

Determinants of CSR Disclosure in a Developing Context: Firm-Level Evidence from Palestine

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Abstract

Objectives: This study examines the effect of firm-specific characteristics on the extent of Corporate Social Responsibility Disclosure (CSRD) among firms listed on the Palestine Exchange (PEX). It focuses on the roles of firm size, profitability, liquidity, age, and leverage within a politically and economically constrained environment.

Methodology: The study employs a quantitative approach using panel data from 43 listed firms over the period 2018–2022. CSRD is measured through content analysis of annual reports using a checklist-based disclosure index. Legitimacy theory serves as the primary theoretical framework, supported by stakeholder, agency, and signaling theories. Empirical analysis is conducted using pooled Ordinary Least Squares (OLS) regression with fixed effects. Robustness checks are performed using an alternative quality-based disclosure measure and theme-specific analyses.

Findings: The results reveal that firm size and profitability have a positive and statistically significant impact on CSRD levels. In contrast, firm age, liquidity, and financial leverage do not show significant associations with CSR disclosure. The robustness analyses confirm the consistency of these findings.

Implications: The findings offer valuable insights for policymakers, investors, and corporate managers by emphasizing the role of firm characteristics in shaping CSR transparency. Enhancing disclosure practices can strengthen stakeholder trust and accountability in developing markets.

Conclusions: This study contributes to the CSR disclosure literature by providing evidence from Palestine, an underexplored and institutionally fragile context. The results support legitimacy-based explanations of disclosure behavior and highlight the tendency of larger and more profitable firms to engage more extensively in CSR reporting.

Key words

CSR disclosure, Firm Characteristics, Palestine.

Introduction

The world has witnessed rapid changes across all sectors, most notably the growing global awareness of corporate responsibilities toward society. Businesses have increasingly faced criticism for their role in environmental degradation, resource depletion, climate change, labor rights violations, and other societal challenges (Hussainey et al., 2011; Dwekat et al., 2025). Companies are becoming more responsive to social pressures, recognizing the need to meet rising demands for social responsibility initiatives. While financial performance remains crucial, firms are increasingly striving to balance profit-making with social obligations to enhance their reputations and credibility (Alsenawi & Banat, 2014). CSR is now seen as essential for organizational survival and continuity. It encapsulates a firm's ability to operate in ways that generate positive societal impact, whether environmental, employee-related, or community-focused, beyond merely generating profits for shareholders (Coffie et al., 2018).

Financial information alone provides a limited view of corporate performance. The importance of non-financial data, particularly Corporate Social Responsibility Disclosure (CSRD), has grown expressively. Engaging in CSR activities is no longer sufficient; firms are now expected to disclose these efforts to enhance transparency, reduce information asymmetry, aid investor evaluation, improve public image, strengthen competitive standing, and potentially boost financial performance (Omran & Ramdhony, 2015). Accordingly, the expansion of CSRD as a form of voluntary disclosure is unsurprising. Large firms, in particular, dedicate substantial resources to reporting social performance, increasingly integrating social concerns into strategic and operational planning (Abu Alia et al., 2024).

According to Ali et al. (2017), CSRD determinants

are classified into three categories: (1) firm characteristics (2) general contextual elements such as ownership structure and media pressure; and (3) internal contextual elements such as board composition, governance mechanisms, and the effectiveness of audit committee. With regards to the first category, CSRD is influenced by various corporate attributes like firm size, age, government ownership, profitability, leverage, and liquidity. These relationships have been explained by previous literature using theoretical frameworks like stakeholder and legitimacy theories (Cho et al., 2019; Nguyen et al., 2021). However, the majority of studies have focused on the nature and content of disclosures, as well as the drivers of corporate reporting on social initiatives (Khan & Muttakin, 2014).

In developing countries, CSRD remains limited due to weak regulations and enforcement. Alshbili et al. (2020) and Bhatia and Makkar (2020) argued that unlike in developed nations, where firms are seen as partners in social progress, developing economies lack robust legal structures, leading to lower CSRD levels. In Palestine, there is consensus that CSRD is underdeveloped. Barakat et al. (2015) and Alia et al. (2024) attributed this to the ongoing occupation and related political and economic instability, which present barriers to transparent and comprehensive social reporting among companies listed on the Palestine Exchange (PEX). This requires institutional efficiency and readiness.

Despite the growing global literature on Corporate Social Responsibility Disclosure (CSRD), important gaps remain unresolved. Prior studies have tended to focus on developed economies where disclosure practices are strongly shaped by regulatory frameworks and institutional enforcement (Branco & Rodrigues, 2008; Bouten et al., 2011; Cormier et al., 2005). Moreover, the results of these studies are mixed. By con-

traſt, evidence from developing contexts, particularly politically and economically fragile countries such as Palestine, is still scarce (Barakat et al., 2015; Alshbili et al., 2020). In such settings, CSR practices are voluntary, weakly regulated, and often constrained by instability, which makes them qualitatively different from disclosures in developed markets.

Moreover, most existing research in the Palestinian context has prioritized governance-related factors (e.g., board structure, ownership concentration) while treating firm-specific characteristics merely as control variables (Barakat et al., 2015; Zaid et al., 2019; Hassan, 2025). As a result, there is limited direct evidence on how firm-level features such as size, age, profitability, liquidity, and leverage shape CSR disclosure in this environment. This represents a theoretical gap, as legitimacy, stakeholder, agency, and signaling theories all suggest that these firm attributes influence disclosure practices, yet empirical evidence in fragile economies remains inconsistent and underdeveloped.

From a practical perspective, understanding the determinants of CSRD in Palestine has critical implications for policymakers, investors, and firms. For regulators, identifying the firm characteristics that drive or constrain transparency can inform policies that encourage disclosure and strengthen investor protection. For managers, clarifying the influence of firm-level features offers strategic insights into how CSR reporting can be leveraged to enhance legitimacy, attract investment, and build trust in an uncertain environment. For investors and stakeholders, better disclosure reduces information asymmetry and improves decision-making.

This study adopts an integrated theoretical framework that combines stakeholder, legitimacy, agency, and signaling theories. Together, these perspectives explain CSR disclosure as a response to both social

legitimacy pressures and economic signaling motives, providing a more comprehensive understanding of disclosure behavior in developing economies.

Thus, this study directly addresses these theoretical and practical gaps by systematically examining the role of firm characteristics in explaining CSRD practices in Palestine. By doing so, it extends the scholarly conversation on voluntary disclosure in developing economies and provides actionable insights for stakeholders seeking to enhance transparency and accountability in fragile institutional contexts.

2 Theoretical background & Hypothesis Development

2.1 Concepts and theories

Corporate Social Responsibility (CSR) reflects the corporations' engagement with society, including meeting the stakeholder expectations, the improvement of societal conditions, and the support of employees. Over the past years, CSR has become a significant area of scholarly attention (Rosli et al., 2016). The interest in CSR has expanded to include CSRD, which refers to the systematic communication of the social and environmental initiatives and impacts. Shabirina and Cahyono (2023) defined CSRD as a structured process for disseminating such non-financial information to stakeholders and the broader public. As Laksmi and Hanin (2022) highlighted, corporations have responsibilities that extend beyond shareholders, encompassing communities and environments affected by their operations. This has given rise to non-financial disclosure practices, driven by the recognition that financial statements offer a limited picture of firm performance. Febriyanti et al. (2023) argued that CSRD offers a more thorough understanding of business effect, complementing the traditional focus on financial metrics.

Firm characteristics are widely recognized as im-

portant determinants of CSRD. Each company has distinct attributes, such as size, profitability, liquidity, age, and leverage, that may affect its disclosure extent (Omar & Alkayed, 2021). Corporate Social Responsibility Disclosure (CSRD) has been explained through multiple theoretical perspectives, each offering distinct insights into why firms disclose information beyond mandatory requirements. This study draws primarily on stakeholder theory and legitimacy theory, which together provide a coherent foundation for understanding the determinants of CSRD (Razak, 2015; Omran & Ramdhony, 2015).

Stakeholder theory emphasizes that firms are accountable not only to shareholders but also to a broader set of stakeholders, including employees, customers, governments, and communities (Freeman, 1984; Yusoff et al., 2013). From this perspective, CSRD functions as a mechanism to address stakeholders' information demands, reduce information asymmetry, and demonstrate responsiveness to social and environmental concerns (Dwekat et al., 2025). Firm characteristics such as size, profitability, and liquidity are expected to influence disclosure because they shape stakeholder visibility and expectations (Brammer & Pavelin, 2008; Nguyen et al., 2021). According to Freeman and Dmytriiev (2017), stakeholder theory promotes a more holistic business model, one that balances financial success with social and environmental responsibility. Stakeholder pressure acts as a key motivator for CSRD, encouraging firms to voluntarily report their contributions to society in order to secure continued support (Russo & Perrini, 2010).

Legitimacy theory is the primary foundation of this study, as it is the most relevant theory to explain CSRD determinants (Reverte, 2009) and voluntary disclosures in general (Haniffa & Cooke, 2005). It is based on the social contract concept, where organizations align their activities with norms of the so-

ciety to secure approval (Khan & Muttakin, 2014). Legitimacy theory highlights the firm's pursuit of societal approval and its efforts to align with social norms and values (Suchman, 1995; Brammer & Pavelin, 2008). Firms disclose CSR information not only to meet stakeholder demands but also to maintain or repair their legitimacy, especially in contexts of political and economic fragility where trust in institutions is weak. Nguyen et al. (2021) defined legitimacy as the notion that a firm's actions are acceptable within a socially constructed system of beliefs and values. Since companies utilize societal resources, they are accountable for using them in ways that benefit society. CSRD thus becomes a mechanism for organizations to demonstrate responsible behavior. Branco and Rodriguez (2008) emphasized the critical role legitimacy plays in enhancing the firm reputation and accordingly its existence in the market. Hence, CSRD is often used to protect or restore public trust. Firm size and age, for instance, may increase legitimacy pressures, while leverage and profitability affect the resources available for meeting such pressures.

While agency theory and signaling theory also provide useful insights, they are secondary in this study. Agency theory explains CSRD as a tool for reducing agency costs and aligning the interests of managers and shareholders (Oktavianawati, 2018). Signaling theory addresses the issue of information asymmetry exists between managers and stakeholders. As Mavlanova et al. (2012) explain, when stakeholders cannot directly observe firm behavior, they rely on disclosed information. Signaling theory suggests that disclosure serves as a positive signal to external investors about a firm's quality and prospects (Spence, 1973). Harun et al. (2020) argue that such disclosure enhances firm credibility, builds investor trust, and potentially improves firm value, especially in environments characterized by uncertainty or competitive pressure. These perspectives reinforce, rather than contradict, the

stakeholder–legitimacy framework, but they remain peripheral to our analysis.

Integrating these theories allows for a richer interpretation of disclosure behavior. Stakeholder and legitimacy theories emphasize social accountability and conformity with societal expectations, while agency and signaling theories focus on reducing information asymmetry and demonstrating firm quality. In combination, these frameworks capture both the social and economic dimensions of CSR disclosure, which are particularly relevant in fragile institutional environments.

2.2 Hypothesis Development

The study's hypotheses are formulated by linking firm-specific characteristics with CSRD through the lens of legitimacy, stakeholder, and other related theories, and also the results of previous studies. These perspectives collectively explain why certain companies are more likely to disclose social and environmental information. The variables considered are selected based on their prominence in both theoretical models and empirical research.

Firm Size

Firm size has consistently emerged as one of the key factors influencing CSR disclosure. Due to their heightened public profile, larger firms are often subject to increased scrutiny from both stakeholders and society at large, which intensifies the demand for transparency in their activities (Hackston & Milne, 1996; Reverte, 2009). From the perspective of legitimacy theory, such firms are more inclined to report on their social and environmental practices as a way to demonstrate alignment with societal norms and to preserve their reputational standing (Kansal et al., 2014).

From a stakeholder theory perception, larger com-

panies are accountable to a broader array of stakeholders, including customers, governments, and investors, who demand transparency and social responsibility (Brammer & Pavelin, 2008). Similarly, agency theory suggests that disclosure can mitigate information asymmetry between management and shareholders, particularly in large, complex firms (Oktavianawati, 2018). Signaling theory further supports this by positing that disclosure is used to signal quality and integrity to external observers (Mavlanova et al., 2012).

Empirical evidence confirms these theoretical expectations suggesting a positive effect of firm size on CSRD (Tagesson et al., 2009; Welbeck et al., 2017; Mukhtaruddin et al., 2018; Fahad & Nidheesh, 2020; Nguyen et al. (2021). Reverte (2009) and Salehi et al. (2019) found similar associations in Spain and Iran, respectively. Notwithstanding, others fail to identify a significant effect of firm size on CSRD (Saeed & Sarea, 2021).

H1: Firm size is positively associated with the level of CSRD.

Firm Age

Older firms are more established in the market, tend to have more stable stakeholder relationships, and may be more attuned to societal expectations. They are likely to face continued demands for accountability from communities and long-term partners. Firm age contributes to organizational reputation, and long-standing firms may disclose more CSR information to maintain this legitimacy (Nguyen et al., 2021). Actually, firm longevity can serve as a signal of reliability, enhanced through transparent reporting (Harun et al., 2020). Moreover, long-standing firms develop structures to mitigate agency costs over time, including enhanced transparency through CSRD (Eisenhardt, 1989).

Positive relationships between firm age and CSRD have been reported by many studies (e. g. Bayoud et al., 2012; Khan & Muttakin, 2014; Handoyo, 2020; Chakroun et al., 2017; Salehi et al., 2019). Fahad and Nidheesh (2020) also identified firm age as a significant positive factor. However, others found negative (Masoud & Vij, 2021) or insignificant results (Handoyo, 2020; Nguyen et al., 2021; Saeed & Sarea, 2021).

H2: Firm age is positively associated with the level of CSRD.

Profitability

Firms with stronger profitability often possess further resources to invest in CSR activities and are more motivated to disclose such efforts to gain or sustain legitimacy (Haniffa & Cooke, 2005). Disclosure helps firms justify their financial success and meet societal expectations (Mahadeo et al., 2011). Furthermore, profitable firms may disclose CSR efforts to assure stakeholders of their ethical and social commitments (Nguyen et al., 2021). With regards to agency problem, management may use disclosure to signal alignment with shareholder interests and responsible stewardship (Haniffa & Cooke, 2005; Oktavianawati, 2018). Signaling theory reinforces this by suggesting that profitable firms signal strength and ethical standards through transparent CSR reporting (Mavlanova et al., 2012).

The literature strongly supports a positive link between profitability and CSRD. Notable findings include those by Hussainey et al. (2011), Gamerschlag et al. (2011), Nawaiseh (2015), Oeyono et al. (2011), and Cormier et al. (2005). Hapsoro and Sulistyari (2019) similarly confirmed this positive association. However, Reverte (2009), Saeed and Sarea (2021), and Salehi et al. (2019) found no or negative effects, suggesting context matters.

H3: Profitability is positively associated with the level of CSRD.

Liquidity

Liquidity refers to the ability of a firm to meet the short-term obligations and is often interpreted as a sign of financial health. Firms with higher liquidity may engage in greater CSR disclosure to signal stability and enhance legitimacy (Nguyen et al., 2021). This is aligned with legitimacy theory, where socially responsible disclosure enhances a company's image during periods of strong financial performance (Giannarakis, 2014). Stakeholder theory also holds that liquid firms are better positioned to address stakeholder demands for social and environmental performance (Reverte, 2009). Liquidity serves as a financial signal, and disclosure further strengthens a firm's perceived credibility.

Several studies (e.g. Hussainey et al., 2011; Gantyowati & Agustine, 2017; Ali et al., 2022; Uyar et al., 2023) found positive relationships between liquidity and CSRD. However, other studies such as those by Saeed and Sarea (2021), and Shabirina and Cahyono (2023) found no significant relationship.

H4: Liquidity is positively associated with the level of CSRD.

Financial Leverage

Financial leverage reflects the extent to which firms depend on debt financing. According to legitimacy and stakeholder theories, companies with higher leverage face higher scrutiny from creditors and may report more information on CSR-related activities to reassure stakeholders and preserve their reputation (Mahadeo et al., 2011). Firms with high leverage may disclose CSR efforts to maintain trust with lenders and other key stakeholders. Disclosure helps highly leveraged firms signal solvency and reduce

perceived risk. Agency theory, in turn, suggests that as financial risk increases, so does the need for transparency to mitigate potential conflicts with creditors (Giannarakis, 2014).

Empirically, results largely support the negative effect of leverage on CSRD (Giannarakis, 2014; Habbash, 2016; Salehi et al., 2019). However, Respati and Oktaviani (2022) and Fahad and Nidheesh (2020) showed a positive association between leverage and CSRD, while studies by Saeed and Sarea (2021) and Reverte (2009) reported no significant effect.

H5: Financial leverage is negatively associated with the level of CSRD.

As summarized in Appendix A, while prior studies provide valuable insights, important limitations remain. First, evidence from developing and politically unstable contexts is scarce, with most research focusing on governance determinants rather than firm-level characteristics. Second, findings across contexts are often inconsistent, particularly regarding profitability, leverage, and liquidity. Third, little is known about how firm attributes influence CSRD in fragile economies such as Palestine, where disclosure is voluntary and institutional enforcement is weak. By addressing these gaps, the present study contributes to the literature by offering firm-level evidence from Palestine and situating the analysis within the broader CSR disclosure debate.

3 Methodology

3.1 Sample Construction

Our study investigates CSRD practices among corporations listed on the PEX over a five-year period from 2018 to 2022. The total number of companies listed on the PEX is 49 companies, spanning five primary sectors: banking, investment, insurance, services, and industry.

To ensure data consistency and availability, the sample was limited to companies that remained continuously listed throughout the entire study period and for which annual reports were accessible and sufficiently detailed for analysis. Companies that were listed or delisted during the study window, or whose reports could not be retrieved, were excluded. As a result, six companies were removed from the sample. The final dataset includes 43 firms, distributed across all sectors as seen in Table 1. With five years of data per company, the total number of firm-year observations included in the analysis is 209.

The distribution of the sample is summarized in Table (1).

Table (1): Distribution of Sample Companies

Sector	Listed Companies	Excluded Companies	Final Sample
Banks	8	2	6
Investment	12	2	10
Insurance	8	1	7
Services	10	1	9
Industrial	11	0	11
Total	49	6	43

3.2 Variables measurement

This study examines one dependent variable (CSRD), five firm-specific independent variables (firm size, profitability, age, liquidity, and leverage), and one control variable (audit quality). These variables are included based on their theoretical relevance and consistent application in prior CSRD literature.

3.2.1 Dependent Variable

The level (extent) of CSRD is the dependent variable, which was measured using a content analysis approach, a widely recognized method in prior CSRD research. This method enables the transformation of qualitative information into structured, quantifiable data based on predefined classification rules (Abbott & Monsen, 1979).

In line with previous studies, we employed a dichotomous scoring method (unweighted), where each item in the disclosure checklist is given a score of 1 if disclosed and 0 otherwise (Cooke, 1989). This method assumes equal importance for each item and limits coder subjectivity, enhancing reliability (Hackston & Milne, 1996). This scoring approach has been extensively employed in CSR literature (Cooke, 1989; Haniffa & Cooke, 2005; Ibrahim & Hanefah, 2016; Khan et al., 2013; Barakat et al., 2015).

For this study, we adopted the CSR checklist developed by Alia and Mardawi (2021), which includes 30 disclosure items categorized into four themes (see Appendix B).

The checklist is tailored to reflect the socio-political and cultural characteristics of the Palestinian business environment and is suitable for use across all sectors of companies listed on the PEX.

The CSR score of each firm was computed as the sum of disclosed items (out of 30). The final disclosure score is expressed as a ratio, where the number of disclosed items is divided by the total number of checklist items (30). This method captures the extent (quantity) of CSR but not the quality or depth of content.

To ensure consistency and inter-coder reliability, each researcher independently coded a set of company reports on separate sheets. The results were then compared, and coding consistency was verified. No significant discrepancies were observed.

3.2.2 Independent Variables

The study incorporates five key firm-specific characteristics as independent variables:

Firm Size (FSIZE):

Estimated by the natural logarithm of the total assets, this variable captures the scale of a company's operations. Larger companies are usually subject to higher stakeholder attention and scrutiny from regulators, potentially influencing disclosure practices (Hussainey et al., 2011; Fahad & Nidheesh, 2020).

Firm Age (FAGE):

Firm age reflects the number of years since the establishment of the company, calculated as the natural logarithm of its age up to the year 2022 (Fahad & Nidheesh, 2020; Barakat et al., 2015). Older firms may possess more experience and reputational incentives to disclose CSR information.

Profitability (PROF):

Operationalized as Return on Assets (ROA), calculated using the ratio of net income to total assets. It represents a firm's effectiveness in generating returns and may influence its capacity or motivation to engage in CSR (Reverte, 2009).

Liquidity (LIQ):

Liquidity is measured using the current ratio, calculated by dividing current assets by current liabilities. Liquidity shows the ability of the firm to meet its short-term liabilities and may indicate its financial flexibility to undertake and report on social initiatives (El-Sayed et al., 2021).

Financial Leverage (FLEV):

This variable is measured by the debt-to-asset ratio, indicating the extent to which a firm relies on external debt financing (Zaid et al., 2019). The level of leverage may influence disclosure behavior due to stakeholder pressure from creditors.

3.2.3 Control Variable

Although not considered a firm characteristic, audit quality is introduced as a control variable due to its es-

established relevance in CSRD literature. High-quality audits contribute to enhanced transparency and stakeholder confidence in disclosed information (Holm & Zaman, 2012).

Audit quality is measured as a binary variable, coded 1 if the external auditor is one of the Big 4 auditing firms, and 0 otherwise (Alia & Mardawi, 2021; Welbeck et al., 2017). Hammami and Hendijani Zadeh (2020) argue that higher audit quality encourages broader disclosure, while Ananzeh (2022), and Omar and Alkayed (2021) have all indicated a positive relationship between audit quality and CSRD.

A detailed summary of all variables, their definitions, measurements, and corresponding references is provided in Table 2 below.

Table (2): Description of Study Variables

Variable	Label	Type	Measurement	References
CSRD	CSRD	Dependent	Total score of disclosed items (out of 30)	Alia & Mardawi (2021); Haniffa & Cooke (2005)
Firm size	FSIZE	Independent	Natural log of total assets	Hussainey et al. (2011); Fahad & Nidheesh (2020)
Firm age	FAGE	Independent	Natural log of (2022 - Year of Establishment)	Fahad & Nidheesh (2020); Barakat et al. (2015)
Profitability	PROF	Independent	Return on Assets (Net income / Total assets)	Reverte (2009)
Liquidity	LIQ	Independent	Current ratio (Current assets / Current liabilities)	El-Sayed et al. (2021)
Financial leverage	FLEV	Independent	Debt ratio (Total debt / Total assets)	Zaid et al. (19)
Audit quality	AUDQ	Control	Audited = 1 by Big 4; 0 = Otherwise	Welbeck et al. (2017); Hammami and Hendijani Zadeh (2020)

3.3 Regression Model

To examine the effect of firm-specific characteristics on the extent of CSRD among firms listed on the PEX, the following panel regression model was

specified:

$$CSRD_{it} = \beta_0 + \beta_1 FSIZE_{it} + \beta_2 FAGE_{it} + \beta_3 PROF_{it} + \beta_4 LIQ_{it} + \beta_5 FLEV_{it} + \beta_6 AUDQ_{it} + \epsilon_{it}$$

Where: CSRD is the extent of CSRD. FSIZE, FAGE, PROF, LIQ, and FLEV are the firm-level independent variables, while AUDQ is audit quality, the control variable. The term ϵ_{it} denotes the error term, and the coefficients β_1 through β_6 represent the marginal effects of the explanatory variables.

Given the panel structure of the data, covering 43 firms over five years (2018–2022), the analysis considered both fixed and random effects specifications. To determine the more suitable estimation approach, the Hausman test was employed. The results indicated a statistically significant difference between the estimators, confirming the appropriateness of the fixed effects model for the data. This approach accounts for unobserved, firm-specific heterogeneity that could bias the results if omitted.

Accordingly, all regression analyses in this study are based on a fixed effects estimation technique, with year dummies included to control for time-specific effects.

4 Results

4.1 Descriptive Analysis

In Table 3, the descriptive results for the study variables are presented. The average level of CSRD across the sample is 43.69%, with a minimum value of 0 and a maximum value of 86.6%, implying a substantial variation among firms in terms of how much CSR information is disclosed. The mean value, well below the full disclosure threshold, suggests that, on average, listed firms in Palestine disclose fewer than half of the social items identified in the checklist. This finding is consistent with Alia and Mardawi (2021), who found that CSRD among Palestinian firms was,

on average, 43.7%. Notably, some firms disclosed no CSR information at all, reinforcing the voluntary and often neglected nature of CSRD in this market.

The data also reveal notable variation across several variables. Liquidity, for example, shows a wide spread, with an average value of 1.95 and a standard deviation of 2.02, suggesting a distribution that leans heavily toward either extreme. In contrast, firm size and firm age, both expressed as natural logarithms, display more consistent patterns across the sample, reflecting relatively stable characteristics.

Table (3): Descriptive Analysis

variable	Mean	Median	min	max	sd
CSRDL	0.4369	0.466	0	0.866	.2188
FSIZE	17.916	17.988	13.516	22.596	1.941
FAGE	3.302	3.296	1.792	4.344	0.455
PROF	0.0305	0.022	-0.172	0.195	0.048
LIQ	1.949	1.269	0.0250	13.892	2.017
FLEV	0.524	0.502	0.004	4.405	0.375
AUDQ	0.675	1	0	1	0.470

CSRD Trend

As shown in Table 4, the overall trend in CSRD levels between 2018 and 2022 is relatively stable, with only marginal increases over time. The average disclosure rate fluctuated slightly from 41.8% in 2018 to 44.8% in 2021 before settling at 44% in 2022. This modest rise may reflect growing awareness, yet it remains insignificant and does not suggest strong regulatory or institutional momentum.

Table (4): Trend of CSR disclosure

Year	Mean
2018	41.8%
2019	44.6%
2020	43.2%
2021	44.8%
2022	44%
Total	43.7%

Component-level disclosure

To capture the temporal dimension of disclosure, we analyzed CSRD component scores across the five-year period 2018–2022. Table 5 disaggregates CSRD into its component categories. The results indicate that disclosure levels exhibit gradual changes over time, with some variation across components.

The most disclosed category is product and customer (P & C) service information (57%), likely due to firms' strategic emphasis on customer satisfaction and service quality as drivers of profitability. Community involvement (49.7%) and human resources (48%) also feature prominently, aligning with the expectations of legitimacy theory, where firms seek to align with social norms and gain reputational legitimacy (Coffie et al., 2018).

Conversely, environmental information is the least disclosed component (26.9%), echoing prior findings by Barakat et al. (2015) and Ibrahim and Hanefah (2016). As Ananzeh (2022) explains, weak enforcement and a lack of mandatory guidelines may contribute to the low environmental disclosure observed in Palestinian firms.

Environmental disclosure increased from 0.234 in 2018 to a peak of 0.301 in 2021, before slightly declining in 2022 (0.268). This suggests growing, though still inconsistent, attention to environmental issues. Human resources disclosure remained relatively stable throughout the period, averaging 0.48, which may reflect the centrality of employee-related issues in firms' reporting practices. Community involvement disclosure showed notable growth between 2018 (0.496) and 2019 (0.549), but fluctuated in later years, dropping in 2020 (0.472) before partially recovering. By contrast, product and customer service disclosure steadily increased from 0.528 in 2018 to 0.591 in 2022, indicating rising emphasis on

consumer-related accountability.

Overall, the aggregate CSRD score demonstrates a slow upward trend in certain components, particularly product and customer service, while others remain stagnant. Larger and more profitable firms appear to be the drivers of these improvements, consistent with the regression findings. This longitudinal perspective underscores that firm characteristics not only influence disclosure levels at a given point but also shape disclosure trajectories over time.

Table (5): Component level disclosure

Year	Environmental	Human resources	Comm. .inv	P & C service
2018	0.234	0.48	0.496	0.528
2019	0.263	0.483	0.549	0.567
2020	0.27	0.476	0.472	0.586
2021	0.301	0.484	0.48	0.577
2022	0.268	0.48	0.484	0.591
Total	0.2672	0.48	0.497	0.57

4.2 Correlation Analysis and Diagnostic Tests

The correlation matrix in Table 6 displays the Pearson coefficients illustrating the relationships between the key variables in the study. All values are well below the conventional multicollinearity threshold of 0.80 (Daoud, 2017), with the highest observed correlation being between CSRD and FSIZE (0.462). Accordingly, multicollinearity is unlikely to pose any issues within the dataset.

To assess the presence of heteroskedasticity, the Breusch-Pagan/Cook-Weisberg test was applied. With a p-value of 0.11 (well above the 5% threshold), there is no statistical evidence of heteroskedasticity, suggesting that the model's error variance is stable and the regression results are robust (Al Amosh & Mansor, 2020).

Table (6): Matrix of correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) CSRD	1.000						
(1) FSIZE	0.462	1.000					
(2) FAGE	-0.029	-0.071	1.000				
(3) PROF	0.122	-0.088	0.278	1.000			
(4) LIQ	-0.020	0.018	0.171	0.362	1.000		
(5) FLEV	0.167	0.310	-0.213	-0.232	-0.334	1.000	
(6) AUDQ	0.300	0.247	-0.184	0.050	0.111	-0.004	1.000

4.3 Regression Results

A fixed effects panel regression model was used to test the study hypotheses, controlling for year effects. The model was selected based on the results of the Hausman test, confirming its appropriateness than random effects due to the presence of time-invariant firm characteristics affecting CSRD.

Table 7 reports the regression outcomes. The model accounts for around 29% of the variation in CSR disclosure ($R^2 = 0.289$), which reflects a reasonable level of explanatory power, especially considering the discretionary nature of CSR reporting.

Table (7): Regression analysis

VARIABLES	CSRD extent
FSIZE	0.047*** (0.010)
FAGE	0.006 (0.027)
PROF	0.889** (0.362)
LIQ	-0.011 (0.008)
FLEV	0.033 (0.080)
AUDQ	0.095*** (0.032)
YEAR fe	YES
Constant	-0.519*** (0.164)
Obs.	209
R-squared	0.289
Max. VIF	3.4
Jarque-Bera	3.565
Probability	0.16

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Overall, the regression results reveal that CSRD level is driven in the Palestinian context by firm size and profitability, and audit quality. In contrast, firm age, liquidity, and financial leverage do not exhibit statistically significant relationships.

Confirming H1, firm size shows a significant positive effect on CSRD ($\beta = 0.047$, $p < 0.01$). This finding aligns with the theoretical assumption that larger firms, with greater public visibility and broader stakeholder pressure, are more inclined to disclose CSR-related information to maintain legitimacy (Mohd Ghazali, 2007). It is also consistent with the results of Tagesson et al. (2009), Reverte (2009), Liani (2015), Handoyo (2020), Welbeck et al. (2017), Mukhtaruddin et al. (2018), Salehi et al. (2019), Fahad and Nidheesh (2020), Anh and Ly (2020) and Nguyen et al. (2021), who found that firm size positively influences disclosure levels.

Firm age is not significantly associated with CSRD ($\beta = 0.006$, $p > 0.10$), leading to reject H2. While some studies suggest older firms disclose more due to accumulated reputational capital (Bayoud et al., 2012; Chakroun et al., 2017; Salehi et al., 2019), our findings support research by Nguyen et al. (2021), Saeed and Sarea (2021), and Handoyo (2020), which report no consistent relationship. This suggests that in the Palestinian context, firm age alone does not drive social disclosure behavior, potentially due to an absence of strong institutional pressures across firm generations.

Profitability (ROA) significantly impact CSRD ($\beta = 0.889$, $p < 0.05$), supporting H3. This implies that firms with stronger financial performance are more likely to engage in and report CSR initiatives, likely as a means to reinforce their legitimacy and sustain stakeholder confidence (Haniffa & Cooke, 2005). The result aligns with prior studies by Cormier

et al. (2005), Hussainey et al. (2011), Oeyono et al. (2011), Gamerschlag et al. (2011), Nawaiseh (2015), and Hapsoro and Sulistyarni (2019), though it contradicts the findings of Kansal et al. (2014) and Reverte (2009), which indicated negative or non-significant effects.

Liquidity has an insignificant negative effect on CSRD ($\beta = -0.011$, $p > 0.10$), thereby H4 is rejected. Contrary to legitimacy theory, which would expect liquid firms to disclose more due to their perceived financial strength (Nguyen et al., 2021), our results suggest otherwise. This aligns with Saeed and Sarea (2021) and Shabirina and Cahyono (2023), who show that highly liquid firms may deprioritize social disclosures in favor of internal financial obligations.

The association between financial leverage and CSRD is positive, however insignificant ($\beta = 0.033$, $p > 0.10$), thus H5 is rejected. This result supports previous findings suggested by Reverte (2009), Fahad and Nidheesh (2020), Saeed and Sarea (2021), Respati and Oktaviani (2022) and Shabirina and Cahyono (2023) which reported no clear relationship between leverage and CSRD. It contrasts the expectations of legitimacy and agency theories (Laksmi & Hanin, 2022; Febriyanti et al., 2023), and the results obtained by Salehi et al. (2019), which found leverage to be significant. In the Palestinian context, this may reflect a limited influence of creditor expectations on disclosure practices.

The study results provide new insights into the determinants of CSRD in a developing and fragile economy. Consistent with stakeholder and legitimacy theories, we find that firm size and profitability significantly influence disclosure practices, supporting prior findings in developed-country settings and extending them to the Palestinian context. Larger and more profitable firms appear more motivated to dis-

close CSR information, both to address stakeholder demands and to reinforce legitimacy under conditions of institutional fragility. The positive association between firm size, profitability, and CSRD suggests that resource availability and visibility play an important role in driving disclosure. Managers of smaller and less profitable firms, therefore, need to recognize that proactive CSR reporting can serve as a low-cost strategy to strengthen legitimacy, attract investors, and build stakeholder trust. Even in resource-constrained environments, selective disclosure on key stakeholder issues (e.g., customer service or employee welfare) may enhance firm reputation and competitiveness.

By contrast, the findings on liquidity, age, and leverage deviate from some earlier studies, suggesting that financial structure may play a less consistent role in shaping CSRD in Palestine. This inconsistency highlights the importance of contextual factors: in fragile economies, resource constraints and political instability may overshadow the signaling role of liquidity and debt. These findings refine theoretical expectations by showing that firm characteristics do not operate uniformly across institutional environments.

This study advances the literature in three main ways. First, it extends stakeholder and legitimacy theories to a developing and fragile economy context, demonstrating how firm-level characteristics interact with weak institutional settings to shape CSR disclosure. This complements existing evidence from developed economies, where disclosure is more strongly shaped by regulation. Second, the study moves beyond governance-focused analyses in Palestine (e.g., Barakat et al., 2015; Zaid et al., 2019) by directly examining firm-specific attributes as primary explanatory variables rather than secondary controls. This shift highlights the theoretical importance of firm-level heterogeneity in explaining CSRD in under-researched settings. Third, by comparing find-

ings across profitability, size, liquidity, leverage, and age, this research identifies where theoretical predictions are robust and where they require refinement. In particular, the non-significant effects of liquidity and leverage suggest that stakeholder and legitimacy pressures dominate financial-structure influences in fragile economies, pointing to boundary conditions for existing theories.

The control variable, audit quality, shows a strong and statistically significant positive relationship with CSRD ($\beta = 0.095$, $p < 0.01$). Firms audited by Big Four firms tend to report more extensively on CSR, likely due to higher pressure for transparency and stricter audit standards. This result confirms prior evidence Omar & Alkayed (2021), Saeed and Sarea (2021), Welbeck et al. (2017), and Hammami and Hendijani Zadeh (2020), and reinforces the idea that external assurance contributes to enhanced credibility and stakeholder trust.

Additional Analysis

To boost the robustness and validity of the study results, additional analyses were conducted in line with recommendations from prior literature (Gnyawali & Song, 2016; Granado-Peiró & López-Gracia, 2017). Employing robustness checks is common practice in CSR research to ensure the consistency of results across alternative specifications.

Several prior studies have applied such tests (e. g. Hoshino, 2018). Consistent with this approach, the current study performs two robustness tests:

- (1) An additional analysis using CSRD quality as an alternative dependent variable, and
- (2) A component-level breakdown of CSRD to explore firm characteristics' influence on individual disclosure categories.

Robustness Test 1: CSRD Quality

While the main analysis used a dichotomous score to identify the level (extent) of CSRD, this test employs a more accurate metric to assess disclosure quality, as proposed by Omar and Alkayed (2021). This model uses a four-level scale where disclosure is rated from 0 to 3. A score of 0 indicates no disclosure at all, while 1 is assigned to general or vague qualitative statements. A score of 2 reflects more specific and detailed qualitative information, such as policies or objectives, and 3 is given when the disclosure includes clear monetary values or quantitative indicators.

To examine the drivers of CSRD quality, the same independent variables are used, and a pooled OLS fixed effects model is applied with year fixed effects.

The results, illustrated in Table 8, show that firm size continues to exert a significant positive impact on CSRD, represented by quality ($\beta = 0.0159$, $p < 0.01$). This finding reinforces the interpretation that larger firms face greater public visibility and thus invest more effort not only in disclosing CSR activities, but also in presenting them with greater clarity and completeness.

However, profitability, which was significant in the main model, becomes statistically insignificant in this test. One possible explanation is that while profitable firms are more likely to involve in and report CSR initiatives, they do not necessarily invest in high-quality disclosure practices. Profitability may be more strongly linked to the decision to disclose rather than to how that disclosure is presented. This finding reflects the subtle distinction between quantity and quality, and suggests that financial performance does not guarantee transparency depth or precision.

The other variables (firm age, liquidity, and finan-

cial leverage) remain insignificant, consistent with the earlier model. These results further support the view that these firm characteristics, in the Palestinian context, are not main drivers of CSR disclosure behavior, whether in terms of scope or presentation. Institutional and regulatory factors may dilute the expected influence of age and financial structure on reporting practices.

The audit quality variable maintains a significant positive impact on CSRD quality. This reaffirms the role of external assurance in encouraging more structured and credible CSR reporting. Firms audited by Big Four firms may be held to higher disclosure standards or may receive guidance that emphasizes the inclusion of specific detail. This outcome mirrors findings in the main analysis.

Table (8): Pooled OLS regression of CSRD quality

VARIABLES	
FSIZE	0.016*** (0.006)
FAGE	-0.009 (0.019)
PROF	-0.154 (0.249)
LIQ	-0.0049 (0.0049)
FLEV	0.0049 (0.028)
AUDQ	0.060** (0.024)
YEAR fe	YES
Constant	-0.099 (0.124)
Obs.	209
R-squared	0.108
Max. VIF	3.4
Jarque-Bera	3.32
Probability	0.12
Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1	

Robustness Test 2: Thematic disaggregation of CSRD

To further assess the robustness of the main findings, the overall CSRD index was disaggregated into four sub-themes: environmental (ENV), human resources (HR), community involvement (CI), and product and customer service quality (PCS). This thematic breakdown allows for a closer examination of how firm characteristics influence specific areas of CSR disclosure. The dependent variables in each model were computed as the proportion of disclosed items within the relevant sub-index, and the models were estimated using pooled OLS regressions, incorporating year fixed effects to account for time-specific influences.

The results confirmed that firm size and audit quality consistently and positively influence disclosure across most themes, reinforcing their role as core drivers of CSR transparency.

Profitability showed a significant positive effect on all themes except product/service, suggesting a selective use of CSR for reputational signaling. Firm age was only significant in community involvement, while liquidity had a negative effect solely in the human resources model. Financial leverage remained insignificant across all themes, mirroring the main model.

These findings demonstrate the robustness of the original results, while also highlighting nuanced variation across CSR dimensions, emphasizing the need to analyze CSR disclosure both in aggregate and by specific content area.

Table (9): Determinants of thematic CSRD by component

variable	(1) ENV	(2) HR	(3) CI	(4) PCS
FSIZE	0.018** (0.010)	0.046*** (0.010)	0.072*** (0.015)	0.063*** (0.013)
FAGE	-0.000 (0.047)	-0.003 (0.030)	0.096** (0.047)	-0.057 (0.047)
PROF	0.915** (0.376)	0.843** (0.380)	0.962** (0.504)	0.804 (0.548)
LIQ	0.002 (0.010)	-0.017** (0.008)	-0.014 (0.013)	-0.017 (0.012)
FLEV	-0.046 (0.029)	0.043 (0.098)	0.082 (0.119)	0.088 (0.131)
AUDQ	0.120*** (0.037)	-0.005 (0.0328)	0.181*** (0.049)	0.146*** (0.047)
YEAR fe	YES	YES	YES	YES
Constant	-0.173 (0.249)	-0.343** (0.161)	-1.281*** (0.256)	-0.555** (0.237)
Obs.	209	209	209	208
R-squared	0.109	0.209	0.304	0.274
Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.				

5 Conclusion

This study examined how various firm-level attributes, including size, age, profitability, liquidity, and leverage, influence the level of CSR disclosure among companies listed on the Palestine Exchange during the period from 2018 to 2022. The study also included audit quality as a control variable, given its relevance to disclosure practices. Grounded in legitimacy theory and supported by insights from stakeholder, agency, and signaling theories, the research aimed to provide empirical evidence from an under-explored institutional context.

The key results indicate that both firm size and profitability have a clear and statistically significant positive effect on CSR disclosure. This implies that larger and more financially successful companies are more likely to report on their social responsibility efforts, likely as a response to greater public attention and a desire to strengthen their legitimacy. In contrast, firm age, liquidity, and financial leverage did not show any significant influence on CSR disclosure levels. How-

ever, audit quality consistently demonstrated a strong positive relationship with both the extent and quality of disclosure, highlighting the importance of external auditing in promoting greater transparency.

The robustness of these findings was tested through two complementary analyses. First, the study used an alternative measure of CSRD quality, which confirmed the significance of firm size and audit quality, but revealed that profitability lost its explanatory power when disclosure depth and specificity were considered. Second, a thematic disaggregation of CSRD into four components (environmental, human resources, community involvement, and product/service quality) showed that firm size and audit quality remained influential across most dimensions, while other variables demonstrated theme-specific effects.

From a theoretical perspective, the findings enrich existing CSRD literature by confirming, extending, and contextualizing earlier results. The positive influence of firm size and profitability on disclosure supports prior evidence from developed markets (Reverte, 2009; Branco & Rodrigues, 2008; Cormier et al., 2005), while extending these relationships to the fragile institutional context of Palestine. Conversely, the insignificant effects of leverage and liquidity differ from those reported by Zaid et al. (2019) and Alshbili et al. (2020), suggesting that in weaker institutional environments, legitimacy and stakeholder pressures may outweigh financial signaling motives. Accordingly, this study refines the theoretical assumptions of stakeholder and legitimacy theories by demonstrating their interaction within a developing economy setting.

The study's findings carry important implications on both theoretical and practical levels. Theoretically, the study confirms the utility of legitimacy theory in explaining CSR behavior in developing markets, while also showing the selective explanatory power of

agency, stakeholder, and signaling theories. By adopting an integrated theoretical lens, this study demonstrates that CSR disclosure is shaped simultaneously by social legitimacy pressures and by firms' strategic signaling motives. This holistic interpretation contributes to the literature by showing how multiple theoretical perspectives can jointly explain disclosure practices in developing contexts. Practically, the results offer actionable insights for multiple actors. Policymakers can use this evidence to justify introducing more structured reporting guidelines or mandatory disclosure policies. Given their aim to enhance transparency, they should consider providing targeted support and incentives for smaller and less profitable firms that face resource constraints in adopting CSR practices. This could include capacity-building programs, simplified disclosure guidelines, or recognition schemes to encourage voluntary reporting. Additionally, regulatory bodies could design phased or proportionate disclosure requirements that take firm size into account, thereby encouraging broader participation without overburdening smaller firms. Managers of smaller and less profitable firms, therefore, need to recognize that proactive CSR reporting can serve as a low-cost strategy to strengthen legitimacy, attract investors, and build stakeholder trust. Investors benefit from improved disclosure quality as it reduces information asymmetry and aids in making informed decisions, particularly in markets with limited enforcement infrastructure. Auditors, especially those from Big Four firms, appear to play a vital role in determining CSRD, reinforcing the importance of external oversight in voluntary reporting environments. From a developmental perspective, improved CSRD has the potential to reduce information asymmetry, enhance accountability, and strengthen investor confidence in fragile economies. By linking disclosure practices to both firm characteristics and institutional incentives, this study underscores the need for collaborative efforts between managers and policymakers

to foster more consistent and credible CSR reporting.

This research makes several original contributions. First, it extends the body of CSRD research by offering evidence from Palestine, an underdeveloped country with unique socio-political and regulatory conditions. Second, it integrates both disclosure quantity and quality in a single framework, a dimension often overlooked in regional studies. Third, it contributes to the methodological literature by applying multiple robustness tests, including thematic disaggregation, to validate and deepen the interpretation of results. Finally, the study's incorporation of audit quality as a control variable enriches the discussion on external influences on CSR behavior, offering new insight into the audit–disclosure nexus in frontier markets.

While the findings provide useful insights, several limitations should be acknowledged. First, the analysis relied solely on annual reports, potentially overlooking CSR activities disclosed through other channels such as company websites, press releases, or standalone sustainability reports. Future studies could adopt a multi-source approach to capture a fuller picture of disclosure practices. Second, the study did not control for industry-specific effects, which may influence disclosure due to varying environmental exposure or stakeholder pressure. Including sector-level dynamics would help refine understanding of disclosure patterns.

Third, although the dataset covers multiple years, the focus of this study was primarily on firm-level determinants of CSRD, without delving into the mechanisms through which these determinants operate. Future research could investigate mediating or moderating factors such as board diversity, CEO characteristics, audit quality, or stakeholder engagement processes to uncover the pathways linking firm characteristics to disclosure.

Fourth, the single-country sample limits the generalizability of the findings. While the Palestinian context provides unique insights into disclosure in fragile institutional environments, comparative studies across MENA countries or other developing economies could highlight contextual variations and test the boundary conditions of stakeholder and legitimacy theories. Fifth, certain relevant financial and governance variables — such as audit fees or board independence — were excluded due to data unavailability, despite their known relevance. Incorporating these variables in future work would enrich theoretical interpretations.

Finally, although the study adopted a panel design, it does not fully capture the dynamic or causal relationships underlying disclosure practices. Longitudinal designs focusing on post-conflict or regulatory reform periods could provide deeper insight into how institutional shifts shape CSRD trends over time. Similarly, examining stakeholder responses — such as investment behavior or public trust — would broaden the scope from determinants of disclosure to its broader consequences.

By acknowledging these limitations, this study provides a foundation for future research that can deepen theoretical understanding, refine methodological approaches, and generate more comprehensive insights into CSRD in fragile and developing economies.

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