Does Corporate Sustainability Reporting Affect Financial Performance in the Palestinian Environment?

Mohamad Anwar Al-Kabeya [1], Zahran Mohammad Ali Daraghma [2], Naser Abdelkarim Mufrej [3]

[1, 2, 3] Arab American University, Faculty of Graduate Studies

[1] **mohamadkabeya0@gmail.com**

Abstract

This paper investigated the influence of corporate sustainability reports on the financial performance of Palestinian companies listed on the Palestine Exchange (PEX). A sample of 22 companies, including 13 from the industrial sector and 9 from the service sector, was analyzed using panel data covering the period from 2018 to 2022. The findings of this study revealed that the aggregate sustainability disclosure index had no significant impact on the financial performance of the listed corporations on the PEX. Moreover, environmental sustainability disclosure significantly and positively influences the performance, social sustainability disclosure significantly and negatively impacts the performance, and economic sustainability disclosure insignificantly impact the performance. These findings contribute to a deeper understanding of the relationship between sustainability reporting and financial outcomes in the context of Palestinian companies listed on the PEX. It is recommended that future studies explore the relationship between corporate social responsibility, environmental disclosure, corporate governance, and firm valuation.

Keywords: sustainability reports; financial performance; environmental performance; social performance; Palestine Exchange.

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هل تؤثر تقارير استدامة الشركات على الأداء المالي في البيئة الفلسطينية؟

محمد أنور احمد عرب كعبيه [1]، زهران «محمد علي» نجي دراغمه[2]، نصر عبد الكريم محمد مفرج[3]

[3،2،1] الجامعة العربية الامريكية، فلسطين

mohammadmousaa1990@gmail.com [1]

ملخص

هدفت هذه الورقة البحثية لاستقصاء أثر تقارير استدامة الشركة على الأداء المالي للشركات الفلسطينية المدرجة في بورصة فلسطين. تم اختيار عينة مكونة من 22 شركة، تتضمن 13 شركة من القطاع الصناعي و9 شركات من قطاع الخدمات، تم اختبار البيانات المقطعية للفترة الممتدة من عام 2018 الى 2022. وبينت نتائج هذه الدراسة أن المؤشر الاجمالي للإفصاح عن الاستدامة لم يكن له تأثير هام على الأداء المالي للشركات المدرجة في بورصة فلسطين. علاوة على ذلك، فإن الإفصاح عن الاستدامة البيئية له تأثير موجب ومهم إحصائياً على الأداء المالي، والإفصاح عن الاستدامة الاجتماعية له تأثير سالب ومهم إحصائياً على الأداء المالي، كما أن الإفصاح عن الاستدامة الاقتصادية ليس له تأثير على الأداء المالي. وتساهم هذه النتائج في فهم أعمق للعلاقة بين تقارير الاستدامة والاداء المالي من واقع الشركات الفلسطينية المدرجة في بورصة فلسطين. ومن المستحسن أن تستكشف الدراسات المستقبلية العلاقة بين المسؤولية الاجتماعية للشركات، والإفصاح البيئي، وحوكمة الشركات، مع قيمة الشركة

الكلمات الدالة: تقارير الاستدامة؛ الأداء المالي؛ الأداء البيئي؛ الأداء الاجتماعي؛ بورصة فلسطين.

1. Introduction

Financial performance is a crucial factor in assessing the overall success of economic units. Each party defines financial success with the premise that the needs to be a comprehensive understanding of financial performance and its drivers. Shareholders aim to increase fortune, while economic units prioritize survival and continuity (Huang-Lachmann, 2019). Corporate Sustainability (CS) ratings and sustainable initiatives are on the rise in the near term. Over time, more people have become aware of sustainability as a sound of business strategy. In this direction, academic work in accounting is increasingly focused on sustainability reporting. In their study, Bhatia and Tuli (2016) outlined the three primary functions of sustainability in relation to performance. These functions include managing risks, enhancing cost efficiency, and fostering stakeholder engagement and reputation. By implementing sustainable practices, organizations can effectively address risks, reduce expenses, and cultivate positive relationships with stakeholders, ultimately leading to improved performance outcomes (Montiel & Ceballos, 2014).

A sustainability report by Gallo & Christensen (2011) highlights the importance of progressing towards a sustainable economy and development that prioritizes the safeguard of natural resources and the protection of the environment. The report highlights three crucial dimensions of sustainability, namely, development and environmental protection, economic development, and social justice (Huang-Lachmann, 2019). Previous research has provided clarity on the meaning of sustainability and its impact on performance. However, academic studies have predominantly focused on examining the evolution of interconnected fields, neglecting a comprehensive analysis of the Corporate Sustainability literature's development. This knowledge gap may be attributed to the limited attention given to the holistic exploration of corporate sustainability concepts and practices (Magena et al., 2007).

Given the novelty of sustainability in the accounting domain, there is a need for scholarly investigation into its development (Montiel & Ceballos, 2014). Consequently, studies that examine the evolution, measures, and theories of Corporate Sustainability can contribute to the advancement of this field. These three areas, namely, the evolution of Corporate Sustainability, measurement approaches, and theoretical frameworks, have emerged as key areas of research within the realm of Corporate Sustainability. Such a comprehensive examination can provide valuable insights for furthering knowledge and understanding in this field.

One of the primary objectives of financial reports is to provide useful information to individuals interested in the reporting firm (Magena et al., 2007). Companies develop and submit financial reports for various internal and external users that exhibit activity and status at a specific moment. Internal users direct and oversee the company's operations and make decisions on its direction, whereas external users are the financiers' society (Grigoraş-Ichim & Morosan-Danila, 2016). Based on the above discussion, this paper aims to provide evidence from Palestine about the impact of sustainability disclosure on the performance of the listed firms on the PEX.

In recent years, there has been a recognition of the importance of sustainability reports and their impact on business performance. Sustainability reports typically consist of economic, environmental, and social indicators, which are non-financial in nature. Research studies have focused on exploring the relationship between overall sustainability reporting and specific components of these reports with firm performance. In the context of the Palestine Exchange Market, there are 48 firms listed on the Stock Exchange. Sustainability reporting, performance, and transparency of environmental and social performance are independent factors. An index of disclosure is used to quantify these factors (Grigoraş-Ichim & Morosan-Danila, 2016). The Return on Assets (ROA), a gauge of economic success, serves as the dependent variable. The score of sustainability is based on the Global Reporting Initiative's (GRI) sustainability reporting requirements. The analysis uses secondary data from the company's website and Palestine Exchange. The research problem is formulated through the following main question: "What is the impact of companies' sustainability (social, environmental, and economic perspectives) on the performance of the listed companies on the PEX?". The following sub-questions are prompted by it: How does the social perspective of sustainability influence the financial performance of firms listed on the PEX? How does the environmental perspective of sustainability impact the financial performance of firms listed on the PEX? And how does the economic perspective of sustainability influence the financial performance of firms listed on the PEX?

In Palestine, there is limited evidence regarding the impact of sustainability reports on the profitability of listed firms on the Palestine Exchange (PEX). This study aims to enhance the quality of financial disclosure and assist decision-makers such as banks, investors, creditors, the government, analysts, regulators, and employees in making informed decisions (Shaheen & Qubbaja, 2022).

2. Research Model

Figure 1 displays the dependent and independent variables.

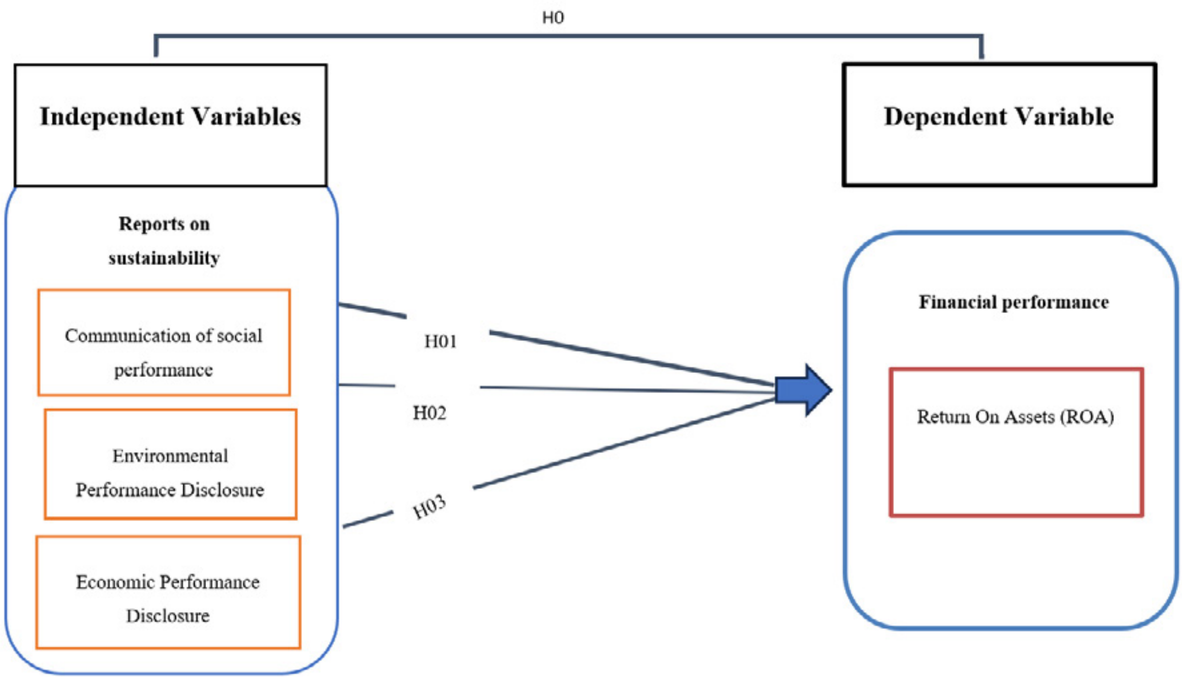

Figure 1: Research Model

3. Research Hypotheses

This paper aims to examine the following hypotheses:

H_0: There is no impact of the aggregate index of sustainability on the financial performance of firms listed on the Palestine Exchange.

H_{01}: There is no impact of social perspective of sustainability on the financial performance of the firms listed on the Palestine Exchange.

H_{02}: There is no impact of environmental perspective of sustainability on the financial performance of the firms listed on the Palestine Exchange.

H_{03}: There is no impact of economic perspective of sustainability on the financial performance of the firms listed on the Palestine Exchange.

4. Literature Review & Hypotheses Development

This section discusses the theoretical background and previous work related to the impact of sustainability reporting on performance. Below are the theoretical implications that provide further explanations of study models, hypotheses, and their variables.

4.1 Corporate Social Responsibility (CSR) and Corporate Performance

According to Kusumadilaga (2010), Corporate Social Responsibility (CSR) represents a deliberate effort by corporations to incorporate social and environmental considerations into their operations and relationships with stakeholders. This extends beyond the organization's legal obligations. Abidin (2021) states that CSR involves an organization's responsibility for the societal and environmental impacts of its decisions and activities. This responsibility is realized through transparent and ethical behavior that aligns with sustainable development, public welfare, stakeholder expectations, and internationally recognized norms and laws. It is an integral part of the organization as a whole. Branco and Rodrigues (2008) addressed social responsibility in the banking sector. Their research compared social responsibility disclosures made by Portuguese banks on the Internet between 2003-2005. The findings suggested that banks with higher social responsibility visibility placed greater emphasis on reputation management activities. These banks prioritized transparency regarding their social responsibility to enhance their corporate reputation and performance. Based on the discussion above, this paper aims to test the following first sub-hypothesis:

H_{01}: There is no impact of social perspective of sustainability on the financial performance of the firms listed on the Palestine Exchange.

4.2 Environmental Disclosure and Corporate Performance

As stakeholder interests have shifted from traditional aspects to environmental and social issues, and stakeholder preferences have changed to focus on operational impacts on the environment, the need for environmental disclosure has significantly increased. Greenhouse gas companies have not been able to improve performance by reducing CO2 emissions. Wasara and Ganda (2019) observed a modest impact of environmental disclosures on the performance of mining businesses listed on the Johannesburg Stock Exchange. Qaisi, (2019) found that the environmental aspect of sustainability did significantly enhance the financial performance of companies listed on the Amman Stock Exchange. Flammer (2019) argues that a debate is necessary to explore why environmental factors have a minimal impact on raising shareholder expectations for the financial success of their companies. The above findings motivate us to list the following second sub-hypothesis.

H_{02}: There is no impact of environmental perspective of sustainability on the financial performance of the firms listed on the Palestine Exchange.

4.3 Economic Disclosure and Corporate Performance

Previous research has shown that reporting economic indicators of sustainability can motivate financial performance (Al-Shehadeh et al., 2023; Ellili & Nobanee, 2023). Al-Janabi et al. (2024) supported this idea, stating that in some Arabian countries (such as the UAE and Iraq), voluntary disclosure of economic sustainability can enhance financial performance. Nial & Parashar (2024) discussed the GRI items that should be reported in sustainability reports (economic, environmental, social, and aggregate) and we followed the methodology outlined by Nial and Parashar. Tumbelaka et al. (2024) explained the positive expected impact of high-quality disclosure of economic sustainability on performance. All of these studies support the idea that disclosing economic sustainability can have a positive influence on performance. Based on the above discussion, this paper will examine the following general hypothesis:

H02: There is no impact of the economic perspective of sustainability on the financial performance of firms listed on the Palestine Exchange.

4.4 Aggregate Sustainability and Corporate Performance

The collective body of research indicates a strong and multifaceted relationship between sustainability practices, corporate social responsibility (CSR) disclosure, governance and financial performance across various industries and regions. Al-Sayed (2023), Shaheen & Qubbaja (2022) and Rashwan et al., 2023 highlight the positive impact of sustainability activities and the integration of sustainability pillars on financial performance in Egyptian and Palestinian companies, respectively. Nour et al., (2022) and Hardenings et al. (2022) corroborate these findings by demonstrating the positive correlation between CSR disclosure and financial metrics in banks in Jordan, Palestine, Indonesia, and Malaysia. Similarly, Kumar and Firoz (2022) emphasize the positive influence of Environmental, Social, and Governance (ESG) disclosure practices on corporate financial performance in India. Conversely, studies by Alsahlawi et al., (2021) reveal nuances, such as the negative impact of environmental sustainability disclosure on stock returns in Saudi companies and the importance of board size in family firms' profitability. Other studies, such as those by Petrescu et al., (2020), Wasara and Ganda (2019), and Sampong et al., (2018), underscore the significance of sustainability reporting tools, social responsibility indicators, and transparency in enhancing financial performance and stakeholder confidence. Moreover, research by Mimon & Ghalab (2017), Othman (2017), Ellili and Nobanee (2016), Nor et al. (2016), and Alotaibi and Hussainey (2016) emphasizes the importance of sustainability disclosure, accounting policies, and sustainability reports in driving business value and financial performance in various contexts. Furthermore, studies by Nobanee & Ellili (2016), Herbohn et al., (2014), Matarneh & Al Manaseer (2014), Khaveh et al., (2012), and Reddy and Gordon (2010) contribute to this argument by highlighting the relationship between sustainability performance, transparency, corporate governance mechanisms, and revenue generation across different sectors and countries. In summary, the breadth of research supports the argument that integrating sustainability practices, CSR disclosure, and transparency initiatives positively impacts financial performance and stakeholder perceptions, underscoring the importance of sustainable business practices in driving long-term value creation. Based on the above discussion, this paper will examine the following general hypothesis:

H_0: There is no impact of the aggregate index of sustainability on the financial performance of firms listed on the Palestine Exchange.

4.5 Financial Performance

Financial performance is a measure of how effectively a company utilizes its resources to generate value for stakeholders within a specific time frame. It serves as an initial assessment of the company's financial position in light of unforeseen future events (Chen et al., 2015). According to Padachi (2006), well-planned and well-executed financial management practices contribute to enhancing a company's value. Naser and Mokhtar (2004) define financial performance as the extent to which a company achieves its financial goals, as measured by its financial results. It involves determining the monetary worth of a company's outputs and serves as a metric for evaluating its success. The ability to generate profits is crucial for the sustainability of a company. High financial performance indicates efficient and successful management of resources in operational, financial, and investment activities (Naser & Mokhtar, 2004).

Another approach to assessing financial performance is through organizational performance, which gauges management's effectiveness in utilizing the resources entrusted by shareholders to generate profits within a specific period (Berger & Patti, 2006). Financial performance is influenced by various environmental factors, including economic considerations, industry structure, organizational characteristics such as size and structure, as well as managerial capabilities and expertise (Albertini, 2013). Abu-Abbass & Al-Abdullah (2012) further suggests that the financial performance of an organization can also be measured by its ability to achieve goals at the lowest possible cost. The ability to maintain financial stability, ensure sufficient liquidity to meet obligations, and generate a high rate of return at a low cost indicates financial success.

The report emphasizes that financial performance evaluates the overall health of a company by considering how effectively and efficiently it manages its resources for operational, financial, and investment activities - a characteristic clearly demonstrated by the company's outstanding performance (Abu-Abbass & Al-Abdullah, 2012; Injadat et al., 2023).

4.6 Sustainability Reporting and Revenue:

Guidelines and principles for sustainability reporting include:

- Reporting a set of reporting principles, standard disclosures, and an application guide are included.

- Preparing permanent reports from all establishments, regardless of size and location, for all interested parties worldwide.

- The industries in which they work, as well as the guidelines, serve as resources.

- Disclosure of its governance, performance, and effects on environmental and social facilities and the economy.

The guidelines are broken down into two groups: guidelines for designing the content structure of the report and guidelines for assessing the report's quality. The structure and content are explained in table 1.

The report should provide sufficient reporting on the following elements (GRI, 2013):

1. **The economic dimension**: It concentrates on how the institution affects the economic interests of its owners and local and global economic systems, and there are several instances. Its main measures are economic performance, market presence, and effects.

2. **Environmental aspect:** The impact of the facility on natural systems, especially those connected to it. Environment-related indicators in ecology relate to inputs like materials, energy, and water and outputs like emissions, waste, and residues generated by the facility's activities.

3. **The social dimension:** It is interested in how an organization's actions may affect the social systems in which it works; its indicators include worker practices, human rights, society, and product responsibility.

Table 1: Guidelines for Designing the Content Structure and Assessing the Quality of Sustainability Reports (GRI, 2013).

Designing Content Structure	Assessing Report's Quality
1) Materiality Assessment: Identify and prioritize the most relevant sustainability issues and impacts for your organization and stakeholders.	1) Completeness: Assess whether the report covers all material sustainability issues and provides a comprehensive picture of the organization's performance.
2) Stakeholder Engagement: Engage with stakeholders to understand their expectations and concerns regarding sustainability performance.	2) Accuracy: Evaluate the accuracy and reliability of data, information, and calculations presented in the report.
3) Goals and Targets: Set clear goals and targets to address the identified sustainability issues, providing a roadmap for improvement.	3) Balance: Evaluate the report's balance between positive and negative aspects of performance, avoiding undue emphasis on positive achievements.
4) Report Boundaries: Define the organizational boundaries and scope of the report, including subsidiaries, joint ventures, and supply chains.	4) Comparability: Assess the extent to which the report allows for comparisons of performance over time and with other organizations.
5) Reporting Principles: Adhere to established reporting principles, such as relevance, materiality, completeness, accuracy, and balance.	5) Transparency: Evaluate the report's transparency in terms of disclosing methodologies, assumptions, limitations, and governance structures.
6) Report Structure: Organize the report in a logical and coherent manner, using sections, headings, and subheadings to improve readability.	6) External Assurance: Consider obtaining external assurance to enhance the credibility and reliability of the report's content.
7) Data Collection and Management: Implement robust systems for collecting, validating, and managing sustainability data.	7) Stakeholder Feedback: Seek feedback from stakeholders on the report's content, format, and usefulness.
8) Clear Communication: Use clear and concise language, avoiding jargon, and provide explanations of technical terms where necessary.	8) Continuous Improvement: Assess the organization's progress in sustainability reporting and identify areas for improvement in future reports.

This table is extracted from GRI (2013)

4.7 Sustainability Reports

Businesses can share their performance and results on various sustainability-related topics, such as social, environmental, and governance factors. Providing stakeholders with extra information about performance outside of the bottom line enables organizations to be more transparent about the risks and opportunities they face (GRI, 2013). Reporting on sustainability includes financial statistics and details on social and environmental activities that aid in the growth and sustainability of enterprises. The performance gained by balancing the three variables of people, planet, and profit is the triple bottom line or sustainable performance. Setting objectives, tracking performance, and managing change through sustainability reporting may help organizations sustain their operations (GRI, 2013). According to Burhan and Rahmanti (2012), a new term, "sustainability reports," is often used to communicate data on an organization's influence on its social, environmental, and financial performance. With the help of sustainability reporting, organizations may define objectives, better manage change, and track, analyze, and communicate the performance of their economic, environmental, social, and governance systems.

4.7.1 Disclosure of Economic Performance

It highlights the importance of companies disclosing their economic performance as part of their long-term sustainability strategy. Disclosing economic performance refers to providing transparent and comprehensive information about the financial aspects of a company's operations, including its revenues, expenses, profits, investments, and other relevant financial indicators. By disclosing economic performance, companies demonstrate their commitment to accountability and transparency, allowing stakeholders such as investors, customers, employees, and the public to assess the company's financial health and performance. This disclosure helps stakeholders make informed decisions and evaluate the company's sustainability practices, as economic viability is a crucial aspect of long-term sustainability (GRI 2013).

4.7.2 Disclosure of Environmental Performance

Presenting and disseminating information about an organization's environmental performance is known as disclosure of environmental performance. This is done through various channels, including financial and administrative reports, independent environmental reports, websites, conferences, and newspapers, to give stakeholders access to the data they need for planning, monitoring, and performance evaluation (Hahn & Kühnen, 2013). Since it is governed by a set of laws and regulations by governmental bodies or professional associations, disclosure of environmental performance may be required or discretionary (Fink, 2014). It is enhancing its defenses against the threats of pollution in all of its manifestations, gaining competitive and environmental benefits for that institution, and attaining the objective of providing that knowledge to all parties that require it. Voluntary environmental disclosure: This sort of disclosure is one whose legality is determined by administrative judgments about the economic enterprise in question; in this case, the firm is not required to reveal environmental information but has the choice to do so. Values, moral standards, and norms, as well as the degree of environmental awareness, the culture of the institution, and its understanding of the significance of this, are a collection of elements that significantly impact the selection process (Borenstein et al., 2009). The term "process of measuring and evaluating environmental performance" refers to a method for making management decisions that are related to the environmental performance of the organization by choosing indicators: gathering and analyzing data, comparing information to established environmental performance standards, creating reports and communicating information, and periodically reviewing and improving this curriculum. It strives to evaluate the institution's efficacy and efficiency in accomplishing its environmental goals. An essential source of crucial information is the environmental performance assessment's findings, which allow several decisions for internal and external stakeholders at multiple organizational levels to be taken (Braam et al., 2016).

4.7.3 Disclosure of Social Performance

According to the Social Performance Disclosure, companies that use best management practices can build trust and loyalty among their employees, clients, and society. This metric indicates the company's standing, essential in determining if it can produce long-term shareholder value (Demers, 2021; Shakil, 2022; Pettersson & Travergård, 2023). The social performance disclosure indicator assesses a company's capacity to apply its best management techniques to foster trust and loyalty among clients, staff, and society, two critical determinants of its capacity to create long-term shareholder value. In other words, social performance is about making an organization's social mission a reality, whatever that mission is. The following are some of the more commonly promoted social values in microfinance (Bodhanwala & Bodhanwala, 2023; Suvanto, 2023): improving the quality of products, increasing revenues, building clients' sense of empowerment, and dipping vulnerability.

5. Methodology

This section discusses the methodology followed in this paper.

5.1 Companies Listed on the Palestine Exchange

In 1997, 18 companies with a capital of 81.6 million dollars were listed on the Palestine Exchange. By 2000, there were 25 companies with a capital of 766 million dollars; by 2007, there were 35 companies with a capital of 950 million dollars. In 2008, the Palestine Exchange had 37 firms listed after the addition of two new companies, and by 2019, there were 48 companies listed with a capital in US dollar.

5.2 Study Population

To ensure comprehensiveness and representativeness in the study population, the researchers chose to utilize the Palestine Exchange guide for the years 2018-2022. This guide serves as a reliable and authoritative source for identifying companies listed on the exchange during that period. By focusing on this specific timeframe, the researchers aimed to capture a comprehensive snapshot of the companies operating in the Palestinian private sector. The justification for selecting the years 2018-2022 is based on the need to have a sufficiently large and diverse sample of companies for analysis. These five years provide a substantial time span to observe and analyze sustainability reporting practices among the selected firms. Additionally, using consecutive years enhances the ability to track changes and trends in sustainability reporting over time. The population consists of 48 businesses from various sectors (banking, industrial, insurance, investment, and services). By including companies from these diverse sectors, the study can capture variations in sustainability reporting practices across sectors and provide a more incomprehensive understanding of the overall landscape. Overall, the choice of the Palestine Exchange guide for the years 2018-2022, along with the selection of the 22 consistent sectors (industrial and service), was made to ensure a comprehensive and representative study population for analyzing sustainability reporting practices in the Palestinian private sector. The Palestine Exchange guide for the same year was used to identify the firms in the study population, comprising all industrial and service companies listed on the PEX from 2018 to 2022. These 22 businesses, spread across the industrial and services sectors, were selected as a population only because they have prominent positions in the private sector.

5.3 Sample and Data Collection

The sample consists of the industrial and service sectors, in which the number of companies reached 22, including 13 industrial companies and nine service companies. To achieve that purpose, the author/s analyzed the Data of 110 years observations from 22 listed firms on

Palestinian market. The authors measure the aforementioned role via three sub-indices of sustainability on Return of Assets as a proxy of financial performance. There are two ways to collect data: primary data and secondary data. Secondary data gathering is connected to this study. The researcher gathers information from selected annual reports of publicly traded firms for the years 2018 through 2022 that were listed on the Palestine Exchange. For the purpose of this study, data on financial performance reports was gathered. Annual reports, websites, and businesses are some examples of data sources (See table 2).

Table 2: Palestinian Exchange – Summary of Listed Companies and Market Capitalization (2018-2022).

Year	Number of listed compa-nies	Number of Listed services companies	Number of Listed industry companies	Sector Market Capitalization ((USD	Market Cap-italization for Service sector ((USD	Market Cap-italization Industrial (Sector (USD
2018	48	8	13	3,734,921,019	1,157,825,515	410,841,312
2019	48	8	13	3,757,501,158	1,164,825,358	413,325,127
2020	46	8	13	3,446,913,516	1,068,543,189	379,160,486
2021	47	9	13	4,407,120,635	1,366,207,396	484,783,269
2022	49	9	13	4,896,117,627	1,517,796,464	538,572,938

This table was extracted from Palestine Exchange reports.

5.4 Definition of Variables

This section presents the definition of the paper's variables.

Studies based on content analysis frequently employ the annual reports of publicly traded firms as a major source, and they are then used to track reporting and voluntary disclosure. Annual reports are utilized because they often refer to what businesses view as significant via the reporting and disclosure process, emphasizing more critical issues and less on low essential ones. What businesses decide to include or exclude from their annual reports is also a significant statement to stakeholders (Yongvanich et al., 2006).

Return on Assets (ROA) is a metric used to assess a company's capacity to generate profits from its available assets. A higher ROA indicates a more efficient use of business resources when represented as a percentage. It is calculated by dividing a company's net income for a particular period by the sum of the company's assets. ROA is beneficial for comparing two firms involved in the same industry, as it may take time to correctly compare, for example, an airplane and a legal firm, since the assets required to function in diverse industries may differ significantly from one another.

Return on assets (ROA) is the dependent variable used to evaluate business performance. One of the profitability ratios, return on asset, gauges a company's earnings or operational success over a specific period (Weygandt, 2007). Furthermore, compared to the return on equity (ROE), which is more closely associated with efficiency (Prado-Lorenzo et al., 2009), ROA is recognized as the variable to quantify economic success (Dincer, 2011; Nakamura, 2011). The formula of ROA:

$$\mathrm{ROA} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

In this study, two models are recommended for testing. The only independent variable in the first model is the aggregate sustainability performance disclosure index. When a company's sustainability performance is evaluated from the perspectives of economics, the environment, and society, it is reflected in sustainability reports. As a result, the second model has three independent variables: Economic Performance Disclosure, Environmental Performance Disclosure, and Social Performance Disclosure. A scoring index based on the performance indicators provided in the Global Reporting Initiative Guidelines (GRI Guidelines) will be used to assess these four independent variables. The most well-known reporting standards currently are the Global Reporting Initiative (GRI) Sustainability Guidelines on Economic, Environmental, and Social Performance (Morhardt et al., 2002). According to research conducted in 2011 by Dincer, the company should utilize the GRI format as its CSR reporting methodology when providing information. The following equation determines the index score:

$$Index = \frac{N}{K}$$

Where: N = The number of matched items of the GRI standard Index, K = Optimal numbers of protentional items. The Sustainability Reporting Index, Economic Performance Index, Environmental Performance Index, and Social Performance Index are calculated by dividing the total Occurrence Score by the Total Level of Disclosure Score.

$$Index = \frac{Total\ Occurrence\ Score}{Total\ Level\ of\ Disclosure\ Score}$$

In this paper the GRI Standards Index was used to measure the rate of voluntary disclosure of the aggregate sustainability and the three sub-dimensions (economic, environmental and social). For more details visits https://www.agc.com/en/index.html (GRI Standards Index). Many authors used similar methodology such as (Zhou et al., 2012; Ching et al., 2014; Kocamiş and Yildirim, 2016; Khan et al., 2023; Mihai & Aleca, 2023; AL-Janabi et al., 2024).

5.5 Econometric Model

Below are the econometric models that will be used to examine the hypotheses of this paper.

$ROA_{it} = \beta_0 + \beta_1 SR_{it} + e$ …………………………...…... (1)

$ROA_{it} = \beta_0 + \beta_1 ECN_{it} + \beta_2 ENV_{it} + \beta_3 SOC_{it} + e$ ……….….. (2)

Where:

ROA_{it} = Return on Assets.

SR_{it} = Aggregate Sustainability Reporting Index.

ECN_{it} = Economic Performance Disclosure Index.

ENV_{it} = Environmental Performance Disclosure Index.

SOC_{it} = Social Performance Disclosure Index.

β_0 = Constant.

β_1, β_2 and β_3 = Coefficients of Performance Disclosure Indices.

e = Error term.

6. Results

This section presents the outcome of this paper.

6.1 Descriptive Statistics Findings

Table 3 displays the financial performance, indicated by the variable ROA, and the descriptive statistics for SR and its independent variables ECN, ENV, and SOC. The mean represents the average value of the data collection, while the maximum and minimum values signify the highest and lowest points in the data. The standard deviation of a data collection shows how much each individual data point differs from the mean value. The average ROA for the companies under examination is 0.102 with a range from -10.64% to 12.1203% depending on the firm. The standard deviation of the ROA is 0.125, indicating a low likelihood of significant deviation from the mean ROA value.

Table 3: Statistics for SR and its variables ECN, ENV and SOC

	ECN	ENV	SOC	SR	ROA
Mean	0.574	0.344	0.408	0.412	0.102
.Max	44.3077	54.1026	49.0578	51.7516	12.1203
.Min	7.69231	0.00000	5.88235	7.79221	-10.6418
Std. Dev	0.229	0.269	0.239	0.226	0.125

Where: ECN = Economic Performance Disclosure Index, ENV = Environmental Performance Disclosure Index, SOC = Social Performance Disclosure Index, SR = Aggregate Sustainability Reporting Index, and ROA = Return on Assets as a proxy of financial performance.

6.2 Correlation Analysis

Correlation analysis is used to examine the relationship between independent and dependent variables. According to Table 4, there is no statistically significant relationship between SR and the dependent variable ROA at this significance level, as the probability value is greater than 0.05 ($p>0.05$), making it statistically insignificant at the 5% level. The relationship between SR and ROA is only slightly negative, with a correlation coefficient value of -0.087. This suggests that implementing sustainable business practices does not impact a corporation's financial success, as measured by ROA. Aggarwal (2013) also found little connection between a company's financial performance and its overall use of sustainable practices.

Table 4: Correlation Analysis of Variables

	ECN	ENV	SOC	SR
ECN	1.00 -----			
ENV	*0.353 0.00	1.00 -----		
SOC	*0.724 0.00	*0.763 0.00	1.00 -----	
ROA	-0.080 0.1258	0.012 0.763	*-0.153 0.030	-0.087 0.155

Where: ECN = Economic Performance Disclosure Index, ENV = Environmental Performance Disclosure Index, SOC = Social Performance Disclosure Index, SR = Aggregate Sustainability Reporting Index, and ROA = Return on Assets as a proxy of financial performance.

*** Significant at 0.05.**

The correlation between variables is presented in Table 4. The assumption suggests that there is insignificant relationship between ENC and ROA since the P-value (0.1258) is greater than the significance level of 0.05 ($P > 0.05$), with ROA's R value being -0.08. The p-value also demonstrates insignificant association ($P = 0.763$) between ENV and ROA. ENV and ROA exhibit an insignificant positive correlation ($r = 0.012$). With a p-value of 0.763, which is above the significant level of 0.05, the probability value of SOC and ROA suggests a meaningful relationship between these two variables. Based on the R-value of -0.153, there is a somewhat unfavorable relationship between them. According to researchers Burhan and Rahmanti (2012), only social performance disclosures were significantly correlated with financial performance, and their results support this conclusion. Also, there is no association between aggregate sustainability and firm's performance.

6.3 Testing Hypotheses

This section presents the outcomes of the hypotheses.

6.3.1 Outcomes of hypothesis H01, the impact of aggregate sustainability on the performance.

Table 5: THE impact of sustainability disclosure on the performance

$$ROA_{it} = \beta_0 + \beta_1 SR_{it} + e$$

Variable	.Coefficient	Std. Error	t-Statistic	.Prob
C	3.610	1.064	5.475	0.00
SR	-0.244	0.021	-1.085	0.154
Dependent Variable	ROA		R-squared	0.007596
			Adjusted R-squared	0.001152

Where: SR = Aggregate Sustainability Reporting Index.

Table 5 displays the values for SR, with a value of 0.154, and the SR response coefficient of -0.244. This indicates that aggregate sustainability disclosure has no effect on performance. The adjusted R-squared value of 0.001152 suggests that other factors explain 99.9% of the variance in ROA, with the change in SR only accounting for 0.1% of it. In conclusion, sustainability .reporting has no influence on financial success as indicated by ROA

6.3.2 examine the impact of (economic, environmental and social disclosure) dimensions of sustainability on the performance.

Table 6: The impact of ECN, ENV and SOC on ROA

$$ROA_{it} = \beta_0 + \beta_1 ECN_{it} + \beta_2 ENV_{it} + \beta_3 SOC_{it} + e$$

Variable	.Coefficient	Std. Error	t-Statistic	.Prob
C	2.661061	1.092416	4.366621	0.0000
ENC	0.016575	0.177641	0.516610	0.1633
ENV	0.076002	0.015118	2.787532	0.0023
SOC	-0.092113	0.039675	-4.497888	0.0007
Dependent Variable	ROA	R-squared	0.083373	
Prob. (F-statistic)	0.004077	Adjusted R-squared	0.065282	

Where: ECN = Economic Performance Disclosure Index, ENV = Environmental Performance Disclosure Index, SOC = Social Performance Disclosure Index, SR = Aggregate Sustainability Reporting Index, and ROA = Return on Assets as a proxy of financial performance.

The variance in those three components may explain 0.083373 of the observed variability in the ROA, as shown in Table 6 by the R-squared value, which is 0.0833. This demonstrates that the influence of ECN, ENV, and SOC only accounts for 0.083373 of the impact, with the remaining 91.6627% coming from the components not suggested by the model. The three independent variables (ECN, ENV, and SOC) substantially influence ROA at the 5% significance level, according to the F-statistics P-value of 0.004077, which is less than 0.05. According to the results of the coefficient calculation for each SR proxy, ECN (t=0.516610) has a negligible impact on ROA since the p-value, which is 0.1633, is higher than the significance level. ENV significantly and positively influences ROA (t = 2.78) since the p-value of 0.0023 is less than 0.05. Similarly, because the p-value of 0.0007 is less than 0.05, SOC significantly and negatively impacts ROA at the 5% significance level (t = -4.497). With coefficient values of -0.09211, ENC unfavorably .impact the dependent variable ROA

7. Conclusion Remark, Recommendation and Future Research

This paper examines the impact of sustainability disclosure on the performance of listed corporations on the Palestine Exchange. The panel data of 22 listed corporations, including 13 industrial and 9 service companies, were employed. Statistical methods such as descriptive statistics, correlation analysis, and regression analysis were used. The paper concludes with a set of outcomes. the aggregate sustainability disclosure index does not impact the performance of listed corporations on the Palestine Exchange, when the components of sustainability were examined using multiple regression, the findings showed that environmental sustainability disclosure significantly and positively influences the performance, social sustainability disclosure significantly and negatively impacts the performance, and economic sustainability disclosure insignificantly impact the performance. These results may be attributed to more regulations and sustainability disclosure requirements. Based on the findings of this paper, we suggest the following recommendations and future research: we recommend that the Palestine Exchange regulate sustainability disclosure according to the standard index of GRI. Likewise, we advise Palestinian companies listed on the Palestine Exchange to disclose the dimensions of sustainability and their commitment to achieving sustainability to reach the highest level of disclosure and include this within their objectives and policies to achieve cognitive excellence for their readers, conduct future studies related to the disclosure of the dimensions of sustainability in various sectors and adopt other financial indicators such as Tobin's Q as a proxy of financial performance. This study had some limitations, including the absence of control variables in the study models and the neglect of other sectors in the Palestine Exchange market, such as banking, insurance, and investment sectors. We recommend that other researchers address these .limitations

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