



Enhancing Firm Value of Palestinian Public Listed Companies through Intellectual Capital Performance and Disclosure

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ABSTRACT

Public listed companies in Palestine are enhancing their corporate governance practices, particularly following the introduction of the Code of Corporate Governance in 2009. This development presents an opportunity to boost firm value through various avenues, including intellectual capital. This paper explores the role of intellectual capital in increasing firm value within Palestinian public listed companies. Using a descriptive-analytical methodology, the study examines data from 12 years of annual reports (2011-2022) of listed corporations, employing STATA version 16 for analysis. The findings reveal that components of intellectual capital performance (HCE, SCE, CEE) and intellectual capital disclosure (HCD, SCD, CED) have direct influences on firm value. The research emphasizes the need for companies to focus on enhancing employee skills through effective training, leading to better resource utilization. This paper contributes to understanding how specific aspects of intellectual capital can serve as tools for management to assure stakeholders and enhance overall firm value.

Keywords: Intellectual Capital, Firm Value, Public Listed Companies, Intellectual Capital Performance, Intellectual Capital Disclosure

JEL Classifications: M40, M41

1. INTRODUCTION

The transition from tangible capital to intangible capital (IC) in a knowledge-based economy has resulted in significant changes regarding value creation. At the heart of this transformation lies the importance of IC as a key component of intangible assets, which plays a crucial role in generating value (Al-Khoury et al., 2022; Dženopoljac et al., 2016). Besides contributing to increased firm value (FV), IC assets have become a crucial element in gaining a competitive edge over rivals. As a result, companies have shifted their attention from tangible capital to IC, recognising the significance of IC in achieving sustainable competitive advantage (Garanina et al., 2021).

It is undeniable facts that FV is one of a major concern for both shareholders and management. The academic researchers revealed that the IC has no agreement regarding the definition, measurement,

and framework. This is due to the IC nature that is characterised as intangible nature, and subjective factors which may lead to difficulty to assess. Moreover, previous studies have opened up new opportunities to explore additional factors that influence the relationship between IC and FV (Ali and Anwar, 2021; Chowdhury et al., 2019; Gul et al., 2022; Lukman and Tanuwijaya, 2021; Rahman et al., 2020; Subaida and Mardiaty, 2018).

Therefore, to maintain FV's competitive advantage and enhance their economic worth, businesses now need to place greater reliance on their IC. IC has a direct influence on a company's financial performance and FV. Consequently, the specific characteristics of IC have the most significant effect on a company's performance, shaping the ideal composition of IC. It is unwise to invest in IC without a clear understanding of which aspects of IC contribute to a company's financial performance and overall value. It is essential to rely on empirical literature to uncover these insights before

making informed investment decisions related to IC (Chen et al., 2005; Maditinos et al., 2011; Mondal and Ghosh, 2012; Nawaz and Haniffa, 2017; Nimtrakoon, 2015).

The disclosure of information about intangible assets by management, IC sends a positive message to the capital market. It is important for financial markets and other external stakeholders to have access to this information to gain a better understanding of the company's competitive position, IC information is crucial (Ulum, 2015). However, the objective of reporting on intangibles is to provide investors with information about the company (Solikhah et al., 2020). There is a positive correlation between IC and corporate success (Dashti, 2016). Ulum (2015) asserts that IC has a beneficial effect on the FV. Additionally, Gomes et al. (2019) discovered that both IC and the financial performance of the company have a positive impact on FV.

From Palestinian context, since the introduction of the Palestinian Code of Corporate Governance (PCCG) in 2009, only a limited number of listed companies, especially those in non-financial sectors have achieved full compliance with the PCCG (Anastas, 2017). Consequently, it is essential to evaluate the level of commitment among Palestinian public-listed companies in implementing the rules of the code and conducting comprehensive assessments to enhance its effectiveness (Anastas, 2017). Hence, studies on IC research and practices in Palestine are still scarce.

Thus, this article focuses on the concept of IC for public-listed companies in Palestine by concentrating on intellectual capital performance (ICP) and intellectual capital disclosure (ICD) and its impact on FV. The remainder of this paper is organised as follows. Section 2 discuss and summarises the literature regarding IC and its components (ICP and ICD), FV and relationship between IC and FV. Section 3 highlights the methodology employed for the study. While, Section 4 discuss the results. Section 5 concludes the paper with a summary, limitations, implications, and avenues for future research.

2. LITERATURE REVIEW

2.1. Intellectual Capital (IC)

2.1.1. Intellectual capital performance (ICP)

The companies that can thrive are those that swiftly transition from labour-intensive business to knowledge-based business, transforming their core characteristics to become organisations rooted in scientific principles (Yudawisastira et al., 2018). ICP represents the collective knowledge and information within businesses or organisations. Unlike financial investments, ICP plays a crucial role in enhancing the value of goods and services (Allameh, 2018).

ICP is an essential asset that contributes significantly to a company's sustainable growth and creation of value over time (Chowdhury et al., 2019). Several studies have highlighted the significance of ICP in enhancing FV. As an intangible asset, ICP has been shown to play a crucial role in efficiently and effectively driving a company's high performance leading to increased

FV (Soewarno and Tjahjadi, 2020). Since then, a considerable amount of research has been conducted on the topic of ICP development.

Furthermore, Pramathana and Widarjo (2020) pointed to Barney (1991), according to the resource-based view theory, ICP may provide value to companies and is regarded as a resource that no other organisation possesses. Companies that have a high IC intensity will thus do well. In addition, in the same perspective, it demonstrates that ICP has a significant potential to enhance business performance and strengthen the national economy (PT Bursa Efek Indonesia, 2015).

Moreover, Vodenko and Lyausheva, (2020) claimed that the science and education system referred that ICP determines a factor production, but that human knowledge does not necessarily have to predominate in the structure because in industry, one of the most prominent factors is technology with a broad practical perspective and implementation. ICP considered as the total collection of intangible assets and knowledge that organisations can utilise to generate value. When knowledge is seen as an intangible asset, it represents a possession or property of the organisation, encompassing human, structural and capital elements (Al-Khoury et al., 2022).

Therefore, based on the above arguments, components of ICP include human capital efficiency (HCE), structural capital efficiency (SCE), and capital employment efficiency (CEE) to provide more context. HCE is based on the idea that human capital, which includes a variety of factors such as skills, knowledge, education, and experience, is an important determinant of an individual's economic value (Dahiyat et al., 2021; Martín-de-Castro et al., 2011). Moreover, HCE is considered an essential part of a company's ICP, also personal characteristics such as education, leadership, motivation, risk awareness, creativity, expertise, problem-solving, and abilities all contribute to an individual's human capital. HCE is a type of knowledge that is inherent in nature (Cabrillo and Dahms, 2018; Ramadan et al., 2017). According to (Gates and Langevin, 2010), HCE is considered the most valuable component of ICP.

Meanwhile, SCE refers to the building up of knowledge that includes structural, physical and human capital (Nourani et al., 2018). Building up knowledge can result in the creation of SCE, which can then become the property of an organisation (Sydler et al., 2014). SCE consists of intellectual assets including permits, trademarks, and patents as well as organisational cultures and skills. As a result, SCE sits at the ICP's last node to bring about the outcomes. Therefore, financial plans should improve both the SCE and HCE of these companies (Nourani et al., 2018).

In addition, Pramathana and Widarjo (2020) added that SCE is the efficiency of a company's ability to create infrastructure, and it is the component that has the strongest influence on the companies' financial performance. Additionally, SCE consists of the company's entire system, structure, and procedures, which support the company's financial performance by containing things like its plans, databases, and various corporate approaches

(Nazir et al., 2021). Besides, Li and Zhao (2018) found that SCE has a significant impact on financial performance in Chinese organisations that are both labour- and capital-intensive. Based on the foregoing, Nimtrakoon (2015) discovered by comparative study a direct link between financial success and ICP.

While, CEE is a key component of ICP and is also known as relational capital it helps companies maintain positive relationships with stakeholders such as customers, suppliers, employees, and creditors, which in turn contributes to the ability to generate revenue. Efficient use of CEE can improve a company's performance. It encompasses all the physical and financial resources that a company uses to conduct its operations (Chowdhury et al., 2019).

To shed light on the impact of CEE on the financial performance of companies, the results of the study by Welly et al. (2021) showed that CEE has a positive and significant impact on financial performance. If the CEE is higher, the higher the company's return on equity, so this can create stakeholder confidence in the company. Moreover, CEE as one of ICP components has a significant impact on key profitability metrics but little impact on company productivity. The findings suggest that to increase financial performance and productivity and acquire a competitive advantage, businesses need to invest in cutting-edge technology, cutting-edge equipment and well-equipped offices (Gul et al., 2022). In addition, return on equity (ROE) and return on assets (ROA) will rise if the business increases its CEE. On the other hand, Yudawisastra et al. (2018) indicated that ROA is unaffected by CEE.

2.1.2. Intellectual capital disclosure (ICD)

According to Gobel et al. (2020), the term ICD refers to the combined intangible resources of an organisation, including intellectual property, knowledge, employees, and infrastructure, which are crucial for its effective functioning. Sharing information about ICD is considered valuable for stakeholders of the company (Dey and Faruq, 2019). Additionally, ICD is seen as an important tool for evaluating business performance and company worth. However, it is important to acknowledge that ICD cannot completely replace financial disclosure (Birindelli et al., 2020).

On the other hand, the value of ICD is determined by its impact on the investment decisions made by investors (Alfraih, 2017; Anifowose et al., 2017; Dashti, 2016; Ferchichi and Paturel, 2013). ICD is considered one of the crucial pieces of information in the financial market, as it helps to elucidate the rising FV of an organisation. When IC is disclosed, it tends to enhance the interest of investors and creditors, thereby bolstering their confidence in making investment decisions (Ferchichi and Paturel, 2013).

Furthermore, ICD pertains to the practice of organisations sharing information about their IC to meet the information requirements of users that are not typically covered by conventional reporting frameworks (Abeysekera, 2010). According to Abhayawansa and Guthrie (2016), ICD as the provision of information regarding an organisation's IC to address the information needs of stakeholders that are not typically encompassed in traditional

financial reports. This ICD comprises three essential elements: Human capital disclosure (HCD), structural capital disclosure (SCD) and relational capital disclosure (RCD). These elements represent various types of intangible assets and resources owned by the organisation (Benevene and Cortini, 2010; Boujelbene and Affes, 2013; Cabrita and Bontis, 2008; Gomes et al., 2019; Gobel et al., 2020).

HCD refers to skilled and knowledgeable individuals within an organisation have a profound impact on innovation, efficiency, and the services provided by a company (Aziz, 2023; Zhao and Abeysekera, 2023). Scholars have highlighted that HCD is relatively significant when compared to other ICD types. The reason is its undeniable role in company success and employee competency which builds FV (Garanina et al., 2021). HCD significance by companies is normally lower than other ICD types such as SCD and RCD and has become an asset that is often forgotten by the company because companies, in general, see labour as a load for the company, and not as a company's asset (Vitolla et al., 2020). Uddin et al. (2023) argued that HCD provides valuable information that facilitates decision-making for companies.

SCD pertains to the infrastructure and intangible assets of a company that contribute to the effective utilisation of its HCD. When a company discloses its SCD, it signifies the quality of its internal processes, systems and practices for managing knowledge. This disclosure improves the transparency and credibility of the company, reducing uncertainty and risk and consequently lowering the cost of capital as demonstrated (Mondal and Ghosh, 2012). Moreover, disclosing SCD provides stakeholders with information about the company's intangible assets, such as intellectual property, patents and trademarks, highlighting its competitive advantage and aiding in the protection of these assets (Singhania and Eastern, 2023).

RCD refers to the act of disclosing information about the asset known as relational capital, which is formed through establishing relationships with external stakeholders (Hatane et al., 2019). RCD encompasses the relationships between a company and its customers, suppliers, government entities, business partners within the industry (Hatane et al., 2019). Certainly, RCD refers to the connections and interactions a company has with external stakeholders, including customers, suppliers, shareholders, partners and allies. It is important to highlight that there is an ongoing discourse surrounding the concept of ICD and its significance in value creation (Bchini, 2015). The significance of RCD lies in the quality of relationships it encompasses, including the ability to foster partner satisfaction, trust, and loyalty among customers and employees (Al-Husseini, 2023).

2.2. Firm Value (FV)

FV is the total market value of both the debt and equity securities of a company (Dermawan et al., 2014). FV represents how investors perceive the level of success achieved by a company and is closely tied to its share price (Sutrisno, 2020). When there is a high demand for shares, the share price increases, resulting in an increase in FV (Nasution et al., 2023).

FV is demonstrated through its market price and becomes relevant in the context of a takeover, where it represents the price, one would need to pay to acquire the company (Gamayuni, 2015). It is also the amount that a potential buyer would be willing to pay if the company were to be sold (Niar, 2018). FV represents the present worth of expected future earnings and serves as a gauge for the market in evaluating the overall performance of a company (Sadi'ah, 2018). High FV is desired by company owners as it leads to maximum wealth for shareholders (Swat et al., 2015).

The importance of FV in maximising shareholder wealth remains as a key focus. Recent research highlights the strong link between FV and shareholders' financial returns, emphasising the critical role of firm value in generating wealth for shareholders (Mollah and Rouf, 2022; Xu et al., 2022). Enhancing the value of a company is crucial for the benefit of both shareholders and stakeholders. This entails improving shareholder wealth and catering to the interests of other stakeholders. Therefore, it is essential to comprehend the factors that impact a company's value to strengthen its overall worth (Dermawan et al., 2014).

In addition, Hasanah and Lekok (2019) state that the primary objective of companies is to enhance the wealth of their shareholders. Consequently, shareholders desire a high FV as it signifies a higher level of prosperity for them. In this study, FV will be measured using market capitalisation (MCAP). MCAP is calculated by multiplying the share price by the number of shares outstanding at the end of the financial period (Abdolmohammadi, 2005; Ousama and Fatima, 2015; Rabaya et al., 2020).

Moreover, Gomes et al. (2019) highlights that when companies release more information about their IC, FV will consequently rise. In an economy driven by knowledge, the traditional approach to measure FV is no longer sufficient, and it is necessary to consider and recognise intangible assets, such as IC to assess FV (Ali and Anwar, 2021; Gul et al., 2022; Xu et al., 2022). Moreover, Al-Musalli and Ismail (2012) and Nimtrakoon (2015) found a positive correlation between IC and the value of the company.

2.3. Intellectual Capital (IC) and Firm Value (FV)

2.3.1. Intellectual capital performance (ICP) and firm value (FV)

The effect of ICP on FV varies depending on the stage of the business life cycle. In the initial phase, the components of ICP have a favourable influence on FV. During the growth and maturity stages, all ICP components contribute to enhance FV. At the revival stage, HCE and SCE play a crucial role, while only HCE has a positive impact on FV during the decline stage (Xu et al., 2022).

Meanwhile, a study by Olarewaju and Msomi (2021) revealed a notable and positive correlation between past return on assets, IC, and financial performance. Among the different aspects of ICP, HCE and SCE displayed a significant and positive association with return on assets. However, CEE exhibited an inverse relationship with return on asset.

Regarding the three components of ICP which are HCE, SCE and CEE, (Nimtrakoon, 2015) explored how they affected the FV of

five ASEAN countries. The findings indicated that ICP and its components have a beneficial impact on FV and performance. The most important factors are HCE and CEE, while SCE has a less substantial impact on the value and performance of the company.

According to Mondal and Ghosh (2012), HCE is the factor that most significantly affects the performance as a whole, whereas CEE and SCE are determined to have less of an impact on bank performance. As a result, it is anticipated that market participants may have varied perceptions of the significance of various ICP components about business value. Thus, this study will examine each component of ICP independently because they are predicted to have a positive relationship with FV.

Nonetheless, Ali and Anwar (2021) found that a company's turnover, size, age, and asset size had a positive effect on its performance. However, real assets and return on assets had a negative correlation to performance. In addition, there is a positive correlation between a company's economic and business size and its earning potential. Moreover, value and long-term viability of a business also had a positive effect on conservative investment policies (Ali and Anwar, 2021).

Meanwhile, Bchini (2015) supported the notion that the components of ICP (HCE, SCE and CEE) have a positive and statistically significant relationship with value creation in Tunisian manufacturing companies. Ridhuan (2020) concluded that HCE and SCE were positive associations with FV, while CEE was not significant. Based on the above conceptual framework, our first hypothesis (H1) and sub-hypotheses are therefore stated as follows:

- H_1 : There is a significant positive association between intellectual capital performance (ICP) and firm value (FV)
- H_{1a} : Human capital efficiency (HCE) is positively associated with firm value (FV)
- H_{1b} : Structural capital efficiency (SCE) is positively associated with firm value (FV)
- H_{1c} : Capital employed efficiency (CEE) is positively associated with firm value (FV).

2.3.2. Intellectual capital disclosure (ICD) and firm value (FV)

Ulum (2015) highlights that the ICD plays a crucial role in sending a favourable signal to the capital market. When management shares information about intangible assets, it helps create a positive impression. Additionally, emphasises the importance of ICD in enabling financial markets and external stakeholders to gain a better understanding of the company's competitive position. The purpose of reporting on intangible assets is to offer investors information about the company (Solikhah et al., 2020).

ICD has been found to have a positive association with corporate success and FV (Dashti, 2016). Ulum (2015) also indicates that ICD has a positive effect on the FV. Furthermore, it has been discovered that both ICD and the financial performance of the company positively influence the FV (Gomes et al., 2019).

According to Salvi et al. (2022) reveals that the provision of information about HCD has implications for both the cost of capital and FV. Disclosing HCD information has been found to have a

significant and negative impact on the cost of capital, leading to a decrease in its value. However, it has a positive effect on FV. This suggests that companies can reduce investors' perception of risk associated with the company by enhancing the disclosure of HCD information, thereby resulting in a decrease in the cost of capital.

Furthermore, higher levels of HCD are associated with an improved ability for companies to attract external financial resources, which ultimately enhances their overall value. Moreover, Salvi et al. (2020) emphasise a significantly positive relationship between SCD and other components of ICD and FV. These findings have important implications for reporting entities, investors, regulators and managers.

However, studies suggest that the disclosure of RCD, as well as factors such as company size and leverage, can influence the FV. Specifically, there is evidence of a negative correlation between the disclosure of RCD and FV. Moreover, an increase in the interaction between ICD and the time period has a detrimental effect on FV. Furthermore, companies have the option to utilise alternative communication channels, in addition to the annual report, to showcase their performance in terms of ICD (Hatane et al., 2019). Additionally, from an agency theory perspective, companies choose to disclose information about their intangible assets voluntarily to bridge the knowledge gap between managers and shareholders (Rieg and Vanini, 2023). In summary, the study proposed our second hypothesis (H_2) and its sub-hypotheses are as follow:

- H_2 : There is a significant positive association between intellectual capital disclosure (ICD) and firm value (FV)
- H_{2a} : Human capital disclosure (HCD) is positively associated with firm value (FV)
- H_{2b} : Structural capital disclosure (SCD) is positively associated with firm value (FV)
- H_{2c} : Relational capital disclosure (RCD) is positively associated with firm value (FV).

3. RESEARCH METHODOLOGY

3.1. Data and Samples

This study obtained the study population from the Palestinian public-listed companies which listed on the Palestine Stock Exchange (PEX) for twelve consecutive years of reporting periods from 2011 to 2022 (www.pex.ps). The study selected this period based on several reasons. Firstly, the performance of IC requires higher standards of the organisation of strategic resources to be generated. Financial and non-financial companies are recognised as being knowledge-intensive and relies on IC to generate organisational value (Gho, 2005). Secondly, since PEX requires listed companies update their annual reports to its website, data will be available on the website. Thirdly, the chosen period might have had consistent data available for analysis.

Having data for an extended period could provide a more comprehensive understanding of trends, patterns, and changes within the Palestinian public-listed companies, enabling a more in-depth analysis. Also, a longer period might provide more statistical significance and robustness to the findings. Therefore,

this study employs the panel data set to examine the association between IC and FV. Therefore, this study selected a sample size consisting of 48 financial and non-financial continuously public-listed companies in the main market of Palestinian exchange, with 576 of total observations. Table 1 presents the study population.

3.2. Variables and Measurements

3.2.1. Independent variable-intellectual capital performance (ICP)

This study used the Pulic's model called the value-added intellectual capital (VAIC) to measure ICP. VAIC used in past studies to classify ICP components (Mavridis and Kyrmizoglou, 2005; Ting and Lean, 2009). VAIC is regarded as a proxy for measuring the value creation efficiency of a company's strategic resources, including intangible/tangible assets (Clarke et al., 2011; Tan et al., 2008). VAIC model comprises three components of ICP namely HCE, SCE and CEE as follow:

Humans capital efficiency (HCE) = $VA \div HC$; HC = Total Salaries and Wages

Structural capital efficiency (SCE) = $SC \div VA$; SC = $VA - HC$

Capital employed efficiency (CEE) = $VA \div CE$; CE = Total Assets - Intangible Assets

Value added intellectual capital (VAIC) = $HCE + SCE + CEE$

Where:

VAIC = value added intellectual capital,

HCE = human capital efficiency,

SCE = structure capital efficiency, and

CEE = capital employ efficiency.

3.2.2. Independent variable-intellectual capital disclosure (ICD)

This study will use as disclosure index to measure ICD. A disclosure index is a qualitative-based method used to quantify the amount of information relating to ICD checklists. The function of disclosure index would be realised through giving a surrogate score indicative of the level of disclosure in the specific context. The ICD components are: HCD, SCD and RCD. The checklist of intellectual capital disclosure items that presented in the company's annual report is divided by cumulative score of 37

Table 1: Population of the study

Description	Number of companies	Percentage
Number of companies on the PEX	48	100
Non-financial sector	33	69
Industrial companies	13	27
Services companies	11	23
Investment companies	9	19
Financial sectors	15	31
Banks companies	8	17
Insurance companies	7	14
All population size	48	100
Number of observations (All population×12 years data)	576	

items (Gobel et al., 2017; Solikhah et al., 2020). A disclosure index can be calculated by assigning a point for each item disclosed in the annual report. The final score was determined by adding the points for each item, with the assumption that all items have equal importance, and not weighting them differently. The ICD index is calculated based on Yan (2017) as follows:

$$ICDI = \frac{\sum D}{N} \times 100\%$$

Where:

ICDI = Intellectual capital disclosure index

D = Scored 1 if disclosed; 0 if otherwise

N = Number of total categories in intellectual capital disclosure checklist.

The 37 items of the ICD used for this study is shown in the following Table 2.

3.2.3. Dependent variable-firm value

This study investigates the association between IC and FV. This study utilised company market capitalisation (MCAP) as a means of indicating the value of a company. Abdolmohammadi (2005) define MCAP as the market value of shareholders' equity that is equal to the number of shares outstanding multiplying the price of shares at the end of the financial period. Following past literature, this study uses MCAP that will collect from the company's annual reports (Abdolmohammadi, 2005; Rabaya et al., 2020).

3.3. Research Models

This study uses the STATA software version 16 to answer the study's questions. There are some analysis techniques used for achieving the study purposes, which will be discussed in the upcoming section. In order to control the heterogeneity of the study sample and avoid biased results, the panel data should be used for both cross-sectional and time series analysis, as it could lead to results bias and un-heterogeneity (Klevmarken, 1989).

Therefore, this study used panel data regression containing cross-sectional and time series to obtain more robust, accurate and convenient results. This study also applied panel data regression to test the association among IC and FV. Further, this study applied the panel data regression for moderating factor, since the panel data methodology was used in IC literature (Haji and Ghazali, 2013). Hence, the panel data regression model is as follows:

The effect of ICP and FV:

$$FV_{jt} = \beta + \alpha_1 VAIC_{jt} + \alpha_2 SIZE + \alpha_3 LEV_{jt} + \alpha_5 Sales\ Groth + \alpha_6 Age_{jt} + \alpha_7 MTBV_{jt} + \theta_{jt} \quad \text{Model 1}$$

$$FV_{jt} = \beta + \alpha_1 SCE_{jt} + \alpha_2 SIZE + \alpha_3 LEV_{jt} + \alpha_5 Sales\ Groth + \alpha_6 Age_{jt} + \alpha_7 MTBV_{jt} + \theta_{jt} \quad \text{Model 1a}$$

$$FV_{jt} = \beta + \alpha_1 SCE_{jt} + \alpha_2 SIZE + \alpha_3 LEV_{jt} + \alpha_5 Sales\ Groth + \alpha_6 Age_{jt} + \alpha_7 MTBV_{jt} + \theta_{jt} \quad \text{Model 1b}$$

$$FV_{jt} = \beta + \alpha_1 CEE_{jt} + \alpha_2 SIZE + \alpha_3 LEV_{jt} + \alpha_5 Sales\ Groth + \alpha_6 Age_{jt} + \alpha_7 MTBV_{jt} + \theta_{jt} \quad \text{Model 1c}$$

Where: FV indicates firm value, β stands for the presumed parameters, VAIC indicates value added intellectual capital which measure ICP, HCE indicates Human Capital Efficiency, SCE indicates Structural Capital Efficiency, CEE indicates Capital, InSize indicates the firm size, LEV indicates Leverage, SGrowth indicates Sales Growth, IFE indicates Industry fixed Effect, MtoB indicates Market-to-Book-Value, θ indicates Error term.

The effect of ICD and FV:

$$FV_{jt} = \beta + \alpha_1 ICD_{jt} + \alpha_2 SIZE + \alpha_3 LEV_{jt} + \alpha_5 Sales\ Groth + \alpha_6 Age_{jt} + \alpha_7 MTBV_{jt} + \theta_{jt} \quad \text{Model 2}$$

$$FV_{jt} = \beta + \alpha_1 HCD_{jt} + \alpha_2 SIZE + \alpha_3 LEV_{jt} + \alpha_5 Sales\ Groth + \alpha_6 Age_{jt} + \alpha_7 MTBV_{jt} + \theta_{jt} \quad \text{Model 2a}$$

$$FV_{jt} = \beta + SCD + \alpha_2 SIZE + \alpha_3 LEV_{jt} + \alpha_5 Sales\ Groth + \alpha_6 Age_{jt} + \alpha_7 MTBV_{jt} + \theta_{jt} \quad \text{Model 2b}$$

$$FV_{jt} = \beta + \alpha_1 RCD_{jt} + \alpha_2 SIZE + \alpha_3 LEV_{jt} + \alpha_5 Sales\ Groth + \alpha_6 Age_{jt} + \alpha_7 MTBV_{jt} + \theta_{jt} \quad \text{Model 2c}$$

Where: FV indicates firm value, β stands for the presumed parameters, ICD indicates intellectual capital disclosure, HCD indicates human capital disclosure, SCD indicates structural capital disclosure, RCD indicates relational capital disclosure, InSize indicates the firm size, LEV indicates Leverage, SGrowth indicates Sales Growth, IFE indicates Industry fixed Effect, MtoB indicates Market-to-Book-Value, θ indicates Error term.

4. RESULTS AND DISCUSSIONS

4.1. Descriptive Statistics

The number of observations in this study was 540 company-year observations. There were no missing data, so all the data on the entire sample were available for analysis. The descriptive statistics include the mean, standard deviation, minimum and maximum values. The descriptive statistics of the dependent, independent, and control variables as well as the correlation matrix of the sample are presented in Table 3 below.

Table 3 provides descriptive statistics for FV as the dependent variable across the entire study period (2011-2022) for Palestinian public-listed companies. According to Table 3, the FV ranges from 1,030,000 to 332,000,000, with an average of 62,847,272 and a standard deviation of 98,059,729. The results of the descriptive analysis indicate that, on aggregate, Palestinian public-listed companies maintain a high FV, suggesting favourable economic conditions for these companies.

As for the independent variable (ICP), the value-added intellectual coefficient (VAIC) index was used to measure ICP. The VAIC index ranges from 35.87 to 59.9, with an average of 54.03 and a standard deviation of 5.91. In addition, VAIC was used for measuring HCE, SCE and CEE. It can be observed that the index score ranges for the HCE between 24.06 and 24.06, with a mean of 36.85 and a standard deviation of 4.12. Also, the index score ranges for the SCE between 30.09 and 35.12, with a mean of 33.49 and a standard deviation of 1.13. Furthermore, the index score ranges

Table 2: Intellectual capital disclosure (ICD) items

items	Category	Definition
Human capital disclosure (HCD)		
H ₁	Employee education	Educational programmes organised by a company to give its employees the opportunities to study at schools.
H ₂	Vocational qualifications	Qualifications received by employees, as evidence for their possession of professional skills and knowledge required to do a particular job.
H ₃	Employee engagement	Sense of identity from employees, which reflects the degree that employees would like to dedicate themselves to a company.
H ₄	Union activity	Contents related to the activities of labour unions.
H ₅	Employee thanked	Explicitly expression of thanks to employees for their achievements in their works.
H ₆	Employee featured	Excellent performance of particular employees in a company.
H ₇	Employee involvement in the community	Involvement and performance of employees in community works, for example, charity activities.
H ₈	Employee training	Training programmes provided to employees, both internal and external of the company.
H ₉	Employee development	Opportunities for employees' future career development in a company.
H ₁₀	Succession planning	Contents related to future personnel arrangements, especially for high level management, such as chairman.
H ₁₁	Innovative skills	Achievements of employees that manifest their creativity.
H ₁₂	Equity issues	Fair opportunities are provided to all the employees, regardless of gender, religion, disability and race.
H ₁₃	Employee safety and health	A company has effective actions to protect the safety and health of employees when they are working.
H ₁₄	Skills/know-how	Employees possess the required professional skills and knowledge for their positions.
H ₁₅	Employee work-related competence	Other required competences of employees, such as communication skills, leadership, teamwork, sensitivity and so on.
H ₁₆	Expert seniority	Number of years that executives have worked for the company.
H ₁₇	Senior executive performance and results	Senior executives' achievements for a company performance.
Structural capital disclosure (SCD)		
S1	Management philosophy	The way in which a company is managed, such as strategy and mission of the company.
S2	Corporate culture	The values and beliefs of a company.
S3	Management processes	Contents related to management plans and procedures of operations which can be followed by employees.
S4	Achievements	Clarification of particular achievements of a company.
S5	Information systems	Information systems possessed by a company, such as databases, computer software and hardware and so on.
S6	Networking systems	The media through which a company can better get access to its stakeholders, such as e-mail, newspaper and the internet.
S7	Intellectual property	Intellectual properties which are protected by laws, such as copyrights, trademarks, patents and so on.
S8	Organisation flexibility	The ability that a company can survive in challenging environment.
S9	Organisation learning	The ability of a company to learn from its prior experience and to make improvements in the future.
S10	Research and development	Investments in things like products and projects to create future growth potential for a company.
Relational capital disclosure (RCD)		
R1	Brands	Contents related to the brands of a company
R2	Customers	Customer base of a company, which is supported by loyalty and confidence of customers
R3	Company names	The influence and reputation of a company's name perceived by stakeholders in the marketplace.
R4	Favourable contracts	Contracts are successfully obtained by a company, thanks to its dominant position in the market.
R5	Market share	The market shares of a company.
R6	Distribution channels	The processes through which a company distributes its products and services to customers.
R7	Business collaborations	Partnerships with other companies in the process of producing products and rendering services to customers.
R8	Licensing agreements	The agreements arrived with other organisations, which promise to provide products and services to these organisations.
R9	Franchising agreements	The contract given to franchisees to sell the products and services of the company.
R10	Financial relations	A company's relationships with its investors, creditors and other financial backers.

for the CEE between 0.59 and .87, with a mean of 31.79 and a standard deviation of .07. So, the rise in the VAIC in Palestinian public listed companies indicates improved efficiency in utilising IC, leading to enhanced innovation, better financial performance and increased overall value creation.

As for the other independent variable (ICD) and its components (HCD, SCD, RCD), the index score ranges for the ICD between 0.190 and 0.68, with a mean of 0.402 and a standard deviation of 0.10. So, the increase in ICD in Palestinian public listed companies signifies greater transparency and communication about their intellectual assets, which enhanced investor confidence and reflected a more strategic focus on intangible value.

Finally, Table 3 presents the descriptive statistics for the control variables. The firm size index ranges from 14.33 to 22.30, with an average of 17.73 and a standard deviation of 2.06. Leverage ranges from 0.01 to 15.73, with an average of 2.10 and a standard deviation of 3.253. Sales growth ranges from -1.00 to 1.32, with an average of 0.08 and a standard deviation of 0.43. The age of companies ranges from 0.45 to 69 with an average of 24.22 and a standard deviation of 13.29. The Market-to-Book-Value (MtoB) index ranges from 0.14 to 2.43, with an average of 0.93 and a standard deviation of 0.51. These results indicates that the increases in firm size, leverage, sales growth, age and MtoB among Palestinian public listed companies suggest expansion and growth, potentially leading to greater market influence and economies of scale.

Table 3: Descriptive Statistics

Variables	Obs	Mean	Median	Min	Max	Std. Dev.
FV	540	12,847,272	16,560,000	1,030,000	33,200,0000	2,059,729
ICP	540	54.03	55.66	35.87	59.95	5.91
HCE	540	36.85	38.04	24.06	40.81	4.12
SCE	540	33.49	33.58	30.09	35.12	1.13
CEE	540	31.79	0.82	0.59	0.87	0.07
ICD	540	0.40	0.41	0.19	0.68	0.10
HCD	540	0.47	0.47	0.18	0.82	0.16
SCD	540	0.31	0.3	0.10	0.9	0.12
RCD	540	0.35	0.4	0.10	0.7	0.11
lnSize	540	17.73	17.31	14.33	22.30	2.06
LEV	540	2.11	0.57	0.01	15.73	3.25
Sgrowth	540	0.08	0.02	-1.00	1.32	0.43
Age	540	24.22	22	0.454	69	13.29
MtoB	540	0.93	0.82	0.14	2.43	0.51

FV=Firm Value; ICP=Intellectual Capital Performance; HCE=Human Capital Efficiency; SCE=Structural Capital Efficiency; CEE=Capital Employed Efficiency; ICD=Intellectual Capital Disclosure; HCD=Human Capital Disclosure; SCD=Structural Capital Disclosure; RCD=Relational Capital Disclosure; Size=Company Size; Leverage=Company Leverage; Growth=Sales Growth; Age=Company Age; MtoB=Market-to-Book-Value.

Table 4: Pairwise correlations for the dependent and independent variables

Variables	FV	ICP	HCE	SCE	CEE	ICD	HCD	SCD	RCD	Size	Leverage	Growth	Age	MtoB
FV	1.000													
ICP	0.117*	1.000												
HCE	0.193*	0.697*	1.000											
SCE	0.094*	0.429*	-0.041	1.000										
CEE	0.044	0.292*	0.433*	-0.178*	1.000									
ICD	-0.268*	-0.096*	-0.132*	-0.069	-0.009	1.000								
HCD	-0.210*	-0.038	-0.038	-0.086*	0.014	0.636*	1.000							
SCD	-0.202*	-0.143*	-0.173*	-0.076	-0.052	0.628*	0.206*	1.000						
RCD	-0.182*	-0.100*	-0.167*	-0.024	0.037	0.679*	0.284*	0.615*	1.000					
lnSize	0.705*	0.059	0.186*	0.039	0.142*	-0.300*	-0.211*	-0.226*	-0.230*	1.000				
Leverage	0.627*	0.092*	0.157*	0.060	-0.028	-0.277*	-0.147*	-0.269*	-0.260*	0.721*	1.000			
growth	0.017	0.136*	0.150*	0.052	0.079	-0.039	-0.023	-0.021	-0.045	0.044	0.012	1.000		
Age	-0.024	0.068	0.067	-0.028	-0.056	-0.014	-0.030	0.008	0.006	0.039	0.095*	0.014	1.000	
MtoB	0.291*	0.015	0.001	0.016	-0.068	-0.068	-0.091*	-0.005	-0.018	0.031	0.361*	-0.036	0.040	1.000

***P<0.01; **P<0.05; *P<0.1

4.2. Correlation Analysis

According to Gujarati and Porter (2009), multicollinearity is problematic when the correlation between two variables exceeds 0.8 or 0.9. Table 4 presents Pearson's correlation coefficients for the dependent and independent. The correlation matrix indicates that none of the coefficients exceeded the 0.8 threshold, suggesting the absence of multicollinearity.

From Table 4, the results show that none of the variables displayed high correlations, as the bivariate correlations were all below 0.90, indicating that multicollinearity is not a concern. Specifically, the bivariate correlation values ranged between 0.017 and 0.705*. Additionally, FV scores are positively and significantly associated with the independent variable ICP and its components (HCE, SCE, CEE) at significance levels of $P < 0.01$, $**P < 0.05$, and $*P < 0.1$. Conversely, FV scores have a negative and significant relationship with the independent variable ICD and its components (HCD, SCD, and RCD) at the same significance levels. Regarding the control variables, company size (Size), company leverage (Leverage), sales growth (Growth), and MtoB are positively and significantly correlated with the dependent variable FV at $P < 0.01$, $**P < 0.05$, $*P < 0.1$, except for company age (Age), which is negatively correlated with FV.

4.3. Hypothesis Testing

This study conducted additional statistical tests related to panel data before performing the linear regression analysis. Firstly, the Breusch and Pagan Lagrangian multiplier test was executed using STATA software version 15 to determine the appropriate model for regression analysis. This test helps choose between the ordinary least squares (OLS) model and the random effects model (REM). Specifically, the null hypothesis (H_0) posits that if the P-value (prob Chi-square) exceeds the α level (0.05), the null hypothesis is accepted, indicating that the OLS model is appropriate. Conversely, if the $P < 0.05$, the null hypothesis is rejected, and the REM is deemed suitable.

Secondly, following the Breusch and Pagan Lagrangian multiplier test, the Hausman test was conducted to choose between the random effects model (REM) and the fixed effects model (FEM). The selection is based on the P-value of the test; if the P-value is below 0.05, the null hypothesis is rejected, and the FEM is selected. Hence, this study employed fixed effect model for all study models as summarised in the following Table 5.

4.3.1. Effect of intellectual capital performance (ICP) on firm value (FV)

This study focuses on Palestinian public-listed companies on the stock exchange. To achieve its objective, the study examines

Table 5: Breusch and pagan lagrangian and hausman test

Model/ test	Breusch and pagan lagrangian multiplier test	Suitable model	Hausman test	Suitable model
Model 1	387.19***	FEM	687.65***	FEM
Model 2	1,077.73***	FEM	94.92***	FEM

*, **, *** represent significance at the 10, 5, and 1% levels, respectively

Table 6: Summary of the Direct Effect Between Intellectual Capital Performance and Firm Value

Hypotheses	Coefficient	t-value	p-value	Results
H1 ICP→FV	0.98	2.57 > 1.96	< 0.01	Positive
H1a HCE→FV	0.74	2.93 > 1.96	< 0.01	Positive
H1b SCE→FV	0.69	3.01 > 1.96	< 0.01	Positive
H1c CEE→FV	0.28	2.72 > 1.96	< 0.05	Positive

hypothesis H_1 , which predicts a significant positive association between ICP and FV in Palestinian public-listed companies. Results indicate that the hypothesis is accepted, indicating that there is a significant positive association between ICP and FV as summarised in the following Table 6.

To ascertain the significance of this observed impact, the research identified a positive correlation between ICP and FV (Coefficient = 0.981; t-value = 2.57; $P < 0.01$). This indicates that an incremental increase of one point in the ICP score corresponds to an average enhancement of FV by 0.981 points. Consequently, the initial hypothesis (H_1) is substantiated, and the primary research inquiry is resolved, culminating in the conclusion that ICP exerts positive influences on Palestinian public-listed companies.

Furthermore, ICP is identified as a crucial direct variable that significantly impacts the FV, thereby necessitating further scholarly exploration within the context of ICP awareness. These results are congruent with the principles of resource-based theory (RBV) and align with the tenets of agency theory. RBV and agency theory serve as valuable frameworks for proprietors and managers of Palestinian public-listed companies, guiding them in making informed decisions that foster improvement and facilitate development.

The findings of this study align with existing literature, which highlights a significant positive association between ICP and FV. Numerous studies have demonstrated that ICP plays a pivotal role in enhancing financial performance and market value across various sectors, such as consumer goods and manufacturing (Meilan et al., 2024; Wijaya, 2024). This positive relationship underscores the importance of ICP as a key driver of FV. Moreover, a systematic literature review by Malikah and Nandiroh (2024) emphasises that ICP contributes to competitive advantage and improved FV, reinforcing the need for effective management of these intangible assets. Such findings highlight the strategic importance of ICP in achieving sustainable growth and market competitiveness.

Moreover, alongside the previously articulated results, the findings about the sub-hypotheses of the present research endeavour

elucidate the correlation between HCE and FV, constituting the initial sub-hypothesis (H_{1a}), is recognised as one of the three fundamental dimensions of ICP. The findings reveal that the proposed hypothesis is upheld, signifying a noteworthy positive correlation between HCE and FV. To evaluate the significance of this discerned effect, the investigation determined positive relationship between HCE and FV (Coefficient = 0.745; t-value = 5.63; $P < 0.01$). This suggests that a marginal increase of one unit in the HCE score is associated with an average augmentation of FV by 0.745 units. Therefore, the sub-hypothesis (H_{1a}) is validated, leading to the inference that HCE exerts a positive effect on the FV of Palestinian public-listed companies.

Furthermore, HCE is also identified as a crucial direct variable that significantly impacts FV. These results are congruent with the principles of resource-based theory (RBV). RBV theory shows that HCE plays a vital role in enhancing the value of a company by improving operational performance, achieving innovation, and building sustainable competitive advantage. Therefore, investing in human capital is one of the most important strategies that enable companies to achieve growth and increase their value in competitive markets. So, these findings align with previous research demonstrating a positive association between HCE and FV. The findings of this study align with existing literature, which highlights a significant positive association between HCE and FV (Cabrilo and Dahms, 2018; Dahiyat et al., 2021; Gates and Langevin, 2010; Martín-de-Castro et al., 2011; Ramadan et al., 2017).

The second sub-hypothesis (H_{1b}) states that SCE is positively associated with FV. The results reveal support for the proposed hypothesis, indicating a noteworthy positive association between SCE and FV. To assess the significance of this observed effect, the study found a positive relationship between SCE and FV (Coefficient = 0.699; t-value = 4.00; $P < 0.01$). This indicates that a marginal increase of one unit in the degree of SCE is associated with an average increase in FV of 0.699 units. Thus, the sub-hypothesis (H_{1b}) was validated, leading to the conclusion that SCE has a positive impact on the value of Palestinian public-listed companies.

These results are consistent with the principles of resource theory (RBV). Through this theory, SCE is considered a strategic resource that contributes to improving operational efficiency and enhancing institutional performance, which is positively reflected in the FV. Effective organisational structures enable the maximum utilisation of SCE and enhance the ability to innovate, while clear systems and tight processes contribute to increasing productivity and reducing operating costs. Thus, the company can achieve a sustainable competitive advantage and increase its market value through SCE that supports the continuity of outstanding performance. The results of this study are consistent with the existing literature, which highlights a significant positive association between SCE and FV (Li and Zhao, 2018; Nazir et al., 2021; Nourani et al., 2018; Pramathana and Widarjo, 2020; Sydlar et al., 2014).

Concerning the third sub-hypothesis that refers to CEE being positively associated with FV. The results reveal support for the proposed hypothesis, indicating a noteworthy positive association

CEE and FV. To assess the significance of this observed effect, the study determined a positive relationship between CEE and FV (Coefficient = 0.281; t-value = 2.72; $P < 0.01$). This indicates that a marginal increase of one unit in the degree of CEE is associated with an average increase in FV by 0.281 units. Thus, the sub-hypothesis (H_{1c}) was validated, leading to the conclusion that CEE has a positive impact on the value of Palestinian public-listed companies.

These results are consistent with the principles of resource theory (RBV). According to RBV theory, CEE is a key resource that contributes to enhancing the value of a company. When financial and physical resources are managed effectively, operational performance is improved, and available assets are maximised. This leads to increased productivity, improved profitability and enhanced competitiveness, which positively impacts the company's market value. Thus, CEE plays a pivotal role in achieving sustainable growth and maximising the added value of a company. The results of this study are consistent with the existing literature, which highlights a significant positive association between CEE and FV (Chowdhury et al., 2019; Gul et al., 2022; Welly et al., 2021).

4.3.2. Effect of intellectual capital disclosure (ICD) on firm value (FV)

The present study investigates hypothesis H_2 , which posits a substantial positive correlation between ICD and FV within Palestinian public-listed companies that are publicly traded on the stock exchange. The empirical results substantiate the acceptance of the hypothesis, suggesting a significant positive correlation between ICD and FV as shown in the following Table 7.

The analysis reveals a noteworthy positive association between ICD and FV (Coefficient = 0.801; t-value = 3.49; $P < 0.01$). This finding illustrates that increased dissemination of a company's ICD—encompassing HCD, SCD, and RCD—augments transparency and communicates prospective growth potential, thereby attracting investors by emphasising innovation, knowledge assets and competitive advantages, which consequently elevates FV. These results corroborate hypothesis H_2 and are consistent with prior research (Gomes et al., 2019; Hatane et al., 2019; Nasution et al., 2023; Rahayu, 2019; Rosharlianti et al., 2022; Salvi et al., 2022; Solikhah et al., 2020; Subaida and Mardiaty, 2018; Wardoyo and Utami, 2024; Zamzam et al., 2023).

Alongside the previously articulated results, the findings pertaining to the sub-hypotheses of the current research endeavour elucidate the intricate correlation between HCD and FV, constituting the initial sub-hypothesis (H_{2a}), is acknowledged as one of the three pivotal dimensions of ICD. The findings indicate that the proposed hypothesis is substantiated, denoting a significant positive correlation between HCD and FV. About HCD, the fixed effect model of linear regression presented in Table 4.11

reveals a considerable positive association between HCD and FV (Coefficient = 0.70; t-value = 2.71; p-value < 0.01). This implies that an increased level of disclosure regarding HCD—encompassing employee competencies, training initiatives, and knowledge assets—correlates with an increase in FV.

This outcome implies that investors may view extensive HCD as indicative of enhanced organizational capabilities, innovation, and long-term growth potential, which boost profitability and firm value. It also highlights the strategic importance of investing in human capital to mitigate risks like high employee turnover or dependency on key personnel.

This finding is congruent with agency theory and corroborates hypothesis H_{2a} . It aligns with findings of Salvi et al. (2022), who documented that HCD has a significant and positive effect on FV. Furthermore, it aligns with numerous studies that generally accentuated a positive correlation between ICD and FV (Gomes et al., 2019; Nasution et al., 2023; Rosharlianti, 2022; Solikhah et al., 2020; Subaida & Mardiaty, 2018; Wardoyo & Utami, 2024; Zamzam et al., 2023). Conversely, the outcomes of this study stand in contrast to the findings of study conducted by Hatane and Kurniawan (2022), who identified significant disparities in HCD levels between companies with and without financial institution ownership. Additionally, it differ from the conclusions of Boujelbene and Affes (2013), who discerned a significant negative relationship between ICD—particularly human capital—and the cost of equity. Vitolla et al. (2020) also articulated that companies frequently assign lesser importance to HCD compared to other types of IC, such as SCD and RCD, perceiving labour more as a liability than an asset. Moreover, Rahayu (2019) demonstrated that ICD and firm size exert a significant negative effect on FV. Similarly, Hatane et al. (2019) reported that none of the components of ICD significantly influence FV.

In relation to SCD, the findings about the sub-hypotheses of the current research endeavour elucidate the intricate correlation between SCD and FV, constituting the initial sub-hypothesis (H_{2b}), is acknowledged as one of the three pivotal dimensions of ICD. The results demonstrate a statistically significant positive correlation between SCD and FV (Coefficient = 0.694; t-value = 0.14; $P < 0.01$). This notable and affirmative association implies that increased SCD—encompassing organisational processes, systems, databases, intellectual property, and innovation—exerts a beneficial effect on FV.

This suggests that investors perceive such transparency as indicative of robust internal systems, operational efficiency and innovative potential, all of which can enhance competitive advantages, facilitate future growth, and augment operational efficiency, ultimately leading to an increase in FV. Given that SCD constitutes a crucial intangible asset that contributes to sustainable success, its disclosure serves to reassure investors regarding the company's stability and prospects for profitability.

These findings are consistent with agency theory and provide support for hypothesis H_{2b} . Furthermore, they are corroborated by previous research which collectively underscore a positive association between SCD and FV (Gomes et al., 2019; Nasution

Table 7: Summary of the Direct Effect Between ICD and FV

Hypotheses	Coefficient	t-value	p-value	Results
H2 ICD→FV	0.80	3.09 > 1.96	< 0.01	Positive
H2a HCD→FV	0.70	2.71 > 1.96	< 0.01	positive
H2b SCD→FV	0.69	2.14 < 1.96	< 0.01	Positive
H2c RCD→FV	0.83	2.53 > 1.96	< 0.05	Positive

et al., 2023; Rosharlianti et al., 2022; Solikhah et al., 2020; Subaida and Mardiaty, 2018; Wardoyo and Utami, 2024; Zamzam et al., 2023). In contrast, this disagrees with the findings of Hatane et al. (2019), who concluded that none of the components of ICD exerted a significant influence on FV.

With respect to RCD, the findings about the sub-hypotheses of the present research endeavour illuminate the interplay between RCD and FV, representing the primary sub-hypothesis (H2c), is recognised as one of the three essential components of ICD. The results indicate a significant positive association between RCD and FV (Coefficient = 0.83; t-value = 2.53; p-value < 0.05). Consequently, the observed positive significant relationship between RCD and FV implies that heightened disclosure regarding financial resources allocated to assets and operations is associated with an increase in FV.

This indicates that investors view detailed RCD as signs of improved operational efficiency, resource allocation, or higher return on investment. Higher levels of RCD increase investor and stakeholder confidence in its ability to maintain these relationships and achieve sustainable growth or effective capital management, ultimately leading to increased profitability and FV.

This result consistent with the findings of studies (Gomes et al., 2019; Nasution et al., 2023; Rosharlianti, 2022; Solikhah et al., 2020; Subaida & Mardiaty, 2018; Wardoyo & Utami, 2024; Zamzam et al., 2023), which generally emphasised a positive relationship between ICD which RCD considered one of them and FV.

5. CONCLUSION

In conclusion, this paper discusses the relationship between IC and FV in the context of Palestinian public-listed companies. This study reveals the significance of effectively managing and disclosing IC for enhancing FV. Whereas IC is recognised as the primary resource for generating value within companies. Specifically, this study emphasises the positive impact of IC on conveying a positive message to the capital market and improving the competitive position of companies. Furthermore, prior studies have open new room to retest the further factors on the association between IC and FV including from ICP and ICD perspectives.

To further advance knowledge in this area, future research could explore additional moderating factors such as financial performance and corporate governance and organisational culture, or mediating factors profitability, return on assets, and market value ratios, that may influence the relationship between IC and FV. Overall, recognising the importance of IC and its impact on FV in Palestinian public-listed companies can lead to strategic decisions and practices that maximise the potential of intellectual assets, ultimately contributing to the growth and success of these organisations.

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