeholders, that is, groups and individuals who benefit from or are harmed by, and whose rights are violated or respected by, corporate actions” this new theory expanded the success vision of any firm to contain environmental and societal prospective. (Fitria,2024) emphasized that management must fulfill their responsibilities toward stakeholders by increasing the level of environmental disclosures. Sarvasti et al (2024) study also emphasized that company growth not happen only through financial aspects, the company must pay attention to ESG aspects to create its value.

Starting from the importance of sustainability reporting, there are many organizations and entities which work together in order to formulate the frameworks and standards used for sustainability reporting, helping organizations enhance transparency, accountability, corporate governance and decision-making regarding ESG factors. These organizations include **KPMG, GRI, SASB, and GSSB.**

According to **KPMG** surveys (one of the Big Four audit firms around the world): sustainability reporting has been progressing steadily between 2020 and 2024. The reporting rate for the G250 also still high consistently at 96% throughout this period. As an examples of increased sustainability reporting are carbon reduction which targets experienced incremental advancement with the number of G250 companies that adopted it rising from 40% in 2020 to 73% in 2022 and touching a 95% in 2024. Climate-related Financial Disclosures (TCFD) nearly doubled from 2020 to 2022 and is projected to rise till 2024. Furthermore, 70% of companies merged sustainability development goals in their activities by 2022 and further emphasize were seen in 2024. The index on the use of third-party assurance for sustainability information of N100 companies increase from 50% in 2020 to 54% in 2022, and 58% in 2024. These trends can be seen as indicative of the slow and steady emergence of deeper, broader, and more connected sustainability reporting systems throughout the world. (KPMG, 2020, 2022, 2024)

GRI (Global Reporting Initiative) was independent organization that established in 1997 as a cooperation between the non-profit company Ceres and the United Nations Environment Program, this initiative encourages sustainability and transparency by providing a framework for companies to report their environmental, social, governance impact on stakeholders such as investors, regulators, customers, to understand companies' contribution in sustainable development. (GRI, n.d.) GRI provide stakeholders relevance, reliable information about their commitment to sustainable development as aligning with stakeholders' theory. In order to oversight these standards GRI established GSSB (Global Sustainability Standards Board) as a body which its duty to it guarantees that the GRI Standards are reliable and relevant that include stakeholder feedbacks and emerging sustainability issues. (GSSB, n.d.)

In addition to previous entities, SASB (Sustainability Accounting Standards Board) as a standards-setting organization had develops industry-specific sustainability accounting standards. SASB deals with the financially ESG factors that influence a

company's financial performance and relevant to investors decision-making process. (SASB, n.d.)

## 2.2 Stock Market Return (Dependent Variable)

Stock market return can be discussed in light of **Efficient Market Hypothesis**; The first researcher formulated this hypothesis was Fama in (1970), he stated that stock prices are reflect all available information disclosed by corporations, therefore it was impossible to gain more return than average return gained by the market, that's because stock prices adapted quickly with any new information. This hypothesis divided the market into three sections according to its efficiency; the first one is weak efficiency market which stock prices reflect past information making technical analysis ineffective, this market provide ability to gain high returns as a result of non-reflecting new information in stock prices. The second is semi-strong efficiency market which reflect all publicly available information. The third is strong efficiency market which reflect all publicly and privet information, in this market it is difficult to gain high returns because the market is sensitive toward information and reflect it directly on stock prices.

Zraquat (2020) study emphasized on voluntary disclosure rule in decreasing information inconstancy, increase the demand for shares, increase the liquidity of shares which finally adversely affect the cost of capital. This study also implemented **Signal theory** concept to interpret the effect of VD on cost of capital; the low level of VD considered as bad signal that harm investors and creditors as money providers making them request high rate of return which negatively affect the flow of capital, and this also combatable with **Capital Need Theory** which stated a negative relationship between the extent of VD and cost of capital, that because when investors provide capital to corporations, demand premium for the risk and uncertainty of information available , this risk will be minimized by disclosing more information, therefore when firms provide disclosure voluntarily , cost of capital will be mitigated (Shehata, 2014). Cost of capital concept is important to managers because it is a tool to evaluate investment opportunity, in another hand it is also important to investors because it is considered the rate of return on their investment capital.

By discussing stock market return from **Agency Theory** point of view ; (Khan ,2019), (Boateng et al, 2022) , (Jradi et al, 2023), (Sarvasti & Widoretno,2024), in their studies emphasized that disclosure of information plays essential role in reducing agency problem, because this action enables savers evaluate whether their resources are managed effectively by managers or not, decrease information asymmetry, conflict of interest between managers and owners which in turn increase the level of transparency, credibility, and stockholder's trust and can positively affect the stock market return.

Recent studies such a (Jradi et al, 2023), (Fitria, 2024), (Sarvasti et al, 2024), (CIOCÎRLAN et al, 2024) also discussed ESG disclosures and considered them as positive signals from management to outsiders (investors) about sustainable firm operations as a function of good business performance, which minimize information asymmetry and minimize the uncertainty regarding company conditions which in turn have an effect on stock prices.

Fitria (2024) study stated that Stock return is the reward for investors who tacking the risk of investment and consist of two components, the first is the yield which is the continuous income generated from the investment such as dividends, and the second component is the capital gain/ loss which resulted from stock prices fluctuations, it can be capital gain when selling price is more than purchase price, or can be capital loss if sold price less than purchase price. This fluctuation caused from political factors, financial performance for the firm, profitability, economic factors and others.

### **2.3 Effect of Voluntary Disclosure on Stock Market Return**

Voluntary disclosure considered as an appropriate information without any duty to disclose, it is expected to enhance the efficiency of resource allocation, minimizing agency costs and estimation risk, therefore increasing the return to investors and enhancing the market performance as a whole. Moreover, as Barle and Means (1932) stated in their book, the spread between who own the information and who need it must be minimized by disclosing sufficient information that reduce the knowledge gap and make sure that shareholders are well informed about their investment and about the company performance.

Recently the world gives its attention to sustainable development and ESG disclosures which help investors in their investment decision making by mitigating volatility that decrease risk of economic uncertainty and increase stock return, these excess returns considered as compensation for ESG disclosure, investors considered ESG disclosure as positive signals about sustainable firm operation as a function of good business performance, (CIOCÎRLAN et al,2024). These disclosures give a signal to all stakeholders that the firm didn't work for its self-objectives, but it contributes in achieving world shared objectives in environment, social and governance aspects, which is moving forward to sustainability development, which in turn enhance the firm reputation and image which positively affect the stock return.

## **2.4 Review of Related Previous Studies**

### **2.4.1 Voluntary Disclosure**

Healy and Palepu (2001) study examined the differences between corporate and social disclosures between some countries and they attributed these differences to stakeholders' theory, the manner the company define the role of corporate and its relationship with all its stakeholders affect the extent and quality of disclosure. They concluded a positive relationship between the company stockholders' orientation and the extent and quality of disclosure.

Krištofík et al (2016) study emphasized on reporting disclosure in order to minimize information asymmetry, good quality disclosure mean be adequate, specific, appropriate, and recognized according to standards, hence, making sure that these disclosures help stakeholders in their decision-making process

Akinlo and Sule (2019) study focused on banks, it was studied all the 14 commercial banks in Nigeria to examine the effect of voluntary disclosure of financial information on cost of equity for the period (2009 – 2013), they addressed significant negative correlation between these two variables, that's because insufficient information increases the level of uncertainties about true estimations of investment risk and returns, this high predictive risk increase the cost of capital, the researchers also concluded that increasing the level of VD will reduce information asymmetry between managers and

investors, therefore, estimation risk which in turn increase investors' confidence and increase their willing to purchase stock and high prices.

The more the company is profitable and had a good financial performance, the more information voluntary disclosed by the firms, that's in order to gain investors' confidence and resolve information asymmetry problem, therefore Chibuzo et al (2021) who implemented their study on manufacturing firm in Nigeria, aim to investigate the effect of financial performance in term of ROA and liquidity on two types of disclosures (market competitive VD and human capital VD), the study concluded there is an insignificant correlation between financial performance and market competitive VD in contrast to significant correlation between financial performance and human capital VD.

Islam (2021) study aimed to investigate the relationship between disclosure of integrated reporting and financial, operational and capital growth in Bangladesh for a sample of 20 non-financial firms listed on the Dhaka stock exchange (DSE) in three years for 2015 to 2018 which has provided 60 firm-year observation, the study observed a significant positive association between integrated reporting disclosure and key performance indicators such as ROA, ROE, and the market-to-book ratio. Furthermore, the paper presents an enhancement of the Bangladesh firms' level of compliance with the IR frameworks as years pass, suggesting an ongoing enhancement of Bangladeshi firms' use of IR practices.

Zraqat (2020) study intend to identifying the level of voluntary disclosure included the annual reports of banks listed on the Amman Stock Exchange. and further analyze the impact of the extent of the Jordanian commercial banks' voluntary disclosure on the cost of capital. The study sample was five banks from 13 Jordanian commercial during the period (2008-2018), The study revealed that the level of voluntary disclosure is moderate between the Jordanian banks as well as a significant correlation which may exist between capital cost and voluntary disclosure of Jordanian commercial banks. The researcher interpreted this relationship by the signal theory that suggests that high corporate disclosure plays an important role in decreasing the gap between the information given by companies and what investors receive, and therefore affect fixed cost of the sample banks under the study.

Awad et al (2022) study was implemented on six GCC countries with a sample of 74 firm for the fiscal year 2015, to investigate the level of voluntary disclosure and its

effect on profitability measured by ROE, debt to Asset ratio, and they concluded that the VD level in terms of background, general information, general risk management and accounting policy are extremely well but in terms of corporate governance, financial performance, corporate social responsibility disclosures, they are not transparent. Moreover, the study found significant correlation between VD and ROE for all sectors except insurance services sector.

Boshnak (2022) study explored the factors that could influence corporate social environment voluntary disclosure (CSEVD) in Saudi Arabia with regard to firm-specific factors and ownership type. Building on content and regression analyses with data from Saudi non-financial listed firms for the period 2016-2018, it investigated the extent to which firms complied with the GRI-G4 disclosures. Results highlighted a typical average disclosure of 68% and found a positive correlation between firm size, leverage, type of manufacturing industry firms and government ownership contributing to disclosure enhancement in contrast to family ownership which was negatively affecting disclosure. In addition, there was no significant evidence as to the influence of audit firm characteristics including audit firm profitability, audit firm size, audit firm age, and audit firm institutional ownership.

Elnagar et al (2024) study investigated the effect of cybersecurity risk disclosure on quality of financial reporting and market value in Egyptian stock exchange, by studying on the nine IT, media and communication firms for the period of 2017-2022. The result showed that firms with high cybersecurity risk disclosures have less, earnings management and accurate financial reports. moreover, such disclosures improve market value since they gain investors' confidence and accountability.

Alia et al (2022) study aimed to investigate the effect of disclosure quality measured by Discriminatory accruals and firm performance for 49 companies in Palestine Exchange during (2005-2016). Discriminatory accruals and all measures of firm performance including ROA, ROE, net income, revenues, liquidity and Tobin Q tests were performed using GMM. The results revealed mixed relationships: The results suggest that disclosure quality had a significant and positive effect on Tobin's Q, net income and liquidity metrics but a significant and negative effect on the ROA, ROE, and revenues. The present study implied the necessity of changed disclosure strategies to make the market more efficient and gain investors' trust. In view of these insights, the study suggests future research

within the emerging markets context to consider environmental and cultural factors that may influence disclosure quality and performance.

Abu Alia et al (2022) research aimed to examine the impact of voluntary disclosure on cost of equity and the moderating role of corporate governance for non-bank companies operating in PEX over the period from 2009 to 2018. Voluntary disclosure was measured using a 35-item checklist while the 19-item checklist was used to assess the level of CG. The study found a negative relationship between VD and cost of equity, moreover the study revealed that corporate governance magnifies the impact of VD. The outcomes note that CG best practice and greater disclosure are vital to rebuilding investor confidence and reducing equity costs in countries that politically and economically instable like Palestine. Specifically, the study recommends that policymakers enhance disclosure and governance standards in order to encourage investment and regulate the financial situation.

Abu Alia and Abu Sarees (2023) study examined the impact of voluntary disclosure (VD) and accounting conservatism (AC) on cost of capital (CC) of companies listed on Palestine Exchange (PEX) within the financial years 2015 to 2019. The research confirmed that both VD and AC negatively impact CC, by employing a sample of 48 companies and employing regression analysis. High voluntary disclosure minimizes information asymmetry conservative accounting practices mitigate risks associated with financial reporting, leading to reduced financing costs. To enhance markets efficiency the study calls for better governance practices and a greater number of disclosure policies.

#### **2.4.2 General Information Disclosure**

Barako (2007) study examined some factors associated with voluntary disclosure such as corporate governance attributes, ownership structure and company characteristics on four types of information; general and strategic, financial, forward-looking, and social and board information in the annual reports of listed companies in Kenya for the period 1992 to 2001. The study revealed an increase in the level of disclosing general and strategic information in Kenyan companies which positively affect the voluntary disclosure level, furthermore the study found that all types of information listed above

affected by corporate governance, ownership structure, and company characteristics especially agriculture sector which significantly affected

Folorunso et al (2024) study aimed to investigate the relationship between company characteristics and accounting information disclosure in the Nigerian banking sector. The sample consisted of annual reports from 11 major Nigerian banks over a 5-year period (2010–2014). Using a disclosure checklist of 137 items and multiple regression analysis, the study revealed a significant positive relationship between disclosure levels and both age and international exposure, while profitability and size were negatively associated. The average disclosure level was 62%, reflecting high transparency in the sector. The findings recommend enhancing disclosure practices to enhance stakeholder trust and inform sound investment decisions.

### **2.4.3 Corporate Governance**

Vadasi et al (2021) study aimed to examine the role of corporate governance on voluntary disclosure, in order to do this, they gathered data from the full set of the annual reports of 93 non- financial firms listed on the Athens stock exchange in 2017. The research investigates ownership structure, the board of directors, and the audit committee to determine the level of voluntary disclosures. This study established that some features of corporate governance like block ownership and board independence reduce voluntary disclosure while larger board and audit committee increase voluntary disclosure. The second hypothesis revealed that both firm size and the size of the audit firm are positively associated with voluntary disclosure

Boateng et al (2022) study aim to investigate the effect of corporate governance on voluntary disclosures in emerging capital market after implementing IFRS standards, they collected panel data from 22 non-financial companies listed on Ghana stock exchange over 5 years and they reveal that the level of voluntary disclosure is low in addition to this the study found a positive relationship between corporate governance and voluntary disclosure.

Saha and Kabra (2022) study aimed to investigate the effect of Corporate Governance on the VD practices of firms operating in India. In particular, it investigates

how CG features, including board size (BS), board independence (BI), role duality (RD), gender diversity (GD), ownership concentration (OC), audit committee independence (ACI), nomination and remuneration committees (NRC), and risk management committees (RMC), affect VD with regard to firm factors. The study employed data from the 100 non-financial and non-utility firms listed in the BSE for the period 2014 to 2018. The outcome shows that board independence has an inverse relationship with VD in the optical view of legal policy, whereas gender diversification and risk management committees have a positive influence on VD. Board size, role duality, ownership concentration, audit committee independence and nomination committees present no supporting empirical results. This study also discovered that board independence had a negative effect on corporate strategic disclosure (CSD) and forward-looking disclosure (FWLD), while conditional variables of gender diversity and risk management committees had a positive effect on both CSD, FWLD, CG and financial disclosure.

EI-Deeb (2015) study depended on cross sectional data collected from the Islamic & Non-Islamic Banks listed in Egyptian Stock Exchange for the period between 2004 and 2014 to examine the impact of corporate governance, audit quality and voluntary characteristics on financial performances. Therefore, this study analyzed accounting data from annual reports and financial statements of 12 banks (three Islamic and nine non-Islamic). The findings confirm that there is a significant positive correlation between corporate governance and voluntary disclosure with financial performance such as ROA and EPS, in contrast to audit quality which had a negative correlation with financial indicators. Statistically, there are differences between Islamic and non-Islamic banks in the ratio of voluntary disclosure and audit quality, but no differences in corporate governance characteristics. Based on the findings of the study, there is more need to increase disclosure practices that can boost the performance of the Egyptian banks.

Munther (2019) study aimed to investigate the effect of implementing corporate governance rules on the VD level, therefore he was studied 55 firms listed on Amman Stock Exchange from (2016 – 2017), the study revealed that there is a significant positive relationship between size of board of directors and VD, also there is a negative relationship between family ownership ratio, size of audit committee and the VD level, but all of these factors when combined together resulted in increasing the VD level.

Sweiti and Attayah (2013) paper studied critical factors influencing in the companies listed on the Palestine Exchange during the 2007 and 2011 period, by selecting 35 Companies for 2007 and 48 for 2011. The study concluded that voluntary disclosure increases with non-executive directors, audit committees, board size, number of shareholders, while board activity shows no significant impact. Furthermore, the overall VD level was 30.8% in 2007 and 41.7% in 2011. The study focuses on improving the current and future corporate governance measures and recommends future research on cultural and other overlooked aspects influencing VD in Palestine in particular.

Asmar et al (2018) article aimed to explore the influence of the corporate governance mechanisms on the quality of disclosure of the companies listed on the Palestine Exchange in the period from 2005 to 2016. The study investigated seven corporate governance variables: board of directors and board of directors' characteristics including the board size, board ownership, board compensation, role duality, number of board meetings per year, audit committee size and auditor type. Using panel data and the Generalized Method of Moments (GMM) analysis, the study revealed mixed effects: the control variables board size, board ownership, and auditor type have a positive effect on disclosure quality which measured by Discretionary Accruals, while role duality, audit committee size, and board compensations reduce have a negative one. The results in number of board meetings provided no indication of impact. The paper emphasized on the need for advancing practices in corporate governance in Palestine to deliver better disclosure quality and market transparency as these are the foundational tools needed for investment attraction and proper market performance.

Abu Alia and Awwad (2020) study aimed to examine how corporate governance and disclosure quality affect information asymmetry among firms listed on the Palestine Exchange (PEX) in the period 2006-2017. In this study, the sample consists of 42 companies and employs Ordinary Least Squares (OLS) regression analysis to analyze the following factors: board size, ownership concentration, audit committee characteristics, and voluntary discloser. Researchers found that voluntary disclosure index among companies was 51.5%, Consequently, findings reveal that a committee size significantly decreases information asymmetry, and ownership concentration increases it. Furthermore, increasing the level of voluntary disclosure will decrease the information

According to the study emphasized on enhancing voluntary disclosure practices to increase the market efficiency and investor contracts.

Al-kababji (2022) research investigated the effect of corporate governance adherence on the CSR disclosure of companies listed on PEX in 2019. The level of CSR disclosure is evaluated by the developed disclosure index with the aid of questionnaire administered to 49 companies and the content analysis approach. Analysis showed a distribution between sectors with the banking sector providing the highest CSR disclosure rates followed closely by the industrial and investment sectors. Corporate Governance practices are found positively associated with CSR disclosure. The study suggested increasing governance laws to make firms adopt high-standard practice, and establish legal mechanisms for CSR reporting and disclosure particularly in subpar segments such as industry and investment.

Abdelhaq et al (2024) study focused on investigating the effect which board characteristics have on the VD practices of Palestinian companies listed on PEX during the years 2013-2017. With a target sample of 45 companies, making 225 firm-year observations, the present study relied on a disclosure index containing 55 items to measure VD and the use of fixed-effect regression analysis. The study found that Board size was positively related with VD while board gender diversity is negatively associated with VD. Board independence is the only variable with no apparent impact on the level of companies' independence. As a result of this finding the study recommended to establish of the official Palestinian VD index; recommendation two calls for increase of board diversity and size in order to improve VD practices.

#### **2.4.4 Social Information Disclosure**

Suroto and Nugraha (2019) study focused on the effects of CSR disclosures, accounting profits, and ROA on the abnormal returns of the food and beverage manufacture firms listed in Indonesia stock exchange for the years 2013-2017. A panel data regression along with secondary data collected from annual reports has been utilized; CSR disclosures and accounting profit are found to have negative but insignificant relationship with the Abnormal Returns; while, ROA has a positive and significant

relationship. These results support the hypothesis that CSR and accounting profit disclosures are insignificant in determining investor decisions, whereas ROA has a major impact on creating abnormal returns.

Orazayeva (2021) study aim to examine if there is an effect of social responsibility disclosure on stock market return by studying 23 Russian firms from (2013) to (2019), and they found no statistically relationship between these two variables, even though they observe a significant relationship between CSR disclosure and other ratios such as ROA and leverage.

Mustafa and Mohd (2023) in Indonesia study found that non-financial information disclosure such as social, environmental, governance play vital role in realizing the sustainable development goals (SDGs) by enhancing firms' transparency, the study also concluded that stakeholders demand for non-financial information had increased lately, so companies represented by their managers must pay attention to meet stakeholders need, therefore maintain the company value and have a respectable image

Ciuciuc (2024) study investigated the correlation of ESG performance with macroeconomic variables and stock return on European Union markets. The study employed cross-sectional data for the period 2013 to 2020 based on the World Bank ESG Data Portal and stock market data for 640 observations. The conclusions reached show that while governance and social factors have a positive relation with stock returns, environmental performance has a negative relation, and with greater significance in Central and Eastern European (CEE) countries. These findings, therefore suggest that public investment and governance must be directed towards the stock market so that stock market performance can be improved and sustainability realized. The study serves to enhance knowledge of the relationship of ESG dimensions and economic stability within the EU environment

Barakat et al (2015) paper studied CSRD and the factors influencing among 101 firms listed in Palestine and Jordan in 2011 by applying a disclosure index suited for developing countries, the data indicated that CSRD is higher in Jordan with an overall average of 50% while in Palestine the general average is 33% but the two countries disclosure level considered low when compared to western countries. The sample features showed that CSRD is affected by the quality of the legal environment and the use of international audit firms, and board of directors' characteristics such as its size, and the

existence of an audit committee. There was Cultural similarities between Palestine and Jordan lead to a shared focus on human resources and community involvement but environmental conservation is not as emphasized as in western countries. Recommendations include enhancing institutional environments, implementing extensive CSR practices, and using Jordanian practices as best practices for the Palestinian business firms.

#### **2.4.5 Environmental Information Disclosure**

Kumar (2017) study defined sustainable development as “social, environmental, and economic developments which should consider the nature and human from the view point of optimum development of the whole biosphere”, therefore sustainable development depends on directly on triple bottom line performance, it is satisfying the present need without affecting the ability of future generation to meet their needs, in order to do this, the firms especially manufacturing must increase their environment disclosures, this study assured that environmental disclosure in Bangladesh is low in 2017, Bangladesh corporation do not provide quantitative environmental information ., the study also presented some reasons for low level of voluntary disclosure such as absence of legal requirement, absence of information demand by stakeholders, high costs associated with disclosing this type of information, and lack of resources or knowledge or awareness.

Antoniuk (2023) The research examines the impact of climate-related disclosures on stock returns in the Norwegian market between the years 2010 and 2020. With the CDP scores, the analysis puts firms into high, low, and no disclosure portfolios to build the portfolios. Findings show that mean annual abnormal returns for portfolios consisting of high-disclosure firms amount to 1.3%, climate risk decreases, and risk-adjusted returns are higher, except when energy firms are considered. On the other hand, firms that do not disclose see a negative market return penalty arising from perceived increased climate risk. These findings reveal the present and potential profitability of climate-congruent portfolio management and the need for accurate reporting to reduce investors’ risk perception.

Musthafa and Arifin (2024) study examined the effect of carbon disclosure as type of environmental disclosure on short-term and long-term financial performance using a sample of 644 companies listed on Indonesia Stock Exchange and they found a negative relationship between carbon disclosure and the financial performance in short-term using RAO ratio and long-term using Tobins Q ratio, and a positive relationship with market efficiency. The voluntary disclosure costs to meet higher environmental standards outweighs the financial benefits but these disclosures increase stakeholders trust which increase sales and investments, therefore the investment efficiency.

Sarvasti et al (2024) study was implemented on a sample of 54 company of food and beverage sector listed on Indonesian Stock Exchange during the period (2020 – 2022 ) using secondary data, the study found that carbon emission disclosure also the green accounting do not significantly affect the stock return, in another hand the study addressed that profitability affected stock return positively, that's because profitability and strong financial performance will help in meeting long term interests for various stakeholders, enhance environmental and social practices and support the whole society benefits, which in turn positively affect stock return.

Alaika and Firmansyah (2024) study aimed to investigate the effect of green accounting and sustainability disclosures on firm value in the Indonesian palm oil sector, which has 124 observations from firms listed on the Indonesia Stock Exchange between 2018 to 2022. Green accounting measured by PROPER environmental compliance had a negative relationship with firm value, which means that environmental compliance has short-term overhead costs. Sustainability disclosure on the other hand had no effect on firm value, implying the firms within this industry are wasting the efforts of sustainability by continuing to pursue shorter-term gains. The study concluded that it should be implemented legal conditions which encourage firms toward more effective disclosures.

Awwad (2022) paper aimed to examine the effect of environmental disclosure on industrial and service companies listed on Palestine Stock Exchange from 2010 to 2019. Hence, in this paper that adopts an analytical descriptive study, financial reports of 22 companies operating in sectors that have an impact on the environment were analyzed. The study revealed a low environmental disclosure index of 48 %. However, the correlation coefficient between environmental disclosure and market value was positive, but it was not significant. The study provides recommendations for the Palestinian

companies on how to enhance the environmental awareness of local organizations and implement mandatory disclosures to enhance the accountability and market reputation of local organizations.

#### **2.4.6 Stock Market Return**

Rasheed et al (2018) study examined the link between stock price synchronicity and voluntary disclosure in the context of Pakistan's stock exchange employing data of 62 non-financial firms from the KSE 100 index during the 2010-2014 period. Combined with the use of information that is unique to firms, synchronicity is captured by the R-squared estimate from CAPM regressions. The results provide evidence that the levels of voluntary disclosures, based on the SD-SCORE, are positively associated with stock price synchronicity, and both public and private information are reflected in the stock prices. Thus, these results highlight the significance of the voluntary disclosures as a medium that contributes to more efficient stock market as well as investors' decisions.

Khan (2019) paper analyzed the impact of Corporate Governance, ESG, on Stock Returns around the World. The paper employed data from 42 countries, 338,626 company-months (2009–2017) and 183,335 ESG observations (2013–2017). They newly present composite governance and ESG ratings as a combination of main macro (Shareholder orientation and Institutional strength) and micro level factors (Ownership dispersion and MSCI governance scores). It is found that good governance and high ESG scores make better returns of the stock market; especially the governance plays an important role. The research indicated that good governance can improve long term economic discipline thereby encouraging sustainable business practices and shareholder value.

Jannah et al (2021) study investigated the effect of voluntary reporting on stock return of firms in the Indonesian financial and banking sector during 2015-2019 with intellectual capital and information asymmetry as mediators. by using data from 45 companies the study found that voluntary reporting increases stock return by decreasing information asymmetry and increasing transparency, but information asymmetry had an

insignificant negative moderation on this effect, intellectual capital reinforces it by providing efficiency value signal to investors

investors have an ability to predict firm future performance, also, voluntary disclosure will decrease cost of capital, therefore better market value. Saha and Kabra (2022) study investigates the VD effect on stock market using 500 annual reports for 100 non-financial and non-utility firms in India and they concluded that some components of VD as corporate governance, forward looking and strategic disclosure have significant positive effect on firm market value.

Ho et al (2022) study investigated how disclosure quality impacts stock price delay and, in turn, how this delay affects expected stock returns in the Taiwan stock market during the sample period from 2005 to 2014, the study depends on 8,028 observations. The concept of stock price delay is expressed as a certain delay in the stock price in order to adjust to new information available for the stock. An efficient market calls for prices to be assessing almost immediately to the new information and therefore balance themselves on average. However, as the market efficiency varies there may be a period before the price alters in response to this sort of information. The study found that better disclosure quality reduced price delay by enhancing investor attention and stock liquidity. Additionally, improved disclosure quality lowers expected returns by increasing price efficiency through the same mechanisms. Specifically, a one-standard-deviation increase in a firm's standardized information rating reduces expected stock returns by 0.63% annually. The findings suggest that regulatory efforts to enhance disclosure quality in Taiwan's stock market improve market efficiency and reduce the return investors require for stocks.

Gunarapong et al (2022) study focused on the effect of voluntary disclosures on stock returns using data gathered from 11 commercial banks registered at Stock Exchange of Thailand in the years 2016 to 2019. Employing a formula for voluntary disclosure index that developed by researchers, the study divided disclosures into total voluntary, extra voluntary and non-extra voluntary disclosures. Findings show a positive correlation with all forms of voluntary disclosures, particularly if an extra voluntary disclosure is made. The results indicate that the level of investors' confidence can be improved by increasing disclosure, and thus there should be increased local oversight and increased scrutiny in the banking industry for the improvements in disclosure to be encouraged.

Kulal et al (2023) study was implemented on publicly- traded companies in India across various industries for the period 2018 to 2022, the study found a positive relationship between ESG disclosures and stock prices, hence the financial performance for the company, even this positive association between ESG disclosure and stock prices but there was a debate about which component from ESG especially affect stock prices

Khadri et al (2023) study aimed to investigate the impact of accounting disclosure on stock returns in the Algerian Stock Exchange for the period (2000 to 2015) using a Vector Auto-Regression (VAR) model. They revealed neither timing nor content of financial disclosures have statistically significant impact on stock returns return in the days around annual report. However accounting disclosures indirectly affect investors' decisions, and hence the stock market trading behavior. The findings revealed that the Algerian stock market is relatively inefficient due to a number of deficiencies among which are; weak financial literacy, patronage for the informal market, and weak enforcement of regulatory policies.

Investors and other stakeholders need a good quality information , it must be complete, relevant to decision making, accurate and to be in time, any information disclosed to the market was interpreted and analyzed and give a positive or negative signals, these signals in turn affect stock prices, Jradi et al (2023) study examined the effect of voluntary disclosure on stock price volatility for non-financial companies listed on Tunis Stock Exchange, and they revealed a significant negative relationship between these two variables, they interpreted this result by increasing the level of voluntary disclosure will decrease information asymmetry between insiders and outsiders, and decrease the cost of capital, therefore the stock prices volatility will decrease, voluntary disclosure level affect transparency level.

Kohardinata et al (2023) study depends on secondary data from 105 samples in 4 countries in Southeast Asia (Thailand, Malaysia, Singapore, Indonesia), for the period (2012 – 2016),the study concluded that there is no direct relationship between internal voluntary disclosure and stock return, but there is a significant positive relationship between voluntary disclosure and ROA, furthermore ROA related positively with stock return, hence, SOA act as a bridge between voluntary disclosure and stock return.

Fitria (2024) study examined the effect of ESG disclosures on stock market return of energy sector company listed on Indonesia Stock Exchange for (2018 – 2022) using

secondary data, the study results show a direct relationship between ESG disclosures and stock market return.

Rosa (2024) research investigated the interaction between ESG risk scores and market returns in Indonesia's LQ45 from 2016 to 2022 with a particular emphasis on firm size. From 39 listed companies by employing the panel techniques and, after performing the Hausman test, the study provides evidence for firm size effect where lower firms deliver superior stock returns. The study revealed no effects of ESG risk scores on stock returns at this time, which could be due to low ESG incorporation in Indonesia, officially initiated by the Ministry of Finance in 2022.

Pratama and Robinson (2024) study purpose was to investigate the effect of ESG disclosures, retention ratio, and leverage on stock returns, where company value moderated the relationship. The sample consisted of 14 financial companies which are listed on the Indonesia stock exchange during the period of 2018 to 2022. The study found that ESG and leverage do not significantly explain stock returns. The evidence also revealed that company value, acted as a mediator to ESG and retention ratio on Stock return but not on leverage-stock return relationship.

Almshabbak and Chouaibi (2023) study aimed to investigate the effect of voluntary disclosure on financial performance of the 15 commercial banks listed on Iraq Stock Exchange for the period (2010 to 2019) and the discovered a positive relationship between financial performance in relation to ROA and ROE and the voluntary disclosure as independent variable.

Makhlouf and Almaharmeh (2024) examined the effect of voluntary disclosure on profitability of 34 industrial companies listed on Amman Stock Exchange for the period 2017 to 2021 and the study found a positive relationship between voluntary disclosure measured by VD index and firms profitability measured by ROA even that the audit quality as a moderating variable affect this association negatively, they interpreted the results as increasing the VD level will decrease agency costs, decrease information asymmetry, increase information quality which in turn enhance the firm profitability.

Alareeni and Lulu (2018) article aimed to study the voluntary disclosure practices of firms listed on Palestine Exchange on their stock prices during 2014. This study

adopted content analysis method and checklist as a tool applied to analyze the voluntary disclosures of disclosure of 45 companies across various sectors. The study showed that disclosure levels are very much varied with 70% disclosure by the banks, 59% for information and Telecommunications Sector, 57% for Insurance Sector, 53% for Services Sector, 48% for Industrial Sector and only 36% for real estate. The aggregate disclosure level was 54% and this a low percentage, The researchers found no statistically significant effect of voluntary disclosure on stock prices. And they suggested the need to step up the awareness and utility of voluntary disclosure with a special emphasis on the problem areas like real estate sector to strengthen the prospects of better light in the new and existing markets that is so important for the investors.

## **2.5 Relevance of the Reviewed Related Studies**

### **2.5.1 Strengths of Reviewed Studies**

This research was depending on various studies, among these studies, papers like Healy and Palepa (2001) and Vadasi et al (2021) which provided a theoretical framework and present some theories such as agency theory, signaling theory, corporate governance that help in understanding voluntary disclosure, its motivations, and it's important to stakeholders. In addition to vary in content, also these studies vary in countries where located, either foreign (Ghana, Kenya, Russia, India) or local (Tunis, Jordan, Egypt, Saudi Arabia), this variation helps in giving insights to how differences in culture, economic, and regulation environment can affect voluntary disclosure.

The sequence in presenting these studies relating to period they cover, have been showed the development of voluntary disclosure definition which began as financial disclosure its main intent was to help shareholders maximize their wealth, then turn to pay attention to corporate governance, social and environmental disclosures (ESG) and expand the beneficiary parties from shareholders to all stakeholders.

Furthermore, researchers used various data collection tools, some of them depending on secondary data and used voluntary disclosure index and other researchers used a questionnaire to collect data, in addition to this, some studies depend on advanced statistical techniques such as (GMM) and (VAR). Studies also vary in their practical

implications, they relate voluntary disclosure with cost of capital, financial performance, information symmetry, stock return, price volatility, and others, all of these relations help in developing and formulizing this research.

### **2.5.2 Weaknesses of Reviewed Studies**

Despite of what listed above, some of these studies have weaknesses, such as methodology weaknesses: Islam (2021) and Rasheed et al (2018) depend in their analysis on short-term periods, this could adversely affect the ability to capture long-term impact of voluntary disclosure on financial / non- financial outcomes.

Many studies focused of specific sectors such as banking or food and beverage sectors, like (Akinlo & Sule, 2019) study and (Suroto & Nugrah, 2019) study, this could affect the result generalization for other sectors.

Furthermore, there was a lack in comparison studies between countries about voluntary disclosure and its effect on stock market return, these comparisons studies especially local comparisons will help the researcher in identifying the effect of social and environmental aspects on voluntary disclosure, in all previously studies reviewed, there was one study compare between voluntary disclosure in Palestine and Jordan for Barakat et al (2015) and it considered as old study.

### **2.5.3 How this Research Benefit from Previous Studies**

This research agrees with previous studies that voluntary disclosure adversely affected information asymmetry, decrease the cost of capital, enhance stakeholders' confidence and helping them in their economic decision making. But it differs from them that this research will directly examine the effect of voluntary disclosure of Palestinian companies listed on PEX on stock market return, not ROA, ROE, liquidity like other studies such as (Abu Alia et al, 2022) study and (Asmar et al, 2018) study, and it will be done by take all companies listed on PEX into consideration to analyze the differences between all sectors.

Previous studies help the researcher in building theoretical framework and discuss deeply the theories which explain voluntary disclosure and its motivations, other studies presented social, environmental aspects and corporate governance mechanism and shaded light on ESG disclosure, their development over time and the effect of these types of disclosures on firm performance. Referring to studies in various developed and developing countries, and examine the effect of voluntary disclosure on stock returns, ROA, ROE, stock liquidity, in addition to the researcher's interpretation to their findings, all of this helped the researcher in identifying the study variables and building the hypothesis.

#### **2.5.4 Knowledge Gap in Previous Studies and the Current Study Contribution**

Regulatory environment and market structure where these studies located especially developed countries, differ from Palestinian context in many aspects, moreover, studies made in these developed, developing, even in Palestine concentrated on metrics other than stock return, most of them concentrate on ROA, ROE, stock liquidity, cost of capital and others, investigating the effect of voluntary disclosure on stock market return was largely unexplored area.

Therefore, this study will contribute in expanding knowledge in voluntary disclosure field and enrich the emerging countries especially Palestine with literature about voluntary disclosure. The finding of this research will act as a bridge between expectations and the real situation in Palestine, that's because there was 10 years have been passed on similar study made on Palestinian companies (Alareeni & Lulu, 2018) which examined the impact of voluntary disclosure practices on stock prices in the year 2014, policy makers need to know the development of VD level in this long period, researches like this kind will encourage transparency by motivate regulators and policy makers in Palestine to adopt better disclosure practices, enhancing market efficiency to gain investors trust. Furthermore, examining the direct effect of voluntary disclosure on stock prices will provide new prospective about how transparency impact market behavior especially when concentrating on the effect of social, environmental and corporate governance disclosures, these aspects which our modern world walking toward

them in order to achieve the 2030 Agenda for Sustainable Development, it is considered as a significant step towards achieving the Palestinian sustainable development plan.

## **Chapter Three: Methodology and Procedure of Research**

This study aims to measure the level of voluntary disclosure practiced by Palestinian firms listed on Palestine Stock Exchange (PEX) and to investigate the effect of voluntary disclosure on stock market return. Therefore, after presenting theoretical framework, conceptual framework and review various studies, this section from the study will present the data collection process, starting with addressing the study population, study sample, study variables and how the researcher measured them in order to test the relation between variables and test the hypotheses which developed previously.

Palestinian Exchange (PEX) is operating in a developing economy which has a challenging economic, political and legal environment. The problems facing PEX include relatively few numbers of companies listed, low trading frequency, and comparatively weaker corporate governance practices compared to the larger, more developed market environments. Such characteristics explain why voluntary disclosure is a crucial aspect since it provides information about firm operations to the capital markets and considered as transparency back bone.

### **3.1 Research Method**

This study aims to measure the level of voluntary disclosure practiced by Palestinian firms listed on Palestine Stock Exchange (PEX) and to investigate the effect of voluntary disclosure on stock market return, therefore it was considered as quantitative correlational study, the type of data used in this research is secondary data which was not directly collected by the researcher but obtained from various sources to support the study. In collecting data, researcher used a documentation method which was carried out by collecting information from companies' annual reports and sustainability reports which disclosed in PEX website or the official companies' websites. Data used in the study was in the form of panel data with 120 observations resulted from a sample of 40 company listed on PEX for three years from 2021 to 2023, depending on panel data (many

companies for many years), was better than relying on pure cross-sectional data or pure time series data, it provided more validity and efficiency information.

### 3.2 Study Population and Sample

The study population will contain all companies listed on (PEX) from 2021 to 2023, these years have been chosen because analyzing them will provide the most recent and updated information about the voluntary disclosure practiced between firms listed on PEX and the effect of this voluntary disclosure on stock market return, which in turn will maximize the added value of this research on various aspects, especially after the global COVID-19 crisis, companies in this period may have given more attention to transparent reporting, strong sustainability, and environmental, social, and governance-related details, by studying this period, it is possible to track disclosure trends following the pandemic and see how companies are meeting the expectations and increased reporting standards.

The study population consisted of (48) companies listed on the Palestine Stock Exchange according to the data presented by the Palestine Stock Exchange, these companies are distributed over five sectors: industry, investment, banks, service and insurance as listed in table (3.1):

Table 3.1: Study Population

<b>Sector</b>	<b>Number of companies</b>
Banks	8 companies
Insurance	8 companies
Industry	11 companies
Service	9 companies
Investment	12 companies
<b>Total</b>	<b>48 company</b>

Source: Palestine Stock Exchange, 2021/2022/2023

The study sample will include companies that meet three specific criteria's: firstly, companies listed on the PEX (2021 – 2023), secondly, all necessary data for the companies such as annual reports for that period must be available, and finally the company stock must be traded during the stated period (2021–2023), based on these criteria, the sample will be (40) company listed on PEX, as presented in table (3.2):

Table 3.2: Study Sample

<b>Sector</b>	<b>Company Name</b>
<b>Service</b>	Palestinian Telecommunications (PALTEL)
	Wataniya Palestinian Telecom Mobile (Ooredoo)
	The Ramallah Summer Resorts (RSR)
	Palestinian Company for Distribution & Logistics Services (WASSEL)
	The Arab Hotels (AHC)
	Nablus Surgical Center (NSC)
<b>Insurance</b>	National Insurance (NIC)
	Trust International Insurance (TRUST)
	Al-Takaful Palestinian Insurance (TIC)
	Palestine Insurance (PICO)
	Global United Insurance (GUI)
	Al Mashriq Insurance (MIC)
	Ahliea Insurance Group (AIG)
<b>Banks</b>	Bank Of Palestine (BOP)
	The National Bank (TNB)
	Al Quds Bank (QUDS)
	Palestine Islamic Bank (ISBK)
	Arab Islamic Bank (AIB)
	Palestine Investment Bank (PIBC)
	Palestine Securities Exchange (PSE)
<b>Industry</b>	Birzeit Pharmaceuticals (BPC)
	Jerusalem Pharmaceuticals (JPH)

	The Vegetable Oil Industries (VOIC)
	Palestine Poultry (AZIZA)
	Beit Jala Pharmaceutical (BJP)
	Jerusalem Cigarette (JCC)
	Golden Wheat Mills (GMC)
	Arab Company for Paints Products (APC)
	National Aluminum and Profile (NAPCO)
	The National Carton Industry (NCI)
<b>Investment</b>	Arab Palestinian Investment (APIC)
	Palestine Development & Investment (PADICO)
	Sanad Construction Resources (SANAD)
	Palestine Industrial Investment (PIIC)
	Palestine Real Estate Investment (PRICO)
	Union Construction and Investment (UCI)
	Palestine Investment & Development (PID)
	Arab Investors (ARAB)
	Al-Aqariya Trading Investment (AQARIYA)
	Jerusalem Real Estate Investment (JREI)
<b>TOTAL</b>	<b>40 companies</b>

Source: Palestine Stock Exchange, 2021/2022/2023

This study excluded eight companies from the analysis because they did not meet the criteria which considered as standard of the research, table (3.3) explain reasons for excluding these eight companies:

Table 3.3: The Reason for Companies' Exclusion

<b>Company</b>	<b>Sector</b>	<b>Reason</b>
Safa Bank (SAFA BANK)	Banks	The first trading on its stocks occurred on July 18, 2022, and there were no trading activities or price changes in the year 2021.

Palestine Plastic Industries (LADAEN)	Industry	There were no trading activities or price changes for the company stock in the year 2021 and 2022.
Tamkeen Palestinian Insurance (TPIC)	Insurance	It was listed on the PEX in June 6, 2021.
Palestine Electric (PEC)	Service	Trading on its shares was halted on October 10, 2023, due to the Israeli aggression on Gaza. The company didn't disclose 2023 annual report.
Ibn Sina Specialized Hospital (ISH)	Service	The company was listed on May 16, 2023
Palaqar For Real Estate Development & Management	Service	There has been no trading of the company's shares since May 20, 2019. The company didn't disclose 2023 annual report.
Arkaan Real Estate (ARKAAN)	Investment	The company was listed on July 3, 2022
Amlak Real Estate Investment & Trading (AMLAK)	Investment	The company was listed on June 21, 2023

### 3.3 Measurement of the Variables

#### 3.3.1 Voluntary Disclosure (Independent Variable)

In order to measure the voluntary disclosure level practiced by Palestinian firms, it was necessary to construct a disclosure index. The voluntary disclosure index used in this study was formulated by referring to prior studies such as Parsian (2022), Al-Janadi et al (2012), Meek et al (1995), Eng and Mak (2003), Najm and Tufail (2013), Boateng (2022), Barako (2007), Alia and Awwad (2020), Saha and Kabra (2022), Tahir et al (2023), Alareeni and Lulu (2018), these studies vary in time periods and vary in types of countries that used index to measure the voluntary disclosure level, in term of development, which

include developing and developed countries, this variation support the index in making it a comprehensive one, depending on an index which formulated especially for this study considered as strength point because it controls what it should be including and measuring disclosure according to the nature of Palestinian financial market and the laws regulating it. Secondly, there is no mandatory disclosure index implemented by Palestinian companies.

The index had been developed, has 50 indicators which grouped into four categories; General Information, Corporate Governance Information, Social Information, and finally, Environmental Information. Each one of these 50 indicators was selected based on its frequency in more than one previously published study.

General Information category includes 13 indicators such as "Brief history about the company", "Disclosure of the company's business strategy and goals from the Board of Directors' perspective" and "the company vision and mission" , were chosen because disclosure of these information was important to ensure transparency regarding the company's objectives and methodologies, fostering trust and alignment with the stakeholders' expectations, moreover, The inclusion of "Market share analysis" and discussions on "major regional economic and political development" would reflect the company's market position and its responsiveness to external factors, and enhancing investor confidence in the company's strategic planning.

Corporate Governance Information category includes 13 indicators addresses the structure of corporate oversight, which is essential for ensuring accountability and ethical business practices. By disclosing information like "Name and age of directors", and "Description of academic and professional qualifications of the Board of Directors (BOD)", the company supports the credibility of its leadership. Furthermore, information about "Director engagement/directorship in other companies" and "Compensation of BOD" are indicators of the conflict of interest which might affect decision-making process. Such transparency is vital for investors and regulators, because it provides insights about the board's effectiveness and governance practices, which are essential for assessing corporate governance standards and risk management.

Social Information category includes 19 indicators addresses the company's impact on its community and workforce. Indicators such as "Supporting hospitals, universities, students, and elite" and "Information about employee workplace safety" reflect the

company's commitment to social responsibilities and employee welfare. These aspects are increasingly important to stakeholders who prioritize corporate ethics and community engagement. Disclosures regarding "Employee turnover" and "Compensation or bonus policy" provide insights about the company's human resources policies and their effectiveness, which are essential for evaluating the company's role as a socially responsible employer.

finally, Environmental Information category include 5 indicators which demonstrate the company's commitment to environmental stewardship, indicators such as "Environmental policy" and "Environmental projects/actions undertaken" not only highlight the company's initiatives in promoting environmental sustainability but also its compliance with environmental regulations. Such disclosures are vital for assessing the company's environmental impact and its management's commitment to minimizing negative effects. Moreover, recognitions like "Awards for supporting the environment" underscore the company's achievements and ongoing efforts in environmental protection, which in turn enhance the company image according to sustainability matters.

There was an important issue considered as debate in the literature about developing disclosure index, this debate was whether all items would have the same weights or some items should be weighted more heavily than others, despite the importance of weighted approach, the index used in this study was developed based on unweighted base, hence, allocate equal weights to all items in the index in order to keep away from subjective judgment, therefore increasing the transparency evaluation, this approach used by Abdelhaq et al (2024), Awad et al (2022), and Alia (2020) in their studies.

After analyzing the annual reports and sustainability reports disclosed in PEX website or companies' official websites, score (1) given to the indicator which disclosed by the company, and score (0) given when the indicator didn't disclose by the company. And finally, there was a total score to each category (General Information, Corporate Governance Information, Social Information, Environmental Information) and a final score from 50 to each company as a number and as a percentage.

Appendix (1) present the Voluntary disclosure index used in this study.

### 3.3.2 Stock Market Return (Dependent Variable)

Stock return is the reward for investors who tacking the risk of investment, and consist of two components, the first is the yield which is the continuous income generated from the investment such as dividends, and the second component is the capital gain/ loss which resulted from stock prices fluctuations. This study will use an accounting equation which include only the capital gain and exclude the dividends yield, that's because many prior researches argued that the relationship between dividend yields and stock returns remains an unresolved issue (Kim,2021), and this methodology has been utilized in studies such Fitria (2024), Pratama (2024), Sarvasti and Widoretno (2024), Jannah et al (2021), and Orazayeva (2021), therefore, to measure stock market return this equation will be used:  $R_t = (P_t - P_{t-1}) / P_{t-1}$

Table (3.4) present how this study measure independent and dependent variables.

Table 3.4: Variables Measurement

Variable	Measurement	References
Independent variable (Voluntary Disclosure)	Score = $n / k$ Description: <b>n</b> : number of items disclosed by the company. <b>K</b> : number of items expected to be disclosed by the company according to voluntary disclosure index.	Parsian (2022) Al-Janadi et al (2012) Meek et al (1995) Eng and Mak (2003) Najm and Tufail (2013) Boateng (2022) Barako (2007) Alia and Awwad (2020) Saha and Kabra (2022) Tahir et al (2023) Alareeni and Lulu (2018)
Dependent variable (Stock Market Return)	$R_t = \frac{P_t - P_{t-1}}{P_{t-1}}$ Description: Rt: stock market return Pt: stock price in period t Pt-1: stock price in the previous period (t-1)	Fitria (2024) Pratama (2024) Sarvasti and Widoretno (2024), Jannah et al (2021) Orazayeva (2021),

### 3.4 Statistical Treatment of Data

This study employed the inductive analytical approach and used content analysis method to examine the extent and level of voluntary disclosure among listed companies on the Palestine Stock Exchange during the period (2021 – 2023) and distinguish between the five sectors results. The analysis was conducted on their annual reports and sustainability reports which published even on PEX website or the companies' official websites during the period (2021 – 2023), utilizing a research tool consisting of a disclosure index with 50 disclosure indicators.

In addition to content analysis, a multiple regression analysis will be used to examine the effect of voluntary disclosure on stock market return for Palestinian companies listed on PEX, by analyzing panel data consist of 40 company listed on PEX and during the period (2021 -2023).

To study the relationship between the explanatory variables and the dependent variable and to know the effect of each independent variable on the dependent variable, a mathematical model was built to study the effect of the explanatory variables, which represent the main independent variable (voluntary disclosure) and are represented by general information, corporate governance, social information, and environmental information, Accordingly, the model function is formulated as follows:

$$S_{it} = b_0 + b_1GI_{it} + b_2CG_{it} + b_3SI_{it} + b_4EI_{it} + E_{it}$$

Where:

$S_{it}$  = stock market return for company (i) in year (t).

$GI_{it}$  = General information index for company (i) in year (t).

$CG_{it}$  = Corporate governance information index for company (i) in year (t).

$SI_{it}$  = Social information index for company (i) in year (t).

$EI_{it}$  = Environmental information index for company (i) in year (t).

$E_{it}$  = Residual term

In this study, the researcher used the descriptive statistical approach to describe the study variables through statistical measures to describe each of the study variables. The

standard approach was also used to measure the effect of the independent variables on the dependent variables. To do this, the statistical analysis package (STATA) was used for measurement and estimation, where a set of statistical and standard tools and methods were used, which included:

- Descriptive methods: Descriptive statistical measures were used to describe the data of the study variables, by calculating the arithmetic mean, standard deviation, and minimum and maximum values for each of the study variables.
- Multiple regression analysis models: To show the effect of independent variables on the dependent variable, panel data estimation methods were adopted. These models have recently gained great interest, especially in financial and economic studies, as they consider the effect of time changes and the effect of differences between cross-sectional units in the data adopted in the analysis.

The importance of using panel data estimation methods is that it takes into account what is described as heterogeneity or difference between sample items, whether cross-sectional or temporal, as neglecting it leads to biased and inconsistent estimates such as the local economic situation, language, culture, geographical location, and other characteristics that distinguish variables from each other, in addition to factors that change over time such as technological and institutional development, and changes in economic policies, etc., but these effects are fixed in the short term or at least during the study period, and these temporal effects are dealt using the fixed effects model or random effects model.

Through the data covered by the study, which included 40 listed company in Palestine, the researcher used cross-sectional observations for time periods called (Balanced panel data), and two regression analysis models were estimated:

- Fixed effects model
- Random effects model

To reach the model appropriate to the study data between fixed and random effects models, which gives correct and accurate results, the (Hausman) test was conducted.

## **Chapter Four: Presentation, Analysis and Interpretation of Data**

This chapter presented the analysis of the study data and the testing of hypotheses, through descriptive analysis of the study variables, testing the hypotheses by using regression analysis between stock market return and the dimensions of voluntary disclosure for Palestinian companies listed on PEX, the results were presented in a way that supports the main and sub- objectives of the study.

To measure the level of Voluntary Disclosure practiced by Palestinian companies listed on PEX, the study was applied on a sample of 40 companies divided into five sectors, the number of companies in the industrial sector and investment sector represent the largest number among all sectors, they are 25% of the sample , followed by banking sector and insurance sector which represent 17.5% of the sample , and the service sector was the last one and ranked as the smallest number of companies with a percentage of 15% of the sample.

This study depended on annual and sustainability reports disclosed by the companies in their official web sites or in the PEX web site for the period (2021– 2023), to calculate the voluntary disclosure practiced by each company and each sector, a voluntary disclosure index was formulated and used, this index had 50 indicators categorized into four dimensions (General Information, Corporate Governance Information, Social Information, and Environmental Information) ,After analyzing the reports, score (1) given to the indicator which disclosed by the company, and score (0) given when the indicator didn't disclose by the company. And finally, there was a total score to each category (General Information, Corporate Governance Information, Social Information, and Environmental Information) and a final score from 50 to each company as a number and as a percentage.

### **4.1 Voluntary Disclosure Index (Independent Variable):**

Table 4.1 delivers sector-specific descriptive statistics for the "voluntary disclosure index". The mean score of 0.633 reveals that banks maintain the greatest extent of voluntary disclosure among all sectors. The voluntary disclosure index shows that

companies in the services sector disclose information less frequently than those in other sectors because their mean score stands at 0.369. The lowest standard deviation among sectors at 0.056 shows that companies in the insurance sector maintain consistent levels of voluntary disclosure. The banking sector demonstrates greater variability in voluntary disclosure practices as its standard deviation reaches 0.145. The disclosure range in the banking sector extends from 0.320 to 0.880, which demonstrates that banks vary greatly in their information disclosure practices despite most providing substantial information. The insurance sector shows the tightest range between 0.340 and 0.500 which demonstrates that firms in this industry maintain a limited scope of information disclosure and exhibit low variability compared to other sectors. Voluntary disclosure averages at 0.458 across all sectors, which shows moderate disclosure levels with banking leading and services and investment sectors having lower disclosure rates. The total disclosure ranges from 0.200 to 0.880 indicates that certain companies offer minimal disclosure at 0.200 while others achieve extensive disclosure levels reaching 0.880.

Table 4.1: Descriptive analysis of Voluntary Disclosure Index by Sector

<b>Sector</b>	<b>Mean</b>	<b>SD</b>	<b>Min</b>	<b>Max</b>
Banking	0.633	0.145	0.320	0.880
Industry	0.495	0.109	0.200	0.600
Insurance	0.429	0.056	0.340	0.500
Investment	0.373	0.104	0.240	0.660
Services	0.369	0.105	0.240	0.600
<b>Total</b>	<b>0.458</b>	<b>0.142</b>	<b>0.200</b>	<b>0.880</b>

**Therefore, the Level of Voluntary Disclosure in Palestine for the Period (2021 to 2023) was 45.8%.** The banking industry achieves top rankings in voluntary disclosure by demonstrating the highest mean values and the widest spectrum of disclosure levels.

The services sector demonstrates minimal voluntary disclosure with low average scores and limited variation. The insurance industry demonstrates the highest level of consistent disclosure, but this consistency remains moderate. Voluntary disclosure remains medium-to-low across sectors including industry and investment, but the investment sector exhibits higher variability compared to industry. Banking leads all

sectors in transparency while other sectors maintain moderate voluntary disclosure practices.

#### 4.2 General Information Disclosure Index:

Table 4.2 provides a descriptive analysis of the "General Information Index" as a dimension of voluntary disclosure across various working sectors. The banking sector led in voluntary disclosure of general information with the highest average score of 0.729 compared to other sectors. The services sector shows the least voluntary information disclosure with its lowest mean score of 0.466. The presence of small standard deviations from 0.152 in the banking sector to 0.166 in the services sector demonstrates that data points across all companies remain close to their respective means, which suggest consistent levels of voluntary information disclosure. The banking sector displays the highest maximum value of 0.920, so numerous banks provide extensive voluntary information, but a few banks exceed the standard disclosure levels. The services sector records the lowest minimum value of 0.230, which indicates that certain companies reveal minimal voluntary information compared to their peers. The overall mean of 0.586 suggests that, across all sectors, the general level of voluntary disclosure of general information is moderate, with banking standing out for its higher disclosures, and services lagging behind

Table 4.2: Descriptive Analysis of General Information Index by Sector

<b>Sector</b>	<b>Mean</b>	<b>SD</b>	<b>Min</b>	<b>Max</b>
Banking	0.729	0.152	0.380	0.920
Industry	0.610	0.165	0.310	0.850
Insurance	0.582	0.140	0.310	0.770
Investment	0.538	0.145	0.310	0.770
Services	0.466	0.166	0.230	0.770
<b>Total</b>	<b>0.586</b>	<b>0.172</b>	<b>0.230</b>	<b>0.920</b>

### 4.3 Corporate Governance Disclosure Index:

The "Corporate Governance Index" of voluntary disclosure across different sectors is described in Table 4.3. The banking sector stands out with the highest mean score of 0.888, which shows banking institutions lead in voluntary corporate governance disclosures. The investment sector displays the lowest mean score at 0.644 which indicates its lower levels of voluntary disclosure regarding corporate governance. Voluntary disclosure levels related to corporate governance show the most uniformity across the services sector as evidenced by its lowest standard deviation of 0.103. The banking sector shows the greatest standard deviation value (0.172) which demonstrates substantial variation in corporate governance disclosure levels among banks. The banking sector shows a maximum disclosure value of (1) which means that some banks complete their voluntary corporate governance disclosures while the minimum value of 0.380 represents banks that disclose considerably less. The insurance sector displays a more moderate disclosure spread as its values range between 0.540 and 0.920 compared to the banking sector. Corporate governance disclosures are generally strong across sectors but exhibit differences between sectors as shown by the overall mean score of 0.758. The sample range from 0.380 to 1.000 demonstrates the differences between sectors regarding their voluntary disclosure practices for corporate governance. The banking sector demonstrates a particularly robust corporate governance disclosure as evidenced by its high mean score and extensive range of values which shows considerable variation in practices across the sector. The investment sector demonstrates lower disclosure means when compared to industry and insurance sectors which both exhibit high disclosure levels. Disclosure levels within the services sector remain steady despite not reaching the highest recorded values.

Table 4.3: Descriptive Analysis of Corporate Governance Index by Sector

<b>Sector</b>	<b>Mean</b>	<b>SD</b>	<b>Min</b>	<b>Max</b>
Banking	0.888	0.172	0.380	1.000
Industry	0.785	0.162	0.380	1.000
Insurance	0.771	0.152	0.540	0.920

Investment	0.644	0.136	0.460	0.850
Services	0.737	0.103	0.540	0.850
<b>Total</b>	<b>0.758</b>	<b>0.167</b>	<b>0.380</b>	<b>1.000</b>

#### 4.4 Social Information Disclosure Index

Table 4.4 demonstrates how sectors differ in their voluntary disclosure through descriptive analysis of the "Social Information Index". With a mean score of 0.447 banks disclose more social information on average than any other sector. The investment and services sectors lead the way toward minimal social information disclosure with the lowest mean scores of 0.144 and 0.139 respectively. A standard deviation of 0.136 makes the investment sector the most variable when it comes to the amount of social information companies disclose. The insurance sector demonstrates the most uniform and stable social disclosure level because it maintains the smallest standard deviation at 0.037. Values in the banking sector span from 0.260 to 0.790, which displays variability in social information disclosure yet remains higher than other sectors. The investment sector demonstrates the greatest variation because the disclosed social information ranges from 0.000 as a minimum to 0.630 as a maximum, which indicates substantial imbalances within this sector. The mean value of 0.235 across all sectors shows that voluntary disclosure of social information remains relatively low with significant sectoral discrepancies. The range from 0.000 to 0.790 illustrates that while some companies release minimal social information others publish more but the general trend remains toward minimal social disclosure. The banking sector leads the way in voluntary social information disclosure but remains far below the levels of corporate governance and general information disclosure. The investment and services sectors rank lowest on the disclosure scale, which demonstrates their limited voluntary social disclosures. The insurance sector stands out among sectors for its consistently low levels of social information disclosure while remaining between extremes of disclosure levels. The analysis shows that social information disclosure remains low across sectors except for the banking sector, which stands out as an exception.

Table 4.4: Descriptive Analysis of Social Information Index by Sector

<b>Sector</b>	<b>Mean</b>	<b>SD</b>	<b>Min</b>	<b>Max</b>
Banking	0.447	0.144	0.260	0.790
Industry	0.267	0.099	0.050	0.420
Insurance	0.189	0.037	0.160	0.260
Investment	0.144	0.136	0.000	0.630
Services	0.139	0.126	0.000	0.470
<b>Total</b>	<b>0.235</b>	<b>0.158</b>	<b>0.000</b>	<b>0.790</b>

#### 4.5 Environmental Disclosure Index:

The "Environmental Information Index" serves as a voluntary disclosure dimension through sectoral analysis as shown in Table 4.6. The banking sector exhibits the highest mean score of 0.419, which shows banks release more environmental information than other sectors. Among all sectors, the services sector maintains the lowest mean score of 0.044 for environmental information disclosure. The standard deviation in environmental disclosures reaches its peak value of 0.316 in the banking sector, which demonstrates substantial variability among banks. Environmental information disclosure varies widely among banks because some institutions publish extensive details whereas others reveal minimal to zero information. The services sector shows minimal variation as evidenced by its lowest standard deviation (0.086), demonstrating that companies consistently disclose little environmental information. The environmental information disclosed in banking and industry sectors varies between 0.000 and 1.000, which demonstrates significant differences in environmental disclosure practices. Companies in the insurance, investment, and services sectors exhibit lower maximum disclosure values which reflects their general tendency to reveal minimal or no environmental information voluntarily. The insurance sector reaches its highest disclosure level at 0.400 while the services sector peaks only at 0.200. The average disclosure rate for environmental information across all sectors stands at 0.197, which indicates widespread low levels of disclosure. The total disclosure ranges from 0.000 to 1.000 demonstrates that comprehensive environmental information disclosure exists in some companies, but most companies reveal minimal or

no information. Despite substantial variability among companies, the banking sector leads environmental information disclosure with some organizations achieving very high disclosure levels and others showing minimal disclosure. While industry displays variability in its environmental disclosure practices it typically offers less information than in the banking sector. Insurance and investment sectors demonstrate minimal average disclosure levels while service providers record the lowest environmental transparency among all sectors. Across all sectors, voluntary disclosure of environmental information remains minimal and shows substantial variation between companies.

Table 4.5: Descriptive Analysis of Environment Information Index by Sector

<b>Sector</b>	<b>Mean</b>	<b>SD</b>	<b>Min</b>	<b>Max</b>
Banking	0.419	0.316	0.000	1.000
Industry	0.320	0.300	0.000	1.000
Insurance	0.057	0.143	0.000	0.400
Investment	0.107	0.180	0.000	0.600
Services	0.044	0.086	0.000	0.200
<b>Total</b>	<b>0.197</b>	<b>0.269</b>	<b>0.000</b>	<b>1.000</b>

#### 4.6 Stock Market Return (Dependent Variable)

Table 4.6 provides descriptive analysis of Stock Market Return across the Banking sector in comparison to the Industry, Insurance, Investment, and Services sectors. The Services sector achieves the highest average stock market return of 0.197, demonstrating a superior performance compared to all other sectors. The Insurance sector records the lowest average return of -0.005 showing its performance trails behind other sectors. The overall mean return across all sectors is 0.087, which stands as a moderate performance indicator that shows the weighted average results of different sectors. The Investment and industry sectors show the greatest volatility with standard deviations at 0.347 and 0.335 which results in making them the riskiest sectors for returns. The Insurance sector maintains the lowest volatility level because its SD value of 0.134 establishes it as the

most reliable sector for generating returns. The total volatility measure of 0.295 quantifies the aggregate risk level across all sectors.

Table 4.6: Descriptive Analysis of Stock Market Return by Sector

<b>Sector</b>	<b>Mean</b>	<b>SD</b>	<b>Min</b>	<b>Max</b>
Banking	0.045	0.234	-0.387	0.863
Industry	0.112	0.335	-0.264	1.553
Insurance	-0.005	0.134	-0.308	0.332
Investment	0.089	0.347	-0.238	1.604
Services	0.197	0.320	-0.122	1.094
<b>Total</b>	<b>0.087</b>	<b>0.295</b>	<b>-0.387</b>	<b>1.604</b>

#### **4.7 Correlation Matrix:**

The correlation matrix in Table 4.7 demonstrates the relationships between stock market return and different dimensions of voluntary disclosure including general information, corporate governance, social information, environmental information, and overall voluntary disclosure.

The stock market return data indicates no meaningful connection between stock market performance and voluntary disclosure activities. The sample data indicates that voluntary disclosure levels do not show a strong relationship with stock market returns. General information displays moderate positive linkages with every dimension of voluntary disclosure. Sectors or companies that disclose more general information tend to provide higher levels of corporate governance disclosure along with social and environmental information and broader voluntary disclosure. The practice of corporate governance shares moderate to strong positive relationships with various other aspects of voluntary disclosure. Strong corporate governance practices in companies are associated with more complete voluntary disclosures across social and environmental domains and other areas. The social dimension demonstrates moderate positive correlations with the

remaining disclosure dimensions. Given the strong correlation (0.873) with overall voluntary disclosure, social information emerges as a crucial element of companies' voluntary disclosure practices. According to statistical analysis companies that focus on better environmental disclosures demonstrate a moderate positive correlation (0.684\*\*\*,  $p < 0.01$ ) with comprehensive overall voluntary disclosure.

Table 4.7: Correlation Matrix Between Study Variables

Variables	(1)	(2)	(3)	(4)	(5)
(1) Stock market return	1.000				
(2) General information	-0.110	1.000			
(3) Corporate governance	-0.148	0.599***	1.000		
(4) Social information	-0.076	0.552***	0.552***	1.000	
(5) Environmental information	-0.110	0.519***	0.314***	0.554***	1.000
(6) Voluntary disclosure	-0.132	0.829***	0.785***	0.873***	0.684***

\*\*\*  $p < .01$ , \*\*  $p < .05$ , \*  $p < .1$

#### 4.8 Fixed-Effect Regression Model

The fixed regression analysis results displayed in Table 4.8 examine how stock market return as the dependent variable correlates with various dimensions of voluntary disclosure including general information, corporate governance, social information, and environmental information. The general information variable displays a coefficient of about (-0.19) and shows a small t-value that its p-value of 0.777 exceeds the standard significance threshold of 0.05. The analysis indicates there is no statistically significant connection between general information and stock market return. This model shows no meaningful impact on stock market returns from changes in the general information disclosure index. The positive coefficient for corporate governance indicates that

increased corporate governance disclosure leads to increased stock market returns. The p-value of 0.806 shows that this relationship does not meet the statistical significance threshold at the 5% level. The positive coefficient for social information presents no statistical significance since its p-value of 0.249 exceeds the standard threshold of 0.05 which indicates that social information disclosure does not affect stock market returns. The coefficient for environmental information shows a negative relationship implying decreased stock market returns with increased information but the p-value of 0.588 proves this finding lacks statistical significance. The model accounts for just 2.4% of the variation in stock market returns based on its R-squared value of 0.024. The explanatory variables show limited effectiveness in explaining stock market return variations as evidenced by their low power. Researchers use the F-test to evaluate whether the entire model displays statistical significance. The p-value of 0.997 exceeds the significance threshold of 0.05 demonstrating that the entire model lacks statistical significance.

Table 4.8: Estimation Results of Fixed-Effect Regression

Stock market return	Coef.	St.Err.	t-value	p-value
General information	-0.19	0.667	-0.28	0.777
Corporate governance	0.187	0.759	0.25	0.806
Social information	0.81	0.697	1.16	0.249
Environmental information	-0.223	0.409	-0.54	0.588
Constant	-0.09	0.516	-0.18	0.861
Mean dependent var	0.087		SD dependent var	0.295
R-squared	0.024		Number of obs	120
F-test	0.462		Prob > F	0.997
Akaike crit. (AIC)	22.301		Bayesian crit. (BIC)	36.239

The analysis of fixed-effect regression results indicates that individual explanatory variables like general information, corporate governance, social information, and environmental information have no statistically significant influence on stock market

returns. The model demonstrates minimal explanatory power with an R-squared value of 0.024 while failing to account for significant variation in the dependent variable as shown by the F-test and p-value of 0.997. The analysis shows that the selected voluntary disclosure dimensions fail to have substantial impact on the stock market return and the model demonstrates limited predictive capabilities.

#### **4.9 Random-Effect Regression Model**

The random regression analysis results displayed in Table 4.10 examine how stock market return as the dependent variable correlates with various dimensions of voluntary disclosure including general information, corporate governance, social information, and environmental information. The general information variable displays a coefficient near zero and shows a small t-value that its p-value of 0.972 exceeds the standard significance threshold of 0.05. The analysis indicates there is no statistically significant connection between general information and stock market return. This model shows no meaningful impact on stock market returns from changes in the general information disclosure index. The negative coefficient for corporate governance indicates that increased corporate governance disclosure leads to reduced stock market returns. The p-value of 0.221 shows that this relationship does not meet the statistical significance threshold at the 5% level. The positive coefficient for social information presents no statistical significance since its p-value of 0.625 exceeds the standard threshold of 0.05 which indicates that social information disclosure does not affect stock market returns. The coefficient for environmental information shows a negative relationship implying decreased stock market returns with increased information but the p-value of 0.416 proves this finding lacks statistical significance. The model accounts for just 2.9% of the variation in stock market returns based on its R-squared value of 0.029. The explanatory variables show limited effectiveness in explaining stock market return variations as evidenced by their low power. Researchers use the Chi square-test to evaluate whether the entire model displays statistical significance. The p-value of 0.496 exceeds the significance threshold of 0.05 demonstrating that the entire model lacks statistical significance.

Table 4.9: Estimation Results of Random-Effect Regression

Stock market return	Coef.	St.Err.	t-value	p-value
General information	-0.008	0.222	-0.04	0.972
Corporate governance	-0.266	0.218	-1.22	0.221
Social information	0.117	0.238	0.49	0.625
Environmental information	-0.104	0.128	-0.81	0.416
Constant	0.286	0.137	2.09	0.036
Mean dependent var	0.087		SD dependent var	0.295
Overall r-squared	0.029		Number of obs	120
Chi-square	3.380		Prob > chi2	0.496

The analysis of random effect regression results indicates that individual explanatory variables like general information, corporate governance, social information, and environmental information have no statistically significant influence on stock market return. The model demonstrates minimal explanatory power with an R-squared value of 0.029 while failing to account for significant variation in the dependent variable as shown by the chi square-test and p-value of 0.496. The analysis shows that the selected voluntary disclosure dimensions fail to have substantial impact on the stock market return and the model demonstrates limited predictive capabilities.

#### 4.10 Hausman Test

To compare the two models and choose the best model, the Hausman test was used. The results of which appear in table 4.11 indicate the acceptance of the null hypothesis, which states the preference for the random effect model, as the probability value of the test is higher than the 5% (significance level).

Table 4.10: Hausman Specification Test

	Coef.
Chi-square test value	2.05
P-value	0.7271

#### 4.11 Testing for Cross-Sectional Dependence/Contemporaneous Correlation

The problem of cross-sectional dependence is tested by using Pesaran's test of cross-sectional independence, which has the null hypothesis that residuals across entities are not correlated (no cross-sectional dependence). According to Pesaran's test of cross-sectional independence as in table 4.12 below, we can reject the null hypothesis at 5% level of significance, which will be considered as indication of there is cross-sectional dependence.

Table 4.11: Cross-Sectional Dependence for the Random Effect Estimation

<p>Breusch-Pagan LM test of independence: <math>\chi^2(780) = 1222.547</math>, <math>Pr = 0.0000</math>  Based on 3 complete observations over panel units</p>
--

#### 4.12 Testing for Heteroscedasticity

The problem of heteroscedasticity is tested by using Breusch-Pagan/Cook-Weisberg test for heteroskedasticity, which have the null hypothesis of that there is no heteroscedasticity. According to the heteroscedasticity test in table 4.12, we reject the null hypothesis at 5% level of significance, which will be considered as in indication of the presence of heteroscedasticity problem.

Table 4.12: Heteroscedasticity Test for the Estimation Results

```
Breusch-Pagan/Cook-Weisberg test for heteroskedasticity
Assumption: Normal error terms
Variable: Fitted values of Stock_market_return

H0: Constant variance

      chi2(1) = 50.46
Prob > chi2 = 0.0000
```

### 4.13 Testing for Serial Correlation

The problem of serial correlation is tested by using Wooldridge test for autocorrelation in panel data, which has the null hypothesis of that there is no first-order autocorrelation. According to the serial correlation test in table 4.13, we can reject the null hypothesis at 5% level of significance, which will be considered as an indication that there is serial correlation problem.

Table 4.13: Serial Correlation Test for the Estimation Results

```
Wooldridge test for autocorrelation in panel data
H0: no first-order autocorrelation
      F( 1,      39) =      17.266
      Prob > F =      0.0002
```

### 4.14 Cross-Sectional Time-Series FGLS Regression

Based on the results and statistical tests above, the study will rely on the random effects model using the method of generalized least squares method with an options of panels heteroscedasticity as appear in table 4.14 below. The results of the random effect GLS model in table 4.15 demonstrates minimal explanatory power with failing to account for significant variation in the dependent variable as shown by the Wald square-test and p-value of 03381. The analysis shows that the selected voluntary disclosure dimensions fail to have substantial impact on the stock market return and the model demonstrates limited predictive capabilities.

Table 4.14: Random Cross-Sectional Time-Series FGLS Regression

Stock market return	Coef.	St.Err.	t-value	p-value
General information	-0.06	0.089	-0.67	0.502
Corporate governance	-0.039	0.115	-0.34	0.735
Social information	0.181	0.115	1.58	0.114
Environmental information	-0.109	0.06	-1.82	0.069
Constant	0.089	0.081	1.10	0.271
Mean dependent var	0.087		SD dependent var	0.295
Number of obs	120		Chi-square	4.538
			Prob > chi2	0.3381

#### 4.15 Hypothesis Testing

**H0-1: There is no significant relationship between Voluntary Disclosure and Stock Market Return of companies listed on Palestine Stock Exchange.**

To test this hypothesis, 4 sub-hypotheses must be tested, as follows:

**H0-1. a: There is no significant relationship between General Information Disclosure and Stock Market Return of companies listed on Palestine Stock Exchange.**

Based on estimation results from GLS model in table 4.15 above, we cannot reject the null hypothesis at the level ( $\alpha \leq 0.05$ ) of that there is no relationship between general information disclosure and stock market return, since the p-value for the coefficient of general information is more than 5%. Therefore, we conclude that there is no statistically significant impact at the level ( $\alpha \leq 0.05$ ) of general information disclosure on stock market return of companies listed on Palestine Stock Exchange.

**H0-1. b: There is no significant relationship between Corporate Governance Disclosure and Stock Market Return of companies listed on Palestine Stock Exchange.**

Based on estimation results from GLS model in table 4.15 above, we cannot reject the null hypothesis at the level ( $\alpha \leq 0.05$ ) of that there is no relationship between corporate governance disclosure and stock market return, since the p-value for the coefficient of corporate governance is more than 5%. Therefore, we conclude that there is no statistically significant impact at the level ( $\alpha \leq 0.05$ ) of corporate governance disclosure on stock market return of companies listed on Palestine Stock Exchange.

**H0-1. c: There is no significant relationship between Social Information Disclosure and Stock Market Return of companies listed on Palestine Stock Exchange.**

Based on estimation results from GLS model in table 4.15 above, we cannot reject the null hypothesis at the level ( $\alpha \leq 0.05$ ) of that there is no relationship between social information disclosure and stock market return, since the p-value for the coefficient of social information is more than 5%. Therefore, we conclude that there is no statistically significant impact at the level ( $\alpha \leq 0.05$ ) of social information disclosure on stock market return of companies listed on Palestine Stock Exchange.

**H0-1. d: There is no significant relationship between Environmental Information Disclosure and Stock Market Return of companies listed on Palestine Stock Exchange.**

Based on estimation results from GLS model in table 4.14 above, we cannot reject the null hypothesis at the level ( $\alpha \leq 0.05$ ) of that there is no relationship between environmental information disclosure and stock market return, since the value for the coefficient of environmental information is more than 5%. Therefore, we conclude that there is no statistically significant impact at the level ( $\alpha \leq 0.05$ ) of environmental information disclosure on stock market return of companies listed on Palestine Stock Exchange.

So, since there is no statistically significant effect for any of the dimensions of voluntary disclosure, we cannot reject the hypothesis (1) and **conclude that there is no significant relationship between voluntary disclosure and stock market return of companies listed on Palestine Stock Exchange.**

## **Chapter Five: Summary of Findings, Conclusions, and Recommendations**

### **5.1 Discussion of Findings**

#### **5.1.1 Voluntary Disclosure Level**

The study found that the level of voluntary disclosure practiced by companies listed on PEX was 45.8%, this percentage can be considered as moderate percentage based on international studies such as Al-shammari et al (2008), this level reflected that Palestinian firms were partially committed to voluntary disclosure practices, they reported some non – mandatory information but in incomprehensively and inconsistent way. This percentage indicated that Palestinian situation is in growing awareness of the importance of transparency and accountability, but still there were some significant gaps in VD especially in social an environmental dimension.

Within the current study, the rate of voluntary disclosure (VD) was less than the averages found in some recent studies but higher than other studies as a result of variability across time periods and disclosure dimensions considered in each study. For instance, Awwad (2022) found that, in the 2010–2019 period, companies environmental information disclosure level was 48%. Both Alareeni and Lulu (2018) and Abdelhaq et al. (2024) reported much higher figures of voluntary disclosure: 54% and 56.3%, respectively, in other studies. According to Alia and Awwad (2020), the VD in Jordan was 51.5% which is higher than the 45.8% found in this study. In contrast, this study reported a higher VD level than several earlier studies. For example, according to Mwiti (2014), the VD rate was 33.86%, while Abu Alia (2022) reported 37.5% and Alia and Abu Sarees (2023) found 38%. All of these are lower than the 45.8% documented in this study. Barakat et al. (2015) found that the percentage of environmental disclosure was very low in Palestine and Jordan (13% and 26%, respectively).

This level of 45.8% voluntary disclosure presented in 2021–2023 should be evaluated according to the difficulties experienced by Palestinian firms in this period. In 2021, instead of extending their disclosure practices, companies made continuity their essential business is the highest priority after COVID-19 destruction their operations and

financial positions. The global economic disruptions from the Russia–Ukraine war affected supply chains while raise inflation levels and creating uncertainties that in turn hurt the Palestinian economy during 2022. In 2023, the war in Gaza had negative effects on both people and the economy, especially in the regions directly involved. Many businesses were forced to stop or reduce their operations, and their ability to report information was affected negatively. Because of this, companies focused more on staying open and managing risks rather than sharing extra, voluntary information. So, the level of voluntary disclosure during this time was not only due to how companies manage reporting internally, but also because of outside pressures and unstable conditions that made it difficult to do more.

### 5.1.2 Dimensions Variance

Figure 5.1 represents the voluntary disclosure level practiced by Palestinian companies listed on PEX for the period (2021 – 2023) grouped by voluntary disclosure dimensions:

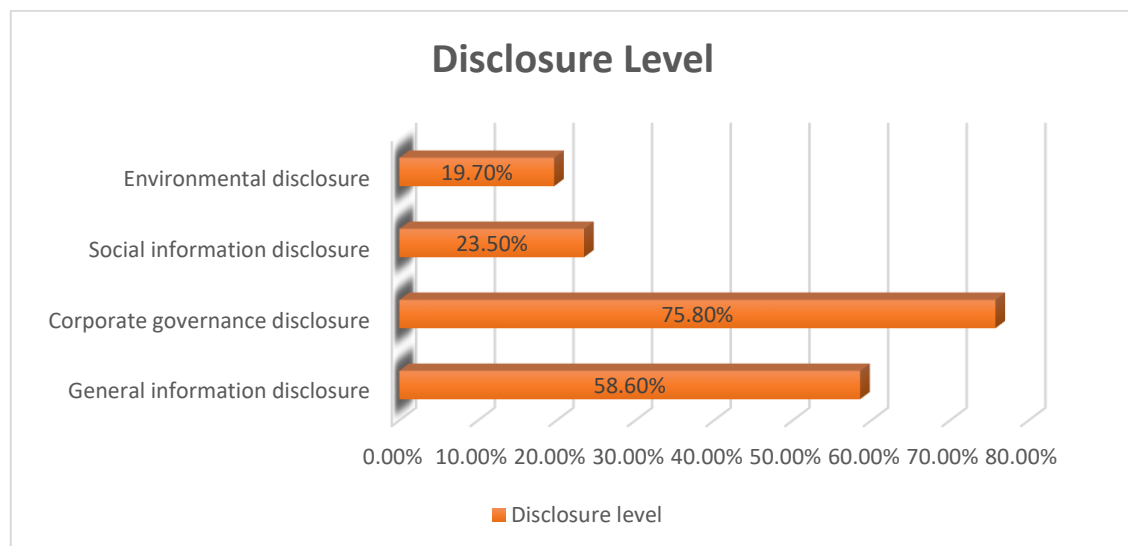


Figure 5.1: Dimensions Variance

The study found a wide variation in the voluntary disclosure level of among Palestinian firms in relation to the four examined dimensions. Corporate governance

disclosure was the highest with 75.8%, indicating a strong institutional pressure, regulatory oversight from Palestinian authorities such as Palestine Monetary Authority and Palestine Capital Market Authority, and increased in transparency and accountability expectations by investor. This suggests that companies likely to disclose information that directly relates to governance and control mechanisms, due to the perceived benefits of risk reduction and enhance the access to capital.

The second level was to General information disclosure dimension with moderate level of 58.6%, indicating that despite of many companies has a basic level of transparency regarding their operations such as mission statements, business activities, and organizational structure and chart but there is a lack of standardization and consistency across firms. This moderate level shade lights on to the need for clear disclosure frameworks to ensure more uniform reporting practices.

In contrast, the disclosure levels for social and environmental information were relatively low, with 23.5% and 19.7% respectively. These findings concluded that companies in Palestine have relatively limited emphasis on issues related to corporate social responsibility, employee welfare and their training, turnover, and environmental sustainability. The absence of clear regulatory authorities, low investors pressure, and limited awareness about the strategic importance of ESG reporting may contribute to this low performance.

The Palestinian voluntary disclosure practices seem to follow a compliance-driven cultural model because they focus on areas and dimensions which capital market authorities either mandate or expect. The current lack of sustainability-related disclosure shows that Palestinian companies need better institutional support in addition to training courses and to adopt an ESG reporting framework which matches regional needs.

### **5.1.3 Sector Variance**

Figure 5.2 represents the voluntary disclosure level practiced by Palestinian companies listed on PEX for the period (2021 – 2023) grouped by sectors:

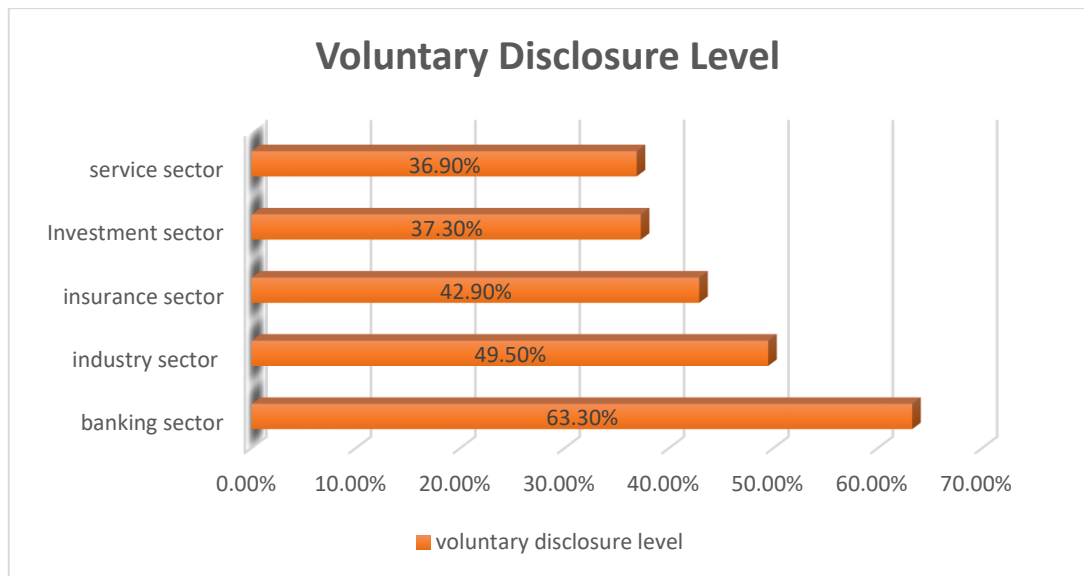


Figure 5.2: Sector Variance

It was noticed from the results in the diagram that banking sector is the most transparent sector compared to other sectors, and had the highest level of voluntary disclosure across all dimensions especially in General information and Corporate Governance dimensions, banking sector had a mean of (63.3%), this percentage reflected a strong regulatory oversight and market demand transparency, this relatively high percentage can be interpreted by the existence of special disclosure requirement for this sector as a result of its subjectivity to Monetary Authority oversight, therefore disclosures instructions differ from those practiced by other companies in other sectors. Moreover, in addition to general code of Corporate Governance in Palestine, in (2017) Palestine Monetary Authority (PMA) issued the “Code of Best Practices for Bank Governance in Palestine “, this code clarified the key practices and rules contributed in improving the performance and increased the transparency level, it represents as comprehensive guideline to enhance corporate governance practiced by banking sector. Accordingly, some banks such as Bank of Palestine and Arab Islamic Bank developed their own internal code for Corporate Governance. Being the banking sector in the first stage in voluntary disclosure practices was compatible to the result of Alareni and Lulu (2018) study in Palestine.

Industry sector had the second level with a voluntary disclosure percentage of (49.5%), insurance sector had the third level with a percentage of (42.9%), fourth stage

was for the investment sector which had a percentage of (37.3%). The final sector disclosed information voluntarily was the service sector with a level of (36.9%), this percentage could be due to less rigid regulatory requirements or could be as a result of service sector nature which may not realize direct benefit from high voluntary disclosure level.

#### 5.1.4 Period Variance

Figure 5.3 represents the voluntary disclosure level practiced by Palestinian companies listed on PEX grouped by reporting period:

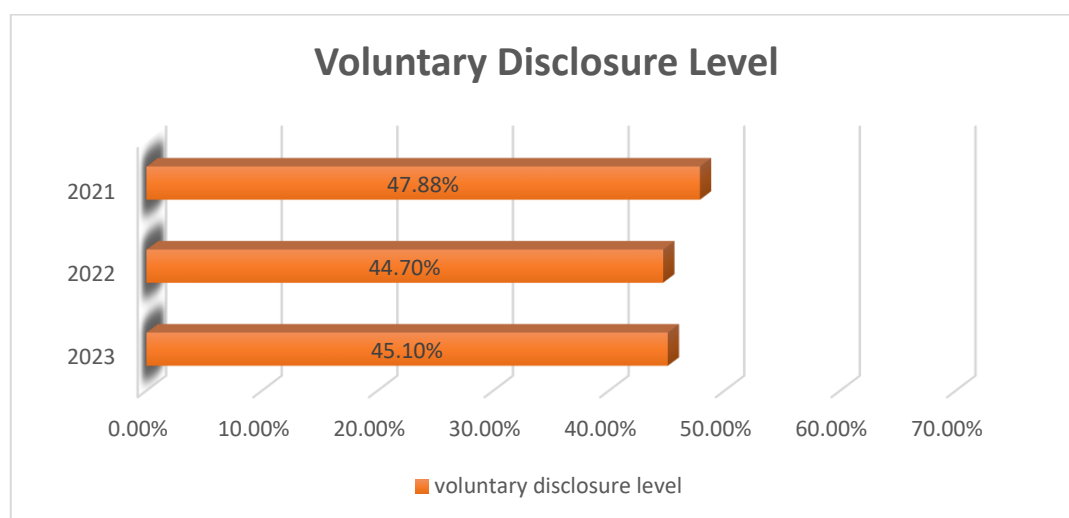


Figure 5.3: Period Variance

After the cross-sectional analysis for the study period, 2021 had the record for highest transparency at 47.88%, making it the most open year in the group. There are several causes for this increase in disclosure, for example, better regulations, better reporting systems after COVID-19 and greater focus on environmental, social and governance (ESG) issues across different fields. In the year 2022, the disclosure percentage fell slightly, ending up at 44.7%. A lower number might be due to priorities at organizations changing, difficulties in giving full information because of the economy. However, in the following year, 2023, companies began to be more transparent and the average level grew to 45.1%. This might be due to more steady business conditions and steps taken in things like investment and insurance to promote greater transparency and

reach out to key groups. overall, the data is shaped by external factors as well as by internal decisions.

### **5.1.5 The effect of Voluntary Disclosure and its dimensions on Stock Market Return:**

The statistical analysis using the GLS regression model indicates that voluntary disclosure (VD) and its four dimensions — general information, corporate governance, social information, and environmental disclosure — had no significant effect on stock market return for companies listed on the PEX during the period 2021 to 2023. p-values exceeded the 0.05 significance level for each of the four dimensions, leading to the acceptance of the null hypothesis in all cases. This suggests that, despite efforts by some Palestinian companies to enhance transparency level, investors in the Palestinian market not respond to voluntary disclosures when they making investment decisions or valuing stocks. This can be explained by inefficient and small nature of Palestinian market, Furthermore, the period under study was faced major socio-economic and political challenges, including the effects of COVID-19 in 2021, Russia–Ukraine war in 2022 and its global inflation consequences, and the Gaza conflict in 2023. These events likely directed investors' attention toward short-term survival and risk, rather than long-term indicators like governance or sustainability disclosures, which minimized voluntary reporting's impact on stock price change.

### **5.1.6 Legal Frameworks and Legislation Regulating Disclosure in Palestine**

Palestinian legislation related to financial disclosure and governance exists, but gaps related to non-financial and voluntary disclosure still exist. For example, Securities Law No. (12) of 2004 requires companies listed on the stock exchange to provide periodic and annual disclosure, but it focuses primarily on financial transparency. The disclosure system approved by the Palestinian Capital Market Authority (PCMA) contains instructions for submitting financial reports, and its instructions focus on financial disclosure and some essential information related to management and corporate governance, in addition to this, the Corporate Governance Guide issued by the Capital

Market Authority (2010), which included corporate governance standards did not expand to voluntary disclosure and sustainability reports, and finally the circulars of the Palestine Monetary Authority, which focused on governance and compliance standards and some aspects of environmental and social sustainability, they only targeted the banking sector. We conclude from the above that until now there is no explicit and binding Palestinian legislation about voluntary disclosure related to the environment, governance and social responsibility.

## **5.2 Conclusions**

In conclusion, this study aimed to measure the level of voluntary disclosure practiced by Palestinian firms listed on (PEX) and to investigate the effect of voluntary disclosure on stock market return, therefore the researcher depended on secondary data by collecting information from companies' annual reports and sustainability reports which disclosed in PEX website or the official companies' websites. Data used in the study was in the form of panel data with 120 observations resulted from a sample of 40 company listed on PEX for three years from 2021 to 2023, the collected data was analyzed and the hypotheses were tested by using many statistical tools such as; descriptive analysis, Correlation Matrix, Fixed-effect regression model, Random-effect regression model, Hausman test, contemporaneous correlation, Testing for heteroscedasticity, Testing for serial correlation, and Cross-sectional time-series FGLS regression, depending on these tests, the study concluded that the level of voluntary disclosure practiced by Palestinian firms was moderate with a percentage of 45.8%, despite of this overall moderate level, disclosure of social information and environmental information was very low , it was, 23.5 % , 19.7% respectively , and this percentage give an indicator of weak social and environmental reporting culture between Palestinian firms, even that corporate governance disclosure and general information disclosure had relatively high percentage of reporting. Moreover, it can be observed from the results that banking sector had the highest level of voluntary disclosure between all sectors with a percentage of 63.3%, this level can be an indicator that the exitances of rigid reporting system, structured law environment, and the monetary and follow up from many authorities will enhance the voluntary reporting and raise its level beside monitoring mandatory reporting

implementation and this result was consistent with Alkababji, M (2022) study, the absence of this structured system and rigid regulatory environment result in a weak in voluntary reporting as it was in service and investment sectors voluntary disclosures.

After testing the research hypotheses, the result revealed that all dimensions of voluntary disclosure : general information, corporate governance, social, and environmental disclosure had no significant effect on stock market return, therefore overall voluntary disclosure as independent variable had no significant effect on stock market return in Palestinian market, this result indicate that Palestinian market is an inefficient market that reporting effects of additional information which is not mandatory can't be reflected in stock prices. Financial market in Palestine classified as developing market with small number of companies listed and limited invested capital, in addition to Israeli harassment on the economic and political levels, all of these reasons adversely affected financial market and its efficiency.

### **5.3 Recommendations**

According to the findings and conclusions, the study recommended:

- Palestinian regulatory bodies such as Monetary Authority (PMA) and Capital Market Authority (PCMA) should hold introductory workshops for the management of companies listed on Palestine Stock Exchange, especially targeting underperforming sectors like services and investments, to introduce the importance and benefits of voluntary disclosure for the company and its stakeholders. They can use high-performing sectors as models, such as banking sector, this sector success (63.3% VD level) should be studied and used as a case model to build frameworks applicable to other industries. Their governance practices and internal codes should be adapted to non-financial sectors
- Palestinian regulatory bodies also should make awareness campaigns for investors to focus more on long-term goals (ESG and risk indicators) rather than short-term returns, and choosing investment portfolios from companies that adopt better transparency practices and concerned with voluntary environmental and social disclosure in addition to corporate governance disclosure.

- Palestinian regulatory bodies should develop an ESG Disclosure Guidelines which designed specially to meet local needs, it is important to develop independent legislation or a regulatory supplement that addresses non-financial disclosure systematically, and is based on international principles such as GRI (Global Reporting Initiative) and IFRS Sustainability. Rather than banking sector, Palestinian companies lack standard ESG reporting frameworks. The national regulatory bodies should build local ESG disclosure guidelines with industry specialists for both social and environmental matters.
- After developing a local ESG Disclosure Guidelines, regulatory bodies should initially request major firms to share information related to their ESG-based effects. Companies should implement reporting systems gradually using simple reporting forms at first until their reports become more detailed and comprehensive.
- From the standpoint of Encouraging Voluntary Disclosure Practices, Firms should receive rewards for voluntary non-financial disclosure as incentives such as preferential access to government tenders or tax incentives for publishing ESG reports.

#### **5.4 Further Studies**

In light of the findings of this study, which demonstrated variation in voluntary disclosure level across sectors, dimensions and years, there should be further studies on how financial technologies (FinTech) relate to firms' practices of voluntary disclosure. Such studies might involve checking how digital tools such as blockchain, smart accounting systems, and big data analytics contribute in enhancing voluntary disclosure, reduce compliance spending and strengthens investor trust, mainly in developing countries like Palestine. Examining companies using FinTech solutions and those not using them might show us the gap in their disclosure practices and its impact on transparency and accountability.

Furthermore, Future research can be concentrated on making comparative studies between Palestine and other neighboring countries such as Jordan or Egypt to investigate the differences in voluntary disclosure practices, such differences can be understood by looking at the different regulatory environments, and enforcement mechanisms of transparency and accountability practices in those countries.

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## Appendices

### Appendix (1): Voluntary Disclosure Index Used in this Study.

Components of voluntary disclosure		Indicators	References
General information	1	Brief history of the company	<ul style="list-style-type: none"> <li>• Parsian (2022)</li> </ul>
	2	Disclosure the Organizational structure/ chart	<ul style="list-style-type: none"> <li>• Al-Janadi et al (2012)</li> <li>• Meek et al (1995)</li> <li>• Eng and Mak (2003)</li> </ul>
	3	Disclosure the Corporate vision and mission	<ul style="list-style-type: none"> <li>• Najm and Tufail (2013)</li> <li>• Boateng (2022)</li> </ul>
	4	Disclosure the Company current business strategy and goals from BOD perspective	<ul style="list-style-type: none"> <li>• Barako (2007)</li> <li>• Alia and Awwad (2020)</li> <li>• Saha and Kabra (2022)</li> </ul>
	5	expression of company major risks	<ul style="list-style-type: none"> <li>• Tahir et al (2023)</li> </ul>
	6	marketing strategy	<ul style="list-style-type: none"> <li>• Alareeni and Lulu (2018)</li> </ul>
	7	Discussion about major regional economic and political development	
	8	Market share analysis	
	9	Disclosures related to competition in the industry	
	10	Disclosure the Description of major goods / services produced	
	11	Discussion any acquisition or disposal	
	12	Discussion Subsidiary and affiliated companies	
	13	Awards obtained by the company	

Corporate governance	14	Name and age of directors	<ul style="list-style-type: none"> <li>• Parsian (2022)</li> <li>• Al-Janadi et al (2012)</li> <li>• Meek et al (1995)</li> <li>• Najm and Tufail (2013)</li> <li>• Boateng (2022)</li> <li>• Barako (2007)</li> <li>• Alia and Awwad (2020)</li> <li>• Saha and Kabra (2022)</li> <li>• Alareeni and Lulu (2018)</li> </ul>
	15	Description of academic and professional qualification of BOD	
	16	Description of commercial experience of BOD	
	17	Director engagement / directorship of the other companies (membership of directors in the board of other companies)	
	18	Number of shares held by BOD and executive directors and other related interest (stock options)	
	19	Number of BOD meeting and date	
	20	compensation of BOD (amount)	
	21	compensation of BOD (policy)	
	22	Information about independent auditor	
	23	Information about internal audit unit	
	24	Specialized committees established by the BOD and description of their activities	
	25	List of senior managers (not in the BOD) and the senior management structure	
	26	Existence of accurate control System	

Social information	27	Action taken to promote economic development and self- sufficiency of the country	<ul style="list-style-type: none"> <li>• Parsian (2022)</li> <li>• Al-Janadi et al (2012)</li> <li>• Meek et al (1995)</li> <li>• Eng and Mak (2003)</li> <li>• Boateng (2022)</li> <li>• Barako (2007)</li> <li>• Saha and Kabra (2022)</li> <li>• Alareeni and Lulu (2018)</li> </ul>
	28	Supporting hospitals, universities, students, and elite	
	29	Expressing actions against money laundering	
	30	Social costs	
	31	Statement of corporate social responsibility	
	32	Social polices – customer health	
	33	Social polices- product information	
	34	Number of employees for the last two years or more	
	35	Reasons for change employees’ number	
	36	Gender classification of employees	
	37	Productivity indicators	
	38	Information about employees work place safety	
	39	Information about workplace accident	
	40	Information about social security policy	
	41	Recruitment policy	
	42	Training policy	
	43	Amount spent on training	

	44	Compensation or bonus policy	
	45	employee's turnover	
Environmental information	46	Environmental policy	<ul style="list-style-type: none"> <li>• Parsian (2022)</li> <li>• Al-Janadi et al (2012)</li> <li>• Meek et al (1995)</li> <li>• Boateng (2022)</li> <li>• Alia and Awwad (2020)</li> <li>• Alareni and Lulu (2018)</li> </ul>
	47	Environmental projects / action undertaken	
	48	Environmental costs	
	49	Compliance with environmental regulation	
	50	awards for supporting the environment such as green industry award	

# أثر الإفصاح الطوعي على العائد السوقي للأسهم الخاصة بالشركات المدرجة في

بورصة فلسطين

شيرين جمال رباح خليل

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ملخص

هدفت هذه الدراسة إلى قياس مستوى الإفصاح الطوعي في فلسطين، والبحث في تأثير الإفصاح الطوعي على عوائد الأسهم للشركات المدرجة في بورصة فلسطين. لقياس الإفصاح الطوعي، اعتمدت الدراسة على مؤشر للإفصاح الطوعي مكون من 50 مؤشراً موزعة على أربعة أبعاد: (المعلومات العامة، الحوكمة المؤسسية، المعلومات الاجتماعية، والمعلومات البيئية). اعتمدت الدراسة على بيانات ثانوية تم جمعها من التقارير السنوية وتقارير الاستدامة للشركات المنشورة في بورصة فلسطين أو على المواقع الرسمية للشركات، وشملت البيانات 120 مشاهدة ناتجة عن عينة مكونة من 40 شركة مدرجة في البورصة خلال ثلاث سنوات (2021-2023). تم تحليل البيانات واختبار الفرضيات باستخدام عدد من الأدوات الإحصائية، مثل: مصفوفة الارتباط، ونماذج الانحدار ذات التأثير الثابت والمتغير، وغيرها. استنتجت الدراسة أن مستوى الإفصاح الطوعي في فلسطين كان متوسطاً، بنسبة بلغت 45.8%. كما أظهرت النتائج أن قطاع البنوك سجل أعلى مستوى من الإفصاح الطوعي بين جميع القطاعات بنسبة 63.3%، بينما كان عام 2021 الأعلى من حيث الشفافية بنسبة 47.88%.

وكشفت نتائج الدراسة أن جميع أبعاد الإفصاح الطوعي لم يكن لها تأثير ذو دلالة إحصائية على عوائد سوق الأسهم، وبالتالي فإن الإفصاح الطوعي بشكل عام لم يكن له تأثير ذو دلالة

احصائية على عوائد الأسهم في السوق الفلسطيني، مما يشير إلى أن السوق الفلسطيني سوق غير كفؤ.

وبناءً على هذه النتائج، قدمت الدراسة عدداً من التوصيات لتعزيز الإفصاح الطوعي في فلسطين، منها: رفع الوعي بأهمية الاستدامة والاستثمار في معايير البيئة والمجتمع والحوكمة (ESG)، كما أوصت بضرورة أن تقوم الهيئات التنظيمية بوضع إطار توجيهي للإفصاح عن ESG يتوافق مع السياق المحلي ويستمد من المعايير الدولية مثل معايير GRI و IFRS للاستدامة.

الكلمات المفتاحية: الإفصاح الطوعي، عوائد الأسهم، مؤشر الإفصاح الطوعي، الإفصاح البيئي والاجتماعي والحوكمة (ESG)