

Received: May 2023 Accepted: June 2023
DOI: <https://doi.org/10.58262/ks.v11i02.075>

Corporate Social Responsibility and Stock Returns: Evidence from Palestine Manufacturing Companies

Tumader Th. Alkhaldi¹

Abstract

This research examines the association between corporate social responsibility (CSR) disclosure of Palestine's Manufacturing sector listed on the Palestine Exchange (PEX) and stock return. The study used the CSR Index as a measure of CSR; the employed technique is content analysis to collect CSR data disclosed in the reported financial statement for the years from 2014 until 2021, comprised of 99-year observation, data published on the Palestine Exchange (PEX) website was the source of stock returns in addition to published reports. The result was that there is a negative non-significant relation between stock returns differentials and CSR level of disclosure; one explanation for this result is that PEX is a nonefficient stock market that disclosed information is not adequately nor timely reflected on stock price; another result is that there is no effect of firms size on the relation on CSR and stock returns. Research findings recommended conducting further research on the motivation of CSR disclosure for Palestinian companies in addition to investigating the determinate of CSR disclosure on each CSR dimension and its effect on stock returns such as CSR toward employees, CSR towards the environment and exploring other variables such as the relation between the amount spent on CSR and other variables such firm profitability to shed more light on the importance of CSR on firms performance.

Keywords: Corporate social responsibility, manufacturing companies, Stock returns, PEX

Introduction

A successful business today anticipates society's future needs. It adjusts its business priorities according to society's new requirements, ensuring they have the resources to continue doing business within the welfare of stockholders.

In past research, there are two parties with contradicting views about the effect of corporate social responsibility (C.S.R.) in business; one is supportive of the importance of C.S.R. on firm stock return performance, as a socially conscious and caring manager can run a firm with exceptional financial outcomes and makes a positive impact on the environment and stakeholders this view is advocated by Moskowitz (Alexander & Buchholz, 1978). The other view is the opposing viewpoint, which argues that CSR firms will face high costs due to increased expenses incurred by CSR activities and thus affect firm performance. This view is advocated by Vance (Al-Shammari, M.A., Banerjee, S.N. and Rasheed, 2021; Karsh, 2019).

The significance of CSR disclosure is derived from the fact that stockholders are keen to buy shares in firms involved with CSR activities rather than those that are not, as CSR strengthens financial results and facilitates access to capital, improves the corporate image, increases consumer loyalty, and decreases operating expenses (Said et al., 2009), fulfilling clients' perceptions as a contributor to resolving

¹Department of Accounting and Finance Faculty of Business, Arab American University, Ramallah, Palestine Email: tumaderk75@gmail.com

community issues, particularly economic inequality and unemployment. Also, caring about the community while doing business is anticipated to impact their business outcome and performance significantly; as a result, they obtain trust from their clients and anticipate the impact on the market value reflected by stock price. (Leinonen, 2022)

Most published findings on corporate social accountability are conducted in developed nations. (Ayuso & Argandoña, 2011; Bear et al., 2010; Bernardi, 2010; Gond & Akremi, 2015; Hambrick et al., 2008; Hoi et al., 2013; Holder-Webb et al., 2009; Jo & Harjoto, 2011; Souto, 2009; Wang & Coffey, 1992; Williams, 2003; Yaseen et al., 2019), referred mainly in the legitimacy theory as the predominant theoretical viewpoint employed by the majority of these studies.

On the other hand, a few studies concerning CSR were conducted in underdeveloped countries, in particular, the Arab world (Handajani et al., 2014; Barako & Brown, 2008; Khan, 2010), but the research did not concentrate on a specific theory, but also the predominant theoretical viewpoint is the legitimacy theory.

In Palestine, a few studies conducted on CSR disclosure concentrated on the extent of corporate social responsibility disclosure, various forms of corporate social accountability information disclosed, and the attitudes of businesses regarding CSR disclosure (Mardawi & Saed, 2018); only one study has concentrated on the determinate of C.S.R.,

On the other hand, the study's results show that banks operating in Palestine focus significantly on social accountability; social responsibility towards the markets has been the greatest, followed by the degree of social responsibility to the community. Workers as well as the environment.

Therefore, This research examines the link between a firm's published stock returns and CSR released by manufacturing firms listed on the Palestine stock market. It is anticipated to add to the existing literature and bridge a gap on this subject in Palestine in a developing country setting, particularly in the Arab world; to the author's knowledge, there aren't previous studies in this area in Palestine.

This study is organized into three sections, one examining the literature on CSR disclosure and the other its methodology. The conclusion and future research recommendations in the final section.

Study Purpose

This study expected to answer:

- Is there a relationship between CSR disclosure for Palestinian manufacturing firms enlisted on PEX and stock return performance?
- Does firm size affect the degree of CSR disclosure?

Contribution

There is very little empirical evidence on the relationship between CSR disclosure and market stock returns in countries affected by social and political instability; this study fills a research gap and contributes to the CSR literature both theoretically and practically by providing empirical evidence from a developing country with a unique unstable business environment.

Literature Review

Being a socially responsible corporation can enhance a firm's reputation and promote its image, retain

customers loyalty, enhance morale among workers inside the workplace and improved efficiency levels; all this can significantly influence the overall profitability of the firm. Due to the importance of this subject Social responsibility first began in the late 1950s; the first seminal work was introduced in the published "*Social Responsibility of the Businessmen*" for Bowen (1953) (Alia & Marawi, 2021; Djumala et al., 2023)

Corporate social responsibility (CSR) is defined as organizations committed to satisfying their commercial, regulatory, moral, and philanthropic obligations to society. It refers to the company's attempts to accomplish its financial targets, operate ethically, comply with the law, and uphold good citizenship (Carroll, 2017; Sin & Schartner, 2023)

CSR is consistent with several theories, including, but not limited to, legitimacy theory, agency theory, institutional theory, stakeholder theory, and stewardship theory (Brammer et al., 2012; Lee, 2008) and others considered signaling theory.

- agency theory (Jensen & Meckling, 1976)
- Signaling theory (Spence, 1973)
- legitimacy theory (Suchman, 2014)

Agency theory is based on reducing costs that arise from a conflict of interest between the principal (owner of the company) and agent (the manager) (Jensen & Meckling, 1976). A socially responsible manager is accountable for using and effectively managing company resources and contributes to enhancing the firm's reputation to lead the company to achieve profits (Sun et al., 2010). **Signaling theory** argues that managers tend to voluntarily disclose more about firm results to signal a favorable performance of the company to the investors (Hassanein & Hussainey, 2015). **Legitimacy theory** is based on the firm seeking CSR disclosure to legitimize its business. The last studies showed that CSR disclosure increases for companies facing accidents that harm the environment and stakeholders (Deegan et al., 2000; Jiang et al., 2023)

Therefore, adopting CSR disclosure is intended also to signal to stakeholders that the company is more favorable than its competitors. The stakeholder theory is based on the theory managers' obligations are to both shareholders and stakeholders; thus, the achieved profits are most probably influenced by stakeholder interest (Foster & Jonker, 2005)

stakeholder theory is considered organization management and ethics (Phillips et al., 2017).

In a study conducted on USA companies found no significant relationship between stock market performance and C.S.R. due to the efficient market theory that states stock price includes any information about earnings immediately reflected on the stock price (Alexander & Buchholz, 1978).

Another study conducted in the U.K. investigates the correlation between corporate social responsibility and stock returns in the United Kingdom. Utilizing a collection of disaggregated social performance metrics for the environment, Employment, and community activities, the results of the study revealed the ecological and Employment indicators have a negative relationship with profits; however, the social indicator has a weakly positive relationship (Brammer et al., 2006). Also From 2006 to 2010, a study investigated the relationship between market value and CSR (as defined by Tobin's q) for corporations traded on the Amman Stock market. The study divided C.S.R. into four themes based on business voluntary and required tasks: (1) community, (2) consumer and product welfare, (3) environmental, and (4) human resources. Empirical study findings revealed that environmental operations reduced market value in the food and beverage industry, but human resources activities did not affect market value in the same sector; in addition, environmental reporting was found to harm market value in the pharmaceutical and medical industry, but the other three themes had no impact on the market value

within the same area. The major components had little effect on the chemical industry's market value (Omar & Nidal, 2016).

A study in Palestine examines the relationship between the function of C.S.R. and its four dimensions in banking operations and how they increase profitability. A survey was done with ten banks as the population of interest, using profitability measures; it examines the profitability status of the banking business in Palestine from 2012 to 2016 (ROA, R.O.E., N.P., EPS). The correlational data indicates that banks operating in Palestine have a high level of social responsibility commitment, with the highest level of social responsibility towards the marketplace, followed by the community, employees, and environment. The study also reveals a weak positive association between C.S.R. and profitability (Karsh, 2019).

CSR and Stock Return Performance

Social responsibility has been empirically associated with increasing productivity and sales (Flammer, 2015), leading to better performance; also, there is a relation between C.S.R. and societal welfare (Saleh, Latif & Bakar, 2018).

Companies supporting disclosure of community social responsibility are considered low-expense company branding information, including medical grant funding, charity contributions, and health care (Cornett et al., 2016; Joshi & Gao, 2009). Companies use C.S.R. to brand the company image at a low cost; research results found that there is a positive relationship between community C.S.R. and firm performance (Cavaco & Crifo, 2014; Cornett et al., 2016).

Research Problem

The research examines the association between CSR disclosure in Palestine's manufacturing companies and its effect on stock returns over eight years (2014-2022).

Objectives of Study

The primary objective of this study is to assess the degree to which manufacturing companies working in Palestine apply international standards of disclosing CSR and how it is associated with stock returns.

Research Limitations

This study investigates the application of corporate social responsibility and its association with stock returns. This study's results are limited to manufacturing companies operating in Palestine and can't be generalized.

According to the above research results, the research hypothesis is as follows :

H1: There is a positive relationship between community C.S.R. and Stock return.

H1.1: Firm size affects the degree of C.S.R. disclosure in manufacturing companies listed in PEX.

Data and Methodology

Sampling

Palestine stock exchange market consists of 49 listed firms in five main sectors (banks, insurance, manufacturing services, and investment) industries. Our sample is the manufacturing firms; data is collected from manufacturing firm's annual reports of 13 companies listed on the Palestine Stock Exchange (PEX) from 2014 to 2022, two of the firms were eliminated from the study as one company

decided to exit the capital market and return as a private holding company and the other was delisted representing 11 company out of the thirteen representing 99 years/ observation. Content analysis technique will be used to extract and measure CSR information from eleven companies listed on the Palestine Stock Exchange (PEX) annual reports. The C.S.R. disclosure index was constructed using four major items to measure the extent of C.S.R. disclosure with ninety-two subindex items as a scale (Abuhijleh et al., 2019; Marashdeh, 2014). In this study, multiple regression will be performed to test the association between CSR and stock returns.

Data collection

Data Collection: will be hand-collected from annual reports of manufacturing companies listed in PEX; the sampling procedures period is from 2014 to 2022, eight years. During this period, the Palestine Stock Exchange has established good CSR rules and experience; therefore, this period will exhibit a moderately increased awareness of CSR practices; consequently, it is more likely to yield substantial data.

Variables Description

An unweighted scoring method (dichotomous approach) will be used to score the CSR disclosure, and a firm receives a one if an item on the checklist is disclosed and a zero if it is not disclosed. As a result, CSR disclosure is measured for each firm as a ratio of the firm's actual scores to the maximum disclosure items. As a measurement of CSR disclosure, textual analysis is utilized. In CSR reporting research, content analysis is widely acknowledged (Gibson & O'Donovan, 2007, 2012; Haniffa & Cooke, 2005; Kılıç & Kuzey, 2016; Sundarasan et al., 2016). Content analysis entails two procedures: the design of theme classification definition of a collection of categories and the development of acceptable coding, measuring, and recording procedures for C.S.R. disclosure data (Milne & Adler, 1999). The financial report should be read twice to ensure consistency in the scoring process (Haniffa & Cooke, 2002). The author followed this step, with the CSR disclosure index computed as follows:

$$CSRDSJ = \frac{\sum_{t=1}^{nj} X_{ij}}{nj} \dots\dots\dots 1$$

The study uses four dimensions as a measure of CSR The criteria was derived from previous literature; a study showed that C.S.R. practices have been classified into several subgroups. Haniffa and Cooke (2005) employed a checklist that included 41 items to classify CSR financial report disclosure, including community engagement, environmental, staff data, information about a product, and added value information, another study by Williams and Pei (1999), used 42 items were includes environmental, staffing & management, goods and consumer, and society. In contrast, other studies utilized 23 items classified as environmental, Reporting, staffing, Product and customer satisfaction, and community engagement (Suchman, 2006).

Another step was to review companies' reports and compare them to the literature review on CSR in Palestine (Barakat et al., 2015) to ensure these items are in accordance to the Palestinian environment and that these items are the most commonly used items by Palestinian industrial firms.

Independent variable

To identify the influence of C.S.R. disclosure in the Palestinian listed firms' annual reports on stock returns. Stock returns were derived from published files by P.E.X.

Control variables

The natural logarithm of the total assets of the manufacturing firm measures the firm size.

The model

Multiple regression analysis will be used to test the hypothesis in this study.

The hypothesis is tested using the multiple regression equation as follows:

$$\text{Stock Returns}_{it} = \alpha + \beta_0 \text{COM}_{it} + \beta_1 \text{Size}_{it} + \epsilon_{it} \dots \dots \dots 2$$

Where;

$$\text{Stock Returns}_{it} = \frac{\text{Stock price year1} - \text{Stock Price year 0}}{\text{Stock Price Year 0}} = \frac{P1 - P0}{P0} \dots \dots \dots 3$$

α : the intercept estimates.

C.S.R.: The initial index of community participation disclosure has nine subindex elements, including consumer complaints and satisfaction, charitable donations, and activities, sponsorship of educational programs, social welfare initiatives, funding of sporting or recreational projects, and provision of gifts. The interactions and connections established with the nearby community. Three areas get significant backing and investment: public health, arts and culture, and the sponsorship of conferences, seminars, or exhibits. The seven components of environmental disclosure include environmental policy or the company's commitment to environmental concerns, environmental management systems, and environmental audits, environmental aspects of products and processes, financial aspects related to the environment, sustainability, energy, and other environmental considerations. Consumer and commodity disclosure refers to providing information to consumers regarding the products or services they are purchasing, as well as the underlying commodities used in the production or manufacturing process. This disclosure aims to enhance transparency. The four items to be considered are as follows: product and consumer safety, consumer complaints, provision for disabled individuals, and provision for difficult-to-reach clients. Disclosure of Employee and Staffing Information The nine factors to be considered include employee data, pension data, consultation with employees, the utilization of individuals with disabilities in the workforce. The topics discussed include value-added statements, health and safety, shared ownership, equal opportunities, and employee-related matters.

Size: Firm Size is measured by the natural logarithm of the firm's Total Assets.

ϵ : is for the stochastic error.a brief of the above regression model as in table number (1).

Table 1: List of variables and their assumption association

Measure	Symbol	Description
Dependent variable		
Market stock returns	Rit	share Price in time t minus share price in time t-1 divided by share price in time t-1 (Pit-Pit-1)/Pit-1
Independent directors		
Corporate social responsibility	C.S.R.	Four main major measurement each item on has a checklist if it is disclosed then is marked with number one and a zero if it is not disclosed
Control		
Firm size	FSize	Natural logarithms of total assets

Research Findings

The nonfinancial firms listed in PEX are in three major sectors distributed as presented in Table 2:

Table 2: Nonfinancial firms, according to Economic Sector Distribution.

Sector	Number of firms	%
Service	10	30.3%
Industrial	11	33.3%

Investment	12	36.4%
Total	33	100%

The study used Industrial (manufacturing) companies listed on the P.E.X. between 2014 and 2022. This sample consists of 33% of the total population of nonfinancial companies listed at PEX, and due to the delisting of two companies during the year 2022, the final sample is eleven companies with 99 company/year observations. The researcher has chosen manufacturing companies as they significantly impact the environment. Therefore, manufacturing companies must play their part and support a sustainable environment in production, given the growing concern over global warming, and should engage more with the community and promote their local industry as they face high competition from rivals products imported from other countries.

The study investigates the influence of C.S.R. reporting on a firm's performance as measured by stock market returns.

Results and Discussion

The community index is reflective of a company's involvement with its community; for manufacturing firms listed in P.E.X., as in table (3), the majority of firms, 83%, reported participation in charity and fundraising, and 82% Social welfare and then reported supporting academic program support 75%.

Table 3:

	Descriptive statistics				
	N	Minimum	Maximum	Mean	Std. Deviation
Educational suport	99	0	1	.70	.462
Charity and fundraising	99	0	1	.83	.379
Academic program support	99	0	1	.75	.437
Social welfare	99	0	1	.82	.388
Funding athletic or recreation activities and giveaways	99	0	1	.38	.489
Relationship with the local community	99	0	1	.54	.501
Assistance for public health	99	0	1	.53	.502
Arts and culture sponsorship	99	0	1	.23	.424
Sponsoring conferences, seminars, or exhibits	99	0	1	.24	.431
Valid n (listwise)	99				

The environmental index reflects a company's involvement in its environment in Table (4); 45% of firms reported Environmental policy or company concern for the environment. They then reported other environmental practices as the most commonly disclosed in C.S.R. activity.

Table 4: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Environmental policy or company concern for the environment.	99	0	1	.45	.500
Environmental management, systems and Environmental audit	99	0	0	.00	.000
Environmental-product and process	99	0	1	.45	.500
Environmental financially	99	0	1	.13	.339
Sustainability.	99	0	1	.25	.437

Energy	99	0	1	.23	.424
Environmental other	99	0	1	.46	.501
Valid N (listwise)	99				

The consumer & commodity disclosure index reflects a company's involvement towards its customers and delivering Value to customers; in Table (5), 73% of firms reported Product and consumer safety. and other environmental practices.

Table 5: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Product and consumer safety	99	0	1	.73	.448
Consumer complaints	99	0	1	.30	.462
Provision for disabled	99	0	1	.07	.258
Provision for difficult-to-reach customers.	99	0	0	.00	.000
Valid N (listwise)	99				

Finally, as shown in Table (6), CSR toward employee's results show that 50% disclose employees' data, and 48% of companies disclose treating their employees fairly and providing them with equal opportunities.

Table 6: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Employee data	99	0	1	.57	.498
Pension data	99	0	1	.07	.258
Consultation with employees	99	0	1	.17	.379
Employment of disabled	99	0	1	.37	.486
Value added statement	99	0	1	.32	.470
Health and Safety	99	0	1	.91	.289
Share ownership	99	0	1	.06	.240
Equal opportunities	99	0	1	.65	.480
Employee Other	99	0	1	.64	.483
Valid N (listwise)	99				

For the overall CSR index, companies are concerned with community involvement 56% of average companies disclosure as manufacturing companies are more concerned with having a good relationship with their community and strengthening their relations with them; this is probably due to the environmental effects that industrial companies can't avoid. Companies are concerned with Employee & staffing disclosure; 42% of average companies disclose their efforts toward their employees, and the primary concern of any manufacturing firm is to maintain its skilled labor as a higher rotation will raise the manufacturing cost and affect their revenues.

Table 7: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Employee & Staffing Disclosure Ratio	99	11.11%	100.00%	41.7508%	18.44899%
Community involvement disclosure	99	0.00%	100.00%	55.6678%	30.34591%
Environmental disclosure	99	0.00%	71.43%	21.9336%	26.55518%
Consumer Disclosure	99	0.00%	50.00%	27.5253%	19.39616%

Valid N (listwise) 99

The results show that the focus of manufacturing companies on community involvement in the early years from 2014-2022 and human resources more than other disclosures; one explanation of why the most common interest of companies are focusing in community support is due to the political situation and instability of Palestinian territories (Barakat et al., 2015). Also, it is noticed that in the last three years, the manufacturing companies increased their activities and awareness toward environmental reporting, with average disclosure 19% in 2014 to 54% in 2022.

Table 8:

Categories	overall disclosure		Environmental		Human resources		Product and consumers		Community involvement		
	Year	Number	%	Number	%	Number	%	Number	%	Number	%
	2014	114	44%	12	19%	34	42%	9	25%	59	73%
	2015	119	46%	13	21%	36	44%	12	33%	58	72%
	2016	119	46%	13	21%	36	44%	12	33%	58	72%
	2017	120	46%	13	21%	38	47%	14	39%	55	68%
	2018	129	49%	19	30%	41	51%	14	39%	55	68%
	2019	147	56%	32	51%	45	56%	13	36%	57	70%
	2020	150	57%	33	52%	46	57%	12	33%	59	73%
	2021	154	59%	34	54%	51	63%	12	33%	57	70%
	2022	156	60%	34	54%	50	62%	12	33%	60	74%

Variables Description

The average C.S.R. disclosure, measured, is approximately 42%; this indicates Palestinian firms disclose about 3 out of 9 items compared to other empirical research. As in Table 9, we noticed that Palestinian companies are reporting at better C.S.R. levels than other countries.

Table 9: Previous studies C.S.R. index items disclosure %

Study	Country	%
Ghazali (2007)	Malaysia	25.5%.
Barako & Brown (2008)	Kenyan banks	15%
Ibrahim (2015)	Jordan	30%
Sundarasan & Rajangam (2015)	family and non-family business/Malaysia	14%

Interpretation of Results of Testing Research Hypothesis Testing normality

The data is normal based on a significant value deviation from the linearity of the Shapiro-Wilk Test, which is greater than 0.05. ($0.200 > 0.05$).

Normality & independence of observations

The data following the normal distribution data are independent, and there isn't multicellularity as V.I.F. ranges between 1.3-1.69 > 5 (Table 10), meaning there is no significant multicellularity.

Table 10: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	V.I.F.
(Constant)	3.102	1.648		1.882	.067		
Employee & staffing disclosure Ratio	-.009	.004	-.328	-2.162	.037	.774	1.292
Consumer disclosure Ratio	.006	.005	.197	1.221	.229	.683	1.465
Environmental disclosure Ratio	.006	.003	.273	1.870	.069	.837	1.195
Community involvement disclosure Ratio	-.001	.003	-.047	-.309	.759	.787	1.271
Log_TotalAssets	-.514	.242	-.370	-2.128	.040	.589	1.697
a. Dependent Variable: Log Sreturn							

Table 11: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	V.I.F.
(Constant)	.053	.041		1.306	.194		
C.S.R. Index	.000	.001	.056	.564	.574	1.000	1.000
a. Dependent Variable: Returns							

Correlation Analysis

Table 11 indicates that Pearson correlation outcomes revealed no correlation among variables between each sub-index of C.S.R. The correlation result is between -1 and 1 and is less than 0.5, Where variables have no severe correlation.

The correlation of C.S.R. in (Table 11) shows that the association between C.S.R. and stock return is equal to (- 0.184), lesser than 0.5, indicating a weak negative correlation between C.S.R. and stock return. This conclusion complies with previous studies about C.S.R. effect on company's profitability (Laffer et al., 2004), which found a negative or no correlation between having a top C.S.R. program and stock price growth, net profit margin, or compound annual net income growth.

Between the factors shown, the stock returns score has a positive weak correlation with the Consumer disclosure Ratio ($r = 0.106$), a negative correlation with the Employee & staffing disclosure Ratio ($r = -$

0.351), and Community Involvement($r = -0.251$), and weak positive correlation with environmental disclosure ($r = 0.105$)

Table 12: Correlations

		Overall Disclosure	Community involvement Disclosure	Environmental Disclosure	Consumer Disclosure	overall Employee & staffing Disclosure
Return	Pearson Correlation	1				
	Sig. (2-tailed)					
		-.184	-.251	.105	.106	-.351*
		.220	.092	.487	.483	.017

Results And Discussion

The empirical results shows that there are a negative relationship between CSR and PEX manufacturing firms' stock returns, also, the R square result shows that the model is fit and explains 27.3%; several studies have examined the link between companies' performance using different measurements such ROA,ROE,EPS and stock price differentials; some studies (Patten, 1992; Tagesson et al., 2013)finding a statistically significant positive correlation. However, other research (Alkababji, 2014; Brammer et al., 2006) have shown a negative correlation, while other have shown no relation between CSR and profitability(Cormier et al., 2005; Patten, 1991)

noting that a study on the effect of political events on stock returns in the PEX market indicated that neither positive nor negative political events had any influence on the return of PEX (Qubbaja & Omar, 2019).

Table 13: Testing the relation between stock returns and CSR in year-to-year bases:

Year	α	B	Sig	Explanation
2015	4.39	0.022	0.200	Positive relation/not significant
2016	3.255	0.040	0.517	Positive relation/ not significant
2017	4.168	-.006	.161	Positive relation/not significant
2018	-7.237	-.088	.000	Negative relation/ significant
2019	-2.185	0.000	0.779	Positive relation/not significant
2020	11.729	.011	.118	Positive relation/not significant
2021	-3.159	-.017	.490	Negative relation/not significant
2022	-4.17	.0000	.000	Positive relation/ significant

The year 2018 and 2022 has a significant negative association between stock returns and CSR, noting that a study on the effect of political events over stock returns in the PEX market indicated that neither positive nor negative political events had any influence on the return of PEX(Qubbaja & Omar, 2019) as Palestine witnessed political instability in years between 2015-2016. This study has a longitudinal design, and the results revealed that both favorable and unfavorable Political events did not affect the return of Palestine's assets

This study has a longitudinal design, and the results revealed that both favorable and unfavorable Political events did not affect the return of Palestine's assets. The findings do not provide evidence for the hypothesis of the link between stock returns and CSR disclosure. However, they do align with the results published in other similar empirical research in other countries (Abu farha & Alkhalailh, 2016; S.

Lee et al., 2013)

Also, another test has been conducted by grouping companies based on size to small, medium, and large and using total assets as a proxy of size.

Table 14: Descriptive Statistics

	N	Mean	Std. Deviation
Total Assets	99	319,77,711	27,256,255.
Valid N (listwise)	99		

The large corporation has the highest CSR index as large companies follow the international standards reporting as they perform activities and have subsidiaries outside Palestine, followed by small corporations characterized by family-owned businesses more involved with community support and activities and there fore are more concerned with CSR activities this result is aligned with previous results(J. Lee, 2009).

Table 15: Firm classification according to size

Size	Small	Medium	Large
Group interval	>23.3MMUSD	23.31MM-54MM USD	54.01MM USD -124MMUSD
Number of firms	33	33	33
CSR Index Mean	42.7%	37.9%	62.8%

Conclusion and Recommendations

The level of responsibility in CSR for manufacturing companies in Palestine is voluntary; they disclose their contribution toward society without any binding laws due to the cultural and ethical responsibility of firms towards society in addition to branding their companies at low cost and promoting their industry and products.

Manufacturing companies' most disclosed CSR activity is CSR toward community involvement, with a mean (of 58.13) and a standard deviation (of 30.31), followed by CSR towards Product and consumer, with a mean (of 27.77) and a standard deviation (of 19.5), then CSR environmental involvement with a mean (22.65) and standard deviation (26.90), CSR towards employees with a mean (3.59) and standard deviation (1.07) and finally firm size differs on level of disclosed CSR. This result is explained due to the prevailing political situation of doing business in Palestinian territories, and the characteristic deficiencies within the legal framework have contributed to these results.

The result of this research should light the red flags of the visibility of CSR that companies are disclosing and search for more beneficial areas for the community to spent that have more effect on society than what is being done today. They should have a considerable impact on boosting the company's perception from the stakeholders' and rethink about the areas that should be supported to be considered more valuable to society, stakeholders, and investors.

References

- Abu farha, & Alkhalailh. (2016). The Relationship between Corporate Social Responsibility's Disclosure and Stock Returns An Empirical Study of Jordanian Companies Listed on Amman Stock Exchange. In *Jordan Journal for Business administration* (Vol. 12, Issue 2, pp. 401–415).
- Abuhijleh, S. T. F., Zaid, M. A. A., & Wang, M. (2019). The effect of corporate governance practices on corporate social responsibility disclosure: Evidence from Palestine. *Journal of Global Responsibility*,

- 10(2), 134–160. <https://doi.org/10.1108/JGR-10-2018-0053>
- Al-Shammari, M.A., Banerjee, S.N. and Rasheed, A. A. (2021). Corporate social responsibility and firm performance: a theory of dual responsibility. *Management Decision*, 60(6), 1513–1540. <https://doi.org/https://doi.org/10.1108/MD-12-2020-1584>
- Alkababji, M. W. (2014). Voluntary Disclosure on Corporate Social Responsibility : a Study on the Annual Reports of Palestinian Corporations. *European Journal of Accounting Auditing and Finance Research*, 2(4), 59–82.
- Barakat, F. S. Q., López Pérez, M. V., & Rodríguez Ariza, L. (2015). Corporate social responsibility disclosure (CSRD) determinants of listed companies in Palestine (PXE) and Jordan (ASE). *Review of Managerial Science*, 9(4), 681–702. <https://doi.org/10.1007/s11846-014-0133-9>
- Brammer, S., Brooks, C., & Pavelin, S. (2006). *Corporate social performance and stock returns: UK evidence from disaggregate measures*. 97–116. <https://doi.org/https://doi.org/10.1111/j.1755-053X.2006.tb00149.x> Available
- Cavaco, S., & Crifo, P. (2014). CSR and financial performance: complementarity between environmental, social and business behaviours. *Applied Economics*, 46(27), 3323–3338. <https://doi.org/10.1080/00036846.2014.927572>
- CEC: 2001, Green Paper: Promoting a European Framework or Corporate Social Responsibility (COM), 366 final.
- Clarke, J. and M. Gibson-Sweet: 1999, 'The Use of Corporate Social Disclosures in the Management of Reputation and Legitimacy: A Cross-Sectoral Analysis of UK Top 100 Companies', *Business Ethics. European Review* (Chichester, England) 8(1), 5–13.
- Cormier, D., Magnan, M., & Van Velthoven, B. (2005). Environmental Disclosure Quality In Large German Companies : Economic Incentives, Public Pressures or Institutional Conditions ? Denis Cormier École des sciences de la gestion Université du Québec à Montréal Michel Magnan The Lawrence Bloomberg Chair in. *European*, 14(1), 3–39.
- Cornett, M. M., Erhemjams, O., & Tehranian, H. (2016). Greed or good deeds: An examination of the relation between corporate social responsibility and the financial performance of U.S. commercial banks around the financial crisis. *Journal of Banking and Finance*, 70, 137–159. <https://doi.org/10.1016/j.jbankfin.2016.04.024>
- Djumala, D., Bainus, A., Sumadinata, R. W. S., & Djuyandi, Y. (2023). The Role of Geographical Conditions and International Relations on the Political Stability in Kurdish Region: The Moderating Role of Economic Stability. *Kurdish Studies*, 11(1), 1-16. <https://kurdishstudies.net/menu-script/index.php/ks/article/view/223/183>
- Gibson, K., & O'Donovan, G. (2007). Corporate governance and environmental reporting: An Australian study. *Corporate Governance: The International Journal of Business in Society*, 15(5), 944–956. <https://doi.org/10.1108/14720701211214052>
- Haniffa, R. M., & Cooke, T. E. (2002). Culture, corporate governance and disclosure in Malaysian corporations. *Abacus*, 38(3), 317–349. <https://doi.org/10.1111/1467-6281.00112>
- Haniffa, R. M., & Cooke, T. E. (2005). The impact of culture and governance on corporate social reporting. *Journal of Accounting and Public Policy*, 24(5), 391–430. <https://doi.org/10.1016/j.jaccpubpol.2005.06.001>
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Social Science Research Network*.
- Jiang, Y., Jiang, Y., Yang, R., Seng, L. S., & Huang, J. (2023). Virtual Tourism and Sustainability in Post-pandemic: Case Study in China. *International Journal of Instructional Cases*, 7(1), 21-40. <https://ijicases.com/menuscript/index.php/ijicases/article/view/42>
- Joshi, P. L., & Gao, S. S. (2009). Multinational corporations' corporate social and environmental disclosures (CSED) on web sites. *International Journal of Commerce and Management*, 19(1), 27–44.

- <https://doi.org/10.1108/10569210910939654>
- Karsh, S. M. A. (2019). Corporate Social Responsibility and Its Relation to Profitability: Evidence from Banks Operating in Palestine. *Journal of Management Research*, 11(1), 45–60. <https://doi.org/10.5296/jmr.v11i1.14214>
- Kılıç, M., & Kuzey, C. (2016). The effect of board gender diversity on firm performance: evidence from Turkey. *Gender in Management*, 31(7), 434–455. <https://doi.org/10.1108/GM-10-2015-0088>
- Laffer, B. A. B., Coors, A., & Winegarden, W. (2004). *Associates Cic*. 92121(858).
- Lee, J. (2009). Does size matter in firm performance? Evidence from US public firms. *International Journal of the Economics of Business*, 16(2), 189–203. <https://doi.org/10.1080/13571510902917400>
- Lee, S., Singal, M., & Kang, K. H. (2013). The corporate social responsibility-financial performance link in the U.S. restaurant industry: Do economic conditions matter? *International Journal of Hospitality Management*, 32(1), 2–10. <https://doi.org/10.1016/j.ijhm.2012.03.007>
- Leinonen, A. (2022). Struggling against language shift: Kurdish language education in Turkey. *Kurdish Studies*, 10(1), 19–37. <https://kurdishstudies.net/menu-script/index.php/ks/article/view/4/3>
- Marashdeh, Z. M. S. (2014). The Effect of Corporate Governance on Firm Performance in Jordan. In *A thesis submitted in partial fulfilment for the requirements for the degree of PhD, at the University of Central Lancashire* (Issue September). [http://clou.uclan.ac.uk/11163/1/Marashdeh Zyad Final e-Thesis %28Master Copy%29.pdf](http://clou.uclan.ac.uk/11163/1/Marashdeh%20Master%20Copy%29.pdf)
- Milne, M., & Adler, R. (1999). Exploring the reliability of social and environmental disclosures content analysis. *Accounting, Auditing & Accountability Journal*, 12(4), 237–256. <https://doi.org/10.1007/s10997-021-09568-8>
- Patten, D. M. (1991). Exposure, legitimacy, and social disclosure. *Journal of Accounting and Public Policy*, 10(4), 297–308. [https://doi.org/10.1016/0278-4254\(91\)90003-3](https://doi.org/10.1016/0278-4254(91)90003-3)
- Patten, D. M. (1992). Intra-industry environmental disclosures in response to the Alaskan oil spill: A note on legitimacy theory. *Accounting, Organizations and Society*, 17(5), 471–475. [https://doi.org/10.1016/0361-3682\(92\)90042-Q](https://doi.org/10.1016/0361-3682(92)90042-Q)
- Qubbaja, A., & Omar, S. A. (2019). The Impact of Political Events on Palestine Securities Exchange Returns: An Empirical Study between (1997-2016). In *International Journal of Academic Research in Accounting, Finance and Management Sciences* (Vol. 9, Issue 3). <https://doi.org/10.6007/ijarafms/v9-i3/6482>
- Sin, I. L., & Schartner, A. (2023). Connecting with family, friends and others: Informal caregiving among international postgraduate researchers in a British University. *Journal of International Students*, 14(4). <https://doi.org/10.32674/jis.v14i4.5544>
- Spence, M. (1973). JOB MARKET SIGNALING. *The Quarterly Journal of Economics*, 87(3), 355–374.
- Suchman, M. C. (2006). *Corporate Social Responsibility and resource -based Perspectives*. 69(2), 111–132. <https://doi.org/10.1007/s10551-006-9071-z>
- Suchman, M. C. (2014). MANAGING LEGITIMACY: Strategic and Institutional Approaches. *Academy of Management Review*, 20(3), 571–610. <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.108.2768&rep=rep1&type=pdf>
- Sundarasan, S., Tan, J.-Y., & Rajangam, N. (2016). Board composition and corporate social responsibility in an emerging market. *Corporate Governance (Bingley)*, 16(1), 35–53. <https://doi.org/10.1108/CG-05-2015-0059>
- Tagesson, T., Klugman, M., & Ekström, M. L. (2013). What explains the extent and content of social disclosures in Swedish municipalities' annual reports. *Journal of Management and Governance*, 17(2), 217–235. <https://doi.org/10.1007/s10997-011-9174-5>