**An-Najah National University**
**Faculty of Graduate Studies**

# The Reality of Disclosure in Palestinian Corporate Social Responsibility (CSR) and Relationship with the Structure of Ownership and Characteristics of the Board of Directors

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# *Dedication*

*This thesis is dedicated*

*To*

*my beloved parents*

*my precious husband*

*my dearest sister and brothers*

*my father and mother in law*

*And my grandparents, uncles and aunts*

*For their love, support and encouragement*

*And mostly for their believe in me.*

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## الإقرار

أنا الموقعة أدناه مقدمة الرسالة التي تحمل عنوان:

## واقع الافصاح عن المسؤولية الاجتماعية في الشركات الفلسطينية، وعلاقته بهيكل الملكية وخصائص مجلس الادارة

## The Reality of Disclosure in Palestinian Corporate Social Responsibility (CSR) and Relationship with the Structure of Ownership and Characteristics of the Board of Directors

أقر بأن ما اشتملت عليه الرسالة انما هو نتاج جهدي الخاص باستثناء ما تمت الاشارة اليه حيثما ورد وأن هذه الرسالة ككل أو أي جزء منها لم يقدم من قبل لنيل أي درجة علمية أو بحث علمي لدى أي مؤسسة تعليمية أو بحثية أخرى.

### Declaration

The work provided in this thesis, unless otherwise referenced, is the researcher's own work, and not has been submitted elsewhere for any other degree or qualification.

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# List of Abbreviations

| Abbreviations | Explanations |
|---|---|
| CSRD | Corporate Social Responsibility Disclosure |
| CSR | Corporate Social Responsibility |
| CG | Corporate governance |
| GLS | Generalized Least Squares |
| VIF | Variance Inflation Factor |
| PEX | Palestine Exchange |

# The Reality of Disclosure in Palestinian Corporate Social Responsibility (CSR) and Relationship with the Structure of Ownership and Characteristics of the Board of Directors

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## Abstract

The purpose of this study is to investigate the extent and nature of CSRD of the Palestinian companies listed on the Palestine Exchange (PEX). Furthermore, the impact of ownership structure and board characteristics on the level of CSRD is examined. Data was collected from a sample of 44 companies' annual reports -which constitute 91.6% of Palestinian listed companies- for the period 2013-2017. In order to measure CSRD, a disclosure index including 30 items of social responsibility information was constructed and applied. To achieve the objectives of the study, Generalized Least Square (GLS) regression was used. The results of the study reveals that, on average, a company discloses 43.7% of the items included in the disclosure index. In addition, a significant positive relationship between gender diversity, audit committee, firm size, auditor type and CSRD exists. In contrast, there is a significant negative relationship between board size, CEO duality and CSRD. Furthermore, board independence, board ownership, ownership concentration, financial leverage and financial performance were found to have no effect on CSRD. The study recommends that policy makers and regulators can improve the extent of CSR disclosure through extending the minimum regulatory

requirements concerning CSR reporting in Palestine. Furthermore, policy makers and regulators are encouraged to establish an official Palestinian CSR index that can be used to evaluate and compare CSR practice and disclosure among Palestinian companies.

**Keywords:**

Corporate social responsibility disclosure, Ownership structure, Board Characteristics, PEX.

# Chapter One

# Introduction

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# Chapter One

# Introduction

## 1.1 Introduction

Corporate social responsibility (CSR) has become a common debate among a variety of researchers, organizations and standard setters. Stakeholders are increasingly becoming more aware about its importance, particularly in terms of its role in ensuring a proper balance in the long-run between the commercial viability of a firm and its loyalty to society. Several issues (e.g. pollution, resource depletion, waste, product quality and safety and the rights and status of the labours) have become the vital aspects of this growing attention (Gray et *al*., 1987).

According to the existing literature (e.g. Carroll, 1979), CSR means conducting a business in a way that is economically viable (i.e. profitable operations) legally commendable, ethically mindful and socially allegeable. On the other hand, Cadbury (1992) defines corporate governance as the way in which firms are controlled. Thus, corporate social responsibility and corporate governance are suggested to help companies to obtain balance among profitable operation and ethical practice, including social activities (Haniffa and Cooke, 2005). They encourage firms to perform their tasks and responsibility toward many and diverse stakeholders (Sundarasen et *al.,* 2016). Furthermore, CSR and CG concentrate on the importance of achieving long term value (economic viability) which helps in supporting companies continued acceptance and existence (Esa and Ghazali, 2012). Therefore, companies not only meet the trust of the investors, but also show an involvement toward social and environmental responsibility (allegiances to society). Thus, CSR and CG cannot be isolated, but are a portion of a business system that imposes on commercial organizations the duty and commitment to adopt policies and achieve goals compatible with the popular content of the current era (Sundarasen et *al.,* 2016).

Accordingly, this study primarily investigates the extent and nature of CSR disclosure in the annual reports of Palestinian companies listed on Palestine Exchange (PEX) during the period 2013-2017. In addition, the study attempts to consider the impact of board characteristics and ownership structure on CSR disclosure by Palestinian companies listed on the PEX.

## 1.2. Statement of Research Problem

CSR has almost become one of the standard business practices of our time. Companies that want to achieve long-term success must consider CSR. It is an important factor in establishing company's public image and reputation, which will be eventually translated into stronger stakeholder support.

The research problem can be expressed through the following questions:

1. What is the extent and nature of CSR disclosure in the annual reports of Palestinian companies listed on the PEX during the period 2013-2017?

2. Is there a relationship between board characteristics (board independent directors, board size, board gender, duality of CEO and chairman positions, and audit committee) and the level of CSR disclosure in the annual reports of Palestinian companies listed on the PEX during the period 2013-2017?

3. Is there a relationship between ownership structure (board ownership and ownership concentration) and the level of CSR disclosure in the annual reports of Palestinian companies listed on the PEX during the period 2013-2017?

## 1.3 Research Objectives

The objective of this study is three-fold:

1. To investigate the extent and nature of CSR disclosure in the annual reports of Palestinian companies listed on the PEX during the period 2013-2017.

2. To examine the impact of board characteristics (board independent (non-executive) directors, board size, board gender, duality of CEO and chairman positions, and audit committee) and the level of CSR

disclosure in the annual reports of Palestinian companies listed on the PEX during the period 2013-2017.

3. To examine the impact of ownership structure (board ownership and ownership concentration) and the level of CSR disclosure in the annual reports of Palestinian companies listed on the PEX during the period 2013-2017.

## 1.4 Research Importance

Investigating the impact of ownership structure and board characteristic on corporate social responsibility has a great importance for developing countries like Palestine. The Palestinian market is described as small and imperfect (Barakat et *al*., 2015), thus agency problem and the asymmetries of information issues are predicted to be sever. Transparency through better CSRD may help in mitigating the effect of these problems. Moreover, studies on this topic is well established in developed countries, while there is relatively a lack of research to investigate whether the impact of ownership structure and board characteristics on CSRD is similar in developing counties like Palestine. Therefore, this study will investigate the extent and nature of CSR disclosed by the Palestinian companies. Moreover, It will provide empirical evidence on the effect of ownership and board structure on CSR disclosure in Palestine. There is a lack of studies that address this issue in Palestine; only one study is identified which addresses the relationship between CG and CSR in Palestine.

Barakat et *al*., (2015) compared the disclosure of CSR in Palestine and Jordan for the year 2011. However, the study did not include some dimensions (e.g. ownership structure, board gender diversity and CEO duality).

This study is expected to contribute to the literature in understanding the level and nature of CSRD in Palestine. It also reveals the relationship between ownership structure and board characteristics, from one hand.. It provides evidence on the adequacy of board’s guidelines in the corporate governance practices in Palestine. Therefore, this study increases the awareness of Palestinian companies' decision-makers, including both directors and managers, and other stakeholders toward the important role of CSR in today's business environment. In addition, the study provides a feedback that enables the Palestinian regulators to improve and revise regulations and practices related to CG and CSR disclosure. Finally, the study raises some issues of interest to future research.

## 1.5 Organization of the Study

The study consists of six chapters. Chapter one introduces the study and presents the research problem, objectives, and importance. The second chapter provides the theoretical background of the study. Chapter three presents a literature review, and sets up the research hypotheses after discussing the rationale for each hypothesis. Chapter four discusses the methodology employed to achieve the research objectives. Chapter five shows the results of analysis regarding the extent and nature of CSR disclosure, and the results of testing the research hypotheses. Finally, chapter six summarizes the current study and presents its main conclusions. Furthermore, the chapter provides recommendations based on the empirical findings, discusses the research limitations, and provides suggestions for future research

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# Theoretical Background

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# Chapter Two

# Theoretical Background

## 2.1 Introduction

This chapter investigates the theoretical background of CSR practice and disclosure. In more details, it examines the history and evolution of CSR, the concept of CSR, theories attempted to explain CSR practice and disclosure, CSR in the context of developing countries, and the reporting requirements concerning CSR information in Palestine.

### 2.2 Corporate Social Responsibility - History and Evolution

Corporate Social Responsibility (CSR) has a long history, but it started to gain its' popularity from the beginnings of the 1950s up to the current time. However, despite of its recent popularity, it could be traced for centuries as an evidence of the business interests for society (Carroll, 2008).

The roots of CSR are mainly from the Western world, in the United States particularly, as it was a reaction to mitigate extreme individualism and predominant arms-length relationships (Hofstede, 2001; Carroll, 2008). Bowen (1953) has first introduced the CSR concept in his landmark book *Social Responsibilities of the Businessman*. This new term began a long argumentation about the role of business in community (Margolis and Walsh, 2003). Due to his efforts in coining the phrase “Corporate Social

Responsibility" and his early seminal work, some experts in the field of CSR, like Carroll (1999) and Windsor (2001), assumed Bowen as being the Father of CSR.

In the 1960s, the United States witnessed the emergence of many social, political, economic and environmental movements. This included, for example, the feminist movement, the movements in support of the mentally and physically challenged citizens, native people, and minorities (Cochran, 2007). Simultaneously, many of non-governmental organizations (NGOs) emerged with the social activists, they objected to the irresponsible use of power by corporations. As Lantos (2001) indicated, during that time, a lot of businesses were selling harmful products to the environment. Furthermore, community was not succeeding in supporting poor citizens and bribery was widespread.

On that era, many scholars like Davis (1960, 1967), Ackerman (1973), Preston and Post (1975), Frederick (1978), and Carroll (1979) argued in favor of CSR. They indicated that society grants social license and power to businesses, and it also confers substantial responsibility on them. They indicated that businesses not fulfilling their societal obligations will lose their legitimacy and power to operate. Carroll (1999) indicated that the literature on CSR developed considerably during that period.

In contrast, other researchers argued against CSR. Friedman (1970), who received a Nobel Prize in the field of economic sciences, defended the perspective that businesses have obligations only toward their shareholders. He argued that the only goal of a business is to gain profit, and companies' managers are incapable to deal with both social and financial matters jointly. In the 1980's, Freeman (1984) came in with the widely accepted Stakeholder Management Model to try to supply firms with an organized approach to settle with changes in their surroundings. According to this model, the emphasis should be transferred from "shareholders" only to incorporate all "stakeholders", which is consistent with the spirit of CSR. In addition, the global debate on the concept of Sustainable Development that took place after the publication of the United Nations' report *"Our Common Future"* by the World Commission on Environment and Development (Brundtland Commission Report, 1987) increased the interest in CSR (Carroll, 1999). During the 1990s, CSR was seen from a strategic management sight, where social responsibility is conceived to be in line with the goal of profit maximization, so, attending better businesses and society. Under this perspective, CSR activities will improve the reputation of the company and accordingly increase customer's confidence in its products and services leading eventually to more profits. This rationalization of CSR on a financial ground made it more appealing to managers, and provided a pragmatic discussion for the majority of researchers arguing in favor of CSR (Windsor, 2006; Eteokleous et *al.*, 2016).

Since the beginning of the 21st century, CSR has gained a clear attention by the literature. The debate on CSR has significantly increased mainly due corporate scandals and failures that marked the recent period, such as Enron and WorldCom scandals in the United States and Parmalat and Ahold Scandals in Europe, causing many researchers to refer to such scandals using the term “Corporate Social Irresponsibility” (Murphy and Schlegelmich, 2013).

The mounting internal and external pressure to adopt ethical and socially responsible behavior propelled corporations to have more responsible and transparent business practices. Today, CSR has become so entrenched in business operations that many large firms and even small ones issue their own CSR reports, hire CSR managers and consultants, and have fully-fledged CSR departments and projects (Crane et *al.*, 2008; McBarnet et *al.*, 2009)

## 2.3 The Concept of Corporate Social Responsibility

The majority of academics and business managers have noticed how corporate social responsibility has developed from an irrelevant and doubtful idea to a high-ranking topic in both business and academia (McWilliams et *al.,* 2006). In many companies nowadays CSR is a very visible element of business practice.

There is no universally agreed upon definition of CSR. Many of the existing definitions are described as unclear (McWilliams and Siegel, 2001), ambiguous (Fisher, 2004), and have unclear speculative boundaries (Haltofova and Adamek, 2014). As a pioneer advocate of CSR, Bowen (1953, p. 6) defined CSR as: **“the obligation to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”**. It can be noticed that Bowen's definition was based on the corporate ethical argument, especially since there were few CSR actions beyond philanthropy during the 1950s (Carroll, 2008). Further attempts were followed to expand and elaborate the CSR concept. Davis (1973, p. 312) defined CSR as: **“the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm”.**

Carroll (1979, p. 500), one of the most contributing authors in the field of CSR, probably provided the most commonly cited and widely accepted definition of CSR. He defined it much more broadly as: **“the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time”**. Based on his definition, Carroll differentiated four aspects of CSR that any organization needs to adhere to in order to be considered responsible, namely: economic (e.g. create jobs and pay fair wages), legal (compliance with the law), ethical (being moral and doing what is just right and fair), and discretionary (e.g. voluntary philanthropic contributions and donations). It is worth to mention that Carroll considered corporate seeking profit does not contradict with it being socially responsible, rather than, he believed that achieving financial success contributes to the welfare of the society.

Later on, Carroll (1991) revisited his four-part definition and built a pyramid construct showing the concept of the four categories. In this pyramid, he put the economic responsibility in the base, while the legal, ethical, and philanthropic responsibilities form the upper levels of the pyramid respectively. According to this view, the economic and legal responsibilities are required by law from all businesses. Especially that all other business responsibilities are based on the economic responsibility, and without it other responsibilities will be subject to uncertainty. The ethical responsibilities of corporate are expected by members of society. Whereas, the philanthropic responsibilities are desired but for which the society does not provide clear-cut expectation as it does for the ethical responsibilities. Therefore, Carroll considered the economic and legal responsibilities to be mandatory, while the ethical and philanthropic responsibilities to represent the core of corporate voluntary actions in order to live up to societal expectations. Visser (2006) suggested some reasons that could explain why Carroll's definition is the strongest and most excessively cited in the literature: first, Carroll's CSR model is simple, easy to understand, and has an intuitively appealing logic. Second, over the many years since Carroll first suggested his CSR model, it has been repeatedly copied in the academic journals, mostly by Carroll himself.

Third, the model has been empirically tested and widely confirmed by the findings.

The efforts to define the concept of CSR were not limited to individual authors. Many international authorities and organizations provided their own definitions. The World Business Council for Sustainable Development (WBCSD) defined CSR as: **“the continuing commitment by business to behave ethically, and contribute to economic development, while improving the quality of life of the workforce and their families, as well as of the local community and society at large”** (WBCSD, 2000, p. 9). While the European Commission defined CSR as: **“a concept whereby companies integrate social and environmental concerns in their business operations, and in their interactions with their stakeholders on a voluntary basis”** (EC, 2001, p. 6). These definitions share a common notion that companies need to explain their investments in terms of socially responsible actions to the people and environment, and they must incorporate environmental and social suggestions into their normal business practice.

Holder-Webb et *al.* (2009) pointed out that it is not sufficient for businesses to simply involve in CSR actions, but it is also vital and desired to show information about these actions available to stakeholders. Gray et *al*. (1996, p. 3) defined the concept of CSR disclosure as: **“the process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to the**

**society at large"**. Disclosure of CSR information is used by businesses to construct their own social imagery beyond the traditional role to generate and report profit. This is consistent with the assumption that businesses have wider responsibilities than simply to make money for their shareholders. Deegan et *al.* (2000) considered CSR disclosure as a public good that should be offered to all stakeholders in order to enable them to form their own perceptions and make rational decisions about their relationships with the corporate.

## 2.4 Theories of Corporate Social Responsibility

Several theories tried to explain corporate social responsibility disclosure by companies. Bellow, these theories and the debate on their relevance is presented briefly.

### 2.4.1 Signaling Theory

Signaling theory assumes that managers provide more disclosures to signal that they have favorable results (Hassanien and Hussainey, 2015). Moreover, CSR initiatives can be seen as signals to investors and other relevant stakeholders to differentiate corporate quality and capability, especially in emerging economies (Su *et al.,* 2016). A company may signal CSR information to its stakeholders as a mean to show that it is better than other companies in the market, in order to attract investments and enhance favorable reputation (Mahoney, 2012; Thorne et *al.,* 2014). Barnett (2007) argued that engaging in CSR sends a signal that a firm is willing to allocate reasonable resources to maintain a sustainable relationship with its stakeholders. Furthermore, Godfrey *et al.* (2009) pointed out that CSR actions create a positive moral capital that provide corporate with insurance-like protection.

### 2.4.2 Legitimacy Theory

The legitimacy theory and stakeholder theory (discussed below) aim to demonstrate the practices of corporate social responsibility Companies choose to engage and report CSR activities as an important mechanism to legitimize their actions, get approval from society, and ensure their continuing existence. Lindblom (1994) argued that businesses usually attempt to gain, maintain, or/and restore legitimacy using CSR disclosure. Thus, CSR disclosure can be seen as a tool for legitimating rather than accountability (Gray and Bebbington, 2000). Consistent with this theory, many empirical studies such as those conducted by Deegan et *al.* (2000) and Cho (2009) found that companies increase the volume of their social and environmental disclosure after accidents and disasters (e.g. oil spills and chemical explosions) in order to defend their legitimacy when a legitimacy threat is presented.

### 2.4.3 Stakeholder Theory

The implication of the stakeholder argument is that when running a business, managers should assess and balance the interests and expectations of all stakeholders rather than being agents to the shareholders only.

Therefore, even if a company is seeking profit to meet the interests of its shareholders, its success in doing so is likely to be affected by other stakeholders (Foster and Jonker, 2005).

Stakeholder theory can relate to CSR in different ways. As the company affects different individuals and groups in order to reach its goals, these parties have legitimate interests in the company, thereby, they are in a position where the company should consider their interests through socially responsible behavior (Mitchell *et al.*, 1997). Freeman himself indicated that stakeholder theory is a theory of organizational management and ethics (Phillips *et al.*, 2003). Moreover, the instrumental approach to the stakeholder theory argues that companies may use CSR actions as a strategic tool to achieve financial benefits on the long run (Garriga and Melé, 2004).

Stakeholder theory is arguably the single most influential theory used to explain CSR (Crane *et al.,* 2008). It has been used in most areas of CSR and has given rise to a large body of literature. Therefore, it can be considered as a dominant paradigm in CSR. Clarkson (1995) argued that analyzing the ways in which corporates manage their relationships with their stakeholders is the best way to understand CSR.

### 2.4.4 Social Contract Theory

The social contract theory can provide a theoretical basis for explaining the emergence of CSR. This theory argues that there is an implicit social contract between business and society, and this contract implies some indirect obligations of business towards society (Donaldson, 1982; Donaldson and Dunfee 1994, 1999).

Gray *et al.* (1996) described society as a series of social contracts between members of society and the society itself. Since corporates operate by public consent and they are an integral part of their host societies, CSR can be viewed as an obligation stemming from the implicit social contract for corporates to be responsive to society's needs and wants, optimizing the positive effects, and minimizing the negative effects of their business actions on society (Lantos, 2001).

### 2.4.5 Agency Theory

Agency theory suggests that companies provide CSRD to reduce agency problem by mitigating the agency cost and to show that they are accountable and responsible of using the companies' resources in the proper way for shareholders (Sun et *al.,* 2010).

## 2.5 Corporate Social Responsibility in Developing Countries

The concept of CSR has been developed primarily in the Western world. The majority of CSR studies are based on Western assumptions regarding the nature and extent of CSR. Researchers in those countries have developed CSR frameworks, standards and principles, and indices to be used by their local organizations. As a result, CSR literature has been criticized due to its limited international applicability (Muthuri and Gilbert, 2011).

Visser (2008) indicated that CSR programs and challenges in developing countries are different from those in developed countries. He pointed out that most CSR activities in developing countries are oriented toward problems such as philanthropy, employment creation, and infrastructure development. While CSR initiatives in developed countries focus on governance, high labor standards, and the environment. These different orientations result mainly from the difference in cultures and governmental roles, since governments in developing countries are major players in the economy.

Moreover, Visser (2008) concluded that CSR in developing countries is less formalized or institutionalized in terms of the CSR codes, standards, and reports. Even when formal CSR is practiced, this is usually by large and high profile companies. Many CSR actions in developing countries would be seen as governmental responsibility in developed countries (e.g. investments in infrastructure, schools, hospitals, and housing). In addition, CSR initiatives are motivated by religious and traditional values in those countries. The study of Jamali and Mirshak (2006) indicated that CSR practices in developing countries focus primarily on philanthropy and charity through donations and grants.

To sum up, research about CSR in developing countries is relatively underdeveloped. Hence, there is an urgent need to expand the efforts in this field.

## 2.6 Corporate Social Responsibility in Palestine

### 2.6.1 Results of Previous Research

Most of the CSR studies have been conducted in developed countries, while research about CSR in developing countries is still relatively limited (Garas and ElMassah, 2018). Furthermore there is relatively a lack of research to investigate whether the impact of ownership structure and board characteristics on CSRD is similar in developing counties like Palestine. Thus, the current study attempts to fill the literature gap by comprehensively examining CSR disclosure in the context of a developing country, Palestine.

A review of the studies conducted in Palestine reveals that they mainly focus on the perceptions of Palestinian companies' decision-makers toward CSR, the extent of CSR disclosure, types of CSR information disclosed (Alsenawi and Banat, 2014; Alkababji, 2014;and; Migdad, 2017). However, to the best of the researcher`s knowledge only Barakat *et al.,* (2015) investigated the determinants of CSRD, but the study compared the level of CSRD in Jordan and Palestine for only 2011 and it did not include some CG variables. The major of these studies have used content analysis to investigate the extent of CSRD.

This study examines the extent and nature of CSR in Palestine and the impact of several board composition variables and ownership structure variables on CSR disclosure, many of these variables and relationships have not been investigated in the context of Palestine before. Furthermore, the study uses the most recent data available for the period 2013-2017 to investigate these relationships.

### 2.6.2 Reporting Requirements

The legal and regulatory reporting requirements for publicly listed companies on Palestine Exchange (PEX) are expressed by two sources: the Securities Law No. (12) Of 2004 and the Capital Market Authority Law No. (13) Of 2004.

According to the Capital Market Authority Law No. (13) of 2004, the publicly listed company is required to prepare and publish annual report that includes, among other things, balance sheet, profit and loss account, and cash flow statement with comparative figures and explanatory notes. These statements should be prepared in accordance with the International Financial Reporting Standards (IFRS) and should be audited by independent qualified auditor. However, there is no mention in the Companies' Act regarding the disclosure of social responsibility information that companies must make available in their annual reports or in the explanatory notes accompanying the financial statements (PEX, 2018).

Based on the Code of Corporate Governance in Palestine, a publicly listed company is required to include in its annual report, among other things, disclosures of certain information that fall in the scope of CSR. It is mentioned that disclosures should include the firm's social responsibility policies at least once a year. Also, safety regulations followed by the company. Furthermore, these policies should be very clear and could be attained on the long run. They also should be in line with regulations and laws followed in Palestine. The social responsibility items should assist the firm to enhance its reputation and its association to related parties and should be based on integrity and joint interest with third parties. The firm should also disclose all important materials to the researchers (Code of corporate governance, 2011)

Although these disclosure requirements of social responsibility information are important, they are limited and expressed in general terms when compared to the many dimensions and components of CSR.

# Chapter Three

# Literature Review and Hypotheses Development

## 3.1 Introduction

## 3.2 Literature Review:

## 3.3 Hypotheses Development:

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# Chapter Three

## Literature Review and Hypotheses Development

### 3.1 Introduction

This chapter reviews the existing literature in relation to the area of inquiry, specifically, the extent and nature of CSR disclosure and its relationship with board of director's characteristics and corporate ownership structure. In addition, the chapter develops the research hypotheses after discussing the rationale for each hypothesis, in order to accomplish the research objectives.

### 3.2 Literature Review:

CSR is designed to allow the approval and recognition of public at large for long-term sustainability by giving adequate and balanced focus to the economic, social and environmental responsibilities or what is called Triple bottom-line reporting (Patten, 1992; Hackston and Milne, 1996). Thus, it is widely accepted that societies currently prefer triple bottom-line reporting to a single bottom-line reporting. The general logic behind societies' changing predisposition is the belief that a society's well-offends is best served through triple bottom-line reporting. Several researchers have different views about various dimensions related to such responsibilities involved in triple bottom-line reporting that make running various activities in a sustainable style by a corporation is possible which, in turn, allows a corporation to be culturally sustainable (e.g. Carroll, 1991, Schwartz and Carroll, 2003, Urip, 2010).

Companies have several reasons behind their CSR disclosures, such as enhancing their image and reputation (Williams and Pei, 1999; Siregar and Bachtiar, 2010), strengthening the relation with customer, community and government (Williams and Pei, 1999), legitimizing their activities (Branco and Rodrigues, 2006) and reducing information asymmetry among the company's managers and its stakeholders (Cormier et *al*., 2011). All these reasons ensure economic viability in the long-run. Besides, CSR is vital to the internal decision-making since it enables the measurement of the value of long-term relationships and assets by identifying strengths and weaknesses through corporate responsibility spectrum (Perrini et *al.,* 2011).

In order to maximize firms' value, Freeman (1984) suggested that firms' managers should meet stakeholders' needs. Moreover, companies should build healthy associations with number of stakeholder groups (i.e. society at large) in order to maximize shareholder wealth (Jensen, 2001; and, 2002). The stakeholder theory, particularly its moral or normative branch, indicates that companies have agreements with their stakeholders and the firm's value relies on its ability to satisfy these agreements. Companies might suffer both financial and reputational damages as a result of failing to skillfully accommodate management's requirements with those of their stakeholders. Successful stakeholder management relation is vital for firm effectiveness (Cornell and Shapiro, 1987). The success of a relation depends on trust, and the firm can make that trust by fulfilling the duties to stakeholders (Hill and Jones, 1992).

Consequently, the board of directors, as mandatory of the shareholders, has a vital role in monitoring the creation and implementation of management's plans to meet the concerns of stakeholders (Cornell and Shapiro, 1987; and Harjoto, et *al.*, 2015). Thus, going beyond being a mere representative of the traditional stakeholder group (i.e. shareholders) in a pure commercial entity and accept being representatives in an environment that has a very power and influential aspects, (i.e. society), is what represents a collective mindful thinking. To ensure the existence of a collective mindful thinking three conditions must be met. First, there must be an awareness that there are various, and possibly conflicting, interests of various stakeholders. Second, striking a proper balance among these interests is the only solution for ensuring economic viability in the long-run. Third, there must be a body required to be aware of first and second condition and this body is the board of directors since it has the ability to successfully impose the implementation various economic, ethical and social decisions. Thus, it is imperative that a board of directors embodies the structure, independence and size (Howton et *al*., 2008) in order to have the collective mindful thinking.

Along with board structure, independence and size, shareholders also may play an important role to reduce agency problem. Large institutional shareholders, with their significant ownership in firms, can have the ability and incentive to supervise the managers' decisions and activities in the firm (Shleifer and Vishny, 1986). This reflects an issue related to ownership structure.

Ownership structure represents one of the major features of corporate governance. It is usually considered to be specified by other country-level features of corporate governance (Shleifer and Vishny, 1997). According to agency theory, managers in the company work as an agent. Accordingly, separation between managers and owners (Shareholders) creates agency problem since managers, as human beings, have the tendency of using authority to make decisions for their own sake (Jensen and Meckling, 1976; Fama and Jensen 1983). Therefore, if each owner of the company holds a small portion of ownership (shares) that means they do not have considerable portion, thus none of them is willing to spend his time supervising managerial decisions. Although he/she is willing to do so and ends up with a suggestion or a complaint, there is a lack of enough voting power (Oh et *al*. 2011). However, this situation will differ when there is a significant percentage owned by shareholder who may have an influence on the decision making inside the entity through shareholder activism and appointing directors in board (Lee and Lounsbury 2011). Thus, there will be more involvement of decision making process by shareholders who own large amount of equity. Previous studies support the discussion that ownership concentration affects decision making (Brick et *al.,* 2006).

Board of directors is elected by companies' shareholders to control and manage its matters (Monks and Minow, 2008). As a fundamental corporate governance feature, board of directors has a vital role to align management concerns with those of stakeholders' (Harjoto, *et al.*, 2015). Moreover, it minimizes agency cost and the asymmetry of information (Patelli and Prencipe, 2007). However, the efficiency of the board supervising is measured among various board characteristics (Brick et *al.,* 2006). Thus, board characteristics are expected to affect the level of CSRD. Board characteristics could be defined with variety of perspectives, such as independency, nationality, gender, board size, experience, etc. (Kang *et al.,* 2007). However, in this study the "board Characteristics" includes: board independent (non-executive) directors, board size, board gender, duality of CEO and chairman positions, and audit committee. Along with board characteristics, ownership structure also may play an important role to reduce agency problem. Significant ownership in firms, can have the ability and incentive to supervise the managers’ decisions and activities in the firm, it also have a significant influence on firm’s investments by suggesting and voting on strategic plans of the firm. CSR would have a prominent place in these plans and, accordingly, CSR could be an investment (McWilliam and Siegel 2001). In the current study, the "ownership structure" includes: board ownership and ownership concentration. These characteristics and their impact on CSRD are discussed in the following section.

## 3.3 Hypotheses Development:

### 3.3.1-Board Independence

Board of directors plays a vital role in monitoring the creation and implementation of management's plans to meet the concerns of companies' stakeholders (Harjoto, et *al.*, 2015). The different interest between stakeholders requires moral engagement of the board of directors (Howton et *al*., 2008). An agency view explains how an independent board would be interested to show a greater transparency and accountability through better voluntary disclosures (Muttakin et *al.* 2015). Handajani et *al*. (2014) and Post et *al*. (2011) found that increasing the number of independent directors on the board improve the information quality. Rashid and Lodh (2008), Ibrahim and Hanefah (2016) and Garas and ElMassah (2018) indicate a significant positive relationship between board independence and CSRD. In contrast, many research (e.g. Harjoto et *al.,* 2014; Barakat et *al*., 2015; Alotaibi and Hussainey 2016; Sadou *et al*., 2017: and Coffie *et al*., 2018) found no relationship between board independence and CSRD. The previous arguments lead to the following hypothesis:

**H1**: *There is a significant positive relationship between board independence and CSRD.*

### 3.3.2-Board Size

Larger boards increase the conflict of interest (Jensen, 1993). Chaganti et *al.,* (1985) argue that larger boards are difficulty managed; then smaller board will often have a role in supervising more than larger board. However, larger board indicate a diversity of experience between board members which enhances the board ability of supervising and controlling company`s disclosures (Akhtaruddin et *al*., 2009). This would improve the quality of the management disclosures.

Several studies (e.g. Buniamin et al., 2008; Handajani et *al*., 2014; Barakat et *al*., 2015; Majumder et *al.,* 2017; Sadou*et al*., 2017 and Coffie*et al*., 2018) indicate a significant positive relationship between board size and CSRD. However, Ling and Sultana (2015) found insignificant relationship between board size and the level of CSRD. Therefore, the second hypothesis for this study can be formulated as follows:

**H2**: *There is a significant positive relationship between board size and CSRD*.

### 3.3.3- Board Gender Diversity

Mateos de Cobo et *al.* (2012) suggested that board diversity in favor, is widely considered as an eligible feature of board structure. For example, the participation of female gives a wider experience and knowledge which improve decision-making process. Female is more sensitive about environment) and ethics (Ford and Richardson, 1994; Diamantopoulos et *al*., 2003; Rao et *al.,* 2012; Zhang, 2013; Hafsi and Turgut, 2013; and Liao et *al.,* 2014). The diversity of board is important to increase the quality of decision-making process and corporate social responsibility strategy in board (Mackenzie, 2007; Handajani et *al.,* 2014; and Strandberg, 2005). Board diversity would increase moral corporate culture and decrease fraud and therefore reduce agency cost (Handajani et *al*., 2014). Previous results suggested by Huse and Solberg (2006) claim that women directors would provide the right decision because they are more concerned about board meetings than men. Also, they have superior attendance registration and they are more likely to enroll supervising committees. Therefore, it is expected that they would have great impact on the input and output of the board (Adam and Ferriera, 2009). Previous studies indicate mixed results. While some of them (e.g. Ibrahim and Hanefah; and 2016 and Sundarasen et *al.,* 2015) found a positive association between gender diversity and CSRD, other studies (e. g. Majeed et *al.,* 2015; and Handajani et *al.,* 2014) indicate a negative association. The previous arguments lead to the following hypothesis:

**H3**: *There is a significant positive relationship between board gender diversity and CSRD.*

### 3.3.4- Board Ownership

Agency theory suggests that increasing the level of board ownership could be of interest to both stakeholders and managers. This is probably because companies with higher level of board ownership would balance the interest of shareholders and managers. Thus, agency cost would be lower (Jensen and Meckling, 1976). However, MohdGhazali, (2007) claimed that when the entity is owner managed, the interest of outsider would be lower. Chau and Gray (2010) and Garas and ElMassah (2018) indicated a significant positive relationship between board ownership and CSRD. In contrary, Rashid and Lodh (2008) found an insignificant negative relationship. Therefore, the forth hypothesis for this study can be formulated as follows:

**H4**: *There is a significant positive relationship between board ownership and CSRD*.

### 3.3.5- Ownership Concentration

Ownership concentration exists when family members or few shareholders can control and influence the management of a company. Shleifer and Vishny (1997) claimed that ownership concentration enhances control over managers. In addition, Helfin and Shaw (2000) indicated that supervising by large shareholders helps in accessing valuable, private and relevant information. According to agency theory, agency problem would rise when the ownership is widely dispersed (Fama and Jensen, 1983). Therefore, widely held firms would be more accountable for public As a result; these firms turn to disclose more social information. Previous research such as Lu et *al*., (2014) found a negative relationship between ownership concentration and corporate social responsibility disclosure. In contrast, Sadou et al., (2017) and Garas and ElMassah (2018) found a significant positive relationship. Therefore, the fifth hypothesis for this study can be formulated as follows:

**H5**: *There is a significant negative relationship between ownership concentration and CSRD.*

### 3.3.6- CEO Duality

CEO and chairman duality happens when a person holds the CEO and the chairman of the board positions in a company at the same period of time. When this situation occures, the board of directors' effectiveness in fulfilling the governance function may be lowered due to the concentration of decision making and control power in the hands of the same individual (Haniffa and Cooke, 2002). Therefore, such duality presents a greater decision-making power that enables CEO to make decisions that may not take into consideration the greater interests of a largerer group of stakeholders. Consequently, the duality could impair the board's governance role over corporate initiatives and disclosure policy, including CSR initiatives and disclosures (Li et al., 2008). Sundarasen et *al*., 2015 pointed out that separation of chairman and CEO positions would enhance supervising quality and independent execution of auditing; this would increase the transparency of information for the public. Therefore, corporate social responsibility disclosure is expected to improve. Previous studies have reported inclusive result about the association between CEO duality and CSRD. While, some studies (e.g. Ling and Sultana, 2015; and

Sundarasen et *al.,* 2016) reported a significant negative relationship, other studies (e. g. Garas and ElMassah, 2018) found a significant positive relationship. This argument leads to the following hypothesis:

**H6**: *There is a significant negative relationship between CEO Duality and CSRD.*

**3.3.7- Audit Committee**

Audit committee consists of members of board of directors with main tasks including monitoring the financial reporting and controlling the related disclosures (Anderson et *al.,* 2004). Therefore, audit committee has a vital role in enhancing the quantity and quality of financial disclosure (Al-Janadi et *al.,* 2013). Good governance practices codes promote the existence of efficient audit committee as a control tool that would enhance disclosures and reduce agency cost. However, limited research measures the association between audit committee and corporate social responsibility disclosure. Existing few studies (e. g. Rouf, 2011; and Said *et al*., 2017) found a significant positive relationship between audit committee and CSRD.

Therefore, the seventh hypothesis for this study can be formulated as follows:

**H7**: *There is a significant positive relationship between the existence of audit committee and CSRD.*

# Chapter Four

# Research Methodology

## 4.1 Introduction

## 4.2 Population and Sample

## 4.4 Variables Definition

### 4.4.1 The Dependent Variable: Construction of CSR Disclosure Index

### 4.2.2 Independent variables

### 4.2.3 Control variables

### 4.5 Regression Model

# Chapter Four

# Research Methodology

## 4.1 Introduction

As stated earlier, the objective of this study is three-fold: the first objective is to investigate the nature and extent of CSR disclosure in the annual reports of Palestinian companies listed on the PEX during the period 2013-2017, while the second and third objectives aim to examine the impact of both board characteristics variables and ownership structure variables on the level of CSR disclosure in the sampled annual reports. This chapter presents the methodology employed by this study to achieve its objectives.

## 4.2 Population and Sample

The study contains all of the Palestinian companies listed in Palestine Exchange (PEX) totaled 48 companies, for the period 2013 to 2017. The sample will contain the companies that meet the following criteria:

1) The company is listed on (PEX) during the years 2013-2017.

2) All the data needed about the company is available for the years 2013-2017.

As presented in Table (4-1), 44 companies compose the study sample with a total of 220 firm-year observations.

**Table (4-1): Summary of study sample**

| Sector | # of companies in the sectors | # of sampled companies | % |
|---|---|---|---|
| Banks | 6 | 6 | 13.6 |
| Insurance | 7 | 7 | 15.9 |
| Industrial | 13 | 13 | 29.5 |
| Service | 10 | 9 | 20.5 |
| Investment | 12 | 9 | 20.5 |
| **Total** | **48** | **44** | **100%** |

## 4.3 Data Collection

To carry out the current study and consistent with prior studies, the required data are collected from the sampled companies' annual reports available on the PEX website since the annual reports would have greater readership among stakeholders (Gray et *al*., 1995b). Also, the other variables will mainly be collected from companies' annual reports. Content analysis is used to extract the required data from the annual reports. The study uses panel data regression analysis to test its hypotheses.

## 4.4 Variables Definition

### 4.4.1 The Dependent Variable: Construction of CSR Disclosure Index

CSR disclosure level represents the dependent variable of this study. To assess the extent of CSR disclosure reported by Palestinian companies listed on PEX, a CSR disclosure index was constructed and used.

The extensive review of the CSR literature extended to include two global initiatives concerning CSR practice and disclosure. The first is the Global Reporting Initiative (GRI) - Sustainability Reporting Standards (G4 version) issued by the Global Sustainability Standards Board (GSSB). The GRI Standards represent a set of interrelated standards designed to be used by corporates to publicly report the effects of their operations on the economy, the environment, and society on a voluntary basis (Global Reporting Initiative, 2016). The second initiative is the ISO 26000 - Guidance on Social Responsibility issued by the International Organization for Standardization (ISO). This standard is a voluntary guidance that addresses the core subjects and issues on social responsibility including: human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development (International Organization for Standardization, 2010).

In addition, the legal and regulatory reporting requirements for publicly listed companies on the PEX were also taken into consideration during the construction of the CSR disclosure index.

Most of previous studies have used the four categories of CSR that were suggested by Gray: community involvement, environment, employees, and product and customer service quality (Gray et *al*., 1995b; Haniffa and Cooke 2005; Scholtens 2008; Holder-Webb et *al.,* 2009;Barakat et *al*., 2015; and Sadou et *al.,* 2018). However, different disclosure indexes were used because of several cultural, social, economic and environmental differences. Accordingly, this study will use an index of 30 items (**see table 5-3**). These items were selected with a consideration of its reliability and validity. A pilot study of ten annual reports of Palestinian listed companies on PEX was taken to indicate the corporate social responsibility items relevant to Palestinian companies.

It is worth to mention that the items in the CSR disclosure index are unweighted. Chow and Wong-Boren (1987) suggested that unweighted index would avoid any inherent bias. Using the unweighted index approach became the norm in disclosure research due to its' ability to reduce subjectivity (Ahmed and Courtis, 1999).

Quality of CSR disclosure is mainly relying on the amount "How much" and theme "what" of CSR disclosures are potential beneficial for managers and stakeholders (Chauvey et *al.,* 2013). According to Beretta and Bozzolan (2004) the quality of CSR information depends on quantity as well as richness of information by adding additional information. Therefore, four CSR categories will be assessed based on the existence and comprehensiveness of information disclosed in each category. Each annual report will be examined using content analysis to determine the presence or absence of the disclosure items. The dummy procedure will be used to compute the CSR disclosure score for each annual report/company. So, if the firm discloses the item it would receive one, otherwise it would receive zero. This results in a disclosure score for each annual report/firm that will be computed by dividing the number of items reported by firm to the number of items included in the CSRD index. Therefore, the CSRD score for each firm will be determined as a percentage that ranges from 0% if the firm does not disclose any items, to 100% if the firm discloses all the items in the index. The CSR disclosure score for any annual report in a given year is calculated as follows:

CSRDS = $\sum$ Points of (community, environment, employee and product)/30

### 4.2.2 Independent variables

After the extensive review of previous studies, the independent variables related to board characteristics and ownership structure were selected (see table 4-2) These variables include: board independence, board size, board gender, board ownership, ownership concentration, CEO duality and audit committee.

### 4.2.3 Control variables

The current study will control for a number of variables which are: auditor type, financial leverage, firm size and firm performance. (see table 4-2).

## 4.3 Regression Model

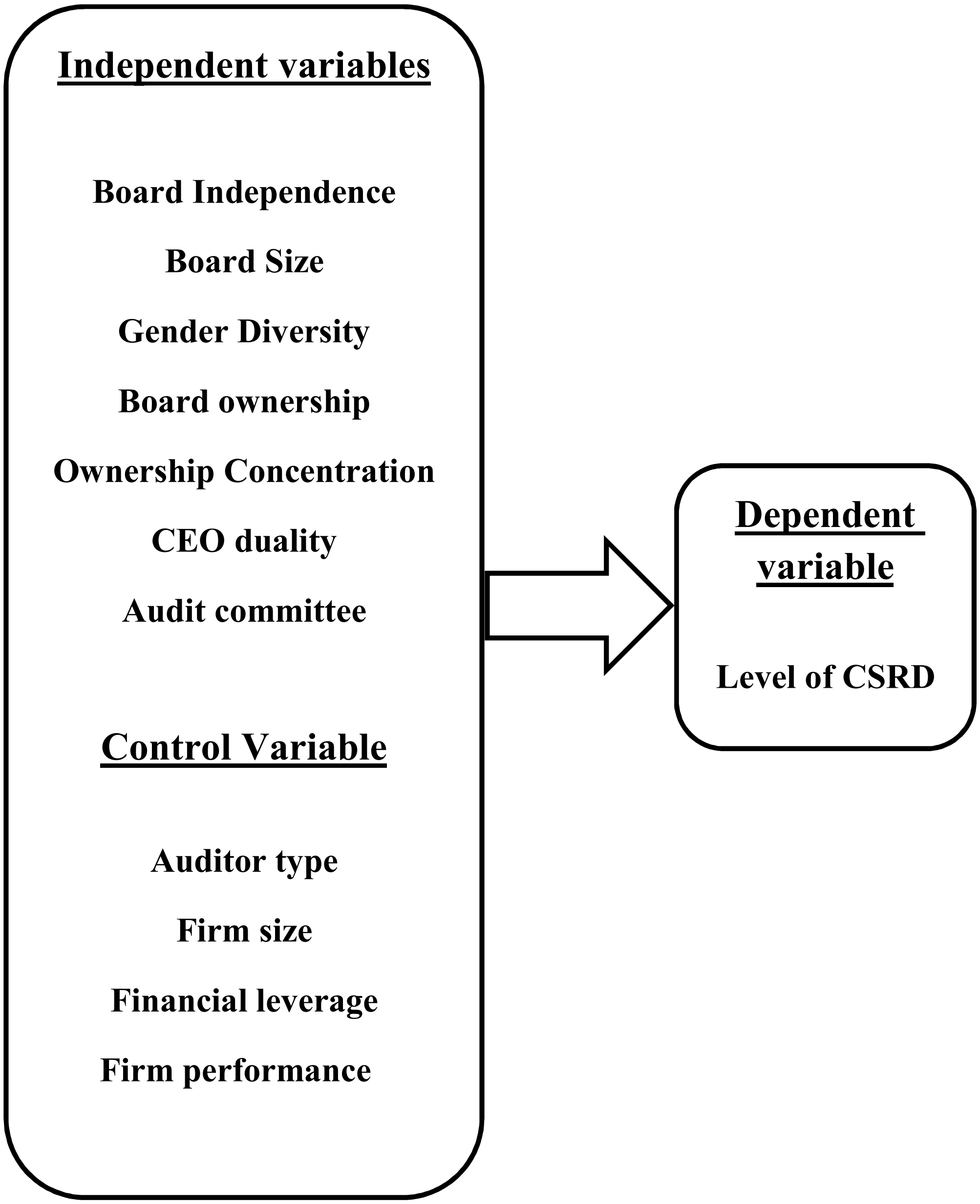
To examine the impact of board characteristics and ownership structure on the level of CSR disclosure in the annual reports of Palestinian companies listed on PEX during the period 2013-2017, the following multiple regression model is developed:

$$\text{CSRDS}_{t} = \beta 0 + \beta_1 \text{BIND}_t + \beta_2 \text{BSIZE}_t + \beta_3 \text{BGED}_t + \beta_4 \text{BOWN}_t + \beta_5 \text{OWNTEN}_t + \beta_6 \text{CEOD}_t + \beta_7 \text{AUCOM}_t + \beta_8 AUDT + \beta_9 \text{FSIZE}_t + \beta_{10} \text{FLEV}_t + \beta_{11} \text{PERF}_t + \varepsilon$$

**Table (4-2): The definitions, proxies, for the dependent, independent and control variables**

| Variable | Label | Operational Definition | Reference |
|---|---|---|---|
| Corporate Social Responsibility | CSRDS | ∑ Points of (community, environment, employee and product)/ 30 | Barakat et *al*., (2015) |
| Board independence | BIND | Percentage of non-executive directors on the board. | (Haniffa and Cooke, 2005) |
| Board Size | BSIZE | Number of board of directors | (Giannarakis, 2014) |
| Board Gender Diversity | BGED | Percentage of female directors on the board. | (Handajani et *al.,* 2014) |
| Board Ownership | BOWN | Measured by the percentage of ordinary shares owned by the directors. | (Hafsi and Turgut, 2013) |
| Ownership Concentration | OWNTEN | Shares owned by 10 largest shareholders | Dwekat et al., (2018) |
| CEO Duality | *CEOD* | A dummy variable which equal 1 if the CEO are the chairman of the board, or 0 otherwise. | Sundarasen et *al*., 2016 |
| Audit Committee | *AUCOM* | A dummy variable which equal, 1 if the company exist audit committee, or 0 otherwise. | Rouf (2011) |
| **Control variables** | | | |
| Auditor Type | AUDT | A dummy variable which equal 1, if the company audited by big 4 audit firm and 0 otherwise. | Alotaibi and Hussainey (2016) |
| Firm Size | FSIZE | The natural log of total assets of the firm. | Sundarasen et *al*., 2016 |
| Financial Leverage | FLEV | The total debt to total assets. | Alotaibi and Hussainey (2016) |
| Firm Performance | PERF | Return on assets (ROA): Net income / total Assets. | Barakat et *al*., (2015) |

**The figure below summarizes the regression model of the study:**



# Chapter Five

# Analysis of Results

## 5.1 Introduction

## 5.2 Application of CSR Disclosure Index

## 5.3 Evaluation of CSR Disclosure Practice

### 5.3.1 Disclosure of Individual Items

### 5.3.2 Composite Analysis of CSR Disclosure

## 5.4 Descriptive Statistics

## 5.5 Regression Analysis

## 5.6 Regression Results and Testing Research Hypotheses

### 5.6.1 Regression Results

### 5.6.2 Testing Research Hypotheses

# Chapter Five

# Analysis of Results

## 5.1 Introduction

This chapter aims to present and discuss the results of the study. The chapter starts with the application of CSR disclosure index, which was developed in the previous chapter, to the annual reports of the Palestinian companies listed on the PEX during the period 2013-2017. This is followed by a discussion about the level and nature of CSR disclosure in the sampled companies. The discussion is conducted at two levels. At the first level, an evaluation of the disclosure of individual items is undertaken. While at the second level, this evaluation is directed toward the four types of CSR information included in the index. Finally, the chapter concludes with presenting the results of the multiple regression analysis and examining the research hypotheses.

## 5.2 Application of CSR Disclosure Index

To evaluate the disclosure of social responsibility information, the CSR disclosure index constructed in the previous chapter was applied to the 220 annual reports (44 firms for 5 years) constituting the sample of the study. Each annual report was evaluated based on the 30 items included in the disclosure index. The sampled annual report were extensively examined to evaluate the disclosure of the index items. A disclosure score is calculated for each company-year observation by dividing the total number of items disclosed by the company by the maximum number of items that could be disclosed in the index, which is 30. Therefore, the disclosure score of the company may range from 0% if the company did not disclose any items to 100% if the company disclosed all the items included in the index.

Table (5-1) summarizes companies' disclosure scores over the period 2013-2017. As seen from the table, the average score a company disclosed is 43.73% of the 30 items included in the CSR disclosure index. This result is consistent with the previous studies conducted in the context of Palestine. For example, Barakat *et al*., (2015) found that Palestinian companies listed on the PEX for the period 2011 disclosed about 30% of the 48 items included in the CSR disclosure index used. The lower CSR disclosure score reported by that study is due the higher number of items included in the disclosure index

**Table (5-1): Companies' CSR Disclosure Scores**

| Year | Mean |
|---|---|
| 2013 | 40.91% |
| 2014 | 42.80% |
| 2015 | 43.94% |
| 2016 | 45.08% |
| 2017 | 45.91% |
| **Overall** | **43.73%** |

It can be noticed that there have been no significant changes in companies' disclosure scores during the study period. In addition, it is clear from the table that there is a great deal of variation in the disclosure of social responsibility information between companies. These results suggest that there is a considerable room for improvement in the disclosure of social responsibility information in the annual reports of Palestinian companies listed on the PEX. In other words, the results indicate that, on average, a company failed to disclose 56.27% of the items included in the index.

Table (5-2) shows the frequency distribution of the CSR disclosure scores of the sampled companies.

**Table (5-2): Frequency Distribution of Companies' CSR Disclosure Scores**

| CSR Disclosure scores (%) | No. of companies | Percentage of companies (%) |
|---|---|---|
| Greater than 60 | 10 | 22.7 |
| 50-less than 60 | 8 | 18.2 |
| 40-less than 50 | 6 | 13.6 |
| 30-less than 40 | 6 | 13.6 |
| 20-less than 30 | 5 | 11.4 |
| 10-less than 20 | 6 | 13.6 |
| Less than 10 | 3 | 6.8 |
| **Total** | **44** | **100** |

As shown in the table above, 10 companies representing 22.7% of the sample have CSR disclosure scores greater than 60%. 8 companies representing 18.2% of the sample have disclosure scores between (50% - less than 60%), 6 companies representing 13.6% of the sample have disclosure scores between (40% - less than 50%), 6 companies representing 13.6% of the sample have disclosure scores between (30% - less than 40%), 5 companies representing 11.4% of the sample have disclosure scores between (20% - less than 30%), 6 companies representing 13.6% of the sample have disclosure scores between (10% - less than 20%), and only three companies representing 6.8% of the sample has a disclosure score of less than 10%. This indicates that there is a considerable variation in the level of CSR disclosure among the sampled companies.

## 5.3 Evaluation of CSR Disclosure Practice

### 5.3.1 Disclosure of Individual Items

Table (5-3) shows the extent of CSR disclosure of the individual items included in the CSR index. Column 1 of the table represents the list of items included in the index classified into four categories of CSR information. Column 2 represents the overall disclosure score. A closer examination of the table reveals the following:

 **Four items** were overwhelmingly disclosed by more than 80% of the sampled companies. These items are:

- Number of employees
- End of service benefits
- Charitable donations and grants
- Information about the quality of products and services provided to customers

 **Nine items** were disclosed by more than 50% and less than 80% of the sampled companies.

 **Nine items** were disclosed by more than 20% and less than 50% of the sampled companies.

 **Eight items** were disclosed by more than 5% and less than 20% of the sampled companies.

**Table (5-3): The Extent of CSR Disclosure of Individual Items**

| CSRD Index | | |
|---|---|---|
| **Environmental information** | | **Average CSRD% for 5 years** |
| 1 | Environmental policy including environmental protection and pollution Control programs (air and water, etc.). | 15.0% |
| 2 | Activities and donations to promote environmental awareness | 14.1% |
| 3 | Compliance with environmental laws and regulations, and cooperation with Environmental authorities and agencies. | 6.8% |
| 4 | ISO 14001 certification. | 7.3% |
| 5 | Recycling plant of waste products. | 10.5% |
| 6 | Water or electricity conservation. | 23.2% |
| 7 | Disposal of waste materials and industrial water in a proper manner. | 17.3% |
| 8 | Tree-planting and landscaping projects. | 20.0% |
| 9 | Pollution control in the conduct of business operations. | 21.8% |
| **Human resources** | | |
| 10 | Number of employees | 81.4% |
| 11 | End of service benefits | 90.9% |
| 12 | Disclose the educational level of employees | 72.3% |
| 13 | Employees welfare programs (e.g. housing, transportation, and meals). | 23.2% |
| 14 | Minorities in the workforce | 10.0% |
| 15 | Employees health insurance. | 62.3% |
| 16 | Training programs. | 49.5% |
| 17 | Cooperation with labor unions. | 8.2% |
| 18 | Providing recreational activities and facilities for employees | 35.0% |
| 19 | Safety in workplace | 36.8% |
| **Community involvement** | | |
| 20 | Charitable donations and grants | 82.3% |
| 21 | Donations to educational programs and public educational institutions. | 60.9% |
| 22 | Donations to health programs and public health institutions. | 48.6% |

| | Environmental information | Average CSRD% for 5 years |
|---|---|---|
| 23 | Offering training programs for students. | 55.9% |
| 24 | Sponsoring sports, arts, cultural, and recreational activities | 53.6% |
| 25 | Nationalism (Donations to Refugee camps and Gaza) | 50.2% |
| | **Product and customer service quality** | |
| 26 | Information about the quality of products and services provided to Customers (e.g. compliance with ISO quality standards). | 97.3% |
| 27 | Research and development programs related to company's products and Services. | 77.3% |
| 28 | Customer service improvement | 69.5% |
| 29 | Customer complaints or satisfaction | 44.5% |
| 30 | Product Safety | 66.4% |

### 5.3.2 Composite Analysis of CSR Disclosure

To evaluate the extent of disclosure of each of the four types of social responsibility information established earlier, a composite analysis was used. Table (5-4) provides the summary statistics for the disclosure of the different types of CSR information included in the index. The table shows that Product and customer service quality was the most disclosed type (71%) this might be because firms usually focus on the quality of their product and customer satisfaction, therefore firms disclose more information in this area. The second most disclosed type is community involvement information (58.6%), this can be explained that companies usually get involve with charitable donation and education support. It might be more obvious in the case of Palestinian companies due to the nationalism, social responsibility became a tool to show an involvement in the national duty to face the Israeli occupation (Barakat et *al*., 2015). This was reflected in the companies' annual reports for 2014 when Israeli occupation attacked Gaza most of the companies disclosed about item 25 (see table 5-3) and the percentage of community involvement information of (60%) in 2014 was the highest through the sampled years (see table 5-7). Human resources disclosure has a percentage of (47%). A possible interpretation for this is that firms attempt to enhance the working conditions of the employees because they are concerned about the intellectual capital which is considered as an assets that can improve the business. Therefore companies disclose items about employees benefits plans, trainings programs, and safety in the workplace. Information relating to the Environmental information was the least disclosed type (16.2%), this result is consistent with previous research in the content of developing countries. It is found that they focus primarily on philanthropy and charity through donations and grants and they give less attention to the environmental aspects (e.g. Jamali and Mirshak, 2006; Visser, 2008; Barakat et al., 2015) . It should be noted that this ranking of the types of social responsibility information is in agreement with previous relevant studies conducted in the context of Palestine. For example, Barakat *et al.* (2015) found that product and customer service quality followed by community involvement information are the most disclosed types of CSR information.

**Table (5-4): Disclosure of Different Types of CSR Information**

| Category | No. of items | Mean Disclosure (%) |
|---|---|---|
| Product and customer service quality | 5 | 71 |
| Community involvement | 6 | 58.6 |
| Human resources | 10 | 47 |
| Environmental information | 9 | 16.2 |
| Overall disclosure | **30** | 43.7 |

Tables (5-5), (5-6), (5-7) and (5-8) provide further statistics for the disclosure of each type of CSR information. A discussion of the disclosure practices of each type of CSR information follows.

**1. Environmental Information**

Table (5-5) shows that, on average, a company disclosed 16.2% of the 9 items included in the environmental information category in the CSR disclosure index. The extent of disclosure of the individual items in this type of information ranges from 6.8% for item 3 to 23.2% for item 6 (see Table 5-3). Only three items in this group were disclosed by more than 20% of the sampled companies. The disclosure of the environmental information items showed a considerable variation that ranges from 13.28% in 2013 to 19% for 2017. These results show an increase of environmental information disclosure in the recent years.

**Table (5-5): Disclosure of Environmental Information**

| Year | Mean Disclosure (%) |
|---|---|
| 2013 | 13.28 |
| 2014 | 14.91 |
| 2015 | 16.8 |
| 2016 | 17 |
| 2017 | 19 |
| Overall | 16.2 |

## 2. Human Resources Information

Table (5-6) shows that, on average, a company disclosed 47% of the 10 items included in the human resources information category in the CSR disclosure index. The extent of disclosure of the individual items in this type of information ranges from 8.2% for item 17 to 90.9% for item 11 (see Table 5-3). The disclosure of the human resources information items showed a considerable variation that ranges from 43.4% in 2013 to 50.2% for 2017. These results show an increase of human resources information disclosure in the recent years.

**Table (5-6): Disclosure of Human Resources Information**

| Year | Mean Disclosure (%) |
|---|---|
| 2013 | 43.4 |
| 2014 | 45.5 |
| 2015 | 47.1 |
| 2016 | 48.6 |
| 2017 | 50.2 |
| Overall | 47 |

## 3. Community Involvement Information

Table (5-7) shows that, on average, a company disclosed 58.6% of the 6 items included in the community involvement information category in the CSR disclosure index. The extent of disclosure of the individual items in this type of information ranges from 48.6% for item 22 to 82.3% for item 20 (see Table 5-3). The disclosure of the community involvement information items showed a considerable variation that ranges from 57.6% in 2013 to 57.6% for 2017. These results show an increase of community involvement information disclosure in the recent years. Five items in this group were disclosed by more than half of the sampled companies.

**Table (5-7): Disclosure of Community Involvement Information**

| Year | Mean Disclosure (%) |
|---|---|
| 2013 | 57.6 |
| 2014 | 60.2 |
| 2015 | 58 |
| 2016 | 59.5 |
| 2017 | 57.6 |
| Overall | 58.6 |

**4. Product and Customer Service Quality**

Table (5-8) shows that, on average, a company disclosed 71% of the 5 items included in the products/services to customers information category in the CSR disclosure index. Therefore, this type of information is the most disclosed among social responsibility information. The disclosure of the products/services to customers items showed a considerable variation that ranges from 67.3% in 2013 to 74.1% for 2017.. The extent of disclosure of the individual items in this type of information ranges from 44.5% for item 29 to 97.3% for item 26 (see Table 5-3). Four items in this group was disclosed by more than half of the sampled companies.

**Table (5-8): Disclosure of Product and Customer Service Quality Information**

| Year | Mean Disclosure (%) |
|---|---|
| 2013 | 67.3 |
| 2014 | 68.7 |
| 2015 | 71.8 |
| 2016 | 73.2 |
| 2017 | 74.1 |
| Overall | 71 |

### 5.3.3 CSR Disclosure By Economic Sectors

**Table (5-9): Average CSR Disclosure for Each Sector**

| Sector | # of companies | Average CSR disclosure for 5 years (%) |
|---|---|---|
| Banks | 6 | **64.67** |
| Insurance | 7 | **46.67** |
| Industrial | 13 | **42.31** |
| Service | 9 | **39.63** |
| Investment | 9 | **33.63** |
| **Total** | **44** | **43.73** |

The table above shows the level of CSRD score for each sector. Banks have the highest score of almost 65% followed by insurance companies with a score of nearly 47% , this is consistent with the results which indicate a positive correlation between firm size and CSRD. Investment sector has the lowest CSRD score of almost 34%, this results are consistent with previous studies in the field of Palestine (see for example: Alkababji, 2014).

## 5.4 Descriptive Statistics

Tables (5-10), (5-11), (5-12) and (5-13) show the descriptive statistics of the study variables. According to Table (5-10), on average, the board of directors in a Palestinian listed on the PEX has approximately 9 members. Where the minimum number of board is 5 and the maximum number is 15, while at the same time, the Corporate Governance Code for Publicly Listed Companies in Palestine allows up to 11 members on the board. This means that there are some companies that do not comply with this code.

The majority of directors (91.6%) are independent in terms that they do not hold any executive positions in the companies they work for.

**Table (5-10): Descriptive Statistics of the Study Variables**

| Variable | Min | Max | Mean | S.D |
|---|---|---|---|---|
| CSRD % | 3.3 | 90 | 43.7 | 0.216 |
| Board Independence % | 0 | 100 | 91.6 | 0.160 |
| Board size | 5 | 15 | 8.82 | 2.137 |
| Gender diversity % | 0 | 57 | 5.63 | 0.107 |
| Board Ownership % | 4.44 | 96.76 | 57.42 | 0.244 |
| Ownership Concentration | 11.25 | 96.72 | 66.80 | 0.208 |
| Firm Size | 14.01 | 22.31 | 17.62 | 1.787 |
| Financial Leverage % | 0.9 | 94.7 | 42.83 | 0.272 |
| Firm Performance ( ROA) % | -62 | 31.8 | 2.64 | 0.08 |

Consistent with this, Table (5-11) shows that CEO and chairman positions are kept separated and held by different individuals in the majority (81.18%) of the sampled companies, which promotes the independence of the boards. In addition, female directors constitute, on average, 5.63% of total board members in the sampled companies, which is relatively low. With regard to the ownership structure variables, the numbers in Table (5-10) show that 57.42% of the sampled companies' shares are owned by members of the boards. Furthermore, 48.93% of shares outstanding is held by shareholder that have more than 1%. As seen from Table (5-12), almost 76% of the sampled companies are audited by big four audit firm. Table (5-13) shows that 68% of the sampled companies have audit committees

**Table (5-11): CEO Duality**

| | Frequency | Percent |
|---|---|---|
| No Duality | 180 | 81.82 |
| Duality | 40 | 18.18 |
| Total | 220 | 100 |

**Table (5-12): Auditor Type**

| | Frequency | Percent |
|---|---|---|
| Big- 4 Auditor | 168 | 76.36 |
| Non Big- 4 | 52 | 23.64 |
| Total | 220 | 100 |

**Table (5-13): Audit Committee**

| | Frequency | Percent |
|---|---|---|
| Audit Committee | 152 | 68 |
| No Audit Committee | 68 | 32 |
| Total | 220 | 100 |

## 5.5 Regression Analysis

An important part of the use of regression analysis is to establish that certain assumptions underlying its use are not significantly violated. One of the assumptions is that the variables are normally distributed so. To investigate this, a Kolmogorov-Smirnov test for normality was used and confirmed that all variable do not deviate significantly from normality.

Another problem which often arises in conducting multiple regression analysis is the presence of multicollinearity between independent variables. This occurs when two or more exogenous variables are highly correlated which makes it difficult to determine the individual contribution of each variable to the prediction of the dependent variable (Barrow, 1988). During the multiple regression procedure, multicollinearity was assessed by the variance inflation factor (VIF). Gujarati, (2003) suggested that if the VIF of a variable is greater than 10, then the variable is considered highly collinear. In the current study, the VIF for the variables investigated were well below the accepted levels suggested by Gujarati, (2003) as shown in Table (5-14).

During analysis, Durbin Watson test indicate a positive autocorrelation. According to Gujarati, (2003) Generalized Least Squares (GLS) considered to be one of the methods to solve this issue. Therefore, GLS has been applied. And to be more conservative, the t-Statistic is considered significant when it is higher than 3.

**Table (5-14): Model Summary**

| Variable | Coefficient | t-Statistic | VIF |
|---|---|---|---|
| Board Independence | -0.11 | -2.76 | 1.32 |
| Board Size | -0.03 | **-7.79** | 1.54 |
| Gender Diversity | 0.45 | **5.91** | 1.44 |
| Board Ownership | 0.03 | 0.49 | 4.30 |
| Ownership Concentration | -0.12 | -1.94 | 4.66 |
| CEO Duality | -0.10 | **-7.17** | 1.73 |
| Audit Committee | 0.09 | **5.44** | 1.80 |
| Auditor Type | 0.09 | **4.30** | 1.87 |
| Firm Size | 0.08 | **16.19** | 2.62 |
| Financial Leverage | 0.00 | -0.21 | 1.51 |
| Firm Performance | 0.09 | 2.28 | 1.09 |
| Adjusted R-squared | 0.84 | | |
| F-statistic | 103.04 | | |
| Prob(F-statistic) | 0.00 | | |

## 5.6 Regression Results and Testing Research Hypotheses

### 5.6.1 Regression Results

According to table (5-14), the general model has adjusted $R^2$ of 0.84. This means that the model explains 84% of the CSRD in Palestinian firms listed on PEX. Furthermore, is highly significant (F = 103.04, Sig. = .000). Depending on table (5-14), board size, gender diversity, CEO duality, audit committee and auditor type have a highly significant relationship with CSRD.

### 5.6.2 Testing Research Hypotheses

This section considers each of the seven hypotheses established in Chapter three using the results of the regression analysis reported in tables (5-14). The criteria used to test the hypotheses include the direction of the t-Statistic of the independent variable and the value of t-Statistic as follows:

- If the estimated direction of t-Statistic is the same as the expected direction, then the hypothesis is supported.
- If the value of t-Statistic (value) ≥ 3, then the support is significant.
- To accept a hypothesis, both criteria have to be met.

**H1**: *There is a significant positive relationship between board independence and CSRD.*

The results of the regression analysis (see Table 5-14) show an insignificant negative relationship between board independence and CSRD (t-Statistic = -2.76). Therefore, this hypothesis is rejected. This result is consistent with many previous research (e.g. Harjoto et *al.,* 2014; Barakat et *al*., 2015; Alotaibi and Hussainey 2016; Sadou*et al*., 2017 and Coffie*et al*., 2018).

**H2**: *There is a significant positive relationship between board size and CSRD*.

The results of the regression analysis (see Table 5-14) show a highly significant negative relationship between the two variables (t-Statistic = -7.79). Therefore, this hypothesis is rejected. This means that the companies with lower board size disclose more information about CSR. Jensen (1993) claims that larger board will increase the levels of conflict. According to (Chaganti et *al.,* 1985), smaller board are easily managed and will often have a role in supervising more than larger board.

**H3**: *There is a significant positive relationship between board gender diversity and CSRD*.

Depending on the regression results in table (5-14) indicates statistical highly significant positive relationship between gender diversity and CSRD at the 1% level (t-Statistic = 5.91). Thus, H3 is accepted. This result is supported by many of previous studies (e.g. Ibrahim and Hanefah, 2016 and Sundarasen et *al.,* 2015). This result explained by Huse and

Solberg (2006), they claimed that women directors would provide the right decision because they are more concerned about meetings than men. The nature of female is more sensitive about social and environmental issues (Diamantopoulos et *al*., 2003)

**H4**: *There is a significant positive relationship between board ownership and CSRD.*

The results of the regression analysis (see Table 5-14) show an insignificant positive relationship between board ownership and CSRD (t-Statistic = 0.49). Therefore, this hypothesis is rejected. This result is supported by Rashid and Lodh, (2008).

**H5**: *There is a significant negative relationship between ownership concentration and CSRD.*

The regression results in table (5-14) indicate statistical insignificant relationship between ownership concentration and CSRD (t-Statistic = -1.94). Thus, H5 rejected. This result is supported by Mohd Ghazali, (2007)

**H6**: *There is a significant negative relationship between CEO Duality and CSRD.*

Depending on the regression results in table (5-14) indicates statistical highly significant negative relationship between CEO duality and CSRD at the 1% level (t-Statistic = 7.17). Thus, this hypothesis is accepted.

This result is consistent with the empirical evidence reported by Ling and Sultana, (2015) and Sundarasen et *al.,* (2016). According to Haniffa and Cooke, (2002) , CEO duality decrease the quality and quantity of the disclosure and would give a rise for the information asymmetry.

**H7**: *There is a significant positive relationship between the existence of audit committee and CSRD.*

The regression results in table (5-14) indicates a statistically highly significant positive relationship at the 1% level between audit committee and CSRD with (t-Statistic = 5.44). Thus, H7 accepted. Previous studies supported this result (e.g. Rouf, 2011; and Said *et al*., 2017). Audit committee has an important role in enhancing the quantity and quality of companies' disclosure (Al-Janadi et *al.,* 2013).

Turning to the control variables, Table (5-14) shows that amongst the four control variables included in the study models, two of them found to be significantly associated with CSR disclosure. Both firm size and auditor type variables have a significant positive relationship with CSR disclosure at the 1% level of significance with (t-Statistic = 16.19, 4.3 respectively).

# Chapter Six

# Summary, Conclusions, Recommendations, Limitations and Future Research

**6.1 Introduction**

**6.2 Summary and Conclusions**

**6.3 Recommendations**

**6.4 Research Limitations**

**6.5 Suggestions for Future Research**

# Chapter Six

# Summary, Conclusions, Recommendations, Limitations and Future Research

## 6.1 Introduction

This chapter summarizes the current study and presents its main conclusions. Furthermore, the chapter provides recommendations based on the empirical findings, discusses the research limitations, and provides suggestions for future research.

## 6.2 Summary and Conclusions

This study investigates the extent of CSR disclosure in the annual reports of Palestinian companies listed on the PEX during the period 2013-2017. In addition, it examines the impact of board characteristics and ownership structure, among other variables, on the level of CSR disclosure. To achieve these objectives, a disclosure index including 30 items was applied to the annual reports of 44 companies over five years period. It was found that, on average, company disclose 43.7% of the items included in the index.

The analysis of the extent of disclosure of each of the four types of social responsibility information reveals that product and customer service quality was the most disclosed type (71%), followed by community involvement information (58.6%), and human resources information

(47%). While environmental information is the least disclosed type (16.2%).

Research hypotheses were set to examine the impact of board characteristics variables (board independent (non-executive) directors, board size, board gender, duality of CEO and chairman positions, and audit committee) and ownership structure variables (board ownership concentration and ownership concentration) on the level of CSR disclosure in the annual reports of the sampled companies. The regression analysis identified gender diversity and audit committee to be significantly and positively associated with CSR disclosure. On the other hand, the board size and duality of CEO were found to have a significant and negative impact on CSR disclosure level. The remaining independent variables were found to be statistically insignificant at the 5% level of significance. Among the control variables incorporated in the study (firm size, firm performance, financial leverage, auditor type), both firm size and auditor type were found to have a significant positive relationship with CSR disclosure.

## 6.3 Recommendations

Based on the empirical results, the study recommends the following:

**1-** Policy makers and regulators can improve the extent of CSR disclosure through extending the minimum regulatory requirements concerning CSR reporting in Palestine. Furthermore, policy makers and regulators are encouraged to establish an official Palestinian CSR index that can be used to evaluate and compare CSR practice and disclosure among Palestinian companies. Establishing such an index with an official CSR award for companies with best records in CSR practice and disclosure can enhance companies' awareness of social responsibility and motivate them to engage more in this area.

**2-** Palestinian companies may incorporate more numerical information when disclosing CSR activities in their annual reports. After analyzing the sampled annual reports, it can be clearly noticed that CSR disclosures are mostly narrative disclosures and lack numerical details. For example, many companies reported that they have offered donations to educational institutions and provided training programs for students, but they did not report the amount provided or the number of students engaged in such programs. Providing such numerical information enables us to trace the amount of work done. It enables us to measure and compare CSR achievements across companies and over time.

**3-** To improve CSR disclosure levels, Palestinian companies are encouraged to have smaller boards as the results reveal that there is a significant negative relationship between board size and CSRD. Companies are also encouraged to increase the engagement of women in the board as the results of the study show a significant positive relationship between board gender diversity and CSRD. In addition, there is a significant negative relationship between CEO duality and CSRD. 18% of the sampled companies have CEO duality, these companies may consider the separation between CEO and the chairman of the board in order to have better CSRD level. Finally, the study's empirical findings show that the presence of audit committee is associated with higher levels of CSR disclosure. Therefore, companies with no audit committee which present 32% of the sampled companies, may take into consideration the presence of audit committee.

## 6.4 Research Limitations

The study does have its limitations, therefore, the results should be interpreted cautiously. The first limitation comes from the use of a disclosure index to measure CSR disclosure levels in the sampled companies. Given that different disclosure indices have been established and used in previous studies, there is no agreement on the specific nature or quantity of information to be included in the disclosure index. Therefore, the CSR disclosure score given to each company is valid to the extent to which the applied CSR disclosure index is appropriate. The second limitation comes also from the use of a CSR disclosure index, since it is used to rank companies based on the quantity of CSR information disclosed rather than the quality of the information itself. In other words, better disclosing companies with higher CSR disclosure scores are those with greater amount of information disclosed in their annual reports regardless the quality of this information. One major concern here is that the disclosed CSR information is usually unaudited by independent party to confirm their accuracy and reliability.

## 6.5 Suggestions for Future Research

Future research may consider undertaking comparative studies for the effect of board characteristics and ownership structure on CSR disclosure across different countries. Comparative studies can reveal interesting information on the differences in the determinants of CSR disclosure both between developing and developed countries or among developing countries themselves. In addition, future research may provide qualitative analysis of disclosed CSR information to provide more in-depth understanding of CSR reporting, such research may be oriented toward the accuracy and reliability of social responsibility information presented in companies' annual reports. Finally, further research may be needed to investigate the impact of other potential explanatory variables such as, director's tenure, director's age, and family ownership on CSR disclosure.

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# Appendix (1)

## List of Sampled Companies

| | | | |
|---|---|---|---|
| 1 | ARAB ISLAMIC BANK | 25 | PALESTINE INSURANCE |
| 2 | BANK OF PALESTINE | 26 | AL-TAKAFUL PALESTINIAN INSURANCE |
| 3 | PALESTINE ISLAMIC BANK | 27 | TRUST INTERNATIONAL INSURANCE |
| 4 | PALESTINE INVESTMENT BANK | 28 | ARAB PALESTINIAN INVESTMENT "APIC" |
| 5 | PALESTINE SECURITIES EXCHANGE | 29 | AL-AQARIYA TRADING INVESTMENT |
| 6 | AL QUDS BANK | 30 | ARAB INVESTORS |
| 7 | THE NATIONAL BANK | 31 | JERUSALEM REAL ESTATE INVESTMENT |
| 8 | ARAB COMPANY FOR PAINTS PRODUCTS | 32 | PALESTINE DEVELOPMENT & INVESTMENT |
| 9 | PALESTINE POULTRY | 33 | PALESTINE INVESTMENT & DEVELOPMENT |
| 10 | BEIT JALA PHARMACEUTICAL | 34 | PALESTINE INDUSTRIAL INVESTMENT |
| 11 | BIRZEIT PHARMACEUTICALS | 35 | PALESTINE REAL ESTATE INVESTMENT |
| 12 | AL SHARK ELECTRODE | 36 | AL-WATANIAH TOWERS |
| 13 | GOLDEN WHEAT MILLS | 37 | THE ARAB HOTELS |
| 14 | JERUSALEM CIGARETTE | 38 | WATANIYA PALESTINE MOBILE TELECOMM. |
| 15 | JERUSALEM PHARMACEUTICALS | 39 | NABLUS SURGICAL CENTER |
| 16 | PALESTINE PLASTIC INDUSTRIES | 40 | PALAQAR FOR REAL ESTATE DEV.& MANAGEMENT |
| 17 | NATIONAL ALUMINUM AND PROFILE "NAPCO" | 41 | PALESTINE TELECOMMUNICATIONS |
| 18 | THE NATIONAL CARTON INDUSTRY | 42 | PALESTINE ELECTRIC |
| 19 | DAR AL-SHIFA PHARMACEUTICALS | 43 | THE RAMALLAH SUMMER RESORTS |
| 20 | THE VEGETABLE OIL INDUSTRIES | 44 | PALESTINIAN DIST. & LOGISTICS SERVICES |
| 21 | AHLIEA INSURANCE GROUP(**) | 45 | |
| 22 | GLOBAL UNITED INSURANCE | | |
| 23 | AL MASHRIQ INSURANCE | | |
| 24 | NATIONAL INSURANCE | | |

# Appendix (2)

## List of Companies excluded from the sample

| | |
|---|---|
| 1 | ARAB REAL ESTATE ESTABLISHMENT |
| 2 | GLOBALCOM TELECOMMUNICATIONS |
| 3 | SANAD CONSTRUCTION RESOURCES |
| 4 | UNION CONSTRUCTION AND INVESTMENT |

# Appendix (3)

## List of Companies Board Size

| # | company | Board Size | # | Company | Board Size |
|---|---|---|---|---|---|
| 1 | ARAB ISLAMIC BANK | 11 | 25 | PALESTINE INSURANCE | 7 |
| 2 | BANK OF PALESTINE | 11 | 26 | AL-TAKAFUL PALESTINIAN INSURANCE | 7 |
| 3 | PALESTINE ISLAMIC BANK | 11 | 27 | TRUST INTERNATIONAL INSURANCE | 8 |
| 4 | PALESTINE INVESTMENT BANK | 11 | 28 | ARAB PALESTINIAN INVESTMENT "APIC" | 12 |
| 5 | PALESTINE SECURITIES EXCHANGE | 7 | 29 | AL-AQARIYA TRADING INVESTMENT | 8 |
| 6 | AL QUDS BANK | 11 | 30 | ARAB INVESTORS | 11 |
| 7 | THE NATIONAL BANK | 11 | 31 | JERUSALEM REAL ESTATE INVESTMENT | 7 |
| 8 | ARAB COMPANY FOR PAINTS PRODUCTS | 6 | 32 | PALESTINE DEVELOPMENT & INVESTMENT | 13 |
| 9 | PALESTINE POULTRY | 9 | 33 | PALESTINE INVESTMENT & DEVELOPMENT | 7 |
| 10 | BEIT JALA PHARMACEUTICAL | 8 | 34 | PALESTINE INDUSTRIAL INVESTMENT | 8 |
| 11 | BIRZEIT PHARMACEUTICALS | 7 | 35 | PALESTINE REAL ESTATE INVESTMENT | 8 |
| 12 | AL SHARK ELECTRODE | 8 | 36 | AL-WATANIAH TOWERS | 7 |
| 13 | GOLDEN WHEAT MILLS | 8 | 37 | THE ARAB HOTELS | 6 |
| 14 | JERUSALEM CIGARETTE | 11 | 38 | WATANIYA PALESTINE MOBILE TELECOMM. | 7 |
| 15 | JERUSALEM PHARMACEUTICALS | 11 | 39 | NABLUS SURGICAL CENTER | 8 |
| 16 | PALESTINE PLASTIC INDUSTRIES | 7 | 40 | PALAQAR FOR REAL ESTATE DEV.& MANAGEMENT | 8 |
| 17 | NATIONAL ALUMINUM AND PROFILE "NAPCO" | 8 | 41 | PALESTINE TELECOMMUNICATIONS | 11 |
| 18 | THE NATIONAL CARTON INDUSTRY | 6 | 42 | PALESTINE ELECTRIC | 13 |
| 19 | DAR AL-SHIFA PHARMACEUTICALS | 10 | 43 | THE RAMALLAH SUMMER RESORTS | 7 |
| 20 | THE VEGETABLE OIL INDUSTRIES | 8 | 44 | PALESTINIAN DIST. & LOGISTICS SERVICES | 9 |
| 21 | AHLIEA INSURANCE GROUP(**) | 6 | 45 | | |
| 22 | GLOBAL UNITED INSURANCE | 8 | | | |
| 23 | AL MASHRIQ INSURANCE | 10 | | | |
| 24 | NATIONAL INSURANCE | 6 | | | |

# Appendix (4)

## PEC Company Board size for 2015 and 2017

03

## الإدارة التنفيذية ومجلس إدارة الشركة

| الإدارة التنفيذية | |
|---|---|
| وليد سلمان | نائب رئيس مجلس الإدارة<br>المدير التنفيذي العام |
| رفيق مليحة | مدير عام محطة الكهرباء |
| محمود النباهين | مدير الدائرة المالية ودائرة الإمتثال |

مجلس إدارة الشركة الفلسطينية للكهرباء

| # | الأعضاء | المنصب | التمثيل | العنوان الكامل |
|---|---|---|---|---|
| 1 | سامر خوري | رئيس مجلس الإدارة | شركة فلسطين للطاقة م.خ.م | غزة، الصبرات، ش. صلاح الدين، محطة التوليد، ص.ب 1336 هاتف 2888600 تحويلة رقم 331، فاكس 2888607 |
| 2 | وليد سلمان | نائب الرئيس | | |
| 3 | نبيل الصراف | عضو | | |
| 4 | طارق العقاد | عضو | | |
| 5 | علي موسى | عضو | | |
| 6 | علي علي | عضو | | |
| 7 | مروان سلوم | عضو | | |
| 8 | شرحبيل الزعيم | عضو | | |
| 9 | ماهر يعيش | عضو | شركة كهرباء فلسطين القابضة | غزة، الصبرات، ش. صلاح الدين، محطة التوليد، ص.ب 1336 هاتف 2888600 تحويلة رقم 331، فاكس 2888607 |
| 10 | حازم الشوا (*) | عضو | | |
| 11 | سمير الشوا | عضو | | |
| 12 | فيصل الشوا | عضو | شركة مورجنتي | الأردن، عمان، ص.ب 830392 هاتف 4658403 6 962+ فاكس 4643071 6 962+ |
| 13 | خالد الصيفي | عضو | | |
| 14 | سعيد النظر | عضو | هيئة التقاعد الفلسطينية | غزة، الرمال، ش. الثورة، بجوار ملعب فلسطين هاتف 2829219، فاكس 2822473 |
| 15 | إياد جمال | عضو | مساهم من جمهور المساهمين | غزة، الرمال، ش. جينة، هاتف 2848325، الفاكس 2840384 |

(*) استقالة عضو مجلس الإدارة السيد حازم الشوا بتاريخ 20 نوفمبر 2015 لتوليه منصب محافظ سلطة النقد الفلسطينية

(**) تبعاً للنظام الداخلي للشركة فقد خصصت ثلاث مقاعد في مجلس الإدارة للمساهمين من الجمهور ممن يمتلكون النصاب القانوني من أسهم الشركة، وحتى وقت كتابة هذا التقرير تم شغل مقعدين فقط حيث تم الاتفاق مع مراقب الشركات خلال اجتماع الجمعية العمومية الذي عقد بتاريخ 25 أبريل 2012 على تعيين شركة كهرباء فلسطين ممثلاً إضافياً لها في الشركة الفلسطينية للكهرباء لاستكمال المتطلبات القانونية ويصبح عدد أعضاء مجلس الإدارة 15 عضواً، وذلك إلى حين توفر ممثلاً مؤهلاً من جمهور المساهمين

## 4- مجلس الإدارة والإدارة التنفيذية

### أعضاء مجلس الإدارة:

يتألف مجلس إدارة الشركة الفلسطينية للكهرباء من ثلاثة عشر عضواً ممثلين للسادة المساهمين، وتتمثل مهام مجلس الإدارة في متابعة سير أعمال الشركة واستراتيجياتها وخططها التنفيذية والمستقبلية ضمن الظروف والمتغيرات السياسية والاقتصادية المؤثرة، بالإضافة إلى إقرار الموازنات والأنظمة والسياسات المالية واعتماد البيانات المالية للشركة.

| # | الأعضاء | المنصب | التمثيل | العنوان |
|---|---|---|---|---|
| 1 | السيد/ سامر خوري | رئيس مجلس الإدارة | شركة فلسطين للطاقة ذات المسؤولية المحدودة | غزة، النصيرات، ش صلاح الدين محطة توليد الكهرباء هاتف 2888600 |
| 2 | السيد/ وليد سلمان | نائب رئيس مجلس الإدارة | | |
| 3 | السيد/ نبيل الصراف | عضو مجلس الإدارة | | |
| 4 | السيد/ طارق العقاد | عضو مجلس الإدارة | | |
| 5 | السيد/ طلال ناصر الدين | عضو مجلس الإدارة | | |
| 6 | السيد/ هاني علي | عضو مجلس الإدارة | | |
| 7 | السيد/ مروان سلوم | عضو مجلس الإدارة | | |
| 8 | السيد/ باسم خوري | عضو مجلس الإدارة | | |
| 9 | السيد/ شرحبيل الزعيم | عضو مجلس الإدارة | | |
| 10 | السيد/ فيصل الشوا | عضو مجلس الإدارة | | |
| 11 | السيد/ خالد العسيلي | عضو مجلس الإدارة | | |
| 12 | السيد/ ماجد الحلو | عضو مجلس الإدارة | هيئة التقاعد الفلسطينية | غزة، الرمال، ش الثورة هاتف 2825219 |
| 13 | السيد/ إياد بصل | عضو مجلس الإدارة | مساهم من جمهور المساهمين | غزة، الرمال، ش جلاء هاتف 2848025 |

جامعة النجاح الوطنية
كلية الدراسات العليا

# واقع الافصاح عن المسؤولية الاجتماعية في الشركات الفلسطينية، وعلاقته بهيكل الملكية وخصائص مجلس الادارة

اعداد
زينة مصطفى "محمد سعيد" مرداوي

اشراف
د. معز أبو عليا

قدمت هذه الأطروحة استكمالا لمتطلبات الحصول على درجة الماجستير في المحاسبة بكلية الدراسات العليا في جامعة النجاح الوطنية في نابلس، فلسطين.

2018

**واقع الافصاح عن المسؤولية الاجتماعية في الشركات الفلسطينية، وعلاقته بهيكل الملكية وخصائص مجلس الادارة**

**اعداد**

**زينة مصطفى "محمد سعيد" مرداوي**

**اشراف**

**د. معز أبو عليا**

## الملخص

هدفت هذه الدراسة الى اختبار واقع الافصاح عن المسؤولية الاجتماعية في الشركات الفلسطينية المدرجة في بورصة فلسطين. بالإضافة الى اثر هيكل الملكية و خصائص مجلس الادارة على درجة الافصاح عن المسؤولية الاجتماعية. تم جمع البيانات من التقارير المالية السنوية للشركات الفلسطينية لعينة مكونة من 44 شركة والتي تشكل 91.6% من الشركات الفلسطينية المدرجة في بورصة فلسطين، للفترة 2013–2017. لقياس المسؤولية الاجتماعية، تم تطوير واستخدام مؤشر للإفصاح يشتمل على 30 بنداً من المعلومات المتعلقة بالمسؤولية الاجتماعية. ولتحقيق اهداف الدراسة تم استخدام اسلوب انحدار المربعات الصغرى.

توصلت نتائج الدراسة الى ان متوسط إفصاح الشركة بلغ 43.7% من إجمالي البنود التي تضمنها مؤشر الإفصاح. كما توصلت النتائج الى ان هناك علاقة ايجابية ذات دلالة احصائية بين تنوع الجنس، و وجود لجنة التدقيق، وحجم المؤسسة، ونوع المدقق، ومستوى الافصاح عن المسؤولية الاجتماعية. وفي المقابل هنالك علاقة سلبية ذات دلالة احصائية بين مستوى الافصاح عن المسؤولية الاجتماعية وكل من: حجم مجلس الادارة، والجمع بين منصبي رئيس مجلس الإدارة والمدير العام. علاوة على ذلك, لا يوجد علاقة ذات دلالة احصائية بين استقلالية مجلس الادارة و ملكية مجلس الادارة و تركز الملكية و الرافعة المالية و الاداء المالي والافصاح عن المسؤولية الاجتماعية.

توصي الدراسة المشرعين وصانعي القرار الى تحسين مستوى الافصاح عن المسؤولية الاجتماعية من خلال تحسين متطلبات الافصاح التي تخص المسؤولية الاجتماعية في فلسطين

بالإضافة الى بناء وتطوير مؤشر افصاح رسمي للمسؤولية الاجتماعية في فلسطين الذي يمكن ان يستخدم لتقييم ومقارنة ممارسات المسؤولية الاجتماعية والافصاح عنها في الشركات الفلسطينية.

**الكلمات المفتاحية:** الإفصاح عن المسئولية الاجتماعية للشركات، خصائص مجلس الإدارة، هيكل الملكية.