"The Combined Impact of Narrative Disclosure Tone and Earnings Management on the Market Value of Stocks: An Empirical Study on Companies Listed on the Egyptian stock Exchange"

Prepared by

Aliaa Roshdy Ali

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Abstract:

This research aimed is to examine the relationship between earnings management, narrative disclosure tone, and the market value of stocks for companies listed on the Egyptian Stock Exchange.

The research methodology involved selecting a sample of nine firms listed on the EGX30 index between 2019 and 2023. The research variables were measured through a content analysis method that depended on secondary sources.

Findings of the research: Both earnings management and the narrative disclosure tone have a substantial impact on the market value of stocks. The findings revealed that a corporation can effectively convey additional information regarding the market value of stock by employing both clear and conspicuous tones.

Keywords: market value of stocks, earnings management, unusual tone, and clarity.

1- Introduction:

An increasing body of accounting research has concentrated on narrative disclosures in business reports as a result of rapid developments in automatic text analysis tools. There is still dispute over the educational usefulness of these narrative disclosures. Several researches suggest that narrative disclosures may provide stakeholders with more comprehensive information compared to quantitative disclosures. This, in turn, has the potential to enhance the future market value of stocks. These studies include Elsayed & Elshandidy (2020), Wu et al. (2020), Chung et al. (2019), and Aly et al. (2018). However, narrative disclosures and earnings management can give management the freedom and independence to select and publish data in a manner that provides an incorrect or incomplete representation of the firm (Leung et al., 2015; Choi, 2020; Amlan-Ayaydin et al., 2021).

Earnings announcements in financial reports serve as the primary means of communication between management and users. Irrespective of whether the organization is experiencing success or failure, it is crucial to communicate the accurate performance of the firm to interested parties in order to facilitate decision-making. In an attempt to strengthen their image, several businesses engage in the practice of concealing their true performance, thereby leading stakeholders and investors to be misled. The financial reports contain data that rely on inaccurate and deceptive information, which may encourage management to artificially increase non-real earnings used as a performance measure. This may result in disproportionately large and inflated bonuses being awarded to the management, which would constitute an inappropriate redistribution of wealth from one party to another.

The management issues a report detailing the financial performance of the company, making comparisons to previous quarters. When evaluating the relationship between the tone of reports and the company's reported earnings and present performance, analysts may use language that conveys either an optimistic (positive) or pessimistic (negative) tone.

The primary objective of this study is to examine the language or tone used in narrative disclosures and its influence on the market value of stocks. This will be achieved by examining the tone of these disclosures in the annual reports of companies listed on the Egyptian stocks Exchange. This is essential because of the variability in the utilization of these disclosures. By focusing exclusively on Egypt, a developing country that stands apart from other advanced nations in terms of its culture, language, and legal framework, a distinctive viewpoint is introduced.

The Egyptian stocks market, while still in the process of development, attracts attention from overseas investors. The increase in foreign participation might be attributed to growing expectations regarding transparency and disclosure. Therefore, it is imperative for investors and decision-makers to assess the narrative information found in the annual reports of companies listed on the Egyptian Stock Exchange. The examination of the impact of earnings management and narrative disclosures on stocks market value can be facilitated by considering cultural and language disparities as a relevant approach. The primary objective of the present study is to determine the extent to which the market value of stocks is influenced by the narrative disclosure tone and earnings management. Given the information provided, it is necessary to address the following questions as the main research problem:

Q1: What is the relationship between the market value of stocks and the tone of narrative disclosure?

Q2: What is the correlation between the market value of stocks and earnings management?

Q3: Does the combination of the narrative disclosure tone and earnings management significantly affect the market value of stocks the companies under study?

2- Literature Review and Hypothesis Development:

Financial reports typically consist of two sections: digital disclosure, which presents specific financial figures, and descriptive disclosure, which encompasses the overall tone of the accounting disclosure, the readability of the financial reports for users, and the management's explanations of estimates, assumptions, and decisions that emphasize the financial and accounting policies being employed. Consequently, it may be beneficial for management to examine descriptive data in accounting disclosure to assist financial report readers in assessing the organization's financial performance. Descriptive disclosure can assist investors in making more informed and rational investment selections. Management strategically selects the accounting disclosure tone, whether it is optimistic, pessimistic, or neutral, to discuss and present the company's financial performance in financial reports. This is done with the intention of influencing the financial market, as it is known that the market reacts significantly to the form and content of disclosed information (Fisher, R., 2020).

There is a growing interest in analyzing the sentiment of words and financial texts commonly seen in financial reports. This analysis focuses on determining if the tone of these texts is positive or negative, and to what extent it impacts investors' opinions. This interest has arisen due to the increasing use of accounting language and text analysis in the financial industry. Financial reports should provide investors with a comprehensive understanding of both the company's present condition and the overall state of the economy. Investors rely on accurate and authentic information about a company's performance in order to make informed decisions (Bassyouny, H., 2020).

2-1 Tone of narrative disclosure and market value of stocks:

Annual report disclosure is rapidly expanding, with an increasing inclusion of qualitative (narrative) material alongside quantitative data, which investors can depend on for decision-making. Management use qualitative (narrative) disclosures to effectively interact with external users, either to influence their impressions of the organization or to provide them with additional information regarding the company's value and performance. This is due to the exercise of discretion and the presence of flexibility. Management often does this by carefully controlling the tone and selecting the content of narrative disclosures (Luo, Y., 2020).

According to Efretuei, E. (2021), management employs discretionary disclosures in an attempt to influence investors' expectations to align with management's forecasts of future profitability. Signaling theory suggests that managers with favorable private information are more likely to communicate using a positive tone, while managers with unfavorable private information are more inclined to use a less positive tone. According to Brennan, N. M. (2018), organizations that expect a significant increase in profits convey their financial status in a comprehensive and reliable manner. This indicates that narrative disclosures are a successful method of communication. A study conducted by Amlan-Ayaydin (2021) revealed a direct link between enthusiastic earnings announcements and higher future return on assets. This study demonstrates a correlation between the sentiments expressed in earnings announcements and increased abnormal return rates. Efretuei (2021) conducted a study on management's discussion and analysis reports, categorizing phrases as positive or negative. The study found that the presence of positive or negative tones in these reports is associated with positive or negative returns for stocks that were purchased and held.

Wisniewski, T.P. (2015) found a connection between future stock returns and the presence of phrases like "realism," "effectiveness," "certainty," "engagement," and "optimism" in annual reports in the United Kingdom. Yekini, L.S. (2016) identified a significant association between abnormal stock returns near the date of disclosure and the sentiment expressed in narrative disclosures found in annual reports in the United Kingdom. Both studies have found that narrative disclosures in annual reports provide useful information that helps in evaluating stock returns.

Researchers note that industrialized countries have displayed a keen interest in the narrative disclosure tone. However, this interest has primarily been directed towards independent narrative reports, specifically focusing on management's comments and analysis. Other sections of the annual report have been overlooked in this concentration. There is a scarcity of research on the additional informative value of narrative disclosures in the context of developing nations. Wu, D.X., and Yao, X. (2020) found that managers convey their expectations for the future value of the company through the literary style of management's discussion and analysis reports of Chinese firms listed on the stock exchange. Choi et al. (2020) found that narrative texts are more precise in predicting a company's credit rating compared to traditional financial indicators, according to their research. In a study conducted by Aly (2018), the author examined the tone of the annual report in Egypt and provided evidence to support the notion that narrative disclosures contribute to the informational value of the report.

It is crucial to thoroughly analyze the role of tone in assessing the market value of stocks, by examining the research on whether the tone of narrative disclosures offers further insights into the value of stocks. The research will utilize the following premise to investigate the persuasive efficacy of narrative disclosures in both ordinary and extraordinary tones:

H1: The narrative disclosure tone has a considerable impact on the market value of the stocks of the companies under examination. This theory can be divided into two sub-hypotheses based on the tone:
H1a: The typical narrative disclosure tone has a major impact on the market value of the stocks of the company under examination.
H2b: The notable narrative disclosure tone has a substantial impact on the market value of the stocks of the company being investigated.

2-2 Earnings management and its impact on the market value of stocks:

The responsibility for preparing and presenting financial statements and reports lies with the company's management. These documents are considered vital sources of information that stakeholders depend on when making financial decisions. Based on this data, the company's economic performance is evaluated, and generally accepted accounting principles are employed to predict its future performance. Furthermore, management has the option to utilize several accounting procedures and methodologies to handle economic transactions, in addition to making forecasts for future occurrences that impact the financial statements and reports (Markonah, M., Salim, A., 2020).

Agyeman (2020) found that conflicts of interest might occur among the different stakeholders associated with a firm due to their divergent interests. Some businesses' management may attempt to enhance their performance and manipulate the reporting of the company's financial state and business outcomes in order to achieve their objectives, perhaps diverging from the actual fact. Management has the ability to intentionally manipulate the information presented in financial statements and reports, which can undermine their reliability and mislead external parties regarding the actual financial performance and business results of the organization. Irrespective of the quality of the information, it is in the stakeholders' utmost advantage to obtain dependable information regarding the company's performance. The corporation's management can accomplish this objective by implementing a strategy known as earnings management.

Earnings management, a topic extensively studied by researchers such as El Diri, M. (2020), employs one of two ways. The first type of earnings management is real activities-based, whereas the second type is accrual management-based. Alabdullah, T. T. Y. (2022) and Banamtuan, O. (2020) found that management engages in real activity manipulation to manipulate earnings. This involves making actual economic changes to the company's primary activities in order to present an inaccurate financial performance for the current period. This activity is considered dishonest and opportunistic, as it deceives individuals who rely on financial reporting.

A study conducted by Arsal, M. (2021) found that earnings management through actual operations had a beneficial impact on stock value. According to the study, this phenomenon occurs because the market fails to identify and acknowledge the practice of manipulating results. As a result, the company's value is overestimated based on the reported earnings, leading to an increase in the stock's value. Stock exchange prices provide a means of evaluating the success of companies whose stocks are publicly traded. Stock price changes are influenced by the information that investors can obtain, including information about the firm, the industry, or the overall economy. Hence, the collection and assessment of this data aid in making informed decisions regarding stock investments (Choiriyah, C., 2020).

This study builds upon previous research by investigating the correlation between profits manipulation and the value of stocks in the Egyptian environment. It accomplishes this by analyzing the subsequent hypothesis:

H2: Earnings management has a substantial impact on the market value of the stocks of the companies being studied.

2-3 the impact of both earnings management and the tone of narrative disclosure on the market value of stocks:

Al-Shaer's (2021) study elucidated the relationship between financial reporting tone and earnings management approaches. The study's findings indicate that management's communication style, namely the tone of their accounting disclosures, is influenced by attempts to manipulate results and effectively misleads investors. Enhancing the informative tone in financial reports may lead to an excessive level of optimism among investors regarding actual earnings, the company's value, and stock prices. This phenomenon is commonly referred to as unrealistic optimism. Conversely, if the organization is able to dampen the tone in financial reports, the effect will be the reverse. Hence, shareholders gain an advantage from the excessively optimistic (abnormal) language used in financial reports before the release of data, as it delays negative responses for a set duration.

Kayed, S. (2022) examined the relationship between the tone of management in CEO's letters and the manipulation of profitability. The study revealed a robust association between the tone of management in the CEO's letters and earnings management, indicating that management employs an optimistic tone to mislead investors regarding the true financial performance of the company. The study also discovered that instead of displacing each other, the demeanor of management and earnings management complement each other effectively. Each of these tactics contributes to the formation of incorrect judgments by investors, illustrating the intricate impact that corporate communication methods can have on investors' perceptions and behaviors.

The study conducted by Li, W. (2023) aimed to investigate the nature of the relationship between earnings management and management tone (the accounting disclosure tone) in the board reports of Egyptian joint-stock companies. Specifically, the study sought to determine whether there is a complementary or substitutive relationship between these two factors, i.e., whether one factor enhances the other or serves as a substitute. The study found a robust association between the tone of managers and the manipulation of earnings. The investigation determined that the relationship between earnings management and management tone is not substitutive, but rather complementary. This means that the management tone integrates with the examination of the board report.

The study conducted by Nassirzadeh, F. (2023) provided evidence supporting the notion that stock prices tend to exhibit a stronger negative reaction to the release of unfavorable news compared to their positive response to favorable news. The empirical study conducted tests to track the disclosure of both positive and negative news. Researchers found that, within a span of five days after the release of negative information, such as announcements of reduced dividend payouts or pessimistic forecasts from managers, the market and investors exhibited a more pronounced reaction compared to the release of positive information. Managers effectively conceal unfavorable information from investors until it becomes inevitable to disclose, so amplifying the adverse consequences. Conversely, the corporation has a proclivity to divulge positive information to the market.

Elshandidy, T. (2024) discovered a correlation between management tone and management incentives, in which management utilizes tone as a means to enhance profits management and mislead investors. The research also discovered that when management adopts an exceptionally optimistic tone during results announcements, the market reacts more positively compared to subsequent periods. This indicates that the tone set by management has an impact on how investors perceive and digest information, which then affects their decision-making. It is evident that when a management tone is positive but does not align with other management disclosures, inexperienced investors are more susceptible to its influence, perhaps causing lasting harm to the company's profitability. Hence, when earnings releases are crafted using language that carries positive connotations, less experienced investors are inclined to evaluate the results more favorably compared to their more experienced counterparts. The reason for this is that employing a happy demeanor when delivering financial updates aids in cultivating a favorable cognitive representation among investors, consequently shaping a positive evaluation that impacts their judgments. The study investigated the influence of management tone on information processing and found that less experienced investors are more inclined to perceive management tone through a heuristic-based method. Additionally, the study revealed that management tone in earnings releases is more challenging to comprehend. This phenomenon occurs because individuals who lack the ability to fully grasp information tend to rely on their own impressions when making decisions.

This study differs from previous studies by providing a clear understanding of the relationship between the tone of narrative disclosures and the practice of earnings management. Additionally, it examines how these aspects impact the market value of stocks. The third theory can be formulated in the following manner:

H3: The market value of stocks of the companies being examined is greatly influenced by the combined impact of manipulating results and the tone of the narrative disclosures.

3- Sample selection and data sources:

The study population consists of the annual reports of all publicly traded businesses featured in the EGX30 index from 2019 to 2023. Considerable advancements have been made in the disclosure of narrative information, whether it is presented in the supplementary annual financial statements' notes or in a distinct format. Provide a report. Due to the fluctuation of companies entering and exiting the index, only annual reports are utilized. Companies that remained part of the index throughout the whole study period, as well as companies in the financial sector, were not considered. The disclosures in their filings differ in type from those of non-financial companies. Furthermore, the factors that influence the worth and effectiveness of financial institutions are distinct from those affecting non-financial organizations.

Our data sources exclusively consist of secondary sources. Aside from the company's yearly financial statements, notes, and analytical indicators, we also consult the annual reports available on the company's website and the Mubasher Egypt website. The banking regulator through its official website

4- Variables examination and measurement.

4/1 - Initial independent variable

This study examines the narrative disclosure tone, which is a comprehensive notion comprising various dimensions. Previous studies have primarily concentrated on terms used to assess tone, such as engagement, which can be quantified using dictionaries. The concepts of validity, certainty, optimism, positivity, and realism have been discussed by Wisniewski and Yakimi (2015), Craig (2018), and Fisher et al. (2019). Previous research has primarily examined positive tones and the distinction between positive and negative tones, also known as pure tones (Feldman et al., 2010; Li, 2010; Craig et al., 2013; Huang et al., 2014). These studies have also been compared to closely relate previous research conducted by Li (2010) and Huang et al. (2014). In this study, grace is defined as unadulterated grace.

In line with the methodology employed in Li's (2010) study, the level of elegance in narrative disclosure was assessed by assigning a value of 1, -1, or 0 to each sentence that was identified as affirmative. Construct affirmative statements for evaluation. Each sentence is negative. A single sentence was encoded as neutral. The arithmetic mean of all sentences in this report is computed by using the following formula to determine the pure tone (average tone for the annual report).

(TONE) = 1/Kl.t (POS*1+ NEU* 0+ NEG*-1

The previous equation can be shortened as follows:

TONE=1/Kl.t (POSl.t-NEG lit)

TONE: net blessing of report i for year t

POS: Number of positive sentences in report i year t

NEU: Number of neutral sentences in report i year t

NEG: in negative sentences with report i of tongue t

K: the total number of sentences in report i for year t (POS - NEU – NEG)

This is earnings management. Earnings management is measured using the original (Jones) model (Jones, 1991), which is one of the most powerful overall models used in prior research to examine this phenomenon. The size of optional accruals is measured by the following steps (Jones, 1991):

Step 1: Estimate the total estimated reserves based on the difference between the net profit after deducting non-recurring gains and losses and the cash flow from operating activities in the cash flow statement entries, as follows: TAC=NI-CFO

Whereas:

TAC: Total accruals for company (i) during period (t).

NI: Net profit before extraordinary items for company (i) during period (t).

CFO: Operating cash flows of company (i) during period (t)

Step 2: Estimate the size of non-discretionary accounting accounts as ensue: (NDA) =a+a1 (1/TA) +a2 ((ΔREV)/TA) a3 + (PPE/TA)

NDA: The volume of non-discretionary benefits for the company (i) during the period (t)

TA: Total assets of company (i) during the period (1- t)

ΔREV: Change in revenues for company (i) during period (t)

PPE: Total machinery, equipment and supplies for company (i) during period (t)

Step 3: Estimate the value of alternative utility (DAC), which is statistically the remainder (Σ) of the model estimate, using the following equation

TAC/TA=a1 (1/TA) +α2 (Δ REV)/TA) +a3(PPE/TA)+∑a

The statistical remainder of the model estimate, which indicates the size of the discretionary accruals for company (i) during period (t), and then the value of the discretionary accruals is arrived at by subtracting the non-discretionary accruals from the total accruals as follows:

$\sum +$ DAC/TA= TAC/TA –(a1 (1/TA) +a2 (ΔREV/TA)

All variables in the model were normalized by dividing them by the total assets at the start of the period (TA) to mitigate the impact of size disparities among firms when calculating the magnitude of discretionary accruals during the period (t), as justified by Jones (1991). This adjustment includes both revenue changes and total assets in machinery and equipment. The regression model aims to adjust for shifts in non-discretionary accruals due to alterations in the firm's economic conditions. The current study will rely on applying the Jones (1991) model to data from a cross-section of companies within the same industry.

4/3-Dependent variable

The market value of stocks is represented by the prevailing stock price in the financial market, indicating the price investors are prepared to pay for the company's assets. It serves as a measure of the price at which the company's stocks are actually traded on the stock exchange at the end of the year. This value is calculated by multiplying the closing price of the stock at the end of the year by the number of stocks traded. This metric is important because it reflects the market's valuation of the company, incorporating various factors including the company's financial performance, growth prospects, and market conditions.

4/4-control variables:

Regulatory variables relevant to the disclosure tone and stock value encompass several key aspects:

- **Company Size**: This is measured by the natural logarithm of the company's total assets
- **Company Age:** The age of the company is quantified by the natural logarithm of the number of years since the company's establishment. Similar to company size, using the logarithm for age standardizes this variable
- **Report Readability (Length):** This is assessed by the size or length of the annual report. While not always directly correlated with readability in terms of complexity or ease of understanding, the length of the report can be an indirect measure of how comprehensive the disclosed information is. A longer report might indicate more detailed disclosure, but it could also pose challenges in terms of reader engagement and clarity .

5-Research Design:

The multiple regression model (Memonn et al., 2019) was used to test the research hypotheses, and in order to test the first hypothesis H_{01}, which seeks to verify the significance of the disclosure tone impact on the Market Value of stocks, the first regression model was formulated as follows:

<u>First regression model:</u>

MV $= \beta_0 + \beta_1$ TONE $+ \beta_2$ Size $+ \beta_3$ Age $+ \beta_4$ Length $+ \varepsilon$ H_{01a}

This Model examines the direct effect of disclosure tone on Market Value of stocks. And β_0 refers to regression constant, while β_1 to β_4 refers to Coefficients of the independent and control variables

The alternative measure of disclosure tone is the abnormal tone. According to the study of (Huang et al., 2014), the abnormal tone is determined as the residual in the regression model that includes the net tone, where Net Tone (TONE) in the first model is replaced by the abnormal tone (AB-TONE). This is as follows

MV $= \beta_0 + \beta_1$ AB-TONE $+ \beta_2$ Size $+ \beta_3$ Age $+ \beta_4$ Length $+ \varepsilon$ H_{01b}

Where:

MV: Market Value of stocks,
AB-TONE: Abnormal Tone,
Size: Company Size,
Age: Company Age,
Length: Report Readability.

To test the second hypothesis H_{02}, which seeks to verify the significance of the earnings management impact on the Market Value of stocks, the second regression model was formulated as follows:

Second regression model:

MV $= \beta_0 + \beta_1$ DAC $+ \beta_2$ Size $+ \beta_3$ Age $+ \beta_4$ Length $+ \varepsilon$ H_{02}

To test the joint effect of the interaction between disclosure tone and earnings management, the third regression model was formulated as follows:

<u>Third regression model:</u>

MV $= \beta_0 + \beta_1$ TONE $+ \beta_2$ DAC $+ \beta_3$ (TONE*DAC) $+ \beta_4$ Size $+ \beta_5$ Age $+ \beta_6$ Length $+ \varepsilon$ H_{03}

6-Determine the validity of measures and regression models

The variance inflation factor (VIF) was calculated for the purpose of examining the extent of the existence of multicollinearity problems between the independent variables and each other, as the greater the value of this factor than (3), the more this indicates the possibility of a high level of multicollinearity problems.

Table No (1)
Collinearity Statistics results (VIF)

Independent Variables	VIF	Tolerance
TONE	1.192	.839
AB-TONE	1.140	.870
DAC	1.070	.935
Size	1.304	.767
Age	1.459	.685
Length	1.444	.693

Table No (1) above shows that (VIF) values have a maximum value of 1.459, that is, in the case of Company Age, which is less than 3. And Permissible variance test (Tolerance) have a minimum value of 0.685, which is more than 0.1, this signifies the absence of multicollinearity problems in the reported results.

Also we calculated the correlation relationship between the independent variables, to ensure that the model was free of the problem of autocorrelation. The Pearson correlation coefficient test was conducted to study the degree of autocorrelation between the independent variables. We can also display the correlation coefficients between the dependent variable and the independent and control variables through table no (2):

Table No (2) Correlation analysis

Variables	MV	TONE	AB-TONE	DAC	Size	Age	Length
MV	1						
TONE	.296*	1					
AB-TONE	.412**	.359*	1				
DAC	.388**	-.062	-.115	1			
Size	.663**	.214	.185*	-.400**	1		
Age	-.210*	-.160	-.207	.063	.211	1	
Length	.166*	.145*	.237*	.185	.221	-.540**	1

*correlation is significant at the 0.05 level (2-tailed).
**correlation is significant at the 0.01 level (2-tailed).

Table No (2) above shows the following:

- The results show positive and negative correlations between the independent and dependent variables.

- There is a significant positive correlation between Market value and both disclosure Tone, AB-TONE, earnings management, report length and company Size, were the correlation coefficient reached 0.296, 0.412, 0.388, 0.166 and 0.663 at the significance level of 0.05 and 0.01.
- There is a significant negative correlation between a company's market value and company age, were the correlation coefficient reached -0.210 at the significance level of 0.05.
- In the other situations, the results show that the highest correlation value among the independent and control variables is -0.540 between company age and report length, which is less than 0.70, This indicates that there are no multicollinearity issues in the current study.

- Descriptive statistics.

The results in table no (3) provide descriptive statistics for the study's variables as flow:

Table No (3) Descriptive statistics

Variables	Obs.	Min	Max	Mean	Std. Dev.
MV	45	7.5333	10.636	9.460	.7600
TONE	45	2	10	6.155	1.691
AB-TONE	45	.0756	.2632	.1655	.0396
DAC	45	.0005	.6533	.3551	.1269
Size	45	7.8648	10.739	9.7221	.7142
Age	45	.9031	1.634	1.303	.2060
Length	45	.20	1.00	.7956	.2645

Source: statistical analysis results

Previous table no (3) provide the descriptive statistics as flow:

- The dependent variable (Market Value of stocks) ranges between 7.533 and 10.636, with an average of 9.46, with a standard deviation of 0.760, It is also clear that the standard deviation is low, which indicates the low dispersion among the sample companies in terms of Market value.
- Concerning TONE, the results demonstrate that the average TONE is 6.155, with a maximum TONE of 10 and a minimum of 2, with a standard deviation of 1.691. While the average of Abnormal Tone (AB-TONE) was 0.1655 with stander deviation of 0.0396.
- With regard to earnings management (DAC), the results demonstrate that the average DAC is 0.3551, with a standard deviation of 0.1269, with a maximum of 0.6533 and minimum of 0.0005.

- With regard to control variables, it reached the average value of company size 9.722 with stander deviation of 0.7143, while the company Age recorded an average value 1.30 measured by natural logarithm of the company age from the date of incorporation, while Report Readability (Length) recorded an average value 0.7956 with a maximum of 1.00 and a minimum of 0.20.

7- Testing hypothesis:

7/1-Test hypothesis No. 1

H_{01}: "**The tone of narrative disclosures has a significant impact on the Market Value of stocks**"

For testing the first hypothesis of the study, the direct effect of disclosure tone on Market Value of stocks, are estimated using the multiple regression model.

Table No (4) Regression analysis for H_{01a}

Dependent variable	Predicators	Coefficients B	T-value
Market Value	Constant	1.001	.969
	TONE	.386*	6.454
	Size	.863**	9.282
	Age	-.171*	-4.598
	Length	.135	1.505
R	.872	F	31.662
R^2	.760	Sig.	.000
Adj. R^2	.736	Std. Error	.39055

Source: statistical analysis results

From the previous table the following conclusions can be drawn:

1-Correlation coefficient R is equal to 0.872, which means that there is a strong direct correlation between Market value and independent and control variable.

2-R Square value is 0.760, which means that 76% of the change in Market value is due to changes in disclosure tone, and the rest of the changes in Market value are due to other factors outside the model.

3-The results show that TONE have a statistically significant (þ-Value <0.05) positive (+β) influence on MV.

Based on the above, F value 31.662, and (Sig=.000) for model, which means that there is a significant positive impact of disclosure tone on Market Value of stocks. The following table provides additional confirmation of this result by replacing net tone with the abnormal tone (AB-TONE) while holding the rest of the variables constant as they are in the first model.

Table No (5) Regression analysis for H_{01b}

Dependent variable	Predicators	Coefficients B	T-value
Market Value	Constant	1.632	1.362
	AB-TONE	.287*	5.866
	Size	.885**	9.802
	Age	-.207*	-4.741
	Length	.119	.971
R	.869	F	30.917
R^2	.756	Sig.	.000
Adj. R^2	.731	Std. Error	.39408

Source: statistical analysis results

The previous table shows that the coefficient of abnormal tone is positive (0.2687) and significant at (sig. <0.05), which is consistent with the direction and essence of the relationship with respect to the net tone coefficient.

Then we can accept first hypothesis of the study which mean that "**The tone of narrative disclosures has a significant impact on the Market Value of stocks**".

7/2-Test hypothesis No. 2

H02: "**Earnings management has a significant impact on the Market Value of stocks**"

For testing the second hypothesis of the study, the direct effect of earnings management on Market Value of stocks, are estimated using the multiple regression model.

Table No (6) Regression analysis for H_{02}

Dependent variable	Predicators	Coefficients β	T-value
Market Value	Constant	1.239	1.244
	DAC	1.645*	2.430
	Size	.833**	9.382
	Age	-.167*	-2.102
	Length	.005	.018
R	.883	F	35.412
R^2	.780	Sig.	.000
Adj. R^2	.758	Std. Error	.374077

Source: statistical analysis results

From the previous table the following conclusions can be drawn:

1-Correlation coefficient R is equal to 0.883, which means that there is a strong direct correlation between Market value and independent and control variable.

2-R Square value is 0.780, which means that 78% of the change in Market value is due to changes in earnings management, and the rest of the changes in Market value are due to other factors outside the model.

3-The results show that DAC have a statistically significant (þ-Value <0.05) positive (+β) influence on MV.

Based on the above, F value 35.412, and (Sig=.000) for model, which means that there is a significant positive impact of earnings management on Market Value of stocks.

Then we can accept second hypothesis of the study which mean that "**Earnings management has a significant impact on the Market Value of stocks**".

7/3-Test hypothesis No. 3

H03: "**There is a joint significant impact of disclosure tone and earnings management on the Market Value of stocks**"

For testing the third hypothesis of the study, the direct effect of earnings management and disclosure tone on Market Value of stocks, are estimated using the multiple regression model.

Table No (7) Regression analysis for H_{02}

Dependent variable	Predicators	Coefficients β	T-value
Market Value	Constant	2.108*	2.154
	TONE	2.104*	2.374
	DAC	1.001*	2.517
	TONE*DAC	6.034*	3.094
	Size	.657**	6.581
	Age	-.149	-.472
	Length	.040*	2.872
R	.907	F	39.487
R^2	.823	Sig.	.000
Adj. R^2	.759	Std. Error	.343903

Source: statistical analysis results

From the previous table the following conclusions can be drawn:

1-Correlation coefficient R is equal to 0.907, which means that there is a strong direct correlation between Market value and independent and control variable.

2-R Square value is 0.823, which means that 82.3% of the change in Market value is due to changes in both earnings management and disclosure tone, and the rest of the changes in Market value are due to other factors outside the model.

3- The results show that Tone have a statistically significant (þ-Value <0.05) positive (+β) influence on MV.

4-The results also show that DAC have a statistically significant (þ-Value <0.05) positive (+β) influence on MV.

5-The joint effect coefficient of disclosure tone and earnings management (TONE*DAC) was also significant (þ-Value <0.05) and positive (+β) impact on Market Value.

Based on the above, F value 39.487, and (Sig=.000) for model, which means that there is a joint positive significant impact of disclosure tone and earnings management on Market Value of stocks.

Then we can accept third hypothesis of the study which mean that "**There is a joint significant impact of disclosure tone and earnings management on the Market Value of stocks**".

The following table no (8) presents a summary of the results of hypothesis testing:

Table No (8)
Summary of hypothesis testing results

Hypothesis	Variables	Coefficients (β)	Testing results
H_{01a}	Dependent: Market Value of stocks Independent: TONE	0.386*	Accept
H_{01b}	Dependent: Market Value of stocks Independent: AB-TONE	0.287*	Accept
H_{02}	Dependent: Market Value of stocks Independent: Earnings Management	1.645*	Accept
H_{03}	Dependent: Market Value of stocks Independent: Joint effect (TONE*DAC)	6.034*	Accept

Conclusion:

This research contributes to the literature on accounting disclosure and the value of company stocks by clarifying the impact of narrative disclosure tone on stock value. The study is based on a sample of 9 non-financial companies listed on the Egyptian Stock Exchange, and the data related to the research variables were extracted from the annual reports of these companies for the period between 2019 and 2023.

The researcher believes that this significant difference in the volume of narrative disclosures is due to the initiative of developed countries to voluntarily disclose narrative information in their annual reports. This was followed by professional bodies issuing a set of guidelines on corporate sustainability disclosure. Furthermore, these countries went beyond this by mandating companies to disclose a sustainability report, a social responsibility report, and an integrated report. In contrast, Egyptian companies still disclose narrative information in social responsibility and sustainability reports on a voluntary and limited basis and have not yet adopted the integrated report at all.

The regulatory requirements of the Egyptian Financial Supervisory Authority regarding the expansion of non-financial disclosures, such as governance rules, stock exchange listing rules, and the sustainability disclosure guidelines, along with actual practices of expanding voluntary non-financial disclosures by some companies listed on the Egyptian Stock Exchange, have resulted in a significant increase in the number of annual reports disclosed. Additionally, there has been a noticeable increase in the proportion of disclosures in these reports.

The primary hypothesis (H01) posits the existence of a fundamental impact of narrative tone on stock value. The results of hypothesis testing have shown a significant impact of both the net tone (H01a) and abnormal tone (H01b) on stock value at a significance level below 0.05. This confirms that both types of narrative tone in the annual reports of the studied companies provide signals about stock value. Therefore, investors should pay attention to these disclosures and use them as indicators to determine both current and future stock value.

As for the second hypothesis (H02), it means that "Earnings management has a significant impact on the Market Value of stocks." The results indicate that earnings management (DAC) has a statistically significant positive impact (+β) on Market Value. Based on the foregoing, the F value is 35.412, and (Sig=.000) for the model, indicating a significant positive impact of earnings management on Market Value of stocks.

Regarding hypothesis H03, there is a significant joint positive impact of disclosure tone and earnings management on Market Value of stocks. The joint impact coefficient of disclosure tone and earnings management (TONE*DAC) was also statistically significant (þ-Value <0.05) and had a positive (+β) impact on Market Value. Based on the above, the F value is 39.487, and (Sig=.000) for the model.

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