Faculty of Commerce
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Measuring the Impact of the systematic and Idiosyncratic Risk Disclosure on the Dividends Policy and its Effect on the Firm's Value -An applied Study

A Thesis Submitted in Fulfillment of The Requirements for The Degree of Doctor Of Philosophy In Accounting

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﴿ قَالُوا۟ سُبْحَٰنَكَ لَا عِلْمَ لَنَآ إِلَّا مَا

عَلَّمْتَنَآ ۖ إِنَّكَ أَنتَ ٱلْعَلِيمُ ٱلْحَكِيمُ ﴾

صدق الله العظيم

سورة البقرة: آية ٣٢

Abstract

The study of risk disclosure is a vital area that has garnered significant interest. This research is considered a contribution to the previous accounting literature that dealt with the subject of corporate risk disclosure that provide key information to stakeholders, such as investors and lenders, to facilitate the achievement of a company's long-term goals through its short-term accomplishments

This study aim is to measure the impact of both the systematic risk disclosure (SRD), and the idiosyncratic risk disclosure (IRD), separately supporting the heterogeneity hypothesis of the two categories of risk, on the Dividends policy(DP) and its effect on the firm value (FV) for non-financial companies listed on the Egyptian stock exchange. Using a sample of 75 companies from the period 2017 to 2022 which yielded 450 firm year observations.

Based on the results of the data analyizing, the researcher found a significant positive impact of both the SRD and the IRD on the DP, insignificant impact of the SRD on FV, positive impact of the IRD on the FV, significant positive of both the SRD and IRD on the firm value through the DP. This means that the DP positively moderates the SRD-FV and IRD-FV relationship, indicating a complementary effect where dividends enhance the firm risk disclosure (SRD, IRD) positive signal. This research supports the signaling theory of firm risk disclosure. In essence, this research enhances understanding of the linkages between firm risk disclosure (systematic and idiosyncratic), dividend policy, and firm valuation outcomes.

Key Words: Systematic Risk Disclosure, Idiosyncratic Risk Disclosure, Dividends Policy, Firm Value

كلية التجارة – الدراسات العليا

قرار لجنة المناقشة والحكم
على رسالة دكتوراه الفلسفة في المحاسبة والمراجعة

العنوان	قياس أثر الإفصاح المحاسبي عن المخاطر المنتظمة وغير المنتظمة على سياسة توزيع الأرباح وانعكاس ذلك على قيمة الشركة - دراسة تطبيقية على شركات المساهمة المصرية. Measuring The Impact of The Systematic and Idiosyncratic Risk Disclosure on The Dividends Policy and Its Effect on The Firm Value-an Applied Study		
الباحث	عمرو محمد مصطفى أبوالفتوح - المدرس المساعد بقسم المحاسبة		
لجنة المناقشة والحكم	أ.د فاروق جمعة عبدالعال	أستاذ المحاسبة الخاصة ووكيل الكلية الأسبق لشئون البيئة وخدمة المجتمع	مشرفاً ورئيساً
	أ.د/ مصطفى راشد العبادي	أستاذ المراجعة والعميد السابق لكلية التجارة- جامعة بنها	مشرفاً وعضواً
	أ.د/ أحمد عبد السلام أبو موسى	أستاذ نظم المعلومات المحاسبية ووكيل الكلية الأسبق لشئون التعليم والطلاب-كلية التجارة-جامعة طنطا	عضواً
	أ.د/جيهان عبد الهادي موسى	أستاذ المحاسبة المالية ووكيل الكلية لشئون التعليم والطلاب-كلية التجارة-جامعة بنها	عضواً
يوم و تار يخ المناقشة	الخميس الموافق ٩/ ٥/ ٢٠٢٤		

قرار اللجنة

من الباحث عمرو محمد مصطفى أبوالفتوح وهو مدرس الفلسفة في المحاسبة والمراجعة

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Dedication

To my father

To my beloved mother

To my lovely wife Sarah

To my brothers and my dear sister

To the apples of my eyes Malak, Anas, Mirna, Mahmoud

And to my dear friends Dr: Ahmed, Sherif, Mohamed, Sayed, and Mahmoud

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Glossary Of Abbreviations

SRD	Systematic Risk Disclosure.
IRD	Idiosyncratic Risk Disclosure.
FV	Firm Value
DP	Dividends Policy.
CRD	Corporate Risk Disclosure
SEC	Securities Exchange Commission
FRR	Financial Reporting Release
COSO	Committee Of Sponsoring Organizations of The Treadway
AAA	American Accounting Association
FEI	Financial Executives International
IMA	Institute Of Management Accountants
ERM	Enterprise Risk Management
DPR	Dividends Payout Ratio
FASB	Financial Accounting Standards Board.
IFRS	International financial reporting standards

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Chapter One

The Research Framework

1.1 Introduction:

In the realm of financial reporting, the principal aim is to provide key information to stakeholders, such as investors and lenders, to facilitate the achievement of a company's long-term goals through its short-term accomplishments. Financial statements are instrumental in this regard, offering retrospective quantitative data that, while essential, often requires the support of additional notes and disclosures to provide a comprehensive understanding. This is particularly true in the context of Firm risk disclosure.

The scope of firms' disclosures regarding their risks has grown tremendously to include the market risk disclosure (systematic risk) which refers to the risk information occurring from the broader trends of market or due to macroeconomic fundamental factors: inflation, interest rates, exchange rates, and economic growth (Daromes, 2022). Systematic risk disclosure also refers to the risk disclosure about factors inherent to the entire market or market segment. Systematic risk disclosure, also known as "undiversifiable risk disclosure," "volatility" or "market risk disclosure" that affects the overall market, not just a particular stock or industry (Chen, 2022). Thus, the systematic risk disclosure is concerning with the company's exposures to all types of market risks (Interest rate, Exchange price, currency rate, and inflationary)

Idiosyncratic Risk disclosure is the specific risk information related to the inherent factors that can negatively impact individual securities or a very specific group of assets due to elements inside an organization. Such elements usually can be controlled from an organization's management. it can be mitigated by **diversification into the investment portfolio**, it is micro in nature as it affects only a specific organization. It can be controlled so that necessary actions can be taken by the organization to reduce the effect of the risk (Leyla Greengard 2019). Idiosyncratic risk is a market-based measure of corporate financial performance that is more robust than accounting based financial performance measures, which do

not allow for separating firm-specific risk from total risk and may be subject to different reporting standards and manipulation. Consequently, idiosyncratic risk, may decisively influence success or failure when companies go public (Beat Reber, 2021).Thus idiosyncratic risk disclosure includes private information about (operational risk, credit risk, liquidity risks). This valuable information has significant implications on the firm and affects important decisions like the dividends policy, which correlates with the investment and the liquidity decisions and finally this affects the firm value created by the investors in the market.

On the other hand, the issue of making a dividend decision is one of the topics that has received great attention from financial analysts and academic researchers. Dividend policy of the firm is the choice that the company makes on whether to make the payments of the dividends by using cash or other forms to investors. The crucial part of the policy is company decisions on whether to give or not to give dividends to shareholders, the frequency of payment and the amount of cash to be paid out (odinya, 2017). It sets the parameter for delivering returns to the equity shareholders, on the capital invested by them in the business. While taking such decisions, the company must maintain a proper balance between its debt and equity composition (Surender Singh, 2020).

In the same manner, every company seeks to increase its value, given that it is one of the factors that are taken into consideration by investors, and the value of the company is an important determinant of the financial performance of public companies, which is well reflected in the price of securities. The higher the value of the company, the greater the prosperity of the investors, because they obtain additional profits from the company in addition to the capital gains, they get from holding shares (Juhandi et.al, 2019

The impact of risk disclosure (systematic and idiosyncratic) on dividends policy hasn’t been got sufficient interest from most of studies although the scope of firms’ disclosures regarding their risks have grown

tremendously. Many studies argued about the positive impact of the firm risk disclosure on dividends policy. This dimension is based on the convergence hypothesis as declared by (Yanqiong Li a et.al , 2019) which assumes that there is little heterogeneity of risk information. This dimension is empirically supported by Elshandidy and Neri's (2015), oldstein (2017) who concluded that, when the bid-ask price is used as a proxy for market liquidity, the risk factor is positively related to a reduction in information asymmetry then increasing the market liquidity, thus increasing the dividends policy and firm value. On the other hand there is an opposite dimension based on the heterogeneity of risk information which has a unique features as un favorable to the managers in especially the idiosyncratic risk (operational risk , credit risk, liquidity risks) especially that may affect the cash flow ,the liquidity negatively and , the profitability and the investment opportunities, then decreasing the dividends payout and reducing the firm value supported by some studies like (Liu, 2020)

The motivation for the researcher's conduct of this research is that the subject of "measuring the impact of the accounting disclosure of systematic and idiosyncratic risks on the dividend policy and its impact on the firm value" did not obtain sufficient attention from researchers theoretically and empirically, which prompted the researcher to address this topic on the Egyptian Environment.

1.2 Research Problem:

Due to the changes in the business environment, the most important of which are the complexity of the company's operations and financing structures, and the intensification of competition which have led to a reconsideration of the current forms of financial reporting as they lack transparency and clarity in the disclosure of risks which lead to The "Risk Information Gap" between financial statement preparers and users as well as the inadequacy of risk disclosure techniques (Ibrahim ,2021), which was

expressed in a study by Khlif (2016) by saying "Companies are providing insufficient risk information in their annual report".

The scope of firms' disclosures regarding their risks has grown tremendously to include the market risk disclosure (systematic risk) and specific risk disclosure (idiosyncratic risk) which include private related information. This valuable information has significant implications on the firm and affects important decisions like the dividends policy, which correlates with the investment, financing, and the liquidity decisions and finally this affects the firm value created by the investors in the market.

Trying to explain why firms decide to pay dividends has created significant problems for many researchers. The determinants of the dividends policy have taken much interest by the researchers , the researcher concludes that the following three determinants: Investment opportunities, Firm liquidity, and Firm profitability may have the significant and the common effect on both the dividends policy according to most of the theoretical and empirical studies mentioned (e.g. Dewasiri, 2019; Abdullah and Tursoy; 2021, Roj, 2019; Jovković et.al, 2021, ;Kilincarslan, 2018)which lead the researcher to measure the impact of the systematic and idiosyncratic risk disclosure on these three determinants and then measure their effect on firm value, which serve the objective of the research .

Based on the above mentioned, the researcher can conclude the dimensions of the research problem on the following context:

- **The scarcity of studies that dealt with the direct impact of the accounting disclosure of company risks(systematic and idiosyncratic) on the dividend policy and its impact on firm value,**
- **The inconsistency and shortage of results of previous studies that dealt with the Indirect impact of risk disclosure on the dividend policy (determinants) and its impact on firm value which can be divided into the following subdivisions:**

1- <u>The impact of risk disclosure on firm growth (investment opportunities) as a one of dividends policy determinants.</u> Some studies like

(Ibrahim,2021) declared that increasing the disclosure of market (systematic) risks usually leads to improve the investment performance ,as the nature of voluntary disclosure contributing to decreasing information asymmetry between managers and investors, then leads to increase the dividends policy, and finally increasing the firm value, On the other hand Some studies like (Smith, 2022) has declared that risk disclosure especially the idiosyncratic risk has a negative effect on both the investment efficiency and the likelihood the managers liquidate the current projects which may lead to decrease the dividends policy and consequently decrease the firm value.

2- The impact of firm risk disclosure on liquidity as a one of dividends policy determinants on dividends policy and its effect on firm value also is a matter of debate between the accounting literature: Adequate risk disclosure enhances transparency. When a company openly communicates its risks, investors and stakeholders can make more informed decisions. This transparency can contribute to greater investor confidence, which can positively impact a firm's liquidity by attracting investment and maintaining access to capital markets, furthermore, enhances the firm value. In contrast, disclosure that concerns a firm’s idiosyncratic risk increases the profits that sophisticated traders can earn at the expense of liquidity traders. Thus, risk idiosyncratic risk disclosure may increase the degree of information asymmetry among investors and reduces liquidity then reducing the dividends policy and the firm value.

3- The impact of firm risk disclosure on profitability as a one of dividends policy determinants on dividends policy and its effect on firm value also is a matter of debate between the accounting literature.

In the light of the literature review dealt with the relationship between risk disclosure and profitability, some studies have discussed this impact of risk disclosure on profitability and found that increased levels of disclosure

have a positive economic consequence on profitability of the firm because Shareholders greatly value the information disclosed in annual reports. In addition, such information can reduce asymmetric information and agency conflicts between managers and investors which leads to increase the dividends policy and furthermore enhances the firm value. On the other hand some studies like (Liu, 2020) concluded that the relationship between the firm risk disclosure and profitability is negatively, as the firm risk disclosure especially the idiosyncratic risk has a unique feature as unfavorable to the managers that may affect the cash flow and the liquidity negatively and may also reduce the profitability and decreasing the dividends payout and reducing the firm value when it exceeds certain level in the short run.

❖ **The problem of using one model in studying the risk disclosure in most of the theoretical studies ignoring the different of features between the risk disclosure categories especially (systematic and idiosyncratic)**, Which motivates the researcher to use a separated model studying the effect of systematic and idiosyncratic risk disclosure on dividends policy and its impact on dividends policy as many studies have dealt with the risk disclosure topic as a whole as a type of the voluntary disclosure without differentiating between the systematic and idiosyncratic risk disclosure characteristics.

1.3 Research Questions

so, the researcher's goal of this research is to measure the impact of both systematic and idiosyncratic risk disclosure on the dividend policy and its effect on the firm value, in line with the practical reality in Egypt, the research can be formulated to answer the following research questions (RQ):

RQ.1What is the direct impact of systemic risks disclosure on the dividend policy and its effect on firm value? And this question can be

subdivided into the following questions based on the main dividends policy determinants:

RQ1.a What is the impact of systemic risks disclosure on the investment opportunities and its effect on firm value?

RQ1.b What is the impact of systemic risks disclosure on firm liquidity and its effect on firm value?

RQ1.c What is the impact of systemic risks disclosure on firm profitability and its effect on firm value?

RQ. 2 What is the direct impact of the idiosyncratic risks disclosure on the dividend policy and its effect on firm value? And this question can be subdivided into the following questions based on the main dividends policy determinants:

RQ2.a What is the impact of idiosyncratic risks disclosure on the investment opportunities and its effect on firm value?

RQ2.b What is the impact of idiosyncratic risks disclosure on firm liquidity and its effect on firm value?

RQ2.c What is the impact of idiosyncratic risks disclosure on firm profitability and its effect on firm value?

1.4 Literature Review:

Several studies were conducted related to the title and scope of the research, and the results of the most important of these studies can be presented according to three dimensions as following:

The First dimension: Studies focused on the relationship between Systematic and idiosyncratic risk and dividend policy.

The second dimension: studies focused on the relationship between the firm risk disclosure and the dividends policy (determinants).

The third dimension: studies focused on the relationship between the dividends policy and the firm value.

The First Dimension: Studies Focused on The Relationship Between (Systematic and Idiosyncratic Risk) And Dividend Policy.

Table (1-1): First Dimension of the Literature Review

The study	Objective	Findings
(1) Farid (2015) Idiosyncratic Risk, Cash Holding, and Stock Dividends: Empirical Study on EGX100 Companies	**The study aimed** to study whether there is a potential impact of the degree of idiosyncratic risks on the fluctuating relationship between the level of cash retention and the returns of shares on a sample of Egyptian joint stock companies listed in the EGX-100 index.	**The study founded** that there is a positive moral effect of the degree of potential idiosyncratic risks that may occur in the company on the dividends policy, because the company will conservatize about the future by increasing the cash holding and increasing the dividends policy to reimburse the shareholders due to their risk taking, which means an increase in the percentage of dividends distributions to shareholders.
(2) Ola Atia (2018) Cash Dividends Policy and Firm Risk	**This study aimed to** identify the determinants of the dividends distribution policy in a study conducted on a sample of non-financial companies registered on the London Stock Exchange in the period between 1991-2014, by studying the potential impact of risks, in general, on the dividends policy and its determinants as	**The results of the study reached** the strong role of risk in shaping dividend policy in the United Kingdom by determining dividend ratios. In some cases, risks mitigate the impact of risks for other determinants of dividend policy, for example profitability, company size, and operating leverage, through the influence of both risks, of both systematic and idiosyncratic types, on the size

The study	Objective	Findings
	well as studying the interactive effect of types of Risks to dividends policy.	and opportunities of investments. When the level of risks within companies increases, their management is exposed to the problems of the agency because the companies 'management maintains large quantities of cash and reduces the proportion of dividends distribution, which affects the dividend policy positively.
(3) Bozhkov Et.Al (2018) Idiosyncratic Risk And The Cross-Section of Stock Returns:The Role of Mean-Reverting Idiosyncratic Volatility	**The study aimed** to examine the nature of the relationship between idiosyncratic risks and dividends distributed to shareholders and to study the possibility of pricing idiosyncratic risks by the market by applying to a sample of American companies in the period between (1980-2013)	**The study found** that there is a significant positive correlation between idiosyncratic risks and stock returns using the method of predicting fluctuations, this means the more idiosyncratic risks, the greater the returns to stocks to reimburse the investors for risk suffering.
(4) Wesam (2021) Systematic And Unsystematic Risk: Impact to The Stock Returns And Dividends In Amman Stock Exchange	**This study aimed to** investigate the impact of systematic and unsystematic risk on the stock returns and dividends in Amman Stock Exchange during the period (2002-2018) using annual data for a sample consisted of 38 Jordanian industrial companies	The study found a significant negative relationship between credit risk (unsystematic risk) and stock return but positive relationship between liquidity risk (unsystematic risk) and stock returns. Also found Significant negative relationship between inflation risk (systematic risk) and stock return, also

The study	Objective	Findings
		significant positive relationship between exchange rate risk and stock return.

The second dimension: studies focused on the relationship between the firm risk disclosure and the dividends policy Determinants:

Table (1-2) second Dimension Literature Review

The study	Objective	Findings
(1) Cabedo, & Beltrán, (2014) Risk Disclosure and Cost Of Equity -The Spanish Case	**This study aimed to** analyze the relationship between risk disclosure and the cost of equity from an empirical perspective	**The study found theoretically** that risk disclosure helps to reduce the cost of equity for companies.as Greater risk disclosure will enable potential providers of capital to forecast future cash flows with uncertainty; with less risk information investors should demand a higher risk premium because the data that would enable them to adequately assess the risks the company exposed is missing. Thus, more risk disclosure should be negatively related to the cost of capital. Empirically the study found no statistically significant relationship between the cost of equity and the amount of non-financial risk disclosure; but a statistically significant relationship was detected between the cost of equity and financial risk disclosure. This

The study	Objective	Findings
		relationship is only significant when the date of the audit report is taken as reference for the disclosure. The non-significance of the relationship when a later date is taken as reference (the month of June) may be due to the fact that the information was disclosed before that date and prices include the risk disclosure and another type of information that might distort its effect.
(2) **Elshandidy and Neri (2015)** Corporate Governance, Risk Disclosure Practices, And Market Liquidity: Comparative Evidence From The UK And Italy	**This study aimed to** examine the influence of corporate governance on risk disclosure practices in the UK and Italy and studied the impact of those practices on market liquidity.	**The study found that** UK firms are likely to reveal meaningful risk information, which describes a firm's specific conditions and leads investors to better incorporate the information into their price decisions. This in turn improves market liquidity as information asymmetry decreases .In addition to investigate the impact of risk disclosure practices on market liquidity.
(3) Shamsun (2016) Risk Disclosure, Cost Performance, And Bank Performance	**This study aimed to** examine the relationship among corporate risk disclosure, cost of equity capital and performance	**The study found** Empirically the study found that There is evidence that Bangladesh has voluntarily adopted the International Financial

The study	Objective	Findings
	within banking institutions in a developing country setting uses the population of all 30 listed banks on the Dhaka Stock Exchange, Bangladesh, for the years 2006 to 2012 using three-stage least-squares simultaneous equations to deal with endogeneity issues	Reporting Standard 7 – Financial Instruments: Disclosures (IFRS 7) and Basel II: Market Discipline and that these standards enhance risk disclosure even where compliance is not compulsory. The cost of capital is found to be negatively associated with risk disclosure, which has an inverse relationship with bank performance.
(4)Smith (2019) Risk Disclosure, Liquidity, and Investment Efficiency	**This study aimed to e** analyze how a firm's risk disclosure affects the ability of sophisticated investors to profit from private related information regarding the firm's value and the resultant impacts on liquidity and investment efficiency.	**The study found that** risk disclosure provides private learning by enabling investors to acquire information when it is most lucrative to do so, thereby reducing liquidity. Then, in a setting in which the firm learns decision-relevant information from its stock price, The study showed that risk disclosure can enhance the firm's investment efficiency by influencing the usefulness of the information contained in this price. Finally, the study found that risk disclosure reduces expected firm investment and expected firm risk. The findings highlighted the importance of tailoring

The study	Objective	Findings
		specific models to address the unique features of the different types of information disclosed by firms as much of the theoretical literature models disclosure in a reduced-form fashion, whereby a disclosure equals the firm's "fundamental value" plus a stochastic error term
(5)Xianjing Liu (2020) Risk Disclosure and The Cost of Capital: An Empirical And Comparative Analysis Between Chinese And German Market	**This study aimed to** examine the impact of internal and external risk disclosure on the cost of capital in China and Germany using the content analysis on sample of annual reports of 100 Chinese and 100 German companies from 2014 to 2018.	**The study found theoretically** that external and internal risk disclosures have different effects on the cost of capital when they have different effects on the estimated risk faced by investors. From the characteristics of external and internal risks, in the same market, especially in the same industry, companies face very similar external risks, such as interest rate risk, macroeconomic risk, industry risk, etc. However, internal risks occur within the company and the companies have the ability to mitigate them, Therefore, the external risk disclosure and internal risk disclosure have different effects on investors' expectations of the company, therefore the impact

The study	Objective	Findings
		of external and internal risk disclosure on the cost of capital is different. **Empirically** the study found that in China, neither the percentage of disclosed external risk nor the percentage of disclosed internal risk in the total risk disclosure has any effect on the cost of capital in either high-tech or traditional internal industries. In the German high-tech industry, the ratio of disclosed internal risk to total risk disclosure has a significant positive relationship with the cost of capital, while the ratio of disclosed external risk to total risk disclosure has a significant negative impact on the cost of capital. In Germany's traditional manufacturing industry, the ratio of disclosed external and internal risks has no effect on the cost of capital.
(6) Ibrahim (2021) The Impact Of Risk Disclosure On Investment Efficiency: Evidence From Egypt.	**This study aimed** to investigate the impact of risk disclosure on investment efficiency. The study tested hypotheses using a sample of 84 Egyptian companies registered on Stock Exchange for the period	**The study found that** there is a negative and significant relation between risk disclosure and investment, meaning that in light of the increase (decrease) in risk disclosure, companies have less (more) investment

The study	Objective	Findings
	(2014-2018). The study used the content analysis to calculate a risk disclosure index (RDI) from annual reports and study how it impacts the efficiency of investment in companies, dividing the sample into two groups: overinvestment and underinvestment.	efficiency. This result is consistent with the divergence hypothesis, which indicates that when discloses details about risk information, investors can realize that the company is facing risks, so they demand more compensation to avoid uncertain risks, or at least withdrawn their equity ownership. This affects the inefficiency of investment. Also, the results showed a significant and negative relation between the overinvestment group and risk disclosure, while it is insignificant in the under-investment group and risk disclosure whereas it indicates that risk disclosure can enhance the efficiency of investment mainly by limiting ineffective investment conduct. These results supported the literature on both risk disclosure and investment efficiency.
(7) Smith, (2022) Risk Information, Investor Learning, and Informational Feedback	**This study aimed to** analyze how public risk information affects the ability of sophisticated investors to profit from private related information	**The study found that** risk disclosure reduces **liquidity** by assisting traders who have the expertise and ability to acquire private related information

The study	Objective	Findings
	(idiosyncratic risk disclosure) regarding the firm's value and the resultant impacts on liquidity and real efficiency.	in determining when and where to focus their efforts at doing so. Thus, rather than leveling the playing field," risk information increases the degree of information asymmetry among investors and the losses incurred by liquidity traders. Importantly, this reduction in liquidity arises despite the fact that, on average, risk information has no impact on the amount of informed trade in the market: it simply causes traders to acquire more (less) information on a firm when it is of high (low) risk. **With respect to investment** the risk information tends to improve investment efficiency, though can have a deleterious effect on investment efficiency when the risk disclosure is excessively idiosyncratic. Also, the study highlighted the importance of tailoring specific models to address the unique features of the different types of information risk disclosed by firms

The third dimension: studies focused on the relationship between (The Risk disclosure and dividends policy) on the firm value:

Among the most important of these studies are the following:

Table (1-3) Third Dimension Literature Review

The study	Objective	Findings
(8) Anton (2016) The Impact of Dividend Policy On Firm Value: A Panel Data Analysis Of Romanian Listed Firms	This study aimed to identify the impact of the dividend policy on the value of the company. The study relied on a sample of 63 non-financial companies registered in the Romania Stock Exchange in the period between 2001-2011	**The study found that:** ▪ Existence of a strong positive impact of the dividend policy on the firm value after controlling the other variables of the company due to the investors 'appreciation of the companies that pay more returns for their holding of shares during the study period. The study suggested that managers create value by increasing the payment of shares to the optimum value. ▪ Investors sought to prefer current returns over reaping future capital returns, because capital gains relate to the future and are considered more risky than reaping returns from shares at the present time. Therefore, investors want to pay a higher price in return for keeping those shares and reaping current profits, which leads to an increase in the value of the company.
(9) Odum Et.Al (2019) Impact Of Dividend Payout Ratio on The Value Of Firm: A Study of Companies Listed On The Nigeria Stock Exchange. Indonesian	**This study aimed** to identify the effect of the percentage of share payments on the value of the company. The study also studied the effect of other factors that affect	**The study found that** the profitability ratio and the financial leverage ratio affect positively and significantly on the value of the company, this means that only the variables of the company's

The study	Objective	Findings
	the value of the company on a sample of companies listed on the Nigerian Stock Exchange, and the most important of these factors are profitability, the ratio of the leverage policy, the ratio of the distribution policy Earnings, cash retention and company size between the 2007-2016 periods	financial leverage and profit after tax are important factors affect the value of the company in each of the listed companies in Nigeria, however it recommends managers of companies who want to raise the value of the company, work to maximize profit after taxes, and focus on policies that improve the companies leverage ratio.
(10) Qulaiti's (2019) The Impact of Risk Disclosure on The Company's Market Value: An Empirical Study on Companies Listed On The Egyptian Stock Exchange	**The study aimed to** test and analyze the impact of risk disclosure on the market value of companies listed on the Egyptian Stock Exchange, in addition to identify the nature and type of risk information disclosure in the annual reports of companies listed on the Egyptian Stock Exchange, and to identify the extent of benefit and order of the importance of the risk information disclosed in the reports. Relying on the annual report for investors	**The study found the following results:** ▪ The disclosure of risks in the annual reports of companies listed on the Egyptian Stock Exchange is still low, especially the disclosure of non-financial risks, and that the risk information disclosed in the annual reports of the companies listed on the Egyptian Stock Exchange is considered financial information, and most of it is considered pleasant information about risks. ▪ That there is a difference in the level of disclosure of risk

The study	Objective	Findings
	in the Egyptian stock market by applying to a sample of 94 non-financial companies in 2017.	information by sector, and that there is a possibility that the disclosure of risks has a significant role in affecting the value in each of the sectors under study. ▪ That there is a positive significant relationship between the disclosure of both financial risks and non-financial risks and the market value of companies listed on the Egyptian Stock Exchange, and that the greatest impact on the market value of companies in the study sample is due to the effect of disclosure of market risks, followed by profitability, and then disclosure of operational risks. ▪ There is a positive statistically significant relationship between the disclosure of pleasant information related to risks and the market value of the companies listed on the Egyptian Stock Exchange

1.5 Research Gap

The researcher can determine the research gap in the following points:

- The scarcity and the non-sufficient interest of studies - considering the survey carried out by the researcher - that dealt with risk disclosure as a

whole or the systematic and idiosyncratic risk disclosure separately on the dividends policy (or the dividends policy determinants) and its effect on firm value.

- Considering most of the studies, except the study of smith, 2022 on their analysis the firm risk disclosure as all other voluntary Information disclosures ignoring the unique features of the firm risk disclosures that have unfavorable tone to the management, also ignoring the subdivision of the firm risk disclosure (systematic and idiosyncratic).
- Most of the studies dealt with the firm risk disclosure and dividends policy determinants (cost of capital-liquidity-Investment Efficiency) were performed on Non-Egyptian Environments which is not enough to generalize the studies' findings on the Egyptian Environment, the same matter with the studies dealt with the impact of dividends policy on firm value.

1.6 Research Objectives:

Considering the research problem, the main objective of the research is to measure the impact of the accounting disclosure of both systematic and idiosyncratic risks on dividends policy and its effect on the value of the firm.

The main objective of the research is a set of sub-objectives, which are the following:

1- **Study and measure the direct impact of systemic risk disclosure on the dividend policy and its effect on firm value, and this objective is subdivided into the following goals based on the main dividends policy determinants:**

- ❖ Examining the impact of systemic risk disclosure on the investment opportunities and its effect on firm value
- ❖ Examining the impact of systemic risk disclosure on the firm liquidity and its effect on firm value

- ❖ Examining the impact of systemic risk disclosure on the profitability and its effect on firm value

2- **Study and measure the impact of idiosyncratic risk disclosure on the dividend policy and its effect on firm value, and this objective is subdivided into the following goals based on the main dividends policy determinants:**

- ❖ Examining the impact of idiosyncratic risk disclosure on the investment opportunities and its effect on firm value
- ❖ Examining the impact of idiosyncratic risk disclosure on the firm liquidity and its effect on firm value
- ❖ Examining the impact of idiosyncratic risk disclosure on the profitability and its effect on firm value

1.7 Research Hypotheses:

In the light of the literature review, and to achieve the goals of this research the preliminary hypotheses will be formulated as following:

Table (1-4) Research preliminary hypotheses

Hypothesis (H1) The systematic Risk Disclosure has a positive impact on the Dividends policy and then affects the firm value	
Hypothesis (H1a)	The systematic risk disclosure has a positive impact on the investment opportunities and then affects the firm value
Hypothesis (H1b)	The systematic risk disclosure has a positive impact on the firm liquidity and then affects the firm value
Hypothesis (H1c)	The systematic risk disclosure has a positive impact on the profitability and then affects the firm value
Hypothesis (H2) The idiosyncratic Risk Disclosure has a significant impact on the Dividends policy and then the firm value	

Hypothesis (H2a)	The idiosyncratic risk disclosure has a significant impact on the investment opportunities and then affects the firm value
Hypothesis (H2b)	The systematic risk disclosure has a significant impact on the firm liquidity and then affects the firm value
Hypothesis (H2c)	The idiosyncratic risk disclosure has a significant impact on the profitability and then affects the firm value.

1.8 Research Importance

The researcher will conduct this research as an attempt to contribute to the increasing body of literature concerning firm risk disclosure by extracting new evidence from a fast-growing economic environment in Egypt. the outcome of this paper will help the regulatory bodies in Egypt to consider the importance of disclosing risk for each risk type disclosed to provide a clear picture on firms' risks that help financial statements users to assess the extent of risk and its impact on the dividends policy as a one of the highly important policy of the firm that affect the value of the firm. Such results open a door to the future studies to examine any moderation effect of other related variables to capture the accurate picture of the relationship between risk disclosure, and dividends policy and its impact on firm value.

This research derives its scientific and practical importance from several factors and considerations, perhaps the most important of which are the following:

A. Scientific Importance:

The practical importance of this research lies in:

1- The research is considered a contribution to the previous accounting literature that dealt with the subject of the risk disclosure (systematic and

idiosyncratic) and dividends policy by studying and measuring the relationship between the disclosure of the systematic and idiosyncratic risks on the stock distribution policy and its impact on firm value.

2- Studying the nature of systematic and idiosyncratic risks, and the nature of the accounting disclosure about them separately and measuring the impact on the dividend policy and the value of the company, with the scarcity of Egyptian and foreign studies that dealt with this effect.

B. Practical Importance:

The practical importance of this research lies in:

1- Help companies improve financial reporting about risk information, identify the type of risk information that will be disclosed, help corporations to manage the threatens and uncertainty and decrease the cost of the capital.

2- Helping investors in reducing the uncertainty about the firm risks and to evaluate the risk profile of a firm, assessing the market value and accuracy of security price prediction which is reflected in maximizing shareholders' wealth and maximizing the value.

3- Helping companies and the investors in assessing the effect of risk disclosure on one of the important decisions which is dividends policy that have a significant effect on the financing and investment decision and finally effect the firm value.

4- Conducting an applied study on a sample of Egyptian companies listed on the Egyptian Stock Exchange to study the current corporate risk disclosure (systematic and idiosyncratic) in the Egyptian Environment and to measure the effect of the accounting disclosure of systematic and idiosyncratic risks on the dividend policy and its effect on the firm value.

1.9 Research Methodology:

a. The inductive approach

This research depends on observation and scientific conclusion of the phenomena by involves the search for pattern from observation and the

development of explanations – theories – for those patterns through series of hypotheses to explore and interpret the systematic and idiosyncratic risks disclosure impact on the dividends policy and its effect on the firm value. The researcher also conducts an applied study on a sample of Egyptian companies listed on the stock exchange with the aim of developing models for measuring these relationships and testing research hypotheses.

B. Deductive Approach

The researcher will use the deductive approach by "developing a hypothesis (or hypotheses) based on existing theory, and then designing a research strategy to test the hypothesis by reviewing previous studies relying on scientific references and journals.

1.10 Research Scope and Limitations:

The present study is subject to the following limitations:

- The researcher will explain the general framework for systematic, idiosyncratic risks and the dividend policy without addressing other categories of risks.
- The researcher will not address the concept and nature of accounting disclosure except to the extent that serves the purpose of the research.
- **The researcher is limited in studying the impact of risk disclosure on the dividends policy on the cash dividends policy not the stock dividends.**
- The researcher will depend on, the study of the effect of the firm risk disclosure on the dividends policy, only on three determinants of the dividends policy (Investment opportunities, firm liquidity, and the firm profitability).
- The applied study is limited to sample of joint stock companies listed on the Egyptian Stock Exchange and belonging to non-

financial sectors due to the difference and the multiplicity of risks, which may affect the achievement of the research objective for five years started from 2017 to 2021.

- Analysis of the financial reports of the study sample spanning five fiscal years, starting from 2016 and ending in 2021**.**

1.11 Research Plan:

Based on the importance of research, and to achieve its objectives and answer its research questions, the research can be divided as follows:

Chapter One: The Research Framework.

The current chapter outlines issues arising around the research topic, and the motives for conducting the current research. The chapter presents the research background, the literature review, the research gap, the research problem, the research objectives, the research hypotheses, the research importance, the research methodology, the research limitation, and the research plan.

Chapter Two: The Impact of The Systematic Risk Disclosure on the Dividends Policy and Its Effect on The Firm's Value.

This chapter provides a review of the accounting literature related to the systematic risk disclosure, it also gives an overview of the concept of risk in general, the systematic concept in particular, an overview of the systematic risk disclosure, the motivation and benefits of firm risk disclosure , corporate risk disclosure theories , Corporate Risk Disclosure Determinants , the risk disclosure principles, discusses the firm risk disclosure in the accounting practice by determining the drawbacks and problems associated with the risk disclosure in the practice , also the role of International accounting standards and professional association to regulate and organize the risk disclosure, theoretical review of dividends policy through : discussing the concept of dividends policy, the dividends policy theories, the dividends policy types, and the determinants of

dividends policy. The firm value theoretical framework through discussing the concept and the determinants of firm value. Finally, the chapter investigate the impact of the systematic risk disclosure on dividends policy and its impact on firm value through the following three dimensions:

- The Impact of systematic Firm Disclosure on Investment Opportunity as a determinant of dividends policy and its effect on firm value,
- the Impact of Systematic Firm Risk Disclosure on profitability as a determinant of dividends policy and its effect on firm value,
- the impact of Systematic Firm Risk Disclosure on liquidity as a determinant of dividends policy and its impact on firm value.

Chapter Three: The Impact of The Idiosyncratic Risk Disclosure on The Dividends Policy and Its Effect on The Firm's Value

This chapter firstly provides a review of the accounting literature related to the idiosyncratic risk disclosure which includes the concept of idiosyncratic risk, the types of idiosyncratic risk, the idiosyncratic risk disclosure, and the idiosyncratic risk disclosure types.

secondly, the chapter investigates The Impact of the Idiosyncratic risk disclosure on the dividend policy and its effect on firm value through the following three dimensions:

- The Impact of Idiosyncratic Firm Disclosure on Investment Opportunity as a determinant of dividends policy and its effect on firm value,
- The Impact of Idiosyncratic Firm Risk Disclosure on profitability as a determinant of dividends policy and its effect on firm value,
- The impact of Firm Risk Disclosure on liquidity as a determinant of dividends policy and its impact on firm value.

Chapter Four: The Applied Study.

This chapter is the final chapter of the current research and consists of the design and implementation of the empirical study, the analysis of the empirical study

results, and the testing of the hypotheses. Finally, this chapter will give an overview of the research results. This chapter also includes a discussion of the practical implications and contributions of existing research. moreover, Give points for current and further research.

Chapter Five: Results, Recommendations, and suggestions for further research

The Impact of The Systematic Risk Disclosure On The Dividends Policy and Its Effect on The Firm's Value

2.1 Introduction

The global financial crisis of 2008 has highlighted the importance of communication about risk as the lack of information was one of the most important causes of the crisis. Risk factors and uncertainty are mostly associated with nonfinancial conditions and information (environmental, social, legal, etc.) that may affect the value of the firm, and its ability to generate profits and achieve its strategic objectives. As a result, shareholders and regulators have sequentially become increasingly demanding companies to disclose risk information and provide reliable data about their practices (Shehabaddin Abdullah, 2021). Dey(2018 stated that risk disclosures and its management became an urgent requirement to improve the quality of the financial statements and the performance indicators, therefore, enhancing the stakeholders' abilities of estimating future cash flows.

Risks that affect organizations could be under two major categories, systematic risk, and unsystematic risk. Systematic risks are risks that are beyond the control of the organization; while unsystematic risks are risks within the control of the organization which can be managed by them.

There is a unique feature of the different types of risk disclosures, the Idiosyncratic risk disclosure reflects specific information about the company private risk and fluctuates according to the information itself , factors that may affect this risk are announcements about seasonal earnings information, government regulations that have a direct impact on certain industries, supplies and company requests and the dynamics of corporate competition which increase the operational, credit and liquidity risk as the main components of idiosyncratic risk according to (Ajibade, 2018; Segal,2023;Morgan,2021), On the other side systematic risk(market risk) disclosure is related to the impact of external influences risks on an

organization like interest rate, currency, and exchange price. Thus, the researcher will attempt to study theoretically the Impact of systematic risk disclosures on dividends policy and its effect on firm value separately through this chapter, unlike most of the studies that studied the risk disclosure as a part of company voluntary disclosure ignoring the different or unique features of the risk disclosure as unfavorable disclosure to the management especially the idiosyncratic risk that implies information about the operational, credit, and liquidity risk.

To achieve the goal of the chapter the researcher will subdivide this goal into two objectives:

The primary goal is to explore the current literature on systematic risk disclosure, dividends policy, and firm value. This will be achieved by delving into the theoretical framework of risk disclosure in the initial section, focusing on defining the concepts of risk (both systematic and idiosyncratic), risk disclosure, systematic risk disclosure, related theories, and the risk disclosure determinants , Analyzing risk disclosure within accounting practices involves identifying its drawbacks, the methods used to measure risk disclosure, and the standards, regulations, and professional associations that endorse it. This exploration will also delve into the theoretical aspects of the dividends policy, encompassing its definition, various theories, determinants, and methods of measurement. Additionally, discussing the theoretical framework of firm value will be essential in understanding its components and how they contribute to overall valuation.

The second goal is: to measure the impact of the systematic risk disclosure on the dividends policy and its effect on firm value.

2.2 The Theoretical Framework of Risk Disclosure

2.2.1 The Concept of Risk:

The concept of risk is one of the topics that is still controversial in accounting literature and finance due to the multiplicity of concepts of risk

and its association with different interpretations among those interested in them, some studies have turned to **narrow concept** of risks such as the study of Wahh(2020) who indicated that risks are the possibility of having reduction in profits or achieving losses in the future and or any event or action that negatively affects the ability of the enterprise to achieve its objectives and leads to unpleasant results. Wahh(2020) indicated that risks are the possibility of having a reduction in profits or achieving losses in the future. Onsongo (2020) enriched the description of risk by stating risk as the unexpected or unpredictability of returns and the financial risk as the probability of a firm collapsing when the company uses debt to satisfy financial commitments when the cash balance is inadequate, this risk is normally influenced by causes beyond the firm's control. Tomaa (2012) defined the risk as the state of imperfect understanding, doubt, where the decision-making firm, organization is aware of the various possible consequences of its decision and can evaluate the degree of probability that this or another outcome will occur.

Concurring with the above Abu-Alrop(2020) debated about the difference between the uncertainty and risk. Uncertainty is the case in which the decision maker knows all the possible outcomes of a particular action but has no idea of the probability of the outcomes. Conversely, the risk is associated with a situation in which the decision maker knows the probability of different outcomes. In short, the risk is quantifiable uncertainty.

In the light of the previous dimension, the **narrow concept** of risk is limited only to losses resulting from uncertainty associated with the future without addressing the positive gains or opportunities that may be achieved.

Also risk could be defined as an uncertain event or condition that has a positive or good outcomes such as gains, earnings and all conditions that can increase firm value and negative or bad consequences effect that

increase the possibility of having reduction in profits or achieving losses in the future, on the objectives and firm value(Ajibade, 2018; Wahh, 2020; Youssef, 2021)

In the same context risk is defined by COSO (2020) as "the possibility that events will occur and affect the achievement of strategy and business objectives." and it includes in this definition those relating to all business objectives. This includes both negative effects (such as a reduction in revenue targets or damage to reputation) as well as positive impacts (that is, opportunities – such as an emerging market for new products or cost savings initiatives).

Thus Risk can, therefore, can be seen as a variable which can affect the outcome of an event both positively and negatively according to (Kinyua, 2015; Al-Maghzom, 2016; Radwan, 2018) who described risk as a factor includes both the positive aspects (earnings and gains) and negative aspects (losses, threats, and other potential bad outcomes)and it influences results upside (opportunities) or downside (threats) but the word is generally applied on the downsize rather than the upside.

2.2.2 The types of risk.

According to Ayodeji Ajibade (2018), Greengard, (2019), Zango(2022), Ibrahim (2018) the types of risk are categorized under two major groups which are:

Systematic Risk and Idiosyncratic Risk

The systematic risk reflects the response of the company returns to the market movements, while Idiosyncratic risk reflects the volatility in returns that cannot be explained by market movement (Zreik, 2017)

The Systematic Risk:

Systematic risk is inherent to the entire market and affects fluctuations of all risky assets, Systematic risk is due to the impact of external influences on an organization. Such influences are normally uncontainable

from an organization standpoint, and it is macro in nature as it affects many organizations working under a similar stream.

The IFRS 7 (Financial Instruments: Disclosure) introduced a definition about the concept of market risk (systematic risk) of the financial instruments that refers to the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and this risk under the standard consists of three types: interest rate risk, other price risk and currency exchange risk.

Thus, the Sources of systematic risk can be summarized as following according to IFRS 7(IFRS foundation,2011):

a. **Interest rate risk** arises due to inconsistency in the interest rates from time to time. It mostly affects debt securities as they carry the fixed rate of interest. The Interest rate risk can be defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates (IFRS7, Appendix A).
b. **Exchange Price risk:** is the risk associated with regular fluctuation in the exchange price of any stock or security. That is, it arises due to rise or fall in the trading price of listed shares or securities in the stock exchange market (Bamber, 2016)
c. **Currency Exchange Risk**: is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates (IFRS7, Appendix A)
d. **Inflationary Risk**: is also known as purchasing power risk. This is so since it originates from the fact that it affects the purchasing power unfavorably. It is not appropriate to invest in securities during an inflationary period. Examples are Demand inflation risk and Cost inflation risk. (Bamber, 2016)

From the previous definition the researcher can conclude that the systematic risk is the company's exposures to all types of market risks (Interest rate, Exchange price, currency rate, and inflationary), and this concurring to IFRS categories of market risk of financial

instruments according to IFRS 7 (Financial Instruments: Disclosure) related to the financial instruments, but the researcher will increase the area of systematic risk to include the market risk that affect all the assets and liabilities of the company not only the financial instruments.

2.2.3 Risk disclosure:

Risk disclosure is the accounting information provided to assess firm risk and for investors to make their investment decisions. In practice, creditors and investors make decisions based on their own perceptions of firm risks, which are provided by entities in both qualitative and quantitative disclosures. Qualitative disclosure refers to the narrative description that does not show numbers but provides information using relative terms, whereas quantitative disclosure uses number to expose information. (Jackson, 2021). The general objective of financial reporting is to provide useful information. To achieve this goal financial reporting should include information about risks and uncertainties faced by companies, otherwise existing, and potential investors, lenders, and other stakeholders will not be able to properly assess the risk profile of companies that is necessary for the decision-making process. (Serrasqueiro, 2018)

In addition to that, risk disclosure has become a crucial requirement to achieve transparency and credibility of reporting, especially to investors as the need to assess the risks that the firm is exposed to and the potential negative impact of these risks on the financial performance. Risk information plays a dual-critical role in these objectives as it assists corporations in managing threats and uncertainty, lowers the cost of capital, and evaluates the risks and the firm's financial performance. (Abdullah. et.al , 2021)

Despite the importance of risk disclosure as a way to increase the transparency of information in financial reports and increase confidence in the financial position of the company, it doesn't receive enough attention and there isn't any accounting standard that governs the various aspects of

the company's risk disclosure and sets the minimum level for disclosure of financial and non-financial risks, which may be reflected in the variation and low level of disclosure (Ibrahim, 2021). Elshandidya(2018) argued that risk requires continual communication, complexity, and controversial nature of the regulation of risk reporting practices, as well as the regulations themselves, have played a central role in the emergence of an extensive and growing literature on risk reporting.

The next section will discuss the theoretical framework of the risk disclosure through discussing the risk disclosure (concept, categories, benefits, drawbacks, determinants)

2.2.3.1 Risk Disclosure Concept:

The concepts of risk have varied and were linked to different interpretations by those interested in them. Beretta and Bozzolan (2004) define Risk Disclosure as the communication of information pertaining to a company's strategies, operations, and external influences that could impact anticipated outcomes.

In the same manner (Dey R. H., 2018) has defined Risk disclosure as information that explains corporate risks and its expected exposure to current and future corporate performance. Adamu(2021) also defined risk disclosure as the process of ascertaining, quantifying, handling, and disseminating organizational prospects and challenges that have the potential to impact present or future firm value to users of corporate reporting and the disclosure of this nature is usually facilitated in the 'risk review' section of annual reports (e.g., management discussion, chairman statement), interim reports, prospectuses, company websites, or other media, provided the users of financial statements can access the information for informed decision-making.

On the one hand, risk communication reveals more information about risk and future uncertainty and, consequently, reduces ambiguity and this kind of information may increase investors' risk perceptions (Zreik, 2017)

Also, there is a two-sided definition introduced by (Linsley and Shrives 2006, Probohudono, 2013) which include any opportunity or

prospect, any hazard, danger, harm, threat, or exposure, that has already impacted the firm in the past or may impact it in the future.

The previous definition focused on a **broad definition of risk covering both good and bad information.** In the same manner, (Hassan, 2009)defined risk disclosure as the communication of good and bad information for uncertainty of business.

According to the international financial accounting standard IFRS 7(Financial Instruments-Disclosures),which introduced a qualitative and quantitative framework of risk disclosure of financial instruments and can be used as a framework of all risks disclosures , The risk disclosure refers to the information that enables users of the financial statements to evaluate the nature and extent of risks arising to which the entity is exposed at the end of the reporting period, and the disclosures required should focus on the risks that arise and how they have been managed. These risks typically include, but are not limited to, credit risk, liquidity risk and market risk.

Accordingly, by presenting the concept of risk disclosure, the researcher supports the wide concept of risk disclosure that is unlimited in specific types of risks and even extends to all types of financial and non-financial risks exposure by the company, the extent to which these risks affect the company's current or future financial performance, the nature of these information(Positive or Negative), but there wasn't a definition tried to distinguish between the systematic and idiosyncratic risk disclosure in the researcher best knowledge , so the researcher will explain the systematic and idiosyncratic risk disclosures in the following section.

2.2.3.2 Systematic and Idiosyncratic Risk Disclosure:

Many studies have motivated to distinguish between risk disclosure regarding systematic risks and idiosyncratic risks, as, from a theoretical perspective, systematic risk disclosure should have a greater impact on market prices (Heinle, 2017).Smith(2022) has highlighted, in his study of

risk information effects the importance of tailoring specific models to address the unique features of different types of risk information disclosed because of the difference in effect between the nature of every category of information risk on the users of these information and it is unlikely to capture the full effects of all types of disclosures in one model.

The Systematic Risk Disclosure:

Systematic Risk Disclosure refers to Market risk disclosure that describes a firm's risk exposure occurring from the broader trends of market. Systematic risk is a risk disclosure about risk exposure to the firm in the market in general, such as government policies risk and political risk (Darwanis et al., 2013). Also Systematic risk or market risk disclosure is the risk information about macroeconomic fundamental factors: inflation, interest rates, exchange rates, and economic growth (Daromes, 2022).

The researcher can conclude from the previous presentation about the types of risk disclosure in the accounting literature that there is a unique feature of every type of risk disclosure and the difference of the impact of every type on the firm decisions. Consequently, there is a higher need to distinguish between the systematic and idiosyncratic risk disclosure in the annual reports to be declared to the stakeholders, as the idiosyncratic risk information mainly implies unfavorable tone to the company and, and such information implies much information affecting many important decisions.

2.2.4 Motivation and Benefits of Corporate Risk Reporting

There are a lot of benefits that can be derived from corporate risk reporting as pointed out by Haj-Salem(2020) of reducing information asymmetry and investors' uncertainty and consequently improve stakeholders' confidence when evaluating companies, in the next section a brief discussion of the Benefits of corporate risk disclosure will be introduced as following:

1- Enhancing the investors' perceptions according to (Bravo, 2017) which leads in turn to a better firm value as companies may use Risk Disclosure to send signal to stakeholders and reflect a good commitment with them by introducing the risk management tools to overcome the related risks.

2- Reducing the information gap between a corporation and its shareholders regarding business risks, uncertainties, and opportunities. This may reduce the corporate perceived risk since enhancing the quality and quantity of risk disclosures should improve assessing the corporate future achievements (Hassanein, 2021)

3- Increasing the investors efficiency according to Camfferman & Wielhouwer (2019)and Chiu(2018) who revealed that risk disclosure related to financial and idiosyncratic risk, a factor relevant in the credit market, can be especially helpful, as it allows credit investors to better understand and analyze the company's credit. consequently, these indicators have practical consequences for investors, employees, and clients, as they can facilitate the choice of which businesses to invest in (Vychytilova, 2020)

4- Allowing a better description of the company's risk profile as an object of investment, and better valuation of financial instruments, including the projections of their volatility (Wieczorek-Kosmala, 2016).

5- Managers discriminating according to Haj-Salem(2020) who explained that managers communicate risk information to differentiate themselves from others who did not communicate this information and hence increase stakeholders' perceptions.

6- Sending a single and providing a specific information to the market that risk is managed When the company is faced to difficult circumstances or a disturbing environment (Bravo, 2017)

7- Enhancing risk management as well as improving transparency, oversight, investor protection and reporting quality, which may be reflected in the efficiency of investment (Elzhar and Hussainy, 2012)

8- Reducing information asymmetry through sound risk disclosure potentially leads to better allocation of capital in markets, increased

transparency, and the consequent enhancement of economic efficiency (Serrasqueiro, 2018).

2.2.5 Corporate Risk Disclosure Theories:

Two streams of theories have been employed to explain why firms communicate risk information (Khlif, 2016)These streams include both the economic theory approach and social and political theory approach (Oliveira, 2013)

- **Economic Theory Approach:**

This approach relies on self-interest and profit maximization and uses the following theories to explain risk disclosures:

a- Agency Theory

The agency theory can be used as a basis for understanding the risk disclosure practices. Managers as the agents have more accurate information about the company, compared to the stakeholders. The information covers all conditions of the company, including the conditions that might be faced in the future. The shareholders, creditors, and other stakeholders need this information to be used as the basis for decision making (Abdullah, 2019).

b- Signaling Theory

This theory is used by companies to provide positive and negative signals, to reduce the asymmetry of information. The management provides information about corporate risk disclosure through financial reporting. It shows that the company has been transparent to the investors regarding the financial reporting. The management always tries to disclose important information which, according to its consideration, attracts the investors the most, especially good information. In this case, the company's reputation turns good, and the company value increases (Hawashe, 2014;Aryani, 2016)

- **Social and Economic Theory Approach:**

a- Stakeholder Theory

The stakeholder theory argues that a company must provide various types of information to meet the needs of various types of stakeholders.

The company must also maintain the relationships with the stakeholders by accommodating their needs, especially the ones who have the strengths to the availability of resources used for the company's operational activities, such as labor, market for the company's products, etc (Abdullah, 2019).

Managers use the information to manage or manipulate the most influential stakeholders to get their support, so the company can survive.

b- Legitimacy Theory

The legitimacy theory states that companies tend to disclose risks to obtain support and endorsement of shareholders to legitimize many procedures and avoid litigation and the costs of reputation (Salem, 2019) ,as legalizing Companies enable them to demonstrate their ability to manage and overcome risks, which may enhance investor confidence (Oliveira , 2011)

2.2.6 Accounting Disclosure of Risks (Systematic and Idiosyncratic) In the Accounting Practice

2.2.6.1The Drawbacks of Corporate Risk Disclosure:

Sometimes the corporate risk disclosure may be useless to the company according to cost-benefit-principle due to many reasons like lack of accuracy, quality, concentration, and sufficiency to the users. The next section will discuss the drawbacks and the challenges of risk disclosure in the practice.

- **Problems related to the nature and characteristics of Risk disclosure:**

The increased transparency of a company's risk may result in some negative consequences. There is a negative impact of corporate risk disclosure as declared by some studies stating that risk disclosure may not always be beneficial to the company (Wieczorek-Kosmala, 2016).Similiarly the disclosure of risks may harm the interests of the company, when **the competitor** in the market is aware of such information about the company's plans, technology and strategies, which gives an advantage to competitors in the market as indicated by the study of Moumen(2015) and Elshandidy (2016)

An additional potential unintended cost is the **signaling effect and the problem of self-fulfilling risks**, Investors may interpret more disclosures as equal to more risk. That is, the fact that companies disclose certain risks, such as about liquidity, may lead investors and other stakeholders to act upon the disclosure in ways that reinforce the risk, for instance by withdrawing funding and thereby compromising liquidity. This issue is relevant to banks, but also to companies in other sectors. (G Meeks Meeks,2009)

❖ **Risk Information Gap Problems**

some studies have taken an interest in the problem of "**risk information gaps**", which indicated that information about the risks ddisclosed to the company's stakeholders is insufficient and, as a result, stakeholders incorrectly assess the company's risks. the problem of "risk information gap" is linked to the management board's noted positions on risk disclosure (Alzaki, 2019). The study of Wieczorek-Kosmala (2016) has explained the risk information gap problem by **the quality of the information disclosed by the management** when it wrongly assesses the company's risks.

❖ **Problems Related to The Contents of The Risks Disclosure:**

There is another problem related to **the contents of the risk disclosure** declared by some studies like Habtoor et.al(2018) that Risk disclosure in annual corporate reports is still insufficient to meet the growing needs of stakeholders because of the following weaknesses:

1. Brief, general, mysterious, scattered.
2. Insufficient, not effective.
3. Lacks comparability, transparency, easy reading, uniformity, and cohesion.
4. The tendency to disclose past, qualitative, financial (market), non-monetary, good risks is not associated with a time period, and neutral often exceeds that of future risks, quantity, non-financial, cash, bad, and on time.

5. Significant variation in disclosure of risk sources and risk management practices.

In this regard, one study (Trade and Development Board, 2017) showed that the users of corporate reports face some difficulties in disclosing risks and can be summarized as following:

1. Disclosures and requirements vary in quantity, quality, location, and requirements may be vague.
2. Disclosure is included in the general language, making it unhelpful.
3. Lack of focus on core risks.
4. Disclosures are flexible and, to be useful, they are corporate-specific, restricting their comparability and reliability.
5. Many risks are difficult to measure because of measurement options, time horizons and details and are often not quantifiable without using subjective assumptions.
6. For users, more detailed disclosures may be evidence that the company faces greater risks, deterring other companies from disclosing risks.

In order to avoid subsequent criticism for omissions or misstatements and potential litigation and face high costs of underreporting of risks such as reputational and litigation-related costs, companies tend **to ignore the materiality** in reporting the risk information in the annual reports, it therefore tends to favor comprehensive but generic disclosures. This makes it difficult for investors to identify the principal and most material risks specific to the company(Association of Chartered Certified Accountants, 2014), Thus There is a trade-off between comprehensiveness in a report, to cover all potential risks, and the materiality of risks and their relevance to investors. (International Accounting Standards Board, 2017)

Stephen G. RyanRyan(2012) stated There is another problem facing the preparation of risk disclosures complicated by the fact that some risks, such as financial risks, are within the control of management and can be measured and managed using financial instruments, while others are

outside of such control. That is, most **business risks** are uncertain and cannot be measured objectively, implying that most disclosures of such risks are qualitative and not quantitative. If risk disclosures include quantitative measurements, they are often based on subjective assumptions, unless specific risk measurement models are prescribed by the standard setters Less prescriptive requirements afford management flexibility in making assumptions specific to a situation and firm. Flexibility can enable companies to make more informative disclosures by using firm-specific model assumptions instead of pre-specified parameters, but also provide opportunities for **manipulation**.

O-KHope(2016) debated that there is a trade-off between regulating the content and form of risk disclosures, to ease comparability and increase their reliability, and allowing managerial flexibility, to tailor disclosures to company-specific risks. Some risks are inherently company-specific (idiosyncratic risk), such as operational risks, and some are common to sectors, such as financial risks. Financial risk disclosure can be assessed to some degree by comparing disclosures within a sector, while specific risks are more difficult for investors to assess without firm-specific disclosures.

However, despite of the problems and challenges facing the firms in the disclosure of risk information, when disclosing risk information by the management, It assess the costs and benefits of reporting with regard to risk disclosure, such disclosure remains useful to investors. Qualitative risk disclosures in separate sections on risk factors, such as in annual reports in the United States, as well as discussions of risk throughout annual reports, seem to accurately reflect the underlying risks faced by companies (Filzen,2016; El-Kelety,2019). Investors seem to price information about risks in corporate reports, suggesting that risk factor disclosures and management discussions about risk throughout corporate reports are informative in assessing risks. The rapid changes in

the business environment can be said to be a vital requirement for shareholders and other stakeholders in the company, as this information is the cornerstone on which stakeholders rely in their decisions regarding the future of dealing with the company**.**

2.2.6.2 Measuring Risk Disclosure in Annual Reports:

One of the methods for measuring risk disclosure is a disclosure index which is an objective measure referring to lists of selected items that can be disclosed in corporate reports (Hassan and Marston,2010).

The disclosure index is an objective measure of disclosure in companies' annual reports. Cerf (1961) is the first researcher who measured risk disclosure by using a disclosure index with 31 items based on the interview method and scored in four scales. Botosan (1997) employed a disclosure index, whereby the level of risk disclosure was measured by an ordinal weighted scale. The scales were built based on the weighting of information as follows: score two if the information shows quantified disclosure; score one if the information explains disclosure through qualified information, and zero if it does not give any information. They argued that the information in some items is more important and relevant than other items for stakeholders. Moreover, they asserted that quantitative information is more important, useful, and precise, than qualitative information hence quantitative information has the highest score, On the other hand, (Bozzolan, 2004) mentioned that qualitative information is more important than quantitative information.

Hopskins (1996) argued that the extent of high-quality disclosure information can potentially be measured by how easily it can be read and interpreted by investors. However, due to the difficulty in measuring investors' perception of disclosure quality, researchers commonly use disclosure quantity as a proxy for disclosure quality (Bamber, 2016)

Content analysis is a method for collecting data from annual corporate reports manual or electronic content, as this method is widely

used in disclosure studies because it provides reliability and accuracy in Steenkarp (2017) data-inspired conclusions.

The principle of content analysis as defined by Kothari(2009) is numerous words in a text can be grouped into a smaller set of content categories, with each category containing similar words or phrases. Furthermore, this concept involves counting the occurrences of each word or phrase and then analyzing and comparing these counts systematically.

Most studies in accounting literature have relied on the use of the Content using disclosure index for example, a study (Miihkinenm,2012) examined the impact of the application of the risk disclosure standard in Finland on the level and quality of risk disclosure from 99 Finnish companies listed in the OMX Helsinki Index at two years (2005 and 2006)

The content analysis can depend on three dimensions to measure the level and quality of risk disclosure in the annual reports sample study, the first dimension in the amount of disclosure was the number of words, the second dimension is to cover disclosure at the main types of risks covered by disclosure, the third dimension is the semantic characteristics of risk disclosure and contains this dimension Two elements are the depth of risk disclosure (the economic impact of risk information content on future performance) and future status (represented by actions taken and planned programs by the company's management to reduce risks)

In the same vein, The study of (Vychytilova , 2020) applied the content analysis In line with (Lansley & Shrives2006;Abid & Shaique, 2015) who used the sentence as a judgment of risk disclosure in the annual report, if the coder is informed of any opportunity or prospect, or of any hazard, danger, harm, threat or exposure, that has already impacted upon the company or may impact upon the company in the future or of the management of any opportunity, prospect, hazard, harm, threat or exposure and have been categorized and counted in six risk categories, namely

financial risks, operations risks, integrity risk, information processing and technology risks, strategic risks, and empowerment risk by performing ex-post manual content analysis.

Also, the study of Kassam (2022) measured risk disclosure by identifying the list of risk words to categorize risk-related information. Thus, the total number of risk disclosure data, extracted and analyzed manually for voluntary and mandatory disclosures, capturing through counting the number of risk words at the risk disclosure sections of 144 annual reports of UK and Canadian insurance companies.

2.2.6.3The Role of Regulatory and Organizational Entities in Corporate Risk Disclosure:

❖ **Security and Exchange Commissions (SEC) and Risk Disclosure:**

In 1997 the Securities and Exchange Commission (SEC) issued the Financial Reporting Release FRR(financial Reporting Rules) 48, SEC is an independent US federal agency that was founded in 1934 and responsible for enforcing Federal laws of the stock values, options markets, and other electronic exchanges (Brown, 2018) .Andres (2015) stated that the main objective of SEC for issuing FRR No. 48 was to face firms' failure to offer risks disclosure to investors, which was negatively effecting investors decisions. FRR 48 requires public firms to disclose risk information -caused mainly from using derivatives and similar assets- to the public. According to Linsmeier et al., (2001) FRR 48 was issued following highly publicized derivative-related losses in the 1990s, it responded to appeals from investors and other constituents for enhanced public disclosure of firms' exposures to market risk. FRR 48 mandates that firms provide in their 10-K reports quantitative market risk information relating to each material.

Beginning in 2005, the (SEC) required all firms to include a new section in their annual filings (Section 1A of the Annual Report on Form 10-K) to discuss "the most significant factors that make the company

speculative or risky" (Regulation SK, Item 305(c), SEC 2005). Prior to this change, companies were only required to provide this information in registration statements for equity and debt offerings. By mandating this disclosure for all firms, the SEC is suggesting that risk factor disclosures are informative and that investors benefit from this information.

On the other hand, critics of the new disclosure requirements argued that risk factor disclosures are unlikely to be informative for at least two reasons. First, firms do not have to estimate the likelihood that a disclosed risk will ultimately be realized. Second, firms do not have to quantify the impact that a disclosed risk might have on its current and future financial statements. Thus, managers simply disclose all possible risks and uncertainties, regardless of the likelihood that they will ultimately affect the firm, and the disclosure surrounding each of these risks and uncertainties is likely to be vague and boilerplate in nature (Reuters 2005). In 2010, the SEC warned firms to "avoid generic risk factor disclosure that could apply to any company" (SEC 2010) and has repeatedly called for increased focus and specificity in risk factor disclosures through the comment letter process (CFO, 2010).

Therefore, it can be concluded that FRR 48 did not solve all the problems concerning firms' risk disclosure practices for many reasons, one of these reasons is the flexibility it allowed to firm managers in both deciding the presentation formats of risk disclosure and methods of quantifying risks. Another reason is the incomplete coverage of risk disclosures that can be outlined by the FRR 48 coverage of many financial instruments and derivatives, though it failed to cover all positions that lead to market risk exposure such as non-financial or derivative instruments that the firm is not required to quantify. But despite of that FRR 48 was a very good move toward improving investors' assessments of firms' market risk exposures at its time of release(Youssef ,2021)

❖ International Accounting Standards Board and Risk Disclosure:

The International Financial Reporting Standards No.7, Financial Instrument: Disclosures (IFRS 7) aims to improve disclosure quality of financial instruments and to reduce investor uncertainty about the effects of a change in risk variables on firms' expected cash flows. This mandatory standard requires entities to disclose both qualitative and quantitative information, which enables users to evaluate the nature and the extent of risks arising from such financial instruments to which the entity is exposed at the reporting date (IASB, 2005).

This standard requires companies to make several disclosures about the significance of financial instruments for the financial position and the financial performance of the entity concerned, and the nature and extend of risks to which the entity is exposed in relation to financial instruments, both in quantitative and qualitative terms (Yamani, 2021)

There are three categories of risk disclosure in the standard: credit risk, liquidity risk and market risk. Credit risk, or counterparty credit risk, is defined as the risk of loss arising from some credit event by the counterparty that may be unable to make a payment or fulfil contractual obligation (Chacko et al., 2015; Gregory, 2012). Liquidity risk or entity credit risk is the risk that an entity may fail to fulfil contractual obligation (IASB, 2005).

Mnif and Znazen (2020) stated that, IFRS 7 has two main requirements, the first, that an entity must provide information about the significance of financial instruments to a firm's financial position and performance; and the second that a firm should supply information about risks arising from the financial instruments' usage. Agyei-Mensah (2017) in his study argued that the main objective of IFRS 7 is focused on financial instrument disclosures and is based on the notion that entities should provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance. Further, IFRS 7 places emphasis on disclosures about risks associated with both recognized and unrecognized financial instruments and how these risks are managed. These disclosures must be

both qualitative and quantitative. Qualitative disclosures describe management objectives, policies, and processes for managing those risks. Quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

IFRS 7 requires the following disclosures per each risk category:

Credit Risk (IFRS 7.36):

Credit risk is defined as "the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation" For each class of financial instrument, IFRS 7 requires disclosure of the Maximum exposure to credit risk, description of collaterals held and past due.

Liquidity risk (IFRS 7.39)

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. IFRS 7 requires Maturity analysis concerning non-derivative financial liabilities and derivative financial liabilities and in which way the company manages the risks associated with these liabilities. Furthermore, a company must disclose in which way it intends to fulfill these liabilities in due time.

Market Risk (IFRS 7.40)

The market risk is defined as "the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices". Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Per each risk category a company need to disclose a sensitivity analysis showing in which way the profit and loss and equity would have been affected by changes in the risk variable and the methods and assumptions used in preparing the sensitivity analysis.

Paragraph 41 of IFRS 7 in addition allows a value at risk model to be used instead of the sensitivity analysis per risk."

On the other hand, Phunphit Thitinun (2021) stated that firms under IFRS7 are required to disclose risks arising from financial instruments that the entity owns, indicating that IFRS 7 requires firms to provide a negative signal or unfavorable disclosure regarding their financial instruments (thus implying a negative disclosure tone).

IAS 37 Risk Disclosure Framework

IAS 37 states that risks and uncertainties which inevitably surround many events and circumstances shall be considered in reaching the best estimate of a provision (IAS 37, para 42), it describes risk as variability of outcome and that a risk adjustment may increase the amount at which a liability is measured. IAS 37 also advises that caution is needed in making judgements under conditions of uncertainty, so that income or is not then deliberately treated as more probable than is realistically the case. Care is needed to avoid duplicating adjustments for risk and uncertainty with consequent overstatement of a provision (IAS 37, para 43).

IAS 37 requires entities to disclose the following for each class of provision:

- An indication of the uncertainties about the amount or timing of those outflows. It also requires firms to provide adequate information, about the major assumptions made concerning future events, and the amount of any expected reimbursement, stating the amount of any asset that has been recognized for that expected reimbursement (IAS 37, para 85).
- IAS 37 also states that unless the possibility of any outflow in settlement is remote, an entity shall disclose for each class of contingent liability at the end of the reporting period a brief description of the nature of the contingent liability and, where practicable (IAS 37, para 86) which includes:

  (a) an estimate of its financial effect.

  (b) an indication of the uncertainties relating to the amount or timing of any outflow.

(c) the possibility of any reimbursement.

From the previous discussion the objective of the IASB with IFRS 7 was to regulate the disclosure of risk information, allowing for an improved understanding of the financial positions to support risk assessments.

This objective highlights the difference between FRR 48 and IFRS 7, as the former required the introduction of risk information in the financial statements, while the later aimed to regulate this information, this difference was mainly because of the different economic and historical contexts of the issuance of the two releases (Andres, 2015).

When emphasizing on similarities and differences between FRR 48 and IFRS 7, it is noted that IASB also focused on the regulation of financial risks, and it furthermore added credit and liquidity risk in IFRS 7, elevating these to a higher level of importance to firms but IFRS 7 again did not give the non- financial risks the same concern in terms of importance. However, Andres (2015) argued that it is true that IFRS 7 allows the inclusion of other types of risks such as non-financial risk but still it does not suggest any specific treatment on the information given on these in terms of measure, formats, or to which section this information shall include in the financial statements measure.

***Committee of sponsoring organizations of the treadway commission (COSO) and risk disclosure:**

- The Committee of Sponsoring Organizations of the Treadway Commission (COSO) was organized in 1985 to sponsor the National Commission on Fraudulent Financial Reporting, an independent private-sector initiative that studied the causal factors that can lead to fraudulent financial reporting. It also developed recommendations for public companies and their independent auditors, for the SEC and other regulators, and for educational institutions.
- This committee was formed as a joint initiative of the American Accounting Association (AAA), the American Institute of Certified

Public Accountants (AICPA), the Financial Executives International (FEI), the Institute of Management Accounts (IMA) and the Institute of Internal Auditors (IIA). It is geared towards providing intellectual leadership through the development of frameworks and guidance on enterprise risk management, internal control, and fraud deterrence.

- In 2004, the Committee published a publication entitled "Project Risk Management – Integrated Framework (ERM) in response to a need for principles-based guidance to help entities design and implement effective enterprise-wide approaches to risk management, COSO issued the **Enterprise Risk Management – Integrated Framework in** 2004. This framework defines essential enterprise risk management components, discusses key ERM principles and concepts, suggests a common ERM language, and provides clear direction and guidance for enterprise risk management. The guidance introduces an enterprise-wide approach to risk management as well as concepts such as: risk appetite, risk tolerance, portfolio view. This framework is now being used by organizations around the world to design and implement effective ERM processes.
- In December 2010 there was an update titled "Developing Key Risk Indicators to Strengthen Enterprise Risk Management "to help management develop effective key risk indicators (KRIs) to heighten board and management enterprise risk awareness in order to increase the effectiveness of an ERM process and improve the execution of an organization's strategy
- The 2017 edition titled "Enterprise Risk Management – Integration with Strategy and Tool", which highlights the importance of considering risks both in the strategy development process and in performance leadership.
- In 2018 There was an update titled "Applying Enterprise Risk Management to Environmental, Social, and Governmental **(ESG)**

related risks "that introduced a guidance to help entities (including businesses, governments and non-profits) better understand the full spectrum of the risks related to involving in ESG disclosure and to manage and disclose them effectively. The guidance is designed to help risk management and sustainability practitioners apply enterprise risk management (ERM) concepts and processes to ESG-related risks.

- In Dec,2020 there was an update titled "**Compliance Risk** Management: Applying the COSO ERM Framework to to provide guidance on the application of the COSO ERM framework to the identification, assessment, and management of compliance risks by aligning it with the Compliance and Ethics (C&E) program framework, creating a powerful tool that integrates the concepts underlying each of these valuable frameworks.

From the following efforts of COSO committee about the development of risk management guidance publications from its first publication about risk management approaches through its integration to the company strategy, its integration to ESG activities to compliance risks guidance, this reflects the rapid development of risk management and its compliance to the development of risk disclosure. , and this risk disclosure contributes to improving the efficiency and effectiveness of the risk management process, which has an impact on the company's activity and sustainability, Thus this reflects the necessary of regulating the risk disclosure in all the firms.

❖ **The Management Commentary Statement and Risk Disclosure:**

In May 2021, the International Accounting Standards Board (IASB) published the Exposure Draft Management Commentary. The Exposure Draft sets out the IASB's proposals for a comprehensive new framework for preparing management commentary. The proposed framework would replace IFRS Practice Statement 1 Management Commentary which was issued at 2010.

The key points proposed in the statement can be explained in the following points (IFRS, 2021):

- **Management commentary shall provide information that enables investors and creditors to understand the risks of events or circumstances that could disrupt:**

(a) the entity's business model.
(b) management's strategy for sustaining or developing that model; or
(c) the entity's resources or relationships.

- **Information in management commentary shall provide a sufficient basis for investors and creditors to assess:**

(a) the extent of the entity's exposure to risks; and
(b) how effectively management monitors and manages the entity's exposure to risks

- **The information about risks shall enable investors and creditors to understand:**

(a) the nature of the risks to which the entity is exposed.
(b) the entity's exposure to those risks.
(c) how management monitors and manages the risks.
(d) how management will mitigate disruption if it occurs; and
(e) progress in managing risks

Management commentary shall focus on the key risks to which the entity is exposed. Key risks are risks of events or circumstances that could fundamentally disrupt the entity's ability to create value and generate cash flows, including in the long term.

- **Risks that management identifies as key could include risks of events or circumstances that in the short, medium or long term might:**

(a) fundamentally disrupts the entity's business model—for example, cause the entity to lose a competitive advantage.
(b) fundamentally disrupt management's strategy for sustaining and developing the business model—for example, prevent the entity from fulfilling its purpose.

(c) fundamentally disrupt a resource or relationship—for example, disrupt the entity's supply chains for essential components or damage the entity's reputation; or

(d) threaten the entity's existence—for example, cause a permanent collapse in demand for the entity's product range.

If a risk has the potential to cause fundamental disruption, that risk could be a key risk even if disruption is unlikely, or even if disruption could occur only in the long term.

- Local laws or regulations might require management commentary to include information about particular risks regardless of whether those risks are key risks for the entity and regardless of whether information about them material is.

2.2.6.4The Corporate Risk Disclosure in The Egyptian Context:

At the level of the Egyptian environment, there have been some attempts to pay attention to the disclosure of risks can be presented in the following context:

❖ **Egyptian Regulations and Risk Disclosure**

Accounting disclosure is subject to the laws and regulations of the state in which companies operate. In Egypt regulations, and rules were issued to encourage investment and improve accounting disclosure in companies.

By analyzing the status of the laws and rules of registration on the Egyptian Stock Exchange from disclosure of risks, it is clear that these laws and rules have obliged listed companies to disclose some information that may implicitly reflect the uncertainty or risks that the company may face, didn't focus on the elements of risks and sources of uncertainty that companies must disclose in annual reports and did not explicitly ask companies to disclose risks as is prevalent in accounting thought and did not specify the parameters Risk disclosure. The Laws and Regulations of listing on the Egyptian Stock Exchange did not require companies to

prepare a separate list of risk information, as in the United States, where the Securities and Exchange Commission requires corporate governance to prepare a list of management discussions and analyses to register with the U.S. Securities and Exchange Commission, and in the United Kingdom, listed companies are bound by the Companies act to prepare and publish the list of financial and operational audits. The issuance of such lists is an important and necessary step towards improving and developing risk disclosure in annual reports. (Al-Qili, 2019)

- **Corporate Governance and Risk Disclosure**

The Egyptian guide of corporate governance (third edition, 2016) also noted in item (2.3.4) that the risk management committee shall be formed from the non-executive and independent members of the board of directors where it shall establish procedures for dealing with all types of risks facing the company, determine and evaluate the level of risk that the company can accept, supervise and verify the effectiveness of the company's risk management .In addition, the companies shall be obliged, in accordance with the rules of listing and delisting securities on the stock exchange in articles (28), (30) and (36) to disclose for information that would affect its financial situation and position such as court rulings, and the structure of the board of directors

- **Egyptian Accounting standards and risk disclosure**

Egyptian Accounting standards are one of the sources governing the disclosure process of companies listed on the Egyptian Stock Exchange, the Egyptian accounting standards issued by the decision of the Minister of Investment No. 243 for 2006, and during 2015 a modified version of the Egyptian accounting standards was issued by the decision of the Minister of Investment No. 110 for 2015 and began to work on January 1, 2016. and the amendments performed by the decision No.69 of year 2019 by adding the Egyptian standards number (47,48,49) to be applied at January 2020.

Egypt amended accounting standards required companies listed on the Egyptian Stock Exchange to disclose Risks but indirectly through certain accounting standards such as: Standard (7) 2015 Events that occur after the financial period, Standard (13) Effects of Changes in Foreign Exchange Rates and its amendment at January 2022 by adding appendix No.13 concerning the results of foreign exchange prices changes by making optional and temporary accounting treatments to capitalize the losses resulting from the change of foreign exchange prices resulted from acquisition of fixed assets before foreign exchange floating.

With regard the new Egyptian Accounting Standard No.40 (Financial Instruments: Disclosures) that was complemented by the amended Egyptian Accounting Standard (26) (Financial Instruments: Recognition and Measurement) and was matched by The International Standard of Preparation Financial Reports IFRS7 (Financial Instruments: Disclosures). This new standard has been allocated to disclose financial instruments and risks resulting from the use of financial instruments.

2.3 The Theoretical Framework of The Dividends Policy

Trying to explain why firms decide to pay dividends has created significant problems for many researchers. In fact, the existence of dividend payouts has been called puzzling, and empirical researchers in the field of corporate finance have stressed that there is no consensus to answer the question of why firms pay dividends, despite numerous research efforts, there still seems to be no clear picture. Also, the dividend policy preferred by the managers of a corporation can differ substantially from one firm to another (Basse et.al, 2022). The next subsection will cover the most popular theories explaining the dividends policy, and the dividends policy determinants affecting the dividends policy theoretically and empirically.

2.3.1The Concept of Dividends Policy:

The dividends policy is the practice followed by firm General Assembly in decision making concerning dividend payout This includes the patterns and size of cash or any other mean of dividends like stock dividends to be distributed to shareholders over a given timeframe (Lease et al., 2000). The dividends policy is the total amount of the profit that has been shared proportionately and paid out as dividends to the ordinary investors (Fumey & Doku, 2013). The dividend policy of the firm is the choice that the company makes on whether to make the payments of the dividends by using cash or other forms to investors. The crucial part of the policy is company decisions on whether to give or not to give dividends to shareholders, the frequency of payment and the amount of cash to be paid out. In the wide perspective (Odinya, 2017). Also, the dividend policy can be defined as the dividend distribution guidelines provided by the board of directors of a company. It sets the parameter for delivering returns to the equity shareholders, on the capital invested by them in the business. While taking such decisions, the company must maintain a proper balance between its debt and equity composition (Surender Singh, 2020).

2.3.2 The Dividends Policy Theories:

There are many theories in accounting literature that have tried to explain the dividends policy puzzle by explaining the reasons and motives of the dividends i.e., the decision to pay or not and the amounts of dividends paid.

❖ **Dividend Irrelevance Theory:**

This is the theory developed by Modigliani and Miller(1958) and its theme is the irrelevance of dividends on a firm's value. Regardless of the implementation of traditional views, Modigliani and Miller (MM) believed that investment in assets could maximize the value of the firm by making a profit rather than paying dividends. The assumptions are that the capital

market is perfect so that there is free and equal availability of information to the market participants, securities are traded with no transaction costs, no taxation costs on both capital gain and dividends, and lastly, the share price will be determined by the market forces and not by firms and investors (Nyabakora, 2022).

❖ **Bird In the Hand Theory:**

The theory was developed by Lintner (1956) and Gordon's(1963) in response to the proposition of dividend irrelevance developed by Modigliani & Miller (1958). The "bird in the hand" theory provides evidence of the prevalence of the positive relationship between the dividend payout and the value of the firm. (Khadija Farrukh et.al, 2017). Nyabakora (2022) stated that this theory compares the risks attached to dividends and those of capital gain and advises the payment of dividends, saying that, due to the certainty of dividends, they have low risk compared to those of capital gain. For value-maximizing, firms have to offer a high dividend yield and pay a high dividend ratio as much as they can. It is for this reason that it was called the "bird in hand," meaning that one bird in the hand is better compared to two birds in the future, which is uncertain. In the same context James (2012) debated that under this theory the firms were measured and judged using the dividend-paying criteria.

❖ **Agency Cost Theory (Free Cash Flow Theory)**

According to the theory, managers struggle to fulfil their interests, which differ from those of the owners, and the owners incur high costs to control the situation. They may employ auditors to act on their behalf to watch the things happening in their funds. So, the decision to pay a dividend or not is determined by the prevailing situation on the agency cost in the firms regarding owners' and managers' interests. Managers, while undertaking their duties, may adopt a policy that has no contribution to share value maximization but that fulfils their personal

interests. Implementing the dividend policy that leaves managers without free cash at their disposal guarantees the share value maximizing objective (DeAngelo, 2006)

❖ **Signaling Effect Theory**

Based on Miller and Modigliani (1961) theories, many scholars concluded that dividends are having a signaling effect. Investor or potential investor forecasts the profit of the company, which in fact is influenced by the rate of dividend. Firms must distribute dividends among investors or shareholders. High dividend payments are considered positive sign of profitability by shareholders. According to Chaabouni (2017) dividends are having a signaling effect as dividend payment gives the information about company to the market. In real they give signal to market. On the other hand, when companies cut their dividend payments, it has a negative effect on the company's reputation as it gives negative signal about the company to its shareholders, and it reduces the share price (Farrukh, 2017).

❖ **Pecking order Theory**

Myers (1984) developed the pecking order hypothesis to explain financing decisions. He suggested that the cost of issuing risky debts overwhelms other costs and benefits of debts and dividends which lead to the pecking order. Myers (1984) assumed that managers are expected to possess more information about the value of a company than potential investors, and that investors interpret a firm's actions rationally. Under such assumptions, they suggested that companies finance their investments using the internal capital first and the external second. Because of asymmetric information, external financing is much more costly than internal free cash flows for investment. Moreover, a company that is in the growth phase would have higher investment opportunities, which also means higher financial needs, and would therefore payout lower dividends. According to the theory, firms finance investments first with retained

earnings, secondly with safe debts, thirdly with risky debts and finally with the equity. Myers emphasized that the pecking order model does not explain why companies pay dividends, but once the companies tend to pay dividends, the pecking order hypothesis will automatically be taken to the consideration.

❖ **Life Cycle Theory of Dividends:**

Mueller (1972) proposed that when large and mature firms make large investments, shareholders may face a reduction in dividend income, which has major implications for the firm life cycle. Fama and French (2001) proposed that organizations with a high profit. low growth outlook tends to pay dividends, while low profit. high growth firms are more reluctant. De Angelo et al. (2006) stated that mature firms tend to pay dividends, while young firms refuse to do so. (Dewasiri & Weerakoon Banda, 2015) accepted the catering theory of dividends in their comparative study over 407 research articles in dividends policy and 50 empirical studies.

❖ **Catering theory of dividends:**

Baker and Wurgler (2004) argued that a dividend decision is motivated by the investor's need for dividend-paying stocks employing dividend premium, as a proxy to capture investors' preference for dividends. Baker and Wurgler (2004) also presented evidence that investor preference and tendency to pay dividends are positively correlated.

❖ **Tax preference theory.**

The tax preference theory of dividends was developed by Litzenberger(1979). Nyabakora(2022) stated that the theory explains how investors' behavior is affected by taxation on capital gains and dividends. It asserts that it is better for profitable firms to pay shareholders capital gain since dividends are more taxed, while many investors do not like taxation costs. This theory advocates low or not paying dividends to the

shareholders to achieve the value maximization objective. So, investors prefer capital-gain firms rather than dividend-paying firms.

2.3.3 Types of Dividends Policy:

All listed companies generating profits is faced with decisions regarding dividend distribution to their owners who have entrusted their funds in the company's investments. Various firms follow varying dividend policies as the firms have different objectives and goals as well as methods of dealing with profit allocation. according to odinya(2017) the types of dividend policies can be classified as following:

- **Regular dividend** is where the shareholders are awarded dividends at a normal or usual rate. These shareholders majorly comprised of retirees and weak part of society seeking regular earnings to sustain their needs. It's manageable by companies that regularly make earnings.
- **A stable (Regular) dividend policy** is where shareholders receive regular payment of a certain sum of money. It comprises of three categories; Constant dividend per share where the company maintains a reserve fund to compensate fixed constant dividends in case a firm makes losses or little earnings. For firms generating little income, it is a suitable type. Constant payout ratio is where a fixed percentage of earnings is paid to investors as dividend yearly, and Stable dividend plus extra dividend is where when a company makes higher profit it pays low dividend.
- **Irregular dividend policy**, shareholders do not receive regular dividends from the company because of uncertainty of income earnings of the firm, limited or absence of liquidity resources, fear of paying regular dividends, or the business is not a success.
- **Residual dividend policy**: under this policy, the company only makes a dividend payment after fully funding all viable investment projects and meeting its working capital demands. Although it's volatile, it's the most

sensible considering business operations, as investors don't value firms that justify debt increments with dividend payments.

- **No dividend policy**: shareholders expect or receive no dividends from the company. The firm adopts this policy where the company requires it to meet certain fund requirements for growth, working capital, or both.

2.3.4 The Determinants of Dividends Policy:

2.3.4.1 Financial characteristics.

- **Profitability:**

As dividends are the distribution of a firm's profits to its shareholders, profitability is a major financial factor in determining dividend policy and profitable firms are more likely to pay dividends as compared to nonprofitable firms as this increases the retained earnings which is the source of distributing dividends. This is also consistent with the signaling theory of dividends, which argues that highly profitable firms pay larger cash dividends to convey their better financial position, and this is consistent empirically with (Aivazian et al., 2003; Ferris et al., 2006; Kilincarslan, 2018;Dewasiri, 2019). On the other hand, firms prefer to capitalize internally available risk-free assets rather than risky sources such as equity and debt (Myers, 1984). This means priority is given to internal funds when it comes to financing capitalization. Thus, there is a negative relationship between leverage of a firm and its profitability (Abdullah and Tursoy, 2021). In other words, corporations prefer to invest its own gained profit rather than borrowing from outside. Thus, companies are likely to payout low rate of dividend to retain the profit for future investment opportunities, thus there is a negative relationship between profitability and dividends policy, and this is consistent empirically with (Kimie and Pascal ,2011; Kuzucu (2015) that identified profitability as a determinant with a negative impact on corporate dividend policy.

- **Debt:** the dividend literature suggested that debt exerts a negative influence on dividend payout. From the transaction cost theory

perspective, debt leads to financial charges and fixed costs that firms must repay (i.e., interest payments) and the dependency on high degrees of external financing will increase the risk of firms' stocks. Leverage ratio indicates the level of debt in a company. High leverage ratio involves high fixed payment for external financing in the form of interest paid to the lenders. This might have a negative impact on the dividend payout ratio because management cares about financing sources for future investment opportunities. It is also argued that debt and dividends are alternative mechanisms in monitoring managers and controlling agency related problems as they are substitute tools, the agency cost theory confirms the inverse relation between debt and dividends as well Kilincarslan(2018).

- **Firm's Growth (Investment) Opportunities.**

The older studies like (Rozeff, 1982; Holder et al.,1998; Fama and French,2001; Baker and Wurgler,2004; and Ferris et al.,2006) documented that strong growth reduced both the likelihood and amounts of dividend payments. This negative association is supported by the pecking order theory because it predicts that firms with high growth opportunities will use their earnings first to finance those investments (then debt and equity issuance, given that investment requires more than the internally generated funds). Thus, high-growth firms should pay out low or no dividends according to (Myers and Majluf,1984; Dewasiri ,2015; Yusof and Ismail,2016; Al-Kayed,2017; Roj, 2019, Jovković et.al, 2021).

- **Firm Size and Firm Age**

The firm's size and age are two other important characteristics that appear to positively influence dividend policy. Large-sized firms face higher potential agency problems according to (Dewasiri et.al , 2019) the wide-ranging ownership structure in larger organizations reduces investors' capabilities to manage financing activities, resulting in more asymmetric information and higher agency costs, but have easier access to capital markets to raise external finance at lower costs, as compared to smaller

firms (Lloyd et al., 1985). Considering the lower transaction costs and higher potential for agency problems, larger firms, therefore, distribute higher dividends as a controlling mechanism. Empirically (Al-Najjar ,2011; Bokpin, 2011; Dewasiri N.,2019)) rejected any significant impact of company size on corporate dividend policy. However (Harada and Nguyen, 2011) identified firm size as a negative determinant on dividends policy. Many studies like (Moh'd et al., 1995; Fama and French, 2001; Ferris et al., 2006; Patra et al., 2012; Kuzucu, 2015; Yusof and Ismail,2016; Roj, 2019) identified firm size as a positive determinant of dividend policy. Similarly, as firms got older (Firm age) in terms of age, they tended to have steady earnings with declining investment opportunities, and thus can preserve a good level of funds. This allows them to pay higher dividends, consistent with the maturity hypothesis (Grullon et al., 2002; DeAngelo et al., 2006).

- **Liquidity**

The liquidity of a firm can be another important financial factor for its dividend decisions. It is because firms with higher cash availability (high liquidity) are more likely to pay dividends than their counterparts with a liquidity crunch (Ho, 2003). By paying dividends, high liquidity firms convey credible signals to the market that they can pay their obligations easily and hence involve lower risk of default, consistent with the signaling theory. According to Jensen (Kilincarslan, 2018)if firms have a great amount of free cash flow (high liquidity) under managers' discretion, they should distribute large cash dividends to overcome agency costs of free cash flow. Then, this implies a positive correlation between free cash flow and dividend payout.

Empirically (Benito and Young, 2001; Kanwal and Kapoor ,2008; Hashim et.al, 2021; (Roj, 2019) (Jovković, 2021)) suggested a positive relationship between level of liquidity and the dividends paid. On the other hand,

Banerjee et al. (2007) highlights a negative relationship between dividend policy and liquidity and called it the "liquidity hypothesis of dividends," a model supported by (Zhiqiang et al. 2015;Baker and Kapoor 2015) who revealed strong support for the liquidity hypothesis in the Indian context for stock dividends as Finance directors believe that firms strive to maintain an uninterrupted record of dividend payments and avoid making changes in the dividend payment that might have to be reversed. Their evidence shows that respondents consider dividends as a signaling device, but they do not find any support for the residual dividend hypothesis.

- **Asset Tangibility**

Prior research provides evidence that asset tangibility has a role in setting dividend policy, especially in developing markets. Aivazian et al. (2003) detects a negative relationship between tangibility of firm assets and dividends. They argued that larger fractions of long-term tangible assets decrease the proportions of short-term assets that can be used as collateral for short-term funding, and therefore reduce the borrowing capacity of firms where the main source of debt is short-term bank financing. This in turn forces firms to make more use of internally generated earnings, while lessening the likelihood of paying dividends. The negative impact of asset tangibility on dividends is also reported by Ho (2003), Al-Najjar (2009) and (Kilincarslan, 2018).

2.3.4.2Ownership Structure

Dividend payments may be a useful tool to reduce agency problems (Easterbrook, 1984; Jensen, 1986) and signal insider information (Bhattacharya, 1979; John and Williams, 1985) in a widely held firm, where the ownership structure is dispersed among small shareholders, but the corporate control remains concentrated in the hands of professional managers.

According to (Harada and Nguyen 2009; Short et al., 2002; Karathanassis and Chrysanthopoulou, 2005), managerial ownership refers to the total percentage of equity held by inside shareholders that take part in the company's management, either through their natural presence or representation on the board of directors or the undertaking of managerial tasks or a combination of the two. Chen et al. (2005) and (Odeleye, 2018) (Kilincarslan, 2018) claimed a negative relationship between managerial ownership and dividend policy. In addition, some studies suggest that dividend payment can be regarded as a tool to control management as inside ownership provides direct opportunity to use internal funds on unprofitable projects (Odeleye, 2015; Adjei-Mensah et al., 2015; Odeleye, 2017).

- **Large Ownership (Family, Foreign and Institutional)**

publicly listed firms are generally dominated and controlled by families and the state with the existence of other large shareholders, such as **foreign and institutional** (financial) investors in these economies. This implies that different types of stock ownership may have different effects on a firm's dividend payment decisions. For instance, La Porta et al. (1999) stated that founding families and their direct involvement in the management of their firms lead to greater supervision and few owners' manager conflicts.

From the previous explanation of the determinants of dividends policy the researcher can conclude that:

- The prior and current accounting literature has been interested in the determinants of dividends policy and this reflecting the importance of the dividends policy as one of the most important decisions affecting the current and the future firm value and this support the relevance theory that supposed a relationship between the dividends policy and firm value as introduced by (Lintner, 1956) and (Gordon's, 1963) and agreed by most of the recent studies.

- There are many determinants affected the dividends policy whether the decision, the frequency, the amount of payout, but there is inconsistency regarding the number of these determinants, and the nature of impact of each of these determinants on dividends policy theoretically or empirically i.e. most of the determinants have inconsistent impact on dividends policy between most of the studies except some determinants like(Firm leverage, Assets tangibility, managerial ownership, family ownership) that have consistent effect on dividends policy theoretically and empirically.

2.3.5The Measurement of Dividends Policy:

- The propensity (Probability) to pay dividends and dividend payout. Propensity to pay dividends is a binary variable (dividend decision paid or not paid).
- The intensity of paying dividends that is measured by dividend payout ratio, which is an accounting measure calculated by dividends per share divided by market value per share as measured by (labhan& mahakud,2017; Kilincarslan, 2018; Dewasiri,N, 2019;Roj,2019; Weygandt, 2018; Nel and wison ,2021), these data will be collected from disclosed annual financial statements.

  The researcher will use the second measure as measured by the most recent studies as it declares the relationship between the market value per share and distributed net income to the shareholders.

2.4 The Firm Value

Firm value is one of the topics that has received the attention of many researchers in accounting literature, being the main goal of all the management decisions taken by the company. It is considered one of the controversial topics in accounting and finance literature due to the multiplicity of its concepts and the different mechanisms of its implementation in the reality of companies. A firm value is established by the price that is currently quoted at which all shareholders use to either sell

or buy shares in a given period i.e., shares outstanding times price per share, this has nothing to do with the assets of the company. It is only what investors are willing to pay for it, some companies sell at many times their value in assets while others sell at a discount to assets (Odinya, 2017) .In the same manner firm value is the market value that can provide the most significant benefit to shareholders when the company's share price rises ((Ardianto, 2018). Meanwhile, according to Siregar (2019), the value of the company is a value that grows along with the increasing level of public trust in the company's business processes.

Dang et.al(2019) declared a comprehensive concept of firm value, that is existing and potential benefits a business can create, which are expressed in the form of values that we can calculate and determine through different methods and appropriate pricing model. Enterprise valuation has many different methodologies and approaches. In general, these methods primarily focus on the following two perspectives (Asset-based perspective and performance-based perspective):

- **Asset-Based Perspective:**

Asset-based perspective is the viewpoint which determines the value of an enterprise based on its balance sheet. Toft(1996) defined: "The value of the business equals to the value of the asset plus the value of the tax shield's net benefit from the debt minus debt related bankruptcy costs." Pandey(2004) defined the firm value as "The value of a business is the total market value of all its securities." Johnson (1980) defined it as: "The value of an enterprise equals to the sum of debts and equity if the firm has financial leverage (using long-term debt); The value of the enterprise is only equal to the value of equity if the enterprise does not have financial leverage (no long-term debt)." Based on the view of Modigliani and Johnson (1980), empirical researchers (Antwi, Mills, and Zhao,2012; Maxwell and Kehinde ,2012) have defined the enterprise value as follows: Enterprise value = Equity capitalization + Long-term debt bearing interest.

- **Performance Based Perspective:**

Performance based viewpoint determines the value of an enterprise based on the business performance results. This is a method of determining the enterprise value from the point of view of capital movement with the expectation of increasing equity's value, that is, increasing the value of the firm.

According to a study of La Rocca (2010) which depended on selected samples of 36 studies from 1988 to 2006 for investigation, about 33% of the studies used ROA, ROE values to represent enterprise value and 67% of the studies used Tobin's Q index and other indicators such as earnings per share (EPS), economic value-added (EVA), price per earnings (P.E), and so on to represent the firm value.

According to Dewi (2014), Tobin's Q is a combination of values of tangible and intangible assets. The value of the Tobin's Q for a firm range from 0 to 1, showing that the cost for the substituting the firm assets exceeds the firm market value so that it means that the market values the firm too low. The value of Tobin's Q above 1 show that the market value of the firm exceeds the noted value of the firm assets. Prasetyorini (2013) made an analysis of Tobin's Q which lower than 1 show that that the book value of the firm's assets is higher than its market value. Therefore, the company will become the target of acquisition or liquidation since the stock of the firm is undervalued. Logically, the buyers of the firm will get the assets at a lower price than if the assets are resold. The Tobin's Q, according to the study Lin(2010) and Dang (2019) is calculated as:

Tobin's Q = (Market capitalization + Preferred stock value + Net debt)/Book value of Total assets

Also its can be calculated according to (Jason Gordon,2022;Adam Hayes,2022) using the following formula: Tobin's Q = Total Asset Value of Firm /Total Market Value of Firm, or Tobins Q = Equity Book Value / Equity Market Value

In addition, according to Siregar & Safitri (2019), the company's value can be seen from the comparison between the market price per share and the book value per share, namely the price to book value (PBV) ratio.

The Accounting Determinants of Firm Value:

Previous literature examined whether accounting variables affect firms' market value. Ohlson(1995) stated that accounting variables, which are book value and profitability, is the basis of the market value. By the construction of the model, book value, which is shareholders' equity shown in the balance sheet, is positively related to market value or stock price. Moreover, **profitability** is also positively related to market value since investors expect better prospects for higher profitability. Riahi-Belkaoui(2002) and Silvestri(2012) found that both variables positively determined market value. Furthermore, firms with high profitability have more funds to invest in other business opportunities that lead to higher market value (Sudiyatno et al., 2020). In addition to that, investors expect to receive high dividends from those firms and thus, are willing to buy shares at high prices Dang (2019). Higher profitability results in better market value. The other accounting variable is **firm size**. Total assets a proxy of firm size is of the firm that influences a firm's market value due to economies of scale. In addition, larger firms have more resources and better access to funding. Amato and Burson (2007) found a positive relationship between return on assets and firm size. Increasing return on assets implies that the market value of a firm should be higher according to the study of Dang et.al, (2019) on sample of firms at Vietnam, and the studies of Sondakh(2019) and Sudiyatno (2020) on sample of firms in Indonesia, found that firm size is positively related to firm market value.

Some studies have reasoned the value of the firm by the **investment opportunities** for example (Suteja and Gunardi, 2016) stated that the value of the firm is solely determined by investment decisions. This opinion can be interpreted as that investment decisions are important, because

achieving firm goals, namely maximizing the prosperity of shareholders will only be generated through investment activities of the firm. Sondakh(2019) debated that the value of a firm formed through indicators of stock market value that is strongly influenced by investment opportunities. The existence of investment opportunities will provide a positive signal about a firm's growth in the future, so that it will increase stock prices and by increasing of stock prices then value of firm will increase.

Some studies determined firm liquidity as a main determinant of the firm value, Liquidity indicates the company's ability to meet its obligations, especially short-term obligations. The size of the liquidity will be a reference for investors, and creditors who will provide loans to the company .One indicator of liquidity is the current ratio, The current ratio is a comparison between current assets and current liabilities. The size of the current ratio will show how much the company is able to meet its current obligations. The higher the current ratio, the easier it is for the company to fulfill its obligations. This will make investors interested in investing in the company, consequently increasing the company's value (Leni Yuliyanti et.al, 2022; Santosa, 2020)

In the same manner the amount of a company's capacity to satisfy its short-term obligations is indicated by its level of liquidity. According to the signaling theory, liquidity demonstrates a company's capacity to meet its short-term obligations so that it may use it as a signal to investors. The findings of studies by(Wulandari ,2013; Safitri 2015; and Rompas, 2013; Zuhroh, 2019) which demonstrated that a rise in a business's liquidity will be followed by an increase in the firm value, provide support for it.

An important factor affecting the firm value is the **dividends policy** as discussed at the beginning of the chapter as a basis of explaining the dividends policy theories. That is because investors prefer companies that distribute dividends due to the certainty of return on their investment. The greater the dividend distributed, the firm's performance will be considered

good and profitable, so that the assessment of the firm will be reflected in the firm's stock price (Sondakh, 2019).

From the previous discussing of the determinants of the dividends policy, and the firm value, the researcher concludes that the following three determinants: Investment opportunities, Firm liquidity, and Firm profitability.

Have the significant and the common effect on both the dividends policy and firm value according to most of the theoretical and empirical studies mentioned except the investment opportunities which have positive effect on firm value but negative impact on dividends policy , which lead the researcher to study the impact of the systematic and idiosyncratic risk disclosure on these three determinants which serve the objective of the research in studying this impact and its effect on firm value which depend also on these three determinants.

2.5 The Systematic Risk Disclosure Influence on the Dividends Policy and Its Effect on The Firm's Value:

The core goal of financial reporting is to aid investors in the estimation of the riskiness of firms' cash flows. Consistent with this goal, financial disclosures contain risk information, and this information is often actively used by investors (Smith, 2022). Systematic risk disclosure is a critical aspect of corporate governance, as it provides stakeholders with essential information about a company's exposure to external risks. This transparency can influence a firm's dividend policy, as investors may adjust their expectations based on the level of risk disclosed. Consequently, the dividend policy can affect the firm's value, as it reflects the company's financial health and management's confidence in future performance. This part aims to explore the relationship between systematic risk disclosure, dividend policy, and firm value, shedding light on how these factors interact and influence each other in the context of corporate decision-

making and investor perception. The next subsection shall study theoretically the impact of systematic risk disclosure on Dividends policy and its effect on firm value through studying the following dimensions that represent the impact of the systematic risk disclosure on the main determinants of the dividends policy in the following context:

- The Impact of systematic Risk Disclosure on Investment Opportunity as a determinant of dividends policy and its effect on firm value.
- The Impact of systematic Risk Disclosure on firm liquidity as a determinant of dividends policy and its effect on firm value.
- The Impact of systematic Risk Disclosure on firm profitability as a determinant of dividends policy and its effect on firm value.

The following shape describes How the researcher will study the impact of systematic and idiosyncratic risk disclosure on dividends policy and its effect on the value of the company.

The following figure summarizes dimensions determining the impact of firm risk disclosure (systematic and idiosyncratic) on dividends policy and its effect on dividends policy.

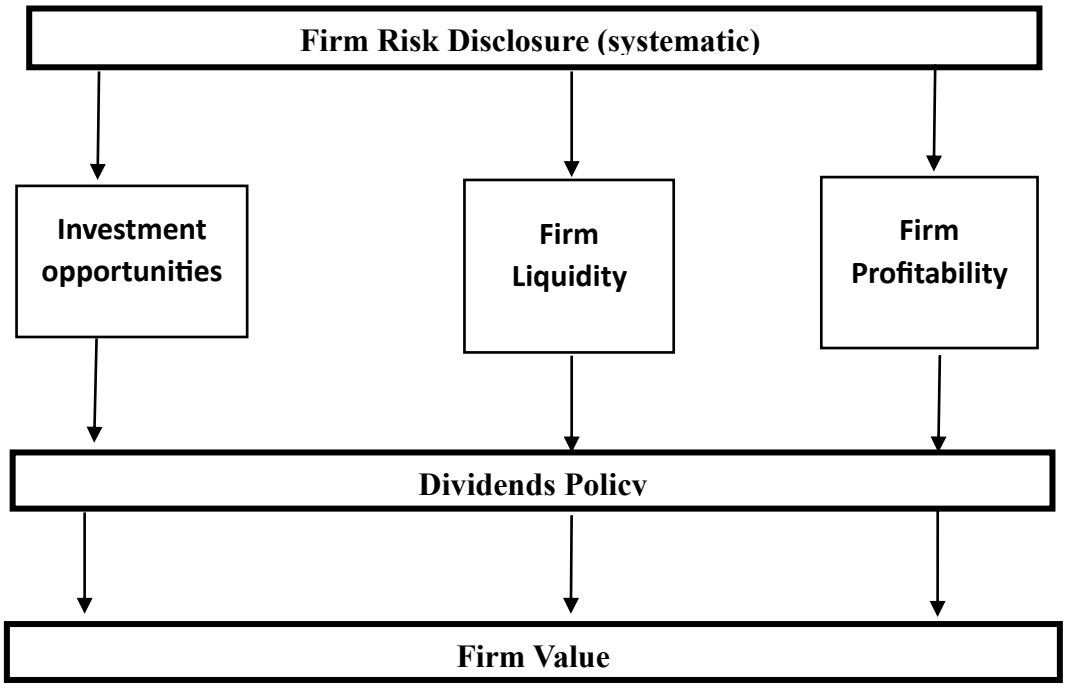


Figure (2-1): The Dimensions of the impact of systematic risk disclosure on Dividends Policy and its effect on Firm value

2.5.1 The Impact Systematic Risk Disclosure on Investment Opportunity (Firm Growth) and its effect on firm value:

Some studies like Ibrahim (2021) have explained the relationship between the risk disclosure and the investment efficiency and concluded that increasing the disclosure of market risks usually leads to improved performance of investment as the nature of voluntary disclosure contributes to decreasing information asymmetry between managers and investors leads to investment efficiency an increase in the rate of revenue growth and cash flows. Dutta and Nezlobin (2017) reported that investment efficiency increases with the accuracy of disclosures about the future capital stock, since such disclosures mitigate the current owners' incentives for underinvestment. In a same context, Lai et al. (2014) found that the increased level of disclosure is associated with reduced investment inefficiency such as overinvestment and underinvestment. Cheng et al. (2013) found that the firms' investment efficiency improves significantly after the disclosure of control weaknesses under the Sarbanes–Oxley Act. That is because risk disclosure reduces the agency costs and reduces the information asymmetry leading to increase the investment efficiency.

In the same vein Zhong and Gao (2017) provided evidence that risk disclosure reporting firms have a higher level of investment efficiency than their non-reporting counterparts. Al Hadi et al. (2017) investigated the impact of market risk disclosure on investment opportunities independently from any other voluntary risk disclosures, and they revealed that disclosing market risk (systematic risk) helps reducing information asymmetry and moral hazard issues, ultimately enhancing investment efficiency.

This dimension is based on the convergence hypothesis as declared by Yanqiong et.al (2019) which assumes that there is little heterogeneity of risk information, firms have high information transparency, and investors have low risk perception. After risk reporting quality is improved,

information transparency, rises, and investment efficiency increases by lowering information asymmetry and agency problem. There are several aspects of this hypothesis. **First**, management announcement on corporate risks indicates that the firm invests. within a reasonable range (Campbell et al., 2014). Those disclosed risks update corporate risk condition while revealing unknown risk factors, which increases the supply of public information. It also indicates managers' confidence of managing the risks, which enhances investors' understanding of the company and reduces management opportunism in investment by promoting supervision on investing behavior. **Second**, more risk disclosure reflects the prudent attitude by management. When considering the environment of high risks and uncertainty, managers will prefer superior project over inferior and be encouraged to make an optimal investment decision, which effectively moderates the agency problem between controlling shareholders and minority shareholders. **Third**, risk disclosure is helpful for investors to realize future volatility of earnings; therefore, it could reduce their required compensation for risks and result in more precise pricing. Moreover, higher quality information disclosure can reduce the external cost of capital and demand for excess capital resulting from temporary mispricing, assisting superior firms in obtaining optimal amount of capital, depressing overinvestment, and mitigating underinvestment, which increase investment efficiency (Yanqiong, 2019)

Building on recent and the related research that evidenced a positive impact of the systematic risk disclosure on investment opportunities and then the firm value the first hypothesis is formulated as following:

Hypothesis 1.a: The systematic Risk Disclosure as determinant of dividends policy has a positive impact on the investment opportunities and then affect the firm value.

2.5.2 The Impact Systematic Risk Disclosure on Liquidity and Its Effect on Firm Value.

The Relation between the systematic risk disclosure and liquidity is a matter of debate in the accounting literature.

The First dimension supports the positive relationship between the systematic risk disclosure and the liquidity, and this happens When a company discloses significant systematic risks, such as economic downturns or geopolitical events, investors may react by adjusting their investment decisions. This can lead to changes in the company's stock price, affecting its market capitalization and liquidity. Also, transparent disclosure of systematic risks can influence a company's ability to raise capital. Investors may be more willing to provide financing if they have a clear understanding of the risks involved and how the company plans to mitigate them. This can directly impact on the company's liquidity by increasing access to funding sources.

In the same vein there is indirect effect of the systematic risk disclosure on the firm liquidity based on the following factors:

- Investor Confidence: Effective systematic risk disclosure can enhance investor confidence in the company's management and governance practices. This increased confidence can lead to a stronger investor base, improved stock performance, and ultimately, better liquidity.
- Risk Management: Transparent disclosure of systematic risks often goes hand in hand with robust risk management practices. Companies that disclose risks proactively are more likely to have contingency plans and risk mitigation strategies in place. These measures can help preserve liquidity during times of market volatility or economic uncertainty.
- Regulatory Compliance: Many regulatory frameworks require companies to disclose material risks, including systematic risks, in

their financial reports and public communications. Compliance with these regulations not only promotes transparency but also helps build trust with regulators and investors, which can indirectly support liquidity.

Smith(2022) debated that this dimension relied on a model which supporting these benefits of disclosure only if investors perfectly understand firms' riskiness and focus exclusively on information concerning firms expected future values, but it may affect the firm liquidity and this leads the researcher to formulate the second dimension supporting the negative impact of systematic risk disclosure and liquidity, but positive effect on the firm value.

In the same debate about the second dimension, it is clear that the systematic risk disclosure main aim is reducing the expectation gap between management and investors, this increases the transparency of information, reduces stakeholder concerns and makes companies more able to rely on external sources of financing, and therefore companies can hold minimal amounts of cash and only for protection purposes which which support the negative relationship between the systematic risk disclosure and liquidity(Bassiony, 2022)

Building on recent and the related research that evidenced a positive impact of the systematic risk disclosure on firm liquidity and then affects the firm value the second hypothesis is formulated as following:

Hypothesis 1.b: The systematic Risk Disclosure has a positive impact on the firm liquidity as a determinant of dividends policy and then affect the firm value.

2.5.3 The Impact of Systematic Risk Disclosure on Profitability and Its Effect on Firm Value:

Profitability is considered one of the main determinants of the dividends policy as dividends are the distributions of profits. Here the researcher will discuss the impact of systematic risk disclosure on

profitability. Some studies have discussed this impact for example Botosan and Plumlee (2002) found that increased levels of disclosure have a positive economic consequence on profitability of the firm because Shareholders greatly value the information disclosed in annual reports due to the valuable investment decisions, they can make based on such information. In addition, such information can reduce asymmetric information and agency conflicts between managers and investors. In the same manner, Hussainey and Walker (2009) clearly stated that voluntary disclosure provides valuable relevant information for users.

Abdelrazek(2014) stated that companies that are better at-risk management will have higher levels of relative profitability, according to the signaling theory, and they will want to signal this to the market via disclosure in annual reports. By disclosing more risk information management, companies can demonstrate both their risk management effectiveness and their commitment to transparency to stakeholders.

Many studies (e.g. Elshandidy et al., 2013; Vandemaele et al;2009 ; Abraham & Cox, 2007; Lopes & Rodrigues, 2007) support the positive effect of systematic risk disclosure on profitability through playing a significant role to decrease agency conflicts, and thus in reducing information inconsistencies between the parties. However, business management might decide to report about some risk factors and their expected impacts to signal its efficiency and capability to handle risks, to differentiate itself from other corporates and achieve a competitive advantage, which might reflex into an improved reputation (market share) and therefore growing profitability, which is known as signal theory.

Also, this finding is in line with the limited empirical literature examining the relationship between firm value(determined by profitability) and voluntary risk disclosure, which documented a positive relationship between the two variables (Lim, Matolcsy & Chow, 2007; Anam, Fatima

& Majdi, 2011; Nekhili, Boubaker & Lakhal, 2012) but however inconsistent with studies by Al-Maghzom (2016), AgyeiMensah (2017) and Nahar (2015) who found an insignificant relationship between the two variables.

Building on recent and the related researches that evidenced a positive impact of the systematic risk disclosure on profitability and then affects the firm value, the third hypothesis is formulated as following:

Hypothesis 1.c: The systematic Risk Disclosure has a positive impact on the firm profitability as a determinant of dividends policy and then affects the firm value.

2.6 Chapter Summary

This chapter aimed to study the impact of the systematic risk disclosure on dividends policy and its effect on the firm value through studying:

First the impact of the systematic risk disclosure on the investment opportunities and its effect on firm value, the researcher has concluded that the systematic risk disclosure increases the investment opportunities and thus the firm value through reducing the information asymmetry between market participants, improving the contracts quality and the supervision, and reducing the moral, the hazard, and the adverse selection through presenting high-quality information about risk.

Second: The impact of the systematic risk disclosure on the firm liquidity and its effect on firm value: When a company discloses significant systematic risks, such as economic downturns or geopolitical events, investors may react by adjusting their investment decisions. This can lead to changes in the company's stock price, affecting its market capitalization and liquidity. Also, transparent disclosure of systematic risks can influence a company's ability to raise capital. Investors may be more willing to

provide financing if they have a clear understanding of the risks involved and how the company plans to mitigate them. This can directly impact on the firm's liquidity by increasing access to funding sources In line with signaling theory, as the risk disclosure main aim is reducing the expectation gap between management and investors, this increases the transparency of information, reduces stakeholder concerns, this can reduce the firm's cost of capital, making it easier and cheaper for the firm to raise capital thus improving the firm's liquidity by providing access to cheaper sources of funding. Also. When firms disclose their systematic risks, investors gain a clearer understanding of the potential risks associated with their investments. This transparency can increase investor confidence, leading to a higher demand for the firm's securities.

Third: The impact of the systematic risk disclosure on the firm profitability and its effect on firm value, the researcher has concluded that the systematic risk disclosure increases the profitability and thus the firm value through playing a significant role to decrease agency conflicts, and thus in reducing information inconsistencies between the parties. However, business management might decide to report about some risk factors and their expected impacts to signal its efficiency and capability to handle risks, to differentiate itself from other corporates and achieve a competitive advantage, which might reflex into an improved reputation (market share) and therefore growing profitability, thus increasing the dividends policy and therefore firm value.

In conclusion, and based on the above results, systematic risk disclosure plays a pivotal role in shaping a firm's dividend policy and, consequently, its overall value. By providing stakeholders with comprehensive information about a company's exposure to external risks,

systematic risk disclosure enables investors to make more informed decisions and adjust their expectations accordingly. This, in turn, can influence a firm's dividend policy, as investors may demand higher returns to compensate for perceived risks. The dividend policy, in essence, serves as a signal of the company's financial health and management's confidence in future performance. Consequently, these theoretical results need to be tested empirically through the applied part in chapter 4.

The Impact of The Idiosyncratic Risk Disclosure On The Dividends Policy and Its Effect on the Firm's Value

3.1 Introduction

This chapter discusses the impact of idiosyncratic risk disclosure on dividends policy, and its effect on the firm value. Under the idiosyncratic risk disclosure the management will communicate private relating information about the firm which can affect positively the firm value due to the increasing of the information transparency and investment efficiency by lowering information asymmetry and the agency problem, but in some cases the idiosyncratic risk disclosure may affect the firm liquidity negatively and the investment opportunities, thus increase the dividends policy due to decreasing the investment opportunities according to signaling theory, but the firm value will face two opposite effect, increasing effect due to increasing dividends policy on the short run but decreasing effect due to decreasing the investment opportunities. This attributes the need for studying the impact of the idiosyncratic risk disclosure separately, on the dividend policy and its effect on the firm value.

The researcher will subdivide the chapter goal into the following two goals:

The first goal: Discussing the theoretical framework of the idiosyncratic risk.

The second goal: Measuring the impact of idiosyncratic risk disclosure on dividends policy and its effect on firm value.

3.2 The Theoretical Framework of The Idiosyncratic Risk Disclosure:

The researcher shall present the theoretical framework of the idiosyncratic risk disclosure in the following points:

3.2.1 Idiosyncratic Risk Concept:

Idiosyncratic Risk is the specific risk related to the inherent factors that can negatively impact individual securities or a very specific group of assets due to elements inside an organization. Such elements can usually be controlled from an organization's management. It can be eliminated by diversification into the investment portfolio, it is micro in nature as it affects only a specific organization. It can be controlled so that necessary actions can be taken by the organization to reduce the effect of the risk

(Leyla Greengard , 2019)**.** Idiosyncratic risk is a market-based measure of corporate financial performance that is more robust than accounting based financial performance measures, which do not allow for separating firm-specific risk from total risk and may be subject to different reporting standards and manipulation. Consequently, idiosyncratic risk, may decisively influence success or failure when companies go public (Beat Reber, 2021)**.**simultaneously (Amir Gholami et.al , 2021) stated that Idiosyncratic risk accounts for most of the fluctuation in a company's valuation.

3.2.2 The Types of Idiosyncratic Risk:

Idiosyncratic risk refers to the risk that is specific to a particular asset or company and is not related to broader market movements or systemic factors. Unlike systematic risk, which affects the entire market or a specific sector, idiosyncratic risk is unique to individual assets or companies. Understanding the types of idiosyncratic risk is crucial for investors, portfolio managers, and financial analysts as it helps in assessing and managing the specific risks associated with different investments.

Here are some key types of idiosyncratic risk:

1. Business Or Liquidity Risk: Business risk, also known as liquidity risk, originates from the trading of securities which is thus affected by business cycles, technological changes, etc**,** and it can be defined according *to IFRS 7 as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset*.

2. Credit Risk: It refers to the risk of default or failure of a borrower to meet their financial obligations, such as interest payments or repayment of principal, as agreed upon in a credit agreement. Credit risk can be idiosyncratic when it is specific to individual borrowers or issuers, rather than being a systematic risk affecting an entire market or sector.

3. Operational Risk: Operational risks are the business process risks failing due to human errors. This risk will change from industry to industry. It

occurs due to breakdowns in the policies, people, and systems of the firms.

From the previous definition the researcher can conclude that the Idiosyncratic risk is the company's internal exposures of risks that can affect many decisions starting from Initial public offering (IPO) performance evaluation, stock price, cost of capital and many other factors due to its three dimensions (liquidity, credit, operational).

3.2.3 Idiosyncratic Risk Disclosure Concept:

The idiosyncratic risk disclosure requires the company to communicate information about its risk exposures through its three dimensions (credit, liquidity, operational). The IFRS 7 (The financial instruments-Disclosures) has presented the specific risk or Firm risk disclosures to (i.e., credit risk and liquidity risk) that are related to the financial instruments; however, this chapter will cover all the three categories of idiosyncratic or firm disclosure. The study of Smith(2022) discussed the main sources of disclosing information about idiosyncratic risk. One conspicuous source of risk information firms possess is their knowledge of the scale and nature of their investments. For instance, the firm is first to know about speculative investments in R&D, expansions into new markets, divestitures, etc. The firm is likely also first to know about economic shocks that increase its risk such as changes in strategy, potential litigation, potential merger and acquisitions transactions, data breaches, etc. On the other hand, the idiosyncratic risk disclosure also implies that firms must provide a negative signal or unfavorable disclosure tone for their financial instruments in their financial reports (Phunphit Thitinun, 2021).

3.2.4 Idiosyncratic Risk Disclosure Types:

The types of idiosyncratic risk disclosure can be explained in the following subsection as explained by the study of (Ajibade, 2018; Segal,2023;Morgan,2021)

- **Business or liquidity risk disclosure**: Business risk disclosure, also known as liquidity risk disclosure, which disclose information that originates from the trading of securities which is thus affected by business cycles, technological changes, etc. examples include, asset liquidity risk disclosure include information about losses arising from the lack of ability to sell or pledge assets at their carrying amount when needed, loss arising from company' inability to fulfill its obligations or to fund an increasing of assets at the payment due date without incurring unacceptable costs or losses. Liquidity risk arises when liabilities payment due date is shorter than the date cash collected from assets.
- **Financial or credit risk disclosure**: Financial risk disclosure is also known as credit risk disclosure.

- This risk disclosure is due to variation in the capital structure of an organization. The capital structure largely comprises of three ways by which capitals are sourced for the projects. These are as follows: Owned funds such as share capital, borrowed funds such as loan funds, retained earnings such as reserve and surplus, credit risk arises when the company borrowers(customers) and other counterparties may not be willing or able to fulfil their contractual obligations.
- Risk Disclosure about inability of a borrower to pay the amount owed – either in part or in full. The creditor may therefore lose the principal of their loan, or the interest attached to it.

Credit risk management practices (methods-assumptions procedures) disclosure, Current and Expected credit risk exposures disclosure for qualitative credit risk disclosure.

- Summarized credit risk data regarding risk exposure, which include the disclosure about: Accounting policies and practices,
- Exchange rate risk disclosure is also called exposure rate risk. It is a form of financial risk disclosure that relates to potential change seen in the exchange rate of one country's currency in relation to another country's currency and vice versa.

- The Credit exposures, and Credit quality will be disclosed at management discussion and analysis part of the financial reports, but the credit risk polices would be disclosed at the supporting notes of the financial statements.

- **Operational risk disclosure**: Operational risks disclosure are the business process risks disclosure about failing due to human errors. This risk disclosure is about breakdowns in the internal procedures, people, policies, and systems. As well It includes information about risks disclosure about the probability of loss resulting from the weaknesses in the financial model used in assessing and managing a risk. Also, People risk disclosure that arises when people do not follow the organization's procedures, practices and/or rules. That is, they deviate from their expected behavior. Legal risk disclosure that arises when parties are not lawfully competent to enter an agreement among themselves. Furthermore, this relates to regulatory risk disclosure, where a transaction could conflict with a government policy or legislation (law) might be amended in the future with retrospective effect. Political risk disclosure includes events about changes in government policies. Such changes may have an unfavorable impact on an investor.

Lisa Morgan (2021) causes the operational risks may result in one of more of the following outcomes:

- enterprise-wide interruption, disruption, or failure.
- loss of systems control or data.
- financial loss, including insurance claim denial.
- safety hazards.
- reputational damage.
- IT infrastructure damage.
- customer churn.
- employee churn.

- legal liability or regulatory fines for harm caused by employees intentionally or negligently.
- legal liability or regulatory fines for harm caused by external bad actors; and
- competitive disadvantage.

The IFRS 7 has introduced qualitative and quantitative framework of two categories of idiosyncratic risk disclosure (Credit and Liquidity Risk) in the following context*:*

First: The Qualitative disclosures for each type of risk arising from financial instruments, an entity shall disclose: (a) the exposures to risk and how they arise; (b) its objectives, policies, and processes for managing the risk and the methods used to measure the risk; and (c) any changes in (a) or (b) from the previous period

Second: The quantitative disclosures

- *For Liquidity Risk Disclosure: The liquidity information should contain summary quantitative data about its exposure to liquidity risk based on the information provided internally to key management personnel. An entity shall explain how those data are determined. If the outflows of cash (or another financial asset) included in those data could either: (a) occur significantly earlier than indicated in the data, or (b) be for significantly different amounts from those indicated in the data (e.g. for a derivative that is included in the data on a net settlement basis but for which the counterparty has the option to require gross settlement), the entity shall state that fact and provide quantitative information that enables users of its financial statements to evaluate the extent of this risk unless that information is included in the contractual maturity analyses required by paragraph* ***(IFRS7 Paragraph B10A)*** .
- *For the credit risk disclosure:*

The credit risk disclosure shall enable users of financial statements to understand the effect of credit risk on the amount, timing, and uncertainty of future cash flows. To achieve this objective, credit risk disclosures shall provide: (a) information about an entity's credit risk management practices

and how they relate to the recognition and measurement of expected credit losses, including the methods, assumptions and information used to measure expected credit losses; (b) quantitative and qualitative information that allows users of financial statements to evaluate the amounts in the financial statements arising from expected credit losses, including changes in the amount of expected credit losses and the reasons for those changes; and (c) information about an entity's credit risk exposure (i.e. the credit risk inherent in an entity's financial assets and commitments to extend credit) including significant credit risk concentrations. ***(IFRS7 Paragraph B35)***

The researcher can summarize the different types of idiosyncratic risk disclosure in the following shape [(1)]:

Business(Liquidity) Risk Disclosure	Financial (Credit) Risk Disclosure	Opertaional Risk Disclosure
• Risk information about: • Inability to sell or pledge assets at their fair value amount • Inability to fulfill the obligations • liabilities payment due date is shorter than cash collected from assets. • Business(liquidity) risk management policies(methods-assumptions-procedures)and expected losses exposures for qualaitative risk disclosure. • summarized liquidity risk data regarding risk exposure and how they are determined for quanataive disclsoure which will be disclosed at management discussion and analysis part of the financial reports.	• is Risk Disclosure about inability of a borrower to pay the amount owed – either in part or in full. The creditor may therefore lose the principal of their loan, or the interest attached to it • Credit risk management practices(methods-assumptions-procedures)disclosure, Expected credit risk exposures disclosure for qualitative credit risk disclosure. • Summarized credit risk data regarding risk exposure, which include the disclosure about Accounting policies and practices; Credit risk management, Credit exposures , and Credit quality, and that will be disclosed at management discussion and analysis part of the financial reports, but the credit risk polices would be disclosed at the supporting notes of the financial statements	• Operational risk disclosure includes information disclosed that summarizes the uncertainties and hazards a company faces when it attempts to do its day-to-day business activities within a given field or industry like: • enterprise-wide interruption, disruption or failure; • loss of systems control or data; • financial loss, including insurance claim denial; • safety hazards; • reputational damage; • IT infrastructure damage; • customer churn; • employee churn; • legal liability or regulatory fines for harm caused by employees intentionally or negligently; • legal liability or regulatory fines for harm caused by external bad actors; and • competitive disadvantage

Figure (3-1) The Idiosyncratic Risk Disclosure Categories

(1)The source: The researcher

3.2.5 The Idiosyncratic Risk Disclosure Influence on the Dividend Policy and Its Effect on the Firm's Value.

Most of the studies investigated the impacts of risk disclosure on dividends policy determinants relied on their analysis of voluntary Information disclosures in general, not the risk disclosure exclusively, and they ignored the distinctive characteristics of firm risk disclosures that have an unfavorable tone to the management as well as the sub division of the firm risk disclosure (systematic and idiosyncratic).According to signaling theory, the management will disclose confidential information about the company under the idiosyncratic risk disclosure that could negatively impact the firm's liquidity and investment opportunities. As a result, dividend payments will increase as investment opportunities decline. This attributes the need for studying both the systematic and idiosyncratic risk disclosure separately, on the dividend policy and its reflection on the firm value**.**

Based on studying the dividends policy determinants, and firm value determinants as discussed on the previous chapter, the researcher has selected three common determinants of dividends policy ,that has the same expected impact on the dividends policy and firm value except the investment opportunities that may have a negative impact on dividends policy, but may have positive effect on firm value, on studying the impact of the idiosyncratic risk disclosure on the dividends policy and its effect on firm value

3.2.5.1 The Impact of Idiosyncratic Risk Disclosure On investment opportunities and Its Effect On Firm Value.

The firm risk disclosure especially the Idiosyncratic(private) risk disclosure affects the investment opportunity and firm growth, but its effect had a mixed results according to the previous studies. For Example

smith(2022) documented that the risk disclosure especially the idiosyncratic risk has a negative impact on both the investment efficiency and the likelihood the managers liquidate the current projects, that's because the specific firm risk disclosure can be used by the investors to gain more profits when they can access to these private information, also communicating these information to the marketplace leads to transfer wealth between investors, but on the other hand it's thought to have beneficial real effects on firm value.

In The same manner, Yanqiong(2019) considered that there is a strong **heterogeneity** of risk information (systematic and idiosyncratic). Firms have low information transparency and investors have high-risk perception. The difficulty of quantifying risk information triggers market participants' fear of unknown risks in that it increases their risk perception (Kravet and Mulsu, 2013). Information asymmetry between investors and firms is intensified resulting from an uncertainty of the information environment and increasing difficulty of understanding of risk disclosure (Campbell et al., 2014), because investors cannot judge genuine situations of a firm.

In the same vein, when a firm discloses significant risk information, investors may perceive that the firm is facing huge risks and require compensation to avoid unknown risks, or even withdraw their ownership of the shares. The high cost of capital or insufficient capital will cause underinvestment. Risk disclosure may intensify agency problems. An insider with a more informative signal regarding the prospects of a project may be expected to involve himself in larger information-motivated transactions and enjoy greater profits (Liang, 2010). So, the corporate manager, who is clearer about the actual operating situation than others, may conceal or reveal risk information to influence investors' decisions for his/her personal benefit. Which could be unfavorable to investment efficiency and reduce the investment opportunities.

Panousi and Papanikolaou (2012) demonstrated the mechanism of corporate idiosyncratic risk disclosure has a negative relationship to corporate investment from the sight of the marginal costs of external finance. They find that it is difficult for a firm to obtain external financing when corporate idiosyncratic risk increases; it then affects the firm to obtain additional cash flow and restricts corporate investment. Gulen and Ion (2016) documented a strong negative relationship between firm-level capital investment and the aggregate level of uncertainty associated with future policy and regulatory outcomes.

Smith (2022) stated that the impact of firm risk disclosure on investment opportunities depends on the behaviour of the managers towards the risk, when the manager is risk-neutral(acting to maximize the firm's expected profits), risk disclosure enhances investment efficiency project and causes the investor's information acquisition to rise precisely when information is of greater use to the firm, and has no impact on the likelihood that the manager liquidates the projects. Consequently this increases the firm's expected value but on the other hand this will decrease the dividends payment, depending on the inverse relationship between the investment and the dividends policy.

But when the manager is a risk averse, the firm's expected value in the case of risk disclosure less that in the case of nondisclosure may be either positive or negative. Risk disclosure increases the probability that the manager liquidates its investment this is because the risk disclosure induces a positive relationship between the investor's information acquisition and firm risk this means when the firm risk disclosure increases, the investor acquisition of risk information increases and the firm risk increase leading to liquidating the projects and decreasing the investment, and thus decreasing the firm value.

Building on the above the researcher could conclude a positive impact of the idiosyncratic risk disclosure on investment opportunities and then the firm value, thus the fourth hypothesis is formulated as following:

Hypothesis 2.a: The idiosyncratic Risk Disclosure has a significant impact on the firm investment opportunities as a determinant of dividends policy and then affect the firm value.

3.2.5.2 The Impact of Idiosyncratic Risk Disclosure On Liquidity and Its Effect On Firm Value.

The Relation between the idiosyncratic risk disclosure and liquidity is a matter of debate in the accounting literature, the first dimension supported a positive relationship between the idiosyncratic risk disclosure and the liquidity, and the second dimension which supported a negative relationship between them.

The first dimension supports the positive relationship supposing that public idiosyncratic disclosure enhances liquidity and improves the efficiency of capital allocation and decrease the information asymmetry like any other voluntary accounting disclosure ignoring the specific characteristics of the idiosyncratic risk (Diamond, 1991; Oldstein, 2017)

This dimension is based on theoretical framework supposed that higher quality disclosure "levels the playing field" among investors by making public information that might otherwise have been acquired privately. The firm's disclosure partially decreases the speculator's (sophisticated investor) information advantage and makes the private information acquisition less profitable as a result he acquires less information, which has two opposite effects on the firm value. On one hand, the reduction in private information acquisition results in a smaller informational gap between liquidity investors and the speculator (sophisticated investor) Thus, it reduces the profits that sophisticated traders (speculators) earn at the expensive of liquidity traders (Diamond, 1985; Diamond and Verrecchia, 1991;Gao and Liang, 2013).

The second dimension supposing that the disclosure that concerns a firm's idiosyncratic risk increases the profits that sophisticated traders can earn at the expense of liquidity traders. The reason is that the extent of risk facing a firm determines the returns that are available to traders who

acquire information about this firm: when a firm's risk is higher, a fixed amount of private information can be exploited for greater profit, since it represents a greater relative information advantage (e.g., Grossman and Stiglitz ,1980). As a result, risk disclosure assists traders who have the expertise and ability to acquire private information in determining when and where to focus their efforts at doing so. Thus, rather than "leveling the playing field "amongst investors, risk disclosure increases the degree of information asymmetry among investors and reduces liquidity. Importantly, this reduction in liquidity arises despite the fact that, on average, risk disclosure has no impact on the amount of informed trade in the market: it simply causes traders to acquire more (less) information on a firm when it is of high (low) risk. The fact that risk disclosure reduces liquidity might suggest that such disclosure is **detrimental** to a firm. However, this reduction in liquidity is driven purely by the fact that risk disclosure improves the ability of investors to profit from acquiring private information. Moreover, while private information in the marketplace can cause undesirable decreases in liquidity, it is well recognized that such information can have real effects on firm value through its impact on the efficiency of stock prices ((Dow, 1997;Dye, 2002;Bond, 2012).In the model, firms may have an incentive to manipulate their risk information upwards to incentivize investors to acquire more private information, thereby increasing the information content of stock prices.

Building on recent and the related research that evidenced a positive impact of the idiosyncratic risk disclosure on firm liquidity and then the firm value the fifth hypothesis is formulated as following:

Hypothesis 2.b: The idiosyncratic Risk Disclosure has a positive impact on the firm liquidity as a determinant of dividends policy and then affect the firm value.

3.2.5.3 Impact of Firm Risk Disclosure on Profitability and Dividends policy and its effect on firm value:

The profitability is considered one of the main determinants of the dividends policy as the dividends are the distributions of profits so the firms with high profits will distribute more dividends than others, to discuss the impact idiosyncratic risk disclosure on the dividends policy, the researcher should explain the impact of firm risk disclosure on profitability as one of the main dividends policy determinants. As the first dimension Some studies have discussed this impact for example Botosan and Plumlee (2002) found that increased levels of disclosure have a positive economic consequence on profitability of the firm because Shareholders greatly value the information disclosed in annual reports due to the valuable investment decisions, they can make based on such information. In addition, such information can reduce asymmetric information and agency conflicts between managers and investors.

The impact of the idiosyncratic risk disclosure could be summarized on the following points according to some studies (e.g. Lim, Matolcsy & Chow, 2007; Anam, Fatima & Majdi, 2011; Nekhili, Boubaker & Lakhal, 2012)

- Enhanced Investor Confidence: Transparent disclosure of idiosyncratic risks can enhance investor confidence by providing a clear picture of the potential challenges and uncertainties faced by a company. When investors have a better understanding of the risks involved, they may be more willing to invest or hold onto their investments, which can contribute to a stable shareholder base and support long-term profitability.
- Improved Risk Management: Effective idiosyncratic risk disclosure often goes hand in hand with robust risk management practices.

Companies that disclose risks proactively are more likely to have risk mitigation strategies in place, such as hedging techniques, insurance coverage, or contingency plans. These risk management measures can help minimize the impact of idiosyncratic risks on profitability.

- Reduced Cost of Capital: Clear and comprehensive disclosure of idiosyncratic risks can reduce uncertainty for investors and lenders, leading to a lower cost of capital. When the perceived risk associated with investing in a company is lower due to transparent disclosure, investors may require lower returns on their investments, which can positively impact profitability by reducing financing costs.
- Market Perception and Valuation: The way a company discloses and manages idiosyncratic risks can influence market perception and valuation. If investors perceive that a company is proactive in identifying and addressing risks, they may assign a higher valuation, leading to increased market capitalization and potentially higher profitability.
- Investor Relations and Stakeholder Trust: Transparent disclosure of idiosyncratic risks is essential for maintaining good investor relations and building trust with stakeholders. Companies that are upfront about potential risks and challenges are more likely to foster positive relationships with investors, analysts, customers, and regulators. This trust can translate into continued support, brand loyalty, and ultimately, sustainable profitability.

The Researcher could conclude from the previous declaration about the impact of the firm risk disclosure and profitability that most of these studies have considered the firm risk disclosure has the same nature as any other voluntary disclosure neglecting that the firm risk disclosure unique features as un favorable to the managers in especially the idiosyncratic risk (credit risk , operational risk, liquidity risk) especially that may affect the

cash flow and the liquidity negatively and may also reduce the profitability and decreasing the dividends payout and reducing the firm value when it exceeds certain level in the short run, consequently the researcher agrees with (Liu, 2020) that considered the firm risk disclosure as U shape and after a certain level especially when the firm risk is higher, the marginal benefit from risk disclosure will less than the marginal benefits , and this level it will affect the profitability, and the firm value negatively and this leads the researcher to the second dimension of this relationship.

Building on recent and the related research that evidenced a positive impact of the idiosyncratic risk disclosure on profitability and then the firm value the sixth hypothesis is formulated as following:

Hypothesis 2.c: The idiosyncratic Risk Disclosure has a significant impact on the firm profitability as a determinant of dividends policy and then affects the firm value.

3.3 The Chapter Summary

This chapter aimed to study the impact of the idiosyncratic risk disclosure on dividends policy and its effect on firm value through studying the impact of the idiosyncratic risk disclosure on the main dividends policy determinants and their effect on firm value in the following context:

First the impact of the idiosyncratic risk disclosure on the investment opportunities and its effect on firm value, the researcher has concluded stated that the impact of firm risk disclosure on investment opportunities depends on the behaviour of the managers towards the risk, when the manager is risk-neutral(acting to maximize the firm's expected profits), risk disclosure enhances investment efficiency project ,Consequently increases the firm's expected value but on the other hand this will decrease the dividends payment, depending on the inverse relationship between the investment and the dividends policy. But when the manager is a risk averse,

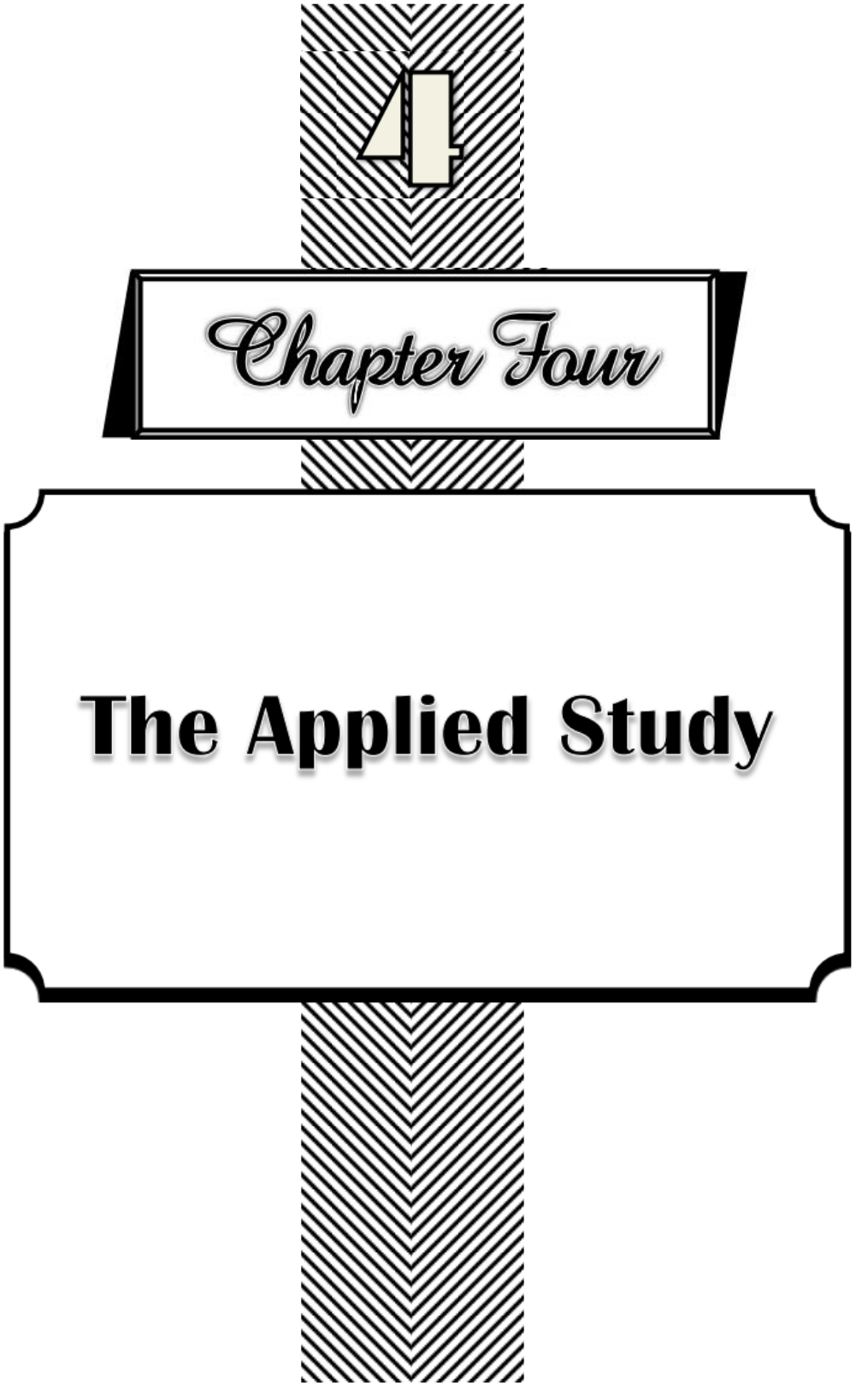
the firm's expected value in the case of risk disclosure less that in the case of nondisclosure may be either positive or negative, the investor acquisition of risk information increases and the firm risk increase leading to liquidating the projects and decreasing the investment, and thus decreasing the firm value.

Second: The impact of the idiosyncratic risk disclosure on the firm liquidity and its effect on firm value, the researcher has concluded that there is a two dimensions supported this relationship: The first dimension supports the positive relationship supposing that public idiosyncratic disclosure enhances liquidity and improves the efficiency of capital allocation and decrease the information asymmetry like any other voluntary accounting, the second dimension supposed that the idiosyncratic risk disclosure increases the profits that sophisticated traders can earn at the expense of liquidity traders, As a result, risk disclosure assists traders who have the expertise and ability to acquire private information in determining when and where to focus their efforts at doing so. Thus, rather than "leveling the playing field "amongst investors, risk disclosure increases the degree of information asymmetry among investors and reduces liquidity and reduces the firm value.

Third: The impact of the idiosyncratic risk disclosure on the firm profitability and its effect on firm value, the researcher has concluded that this relationship has two dimensions, As the first dimension the idiosyncratic risk disclosure have a positive economic consequence on profitability of the firm because Shareholders greatly value the information disclosed in annual reports due to the valuable investment decisions which decrease the information asymmetry and increase the transparency of the financial reports, the second dimension supposed that the idiosyncratic risk disclosure may affect the cash flow and the liquidity negatively and may

also reduce the profitability and decreasing the dividends payout and reducing the firm value based on the Divergence hypothesis that suppose strong heterogeneity of risk information. Firms have low information transparency and investors have high-risk perception consequently Information asymmetry between investors and firms is intensified resulting from an uncertainty of the information environment and increasing difficulty of understanding of risk disclosure.

In conclusion, Idiosyncratic risk disclosure has a significant impact on a firm's dividend policy and its overall value. By providing stakeholders with detailed information about a company's unique risks, idiosyncratic risk disclosure enables investors to make more informed decisions and adjust their expectations accordingly. This can influence a firm's dividend policy, as investors may demand higher returns to compensate for perceived risks. The dividend policy, in turn, serves as a signal of the company's financial health and management's confidence in future performance, which can affect its perceived value in the eyes of investors. Therefore, the researcher needs to test the impact of the idiosyncratic risk disclosure on the dividends policy and its effect on the firm value empirically through the applied part in the chapter (4)


4
Chapter Four
The Applied Study

4.1 Introduction

The previous chapters have discussed the theoretical background related to the systematic risk disclosure, the idiosyncratic risk disclosure, dividends policy, and the firm value(The concepts, cateogries,theories, determinants…) .Also indicated the impact of the systematic and idiosyncratic risk disclosure on dividends policy and its effect on the firm value through dividing this impact into three dimensions based on the key and significant determinants of both the dividends policy and firm value:

The chapter will investigate the impact of the systematic and idiosyncratic risk disclosure on dividends policy, and its effect on firm value practically through performing applied study in order to achieve the main objective of the research and to test the hypotheses of the research.

To achieve these objectives, the current applied study will be performed by collecting and analyzing the data of a sample of Egyptian companies that are listed in EGX- 100 during the period from 2017 to 2022 and this data will be used in testing the research hypotheses.

This chapter will introduce the applied study by achieving the following objectives:

The first objective: The design and implementation of the applied study, the second objective: Analyzing the results of the applied study and testing the hypotheses.

Accordingly, this chapter is organized as follows. Section (1) is about a discussion about the constructs and design of the applied study. Section (2) presents the statistical analysis of the collected data and the results of testing the research hypotheses. Section (3) presents the chapter summary.

4.2. The Objectives of The Applied Study:

The main objective of the applied study is to study and analyze the impact of the systematic and idiosyncratic risk disclosure on the dividends policy and

its impact on firm value of a sample of listed joint stock companies for the years from 2017 until 2022.

From the study main objectives, the following sub objectives will be derived:

- The impact of the systematic and idiosyncratic risk disclosure on Investment Opportunity as a main determinant of dividends policy and its effect on firm value.
- The impact of systematic and idiosyncratic risk disclosure on firm liquidity as a main determinant of dividends policy and its effect on firm value.
- The impact of systematic and idiosyncratic risk disclosure on firm profitability as a main determinant of dividends policy and its effect on firm value.

The researcher shall empirically measure the impact of the firm risk disclosure (systematic and idiosyncratic) directly on the dividends policy and its effect on the firm value, in addition to study the impact of the firm risk disclosure (systematic and idiosyncratic) on the investment opportunities, firm profitability, and firm liquidity, as the main determinants of the dividends policy, and their effect on firm value.

4.3 The Research Population and The Sample of The Study:

The population is represented by listed joint stock companies in the Egyptian Stock Exchange included in EGX100 index. The research sample was selected from firms distributed over several different economic and industrial sectors. The firm's to be included in the study sample has to meet a set of determinants and controls which are as follows:

1- The firm's shares are listed in the Egyptian Stock Exchange (EGX100) and are subject to trading throughout the study period.
2- Financial services sector (banking sector, non-banking financial services sector) are excluded because of their specific characteristics.

3- The availability of the company's financial reports in a regular base.
4- The availability of sufficient data to measure the study variables,
5- The company has not written off from the stock market, merged or discontinued during the study period.

The application of these selection criteria has resulted in the selection of 75 joint stock companies and a total of 450 observations.

The following table shows the study population and the procedures for selecting the study sample:

Table no (4-1) The sample sectors and observations frequencies

#	Sector	Number of companies	Number of observations	%
1	Basic resources	2	12	3%
2	Chemicals	5	30	7%
3	Construction and materials	12	72	16%
4	Food and beverage	11	66	15%
5	Health care and pharmaceuticals	3	18	4%
6	Industrial goods	9	54	12%
7	Media	1	6	1%
8	Oil and gas	1	6	1%
9	Personal and Household Products	7	42	9%
10	Real estate	13	78	17%
11	Technology	1	6	1%
12	Telecommunications	2	12	3%
13	Travel & Leisure	7	42	9%
14	Utilities	1	6	1%
	Total	75	450	100%

From the previous table the total number of companies is 75 companies distributed between different sectors which will be studied for 6 years between 2017 to 2022 with total observations of 450.

4.4 The Data Collection Methods

The data related to the applied study variables were obtained from the following sources:

1- The sample firms 'websites.

2- The Egyptian Stock Exchange website https://egx.com.eg

3- Mubasher Egypt website https://www.mubasher.info/markets/EGX

4- Investing.com website https://sa.investing.com

4.5 The Variables Characterization and Measurement and The Study Model:

First: The characteristics and measurements of the independent and dependent variables:

The researcher can clarify the characteristics and measurement of the independent and dependent variables through the following table.

Table No (4-2) Characteristics and Measurement of Ind/Dep Variables

Acronym	Variables	Dep/Ind	Measurement
SRD	**Systematic risk disclosure**	**Independent**	**Content analysis in line with most of studies like (Elzahar & Hussainey, 2012; Abid & Shaique, 2015; Vychytilova, 2020; Abdullah et.al , 2021) by using the sentences as a judgment of risk disclosure in the annual report, using disclosure risk index technique which classified the systematic risk disclosure into categories of by comparing the sentences inside the annual reports containing risk sentences with the risk categories sentences of the index shown at table(4-3).**

Acronym	Variables	Dep/Ind	Measurement
IRD	Idiosyncratic Risk Disclosure	Independent	Content analysis by using the sentences as a judgment of risk disclosure in the annual report, and by using idiosyncratic disclosure risk index technique which classified the idiosyncratic risk disclosure into categories by comparing the sentences inside the annual reports containing risk sentences with the risk categories sentences of the index shown at table (4-4)
DPR	Dividends policy	Intermediate variables	Dividend payout ratio, which is an accounting measure calculated by dividends per share divided by market value per share as measured by (labhan& mahakud,2017;Kilincarslan,2018;Dewasiri,2019;Roj,2019;Weygandt, 2018; Nel and Wison ,2021), these data will be collected from disclosed annual financial statements.
INVO	Investment opportunities		The investment opportunities is measured by calculating the ratio of the market value of the assets to the book value of the assets (Benjamin et.al,2015; Griffen et.al,2010;Hamed,2023), which calculated by (Total assets-Total Equity)+The Equity market value /The book value of the assets.
LIQ	Firm Liquidity		The current ratio which is calculated by the current assets over the current liabilities according to (Yuliyanti et.al,2021)
PROF	Firm Profitability		Return on assets ROA = (Net Profit/ Average Total Assets) x 100% According to (sondakh,2019; Wahyuni et al., 2021; Bata and Sofian,2022)

Acronym	Variables	Dep/Ind	Measurement
FV	Firm Value	Dependent	**The firm value using Tobin's Q, according to most studies like (Lin, 2010; Dang, 2019;Leni Yuliyanti et.al 2021;Wilbur Chin 2022 et.al) its can be calculated according to (Jason Gordon,2022; Adam Hayes,2022) using the following formula: Tobin's Q = Total market Value of Firm / Total assets Value of Firm which equivalents: Equity market value/Equity book value.**
			A low Q ratio between 0 and 1 means that the cost to replace a firm's assets is greater than the value of its stock, this implies that the value of the firm's booked assets exceeds its market value. It implies that, the market undervalues the company.In contrast, a high Q (greater than 1) implies the market value of the firm exceeds the value of its booked assets.

The index of the systematic risk disclosure can be shown on the following table:

Table No (4-3) Systematic Risk Disclosure Index

Systematic Risk Disclosure
Interest Rate Risk:
Information about Stock exchange price fluctuation risk
Currency Exchange Risk
Information about Fair value financial instruments fluctuation risk
Inflationary risk
Information about:
Information about Demand Inflation risk
Information about Cost inflation risk
Environmental Risk
Information about:
Information about Clients dependency risks
Information about Suppliers dependency risks
Information about Changes in customer preferences
Information about Political changes
Information about Economic changes

The index of the Idiosyncratic risk disclosure can be shown on the following table.

Table No (4-4) Idiosyncratic Risk Disclosure Index

Idiosyncratic Risk Disclosure
Operational Risk:
Information about:
Customer or employee churn;
Safety hazards
Price fluctuations in production factors
Intellectual capital rights risks
Legal liability or regulatory fines for harm caused by employees intentionally or negligently
loss of systems control or data;
Brand name, reputational damage
Stock obsolescence and shrinkage
Failure of products and services
Health and safety risks
Quality controls risks
Enterprise-wide interruption, disruption or failure;
IT infrastructure damage
Competitive disadvantage
Credit Risk disclosure
Information about:
Current Expected credit risk exposures disclosure
Credit risk management practices problems
Credit risk management practices(methods-assumptions-procedures) disclosure, Expected credit risk exposures disclosure for qualitative credit risk disclosure.
Liquidity Risk Disclosure:
Information about:
Inability to sell or pledge assets at their fair value amount
Inability to fulfill the obligations.
liabilities payment due date is shorter than cash collected from assets.

Second: The Characteristics and Measurements of Control Variables:

The control variables refer to the independent variables that are not related to the objectives of the study, and at the same time they influence the dependent

variables the study involves. The researcher believes that the important factors that may affect the results of the study are (the firm size, and the firm operating leverage), the researcher has identified the following control variables and how to measure them in the following table (Al-maghzom et.al., 2016; Haj-Salem et al.,2019):

Table No (4-5) Characteristics and Measurement Of Control Variables

Acronym	variables	Dep/Ind	measurement
Size	Firm size	control	The natural logarithm of the total assets at the end of the year.
Lev	Firm Operating Leverage		The total liabilities over the total assets

4.6 Formulation of study models to test the hypotheses:

In order to achieve the objective of the study and test the research hypotheses, A regression model for the study to measure the impact of systematic and idiosyncratic risk disclosure on the dividends policy and its effect on the firm value, and the researcher has used some control variables that will adjust the relationship between the research variables: Firm size and operating leverage.

The Researcher can formulate the research model to test the first hypothesis in the following context:

Table No (4-6) The First Hypothesis

Hypothesis (H1) The Systematic Risk Disclosure Has a Positive Impact on The Dividends Policy and Then Affects The Firm Value	
Hypothesis (H1a)	The systematic Risk Disclosure has a positive effect on the investment opportunities and then affects the firm value
Hypothesis (H1b)	The systematic Risk Disclosure has a positive effect on the firm liquidity and then affects the firm value
Hypothesis (H1c)	The systematic Risk Disclosure has a positive effect on the firm profitability and then affects the firm value

The researcher will test the main and sub hypothesis (1) by the following 5 models:

Model (1): Testing the impact of the systematic risk disclosure on dividends policy.

$DPR=\beta_0 + \beta_1 SRD+\beta_2 LEV+ \beta_3 SIZE+ e$

Model (2) Testing the impact of systematic risk disclosure on investment opportunities as dividends policy determinant.

$INVO=\beta_0 + \beta_1 SRD+\beta_2 LEV+ \beta_3 SIZE+ e$

Model (3) Testing the impact of the systematic risk disclosure on firm liquidity as a dividends policy determinant.

$LIQ=\beta_0 + \beta_1 SRD+\beta_2 LEV+ \beta_3 SIZE+ e$

Model (4) Testing the impact of systematic risk disclosure on profitability as dividends policy determinant.

$PROF=\beta_0 + \beta_1 SRD+\beta_2 LEV+ \beta_3 SIZE+ e$

Model (5): Testing the impact of the systematic risk disclosure and dividends policy on Firm value.

$FV=\beta_0 + \beta_1 DPR+ \beta_2 SRD+ \beta_3 Size+ \beta_4 LEV+ e$

The Researcher can formulate the research model to test the second hypothesis in the following context:

Table (4-7) The Second Hypothesis

Hypothesis (H2) The idiosyncratic Risk Disclosure has a significant effect on the Dividends policy and then the firm value	
Hypothesis (H2a)	The Idiosyncratic Risk Disclosure Has a Significant Impact on The Investment Opportunities and then affects the Firm Value

Hypothesis (H2b)	The Systematic Risk Disclosure Has a Significant Impact on The Firm liquidity and then affects the Firm Value
Hypothesis (H2c)	The Idiosyncratic Risk Disclosure Has a Significant Impact on The Firm profitability and then affects the Firm Value.

The researcher will test the main and sub hypothesis (2) by the following 5 models:

Model (6): Testing the impact of Idiosyncratic risk disclosure on dividends policy.

$DPR=\beta_0 + \beta_1 IRD+\beta_2 LEV+ \beta_3 SIZE+ e$

Model (7) Testing the impact of Idiosyncratic risk disclosure on investment opportunities as dividends policy determinant.

$INVO=\beta_0 + \beta_1 IRD+\beta_2 LEV+ \beta_3 SIZE+ e$

Model (8) Testing the impact of risk disclosure on firm liquidity as dividends policy determinant.

$LIQ=\beta_0 + \beta_1 IRD+\beta_2 LEV+ \beta_3 SIZE+ e$

Model (9) Testing the impact of Idiosyncratic risk disclosure on profitability as dividends policy determinant.

$PROF=\beta_0 + \beta_1 IRD+\beta_2 LEV+ \beta_3 SIZE+ e$

Model (10): Testing the impact of the Idiosyncratic risk disclosure and dividends policy on Firm value.

$FV=\beta_0 + \beta_1 IPR+ \beta_2 DPR+ \beta_3 Size+ \beta_4 LEV+ e$

4.7 Statistical Methods Used in Data Analysis:

The statistical data analysis and information extraction were processed using a number of statistical methods included in the Statistical Package for Social

Science (SPSS, V.27), (AmosV. 26), and (Stata /MP V.17.0)

The collected data type required the use of some relevant statistical methods and tools, which are as follows:

4.7.1 Descriptive Statistical Methods:

1- The Arithmetic Mean.

2- Standard Deviation.

3- Maximum / Minimum.

4.7.2 Inductive Statistical Methods:

1- Multicollinearity Test

2- Correlation Coefficient

3- Multiple Regression Model

4.7.1 The Descriptive Analysis:

The results of the descriptive analysis can be seen through the following tables and figures:

Table No (4-8) The Descriptive Analysis Of Independent Variables

Variables	years	mean	Standard deviation	max	min
Systematic Risk Disclosure	**2017**	0.4423	0.2751	**1**	**0**
	2018	0.4423	0.2751	**1**	**0**
	2019	0.4423	0.2751	**1**	**0**
	2020	0.4423	0.2751	**1**	**0**
	2021	0.44261	0.2828	**1**	**0**
	2022	0.4402	0.2943	**1**	**0**
	All observations	**0.4494**	**0.2733**	**1**	**0**
Idiosyncratic Risk Disclosure	**2017**	0.4769	0.2824	**1**	**0**
	2018	0.4769	0.2824	**1**	**0**
	2019	0.4769	0.2824	**1**	**0**
	2020	0.4769	0.2824	**1**	**0**
	2021	0.4808	0.2888	**1**	**0**

Variables	years	mean	Standard deviation	max	min
	2022	0.471	0.2946	**1**	**0**
	All observations	**0.4768**	**0.2831**	**1**	**0**

The table no (4-8) refers to the mean, the standard deviation, the minimum and the maximum to the risk disclosures(systematic and idiosyncratic) through the study period from 2017 till 2022, and this table refers that the mean is near to the minimum and the maximum, and this means that the data is homogenous and there isn't outliers and this is proved by the standard deviation that is less than the mean of the variable.

The figure (4-1) declares the number of companies that disclose about the systematic and idiosyncratic risk:

Figure (4-1) The Systematic and idiosyncratic risk Disclosure Percentage of company sample

From this figure, the researcher can conclude that the number of companies that disclose about the systematic risk is (62) from total of companies' sample (75), and this means that the percentage of systematic risk disclosure is about 83%, Also Out of a sample of 75 companies, 61 disclose information about idiosyncratic risk, resulting in an idiosyncratic risk disclosure rate of

approximately 81%. This indicates that corporate management in the Egyptian market recognizes the importance of risk disclosure.

Table No (4-9) The Descriptive Analysis of The Intermediate, And Dependent Variables

Variables	years	mean	Standard deviation	max	min
Dividends policy	**2017**	**0.2441**	**0.4405**	**2.5862**	**0**
	2018	**0.3283**	**1.1802**	**9.2593**	**-0.3333**
	2019	**0.4644**	**1.4234**	**8.1034**	**0**
	2020	**0.2139**	**1.0527**	**6.7226**	**-3.6805**
	2021	**0.1034**	**0.3267**	**1.3829**	**-1.2308**
	2022	**0.1071**	**0.2719**	**0.9938**	**-0.885**
	All observations	**0.2519**	**0.9307**	**9.2593**	**-3.6805**
Investment Opportunities	**2017**	1.8352	2.5619	16.4323	0.4281
	2018	1.6282	2.1774	14.4498	0.3719
	2019	1.4059	1.7148	13.0553	0.2766
	2020	1.8401	2.792	20.3807	0.4902
	2021	1.923	3.3561	22.6106	0.4875
	2022	1.5937	1.936	11.2156	0.4432
	All observations	**1.7077**	**2.4888**	**22.6106**	**0.2766**
Profitability	**2017**	0.1338	0.1858	0.6561	-0.4948
	2018	0.0673	1.7403	1.0825	13.7842
	2019	0.1144	0.305	1.9149	-1.0263
	2020	0.0612	0.2241	1.0521	-0.5486
	2021	0.0659	0.4922	1.9652	-2.3765

Variables	years	mean	Standard deviation	max	min
	2022	0.1391	0.897	3.2802	-4.652
	All observations	**0.0713**	**0.8393**	**3.2802**	**13.7842**
Liquidity	**2017**	2.9332	6.8511	50.1905	0.4166
	2018	3.3112	8.3589	53.8904	0.363
	2019	2.0397	2.1807	10.547	0.3625
	2020	2.0657	4.0043	32.122	0.3017
	2021	2.0581	4.8608	38.687	0.1087
	2022	2.3093	3.9261	26.0554	0.3063
	All observations	**2.4646**	**5.4851**	**53.8904**	**0.1087**
Firm Value (Dependent variable)	**2017**	1.4533	2.1853	11.8708	0.146
	2018	1.2245	1.719	10.2358	0.1402
	2019	0.9929	1.08	5.8666	0.1865
	2020	1.3826	1.9442	11.4187	0.1565
	2021	1.4443	2.8594	21.3818	0.1561
	2022	1.2093	1.86	9.8086	0.1459
	All observations	**1.2866**	**2.0025**	**21.3818**	**0.1402**

The table No (4-9) refers to the mean, the standard deviation, the minimum and the maximum to the dividends policy, and the three main dividends policy determinants (Investment opportunities, firm profitability, firm liquidity) and the firm value through the study period from 2017 till 2022, and this table refers that the standard deviation is higher than the mean for the two variables This shows the variation of these variables, which is a normal situation, as the

sample includes 75 companies (450) observations from various sectors about different years of prosperity and recession.

Table No. (4-10) descriptive analysis for control variables

Variables	Years	Mean	Standard Deviation	Max	Min
Firm Size	**2017**	7.355	1.9273	11.1998	3.2491
	2018	7.4765	1.9783	11.4749	3.2268
	2019	7.5141	2.0025	11.551	3.1434
	2020	7.5313	2.0022	11.6776	3.0059
	2021	7.631	2.0697	11.8402	3.2411
	2022	7.9414	2.1547	11.9998	2.7623
	All observations	**7.5553**	**2.0093**	**11.9998**	**2.7623**
Operating Leverage	2017	0.5398	0.5683	4.6870	0.0033
	2018	0.5763	0.7031	5.8560	0.0071
	2019	0.5876	0.8614	7.1887	0.0090
	2020	0.6523	1.1297	9.3934	0.0112
	2021	0.7025	1.0532	8.0435	0.0523
	2022	0.5829	0.4146	2.8374	0.0635
	All observations	**0.6071**	**0.837731084**	**9.393368**	**0.0033**

The table No (4-10) refers to the mean, the standard deviation, the minimum and the maximum to the control variables through the study period from 2017 till 2022, and this table refers that the standard deviation is bigger than the mean for the operating leverage, This shows the variation of this variable, which is a normal situation, as the sample includes 75 companies (450) observations from various sectors about different years of prosperity and

recession, but the firm size which has a mean near to the minimum and maximum, and standard deviation less than the mean of the variable.

Table (4-11)The Group Descriptive Analysis For Systematic Risk Disclosure

Groups	Variable	Obs.	Mean	Std.Dev	Max	Min
Under Average Systematic	**Dividends Policy**	119	0.1826	0.4479	2.6316	-0.3333
Upper Average Systematic		248	0.2837	1.0821	9.2593	-3.6805
Under Average Systematic	**Firm Value**	119	2.0499	3.2154	21.3818	0.2767
Upper Average Systematic		248	0.9204	0.7663	7.7761	0.1402

Table No (4-12) Groups Descriptive Analysis For Idiosyncratic Risk Disclosure

Groups	Variable	Obs.	Mean	Std.Dev	Max	Min
Under Average Idiosyncratic Risk Disclosure	**Dividends Policy**	144	0.2540	0.7194	6.7226	-0.6000
Upper Average Idiosyncratic Risk Disclosure		223	0.2494	1.0425	9.2593	-3.6805
Under Average Idiosyncratic Risk Disclosure	**Firm Value**	144	1.9270	2.9685	21.3818	0.2315
Upper Average Idiosyncratic Risk Disclosure		223	0.8731	0.7049	7.7761	0.1402

4.7.2 Testing the research hypotheses using the inductive analysis:

4.7.2.1 Multicollinearity Test:

Before introducing the findings of the research models, the models' validity has to be confirmed. So, the degree to which the model is free of the multicollinearity issue will be examined between the independent and control variables by using the multicollinearity test.

This test is crucial because severe multicollinearity in regression models may lead to inflated standards errors for the explanatory variable coefficients (Al-Maghzom, 2016). The Variance Inflation Factor (VIF) is utilized in this study to check for the presence of multicollinearity.

Table No (4-13) The Multicollinearity Test Table For Model (1,2,3)

Multicollinearity Test							
Independent and control Variables	Model	Model (1)		Model (2)		Model (3)	
	Dependent Variables	DPR		INVO		PROF	
		TOL	VIF	TOL	VIF	TOL	VIF
SRD		0.99	1.01	0.852	1.17	0.897	1.11
SIZE		0.50	1.99	0.743	1.35	0.561	1.78
lev		0.51	1.97	0.860	1.16	0.606	1.65

From the table No (4-13) the results of the test (Tolerance) and the VIF test as shown, indicates that the variables of model (1,2,3) do not suffer from the problem of multicollinearity, as the value of the (Tolerance) test is less than one at the level of all the variables of the ten models. VIF is less than (5). This indicates that there is no multicollinearity between the independent and control variables.

Table No (4-14) The Multicollinearity Test Table for Model (4,5,6)

Multicollinearity Test							
Independent and control Variables	Model	Model (4)		Model (5)		Model (6)	
	Dependent Variables	LIQ		F. V		DPR	
		TOL	VIF	TOL	VIF	TOL	TOL
DPR		-	-	0.917	1.09	-	-
SRD/IRD		0.852	1.17	0.945	1.06	0.895	1.12
SIZE		0.743	1.35	0.489	2.05	0.459	2.18
Lev		0.860	1.16	0.507	1.97	0.472	2.12

From the table No (4-14) the results of the test (Tolerance) and the VIF test as shown, indicates that the variables of model (4,5,6) do not suffer from the problem of multicollinearity, as the value of the (Tolerance) test is less than one at the level of all the variables of the ten models. VIF is less than (5). This indicates that there is no multicollinearity between the independent and control variables.

Table No (4-15) The Multicollinearity Test Table for Model (7,8,9)

Multicollinearity Test									
Independent and control Variables	Model	Model (7)		Model (8)		Model (9)		Model (10)	
	Dependent Variables	INVO		PROF		LIQ		F. V	
		TOL	VIF	TOL	VIF	TOL	TOL	TOL	VIF
DPR		-	-	-	-	-	-	0.867	1.15
IRD		0.805	1.24	0.809	1.24	0.711	1.41	0.800	1.25
SIZE		0.711	1.41	0.737	1.36	0.805	1.24	0.425	2.36
Lev		0.866	1.16	0.902	1.11	0.866	1.16	0.454	2.2

From the table No (4-15) the results of the test (Tolerance) and the VIF test as shown, indicates that the variables of model (7,8,9,10) do not suffer from the problem of multicollinearity, as the value of the (Tolerance) test is less than one at the level of all the variables of the ten models.VIF is less than (5). This

indicates that there is no multicollinearity between the independent and control variables.

4.7.2.2 Correlation Analysis of The Research Variables:

The researcher has conducted the correlation analysis between the study variables and reached the following results in the following table:

Table No (4-16) Pearson Coefficient Correlation Matrix Between Variables

Variables		SRD	IRD	DPR	INVO	PROF	LIQ	SIZE	LEV
SRD	**Pearson Correlation**	1							
	Sig. (2-tailed)								
IRD	**Pearson Correlation**	.679**	1						
	Sig. (2-tailed)	0.000							
DPR	**Pearson Correlation**	.190*	.251**	1					
	Sig. (2-tailed)	0.039	0.008						
INVO	**Pearson Correlation**	-0.054	0.017	0.521**	1				
	Sig. (2-tailed)	0.318	0.753	0.000					
PROF	**Pearson Correlation**	.126*	.244**	0.596**	.354**	1			
	Sig. (2-tailed)	0.039	0.000	0.000	0.000				
LIQ	**Pearson Correlation**	0.064	-0.022	0.226**	-.130-**	0.064	1		
	Sig. (2-tailed)	0.242	0.685	0.005	0.009	0.252			
SIZE	**Pearson Correlation**	.370**	.441**	-0.146	-.247-**	.226**	-.261-**	1	
	Sig. (2-tailed)	0.000	0.000	0.075	0.000	0.000	0.000		
LEV	**Pearson Correlation**	0.036	.139*	-0.127	.371**	.111*	-.622-**	.320**	1
	Sig. (2-tailed)	0.513	0.011	0.123	0.000	0.045	0.000	0.000	
FV	**Pearson Correlation**	.018	-0.036	.565**	.848**	.373**	.138**	-.436-**	-0.063
	Sig. (2-tailed)	0.059	0.512	0.000	0.000	0.000	0.005	0.000	0.204

From the previous table the researcher can conclude that:

- There is a significant and **positive correlation** between the **dividends policy** and **both systematic and idiosyncratic risk disclosure at correlation co-efficient of** 0.190, and 0.251 respectively.

- There is a weak positive correlation between the **systematic risk disclosure** and dividends policy determinants (**firm Profitability, firm liquidity**) by correlation coefficients (0.126,0.064), but negative insignificant between the **systematic risk disclosure and** investment **opportunities** by correlation coefficient -0. 054.This suggests that as systematic risk disclosure increases, investment opportunities slightly decrease. However, since the p-value (0.318) is much greater than 0.05, this relationship is not statistically significant. This implies that, in the context of this data, systematic risk disclosure does not have a meaningful impact on a firm's investment opportunities. The lack of significance could be due to the fact that investment opportunities are influenced by a variety of factors beyond the disclosure of systematic risk, such as market conditions, competitive landscape, and internal company strategies.
- There is a negative insignificant correlation between the **systematic risk disclosure** and both the firm size and the firm operating leverage.
- There is an insignificant and positive correlation between the **Firm value** and **systematic risk disclosure at correlation co-efficient of 0.018.**
- There is a significant and positive correlation between both the dividends policy, the dividends policy determinants (Investments opportunities, firm Profitability, firm liquidity) and the firm value at correlation co-efficient of (0.565,0.848,0.373,0.138) respectively. agreed with Elshandidy et.al (2018) who found a strong positive impact of the dividend policy on the firm value after controlling the other variables of the company due to the investors ’appreciation of the companies that pay more returns for their holding of shares. Investors sought to prefer current returns over reaping future capital returns, because capital gains relate to the future and are considered more risky than reaping returns from shares at the present time., which leads to an increase in the value of the company.

Testing the first hypothesis using the regression models (1-5)

The regression model (1) is testing the impact of risk disclosure on dividends policy.

$DPR=\beta_0 + \beta_1 SRD+\beta_2 LEV+ \beta_3 SIZE+ e$

Table (4-17) Regression Model (1)

DPR	Coef	T.Value	P.Value
SRD	0.630	2.350	0.020
SIZE	-1.133	-1.890	0.062
LEV	0.055	0.230	0.820
_cons	-0.014	-0.010	0.992
Number of observations			450
R squared			0.083
F-Test			3.47*
Prob>F			0.0185

As shown in Table:

- The model is statistically significant and fit at the 5% level with the P-value = 0.0185, R^2 =0.083, which means 8.3% of the variance of risk disclosure could be explained by independent variable.
- The relationship between the DPR and SRD is significant and positive at (T=2. 350, P=0.020), These findings suggest that higher systematic risk disclosure leads to higher dividends payout ratio (higher dividends policy).
- The Firm Size (size) Coefficient is (-1.133): This indicates a negative relationship between SIZE and DPR. Specifically, a one-unit increase in SIZE is associated with a 1.133 decrease in the DPR.
- The firm leverage has a coefficient (0.055): This indicates a very weak positive relationship between LEV and DPR, T-Value (0.230):

The P-Value is (0.820): This high p-value indicates that the relationship is not statistically significant. There is no evidence to suggest that LEV affects DPR.

The regression Model (2) is testing the impact of risk disclosure investment opportunities on dividends policy determinants.

$INVO=\beta_0 + \beta_1 SRD+\beta_2 LEV+ \beta_3 SIZE+ e$

Table (4-18) Regression Model (2)

INVO	Coef	T.Value	P.Value
SRD	0.165	2.25	0.025
SIZE	-0.951	-9.69	0.000
LEV	0.406	12.58	0.000
_cons	2.489	10.74	0.000
Number of observations			450
R squared			0.3598
F-Test			62.95***
Prob>F			0.000

- The model is statistically significant and fits at the 1% level with the P-value = 0.0000, R^2 =0. 3598: This indicates that approximately 35.98% of the variability in INVO (as a dividends policy determinant) is explained by the independent variables in the mode (SRD). This is a moderate R squared, suggesting that the model explains a significant portion of the variance in the dependent variable.
- The highly significant F-test 62.95 at (p-value < 0.001) suggests that the model as a whole is statistically significant, meaning that the predictors collectively have a significant relationship with the dependent variable.
- The relationship between the INVO and SRD is positive and significant at (T=2.25, p-value=0.025), this means that higher systematic risk disclosure leads to higher investment opportunities which leads to higher

dividends policy, and this result agreed with Yanqiong Lio et.al (2019) Who concluded that the greater the degree of risk disclosure in the section of Management Analytics and Discussions (MD&A) of the annual reports, the more efficient the investment in the company, and this disclosure of risks derived from the annual reports is sufficient to take into account known risk factors that increase the transparency of the company's information which improves the ability to process information and then increases the investment opportunities.

- The Firm Size (SIZE) Coefficient (-0.951): This indicates a negative relationship between SIZE and INVO. Specifically, a one-unit increase in firm size is associated with a 0.951 decrease in investment opportunities' Value (-9.69): The very high absolute value of the t-value suggests that SIZE is a highly significant predictor of INVO.
- The Leverage (LEV) Coefficient is (0.406): This indicates a positive relationship between leverage and INVO. Specifically, a one-unit increase in leverage is associated with a 0.406 increase in investment opportunities. T-Value (12.58): The very high t-value indicates that leverage is a highly significant predictor of INVO.

The regression model (3) is testing the impact of risk disclosure on firm liquidity (dividends policy determinant).

$LIQ=\beta_0 + \beta_1 SRD+\beta_2 LEV+ \beta_3 SIZE+ e$

Table No (4-19) Regression Model (3)

LIQ	Coef	T.Value	P.Value
SRD	0.359	3.77	0.000
SIZE	-0.599	-4.69	0.000
LEV	-0.543	-12.92	0.000
_cons	1.440	4.78	0.000
Number of observations			450
R squared			0.3598
F-Test			62.95***
Prob>F			0.000

- The model is statistically significant and fit at the 5% level with the P-value = 0.0000, R^2 =0.3598, which means 35.98% of the variance of risk disclosure could be explained by independent variable.
- The relationship between the LIQ and SRD is significant and positive at (T=3.77, P=0.000), These findings suggest that higher systematic risk disclosure leads to higher liquidity which leads to higher dividends policy. Agreed with Elshandidy and Neri (2015) who found that UK firms are likely to reveal meaningful risk information, which describes a firm's specific conditions and leads investors to better incorporate the information into their pricing decisions. This in turn improves market liquidity as information asymmetry decreases.
- The firm's size has a significant negative effect on liquidity at (T=-4.69, p-value=0.000).
- The firm leverage has significant negative effect on liquidity at (T=-12.92, p-value=0.000).

The regression model (4) is testing the impact of risk disclosure on profitability (dividends policy determinant).

$$PROF=\beta_0 + \beta_1 SRD+\beta_2 LEV+ \beta_3 SIZE+ e$$

Table No (4-20) Regression Model (4)

PROF	Coef	T.Value	P.Value
SRD	0.397	1.78	0.077
SIZE	0.771	2.63	0.009
LEV	0.525	5.65	0
_cons	-3.178	-4.55	0
Number of observations			450
R squared			0.1909
F-Test			21.55***
Prob>F			0.000

- The model is statistically significant and fit at the 5% level with the P-value = 0.0000, R^2 =0.1909, which means 19.09% of the variance of profitability (as a dividends policy determinant) could be explained by the SRD
- The relationship between the prof and SRD is in significant agreed with (Al-Maghzom ,2016, Agyei Mensah ,2017 and Nahar, 2015) who found an insignificant relationship between the two variables.
- The firm size has a significant positive effect on profitability at (T=-2.63, p-value=0.009).
- The firm leverage (LEV) has a significant positive effect on profitability with co-efficient 0.525 at (T=-5.65, p-value=0.000).

The regression Model (5) is testing the impact of the systematic risk disclosure and dividends policy on Firm value.

$FV=\beta_0 + \beta_1 DPR + \beta_2 SRD + \beta_3 Size + \beta_4 LEV + e$

Table No. (4-21) Regression Model (5)

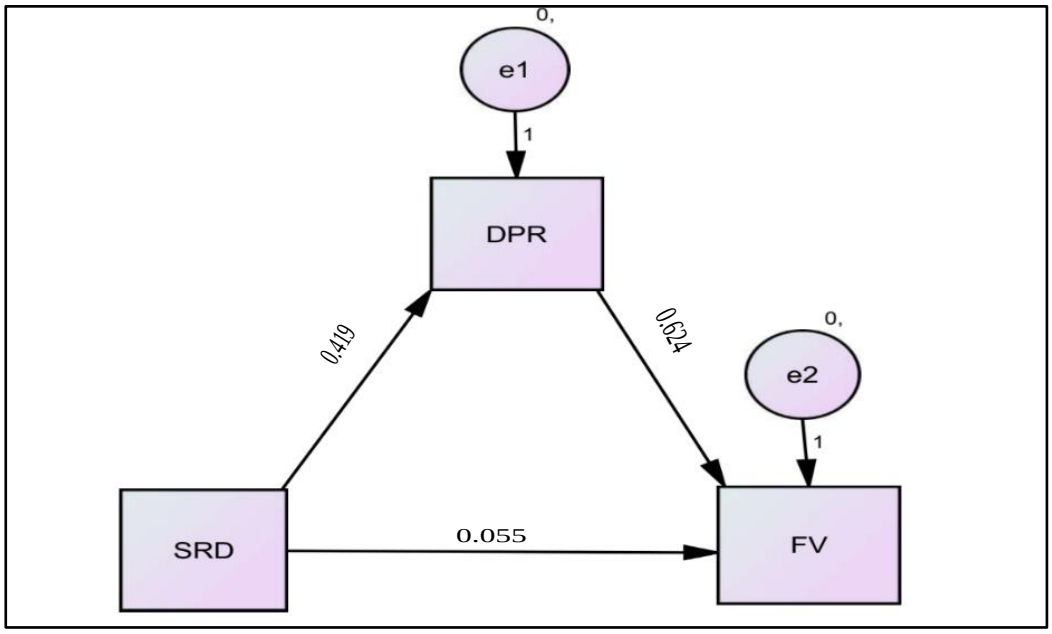
FV	Coef	T.Value	P.Value
SRD	-0.349	-1.900	0.060
DPR	0.493	7.910	0.000
SIZE	-0.753	-1.840	0.068
LEV	-0.299	-1.840	0.068
Number of observations			450
R squared			0.4788
F-Test			26.18***
Prob>F			0.000

- The model is statistically significant and fits at the 5% level with the P-value = 0.0000, R^2 =0.4788, This indicates that approximately 47.88% of the variability in FV is explained by the independent variables in the model (SRD, DPR). This is a moderate R squared, suggesting that the model explains a significant portion of the variance in the dependent variable.

- The relationship between systematic risk disclosure and firm value is significant, this means that systematic risk disclosure has no direct effect on the firm value.
- The systematic risk disclosure and the dividends policy has a significant positive effect on firm value at (T=7.91, p-value=0.000), agreed with the framework of the signaling dividends theory, which indicates that the management can use changes in dividend payments to send information to the market without disclosing information to competitors. This information increases stock prices, which increases the value of the company, in line with the findings of the study Amollo (2016), who tested the effect of the distribution policy on the value of the company by applying to a sample of commercial banks in Kenya and reached the tendency of companies to pay higher returns for a Stocks to reduce the degree of uncertainty of future cash flows.
- The firm size and firm leverage have no significant effect on firm value.

Testing the first hypothesis using the path model:

The path test aims to find out the direct and indirect effect of systematic risk disclosure on firm value through the dividends policy variable. The results are presented in Figure (4-2).



Figure(4-2) The path model of the first hypothesis

From the previous table and figure (4-2) the researcher can conclude that:

- there is a significant positive impact of the systematic risk disclosure on the dividends policy by regression coefficient 0.419, insignificant impact of the systematic risk disclosure on the firm value but has a positive impact on the firm value through the dividends policy by higher regression co-efficient of 0.624.

Based on the previous the researcher can conclude the following regarding the first hypothesis:

- Accepting the first hypothesis by existing a positive relationship between the systematic risk disclosure and the dividends policy directly and through the three main dividends policy determinants except the profitability which has insignificant effect on dividends policy.
- There is a positive significant relationship between the dividends policy and the firm value based on the previous analysis.
- There is a positive relationship between systematic risk disclosure. and the dividends policy through the three main determinants of the dividends policy (investment opportunities-profitability-firm liquidity), but in significant direct relationship between the systematic risk disclosure and the firm value

Testing the second hypothesis using the correlation matrix

From the table No (4-16) the researcher can conclude the following results:

- There is a significant and positive correlation between the dividends policy and idiosyncratic risk disclosure at correlation co-efficient of 0.251respectively.
- There is a significant and positive correlation between the idiosyncratic risk disclosure and dividends policy determinants (Investments opportunities, firm

Profitability, firm liquidity) by correlation coefficients (0.521, 0.596,0.226) respectively. Agreed with Smith(2022) who stated that, when the manager is risk-neutral(acting to maximize the firm's expected profits), risk disclosure enhances investment efficiency project and causes the investor's information acquisition to rise precisely when information is of greater use to the firm, and has no impact on the likelihood that the manager liquidates the projects, which increase the investment opportunities.

- There is a positive significant correlation between the idiosyncratic risk disclosure and both the firm size and the firm operating leverage at correlation co-efficient of (0.441, 0.139) respectively.
- There is an insignificant and correlation between the Firm value and idiosyncratic risk disclosure.
- There is a significant and positive correlation between both the dividends policy, the dividends policy determinants (Investments opportunities, firm Profitability, firm liquidity) and the firm value at correlation co-efficient of (0.565,0.848,0.373) respectively.

Testing the second hypothesis using the regression models (6-10)

To study the impact of the idiosyncratic risk disclosure on the dividends policy and its effect on firm value, the researcher has conducted the following regression analysis to the first hypothesis models:

The regression model (6) is testing the impact of Idiosyncratic risk disclosure on dividends policy.

$DPR=\beta_0 + \beta_1 IRD+\beta_2 LEV+ \beta_3 SIZE+ e$

Table No (4-22) Regression Model (6)

DPR	Coef	T.Value	P.Value
IRD	1.220	3.55	0.001
SIZE	-1.751	-2.93	0.004
LEV	0.501	2.05	0.042
_cons	1.717137	1.17	0.246

Number of observations	450
R squared	0.1333
F-Test	5.43***
Prob>F	0.0016

- The model is statistically significant and fit at the 5% level with the P-value = 0.0016, R^2 =0.1333, which means 13.33% of the variance of dividends policy (DPR) could be explained by independent variable.
- The relationship between the DPR and IRD is significant and positive with coefficient 1.22 at (T=3.55, P=0.001), These findings suggest that higher idiosyncratic risk disclosure leads to higher dividends payout ratio (higher dividends policy).
- The firm's size has a significant negative impact on the dividend policy with coefficient -1.751 at (T=-2.93, p-value=0.004), this means that one unit increase in the firm size makes the dividends policy decrease by 1.751 units.
- The firm's leverage (LEV) has a significant positive impact on the dividend policy with coefficient 0.501 at (T=2.05, p-value=0.042), this means that one unit increase in the LEV makes the dividends policy increase by 0.505 unit.

The regression model (7) is testing the impact of risk disclosure on investment opportunities (dividends policy determinant).

$INVO=\beta_0 + \beta_1 IRD+\beta_2 LEV+ \beta_3 SIZE+ e$

Table No (4-23) Regression Model (7)

INVO	Coef	T.Value	P.Value
IRD	0.165	2.25	0.025
SIZE	-0.951	-9.69	0.000
LEV	0.406	12.58	0.000
_cons	2.489	10.74	0.000
Number of observations			450
R squared			0.3598
F-Test			62.95***
Prob>F			0.000

- The model is statistically significant and fits at the 5% level with the P-value = 0.000, R^2 =0.3598, which means 35.98% of the variance of investment opportunities (INVO) could be explained by the independent variables.
- The relationship between the INVO and IRD is significant and positive with co-efficient of 0.165 at (T=2.25, P=0.025), These findings suggest that higher idiosyncratic risk disclosure leads to higher investment opportunities as determinant of dividend policy.
- The firm size has a significant negative effect on investment opportunities at (T=9.69, p-value=0.000).
- The firm leverage has a significant positive effect on investment opportunities at (T=10.74, p-value=0.000).

The regression model (8) is testing the impact of idiosyncratic risk disclosure on firm liquidity (dividends policy determinants).

$LIQ=\beta_0 + \beta_1 IRD+\beta_2 LEV+ \beta_3 SIZE+ e$

Table No (4-24) Regression Model (8)

LIQ	Coef	T.Value	P.Value
IRD	0.407	3.23	0.001
SIZE	-0.602	-4.41	0.000
LEV	-0.530	-12.16	0.000
_cons	1.409	4.38	0.000
Number of observations			450
R squared			0.4121
F-Test			77.11***
Prob>F			0.000

- The model is statistically significant and fits at the 5% level with the P-value = 0.000, R^2 =0.4122, which means 41.22% of the variance of LIQ could be explained by the independent variables.

- The relationship between the LIQ and IRD is significant and positive at (T=3.23, P=0.001), These findings suggest that higher idiosyncratic risk disclosure leads to higher liquidity as determinant of dividend policy agreed with Oldstein (2017) who supports the positive relationship between the two variables supposing that public idiosyncratic disclosure enhances liquidity and improves the efficiency of capital allocation and decrease the information asymmetry.
- The firm size has a significant negative effect on LIQ as main determinant of dividends policy with co-efficient -0.602 at (T=-4.41, p-value=0.000).
- The firm leverage has a significant negative effect on LIQ with co-efficient -0.530 at (T=-12.06, p-value=0.000).

The regression model (9) is testing the impact of Idiosyncratic risk disclosure on profitability (dividends policy determinant).

$PROF=\beta_0 + \beta_1 IRD+\beta_2 LEV+ \beta_3 SIZE+ e$

Table No (4-25) Regression Model (9)

PROF	Coef	T.Value	P.Value
IRD	0.683	2.38	0.018
SIZE	0.698	2.42	0.016
LEV	0.548	6.06	0.000
_cons	-2.966	-4.33	0.000
Number of observations			450
R squared			0.2198
F-Test			25.16***
Prob>F			0.000

- The model is statistically significant and fits at the 5% level with the P-value = 0.000, R^2 =0.2198, which means 21.98% of the variance of risk disclosure could be explained by independent variable.

- The relationship between the PROF and IRD is significant with coefficient 0.683 and positive at (T=2.38, P=0.018), this means a one unit increase at IRD is associated to 0.683 increase in PROF as one determinant of dividends policy.
- The firm size has a significant positive effect on profitability at (T=2.42, p-value=0.016).
- The firm leverage has a significant positive effect on profitability at (T=6.06, p-value=0.000).

The regression model (10) is testing the impact of the Idiosyncratic risk disclosure and dividends policy on Firm value.

$FV=\beta_0 + \beta_1 IPR + \beta_2 DPR + \beta_3 Size + \beta_4 LEV + e$

Table No (4-26) Regression Model (10)

FV	Coef	T.Value	P.Value
IRD	0.409	1.52	0.131
DPR	0.383	5.35	0.000
SIZE	-1.174	-2.56	0.012
LEV	-0.128	-0.7	0.488
Number of observations			450
R^2			0.3916
F-Test			16.89***
Prob>F			0.000

- The model is statistically significant and fits at the 5% level with the P-value = 0.0000, R^2 =0.3916, which means 39.16% of the variance of firm value could be explained by the independent variables.
- The relationship between the IRD and the FV is insignificant, this means that systematic risk disclosure has no effect on the firm value.
- The dividends policy has a significant positive effect on firm value with coefficient of 0.383 at (T=5.35, p-value=0.000), this means that one unit increase of DPR cause an increase of FV by 0.383

- The firm size has a negative significant effect on firm value at (T=-1.741, p-value=0.012)

Testing the second hypothesis using the path model:

The path test aims to find out the direct and indirect effect of idiosyncratic risk disclosure on firm value through the dividends policy variable as presented in Figure (4-3).

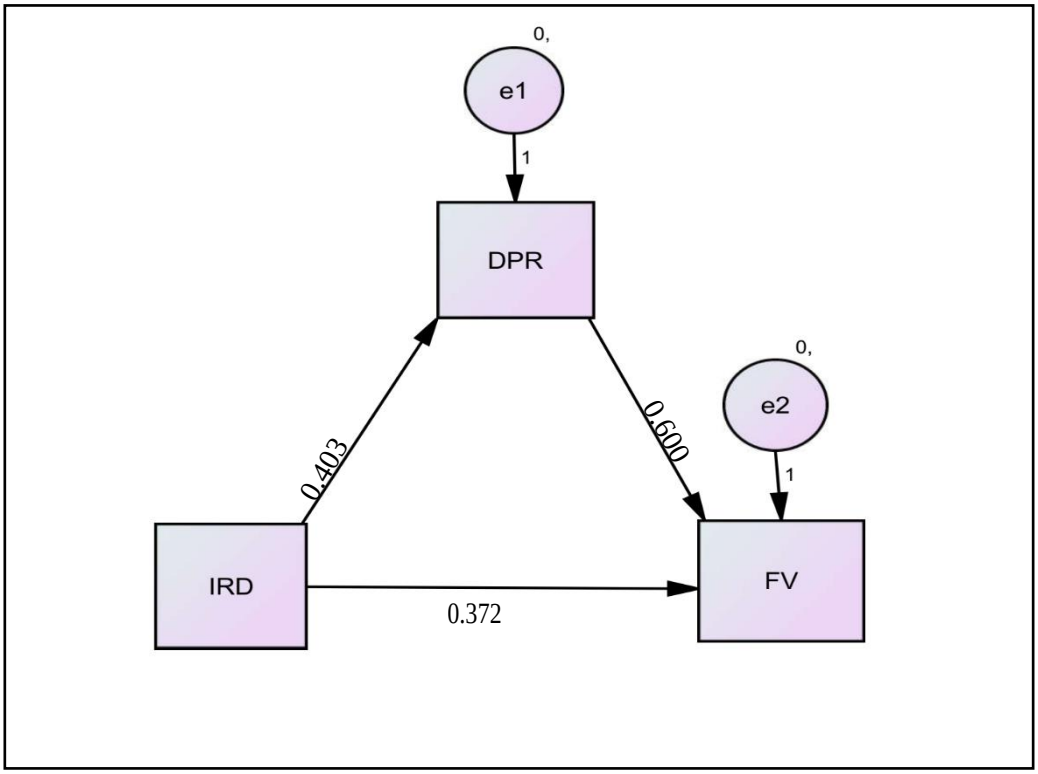


Figure (4-3) The path model of the second hypothesis.

From the previous table and figure No. (4-4) the researcher could conclude that:

- there is a significant positive impact of the Idiosyncratic risk disclosure on the dividends policy by regression coefficient 0.403, significant impact of the systematic risk disclosure on the firm value by regression coefficient 0.372 and has a positive impact on the firm value through the dividends policy by high regression co-efficient of 0.600.

Based on the previous results the researcher can conclude the following regard the first hypothesis:

- Accepting the second hypothesis that existing a positive relationship between the idiosyncratic risk disclosure and the dividends policy directly and through the three main dividends policy determinants except the profitability which has insignificant effect on dividends policy.
- There is a positive significant relationship between the dividends policy and the firm value.
- There is a positive relationship between the idiosyncratic risk disclosure and the dividends policy through the three main determinants of the dividends policy (investment opportunities-profitability-firm liquidity), but insignificant direct relationship between the idiosyncratic risk disclosure and the firm value.
- The results of the applied study showed that the firm risk disclosure at Egypt has lack of discrimination between the systematic risk disclosure and idiosyncratic risk disclosure and this causes a convergence of the impact of systematic and idiosyncratic risk disclosure on dividends policy and the firm value, even though the difference between the characteristics of each type of disclosure.

4.8 The chapter summary

This chapter's main objective is to cover the practical part of the research by presenting the design and the implementation of the applied study reaching to analyzing the results of the applied study.

The objective of the applied study is to measure empirically the impact of the firm risk disclosure (systematic and idiosyncratic) directly on the dividends policy and its effect on the firm value, in addition to study the impact of the firm risk disclosure (systematic and idiosyncratic) on the investment opportunities, firm profitability, and firm liquidity ,as the main determinants

of the dividends policy, and their effect on firm value by collecting and analyzing the data of a sample of Egyptian companies that are listed in EGX-100 during the period from 2017 to 2022.

Hypothesis (H1): The systematic Risk Disclosure has a positive impact on the Dividends policy and then affects the firm value, hypothesis(h1a) The systematic Risk Disclosure has a positive effect on the investment opportunities and then affect the firm value positively, **hypothesis(h1b)**: The systematic Risk Disclosure has a positive impact on the firm liquidity and then the firm value**. hypothesis(h1c)**: The systematic Risk Disclosure has insignificant effect on the firm profitability. **The second hypothesis(H2):** The Idiosyncratic Risk Disclosure has a positive effect on the Dividends policy and then affects the firm value positively. **The hypothesis(h2a)** The idiosyncratic Risk Disclosure has a positive impact on the investment opportunities as determinant of dividends policy and then affects the firm value positively, **the hypothesis(h2b)** The idiosyncratic Risk Disclosure has a positive impact on the firm liquidity and then affects the firm value positively, **the hypothesis(h2c)** The idiosyncratic Risk Disclosure has a positive impact on the firm profitability and then affects the firm value positively.

5

Chapter Five

Results, Recommendations and Suggestions for Future Research

5.1 Introduction

The objective of the research is to measure the impact of the firm risk disclosure (systematic and idiosyncratic) directly on the dividends policy and its effect on the firm value, in addition to study the impact of the firm risk disclosure (systematic and idiosyncratic) on the investment opportunities, firm profitability, and firm liquidity ,as the main determinants of the dividends policy, and their effect on firm value by collecting and analyzing the data of a sample of Egyptian companies that are listed in EGX- 100 during the period from 2017 to 2022

5.2 Research Results:

- The research proved the validity of the first hypothesis by finding a significant impact of the systematic risk disclosure on the dividends policy and then the firm value directly and based on the dividends policy determinants, The study could find that companies with higher levels of systematic risk disclosure tend to have more stable dividend policies and much firm value directly and based on the followings:
  - The systematic Risk Disclosure has a positive effect on the investment opportunities and then affect the firm value positively,
  - The systematic Risk Disclosure has a positive effect on the firm liquidity and then the firm value.
  - The systematic Risk Disclosure has insignificant effect on the firm profitability.
- The validity of the second hypothesis(H2) by finding a significant impact of the idiosyncratic risk disclosure on the dividends policy and then the firm value directly and based on the dividends policy

determinants which approved the first dimension of this type of risk disclosure. Companies that provide transparent disclosures about idiosyncratic risks and their mitigation strategies may be perceived more positively by investors, leading to higher confidence in the sustainability of dividend payments based on the following results:

- The idiosyncratic Risk Disclosure has a positive impact on the investment opportunities as determinant of dividends policy and then affects the firm value positively.
- The idiosyncratic Risk Disclosure has a positive impact on the firm liquidity and then affects the firm value positively.
- The idiosyncratic Risk Disclosure has a positive impact on the firm profitability and then affects the firm value positively.

In general the researcher could reach these general results:

- the dividends positively moderates the systematic risk disclosure-firm value relationship, and idiosyncratic risk disclosure firm value relationship, indicating a complementary effect where dividends enhance the firm risk disclosure (systematic and idiosyncratic) positive signal.
- The research results have approved the signaling effect theory of the dividends policy theories, many scholars concluded that dividends are having a signaling effect. Investor or potential investor forecasts the profit of the company, which in fact is influenced by the rate of dividend.
- The applies study results approved the convergence of the effects of the risk disclosure categories in the Egyptian environment which requires a further guideline to separate between them in the financial statements.

5.3 Research Recommendations

- The findings highlight the importance of Egypt regulatory frameworks in shaping risk disclosure practices and their impact on firm value.
- Egypt regulatory authorities should prioritize the disclosure of risk for each type of risk disclosed (systematic and idiosyncratic) separately, aiming to offer a transparent overview of firms' risks.
- The Regulators should establish clear guidelines and standards for risk disclosure practices, including requirements for disclosing both systematic and idiosyncratic risks.
- Companies should align their dividend policy with their overall risk disclosure objectives.
- The companies should strive to improve the transparency and clarity of their risk disclosures. Providing detailed information about both systematic and idiosyncratic risks, along with mitigation strategies, can help investors better understand the company's risk profile and make more informed investment decisions.

5.4 Suggestions for Future Research:

- Cross-Industry Analysis: Compare the effects of risk disclosure on dividends policy and firm value across different industries. This could help identify industry-specific factors that influence the relationship between risk disclosure, dividends policy, and firm value.
- The Influence of ESG (Environmental, Social, and Governance) Risk Disclosure on Dividends Policy and Firm Value.
- Studying The Influence of Firm Risk management on Dividends Policy and then the firm Value.

- Measuring The Influence of Firm Risk management on financial stability and then the firm Value.
- Examining the joint effect of firm risk disclosure and firm risk management on firm value.
- Studying the influence of compliance Risk management and disclosure on firm value.
- The Effect of Volatility Risk Disclosure on Dividends Policy and Firm Value

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Appendixes

Appendix no.1

The Companies sample List according to their sectors:

company	sector	symbol code	Reuters code
Egyptian Iron & Steel	Basic Resources	EGS3D061C015	Iron.
Ezz Steel		EGS3C251C013	Esrs
Abou Kir Fertilizers	Chemicals	EGS38191C010	Abuk
Egyptian Chemical Industries (Kima)		EGS38201C017	Egch
Egyptian Financial & Industrial		EGS38381C017	Efic
Misr Chemical Industries		EGS38211C016	Mich
Sidi Kerir Petrochemicals		EGS380S1C017	Skpc
Arab Valves Company	construction and materials	EGS3E1E1C013	Arva
Arabian Cement Company		EGS3C0O1C016	Arcc
Atlas For Land Reclamation and Agricultural Processing		EGS071L1C018	Alra
Delta Construction & Rebuilding		EGS21451C017	Dcrc
Egyptian for Developing Building Materials		EGS23141C012	Edbm
Egyptians For Investment & Urban Development		EGS213S1C010	Eiud
El Ezz Porcelain (Gemma)		EGS3C071C015	Ecap
Engineering Industries (ICON)		EGS3F021C017	Engc
Giza General Contracting		EGS21541C015	Ggcc
Misr Cement (Qena)		EGS3C391C017	Mcqe
Paint & Chemicals Industries (Pachin)		EGS38311C014	Pach
South Valley Cement		EGS3C351C011	Svce
AJWA for Food Industries company Egypt		EGS30211C014	Ajwa
Cairo Oils & Soap		EGS30581C010	Cosg
Cairo Poultry		EGS02051C018	Poul
Delta Sugar		EGS30201C015	Sugr
Edita Food Industries S.A.E		EGS305I1C011	Efid
Egypt for Poultry		EGS02211C018	Epco

company	sector	symbol code	Reuters code
Extracted Oils		EGS38251C012	Zeot
International Agricultural Products		EGS07061C012	Ifab
Ismailia Misr Poultry		EGS02021C011	Isma
Juhayna Food Industries		EGS30901C010	Jufo
Middle Egypt Flour Mills		EGS30401C011	Cefm
Egyptian International Pharmaceuticals (EIPICO)	**Healthcare and Pharmaceuticals**	EGS38081C013	Phar
Medical Packaging Company		EGS3C4L1C015	Mpec
Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda)		EGS381B1C015	Rmda
Canal Shipping Agencies	**Industrial Goods and Services and Automobiles**	EGS44031C010	Csag
Egyptian Transport (EGYTRANS)		EGS42051C010	Etrs
Electro Cable Egypt		EGS3G231C011	Elec
ELSWEDY ELECTRIC		EGS3G0Z1C014	Swdy
GB AUTO		EGS673T1C012	Gbco
GMC GROUP FOR INDUSTRIAL COMMERCIAL & FINANCIAL INVESTMENTS		EGS46051C016	Gmci
Maridive & oil services		EGS44012C010	Moil
United Arab Shipping		EGS47021C018	Uasg
MM Group for Industry and International Trade		EGS75011C014	Mtie
Egyptian Media Production City		EGS78021C010	Mprc
Alexandria Mineral Oils Company		EGS380P1C010	Amoc
Arab Cotton Ginning		EGS32221C011	Acgc
The General Company for Ceramic and Porcelain Products		EGS3C111C019	Prcl
Eastern Company		EGS37091C013	East

company	sector	symbol code	Reuters code
El Nasr Clothes & Textiles (Kabo)		EGS33061C010	Kabo
Oriental Weavers		EGS33041C012	Orwe
Alexandria Spinning & Weaving		EGS32041C013	Alex
Dice Sport & Casual Wear		EGS33321C018	Dice
Arab Real Estate Investment CO.-ALICO	**Real Estate**	EGS65011C016	Rrei
Cairo Development and Investment		EGS70021C018	Cira
Egyptians Housing Development & Reconstruction		EGS65341C017	Ehdr
Emaar Misr for Development		EGS673Y1C015	Emfd
Gharbia Islamic Housing Development		EGS65461C013	Gihd
Heliopolis Housing		EGS65591C017	Heli
Medinet Nasr Housing		EGS65571C019	Mnhd
Mena Touristic & Real Estate Investment		EGS65441C015	Mena
National Real Estate Bank for Development		EGS65511C015	Copr
Palm Hills Development Company		EGS655L1C012	Phds
Porto Group		EGS694A1C018	Arab
Six of October Development & Investment (SODIC)		EGS65851C015	Sodic
T M G Holding		EGS691S1C011	Tmgh
Orascom Construction PLC - EBITDA Reconciliation		EGS95001C011	Oras
Zahraa El Maadi Investment and Development Company		EGS21171C011	Zmid
Raya Holding For Financial Investments	**Technology**	EGS690C1C010	Raya
Orascom Telecom Media And Technology Holding	**Telecommunications**	EGS693V1C014	Oih
Telecom Egypt		EGS48031C016	Etel

company	sector	symbol code	Reuters code
Egyptian for Tourism Resorts	Travel & Leisure	EGS70431C019	Egts
El Wadi Co. For Touristic Investement		EGS70R91C016	Elwa
Golden Coast Company		EGS70GV1C015	Goco
Orascom Hotels And Development		EGS70321C012	Orhd
Remco for Touristic Villages Construction		EGS70271C019	Rtvc
Sharm Dreams Co. for Tourism Investment		EGS70571C012	Sdti
Rowad Tourism Company		EGS70281C018	Roto
Natural Gas & Mining Project (Egypt Gas)	Utilities	EGS39011C019	Egas

Appendix no.2

The applied study Results.

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Statistics/Data analysis

User: stata results

```
1 . **# Testing the first hypothesis #1

2 .
3 . regress DPR SRD  SIZE   LEVERAGE
```

Source	SS	df	MS
Model	10.3727444	3	3.45758148
Residual	114.593571	115	.996465833
Total	124.966315	118	1.05903657

DPR	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
SRD	.6304558	.268267	2.35	0.020	.0990705	1.161841
SIZE	-1.133259	.60119	-1.89	0.062	-2.324101	.0575825
LEVERAGE	.0553758	.2424271	0.23	0.820	-.4248256	.5355772
_cons	-.0135911	1.442508	-0.01	0.992	-2.870922	2.84374

```
4 .
5 . est sto model1

6 .
7 . vif
```

Variable	VIF	1/VIF
SIZE	1.99	0.503670
LEVERAGE	1.97	0.507184
SRD	1.01	0.990051
Mean VIF	1.66	

```
8 .
```

```
9 . regress INVO SRD  SIZE  LEVERAGE
```

Source	SS	df	MS
Model	38.0144292	3	12.6714764
Residual	67.6364908	336	.20129908
Total	105.65092	339	.311654631

INVO	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
SRD	.1647199	.0731684	2.25	0.025	.0207941	.3086457
SIZE	-.9510063	.0981201	-9.69	0.000	-1.144013	-.7579992
LEVERAGE	.4058969	.0322639	12.58	0.000	.3424322	.4693615
_cons	2.489059	.2317001	10.74	0.000	2.033293	2.944824

```
10 .
11 . est sto model2

12 .
13 . vif
```

Variable	VIF	1/VIF
SIZE	1.35	0.742646
SRD	1.17	0.851795
LEVERAGE	1.16	0.859710
Mean VIF	1.23	

```
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14 .
15 . regress PROFIT SRD  SIZE  LEVERAGE
```

Source	SS	df	MS
Model	15.9508759	3	5.31695865
Residual	415.708156	267	1.55695939
Total	431.659032	270	1.59873716

PROFIT	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
SRD	.2812343	.2321234	1.21	0.227	-.1757908	.7382595
SIZE	.8584681	.3919473	2.19	0.029	.0867676	1.630169
LEVERAGE	-.0699655	.1320942	-0.53	0.597	-.3300442	.1901132
_cons	-4.782507	.9257113	-5.17	0.000	-6.60513	-2.959885

```
16 .
17 . est sto model3

18 .
19 . vif
```

Variable	VIF	1/VIF
SIZE	1.78	0.560756
LEVERAGE	1.65	0.606198
SRD	1.11	0.897437
Mean VIF	1.52	

```
20 .

20 .
21 . regress LIQUIDITY SRD  SIZE  LEVERAGE
```

Source	SS	df	MS
Model	93.6192813	3	31.2064271
Residual	114.589729	336	.341040861
Total	208.209011	339	.614185872

LIQUIDITY	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
SRD	.3587919	.095237	3.77	0.000	.1714559	.5461278
SIZE	-.5985594	.1277145	-4.69	0.000	-.8497802	-.3473386
LEVERAGE	-.5427171	.0419951	-12.92	0.000	-.6253236	-.4601107
_cons	1.440298	.3015841	4.78	0.000	.8470674	2.033529

```
22 .
23 . est sto model4

24 .
25 . vif
```

Variable	VIF	1/VIF
SIZE	1.35	0.742646
SRD	1.17	0.851795
LEVERAGE	1.16	0.859710
Mean VIF	1.23	

```
26 .
27 . regress FV1 DPR SRD LEVERAGE SIZE
```

Source	SS	df	MS
Model	46.6875489	4	11.6718872
Residual	50.8156443	114	.445751265
Total	97.5031932	118	.826298247

FV1	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
DPR	.4933957	.0623686	7.91	0.000	.369844	.6169475
SRD	-.3493538	.1836827	-1.90	0.060	-.7132279	.0145203
LEVERAGE	-.2991048	.162179	-1.84	0.068	-.6203802	.0221706
SIZE	-.7530154	.4082581	-1.84	0.068	-1.561772	.0557408
_cons	2.057128	.9647916	2.13	0.035	.1458836	3.968373

```
28 .
29 . est sto model5

30 .
31 . vif
```

Variable	VIF	1/VIF
SIZE	2.05	0.488574
LEVERAGE	1.97	0.506954
DPR	1.09	0.916996
SRD	1.06	0.944682
Mean VIF	1.54	

```
32 .
```

```
33 . est tab model1 model2 model3 model4 model5
```

Variable	model1	model2	model3	model4	model5
SRD	.63045576	.1647199	.28123434	.35879188	-.34935382
SIZE	-1.1332593	-.95100631	.85846811	-.59855941	-.75301536
LEVERAGE	.05537582	.40589685	-.06996551	-.54271712	-.2991048
DPR					.49339573
_cons	-.01359115	2.489059	-4.7825072	1.4402982	2.0571282

```
34 .
35 .
36 .
37 . **#Testing the second hypothese  #2

38 .

39 . regress DPR IRD  SIZE   LEVERAGE
```

Source	SS	df	MS
Model	13.9518702	3	4.6506234
Residual	90.7134649	106	.855787405
Total	104.665335	109	.960232433

DPR	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
IRD	1.220016	.3440145	3.55	0.001	.5379735	1.902058
SIZE	-1.750741	.5965213	-2.93	0.004	-2.933402	-.5680791
LEVERAGE	.5008602	.2437642	2.05	0.042	.0175739	.9841465
_cons	.376813	1.358781	0.28	0.782	-2.317103	3.070729

```
40 .
41 . est sto model6

42 .
43 . vif
```

Variable	VIF	1/VIF
SIZE	2.18	0.459076
LEVERAGE	2.12	0.471959
IRD	1.12	0.894930
Mean VIF	1.80	

```
44 .
45 . regress INVO IRD  SIZE  LEVERAGE
```

Source	SS	df	MS
Model	42.8409943	3	14.2803314
Residual	57.920292	330	.175516036
Total	100.761286	333	.302586445

INVO	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
IRD	.3162996	.0866853	3.65	0.000	.1457742	.486825
SIZE	-1.035153	.0938245	-11.03	0.000	-1.219722	-.8505832
LEVERAGE	.4244743	.0299704	14.16	0.000	.3655172	.4834315
_cons	2.354103	.1841294	12.79	0.000	1.991887	2.716318

```
46 .
47 . est sto model7

48 .
49 . vif
```

Variable	VIF	1/VIF
SIZE	1.41	0.710866
IRD	1.24	0.804683
LEVERAGE	1.16	0.865651
Mean VIF	1.27	

```
50 .
51 . regress PROFIT IRD  SIZE  LEVERAGE
```

Source	SS	df	MS
Model	29.3003899	3	9.76679664
Residual	374.680311	261	1.43555675
Total	403.980701	264	1.53022993

PROFIT	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
IRD	.9603152	.2956394	3.25	0.001	.3781731	1.542457
SIZE	.6494129	.3753727	1.73	0.085	-.0897316	1.388557
LEVERAGE	-.053894	.1275722	-0.42	0.673	-.3050958	.1973077
_cons	-5.152944	.8187154	-6.29	0.000	-6.765072	-3.540816

```
52 .
53 . est sto model8

54 .
55 . vif
```

Variable	VIF	1/VIF
SIZE	1.77	0.564261
LEVERAGE	1.68	0.596027
IRD	1.13	0.881937
Mean VIF	1.53	

```
56 .
57 . regress LIQUIDITY IRD  SIZE  LEVERAGE
```

Source	SS	df	MS
Model	85.8835777	3	28.6278592
Residual	122.515064	330	.37125777
Total	208.398642	333	.625821747

LIQUIDITY	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
IRD	.4073244	.1260737	3.23	0.001	.1593149	.655334
SIZE	-.6018738	.136457	-4.41	0.000	-.870309	-.3334386
LEVERAGE	-.5299226	.0435885	-12.16	0.000	-.615669	-.4441762
_cons	.9614564	.267795	3.59	0.000	.4346558	1.488257

```
58 .
59 . est sto model9

60 .
61 . vif
```

Variable	VIF	1/VIF
SIZE	1.41	0.710866
IRD	1.24	0.804683
LEVERAGE	1.16	0.865651
Mean VIF	1.27	

```
62 .
63 . regress fv1 IRD DPR LEVERAGE SIZE
```

Source	SS	df	MS
Model	16.5384283	4	4.13460707
Residual	72.1038283	105	.686703127
Total	88.6422566	109	.813231712

fv1	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
IRD	.2451736	.325931	0.75	0.454	-.4010874	.8914345
DPR	.3202128	.0870059	3.68	0.000	.1476962	.4927294
LEVERAGE	.1022066	.2226652	0.46	0.647	-.3392973	.5437105
SIZE	-.8990187	.5556392	-1.62	0.109	-2.000749	.2027112
_cons	3.577536	1.217611	2.94	0.004	1.163238	5.991833

```
64 .
65 . est sto model10

66 .
67 . vif
```

Variable	VIF	1/VIF
SIZE	2.36	0.424574
LEVERAGE	2.20	0.453882
IRD	1.25	0.800009
DPR	1.15	0.866700
Mean VIF	1.74	

```
68 .
69 . est tab model6 model7 model8 model9 model10
```

Variable	model6	model7	model8	model9	model10
IRD	1.2200157	.31629959	.96031515	.40732441	.24517355
SIZE	-1.7507405	-1.0351528	.64941285	-.60187383	-.8990187
LEVERAGE	.5008602	.42447433	-.05389402	-.52992263	.10220659
DPR					.32021279
_cons	.37681305	2.3541025	-5.1529443	.96145644	3.5775356

```
70 . summarize SRD IRD DPR INVO PROFIT LIQUIDITY SIZE leverage, detail
```

SRD

Percentiles		Smallest		
1%	-1.386294	-1.386294		
5%	-1.386294	-1.386294		
10%	-1.386294	-1.386294	Obs	340
25%	-.6931472	-1.386294	Sum of wgt.	340
50%	-.6931472		Mean	-.6680976
		Largest	Std. dev.	.3608526
75%	-.2876821	0		
90%	-.2876821	0	Variance	.1302146
95%	0	0	Skewness	-.5478324
99%	0	0	Kurtosis	3.170893

IRD

Percentiles		Smallest		
1%	0	0		
5%	0	0		
10%	0	0	Obs	334
25%	.6931472	0	Sum of wgt.	334
50%	.6931472		Mean	.565381
		Largest	Std. dev.	.2952423
75%	.6931472	1.098612		
90%	.6931472	1.098612	Variance	.087168
95%	.6931472	1.098612	Skewness	-1.179111
99%	1.098612	1.098612	Kurtosis	3.133809

DPR

Percentiles		Smallest		
1%	-5.06286	-5.220995		
5%	-4.53255	-5.06286		
10%	-4.230227	-4.770098	Obs	153
25%	-3.342156	-4.661591	Sum of wgt.	153

50%	-2.795025		Mean	-2.772465
		Largest	Std. dev.	.9973901
75%	-2.002585	-.9503744		
90%	-1.421915	-.9378461	Variance	.994787
95%	-1.215856	-.6999372	Skewness	-.1233398
99%	-.6999372	-.6999372	Kurtosis	2.509654

INVO

	Percentiles	Smallest		
1%	-.8137218	-1.285309		
5%	-.5477352	-.9891236		
10%	-.3591395	-.8483371	Obs	410
25%	-.1601374	-.8337281	Sum of wgt.	410
50%	.048279		Mean	.2086212
		Largest	Std. dev.	.6317475
75%	.4058717	2.708189		
90%	.9289727	2.799249	Variance	.3991049
95%	1.316232	3.014591	Skewness	1.780154
99%	2.670683	3.118418	Kurtosis	7.600583

PROFIT

	Percentiles	Smallest		
1%	-7.553716	-10.66373		
5%	-5.458829	-10.42511		
10%	-4.616465	-8.092127	Obs	324
25%	-3.681478	-7.553716	Sum of wgt.	324
50%	-2.921599		Mean	-3.10978
		Largest	Std. dev.	1.311838
75%	-2.293681	-1.103601		
90%	-1.688548	-1.053795	Variance	1.72092
95%	-1.396683	-1.009007	Skewness	-1.75835
99%	-1.103601	-.9046137	Kurtosis	9.310252

LIQUIDITY

	Percentiles	Smallest		
1%	-1.082139	-2.21926		
5%	-.7291849	-1.198262		
10%	-.5356838	-1.18307	Obs	410
25%	-.0367028	-1.167353	Sum of wgt.	410
50%	.336463		Mean	.4130558
		Largest	Std. dev.	.8222471
75%	.7513677	3.655504		
90%	1.314379	3.747505	Variance	.6760903
95%	2.115732	3.915827	Skewness	1.172483
99%	3.469541	3.986952	Kurtosis	6.293856

SIZE

	Percentiles	Smallest		
1%	1.175927	1.016059		
5%	1.422503	1.100587		
10%	1.571562	1.145297	Obs	410
25%	1.843489	1.17148	Sum of wgt.	410
50%	2.043914		Mean	1.985732
		Largest	Std. dev.	.283859
75%	2.17669	2.456137		
90%	2.332402	2.457669	Variance	.080576
95%	2.390036	2.4715	Skewness	-.7561976
99%	2.454753	2.484888	Kurtosis	3.449905

leverage

	Percentiles	Smallest		
1%	-2.998872	-5.711166		
5%	-2.166167	-4.951651		
10%	-1.685132	-4.706647	Obs	410
25%	-1.08766	-4.493251	Sum of wgt.	410
50%	-.6645388		Mean	-.8129841
		Largest	Std. dev.	.7918629
75%	-.3839787	1.767463		
90%	-.2151564	1.972508	Variance	.6270468
95%	-.1468858	2.084867	Skewness	-1.409228
99%	1.544791	2.240004	Kurtosis	11.48672

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```
1   **# Testing the first hypothesis #1
2   regress DPR SRD  SIZE   LEVERAGE
3   est sto model1
4   vif
5   regress INVO SRD  SIZE  LEVERAGE
6   est sto model2
7   vif
8   regress PROFIT SRD  SIZE  LEVERAGE
9   est sto model3
10  vif
11  regress LIQUIDITY SRD  SIZE  LEVERAGE
12  est sto model4
13  vif
14  regress FV1 DPR SRD LEVERAGE SIZE
15  est sto model5
16  vif
17  est tab model1 model2 model3 model4 model5
18  **#Testing the second hypothese  #2
19  regress DPR IRD  SIZE   LEVERAGE
20  est sto model6
21  vif
22  regress INVO IRD  SIZE  LEVERAGE
23  est sto model7
24  vif
25  regress PROFIT IRD  SIZE  LEVERAGE
26  est sto model8
27  vif
28  regress LIQUIDITY IRD  SIZE  LEVERAGE
29  est sto model9
30  vif
31  regress fv1 IRD DPR LEVERAGE SIZE
32  est sto model10
33  vif
34  est tab model6 model7 model8 model9 model10
35
36
37
38
```

كليـة التجـارة
قســم المحاسبـة

قياس أثر الإفصاح المحاسبي عن المخاطر المنتظمة وغير المنتظمة على سياسة توزيع الأرباح وانعكاس ذلك على قيمة الشركة

دراسة تطبيقية على شركات المساهمة المصرية

رسالة مقدمة للحصول على درجة دكتوراه الفلسفة في المحاسبة

مقدم من

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كلية التجارة-جامعة بنها

١٤٤٥ هـ-٢٠٢٤ م

الملخـــص العـــربـــي

اســـتهدفت هذه الدراســـة قياس أثر كل من الإفصـــاح عن المخاطر المنتظمة (SRD) وغير المنتظمة (IRD)، بشـــكل منفصـــل داعماً فرضـــية عدم التجانس لفئتي الإفصـــاح عن المخاطر، على سياسـة توزيع الأرباح (DP) وتأثيرها على قيمة الشـركة (FV) للشـركات غير المالية المقيدة في البورصـــة المصـــرية باســـتخدام عينة من ٧٥ شـركة من الفترة ٢٠١٧ إلى ٢٠٢٢ والتي أسفرت عن ٤٥٠ مشاهدة. توصل الباحث إلى وجود تأثيراً إيجابيا كبيراً للإفصاح عن المخاطر المنتظمة SRD و المخاطر غير المنتظمة IRDعلى سياسـة توزيع الأرباح DP ، بينما وجدت تأثيرا ضـئيلاً للإفصـاح عن المخاطر المنتظمة SRD على قيمة الشـركة FV، وتأثيرا إيجابيا للمخاطر غير المنتظمة IRD على قيمة الشـركة FV ، بينما وجدت تأثيراً كبير لكل من الإفصاح عن المخاطر المنتظمة وغير المنتظمة على قيمة الشركة من خلال سياسة توزيع الأرباح DP. وهذا يعني أن سياسـة توزيع الأرباح تعمل كمتغير وسـيط وبشـكل إيجابي بين الإفصـــاح عن المخاطر المنتظمة وقيمة الشـــركة FV-SRD من جهة، المخاطر غير المنتظمة وقيمة الشـركة FV – IRD من جهة أخرى، مما يشـير إلى تأثير تكميلي لسـياسـة توزيع الأرباح حيث تعزز الصـــورة الإيجابية للإفصـــاح عن مخاطر الشـــركة المنتظمة وغير المنتظمة (SRD، IRD) على قيمة الشـركة. يدعم هذا البحث نظرية الإشـارات Signaling Theoryللإفصـاح عن مخاطر الشـركات. يعزز هذا البحث أيضـاً فهم الارتباط بين الإفصـاح عن مخاطر الشركات (المنتظمة وغير المنتظمة)، ,سياسة توزيع الأرباح، وقيمة الشركة.